

We light up
your world.

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Fagerhult Group is a leading global manufacturer of professional lighting solutions. Our operations encompass four business areas with 12 leading brands within professional lighting.

With our in-depth knowledge and insight about the impact of light on humans, we create innovative and sustainable lighting solutions, adapted to a range of different application areas. The AB Fagerhult share is traded on Nasdaq Stockholm.

Our company

From local to global company

Fagerhult Group's history began more than 75 years ago, as a family business in Fagerhult. Today, we are a leading global manufacturer of professional lighting solutions, with operations in 27 countries.

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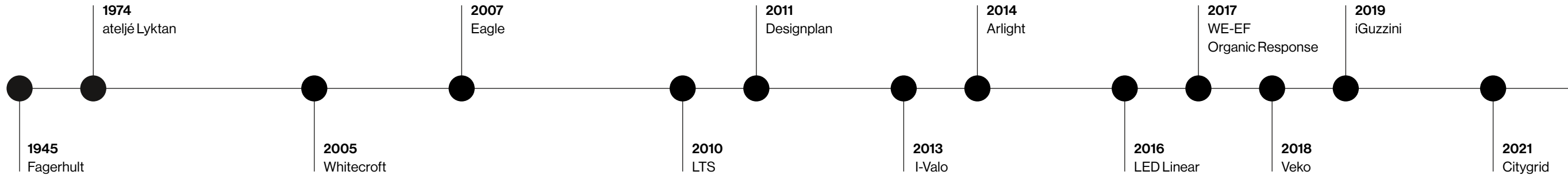
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Our presence

Fagerhult Group has subsidiaries in 27 countries. Our operations are allocated into four business areas and run within our 12 lighting brands. Our local sales companies fall under one of our lighting brands and are responsible for the local market.

Marketing and sales are primarily managed through local sales companies and, in some cases, through agents and distributors. In total, this gives us access to more than 40 globally markets.

We believe in the importance of being located close to our customers. A key component of our strategy is that our brands are

complete companies with all of their functions gathered in one location.

All 12 of our brands are based close to where they were founded. Research and development as well as design and production units are located in Sweden, Italy, Finland, the UK, Germany, Australia, Turkey, China, Thailand, the Netherlands and Canada. We have a total of 17 production units in the Group.

Countries

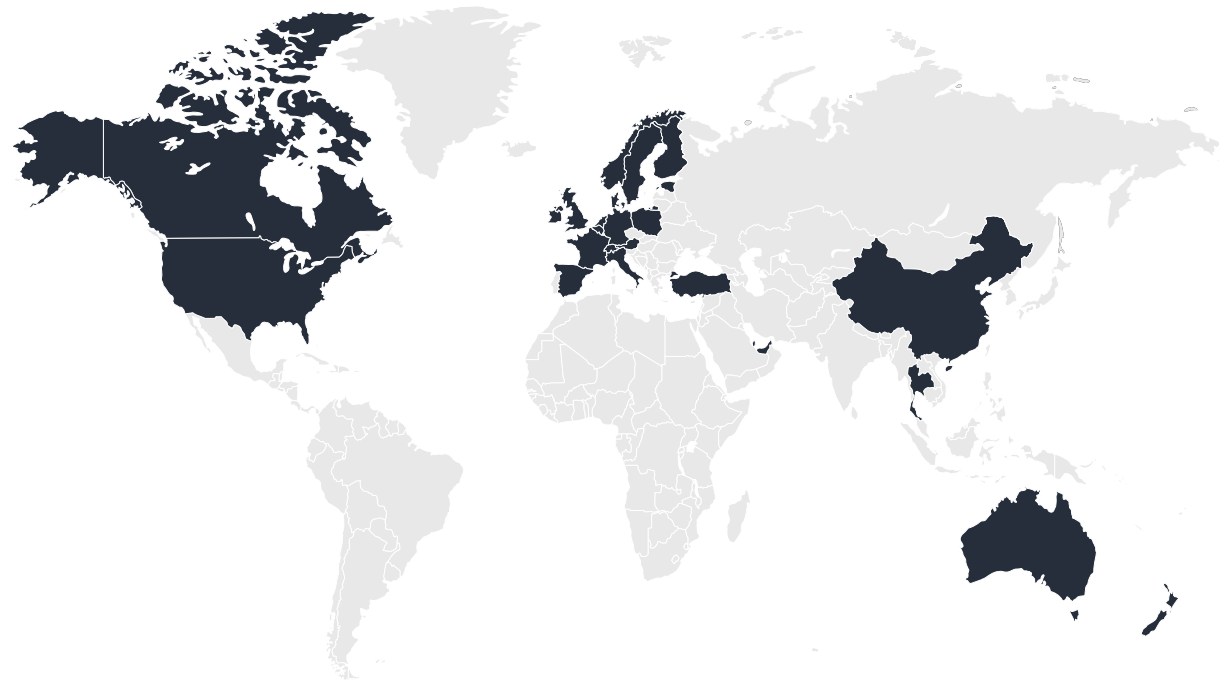
27

Brands

12

Employees

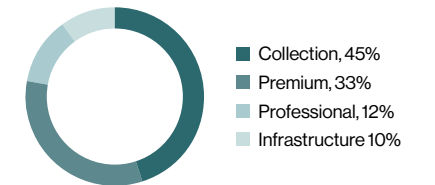
4,100



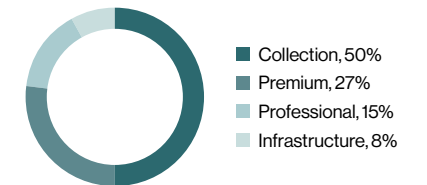
Sales per region:



Sales per business area:



Employees per business area:



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Our lighting companies are organised into four business areas based on application areas, target groups and geographic markets. We work closely together with our partners to create the best and most sustainable lighting solutions for our customers.

Business areas	<p>Collection</p> <p>Global brands for environments with stringent requirements in terms of architectural design.</p>	<p>Premium</p> <p>Customised lighting solutions for the European market and global retail customers based in Europe.</p>	<p>Professional</p> <p>Lighting solutions for indoor environments, with a focus on local and neighbouring markets.</p>	<p>Infrastructure</p> <p>Adapted lighting solutions for environments with special requirements for installation and robustness, often in infrastructure and industrial projects.</p>
Brands	<p>ateljé Lyktan</p> <p>iGuzzini</p> <p>LED LINEAR™</p> <p>we-ef</p>	<p>FAGERHULT</p> <p>LTS LOVE TO SHINE</p>	<p>ARLIGHT</p> <p>Whitecroft lighting</p> <p>EAGLE LIGHTING</p>	<p>designplan LIGHTING</p> <p>VALO</p> <p>VEKO LIGHTSYSTEMS</p>

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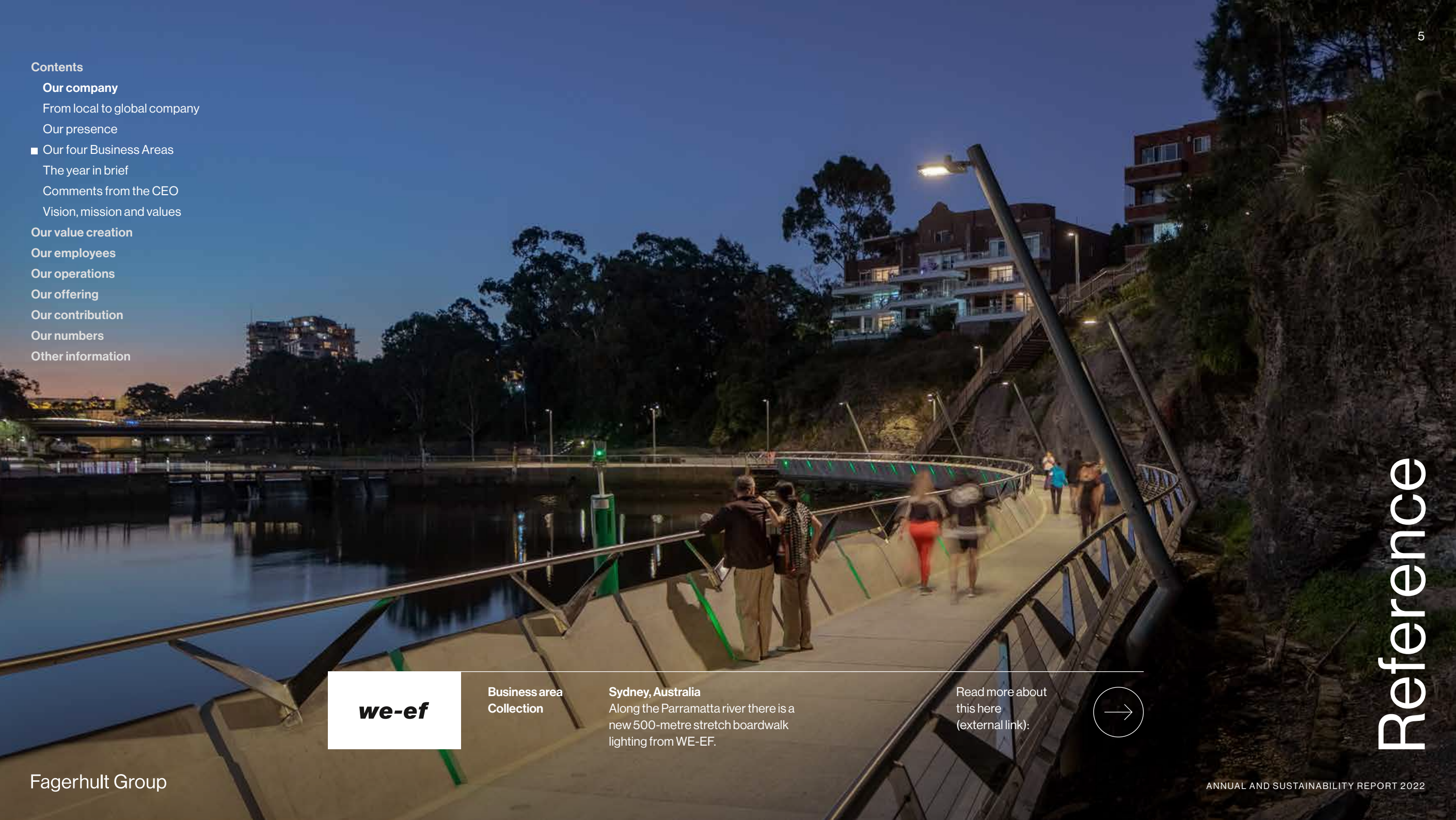
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Business area
Collection

Sydney, Australia

Along the Parramatta river there is a new 500-metre stretch boardwalk lighting from WE-EF.

Read more about this here (external link):



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The year in brief

Innovation

Innovation is one of our most important areas and where we have always focused. We strive continuously to develop new, more innovative lighting solutions that improve well-being or that are better suited for their applications and markets.

During the year we have seen several new innovative products from our different brands. There has been a great deal of focus on finding new materials that have a lower climate impact, for example Fagerhult Discovery. We also launched more Cradle-to-Cradle certified products like the Whitecroft Selene 2, which have a fully mapped life cycle. Nonetheless we are also continuing to challenge ourselves to develop the best optical solutions and to take full advantage of the possibilities of LED technology, such as with the iGuzzini Crystal.

We also continued our investments in smart lighting. We refer to the technology as connectivity and we have two solutions: Organic Response for indoor installations and Citygrid for outdoor installations. During the year we aligned these operations under a new Chief Technology Officer (CTO) for the Group. Market demand continues to increase and these solutions are key for achieving the energy savings required by the Paris Agreement and the EU's Green Deal.

Sustainability

During the year we took major steps in sustainability. We further developed the Group's sustainability agenda and identified our focus areas.

In 2022, we mapped all the greenhouse gas emissions for our entire operations based on scope 1, 2 and 3 from the Greenhouse Gas Protocol (GHG). Based on this information, we then committed to the Science Based Targets initiative (SBTi). These targets are drawn from the climate science behind the Paris Agreement. We have committed to the more ambitious 1.5 degree target and to being a climate-neutral organisation by no later than 2045. We have submitted all of our documentation to SBTi and are now waiting to have our targets validated.

In 2022, we also noted a significant increase in demand for renovation projects where lighting was being replaced primarily for energy savings. Since the latest technology and our own solutions for smart lighting can achieve energy savings of up to 90%, this leads to a significant amount of savings. In connection with these renovation projects, we also developed a more circular offering. Several of our brands now offer upgrades of existing luminaires with new LED technology and smart lighting solutions. Retaining the luminaire housing significantly reduces the amount of raw material used and maintains the original architectural expression. This is an option we have just introduced and that we expect to grow during the next few years.

Employees and Group culture

Our ability to recruit and retain valuable employees, and to develop our leaders, is essential for our future performance. During the year, the new area of leadership principles was added to our strategy, which will be very important for the future.

In 2022, we focused a great deal on our shared values and culture. The work is long-term and tailored to the local conditions at each company. Several projects were carried out during the year, primarily focused on leadership training, and safeguarding and developing our local presence in all of our markets as we build a strong shared culture. Great care has been taken to build networks within and between our companies and business areas for dialogue and knowledge exchange around our values and culture.

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Financial performance

The Group delivered its best year ever in 2022. The order intake of SEK 8,243 million was a new record – and the first time we achieved over SEK 8 billion. New records were also set in net sales, with SEK 8,270 million and organic growth of 11 per cent.

Operating profit increased quarter-by-quarter to reach a record high of SEK 255 million for the fourth quarter, despite the fact that seasonality for this quarter often makes it a weak one. For the full year we posted an operating profit of 10.1 per cent despite challenges from cost pressures in the supply chain and inflationary pressures.

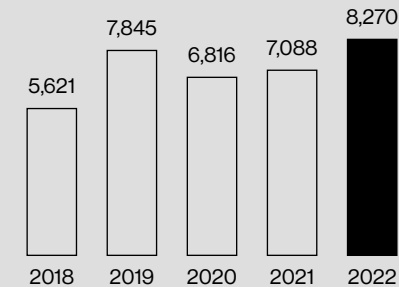
Results and key figures

	2018	2019	2020	2021	2022
Net sales, MSEK	5,621	7,845	6,816	7,088	8,270
Operating profit, MSEK ¹⁾	706	795	333	706	833
Profit after financial items, MSEK ¹⁾	667	696	217	622	791
Earnings per share, SEK ¹⁾	4.39	3.32	3.21	2.64	3.27
Sales growth, %	8.7	39.6	-13.1	4.0	16.7
Operating margin, % ¹⁾	12.6	10.1	4.9	10.0	10.1
Net debt/EBITDA ¹⁾	2.0	2.9	3.2	2.3	2.4
Equity/assets ratio, % ¹⁾	32	42	47	49	52
Return on capital employed, % ¹⁾	14.8	10.8	3.5	6.9	8.1
Return on equity, % ¹⁾	25.0	13.5	10.1	7.8	8.8
Net debt, MSEK ¹⁾	2,073	3,737	2,812	2,603	2,971
Net investments in non-current assets, MSEK	123	243	184	150	180

¹⁾ The Group has applied IFRS 16 Leases from 1 January 2019. The affected figures have been marked. For more information, please refer to Accounting Policies, pages 128–132 and Note 26, page 149.

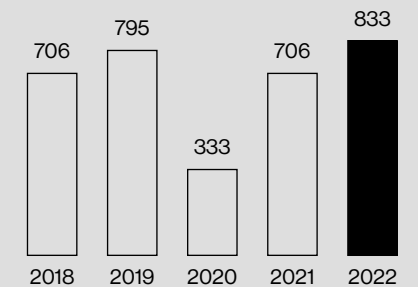
Net sales

MSEK **8,270**



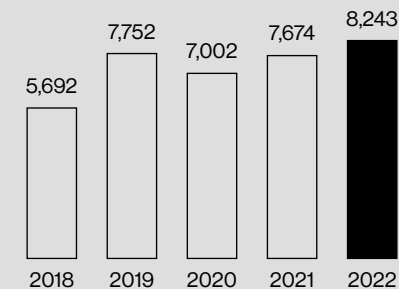
Operating profit

MSEK **833**



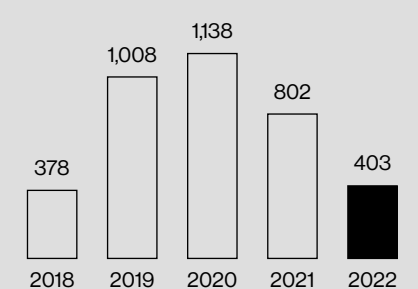
Order intake

MSEK **8,243**



Operating cash flow

MSEK **403**



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Sustainability performance

During the past year we launched our new sustainability agenda, “Positive Change for Better Living,” which further strengthens our focus on sustainability topics and processes. This was the result of a thorough and structured process with a wide variety of activities and projects, including screening of all the United Nation Sustainable Development Goals and a complete materiality analysis including dialogues with more than 70 different stakeholders.

The next step in sustainability was to identify our position by mapping the emissions of all of our brands according to the GHG Protocol. The results made it clear how dominant the use phase is, which highlights the importance of continuing to work with energy efficiency and smart lighting solutions. Alongside the mapping, projects and activities were identified to reduce our footprint in all of our main areas. In 2023, we will introduce several of these activities with partnerships throughout the Group. Our ambitions are also connected to objectives within the various scopes of the GHG Protocol (1, 2 and 3) that are in line with meeting the Paris Agree-

ment’s 1.5°C target. These targets have also been submitted to Science Based Targets initiative (SBTi) to be validated during 2023.

Another area with a clear connection to this work is the new, more comprehensive legal requirements in the EU Taxonomy. This entails reporting which activities are Taxonomy-eligible activities as well as which are Taxonomy-aligned. A relatively large portion of our sales are eligible. Since aligned/sustainable sales are defined by different energy classes, we have carried out a thorough review of where our sales fall in terms of energy classes A through G as well as the portion of sales that include sensors. We are well positioned, with a high portion of sales just under the two highest energy classes, and with our systematic work to continuously implement the most recent technology, we are approaching higher energy classes in all of the solutions from our brands.

Fagerhult Group – Sales by energy classes

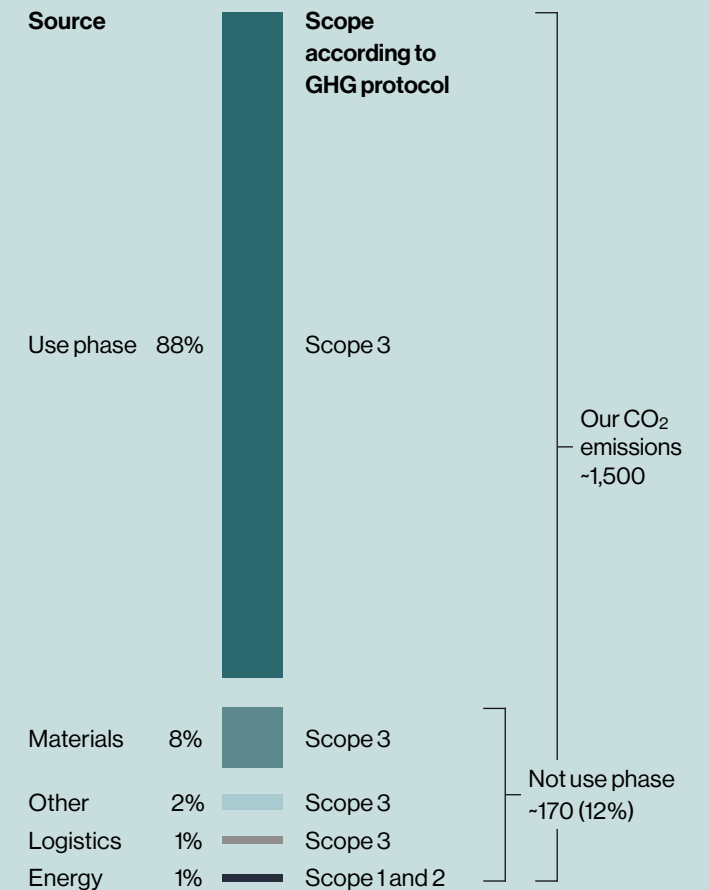
External net sales (%)	Share
Energy class A	0%
Energy class B	1%
Energy class C	20%
Energy class D	26%
Energy class E	22%
Energy class F	11%
Energy class G	4%
Without energy classification ¹⁾	16%
	100%
Share of net sales with light controls/sensors included ²⁾	5%

¹⁾ e.g outdoor poles, healthcare panels.

²⁾ Related to luminaries with integrated sensor for presence or daylight control.

Footprint from products sold by Fagerhult Group 2021 (our baseline year for SBTi)

Kilotonne CO₂e



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**Business area
Infrastructure**

Birmingham, UK

Upgrading the lighting at New Street Station lowered energy consumption 57 per cent compared with the original installation from 1998.

Read more about this here (external link):



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Comments from the CEO

2022 was a good year for the Fagerhult Group and I take great pleasure in our achievements. We achieved our highest sales ever and we delivered a strong result. Moreover, we also made substantial advances in our sustainability agenda and strengthened our position as a purposeful and committed player that contributes to the creation of a sustainable society.

We made significant progress on our sustainability agenda during the year. For example, we mapped our carbon footprint and committed to the Science Based Targets initiative. We are committed to reducing our greenhouse gas emissions in line with the Paris Agreement's 1.5°C target and we will be a fully climate-neutral business by 2045. I take great pride in this and it is an important step for the Group, whereby we clearly set out our ambition to make a tangible and measurable reduction in the environmental impact of our operations.

Sustainability and innovation are driving development

The geopolitical turmoil in Europe has resulted in increased interest in energy efficiency and we have noted a considerable increase in demand for renovation projects. This is also driven by the upcoming EU-wide ban on the sale of traditional fluorescent lights in 2023. This creates new business opportunities for us and we are carrying out an increasing number of projects where we renovate and upgrade existing luminaires with new technology. We are at the forefront in this area, largely due to our strategy of



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focusing on local production close to our customers. The upgrade of existing products is a key component of our long-term strategic transition toward a more circular business model.

Lighting accounts for up to 15 per cent of global energy consumption. By using the latest technology, we can significantly lower this consumption compared to traditional technologies. We continue to invest in smart lighting, where we made considerable advances during the year and have noted strong growth in the market. Connected lighting solutions help to optimise use and thereby minimise energy consumption without affecting users' lighting experience. Smart lighting combines the latest LED technology with connectivity solutions to achieve energy savings of up to 90 per cent compared to a traditional lighting installation.

We create lighting solutions that make people and the environment feel better. Our innovative technology not only enables lighting to be controlled as needed – it also allows control of, for example, temperature and ventilation for a comfortable indoor climate, leading to enhanced well-being and improved work performance for the people who spend time there. Smart lighting can also help with other aspects, such as monitoring various types of equipment to be able to optimise maintenance, or security and fire protection. The applications are almost endless. This creates new business possibilities in partnership with suppliers of other installations for buildings and urban environments, which we expect to continue to develop strongly in future years.

2022 a very good year

When looking back on 2022, it was a very good year for the Fagerhult Group. We achieved the highest net sales in the Group's history. Sales totalled SEK 8,270 million. We also posted strong earnings of SEK 833 million together with an operating margin of 10.1 per cent. This was despite the challenges presented by the year in terms of logistics flows, component shortages, inflation and

not least the geopolitical turmoil in Europe. Russia's invasion of Ukraine prompted us to decide in early March to wind up our sales organisation in Russia. This has been conducted with great care for our employees and pursuant to the applicable legal requirements. The strong results that we delivered for the year despite these challenges is a good testament to our ability to adapt to new conditions.

Curious, learning and innovative culture

Over the year, we have evolved as an organisation with a clear shared agenda and with the capacity and willingness to face challenges together. Work with our shared culture continues with our core values: Curious Creators; Committed Together; and Aim Higher. The objective is a culture where we learn from each other and all development is driven by curiosity and innovation. We have demonstrated our capacity to adapt to a changing world and to drive sustainable development through continuous renewal of our products and solutions.

Outlook

We enter 2023 with great confidence and with the conviction that we are very well-positioned to contribute to a more sustainable society with smart, future-proof lighting solutions that also provide high quality light. Our collective expertise in good lighting together with all our dedicated employees with their passion for light and sustainability are an incredible asset for us and I would like to conclude by thanking all our employees for the past year.

Habo in March, 2023

Bodil Sonesson
President and CEO

We enter 2023 with great confidence and with the conviction that we are very well-positioned to contribute to a more sustainable society.

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Vision

A world
enhanced
by light

Our vision acts as overall message for all our operations. It addresses the significance of light in all environments and reflects the drivers that characterise and unify the companies that comprise the Fagerhult Group. That we are strongly rooted in a culture of innovation and that our passion for lighting will make the world more beautiful and help people feel better.

Mission

Together we innovate to create value and deliver professional lighting solutions that are circular, climate positive and contribute to better lives.

The shared path forward toward our long-term goals – our strategy for everyday work – is summarised in our mission, which clarifies the importance of collaboration, innovation and strong focus on sustainability in everything we do. We have high ambitions in sustainability, with a focus on carbon dioxide emissions as well as circularity.

Core Values

Curious Creators
Committed Together
Aim Higher

Our core values are **Curious Creators, Committed Together** and **Aim Higher**. Put together: **Curious Creators that are Committed Together to Aim Higher**. These values effectively reflect how we act and what we need to do to maintain our success.

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Our value creation is based on our vision, “A world enhanced by light.” Through the right lighting, we create environments that are better and more attractive for society and for people. Our work is based on trends in our operating environment and the drivers that affect us.

We have set several long-term targets for our operations in terms of financial performance as well as our shared sustainability agenda.

Our value creation

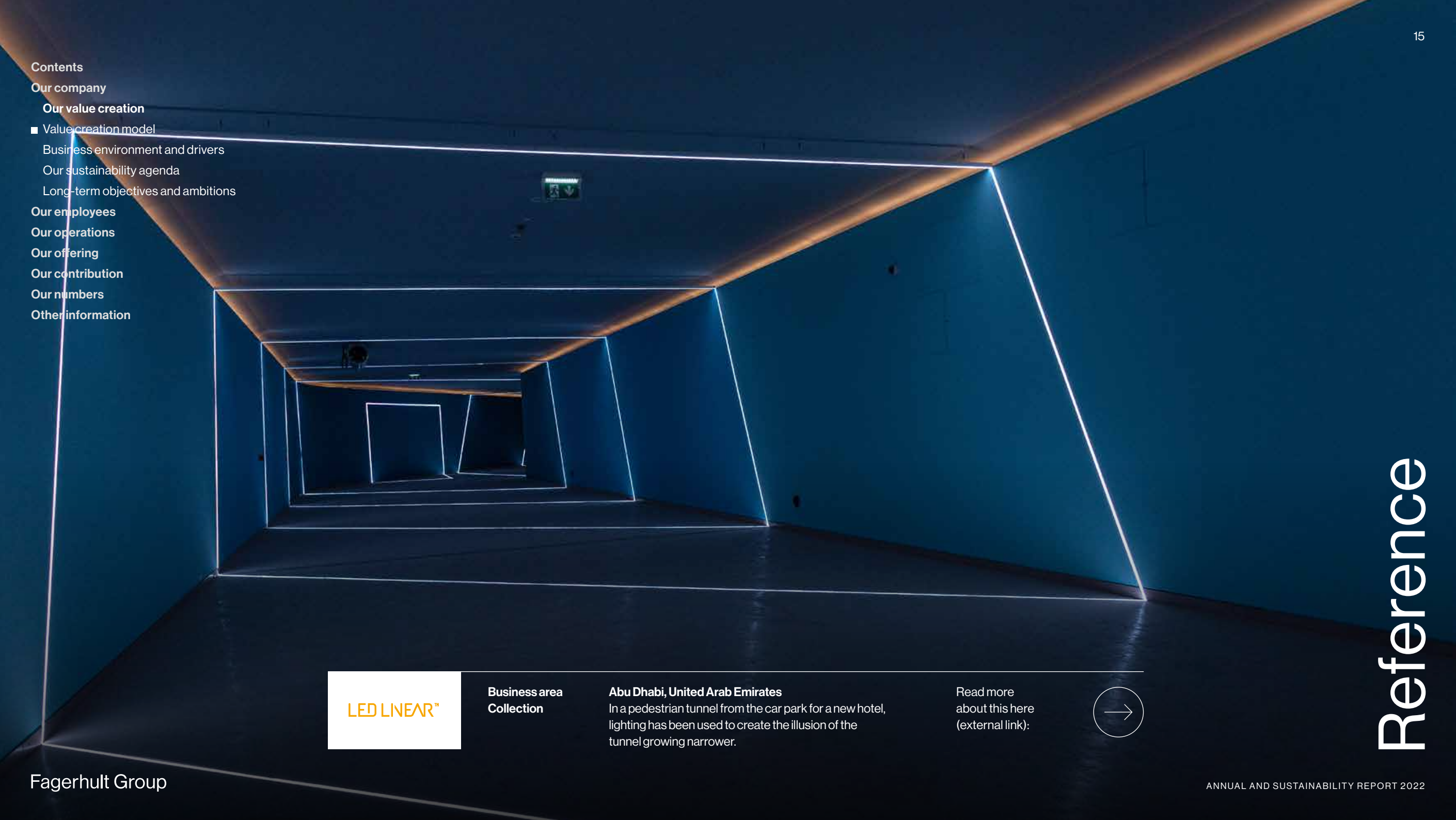
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Value creation model

We create value for society by working towards our vision, “a world enhanced by light.” Our work is based on our business environment and we take the drivers that affect us into account. We work based on three perspectives: our employees, our operations and our offering. This perspective is also connected to our sustainability agenda – ‘Positive Change for Better Living’. We have several long-term ambitions for our business. On the financial side, they are long-term and across an economic cycle, while our climate targets are set on two different time horizons, to be validated by Science Based Targets initiative (SBTi).



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Business area
Collection

Abu Dhabi, United Arab Emirates

In a pedestrian tunnel from the car park for a new hotel, lighting has been used to create the illusion of the tunnel growing narrower.

Read more
about this here
(external link):



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Business environment and drivers

Including sustainable development in decisions regarding how we live our lives, how we conduct operations and how we plan for the future is now the norm. Several global trends contribute both to challenges and to opportunities going forward to achieve a long-term sustainable society. Within Fagerhult Group we follow short- and long-term trends that affect us and regularly adapt to take advantage of trends or, sometimes, counteract them.

Demand is constantly growing for sustainable solutions with low energy consumption that have been manufactured responsibly with sustainable materials.

Climate change

Climate change is the overshadowing global megatrend for individuals, companies and societies all over the world. Demand is constantly growing for sustainable low-energy solutions that have been manufactured responsibly with sustainable materials. For the construction industry, which accounts for 40 per cent of the world's carbon dioxide emissions, this is a critical matter. Existing buildings also account for 30 per cent of worldwide energy consumption. Today we already have technology that can increase energy efficiency and reduce the industry's carbon footprint: LED lighting has been around for fifteen years but is only used in one out of three buildings in Europe, on average.

What we do:

Our value chain is characterised by sustainability in every step, from design and development, through manufacturing in our own factories close to customers, and to sales and after-market services

We deliver energy-efficient solutions with resource-efficient production and develop products from a lifecycle perspective.

We jointly conduct intense development work throughout all business areas. We develop solutions that lead to reduced material consumption and an increased focus on reuse. Smart lighting and the latest LED technology can drastically reduce energy consumption – up to 90% compared with a traditional installation. Our carbon footprint is also kept low through local production close to our customers.

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Global power relations

Energy shortages and rapidly rising energy prices due to the increased global tensions following Russia's invasion of Ukraine have created an increased awareness of the importance to improve energy efficiency. Changing lighting solutions is part of the solution and is a relatively simple measure. The growing geopolitical tension also creates tension in supply chains, making it necessary for companies to review their footprint in order to meet customer needs.

What we do:

We apply a sustainability perspective to all parts of operations. Everything from design, manufacturing, installation and operation to service is to be characterised by smart use of resources and high energy efficiency. Our products have the largest climate impact from their use phase. Using smart lighting with the latest LED technology significantly lowers energy consumption with a consequent reduction in climate impact.

Shifts in the global balance of economic power, together with moves away from globalisation, have both a positive and a negative effect on us. We see a negative impact on the global economy, rising inflation and stresses on global supply chains.

At the same time, our strategy of being near customers with local production also has advantages. For example, we can offer customised renovation projects in a way that would be impossible if our manufacturing had been entirely based in somewhere like Asia. Our production facilities are close to their local markets, rather than at the other end of a long and vulnerable supply chain, which makes us less exposed to geopolitical turmoil. Our decentralised operations in four business areas with individual brands also has advantages and creates additional robustness.

Digitalisation

The rate of digitalisation is increasing and new applications are appearing regularly. For the lighting industry, digitalisation and smart lighting are important components in creating sustainable solutions and installations. Ecosystems around smart buildings and cities continue to evolve rapidly. Digitalisation and smart lighting enable actors to connect installations from different areas and sectors, and to create new sustainable added value in ecosystems around properties and in urban environments.

What we do:

We now offer smart lighting for outdoor and indoor application areas. Smart lighting refers to sensor-equipped luminaires that can share and receive information about their surroundings. To that end, these luminaires are equipped with connectivity solutions including sensors and communication equipment.

We offer two connectivity solutions for smart lighting, Organic Response for indoor use and Citygrid for outdoor use. Development is done at Group level, ensuring that know-how and new solutions are made available to all our brands.

Our open systems are easy to install and use as well as tailored to the respective application. Using open systems, we collaborate on digital solutions for properties with a variety of partners, for example in construction, ventilation and safety, so that together, we can create added value for customers and users.

Urbanisation

Accelerating urbanisation around the world means that more than half of the world's population lives in cities. Additionally, we now spend close to 90 per cent of our time indoors. Good lighting, indoors and outdoors, has thus become essential for our lives. Indoors, the right lighting contributes to comfortable environments to support well-being. Outdoors, lighting supports safety and better atmospheres in our urban environments.

What we do:

Our brands are specialised in developing the best lighting solutions for their respective applications. Together with customers and partners, we create tailored solutions for each unique application. We also participate in research together with selected universities to explore and share knowledge about the significance that light has on people and our well-being.

For the lighting industry, digitalisation and smart lighting are important components in creating sustainable solutions and installations.

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**Business area
Premium**

Ravensburg, Germany

In the reception of a pharmaceutical company, the goal is to create a welcoming environment that simultaneously functions as an exhibition room.

Read more about this here (external link):



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Our sustainability agenda

Our sustainability agenda is an integrated part of our business strategy and defines four focus areas with long-term ambitions and defined activities.

Our employees

1. Responsible relations

We work inclusively with respect for each other and raise issues concerning diversity and differences to help us to develop and grow our business. Our Code of Conduct applies for all of our brands and companies.

Our operations

2. Responsible operations

We maintain a holistic and responsible perspective throughout the entire value chain. Our top priority is the protection and safety of the people who come into contact with our operations and our solutions, along with taking care of our planet. We leverage the latest innovations to reduce our environmental impact and minimise waste.

Our offering

3. Circular solutions

Our experience and knowledge drive our innovative approach to create circular lighting solutions for a better environment and a brighter future. We also offer various reuse solutions and business models when it comes to managing existing products.

4. Knowledge leader

We are knowledge leaders in sustainable lighting solutions, with extensive expertise in all relevant areas. Transparency and reliability contribute to our high integrity and credibility in the eyes of the business environment, which is central since collaboration and partnerships are crucial for how we conduct business.

Positive Change for Better Living Our sustainability agenda

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Long-term objectives and ambitions

Our long-term objectives, established during the year, represent our ambitions over a single economic cycle. Work is ongoing to set objectives for smart lighting.

	Goal	Comments
Net sales growth	10%	Our objective is to achieve average annual sales growth, CAGR of 10 per cent. The outcome is affected by economic cycles and acquisitions.
Operating margin	10%	Our objective is an operating margin above 10 per cent.
Returns, % of earnings per share	40–60%	Our long-term objective is to distribute 40 to 60 per cent of annual profits to our shareholders.
Smart Lighting	We will establish ambitions for the share of smart lighting with connectivity solutions. Defining these objectives are in progress and follow up will begin in 2023.	
Sustainability	We have developed climate goals to be validated by Science Based Targets initiative (SBTi). This means that we will reduce our greenhouse gas emissions according to the 1.5 degree target from the Paris Agreement and become climate-neutral by 2045.	

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Engaged and motivated employees create the preconditions that allow us to deliver high-quality, sustainable solutions. Diversity, health, leadership and personal development are areas we prioritise to be an attractive employer.

We are actively working to strengthen our shared values for the long term. We believe that a strong culture is important.

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Curious creators that aim higher

Long-term work

At Fagerhult Group, our long-term work deliberately focuses on building the organisation's ability to coordinate and develop with our surroundings. Shared values and a sustainable culture require careful and patient work over the long term and across many areas. Networks need to be created and maintained between HR functions as well as between companies in each business area and between Group and subsidiary management. Ensuring that communication about values and culture conveys and strengthens the same message throughout the entire organisation requires a great deal of systematization and coordination.

Core Values

Curious Creators
Committed Together
Aim Higher


Curious Creators that are
Committed Together to Aim Higher

Common core values

Our culture is built on our core values. They characterise who we are and what we do, how we treat each other, how we recruit employees and how we evaluate achievements as well as how we build good leadership. Strong values build a strong culture and pave the way for success.

We are convinced that merely presenting these values for employees to simply accept or take active note of is not sufficient. The values need to come from the employees themselves. In 2021, we carried out comprehensive work in the entire organisation to clarify and define our culture. There was substantial commitment among employees and the work resulted in several core values that collectively set a great deal of focus on our passion for light and lighting as well as a willingness to take responsibility. The new core values are Curious Creators, Committed Together and Aim Higher. Put together: Curious Creators that are Committed Together to Aim Higher. This corresponds well with our heritage and extensive history.

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The goal of our employee strategy is to strengthen collaboration across the Group and to ensure that we become even better at attracting, retaining and developing the right talent.

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Employee strategy

The goal of our employee strategy is to strengthen collaboration across the Group and to ensure that we become even better at attracting, retaining and developing the right talent. This strategy was developed through a joint effort involving all of our companies. By working together, we created a strong team spirit between the HR functions of our different companies. This is an important foundation for succeeding with our strategy.

A changing industry

Rapid changes in the business environment are also impacting the lighting industry. An increased focus on sustainability and new technology with, for example, connected solutions is creating demand for new work methods and expertise within the Group. It is important that we continue developing these internally, and recruit the right expertise when necessary. One important aspect of this work is to strengthen our position as a knowledge leader in collaboration with partners and customers. The delivery of sustainable lighting solutions requires good partnerships and the right expertise. This is important, not least in the fast-growing field of connectivity.

New connected solutions require new expertise within all the departments, from development and production to marketing and sales. Rapid technological development is also creating new business opportunities and partnerships that need to be developed within the field of smart buildings and cities.

Over the years, we have acquired a large number of companies. In many cases, changes in leadership occur within the next few years, as many acquisitions are prompted by generational changes.

Our goal is to build up strong leadership team as we implement organisational changes and recruitments. An important objective is to build strong and dynamic teams that work together to create a strategy for the company, based on knowledge and facts. We need to continuously develop such leadership teams for the long term in

order to keep pace with market changes, so that we seize the opportunities that arise.

The employee strategy encompasses several focus areas: culture; diversity and inclusion; leadership, talent and competence development; and change processes.

Diversity and inclusion

Appreciating people's differences and various skills is an important way to increase diversity, which in turn leads to better conditions for creating a more innovative culture. Each company is tasked with actively working to create a better balance between the genders, not least during recruitment. Our Code of Conduct states that all employees, irrespective of gender, age, religion, sexual orientation, or ethnic background, should be given the same opportunities for development and advancement as well as equal pay for equal work.

Career and competence development

Each company drives the continuous competence development of its employees through offering an inclusive environment characterised by good development opportunities and attractive career paths, locally as well as globally, together with targeted training initiatives adapted to local needs. There are also long-term efforts in place to attract more young talents to the lighting industry. We actively drive the agenda to increase knowledge exchange in the

field of recruiting, with the goal of further improve recruitment processes across Fagerhult Group.

Employees in focus

To ensure development is positive, all managers are responsible for conducting at least one development dialogue with their employees every year. The company controls individually the content and frequency of development dialogues.

Sustainable leadership

Our overall ambition is to develop managers who feel comfortable in their roles and apply a coaching style of leadership. We value sustainable leadership with the ability to encourage employees and capitalise on the advantages of their differences and skills. The leadership model in Fagerhult Group provides guidance and governance for all managers in all companies.

Zero injuries vision

We have a vision of zero workplace injuries and have established procedures for reporting incidents and accidents. Each company is responsible for regularly conducting safety training with employees and subcontractors and for carrying out regular and systematic workplace assessments to develop and improve the working environment and safety.

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**Business area
Infrastructure**

Oss, the Netherlands
 One of the most modern distribution centres in the Netherlands was equipped with 11,000 metres of lighting and the building was rated BREEAM Outstanding.

Read more about this here (external link):



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We continue our focus on values and leadership development

Interview with Andrea Gageik, Chief People Officer

What has been in focus for the past year?

“In 2022 we continued the work with our Group culture that we began in 2021. We completed several projects, primarily within leadership development. Collaboration in and between business areas is an important goal for our work with values. It is essential that we reach a shared vision across the entire organisation for what our shared values stand for, and what we stand for, without losing our local footholds. The culture needs to feel genuine, even from a local perspective, for our companies and their markets.”

What will be in focus for 2023?

“Work on culture and values will continue with high energy during the coming year. We want to continue building and create a curious, outward-oriented organisation that is consistently focused on development and growth.”

Which concrete project have been planned?

“Several projects for leadership development have been planned, including training in leading yourself as well as others, leadership for innovation and change, team building and developing our leadership principles.”

What is especially important to pay attention to in leadership development?

“Attracting, recruiting and retaining the right expertise is even more crucial in a value-governed organisation. Recruiting managers need to be trained so that recruitment decisions are even more strongly tied to future strategic needs.”

How are you planning to drive work and follow up on diversity and inclusion?

“We plan to send an inclusion survey throughout our companies, thereby encouraging an open discussion about inclusion and diversity. The results will be reviewed in focus groups in all companies.”



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1. Responsible relations

We work inclusively and responsibly with respect for each other and affirm diversity and differences, helping us to renew. Our Code of Conduct applies for all of our brands and companies.

Responsible relations is one of the four focus areas in our sustainability agenda and our employees are our most important resource.

Partnerships and collaborations with people is the cornerstone of our success so far in our sustainability journey, where all of our stakeholders are included in some form. Thus, this applies to internal as well as external partnerships.

Diversity is one of the pieces for us to become, and remain, an attractive employer. We see people's differences as a strength and value the many different experiences they bring with them. This is how we work together to create the conditions for an inclusive, respectful and innovative culture.

Diversity helps us renew and ensures that different perspectives are taken into consideration when making decisions. Our companies work constantly for equality between the genders, not least when recruiting. All employees, irrespective of gender, age, religion, sexual orientation, or ethnic background, should be given the same opportunities for development and advancement and we offer equal pay for equal work. This is stated in our Code of Conduct.

Our Code of Conduct is a summary of the expectations we have on all employees in the Group. The Code regulates how we treat each other and our stakeholders. Everyone who works within the Group must act in accordance with the Code of Conduct. Our companies also inform our suppliers and partners about the Code of Conduct to make sure they are aware and act in accordance.

Managers, leaders and employees in key positions have extra responsibility for ensuring compliance with the Code of Conduct and therefore complete training in the Code of Conduct every second year. Everyone at Fagerhult Group is responsible for reporting deviations from the Code of Conduct or other serious improprieties.

The whistleblower service is important for supporting a high level of business ethics and maintaining the trust of customers and the general public. There are guidelines and a process for how incoming reports are to be assessed. To keep up with new legal requirements, we have implemented third-party reporting for incidents in order to ensure anonymity and privacy.

Responsible relations is one of the four focus areas in our sustainability agenda and our employees are our most important resource.

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ateljé Lyktan

**Business area
Collection**

Stockholm, Sweden

Special luminaires were designed for the Royal Swedish Academy of Science's new auditorium in a collaboration with architects and lighting designers.

Read more
about this here
(external link):



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We are one of the world's leading lighting companies. With our 12 lighting brands, we have a presence in 27 markets, from the US to Australia.

Our brands are organised into four business areas based on applications, target groups and geographic markets. We work together closely with our partners to create the best and most sustainable lighting solutions for our customers.

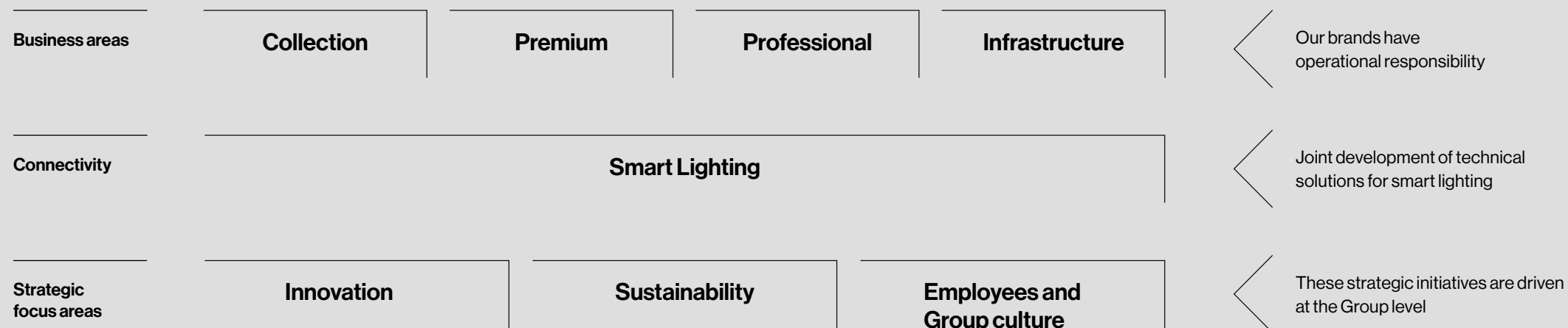
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Strong brands and common initiatives

Our group consists of 12 strong lighting brands that all offer professional lighting solutions. We focus on local development and production to be close to our end customers and partners, but together we have a global presence. Our goal is to grow in new and existing markets by taking advantage of our extensive expertise and growth opportunities from new, innovative and sustainable solutions.

Here is how we drive and develop our business



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Business areas

Operations are conducted in four business areas in which we have gathered our different lighting brands. The business areas build on similarities that unite our brands in terms of focus areas, market presence and customer groups with the aim of leveraging new opportunities by means of collaboration between our brands.

Strong brands with local roots

Within each brand, we have extensive experience and knowledge of lighting and the significance of creating the right light. All of our brands drive their operations and growth initiatives separately. All brands are complete companies with local roots in a location where everything is united, from development and production to management functions. Our local presence is cru-

cial and provides us with the opportunity of being close to customers and partners, adapting our products and securing short lead times.

Organic growth

Organic growth in the companies is either the result of product innovation in which the offerings are expanded or through increased market shares in existing or new markets.

Acquisitions remain an important component

Acquisitions have been fundamental to establishing Fagerhult Group and moving forward, we seek acquisitions that are either in line with the growth strategies of our respective business areas or that contribute with

new technology in key focus areas, for example, in smart lighting. Several acquisitions were carried out between 2010 and 2020 in order to add new product categories and geographic markets. Our reach has grown from Nordic to European and finally global.

Collaboration through forums

In addition to the business area structure, we also have Group-level forums. This is where we work with knowledge exchange and collaboration between our brands. Each forum has a sponsor in The Group Management Team and we now have five active forums in the areas of marketing, innovation, production, purchasing and finance.

Connectivity

Development in smart lighting is progressing quickly and we have chosen to collect our technical solutions under the name connectivity.

We define smart lighting as sensor-equipped luminaires that can share and receive information about their surroundings. We refer to the sensors and communication technology that enables this as connectivity.

We have collected our connectivity organisation at the Group level, with approximately 40 employees. We provide two technical solutions and brands, Organic Response for indoor use and Citygrid for outdoor use. Development is done at the Group level to ensure that know-how and new technology are made available to all our brands and are a natural part of their offering.

Our connectivity solutions are based on motion detection via sensors and provide our installations with significant energy savings, which is why they are an important part of our sustainability agenda.

In addition to energy savings, the data from our sensors can also create added value in other verticals and we manage these partnerships jointly within this organisation.

Strategic focus areas

The market is changing and growth opportunities are constantly being created. To ensure that we have a shared focus on these opportunities, we have chosen to launch a number of strategic Group-wide initiatives. While our brands have operational responsibility for implementing these initiatives, we are also increasing focus and ensuring that knowledge and technology is available for all of our brands.

Innovation

Constant development is critical for us and innovation is one of our most important areas. Each brand have

enormous knowledge when it comes to light and they are working continuously on new solutions and materials. At the Group level, we are currently focusing on smart lighting and its associated opportunities. Other new technical solutions can be developed at the Group level when deemed appropriate.

Sustainability

Demand is growing for energy efficient sustainable solutions that are made responsibly with sustainable materials. We apply a holistic business approach to develop a sustainable value chain and operations.

At the Group level, we drive our shared sustainability agenda and also work with our goals related to carbon dioxide emissions.

Employees and culture

The aim of the Group's overall employee strategy is to prepare for the future by strengthening collaboration and ensuring that we attract and develop the right talent for the future. There is a great deal of focus on developing our shared culture.

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**Business area
Collection**

Bonn, Germany

The charity organisation Aktion Mensch created a new head office where each department has its own unique profile.

Read more about this here (external link):



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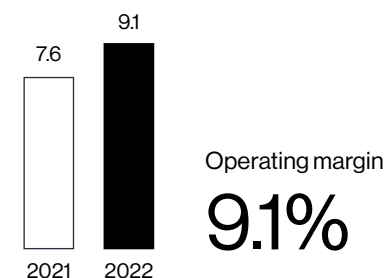
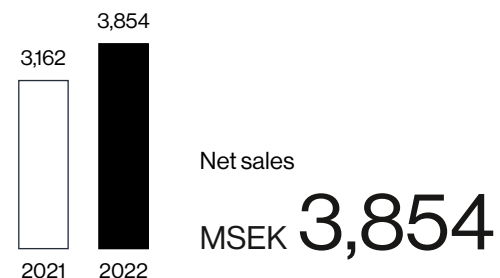
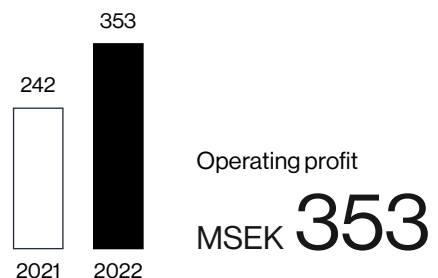
Collection is home to our internationally-recognised brands. All have an international product portfolio appreciated and used by lighting designers and architects all over the world. The brands within Collection offer a broad product range with a focus on outdoor and indoor environments with high requirements in terms of architectural design. Product development and production takes place in Sweden, Germany, Italy, Canada, China and Thailand.

ateljé Lyktan

iGuzzini

LED LINEAR™

we-ef

**ateljé Lyktan***Head office: Åhus, Sweden*

Our oldest company, ateljé Lyktan, was founded in 1934 by Hans and Verna Bergström. With strong roots in Nordic design, ateljé Lyktan offers high-quality products for indoor and outdoor environments. Many of their products have become design classics.

iGuzzini*Head office: Recanati, Italy*

iGuzzini was founded in the Italian province of Recanati in 1959 and has grown into a world-leading brand for architectural lighting. True to their heritage, the company continues to develop innovative lighting solutions with a stringent focus on design.

LED Linear*Head office: Duisburg, Germany*

The shift to LED technology started in 2006 and has created fantastic new opportunities. Led Linear was founded the same year and has constantly renewed itself to take full advantage of the opportunities with the LED technology. Focus is primarily on customised linear luminaires for professional environments.

WE-EF*Head office: Bispingen, Germany*

WE-EF was founded in Bispingen, north Germany in 1950, by Wolfgang Fritzsche, and has developed from a small family business to a leading global manufacturer of high-performance outdoor luminaires. The company has an international market presence with focus on urban environments.

Focus

We see excellent growth opportunities in our existing markets, with a focus on Europe and North America, especially the US. An important part of this is developing our business model so customers can understand our solutions rather than focus on our products.

Innovation is an important factor for our continued growth – creativity and high ambitions create new value for our customers. Increased collaboration within the business area contributes to innovation and new growth opportunities.

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Light Shed from iGuzzini: a new innovative luminaire that creates entirely new opportunities

Innovation is one of our most important focus areas and we take a holistic approach to the complete solution from idea to installation. Understanding customer needs and identifying opportunities to combine functions in new ways and forms drives our product development.

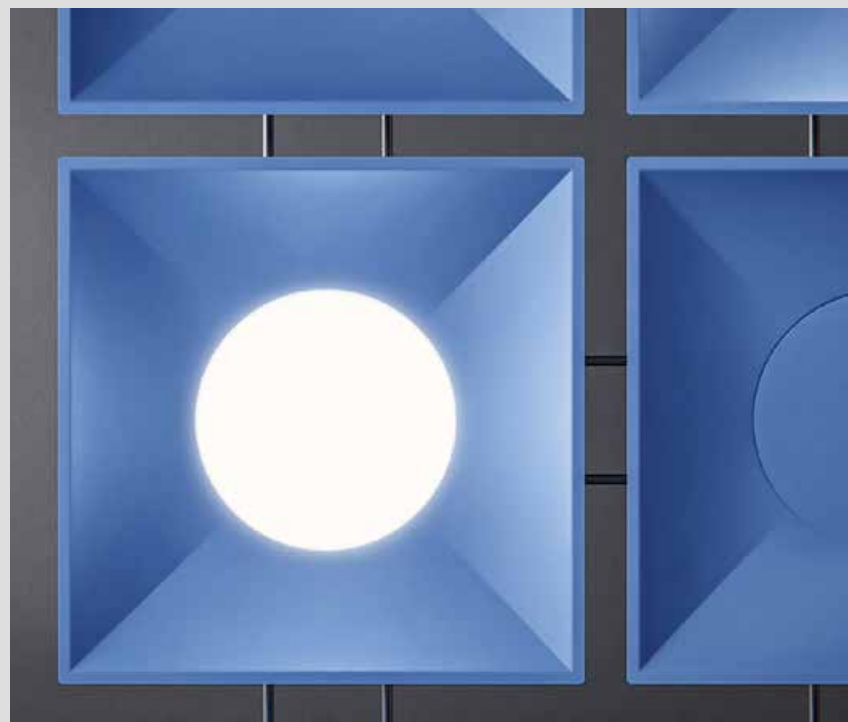
Light Shed from iGuzzini is an entirely new innovative product for lighting in office environments. This is a product solution for one of the most common square office luminaires in the market. Within the standardised square luminaire form, a solution has been created with a light source in the middle surrounded by a thermoformed shade.

The unique shade is offered in a wide range of colours and designs, making it possible to create an accent or to interact with the colours and finish in the surrounding space. The shade is also available in sound-absorbing material that dampens noise pollution. The well thought out design not only provides the best possible light experience – it also contributes to the atmosphere and creates a better work environment.

The Light Shed product family consists of luminaires in several different sizes for either recessed or hanging mounts. In the hanging version, the luminaire can be mounted together in different formations to create a room-within-a-room. With its many applica-

tion areas and flexible design, Light Shed has already won several design awards, including the prestigious Red Dot Design Award.

Light Shed was developed in accordance with Ecodesign and has received the PEP Ecopassport®. The thermoformed shade is manufactured out of recycled raw materials and is very light. The luminaire weighs a total of 1.8 kg, which is significantly less than a traditional luminaire of the same size. The low weight makes installation easier and makes transportation more sustainable. This is an excellent example of how we use innovation to create a new solution that contributes to better work environments and has a significantly smaller climate impact.



The thermoformed shade means that Light Shed is extremely lightweight – only 1.8 kg.

iGuzzini



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Business area Premium

Premium focuses on the European market and global retail customers who have a base in Europe. Through close collaboration with specifiers and local partners at the specifier level, premium projects are delivered, often with customised solutions. The majority of sales focus on offices, schools, healthcare and retail, but there is also an outdoor range available for urban environments in specific markets. Product development and manufacturing facilities operate in Sweden, Germany and China.

Fagerhult

Head office: Fagerhult, Sweden

Fagerhult represents our roots. Founder Bertil Svensson manufactured a lamp for his mother, who needed good lighting for her needlework. He founded the company in 1945 with the business idea of improving people's everyday life with good lighting. From the start, the brand has developed into a leading European supplier of lighting solutions. Strongest focus is on offices, schools, healthcare and retail but with a selected range of outdoor solutions

LTS

Head office: Tettnang, Germany

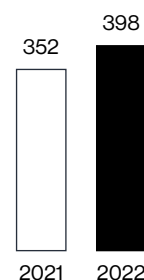
Twin brothers Wilfried and Walter Schlegel founded LTS in 1985 in Ravensburg, Germany. With a strong base in the German market, LTS offers innovative lighting solutions for indoor environments with a focus on the retail industry but also for hotels, restaurants and offices.

Focus

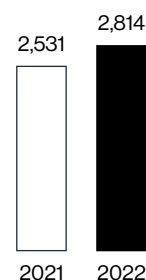
The Premium business area has a strong platform for continued growth, with a focus on existing markets. In Germany and France, we are driving several strategic projects to further leverage our market opportunities.

The circular business model Re:furbish, where we offer our customers the opportunity to upgrade their existing lighting installation with the latest technology, was launched in 2022. There are excellent growth opportunities here in the coming years.

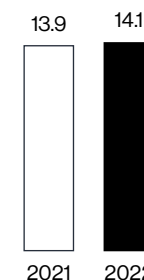
FAGERHULT



Operating profit
MSEK **398**



Net sales
MSEK **2,814**



Operating margin
14.1%

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Fagerhult updates luminaires with the latest technology for the Greenhouse Solna Strand project

Major development have been made in the technology for professional lighting in the last few years. The energy-efficient LED technology was launched around 15 years ago and has quickly become the standard. This rapid shift in technology means that there still several luminaires installed that are entirely outdated in terms of energy performance, even if they have a long useful life remaining.

As a response to this, several of our brands offer services where existing luminaires are reused and upgraded with the latest LED technology and sometimes also connectivity solutions to be

converted into smart lighting. Within the Business Area Premium, Fagerhult offers these services through the Re:furbish concept.

The Greenhouse Solna Strand property owner, Humlegården, had high ambitions for the project. The objective was to renovate the property to create a flexible and dynamic environment with premises suited for modern ways of working and different kinds of environments, meetings and events. During the renovation there was a strong focus on sustainability, from climate-smart technology to reusing materials and choosing them with care. The property will be certified Very Good under the BREEAM In-Use environmental certification.

Fagerhult contributed to the project by reusing the existing lighting installation. Within the framework for Re:furbish, Fagerhult delivered a lighting solution where the existing luminaires from 2009 will remain but will be upgraded to modern LED luminaires with presence and light sensor control through Organic Response. In total more than 2,700 luminaires were upgraded, corresponding to 7.1 tonnes of re-used material.

Since each project has unique conditions, this type of project is more challenging than a typical new sale. This is where our local presence brings a significant advantage, with development and production close to our markets.



Jessica Wahlberg, Fagerhult and
Clas Boudrie, Humlegården.

FAGERHULT

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Business area Professional

Professional primarily offers lighting solutions for various indoor environments; offices, schools and healthcare. The focus is on local and neighbouring markets. Production and product development take place locally for each brand, in Turkey, Australia and the UK. Through close collaboration with local partners they can develop customer-adapted solutions with tailored products that can be delivered with short lead times.

Arlight

Head office: Ankara, Turkey

The Turkish company Arlight was founded in 1991 in Ankara by Cemil Arli and has developed to a leading lighting company for indoor applications in the region, with product development adapted to local market demands.

Eagle Lighting

Head office: Melbourne, Australia

Eagle Lighting was established in 1972 and has grown into a leading brand in the markets in Australia and New Zealand. The company focuses on local production of lighting solutions for most professional indoor environments but also sells other Group brands locally.

Whitecroft Lighting

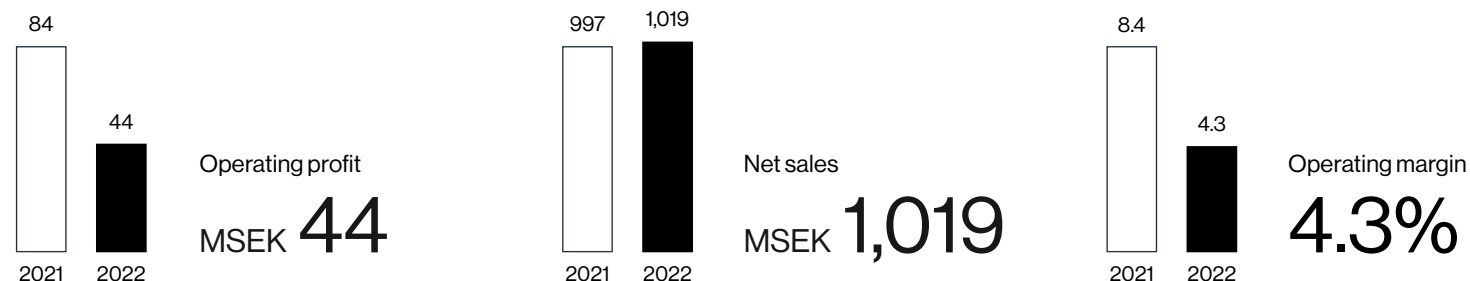
Head office: Manchester, UK

The company was founded in 1945 by Tom Freer and is currently one of the UK's largest manufacturers of professional lighting. The company focuses on customised solutions for offices, educational facilities and health care.

Focus

Companies within Professional are all leaders in their markets. They all focus on sustainability and significant progress has been made in terms of smart and circular lighting solutions.

Since the companies are similar in nature and focus on the same segments, they benefit from collaboration and knowledge sharing in product development as well as manufacturing and marketing between companies.



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Whitecroft continues to launch Cradle-to-Cradle certified products, now with the new Selene 2

Indoor environments have a variety of different lighting challenges. Many different aspects need to be taken into consideration: workers need good lighting, the environment needs to be comfortable and appealing to customers and visitors, energy consumption needs to be low and products need to be responsibly manufactured.

Whitecroft has been working on a new approach for a few years with a strong of focus on circularity. The company has also created a circular business model that encompasses everything from

product design to manufacturing, usage, upgrades and recycling. The result of this has been the development of several circular products that are certified Cradle-to-Cradle. The entire concept is called Vitality.

As demand grows, the offering is being expanded with new products for several application areas. One of Whitecroft's best-sellers has been Selene, a linear luminaire for offices and schools. The follow up, Selene 2, was presented in 2022. It is an entirely new luminaire, with reworked design and material choices that resulted in an even better product, with significantly less climate impact.

Design was guided by the concept of circularity and the new generation is Cradle-to-Cradle certified at the Bronze level. Most of the new innovative solutions significantly reduce our climate impact. This includes an innovative new double-sided circuit board design for LED chips that reduces the use of FR4 epoxy, that has a negative impact on the environment, by a full 40 per cent. Assembly is also customised to minimise the use of adhesive, which means that when the luminaire eventually needs to be upgraded, a full 95 per cent of the material can be reused.



In 2022, Whitecroft launched a new Cradle-to-Cradle certified generation of its Selene product.



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Business area Infrastructure

Infrastructure offers lighting solutions for environments with specific requirements for installation, robustness, often in infrastructure and industrial projects. The companies are world-leading in their fields, and have extensive experience of finding the best solutions for each project and customer. Most of the sales take place in Europe but there are also some global installations. Product development and production take place in the UK, Finland and the Netherlands.

Designplan

Head office: Sutton, UK

The company was established in the UK in 1963 by Arthur Cumper and his business partner, John Barber. Their business idea was – and still is – to design robust luminaires for challenging environments like the transportation sector and other environments that require a high level of safety. Main presence in the UK market and Germany.

I-VALO

Head office: Iittala, Finland

The company started out in Finland as a part of the famous glass-works factory, Iittala. In 1963, I-Valo was launched as an independent brand and today, it is a leading supplier of lighting solutions for heavy industry operating within extreme conditions.

Veko

Head office: Schagen, The Netherlands

The Dutch company was established in 1975 and specialises in linear LED lighting for industry and warehouses. Veko offers market-leading high-performance lighting solutions and highly efficient installations. Strong presence in the Dutch market with a focus on light industry, warehouses and data centres.

Focus

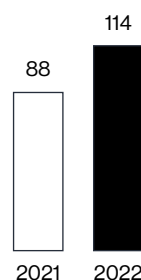
The three brands within Infrastructure all have a strong position in their national markets and are well positioned for further growth through expansion to other adjacent markets, particularly in the Nordic region, Germany and the UK.

Both the market and the macro trends favour continued growth.

designplan
LIGHTING

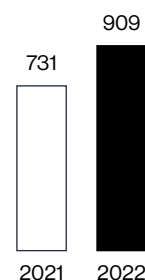
i VALO

VEKO
LIGHTSYSTEMS



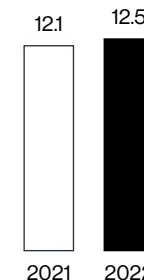
Operating profit

MSEK **114**



Net sales

MSEK **909**



Operating margin

12.5%

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Designplan develops new, specially-adapted lighting solutions for Deutsche Bahn

Commuters often perceive public transportation environments like trains and underground stations as uncomfortable, sterile and unsafe. Good lighting contributes to an enhanced experience, both by creating a more comfortable atmosphere and by increasing safety. At the same time, lighting needs to meet requirements for robustness and durability.

Deutsche Bahn has stringent requirements for lighting at its train stations. The process for approving new luminaires includes a very thorough evaluation of technical as well as aesthetic properties, after which a handful of suppliers are chosen for larger assignments.

Many stations currently have outdated lighting solutions that need to be replaced. Coburg station is one of Deutsche Bahn's sixteen "Stations of the Future" that is now being renovated to test new solutions. Designplan was tasked with designing lighting that would meet the high technical specifications and that suited the station's original design.

To meet the specific needs, Designplan developed a new channel system for its robust luminaire Tuscan. It covers and secures cables while providing a cohesive architectural profile. For Coburg station, the environment was 3D scanned to customise the lighting for the ceiling and walls.

The project was a success and will hopefully lead to opportunities to provide lighting for more of Deutsche Bahn's stations in the future.



The lighting at Coburg station was updated with Designplan's Tuscan product and a specially designed channel system.

designplan
LIGHTING

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2. Responsible operations

We have a holistic and responsible approach to the entire value chain, with people's safety and well-being as well as a reduced impact on the climate and environment as our highest priorities. We use the latest innovations to reduce waste from our operations as well as from our products and to reduce GHG emissions along the entire value chain.

Responsible operations is one of the four focus areas in our sustainability agenda. We conduct comprehensive work to ensure ethical, sustainable business in all parts of our operations. Our fundamental guidelines apply to all of the Group's companies and affirms that companies must follow national laws and ordinances as well as our Code of Conduct, without exception. We use our own Code of Conduct for suppliers and other partners so that they also meet corresponding requirements.

Upon company acquisitions, a thorough review in the form of a due diligence process is always initiated that is adapted based on the current acquisition candidates and countries where they operate. A thorough risk analysis is carried out that carefully reviews the nature of the operations, the senior management's competence and experience, and succession risks.

Each company at Fagerhult Group is responsible for managing its supply chain sustainably and ethically. Companies are to ensure that the contracted suppliers adhere to the international guidelines for human rights, freedom of association, right to collective agreements, anti-corruption, and efforts to combat child and forced labour.

Identifying and monitoring input materials with respect to current legal requirements must therefore be ongoing. Procurement of larger volumes, primarily in terms of electronic components and certain metals, is coordinated through the Group Purchasing Forum, one of our Group-wide forums.

Fagerhult Group has decided to develop climate goals to be validated by Science Based Targets initiative (SBTi). The targets were submitted for validation and the ambition is for them to be approved in 2023. The approval of the targets will mean that the Group's long-term ambitions to reduce its GHG emissions are in line with the requirements for meeting 1.5-degree target of the Paris Agreement.

During the year, several of our companies have made proactive electricity choices and many of them have implemented solutions that are entirely based on renewable electricity, which now stands for 72% of our total electricity consumption. For example, ateljé Lyktan has gone from using natural gas in its coating facility to using renewable biogas. The long-term goal is to replace all fossil gas with sustainable alternatives for the coating facilities at our factories. Several of our companies have installed, or plan in 2023 to install, solar panels in order to produce their own energy. These and many similar activities are important on the way towards making sure all of our energy comes from renewable sources, which is one of our important milestones when it comes to sustainability at our units.

Within the framework of resource-efficient production, we are continuously reviewing opportunities to avoid waste, whether it pertains to water and electricity consumption, waste, transportation or anything else that could be considered unnecessary.

All of this is how we conduct responsible operations.

We conduct comprehensive work to ensure ethical, sustainable business in all parts of operations.

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Environmental product declarations (EPDs) support the development of sustainable solutions

Interview with Robert Diedrich, Head of Marketing WE-EF

How does the use of EPDs affect innovation and product development at Fagerhult Group?

“EPDs urge us to outdo ourselves in terms of innovative, sustainable solutions. Every aspect raises questions and challenges related to constant improvements, both from ourselves and from our customers.”



How do customer and market awareness and expectations affect sustainable solutions through EPD?

“Awareness and expectations are constantly growing. EPDs helps expand insight into the opportunities for achieving more sustainable solutions. There is also a growing insight into how thorough change requires collaboration. Fagerhult Group/WE-EF are part of Green Light Alliance, an international partnership within the lighting industry that aims to create industry standards and to support development of circular solutions to reduce resource use and carbon footprint. The hope is to encourage sharing expertise and experience and to create a knowledge bank for everyone within the lighting industry.”

How will Fagerhult Group's use of EPD develop during the coming years?

“The focus for us as well as for other lighting manufacturers has so far been to focus on 'low-hanging fruit' during the products' life-cycles. Above all, this has been about climate impact during the products' use phase, as in their energy consumption. Much has been accomplished on this front, primarily through the transition to LED and through solutions to adapt lighting according to needs. “Smart lighting, as in connected luminaires with sensors, enable presence sensor controls and adjustment according to the level of daylight. At the Group we have two solutions in this area, Organic Response and Citygrid, for indoor and outdoor use, respectively. These lighting solutions, together with LED technology, use considerably less energy than traditional luminaires.”

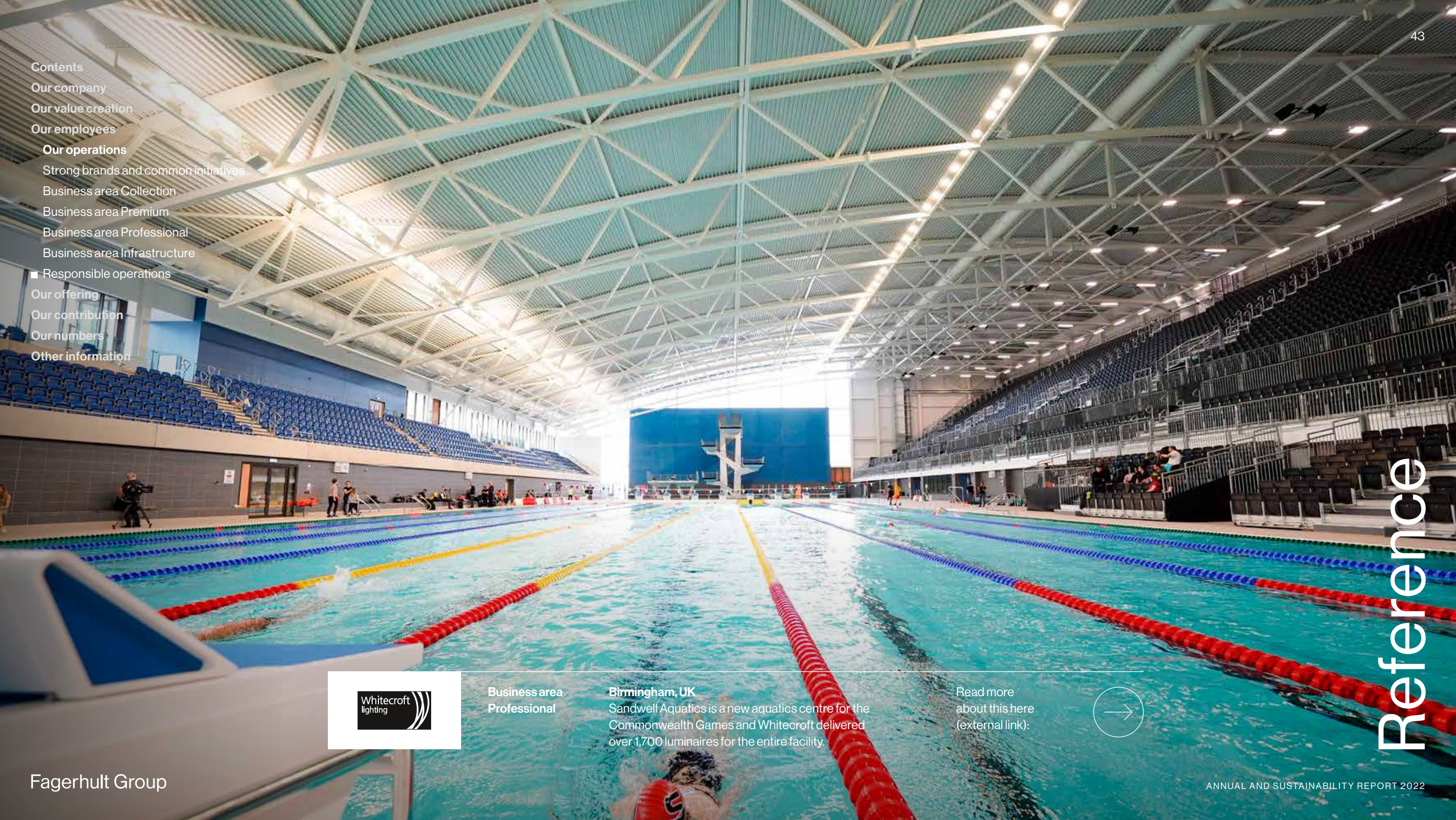
“In the coming years, development will focus on the products' manufacturing phase: optimising construction and design as well as material choice for minimising resource consumption and maximising reuse.”

Overall, are EPDs burden or an asset?

“EPD is a fantastic assets. It helps us demonstrate the properties of our products and gives customers the ability to compare products from different manufacturers according to objective criteria, along with improved requirements during procurement. EPDs functions as a shared language between buyers and manufacturers.”

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**Business area
Professional**

Birmingham, UK

Sandwell Aquatics is a new aquatics centre for the Commonwealth Games and Whitecroft delivered over 1,700 luminaires for the entire facility.

Read more about this here (external link):



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For more than 75 years, the core of our offering has been high-quality, sustainable lighting solutions focused on providing the right light in the right place.

Our connectivity solutions offer smart lighting to secure the energy efficiency of our installations at the same time as we create new added value and business opportunities together with partners.

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Business area
Premium

Jyväskylä, Finland
Hospital Nova is a new hospital in central Finland. Fagerhult provided over 16,000 luminaires for 113,000 m² of space, covering the majority of the hospital.

Read more about this here
(external link):



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The right light in the right place

Our brands constantly strive to create and develop innovative lighting solutions that go above and beyond our customers' requirements. Exchanging ideas and new knowledge drives us forward, step by step, and we use the latest research findings in our product development. We also participate in highlighting new results and ground-breaking discoveries through collaborations with the academic world.

All our brands develop high-quality lighting solutions that focus on people who move through, spend time, work and live in the areas illuminated by our products. Factors such as a light quantity, direction, colour temperature, colour rendering and glare allow us to control the quality of light environments. An important aspect of indoor quality is the balance between how the amount of light is distributed in a room along the walls, ceiling and floor to create a calm work environment and allow the eyes to rest. We often work with hanging solutions that include an upward-facing luminaire that lights the ceiling to create a softer transition in the room. It is important to have the right design to minimise glare light at eye level and within work spaces.

Control systems can be installed to control the light's qualities while saving a great deal of energy by adapting the amount of light based on presence. Various colour temperatures can create warm light that has a soothing effect and helps people relax, or cooler light that energises and activates us. Lighting can also be customised to follow our biological daily rhythm, which supports our well-being.

An office environment or lecture hall with correctly adapted lighting can help us both to feel better and to perform at a higher level. Occupational groups, for example healthcare workers, need flexible work light depending on the tasks that need to be carried out.

Outdoor lighting quality is often about creating a sense of security and increasing safety. Unnecessary traffic accidents caused by inadequate or incorrect lighting can be avoided by maintaining a high level of light quality. On footpaths and in parks, we work with light as a factor in creating well-being. The path itself, as well as the area around it, are illuminated to increase a sense of security.

In outdoor environments, it is also important to take the animal and human need for a natural circadian rhythm into consideration. By controlling outdoor lighting with sensors and control systems that adjust the light's strength and colour temperature depending on motion, energy consumption is reduced and unnecessary light pollution is minimised.

We develop high-quality lighting solutions that focus on people who move through, spend time, work and live in the areas illuminated by our products.

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Crystal from iGuzzini: a revolutionary optical solution with a new architectural profile

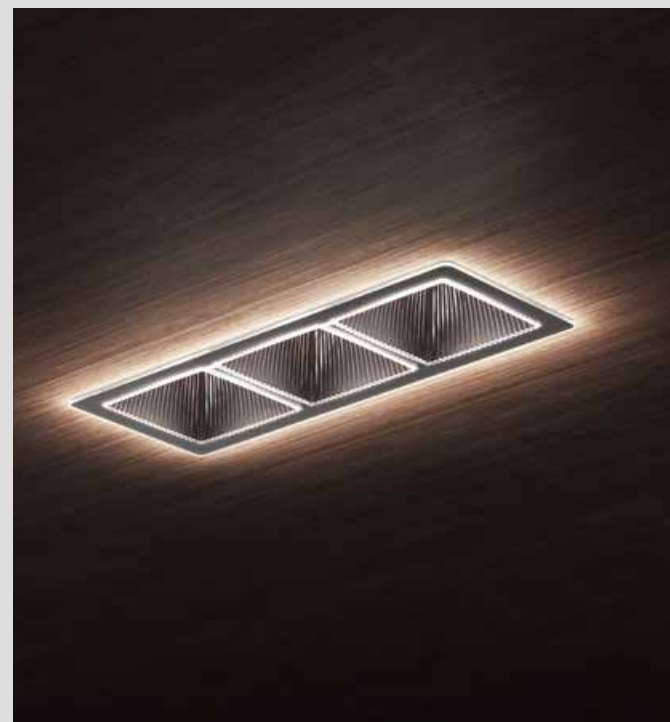
All of our brands focus on high-quality lighting. Developing innovations that improve the quality of light and people's well-being is the core of all of our operations.

During the autumn, iGuzzini launched the Crystal product family. The name is no coincidence: associations with crystal, even with diamonds, are near at hand. The optical effect from this lighting, called Opti Diamond Optic, is patented. Crystal combines a high level of light comfort with an decorative visual effect on the

surrounding ceiling. The innovative optic leads a small portion of the light to the edge of the luminaire and discretely illuminates the ceiling with a warm glow.

Crystal was developed to strengthen space and airiness through varying the strength of light in different surroundings. The solution is offered in a variety of designs to suit different environments. Crystal is also extremely energy efficient and flexible, with variable and easily adjusted lighting strength.

Crystal is manufactured from 100 per cent recyclable raw material that is also reusable to the greatest extent possible. The factory in Recanati, Italy, where Crystal is manufactured, has been powered largely with electricity from 7,000 solar panels since 2011, which significantly reduces the factory's carbon dioxide emissions.



iGuzzini Crystal creates decorative lighting effects on the ceiling around the luminaire.

iGuzzini

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Smart lighting

The rapid technological development provides new digital solutions for smart lighting, where lighting becomes part of a connected ecosystem. This leads to better light environments and new added value together with partners while simultaneously providing significant energy savings.

Development within smart lighting is picking up speed. Smart lighting refers to sensor-equipped luminaires that can receive and share information with their surroundings. This means there are two primary functions: lighting controls that turn on or off, or dim, individual luminaires or entire networks; and collecting data from the luminaire's built-in sensors that can be used to create further added value.

We call the technology that enables this connectivity. It consists of sensors and communication equipment that are integrated into our luminaires. At Fagerhult Group we have coordinated our initiatives at the Group level within connectivity. This allows all our brands and companies to use the technological development and know-how. We have two connectivity solutions within the Group. Organic Response for indoor environments such as schools, offices and hospitals, and Citygrid for outdoor lighting. The foundation for both of these solutions is to adapt lighting based on presence, which enables significant energy savings in all environments.

Smart lighting in lighting installations

Smart lighting allows entire installations or individual luminaires to be turned on and off or dimmed depending on whether someone is present, which reduces energy consumption significantly. The connected solutions also allow lighting installations to be fine-tuned, creating additional savings.

By monitoring how long each luminaire has been in use and at what level, it is also possible to determine their condition and determine when it is time for preventative maintenance or to exchange before the luminaire stops functioning.

The information that our network solutions collect can also provide completely new insights. Our systems are open and our interface can share information with other installations. Sensor data from our luminaires can thereby be used by other parties to create new added value.

Smart lighting refers to sensor-equipped luminaires that can receive and share information with their surroundings.

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Our connectivity solutions for smart lighting



Make smart offices a reality

Organic Response was founded in 2011 in Melbourne, Australia, to address the issue of how office properties remained fully lit even after the end of workday. A founding principle was that system need to be easy to use and install so that there are no barriers with installers and users.

Organic Response installs a connectivity module in each luminaire. This module includes a motion detector and communication equipment to share data with adjacent luminaires. This means all luminaires are controlled autonomously, making it as energy-efficient as possible. The system is delivered plug-n-play, which means it only needs to be connected to a power source to start working.

Presence sensor-controlled for energy savings

Presence sensor controls are the basis for Organic Response as well as Citygrid. Energy consumption can be reduced significantly with presence-controlled lighting – up to 70 per cent compared with a traditional installation.

Communication between the luminaires creates a fully lit environment where motion is detected, while the surrounding luminaires can be dimmed to lower levels. Presence sensor controls are an important part of our sustainability work, especially for our ambition to reduce our indirect impact under Scope 3, which largely comes from the use of our luminaires.



For safe and energy-efficient outdoor environments

The technology behind Citygrid has been available in the market since its launch in 2014 in Aarhus, Denmark. The founding principle was to save energy by control outdoor lighting for streets and roads, which are often fully illuminated even during the night.

City grid equips each luminaire with a connectivity module consisting of a sensor and communication equipment. When someone is detected on a pedestrian path, signals are sent to lampposts in front of and behind the person, which are dimmed up to full strength as the person walks along the path. If no one is in the area, lampposts are dimmed to lower levels.

Simple installation

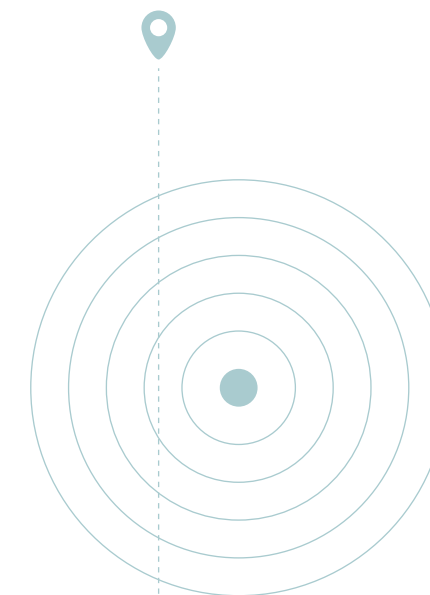
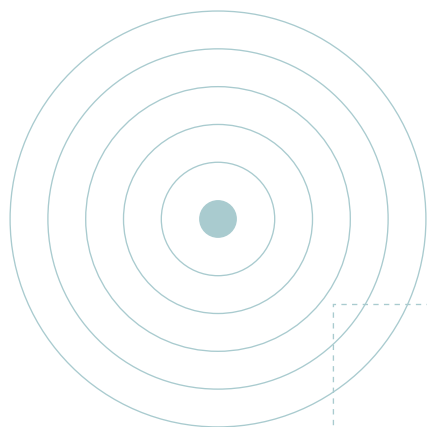
It is important for us that our products can be installed as easily and efficiently as possible. This is especially relevant for our connectivity solutions.

Organic Response and Citygrid are delivered with basic plug-n-play functionality and start working as soon as the luminaire is connected to a power source. Both systems have a high level of adaptability in terms of scheduling, dimming levels, number of luminaires to be turned on, etc. Both systems are preset to balance good lighting with good energy savings.

Open systems

A sensor-equipped luminaire continuously collects data about its surroundings from motion detectors. Lighting is also present everywhere, in buildings and in outdoor urban environments, which leads to a high level of quality in the data.

For example, a commercial building today includes several parallel systems, such as entry systems as well as fire and burglar alarms and heating/cooling. Our connectivity solutions become a part of this ecosystem and we can create added value by sharing information with other systems. Organic Response and Citygrid are open systems and there is an interface that allows other systems to use the information collected by our luminaires.



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School in Fjelltun uses Organic Response presence data to control surrounding installations

To be able to plan tomorrow's learning environments we need to imagine tomorrow's needs. The basis of new build or renovation of schools should be evaluating what a sustainable and well-functioning learning environment looks like. We want to help create sustainable learning environments, where every student can feel at ease and have the opportunity to develop.

The newly built primary school in Fjelltun outside of Stavanger, Norway, is an excellent example of how our brands can collaborate and create a customised lighting solution. The entire building is equipped with luminaires that have Tunable White technology,

which makes it possible to control colour temperature and strength in order to offer the best possible study and work environment for teachers and students. Classrooms are equipped with luminaires from Fagerhult. Offices and meeting rooms have pendant luminaires from ateljé Lyktan. Slatted ceilings in corridors and entrances were equipped with Pleiad G4 from Fagerhult and Xooline from LED Linear to provide decorative lighting of the ceiling.

Organic Response was chosen as the control system for the entire installation. All of the luminaires have built-in or external sensors that control lighting and other functions. The ventilation

is adjusted automatically based on data from motion detectors, which provides smart, optimised and sustainable indoor climates. Restrooms were equipped with magnetic water seals, which are also controlled through proximity data from Organic Response sensors in the luminaires. This means that the water only works when someone's presence is detected, minimising the risk for vandalism and water damage.

These are just some examples of how Organic Response can be used to create added value by sharing presence data with parallel systems and installations.



The school in Fjelltun outside Stavanger is a partnership between Fagerhult, ateljé Lyktan and LED Linear.

FAGERHULT

ateljé Lyktan

LED LINEAR

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Smart lighting creates added value and strengthens customer relationships

Interview with Johan Lembre, Chief Technology Officer, Fagerhult Group

What does smart lighting mean for Fagerhult Group?

“First and foremost, smart lighting and connectivity are preconditions for succeeding with our sustainability agenda, since in average 88 per cent of the lifetime CO₂ emissions of our luminaires comes from the use phase. A connected luminaire with presence sensor controls leads to significant energy savings.”

“Smart lighting also creates new business opportunities. Data from luminaires can be used for other applications, which creates new added value for our customers and builds long-term relationships.”



“A better understanding of the use of our products also creates improved conditions for providing circular solutions. The information collected means that we know ahead of time when luminaires need service or when they need to be replaced and can optimise the luminaire’s useful life and performance.”

How do you incorporate smart lighting into your work as a knowledge leader?

“We work with new technology and build expertise that helps us pave the way for sustainability in the entire lighting industry. Working with specifiers, and closely with end customers who are ready to try new solutions, serves as extra fuel for innovation and creativity in the Group. We’re constantly finding new ways to exchange experience and knowledge.”

What new opportunities do you see with smart lighting?

“The opportunities smart lighting offers are extremely attractive for users. For a property, this is primarily owners, property managers

and tenants. For outdoor lighting, users are municipalities, city administrations and energy companies. We have rarely had direct contact with these groups before, but now we have an opportunity to address new customer groups. Whether independently or together with partners, we can proactively sell services that can be used in connected luminaires.”

“Looking forward, our systems can use AI to calculate additional energy savings without sacrificing user comfort and experience. There are exciting opportunities in this area once we have insights into how solutions are used.”



One example of smart lighting: a suspended Notor from Fagerhult with an integrated connectivity module from Organic Response.

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Business area
Professional

Ankara, Turkey
When Arden Medical built a new campus, Arlight was chosen to supply lighting for office and production premises.

Read more about Arlight here (external link):



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3. Circular solutions

Our extensive experience and knowledge are the basis for our innovative approach. This is how we create circular lighting solutions in line with our sustainability agenda and create better living environments.

Circular solutions are one of the four focus areas in our sustainability agenda. By replacing the traditional linear view of economic systems and value chains with a circular perspective, we can create a cycle that delivers products and services that are more sustainable. By considering criteria like energy efficiency, choice of material, duration and the lighting solution's life cycle, already in the innovation stage, we can take control over resource consumption, energy use and GHG emissions early on in the process and thereby reduce them. A circular approach is a necessary precondition for us that allows our brands to design and develop solutions that meet the UN SDGs and the goals in the Paris Agreement.

Sustainability is deeply rooted in our operations and this has historically entailed energy efficiency during the entire life cycle of the solution and a resource-efficient supply and value chain, for example by minimising different forms of waste. Our ongoing dialogues with various stakeholder groups, primarily with customers, allow us to understand their needs and the requirements they have for our processes and products.

Well thought out product design and active material choices are essential for our work to develop products with the minimal possible impact on the environment and meet needs and requirements. We develop our solutions to be used, reused, renovated, recycled and upgraded.

By building in the ability for reuse and circularity right from the start, we create sustainable lighting that can be adapted as needs change. Several major projects have been ongoing in the area during the year. The concepts we offer have slightly different

names depending on the brand, for example Second Life or Re:furbish, but all of them are focused on upgrading and reusing existing solutions.

Circular upgrades

When developing new products and solutions, we strive for modular design. This is done to achieve standardisation and from a circular perspective simplify renovations and upgrades. This enables retention of the housing, along with the end caps and similar modules, while the electronics are upgraded. In applicable cases, connectivity solutions can also be integrated. A simple variant of this is when a traditional fluorescent light source is upgraded to a modern LED light source, which substantially reduces energy consumption.

Rising energy prices have meant that the market's interest in circular solutions has increased drastically. This improves the climate footprint for our customers and ourselves and makes it a cost-effective solution. Moreover, manufacturing of fluorescent light sources will be banned during 2023, as per EU legislation. Most of our brands offer circular upgrades together with various additional services.

Well thought out product design and active material choices are essential for our work to develop products with the minimal possible impact on the environment.

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Circularity in five steps

When a product is at the end of its useful life, it can simply be recycled – our products are designed so that the different materials can be separated easily. We work with local partners in each market who recycle the products and enable used materials to become new products.

Our circular and modular platform allows customers future upgrades without the need to replace the entire luminaire. We currently offer upgrades of existing installations to smart lighting, through the replacement of inefficient fluorescent lamps and older technology with new LED technology and connectivity solutions, which reduce energy consumption at a reasonable cost.

By using our own, local manufacturing facilities that are close to our customers, we can streamline production and reduce the environmental impact from transportation.

5
Recycled
materials become
new products

4
Reuse and
replacement

3
Efficient
production

1
Circular
design

2
Sustainable
and recycled
material

We apply an entire lifecycle approach when developing our highly efficient products that are modular, upgradeable and designed for dismantling.

We constantly strive to research new, innovative material and solutions that reduce material consumption. By replacing fossil-based or energy-intensive materials with renewable and recycled materials, we can reduce the climate impact of our products.

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Existing lighting at the library in Jönköping has been reused and upgraded with new technology

Sustainable lighting needs to last for a long time, in terms of appearance as well as quality. At Fagerhult Group, we design our products to be used, upgraded, repaired and reused. Well thought out and simple.

We extend our products life length by upgrading both the hardware and the software, for example new electronic drive mechanisms with smart controls and more efficient LED modules. By building in the ability for reuse and circularity right from the start, we create

sustainable lighting that can be adapted as needs change. ateljé Lyktan's solution for this is called Second Life.

In 1997, ateljé Lyktan was given the prestigious task of delivering luminaires to the library at Jönköping University. Since then, 400 of our classic Supertubes have illuminated the iconic environment in the old foundry hall in central Jönköping, not far from Fagerhult.

The technology with fluorescent T8 lamps that were modern at the time of installation have now finished their role as an efficient and sustainable solution. But high-quality luminaires in classic

designs never go out of style. Instead of discarding the existing luminaires, a project was started to reuse the existing Supertube luminaires. The T8 lamps were replaced with modern LED modules. The work is being carried out on site and the luminaires have now begun a new life. Reusing luminaires also preserves the original architectural design.



Upgrading the classic Supertube with new technology preserves the original architectural design.

ateljé Lyktan

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Reference



Business area
Professional

Sydney, Australia
Eagle Lighting provides 4,000 specially-adapted luminaires for 158-metre-tall office building on Dennison Street

Read more about this here (external link):



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4. Knowledge leader

We strive to always be a knowledge leader when it comes to sustainable lighting solutions. This entails continuous development and constant learning. We leverage our expertise in collaborations and partnerships where we strive to be transparent and authentic, which has led to a positive reputation of high integrity and credibility.

Being knowledge leaders in the market is one of the four focus areas in our sustainability agenda. The right lighting solution and lighting plays a central role in creating well-being, a sense of security and creativity in our surroundings. Still, we often take it for granted. Here is where our broad knowledge becomes very valuable, not only for our customers but for society in general.

We know that an office environment or lecture hall with correctly adapted lighting can help us both to feel better and to perform at a higher level. Healthcare workers and many other occupational groups need flexible work light depending on the tasks that need to be carried out. The right lighting solution that can function in a variety of conditions helps reduce traffic accidents. The right lighting on footpaths and in parks makes a big difference when it comes to well-being and safety in the area.

In parallel with our work with lighting solutions for these and many other challenges, we need to include efficiency in our designs. This requires a great deal of knowledge about how sensors and control systems can adjust the light based on whether

anyone is present to save energy and reduce light pollution without compromising on well-being. Exchanging ideas and new knowledge drives us forward, step by step.

Being a knowledge leader also means being innovative and identifying new, better materials, ensuring a high portion of recycled material or simply drastically reducing material use. During the year, several new products were launched with a focus on better materials. Discovery from Fagerhult is an example of an innovative product with plastic based on renewable raw materials instead of fossil oils, which has a lower climate impact and a product that is fully recyclable. ateljé Lyktan has developed an entirely circularly luminaire manufactured out of hemp. These are both excellent examples of innovation where new materials lead to better products.

We understand the importance of balance between different aspects when choosing lighting solutions, striving for the right light that creates well-being yet is energy-efficient.

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The Experience Centre – insights into the world of light

At Fagerhult Group, we always strive to add value, create dialogue and provide inspiration for good lighting environments for people. For example, in 2022 Fagerhult opened a unique Experience Centre – a complete experience characterised by knowledge and interactivity. Here you can experience, test and investigate all with light dimensions and opportunities.

A new Experience Centre opened at Fagerhult in 2022. The Centre is based on the comprehensive knowledge of light at Fagerhult and provides education and knowledge about the importance of the right light in the right place. We have strived to create a collaborative space designed to provide answers to any question. The goal is to give visitors new insights and inspiration, so that everyone leaves filled with new ideas.

Fagerhult's new Experience Centre is in the same building as its factory, outside Jönköping in Habo. This is the same place where Fagerhult was founded in 1945 by Bertil Svensson. Even before you step through the doors, the location offers a one-of-a-kind light experience. Close to the woods, open skies and Lake Vättern, there is a special atmosphere here and a natural light that no luminaire in the world can hope to replicate.



Colour temperature is an important part of designing light for an environment.



FAGERHULT



Lens technology allows the light to be directed to avoid glare.

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In the beautiful entrance we meet Maja Salinder, Customer Experience Developer at Fagerhult, who is to escort us around the 795 square metre premises that consists of several different spaces: a bistro, a meeting room, a lecture hall and several different hubs where you can test different aspects of a lighting environment.

Each space is carefully designed for different purposes and offers an exciting meeting between light, colour, form and texture. The effect that even small changes in lighting can have on the total experience of an environment is startling.

“We want our visitors to be able to investigate every dimension of light in an interactive and engaging way,” explains Maja, showing how each hub is equipped with panels and drawers where you can find, for example different kinds of technology, material, optics and types of light to try.

“The vision has been to create a full-scale experience where you can take a deep dive into a variety of details, make deliberate choices and find the best solution for a lighting project. We hope that every visitor leaves full of inspiration and new insights – and wants to return to this dynamic space.

“In a traditional show room, the products are in focus. Here, we want to demonstrate the multifaceted effect of light on different environments and the people who spend time in them. We want to offer knowledge exchange, sustainable insights and competence development for all of our visitors. And while we’re happy to share our knowledge, we are just as curious about what our visitors can teach us,” concludes Maja.

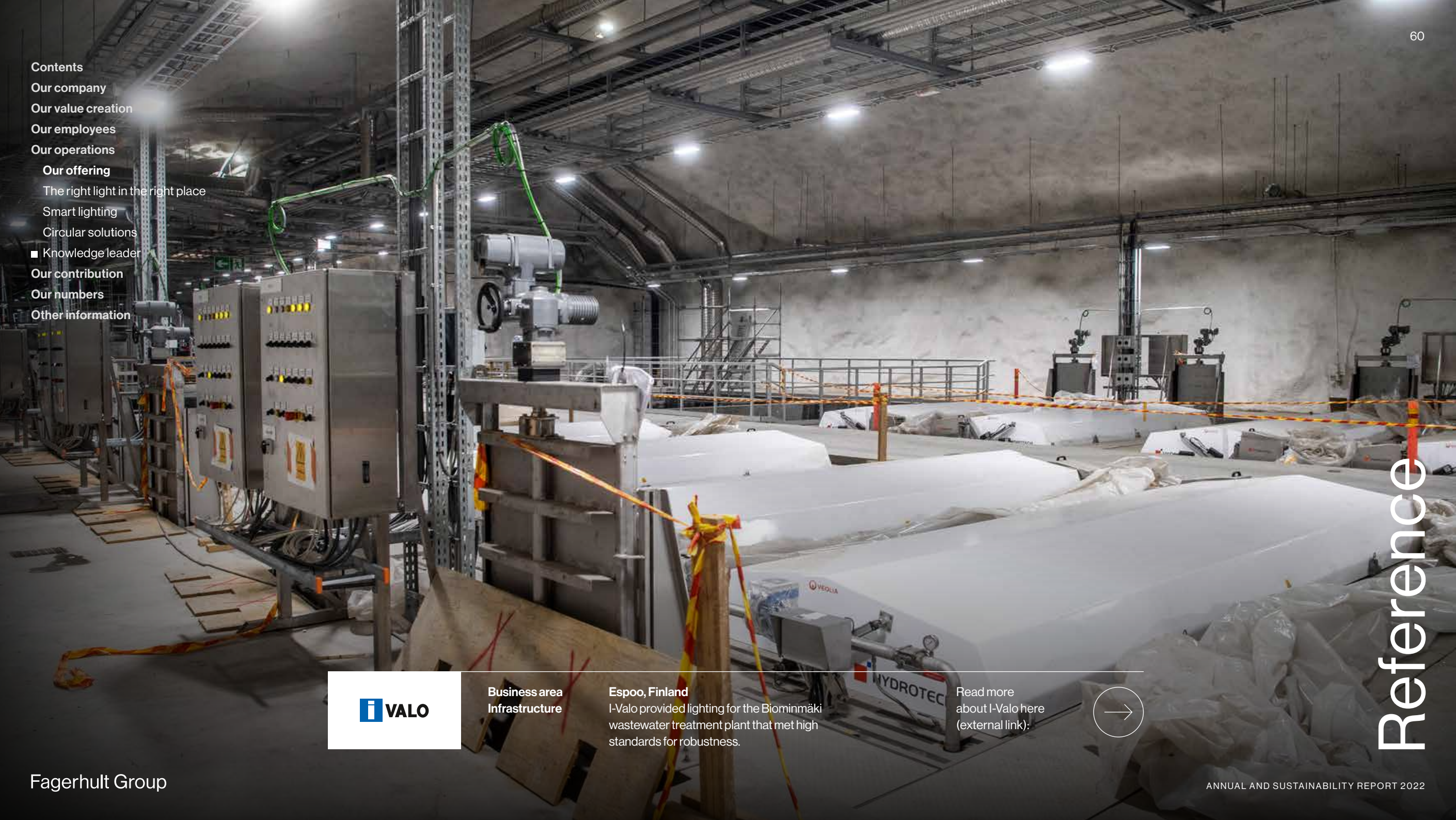
Fagerhult's Experience Centre is open for scheduled visits.

“The vision has been to create a full-scale experience where you can take a deep dive into a variety of details, make deliberate choices and find the best solution for a lighting project.”

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**Business area
Infrastructure**

Espoo, Finland
I-Valo provided lighting for the Biominmäki wastewater treatment plant that met high standards for robustness.

Read more about I-Valo here (external link):



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Our lighting solutions have an important and major role, as society of the future transitions and develops. We are experts in lighting, and understand and possess insight into the positive influence of light on people in different environments and situations.

We are experts in sustainable lighting. We work with the innovative development of future technologies. This allows us to offer energy-efficient luminaires and lighting solutions designed with sustainable and renewable materials that can be recycled.

Our companies manufacture many of our products using recycled materials. By combining this with our connectivity solutions for smart lighting, we are contributing toward more sustainable development.

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Our sustainability efforts

We work sustainably. This is crucial if we are to contribute to the transition to a sustainable society. We focus on developing and manufacturing energy-efficient products with the least possible impact on the climate and environment throughout their entire life-cycle. Our workplaces are safe, fair and inclusive. We work together to ensure that our subcontractors adhere to local laws and regulations.

We set ourselves ambitious requirements. We strive to meet or exceed our customers' expectations and requirements in terms of product quality and impact on the climate and environment. Our aim is for customers to turn to us because we are credible and transparent in what we do, and we are perceived as authentic and honest.

We actively drive the transition to a circular economy. Reusing, rebuilding and updating existing luminaires is a business opportunity that we are continuously developing together with our customers.

Our ambition is to Contribute to a better world through smart lighting solutions. We want everyone who comes into contact with our solutions, while working, shopping, travelling, fetching their children, caring for and providing nursing care to others, studying or practising sports, to be able to fully do what they want in the best possible way, thanks to our lighting.

ateljé Lyktan's classic Supertube is reused by replacing fluorescent tubes and older electronics with the latest LED technology.



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Priorities

We take full responsibility for all of our operations. Together with suppliers, customers and other partners, we create a sustainable value chain with the ambition of delivering professional lighting solutions which are circular, climate positive and contribute to a better life.

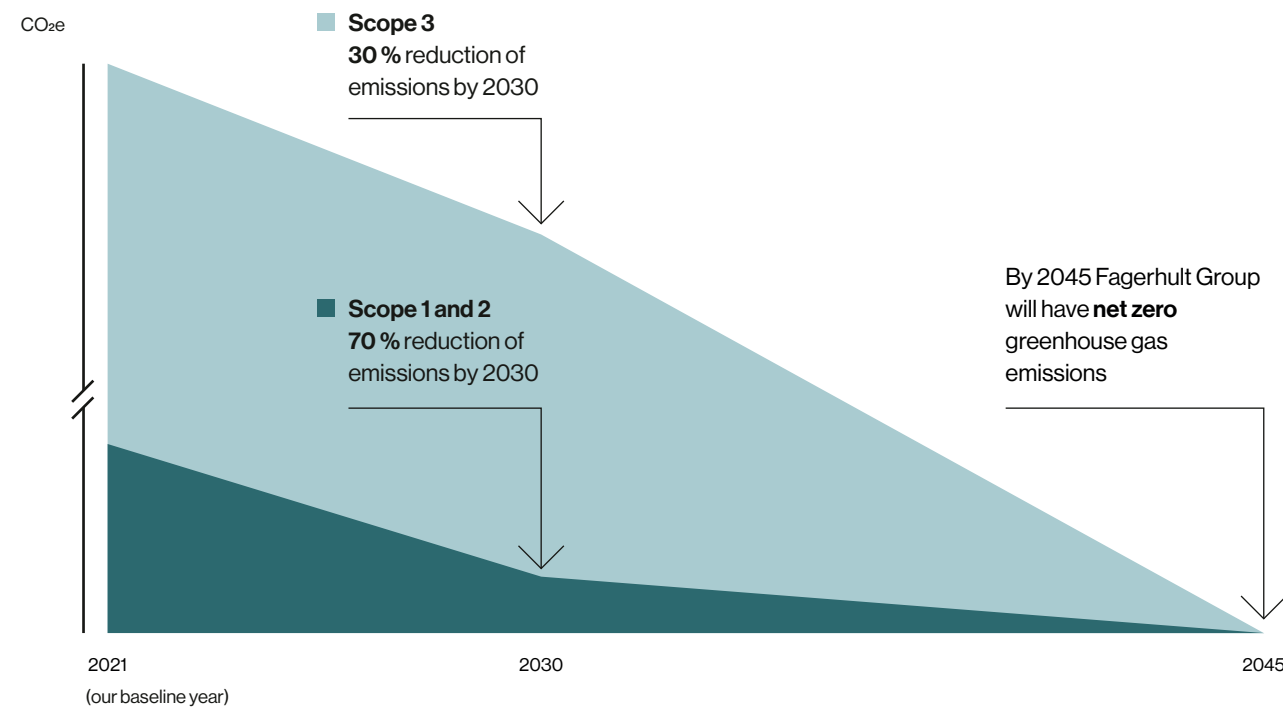
We want to be the sustainability leader in the industry. Our ambition is to assume responsibility throughout the entire value chain. We can achieve this by maximising the positive effects of our business operations, while minimising our negative impact.

The short- and long-term goals of our sustainability initiatives are to:

- reduce direct and indirect GHG emissions (Scope 1 and Scope 2) by 70 per cent by 2030, compared with 2021;
- reduce other direct and indirect GHG emissions (Scope 3) by more than 30 per cent by 2030, compared with 2021; and
- to achieve net-zero GHG emissions for the Fagerhult Group by 2045.

The Group continuously sets new goals and develops existing goals by breaking them down into local activities and initiatives. This is important for keeping our sustainability efforts relevant.

Our climate roadmap



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Positive Change for Better Living

Our new sustainability agenda, Positive Change for Better Living, which was developed in 2021, was launched throughout the Group in 2022. This entailed extensive work, with the active participation of the Group's senior management and functions as well as the involvement of employees in different stages.

The goal of the sustainability agenda is to ensure a successful Group that can improve and perform in the long term, and which

contributes to sustainable development within the areas that the Group has identified as having the greatest positive impact. The ambition is to leverage the sustainability agenda to integrate a clear and systematic approach to sustainability that impacts the entire value chain, and which contributes to early identification of new business opportunities and any future risks. In 2023, addi-

tional long-term and short-term ambitions and goals will be set, and activity plans will be prepared for each focus area.

Important starting points for the sustainability agenda are the Group's ongoing dialogues with several stakeholder groups at different levels, both centrally and in the companies, the Group's overall materiality analysis and commitments linked to the UN Sustainable Development Goals (SDGs) and the Paris Agreement.

The agenda consists of four focus areas:

Our employees

1. Responsible relations

We work inclusively with respect for each other and raise issues concerning diversity and differences to help us to develop and grow our business. Our Code of Conduct applies for all of our brands and companies.

Our operations

2. Responsible operations

We maintain a holistic and responsible perspective throughout the entire value chain. Our top priority is the protection and safety of the people who come into contact with our operations, along with taking care of our planet. We leverage the latest innovations to reduce our environmental impact and minimise waste.

Our offering

3. Circular solutions

Our experience and knowledge drive our innovative approach to create circular lighting solutions for a better environment and a brighter future. We also offer various reuse solutions and business models when it comes to managing existing products.

4. Knowledge leader

We are knowledge leaders in sustainable lighting solutions, with extensive expertise in all relevant areas. Transparency and reliability contribute to our high integrity and credibility in the eyes of the business environment, which is central since collaboration and partnerships are crucial for how we conduct business.

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The sustainability agenda shows the way

Our sustainability agenda coordinates our work in ensuring that we are a successful and sustainable Group that contributes to the UN Sustainable Development Goals, the EU's Green Deal and the Paris Agreement. A vital step in this regard is to create climate goals for approval by the Science Based Target initiative (SBTi).

The UN Sustainable Development Goals (SDGs)

We are committed to deliver our contribution to the UN SDGs. We support all 17 SDGs, and the 169 targets, at the same time as we focus on the SDGs where we contribute most through our business operations and our four focus areas. Our primary focus is therefore SDG 11 Sustainable cities and communities and SDG 12 Responsible consumption and production.

The EU Green Deal

The EU's Green Deal, adopted by the European Commission in 2020, consists of a set of political initiatives aimed at achieving climate neutrality in the EU by 2050. The initiatives will transform the EU into a modern, resource-efficient and competitive economy. We will have achieved such an economy when:

- there are no net GHG emissions in 2050;
- economic growth has been decoupled from resource consumption; and
- no populations or locations are left out.

In order for a resource-efficient economy to become a reality, new construction must be reduced, and thereby a considerable acceleration of the renovation rate, which we are contributing to through our investments in innovative lighting solutions.

Science-based climate targets

An important aspect of the Group's work to drive the changes needed for delivering on the SDGs and the EU's Green Deal, is the ongoing initiative to set well-defined short- and long-term goals that are linked to the sustainability agenda and the four focus areas.

In 2022, we joined the Science Based Targets initiative (SBTi), which as a first step means developing science-based climate targets that are aligned with the Paris Agreement's 1.5° degree target. We have submitted the basis for the targets to SBTi, and the ambition is for the targets to be validated by SBTi in 2023. SBTi is a global initiative that allows for companies to formulate their climate goals in accordance with what is scientifically deemed necessary for meeting the goals of the Paris Agreement. Climate targets that are validated and approved by SBTi are considered to be in line with the Paris Agreement.



SDG 11 Sustainable cities and communities

Buildings and public places are to be made safer and more accessible with the right lighting solutions. Combined with presence sensor controls and enhanced energy efficiency, this will reduce the environmental impact of lighting considerably.



SDG 12 Responsible consumption and production

Circularity increases the durability of existing lighting solutions and reduces GHG emissions, while creating the prerequisites for the greatest possible benefits throughout the product's life cycle.

LED Linear has delivered lighting that enhances the expression of the architecture to Eleftheria Platz in Nicosia, Cyprus.

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Stakeholder dialogues

Our operations impact and are impacted by numerous stakeholders. Being attentive to the views, expectations and needs of stakeholders is a very important building block in our sustainability efforts. Group companies conduct a continuous dialogue with many different stakeholder groups.

We updated the materiality analysis as part of the process of creating our new sustainability agenda. Some 70 stakeholders from various groups and different parts of the world with differing expertise have shared their thoughts on important sustainability issues for us to address. By conducting interviews, we have compiled their views on challenges and impacts, and prioritised sustainability issues and their expectations on us. Our aim was to garner internal insights into how important different sustainability issues are to different stakeholder groups, when they interact with our Group companies. The hope is that the dialogues will also generate increased awareness of the Group and how our lighting solutions are contributing toward sustainable value creation.

Fagerhult Group's stakeholder dialogue

External stakeholder groups

- Customers
- Shareholders, investors, analysts
- Suppliers, business partners
- Decision makers, authorities
- Local communities
- Interest groups
- Schools and universities

Internal stakeholder groups

- Employees
- Management teams
- Group Management
- Board of Directors



Iguzzini Light Experience is used to show products and how to work with light

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Dialogue with our stakeholders

	Stakeholder	Dialogue form	Issues in focus	Our response
External stakeholder groups	Customers	Business meetings, business network, trade fairs, seminars, webinars, customer surveys, interviews.	Lead times, high-quality, innovation, products that help reduce energy consumption and promote a circular economy, certification, LCA, quick and accessible technical support, security of supply, market prices, compliance.	Focus on supply security and customer support, good delivery capacity with subcontractors, LCAs and EPDs, product development focused on sustainability and a circular economy, the development of smart lighting solutions.
	Shareholders, investors, analysts	Annual and Sustainability report, interim reports, regulatory press releases, the AGM, meetings, surveys (investor community), interviews.	Sustainability positioning and communication, reduction of greenhouse gas emissions, positive contribution to society.	Responsible and ethical enterprise, ongoing financial reporting, long-term business relations, environmental consideration, social responsibility, compliance, financial and internal control systems, transparency.
	Suppliers, business partners	Procurement process, supplier assessments, business meetings, trade fairs, sales networks, interviews.	Contract compliance, high-quality sustainable products, reliable and economically stable business partners, business ethics, quality, efficiency, customer satisfaction, service, on-time payments, delivery and lead-time difficulties related to the coronavirus pandemic.	Reliable and economically stable business partner, high business ethics, transparent and responsive dialogue, fair and correct price negotiations, on-time payments, innovative and sustainable products.
	Decision makers, authorities	Networks, trade fairs, seminars, collaboration bodies, contact with relevant interest groups, direct contact with authorities.	Issues that impact operations and products, new legislation, sustainable products that promote a circular economy, transparency, reliable information, business ethics, compliance.	Our Code of Conduct, smooth adaptation to legislative changes, transparent and responsive dialogue, access to senior management, transparent reporting.
	Local communities	Website, meetings, information meetings.	Job opportunities, sustainable enterprise, active role in the local communities' development of services, sponsoring, compliance, stable employer and taxpayer, environmental impact.	Our Code of Conduct, transparent and attentive dialogue, sponsorship of local activities, collaboration with local schools and colleges, prioritising local suppliers.
	Interest groups	Website, Annual and Sustainability report, corporate communication, surveys, collaboration bodies.	Transparent and responsive dialogue, access to senior management, product descriptions, environmental impact, energy consumption, emissions, respect for human rights.	Transparent and responsive dialogue, access to senior management, Annual and Sustainability report, the Code of Conduct, transparency concerning sustainability issues.
	Schools and universities	Networks, interviews, collaborative partnerships.	Joint projects, teaching, skills supply, training.	Taking part and contributing with resources to research projects, providing guidance for the format of relevant training, being receptive to students and post-graduates.
Internal stakeholder groups	Employees	Dialogues for personal development and career paths, employee surveys, workplace meetings, daily meetings/status updates, trade union meetings, interviews.	Safe and healthy work environment, minimise the risk of infection spreading, ethics, inclusivity, personal development, competence development, career paths, compliance with applicable labour legislation, good leadership, team feeling, respect for human rights, equality, stable employer, transparency concerning the financial information of operations.	Employee surveys, employee dialogues, measures based on employee dialogue/surveys, safety committees, leadership training, zero tolerance for discrimination, ensuring a safe and healthy work environment, measures to reduce infection spreading.
	Leadership teams	Regular digital and physical meetings and forums.	Strategic sustainability development and long-term sustainability decisions. Updates on our current status and sustainability results.	Dialogue, collaboration and discussion about projects and decisions.
	Group Management	Regular digital and physical meetings and forums.	Strategic sustainability development and long-term sustainability decisions. Updates on our current status and sustainability results.	Dialogue and discussion about strategic projects, activities and decisions.
	Board of Directors	Regular Board meetings.	Strategic sustainability development and long-term sustainability decisions. Updates on our current status and sustainability results.	Ensure the right decisions and activity focus through responsive dialogues.

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Materiality analysis

In 2021 and 2022, we conducted the Group's most comprehensive materiality analysis to date. The results of the analysis have provided the basis for the sustainability agenda that was developed, Positive change for better living.

The materiality analysis was conducted in order to meet the requirements of GRI Standards 2021, and was aimed at identifying, prioritising and determining the Group's material topics. The starting point has been the impact of the topics on the economy, the environment and people, including their human rights. The analysis was based on the business context, industry and competitor analyses, various sustainability issues that were identified

in connection with the previous materiality analysis from 2015, new and upcoming regulations, as well as the ongoing in-depth dialogues with various stakeholders and experts. Many of these sustainability topics are important to Fagerhult Group, and those where the Group is deemed to have the greatest impact on sustainable development have been classified as material.

In relation to the previous materiality analysis, some of the issues were deemed to have become far more significant, such as issues linked to sustainable design, the financial consequences of climate change, climate impact, the use of renewable energy, employee values, cyber security and digitalisation.

Some of our material topics span more than one focus area, but here they are presented in one main area. Since the last reporting year, there have been some changes to our material topics. Some topics have been renamed and grouped together. The material topic, product responsibility/safe products, is absolutely fundamental to us but has not been retained as a material topic as it is a natural part of our business and 100% of our products are tested to industry standards. For more information on product safety, see page 77. The material topics added are integrity and knowledge in sustainability, digitalisation and connectivity, and healthy living "Light & Life."

Our material topics

Material topics

- Ethics and anti-corruption
- Employee values
- Health and safety in our own operations
- Diversity
- Healthy living "Light & Life"

- Sustainability in the supply chain
- Partnerships and ecosystems
- Impact of climate change
- Use of renewable energy
- Cyber security

- Climate and energy efficiency
- Circular economy
- Sustainable design
- Digitalisation and connectivity
- Integrity and knowledge in sustainability

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Sustainability risks

In various ways, our operations are associated with sustainability risks. Awareness and action regarding these risks are fundamental to our sustainability efforts. We have identified and analysed the most material sustainability risks in our own operations and value chain, as well as the potential adverse consequences they may entail. The risk analysis includes specific issues that we deem we have a significant impact on the environment, personnel, social conditions, respect for human rights and anti-corruption, and is presented in the table.

Business risks and opportunities due to climate change

Our risk mapping at a Group and company-level reveals considerable differences in the consequences of climate change for the various sections of our business. In the short term, we see business opportunities, but we also understand that we are affected by the physical consequences of climate change, such as floods and extreme heat, and that we must structure our operations to manage these impacts.

Several of our companies have started identifying the risks and opportunities they face. Some of the identified risks comprise increased temperatures and water intrusion in production units, shortages of energy and renewable energy, extreme electricity prices, and access to the right skills where we need them. If not taken into consideration and addressed, these risks will have a potential negative impact on our employees and on production, and in various ways likely result in increased costs.

Opportunities identified as a result of climate change are often linked to risks and society's response to them. Increased demand and requirements for green products and solutions provides opportunities, and some examples identified include access to and demand from new markets, new contact areas with partners, e.g. lighting designers, architects and installers, and more focus and priority on product development and innovation in lighting and smart solutions where we are already well advanced.

	Risk description	Management
Production		
Quality defects	Quality defects in the product can result in injuries to customers or impact the company's reputation.	Group companies have a stringent focus on quality, with guidelines for product development, and many of the Group companies have their own policies on quality agendas. We train our employees to maintain high quality in production and to reduce the risk of deficient product quality, which over time, supports a long service life.
Environmental impact		
Energy efficiency and emissions	Daily operations consume large amounts of energy and natural resources. If we fail to work in an energy-efficient manner, the operations are at risk of contributing to devastating environmental impact through GHG emissions.	Fagerhult Group works continuously in all areas of operations to review energy needs and to streamline its work methods.
Pollution and damage to the environment	Our operations entail a risk of pollution and damage to the environment, which may adversely impact the business in the long term.	We continuously monitor legal and regulatory development in order to be prepared for any new requirements that may be imposed on the company. This is done through our own operations, and through previous operations at plants and properties that are now owned by Fagerhult Group.
Regulatory changes	There is a risk that future changes in environmental regulations could risk that people and the environment are not properly protected, and also lead to increased expenses and costs for enabling continued production.	Fagerhult Group continuously monitors laws and regulations in order to adapt the operations to regulatory changes that may have an impact on costs at the earliest possible stage.
Personnel and societal conditions		
Workplace accidents	A poor working environment can lead to workplace accidents, which in turn can lead to consequences for the individual, such as injury.	We work daily with work environment issues and routines, and proactively addresses activities that are deemed to have a greater risk of injury.
Anti-corruption and human rights	If any employee should break the law or the rules on anti-corruption, this could lead to disregard for people and the environment, and also result in fines, reputational damage and lost business.	Fagerhult Group has a Code of Conduct that forms the basis for everything we do and how we act. We ensure that all of the Group's employees are familiar with the company's Code of Conduct, which is always signed upon onboarding, and that continuous training in the Code is offered.
Sustainable supply chain		
Anti-corruption and human rights	Fagerhult Group's large geographical spread and decentralised management expose the business to a risk of corruption. If any employee at any company should neglect the Code of Conduct's rules concerning zero tolerance for corruption, this could lead to disregard for people and the environment, damage our reputation, lead to lost business and make the company liable for fines.	We have a Code of Conduct that forms the basis for everything we do and how we act. We require suppliers to fulfil the ethical standards we set for suppliers and sub-suppliers and demand that human rights be respected. We conduct inspections upon acquiring a company, and require that all Group companies comply with applicable laws and regulations. Fagerhult Group applies the precautionary principle before making any important decisions.

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Sustainability governance

Responsible enterprise and decision-making processes, where all of our companies and employees assume responsibility for our impact on the environment and society, are fundamental to our decentralised organisation.

Responsible enterprise and decision-making are also fundamental to maintaining the trust of our customers, employees, suppliers and other stakeholders. Governance is based on following the laws and regulations in all aspects that impact operations, such as competition rules, environmental legislation, labour laws and collective agreements. Everything we do is guided by our respect for international conventions on human rights. Child labour, or labour performed through coercion or threat of violence, is not tolerated under any circumstances. In all contexts, zero tolerance applies to all cases of bribery and corruption.

Our values and strategy

The Group's global presence, combined with its decentralised organisational structure, imposes stringent requirements on the governance and management of financial issues and sustainability issues. Each Group company is given its own substantial autonomy and responsibility for managing its impact. Therefore, it is important to have shared core values that unite the companies and serve as a starting point for their work. The majority of Group companies have thus jointly updated and developed the Group's shared core values, which are summarised in:

- Curious creators
- Committed together
- Aim higher

In 2021 and 2022, the Group developed a new sustainability agenda through, among other things, a materiality analysis and a

review of the UN Sustainable Development Goals. The materiality analysis involved many different stakeholders and companies. These efforts resulted in four focus areas that provide the basis for our sustainability efforts. In 2022 and 2023, concrete goals and activities will be developed for each focus area.

Code of Conduct as a governance instrument

A long-term approach, transparency, efficiency, reliability and professionalism must characterise governance of the Group's sustainability topics. Governance must be based on our values and our sustainability agenda. The Code of Conduct is our overall governance document concerning responsible enterprise. The Code of Conduct applies to all companies and employees and states our views on human rights, business ethics, labour conditions, diversity and equal opportunities, as well as environmental responsibility. The Code of Conduct advocates respect for human rights and sets requirements on zero tolerance for corruption and declares our stance against money laundering and behaviour that is in breach of competition law.

In the past year, we adopted three new policies: the human rights policy, policy on working conditions and the conflict minerals policy. These apply to all companies in our Group. Several of our companies also supplemented the shared Code of Conduct and policies with their own, and perform regular supplier assessments based on the Code. Our shared approach in terms of the precautionary principle is described in the Code of Conduct, which includes the anti-corruption policy; see www.fagerhultgroup.com.

In 2021, a new Group-wide online training module was conducted regarding the Code, with particular focus on anti-corruption. The aim of the training was to facilitate understanding of how to apply the Code in daily work and was primarily directed to management and those employees who are exposed to different degrees of business ethics risks in their work.

The Board's sustainability work

The Board has ultimate responsibility for the Group's sustainability work. Sustainability is a high priority for the Board, which is regularly updated by the Chief Sustainability Officer (CSO) with information about the Group's key sustainability issues and focus areas. Group management is responsible for establishing the strategic focus of our sustainability efforts and for managing and following up on sustainable work methods at a Group level. The Board of Directors has adopted Fagerhult Group's materiality analysis and sustainability agenda. During the year, the Board participated in discussions regarding the development of the sustainability agenda. The Sustainability Report is approved on an annual basis. The Board will also approve sustainability-related goals that are created as part of the sustainability agenda's development.

Group management's sustainability work

The CEO has ultimate responsibility for the Group's sustainability work. Responsibilities for sustainability work are delegated to the CSO who is part of Group management. The CSO has an explicit responsibility for coordinating and implementing the Group's

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sustainability agenda, in coordination with other members of Group management and with Group companies. The work is conducted in consultation with the companies and through various Group forums. The aim of our forums is to collaborate and exchange knowledge and experience between the brands, thereby setting a good example and spreading awareness of sustainable solutions. The Group's central HR function is tasked with supporting the companies' personnel management and developing efficient processes to capitalise on and share the Group's collective skills. HR representatives from each brand meet monthly to conduct continuous dialogues on how processes can be improved, in order to drive development toward the Group's joint HR strategy.

Sustainability work by Group companies

In our decentralised organisation model, each company has ultimate responsibility for its own sustainability initiatives and ensures that they are in line with the Group's sustainability agenda. The CEOs of the respective companies have ultimate responsibility for implementing and adhering to the Group's Code of Conduct and other regulations and guidelines at the local level, together with the relevant national laws and regulations, as well as competition rules such as environmental legislation, labour laws and collective agreements. The companies' CEOs are responsible for communicating the content and importance of the Code of Conduct to their own parts of the organisation, and for ensuring that business partners and suppliers are also aware of it.

Company managers are responsible for ensuring that each company pursues continuous competence development, primarily in the form of training activities that are based on local and individual needs. Each company is responsible for safeguarding its own sustainable supply chain. Each company's management is responsible for providing a safe and healthy work environment, along with the requirement of a proactive effort to ensure an acceptable level of employee turnover and the continuous reduction of occupational injuries.

Whistleblower function

Our whistleblower function allows employees and other stakeholders to anonymously report disorders and irregularities in breach of the Code. Fagerhult Group uses an external provider for its whistleblower portal which comprises an overall reporting channel at Group level, as well as separate reporting channels for

several Group companies. Using an external supplier means full anonymity is achieved.

During 2022, no cases of deviations from laws, regulations and internal guidelines have been reported through our reporting channel at group level. We have also not identified any other cases of critical concerns. The recipients of such reports are the Group's General Counsel and HR manager. Any deviations or irregularities that contravene the Code of Conduct or other laws, guidelines or processes, are reported to the Group's General Counsel and HR manager. The CEO is then responsible for reporting significant deviations or other critical affairs and stakeholder opinions to the Board.

Fagerhult Group's whistleblower function is available online through its public website and via the intranet.

Governance through collaboration and partnership

A key area for retaining our strong competitiveness as a market leading lighting company is that we are committed in our industry to creating valuable collaborations and partnerships together with other organisations. On a country level, we are members of the industry organisations that are present in the respective markets in which we operate and that provide us with valuable information, drive transitional efforts and are part of specific committees that are, for example, focused on a transition toward a circular economy (Sweden and the UK). We also maintain product responsibility in each market, by recycling used products through collaborations with local organisations.

Examples of collaborations and partnerships

- El-Kretsen
- Ecolight
- AGID
- Illuminating Engineering Societ (IES)
- Commission Internationale de l'Eclairage (CIE)
- Chartered Institution of Building Services Engineers (CIBSE)
- Society of Light and Lighting (SSL)
- Green Building Council
- BSI's work group for the remanufacturing of lighting
- Australian Dark Sky Alliance

Certified manufacturing facilities

	ISO 9001	ISO 14001	Other
Arlight	●	●	ISO 45001
ateljé Lyktan	●	●	
Designplan	●	●	
Eagle Lighting	●	●	ISO 45001
Fagerhult, China	●	●	
Fagerhult, Sweden	●	●	
iGuzzini, China	●	●	
iGuzzini, Italy	●	●	ISO 50001
i-Valo	●	●	ISO 45001
LED Linear	●		
LTS	●	●	
Sistemalux			
Veko	●	●	
Whitecroft	●	●	
WE-EF, Germany	●	●	ISO 50001
WE-EF, Thailand	●		

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Governance of significant sustainability areas

Focus area	Responsible relations	Responsible operations	Circular solutions	Knowledge leader
Impact (actual and potential, negative or positive impact)	<ul style="list-style-type: none"> Contributes to an equal-opportunity and inclusive workplace Employees who develop Safe and secure workplace 	<ul style="list-style-type: none"> Direct and indirect impact on the environment and climate GHG emissions decreased over time Energy-efficient products and services with less climate impact than comparable alternatives 	<ul style="list-style-type: none"> Reduced resource consumption, climate impact and energy demand from products and services developed by Fagerhult Group Energy savings for society as a whole Contributes to attractive and safe urban environments Improves security in and around properties 	<ul style="list-style-type: none"> Sustainable lighting solutions Customised lighting increases well-being and productivity Contributes to progress in research through university collaborations Allows for the right lighting in the right place
Adverse impacts as a consequence of activities and business relationships	<ul style="list-style-type: none"> Risk of stress and poor health among employees Risk of workplace accidents or injuries 	<ul style="list-style-type: none"> The supply chain and production operations adversely impact the environment and climate Our products consume energy and natural resources, and contribute to GHG emissions Our business trips cause GHG emissions 	<ul style="list-style-type: none"> Risk of circular solutions driving up the product price as a result of increased innovation and production costs 	
Policies and commitments	<ul style="list-style-type: none"> Code of Conduct Employee handbook HR policies Health & Safety manual Union regulations Company-specific zero-injury targets Anti-discrimination policy Work environment policy Recruitment policy Labour conditions Freedom of association Collective agreements Workplace policy Anti-corruption training Social media guidelines Group-wide values Company-specific values 	<ul style="list-style-type: none"> Code of Conduct Code of ethics Test activities in accordance with international and national legislation and regulations Company-specific sustainability policies Vehicle policy Policy for a sustainable supply chain Business agreements Supplier Code of Conduct Supplier evaluation and self-assessment The UN's Universal Declaration of Human Rights Policy for human rights Policy for labour conditions Policy for conflict minerals 	<ul style="list-style-type: none"> National legislation Quality policy for product development Product declarations Application of international and national legislation (REACH & RoHS and the WEE Directive) Certified quality-management and environmental-management systems Supplier evaluation and self-assessment 	
Measures to manage the impact	<ul style="list-style-type: none"> Certified work-environment efforts at several facilities Safety and work-environment committees at all manufacturing units Targeted training initiatives linked to health and safety Employees learn about the Code of Conduct in conjunction with onboarding Regular training in the Code of Conduct Whistleblower system 	<ul style="list-style-type: none"> Due diligence processes in connection with acquisitions Well-defined sustainability and climate goals (for approval by SBTi) Certified management systems (environment, quality, social responsibility) Continuous monitoring of energy consumption Well-defined plan for switching to renewable energy consumption throughout the Group 	<ul style="list-style-type: none"> Regular review of energy requirement Development of business models that promote extended product life cycles 	<ul style="list-style-type: none"> Quality policy for product development Regular training in relevant areas
Follow-up on the efficiency of actions taken	<ul style="list-style-type: none"> Assessments of certified management systems Follow-up of incident management Annual reporting till the Board Regular follow-up of the sustainability goals of Group companies and the Group 	<ul style="list-style-type: none"> Management review linked to certified management systems Assessments pursuant to miscellaneous certifications and standards Follow-up of reported cases through the whistleblower function Supplier assessments Internal audits Follow-up of incident management Annual reporting till the Board Regular follow-up of the sustainability goals of Group companies and the Group 	<ul style="list-style-type: none"> Assessments pursuant to ISO standards Product certifications Annual reporting till the Board Regular follow-up of Fagerhult Group's sustainability goals 	<ul style="list-style-type: none"> Annual reporting till the Board Regular follow-up of Fagerhult Group's sustainability goals
How stakeholders are informed about the efficiency of actions taken	<ul style="list-style-type: none"> Stakeholder dialogues Reporting of incidents, injuries and ill health Annual report and sustainability report 	<ul style="list-style-type: none"> Stakeholder dialogues Public performance reporting Annual report and sustainability report 	<ul style="list-style-type: none"> Stakeholder dialogues Annual report and sustainability report 	<ul style="list-style-type: none"> Stakeholder dialogues Annual report and sustainability report

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Progress

Responsible relations

We work inclusively with respect for each other and raise issues concerning diversity and differences to help us to develop and grow our business. Our Code of Conduct applies for all of our brands and companies.

Ambitions

We want to be regarded as experts in sustainable lighting solutions that positively impact on our way of life. A vital aspect of these efforts is to safeguard curious employees who strive to learn more and add value in everything we do. Another important aspect is the relationships we build as a company.

We must safeguard the health, safety and human rights of our employees. We offer leadership development and find development opportunities for our employees. Our Group-wide values are to be integrated in all processes and day-to-day work. We must always be present and support dialogue and collaboration between the Group companies. As partners, we are transparent, honest and authentic in our relationships both with returning customers and with new collaborations.

Responsible leadership

Our overall ambition is to develop leaders who feel comfortable in their roles and who apply a coaching leadership style. A coaching leader, for example, has the ability to engage employees and leverage the strength of their dissimilarities and skills. Sustainable leadership also includes managers who have the ability to meet requirements for change and cultivate a healthy and safe work environment in dialogue with their employees. Our leadership model provides guidance and governance for all managers.

A diversified group of employees have worked to identify relevant and new leadership qualities that are in line with our values. A new training programme on leadership, skills and its guidelines will start in spring 2023.

Diversity and inclusion

We aspire for every company to actively work to create a good balance between the genders. In general, recruitment is seen as a good opportunity to strengthen diversity and the gender balance. The goal is to always have at least one candidate of the under-represented gender on the "short list" during recruitments. This is also a Group-wide requirement when outsourcing recruitment services.

At year end, the composition of the Fagerhult Group's Board of Directors and management was 60 per cent (57) men and 40 per cent (43) women. For the Group as a whole, the gender balance among employees was 67 per cent (66) men and 33 per cent (34) women. Our Code of Conduct states that all employees, irrespective of gender, age, religion, sexual orientation, or ethnic background, should be given the same opportunities for development and advancement, as well as equal pay for equal work.

Career and competence development

Employees' competence development is primarily conducted through focused training activities that are adapted to local needs

within the framework of each company. Each company has the goal of offering its employees an inclusive environment characterised by good development opportunities and attractive career paths, locally as well as globally. To broaden our recruitment base, there are also long-term efforts in place to attract more young talents to the lighting industry. This partly takes place through participation in labour-market fairs, social media communication and regular dialogues with students from several universities.

The effects of the pandemic continued to impact all Group companies in 2022. Resources that were previously added to enable distance work and to adapt work procedures to a hybrid work format have continued to be of great benefit. However, 2022 has also been the year when we started to see each other more in person again. For us, this has allowed us, inter alia, to offer and provide more in-person training courses, and the average number of training hours per employee has increased compared to the previous year.

Employees in focus

The Group management's recommendation is that all employees should have at least one development dialogue with their immediate supervisor every year. The goal is to develop a Group consensus regarding the benefits of such dialogues and what they should include. However, the starting point and conditions for

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Examples of activities in 2022

Fagerhults Belysning, ateljé Lyktan/Sweden: During the year, several Fagerhult Group companies provided training for managers and safety officers, and their plan is to continue providing training in 2023 regarding topics such as occupational health and safety and psychosocial health.

Fagerhults Belysning/Sweden: Leadership is one of the factors we follow up in our employee surveys. During the year, many Group companies conducted pulse surveys to capture the employees' view of their work situation. Targeted local activities are being planned, based on the results of these surveys.

WE-EF Lighting/Germany: In the past year, employees have contributed to the community through activities such as litter picking and blood donations.

iGuzzini/Italy: Regular collaboration with suppliers or contractors that employ people with physical or mental disabilities to allow them to have a job and autonomy

Designplan/UK: Each year, Designplan supports the Royal Marsden Cancer Charity through a number of charitable initiatives. During the year, employees were encouraged to participate in activities that support the initiatives.

LTS/Germany: LTS was awarded the Great place to work certificate and the Charta der Vielfalt – a German diversity initiative. During the year, the company worked on the integration of Ukrainian workers in their factory.

Fagerhult Group: A sub-forum has been set up within the Group Operations Forum with a focus on the work environment with the ambition of reducing the number of incidents and accidents.

dialogues vary between the companies, and in 2022, 70 per cent (64) of the Group's employees underwent a development dialogue in some form with a manager.

The companies conduct various types of employee surveys at different intervals. For example, some companies have continued to conduct pulse surveys concerning the changed work situation as a result of the pandemic. This has been a useful tool for identifying situations that lead to ill health and the surveys have contributed to proactive initiatives.

A safe and healthy workplace

We place our employees first and safe workplaces are top priority. All production plants follow the relevant national laws and regulations that apply to safety at the workplace, and have systems in place to manage this. Three of our companies have chosen to certify their processes for occupational health and safety with ISO 45001, which includes regular internal and external audits.

All manufacturing units have specific management-worker health and safety committees. In most cases, employees are involved in EHS committees and/or via trade union representation and interaction. These committees conduct internal audits and coordinate external audits that take place at the ISO 45001 certified units and when local legislation requires. The health and safety committees also help to ensure that all employees receive appropriate training. Fire drills, electrical safety, annual safety training on risks at the workplace, CPR and first-aid courses are the most common types of training in the area. The frequency in which safety training takes place is regulated by each company's local policies.

Regular safety inspections take place, often focusing on different risk areas, together with regular follow-ups of accidents and incidents. The most common accidents are cuts, and employees are encouraged to wear gloves when handling sheet metals. Furthermore, there are crush injuries; these are avoided by light ramps, two-hand grips or double commands. We also attempt to avoid repetitive strain injuries from monotonous work through frequent task rotation. Regarding incidents, areas in which both people and trucks coexist present a risk, and the ambition is to separate these through separate aisles and transportation paths

to the greatest extent possible. Health and safety risks are also taken account of when introducing new work procedures or equipment. In addition, processes are also implemented to identify risks at the workplace. Before using chemicals, a risk analysis is always conducted by a person with specialist knowledge in the area.

The ultimate responsibility for maintaining a healthy and safe work environment is always the company CEO. Operative responsibility usually lies with one of the functions for HR, Operations or EHS. Incidents or risks must always be reported to the immediate manager. The observation system is used for most manufacturing units, in which each incident is registered and allocated to the responsible function. Measures taken and follow-ups to ensure that such an incident is not repeated are documented in the system.

It is key for us that our employees maintain a balanced and healthy lifestyle, as this results in less absenteeism and better general well-being. To contribute to this, the majority of the companies offer their employees various forms of company healthcare and preventive health initiatives such as a wellness allowance at the Swedish sites.

Focus 2023

- Continue work on developing the strategy for diversity and inclusivity.
- Further develop policies on how to govern and implement various aspects of the sustainability efforts.

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Responsible operations

We maintain a holistic and responsible perspective throughout the value chain, in which the safety of people and protection of the environment and climate are our main priorities. We leverage the latest innovations to reduce our environmental impact and minimise waste from our production and our products.

Ambitions

All of our products and services are to comply with applicable rules and standards. We consider environmental aspects throughout the value chain.

For us, it is important that all our companies and partners conduct business according to laws and regulations. Our shared Code of Conduct provides the basis for everything we do and how we act. We work toward a sustainable supply chain with suppliers that meet our requirements. Before every business acquisition, a due diligence process is conducted from both an environmental and climate perspective, as well as our ethical requirements.

GHG emissions

During the year, Fagerhult Group committed to developing science-based climate targets that are to be approved by the Science Based Targets initiative (SBTi). The targets were submitted to the SBTi in late 2022, with the ambition that they will be approved by 2023. The approval of the targets will mean that the Group's ambitions to reduce its GHG emissions are in line with the requirements for meeting 1.5 degree target of the Paris Agreement.

During the year, several of our companies actively chose to purchase electricity with guarantees of origin and/or invested in solar panels for their facilities, in order to reduce direct and indirect emissions (Scope 1 and Scope 2). Of the Group's total electricity consumption in 2022, 72 per cent (47) came from renewable

sources with a guarantee of origin or from electricity that we produced ourselves through solar panels. As options for renewable local energy increase, we will endeavour to gradually attain carbon neutral manufacturing. Total direct and indirect emissions (scopes 1 and 2) in 2022 amounted to 14,413 tonnes, down 27 per cent compared with 2021.

By actively working with product development, innovations and knowledge sharing, we are methodically reducing GHG emissions caused by luminaires during their life cycle. Some important initiatives to reduce these emissions include our work with smart lighting, efficient diodes, innovative materials, circular solutions etc.

Fagerhult Group's GHG emissions

Direct GHG emissions (Scope 1)

Fagerhult Group's direct emissions are mainly the result of fuel used for manufacturing in the form of oil, natural gas and propane gas. The direct emissions also include GHG emissions from owned and leased vehicles used by business operations.

Indirect GHG emissions (Scope 2)

Fagerhult Group's indirect emissions comprise heating from district heating plants and purchased electricity.

Other indirect GHG emissions (Scope 3)

Fagerhult Group's other indirect emissions occur in the value chain and fall outside of the Group's own operations, and are greater than the Group's own direct and indirect emissions. The most recent survey of all emissions in 2021 (our baseline year for SBTi) indicated that other indirect emissions constituted 98 per cent of Fagerhult Group's total emissions. Other indirect emissions consist mainly of GHG emissions from the electricity required for the luminaires during their use, as well as emissions associated with the input materials used in our manufacturing.

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Compliance

We respect and support international conventions on human rights and child labour, and we have zero-tolerance for forced or compulsory labour. All Group employees are to enjoy freedom of association and the right to collective negotiations. Corruption is never permitted and in cases where the risk of corruption exists, no business transactions will be entered into and no agreements signed. This is the basis for all operations in the Fagerhult Group.

The countries where we are present, which are deemed to have the greatest risk exposure in these areas, are China, the United Arab Emirates and Turkey.

Due diligence when acquiring new companies

A due diligence process is always carried out when acquiring new companies. Due diligence is partially adapted based on the current acquisition candidate. A thorough risk analysis is made in all cases together with detailed questions on the nature of the operations and the countries in which operations take place or in which the

companies maintain a presence. In addition, a clear analysis structure is present to assess the senior management's competence, experience and core values from a strictly financial and ethical perspective at the same time as succession risks are analysed. This takes place in the form of, for example, in-depth interviews with all members of senior management, in part to ensure that they have the correct image of Fagerhult Group, and in part to provide these individuals with the opportunity to present any questions they may have.

Suppliers

All our Group companies collectively have almost 2,700 suppliers of input materials, who mainly supply electronic components, metal and plastic.

As part of our decentralised business model, it is each company's responsibility to manage its supply chain sustainably and ethically. The procurement function must acquire knowledge of, and ensure that, the contracted suppliers adhere to the international

Risk areas identified

Country	Presence	Control and monitoring
China	Fagerhult operates manufacturing in the Suzhou Industrial Park. iGuzzini has operations located in Fengxian, Shanghai.	For Fagerhult, a Swedish site manager is responsible for monitoring and ensuring that the working conditions comply with international conventions and that the Code and other policies are followed. An Italian site manager conducts the same work for iGuzzini. Operations must comply with the local government authorities' requirements to comply with local laws and regulations governing forced labour and human rights. Working hours and other conditions follow the directives of the industrial park. As a way of reducing exposure to corruption, there is continual job rotation among vulnerable positions.
United Arab Emirates	Operations comprise a small sales company and business representatives for iGuzzini, LED Linear and Fagerhult in Dubai.	The Head of Business Area, who is also part of Fagerhult Group's management, is responsible in consultation with the CEO, Regional Director and Country Manager for monitoring and ensuring compliance with international conventions, the Code and other policies.
Turkey	Arlight's operations in Ankara	The political risk and critical security situation continues in Turkey and neighbouring countries. The country's legislation guarantees citizens human rights, but there are several gaps in compliance. Close contact and continuous visits to the company's management on the topic of development is of the greatest importance for the Fagerhult Group's Board and management.

Examples of activities in 2022

Fagerhults Belysning/China: A green electricity certification project has been implemented with the aim of achieving 100 per cent green electricity for the Suzhou plant.

Fagerhult Group: Several Group companies have introduced a policy that employees may only choose an electric car as a company car.

iGuzzini/Italy: iGuzzini transitioned to 100 per cent green-energy procurement contracts with GoO certificates. The existing solar-cell installation has been expanded and supplemented with additional solar panels. In total, solar energy accounts for 22 per cent of the plant's electricity needs.

LTS/Germany: The LTS production facility has optimised and reduced work surfaces in its production facilities, resulting in reduced heating consumption.

LTS/Germany: LTS has stopped using plastic as a packaging material and replaced it with a more sustainable alternative.

WE-EF Lighting/Germany: WE-EF Lighting has invested in solar energy through the Solar Roof System project.

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guidelines for human rights, freedom of association, right to collective agreements, anti-corruption and efforts to combat child labour and forced labour. This applies regardless of the number of suppliers, which can vary considerably between the different companies.

Each company's efforts to identify and monitor input materials from supplier must therefore be continuous, and verified according to legal requirements, and when new substances and components are brought on by a shift in technology.

During the year, a total of 344 (452) suppliers were evaluated using environmental criteria, of which 64 (61) were new suppliers. 226 (299) suppliers were also evaluated using social criteria, of which 91 (70) were new suppliers. During the year, we entered into agreements with a total of 167 (236) new suppliers.

Group-wide forum for procurement

The general assessment is that risk exposure for our Group's purchases is low, since a large portion of the procurement is done through well-established global companies. This is particularly true for Group-wide purchases that are made by the Group Purchase Forum (GPF). The aim of the forum is to collectively purchase large volumes of electrical components that all of the

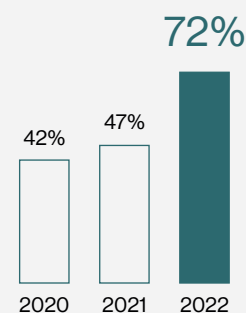
companies are able to use. The forum consists of five purchasing managers from different Group companies, who are each responsible for a number of companies. In 2022, the procurement of global suppliers of diodes and LED drivers continued. Since these suppliers are all global and well-known brands, GPF's assessment is that these suppliers' Codes of conducts maintain at least the same level as our own, and have a distinct focus on the environment, societal conditions and business ethics. This is also true for the purchases of assembled electronics components containing rare earth metals, albeit in small quantities, which are also purchased from well-established global companies. Our insight into the suppliers' extraction is limited, but the assessment is nevertheless that the extraction is conducted sustainably and is in accordance with these global companies' codes of conduct. As with many other industries, the lighting industry was impacted by semiconductor shortages in 2021 and the first half of 2022. The shortage has mainly impacted the accessibility of drivers, which are a critical component of our lighting solutions. Thanks to favourable forecasts and close cooperation with our suppliers, we still managed to secure supplies of these drivers, and the supply situation of electrical components gradually improved during the second half of 2022.

Product safety

All Group companies are responsible for testing and assessing the safety of all of their luminaires pursuant to applicable industry requirements and other regulations. We have several certified laboratories, for example at iGuzzini, Fagerhults Belysning and Arlight, where product safety controls and product approval are conducted. Regulations around safety testing are extensively standardised, almost the same requirements apply regardless of company or country.

During the safety testing of a luminaire, a number of different factors are considered, such as electrical, mechanical and thermal risks. Photobiological safety and the risk of exposure to electromagnetic fields are also tested. This means ensuring that the different wavelengths and energy do not injure human eyes. A finished luminaire undergoes final testing according to a set of rules and procedures, and is verified against the LVDEMC, ErP and RoHS directives. Safety-testing documentation conforms to the EU directives on the CE certified of luminaires. Additional requirements and standards are likely to be added in line with the increase of luminaires connected to smart control systems, and this is therefore a development that we are following closely.

Share of renewable electricity



Waste by type



Recycling refers to the proportion that is recycled into new materials, recycled into energy and anaerobic decomposition.

Focus 2023

- We will continue to invest in renewable energy and solar energy.
- In order to reduce our GHG emissions, we will review the possibilities of electrifying the processes at our factories.
- We will continue to phase out fossil-fuelled vehicles in our operations and replace them with electric ones.
- We will initiate projects to measure and compare waste between our factories to identify potential improvement opportunities.
- Research into new innovative materials that can enhance energy efficiency or in other ways reduce the environmental impact will continue to be an important priority.

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Circular solutions

Our experience and knowledge drive our innovative approach to create circular lighting solutions for a better environment and a brighter future.

Ambitions

With our unique blend of local and regional brands and cultures, we can offer a customised approach to sustainable high-volume production. We are to maximise energy savings with the latest LED technology and smart lighting control. All our solutions should have a life cycle perspective to minimise our environmental and climate impact.

LED and smart control systems

The advantages of LED technology mainly pertain to long lifetime and low energy consumption. Additional value is created when LEDs are combined with smart control systems. Using smart control systems, presence-controlled sensors are developed to automatically regulate a safe and energy-efficient light that is adapted to natural light, both indoors and outdoors. Depending on the application, smart lighting systems could reduce energy consumption up to 70 per cent. Further value-creating functions are connected luminaires that can collect information about how efficiently an office space is being used by measuring presence in the space around the clock, or registering unauthorised access.

LED technology currently accounts for almost 100 per cent of the companies' net sales and the Group is continually investing in product development and manufacturing. Market demand is partly driven by the continual need to replace existing inefficient lighting solutions and partly by new builds and renovations.

Luminaires' impact during their life cycle

All Group companies are driven by a shared goal to limit environmental and climate impact during all stages of a luminaire's life cycle, from the choice of materials to development and manufacture, to the user phase and, finally, the recycling of all or parts of the luminaire.

Our possibility to make an impact is in the continued development and application of energy-efficient LED technology,

Examples of activities in 2022

Fagerhults Belysning/Sweden: Re:Furbish was launched – a circular economy concept whereby existing solutions are upgraded and reused.

Fagerhults Belysning/Sweden: Fagerhults Belysning is part of a joint pilot project with Telenor in Norway, for circulating aluminium profiles (luminaires) from the market back to the supplier (closed-loop recycling), when changing to a new lighting solution.

iGuzzini/Italy: The new iWay refurbishment product was introduced.

iGuzzini/Italy: iGuzzini's has developed a service to help customers to repair and refurbish lighting solutions.

ateljé Lyktan/Sweden: The Second Life concept was launched, which designs products to be used, upgraded and reused to thereby extend the life of the product.

Whitecroft/UK: Selene 2 was launched, which represents a further development of Whitecroft's Cradle to Cradle range of products.

combined with smart control systems. These kinds of connected lighting solutions provide major value by significantly reducing energy consumption during usage. It is also crucial to use innovation to increase the share of sustainable material in the luminaires, for example by using biomaterials and recycled materials. The companies are currently developing products that are Cradle to Cradle certified, have environmental product declarations (EPDs), life cycle assessments (LCAs) or material specifications to various degrees depending on the local market's requirements and regulations for each luminaire's impact during its life cycle.

Focus 2023

- Our new climate targets and our commitment to the SBTi require that we intensify our work on developing more circular solutions. Initiatives around smart lighting solutions are decisive for achieving reduced GHG emissions from the use of our products.
- The work to ensure that our products last as long as possible is a priority area. We want to extend the life of our products by reusing frames and upgrading to modern electronics.
- We will continue the work of creating several new products based on biodegradable and recyclable materials.

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Knowledge leader

Fagerhult Group has compiled many years of experience in the development and manufacture of lighting solutions with a commitment to continuous growth and strengthening of our competence. We aim to be the knowledge leader in sustainable lighting solutions based around human needs and balanced with energy-efficient and smart solutions with a minimal carbon footprint.

Ambitions

One cornerstone of our sustainability agenda is continuous skills development as part of our commitment to be the knowledge leader in sustainable lighting solutions. The balancing of climate aspects and human needs is crucial in the sustainability perspective – the right lighting and energy efficiency must go hand in hand.

By far the greatest environmental impact is in the user phase, followed by material production. The degree of impact and circularity is set at 80 per cent by our competence and foresight in the innovation process. This clearly indicates the importance of sustainability competence in the product development process.

We maintain a continuous focus on more energy-efficient solutions and further development of connectivity technology for smart lighting, which is of primary importance in reducing the footprint in the user phase.

In terms of materials, considerable development is ongoing regarding new possibilities around recycling and recyclability, and modulation for reuse as well as around completely new bio-materials. We monitor these areas and launch products with organic materials as well as new business models. Partnerships with other actors are important and critical here.

We are also developing skills in production to reduce the carbon footprint, such as replacing plastic packaging and eliminating paper documentation. We have been working for many years in this area with various concepts for resource-efficient manufacturing and with building competence in how to avoid different forms of waste.

When we speak about being a knowledge leader, this applies not just to these areas, it also applies to being a knowledge leader in all relevant areas for our operations, such as marketing, finance and IT.

Internally, we ensure the latest lessons and competence are spread through our various Group forums, where we share news

Examples of activities in 2022

Fagerhults Belysning/Sweden: Discovery was launched – a product partly made of bio-based plastic with a low carbon footprint.

LTS/Germany: Wooden luminaires were developed and a first project delivery was completed.

LTS/Germany: Mila was launched – a product made of 100 per cent recycled optical materials.

iGuzzini/Italy: Recycled plastics have begun to be used in new products where possible, in consideration of performance, and local and international regulations.

Fagerhults Belysning, ateljé Lyktan, WE-EF Lighting, Whitecroft, iGuzzini /Sweden, Germany, the UK, Italy: Third-party environmental product declarations require the transparent reporting of the environmental impact of our products and solutions.

Fagerhults Belysning/Sweden: Continued establishment and improvement of our competence and skills-development centres in Linköping.

Fagerhult Group: The Science Based Targets approval process has helped to increase competence and knowledge within the Group.

and develop together. Each relevant development area such as purchasing, innovation, manufacturing and marketing, has its own forum.

New requirements and targets

We also develop our knowledge and skills by ensuring we are up to date and prepared for new requirements and regulations, and through our own ambitions and objectives.

Our diligent work with environmental product declarations (EPDs) increases our awareness and understanding of the environmental impact of the entire product life cycle, and by including these in product development we ensure a proactive innovation process.

We increase our competence and learn new approaches, for example through the work on the Taxonomy and preparations for other regulations. The Science Based Targets initiative process means that we will continuously learn and implement new solutions to gradually advance toward our goal of becoming climate neutral.

Focus 2023

- Our work with environmental product declarations, Science Based Targets and smart lighting continues. We are raising competence and securing our position as a knowledge leader in the industry, from the perspective of innovation and product-development, and in terms of sales and marketing.

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Sustainability notes

Accounting policies and sustainability data

The reporting of social and economic disclosures encompasses all of the Group's companies.

The reporting of environment- and climate-related disclosures are broken down and presented by production facility in the Group. The Group's sales companies and head office are jointly-reported. Products from external brands, sold by our sales companies, are not included.

Changes to the 2022 Sustainability Report

Where changes have occurred in the data compared with previous years, such changes are commented on directly after the table or diagram concerned.

Collection and reporting of sustainability data

For this year's Sustainability Report, data has been collected for the period of January – December 2022. A digital tool, Worldfavor, was used for the collection and reporting of data.

Employee disclosures

These disclosures refers to to January–December 2022. The exception is number of employees, which was reported on 31 December 2022. This also applies to the number of employees broken down by gender, age, age of senior management and type of role.

Environmental disclosures

DEFRA and the Association of Issuing Bodies (AIB) have been the primary sources for emission factors.

Scope 1:

Direct energy consumption: GHG emissions were calculated in cubic metres. Data is taken from our own systems or suppliers.

Business travel: Business travel by car includes leased and owned vehicles. Emissions in this category are based on kilometres driven.

Other vehicles: Other vehicles include leased and owned vehicles used during manufacturing or delivery. Emissions from other vehicles were calculated based on fuel consumed (litre).

Scope 2:

Indirect energy consumption: Data was taken directly from our suppliers. The tables report the market-based method. Total GHG emissions using the location-based method are listed in footnote 6 on page 86.

Business travel: Emissions from electric cars are included in electricity consumption, under indirect energy consumption since the total energy consumption includes charging electric cars.

Scope 3:

Raw material: Only includes raw materials that Fagerhult Group processes. Does not include materials from purchased components.

Business travel: At most sites, including the largest ones, data was taken from our own systems or directly from our suppliers. At some of the smaller units, calculations were made based on the year's activities.

Waste: Refers to the proportion that is recycled into new materials, recycled to energy and anaerobic combustion. Data was primarily collected together with our recycling partners.

Water: Refers to reuse that happens within the framework of our manufacturing.

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Employee disclosures¹⁾

Fagerhult Group²⁾

	2022			2021 ³⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	2,802	1,390	4,192	2,784	1,410	4,194	2,916	1,481	4,397
Blue collar	1,198	605	1,803	1,145	611	1,756	1,242	664	1,906
White collar	1,604	785	2,389	1,639	799	2,438	1,674	817	2,491

	2022				2021 ³⁾				2020			
	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number
Permanently employed	3,812	210			3,820	216			3,947	210		
Temporarily employed	133	16	56		115	10	41		99	12	129	
Estimated average number of hired consultants				175				110				37

	2022			2021 ³⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
New employees									
<30 years old	162	79	241	154	74	228	79	39	118
30–50 years old	192	106	298	164	78	242	90	43	133
>50 years old	63	26	89	58	20	78	25	6	31
Total	417	211	628	376	172	548	194	88	282
Total new employees, %	15	15	15	14	12	13	7	6	6

	2022			2021 ³⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employee turnover									
<30 years old	109	57	166	99	55	154	100	37	137
30–50 years old	174	119	293	223	119	342	175	95	270
>50 years old	102	35	137	97	58	155	101	37	138
Total	385	211	596	419	232	651	376	169	545
Total employee turnover, %	14%	15	14	15	16	16	13	11	12

¹⁾ Number of employees 31 of December 2022.

²⁾ Fagerhult Group's head office is only included in the total figures and not included in any business area.

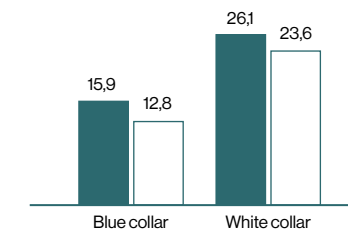
³⁾ Some 2021 figures has been updated due to improved data quality and better methods for measuring and collecting data.

	2022
Work-related injuries and ill-health⁴⁾	Number
Recordable work-related injuries	48
High-consequence work-related injuries	4
Recordable work-related ill-health	13
Work-related fatalities	0
Total	61

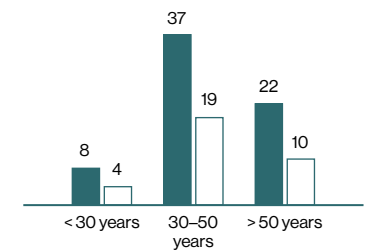
⁴⁾ No historical data available due to new KPI in line with GRI Standards 2021.

	2022	
Employees covered by collective bargaining agreements	Number	Share
Yes	2,598	62%
No	1,594	38%

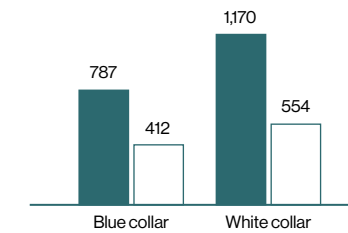
Training, average hours



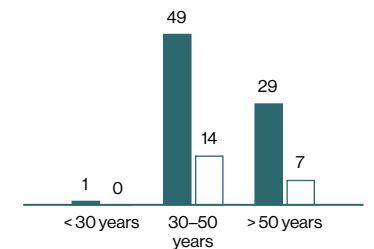
Age structure, employees, %



Development dialogues, no of dialogues



Age structure, managers, %



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Collection

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	1,321	705	2,026	1,318	702	2,020	1,343	719	2,062
Blue collar	558	302	860	557	304	861	549	301	850
White collar	763	403	1,166	761	398	1,159	794	418	1,212

	2022				2021 ²⁾				2020			
	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number
Permanently employed	1,882	81			1,876	78			1,872	71		
Temporarily employed	60	4	20		46	6	14		4	8	107	
Estimated average number of hired consultants				41				24				8

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
New employees									
<30 years old	85	41	126	75	38	113	41	22	63
30–50 years old	75	53	128	63	39	102	37	20	57
>50 years old	27	14	41	34	15	49	9	2	11
Total	187	108	295	172	92	264	87	44	131
Total new employees, %	14	15	15	13	13	13	6	6	6

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employee turnover									
<30 years old	64	26	90	41	30	71	49	18	67
30–50 years old	61	53	114	88	53	141	67	36	103
>50 years old	45	20	65	47	29	76	39	16	55
Total	170	99	269	176	112	288	155	70	225
Total employee turnover, %	13	14	13	13	16	14	12	10	11

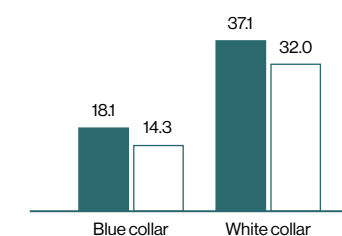
¹⁾ Number of employees 31 of December 2022.

²⁾ Some 2021 figures has been updated due to improved data quality and better methods for measuring and collecting data.

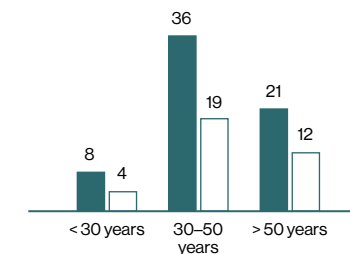
	2022
Work-related injuries and ill-health³⁾	Number
Recordable work-related injuries	27
High-consequence work-related injuries	3
Recordable work-related ill-health	8
Work-related fatalities	0
Total	35

³⁾ No historical data available due to new KPI in line with GRI Standards 2021.

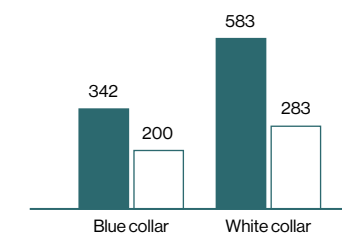
Training, average hours



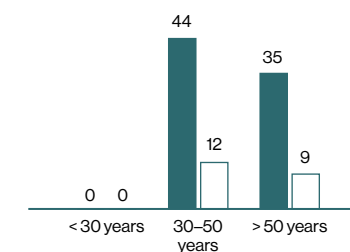
Age structure, employees, %



Development dialogues, no of dialogues



Age structure, managers, %



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Premium

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	780	408	1,188	773	424	1,197	879	472	1,351
Blue collar	295	181	476	290	184	474	342	235	577
White collar	485	227	712	483	240	723	537	237	774

	2022				2021 ²⁾				2020			
	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number
Permanently employed	1,103	67			1,105	81			1,256	84		
Temporarily employed	23	4	3		18	0	1		10	1	0	
Estimated average number of hired consultants				91				46				25

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
New employees									
<30 years old	30	22	52	28	16	44	6	7	13
30–50 years old	60	29	89	25	16	41	18	11	29
>50 years old	14	2	16	5	2	7	2	3	5
Total	104	53	157	58	34	92	26	21	47
Total new employees, %	13	13	13	8	8	8	3	4	3

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employee turnover									
<30 years old	16	14	30	22	15	37	13	13	26
30–50 years old	50	28	78	66	39	105	58	33	91
>50 years old	19	9	28	29	20	49	31	14	45
Total	85	51	136	117	74	191	102	60	162
Total employee turnover, %	11	13	11	15	17	16	12	13	12

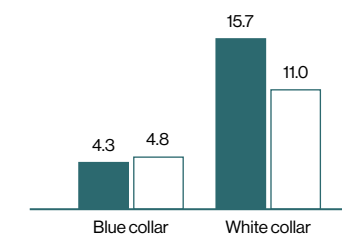
¹⁾ Number of employees 31 of December 2022.

²⁾ Some 2021 figures has been updated due to improved data quality and better methods for measuring and collecting data.

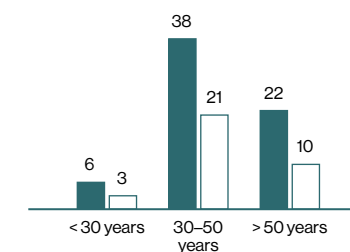
	2022
Work-related injuries and ill-health³⁾	Number
Recordable work-related injuries	9
High-consequence work-related injuries	1
Recordable work-related ill-health	2
Work-related fatalities	0
Total	11

³⁾ No historical data available due to new KPI in line with GRI Standards 2021.

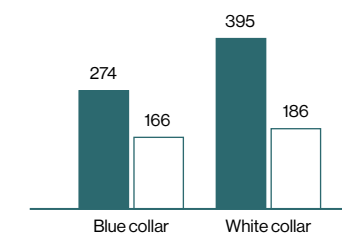
Training, average hours



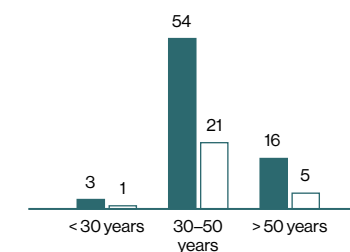
Age structure, employees, %



Development dialogues, no of dialogues



Age structure, managers, %



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Professional

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	440	175	615	453	174	627	451	179	630
Blue collar	225	73	298	208	68	276	251	72	323
White collar	215	102	317	245	106	351	200	107	307

	2022				2021 ²⁾				2020			
	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number
Permanently employed	565	21			587	19			570	17		
Temporarily employed	0	0	29		0	0	21		26	1	16	
Estimated average number of hired consultants				36				37				2

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
New employees									
<30 years old	24	12	36	32	10	42	12	2	14
30–50 years old	32	15	47	48	16	64	20	4	24
>50 years old	14	6	20	12	2	14	6	0	6
Total	70	33	103	92	28	120	38	6	44
Total new employees, %	16	19	17	20	16	19	8	3	7

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employee turnover									
<30 years old	16	7	23	20	4	24	17	3	20
30–50 years old	45	24	69	44	21	65	34	18	52
>50 years old	30	4	34	13	5	18	12	5	17
Total	91	35	126	77	30	107	63	26	89
Total employee turnover, %	21	20	20	17	17	17	14	15	14

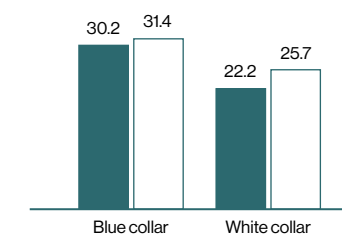
¹⁾ Number of employees 31 of December 2022.

²⁾ Some 2021 figures has been updated due to improved data quality and better methods for measuring and collecting data.

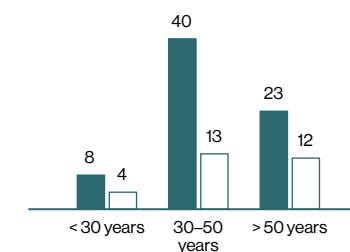
	2022
Work-related injuries and ill-health³⁾	Number
Recordable work-related injuries	11
High-consequence work-related injuries	0
Recordable work-related ill-health	3
Work-related fatalities	0
Total	14

³⁾ No historical data available due to new KPI in line with GRI Standards 2021.

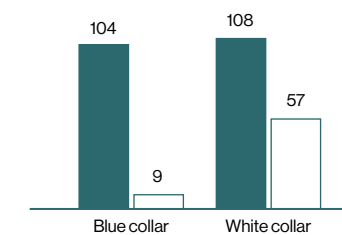
Training, average hours



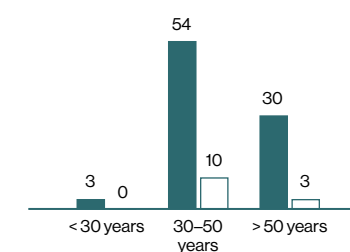
Age structure, employees, %



Development dialogues, no of dialogues



Age structure, managers, %



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Infrastructure

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total employees	252	98	350	231	107	338	237	108	345
Blue collar	120	49	169	90	55	145	100	56	156
White collar	132	49	181	141	52	193	137	52	189

	2022				2021 ²⁾				2020			
	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number	Full-time	Part-time	Hourly	Number
Permanently employed	250	41			241	38			242	37		
Temporarily employed	49	8	4		50	4	5		58	2	6	
Estimated average number of hired consultants				7				3				2

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
New employees									
<30 years old	22	4	26	19	10	29	20	8	28
30–50 years old	25	8	33	27	6	33	14	7	21
>50 years old	7	4	11	5	1	6	8	1	9
Total	54	16	70	51	17	68	42	16	58
Total new employees, %	21	16	20	22	16	20	18	15	17

	2022			2021 ²⁾			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employee turnover									
<30 years old	13	10	23	16	6	22	21	3	24
30–50 years old	16	14	30	25	6	31	16	7	23
>50 years old	8	2	10	8	3	11	19	2	21
Total	37	26	63	49	15	64	56	12	68
Total employee turnover, %	16	24	19	21	14	19	24	11	20

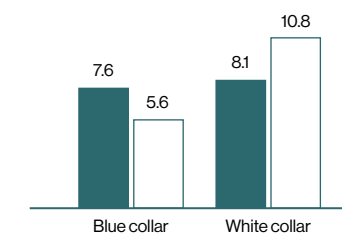
¹⁾ Number of employees 31 of December 2022.

²⁾ Some 2021 figures has been updated due to improved data quality and better methods for measuring and collecting data.

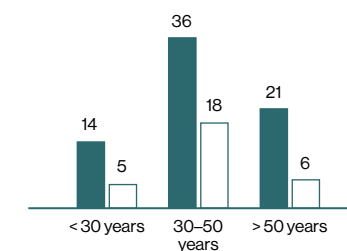
	2022
Work-related injuries and ill-health³⁾	Number
Recordable work-related injuries	1
High-consequence work-related injuries	0
Recordable work-related ill-health	0
Work-related fatalities	0
Total	1

³⁾ No historical data available due to new KPI in line with GRI Standards 2021.

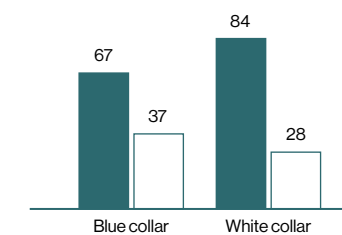
Training, average hours



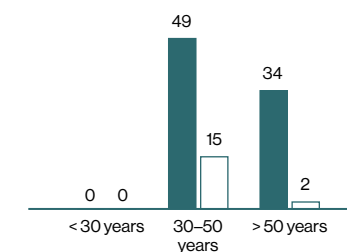
Age structure, employees, %



Development dialogues, no of dialogues



Age structure, managers, %



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Environmental disclosures

Environmental indicators 2022¹⁾

	Collection							Premium			Professional			Infrastructure			Other ³⁾	Group total		
	ateljé Lyktan, Åhus, Sweden	iGuzzini, Recanati, Italy	iGuzzini, Shanghai, China	Sistemalux, Montreal, Canada ²⁾	LED Linear, Neukirchen-Vluyn, Germany	WE-EF, Bispingen, Germany	WE-EF, Samut-prakarn, Thailand	Fagerhult, Habo, Sweden	Fagerhult, Suzhou, China	LTS, Tettngang, Germany	Arlight, Ankara, Turkey	Eagle Lighting, Melbourne, Australia	Whitecroft, Manchester, England	Designplan, Sutton, England	I-Valo, Iittala, Finland	Veko, Schagen, Netherlands	HQ, Commercial etc.	2022	2021 ⁹⁾	2020
Scope 1																				
Direct Energy Consumption																				
Non-renewable sources																				
Natural Gas (m ³)	0	867,069	152,621	125,011	40,816	248,730	0	0	110,849	348,706	97,475	121,311	456,711	86,734	63,260	8,651	95,495	2,823,438	3,145,743	2,686,591
Propane Gas/LPG (m ³)	75	0	0	0	0	12	84,501	0	0	0	960	753	0	0	0	0	0	86,301	122,035	98,193
Oil (m ³)	0	0	0	0	0	78	0	1	0	0	0	0	0	0	0	0	0	79	40	⁹⁾
Business travel																				
Diesel cars (no.)	6	42	2	0	6	10	2	12	0	23	2	0	8	5	4	17	145	284	429	539
Petrol cars (no.)	0	0	0	0	2	2	6	1	1	0	14	0	0	2	1	12	71	112	81	59
Plug-in Hybrid cars (no.)	15	20	0	0	2	8	0	16	0	7	0	0	15	3	0	5	73	164	107	63
Vehicles used in operations																				
Diesel vehicles (no.)	0	1	0	0	0	6	3	2	0	0	2	0	5	0	0	0	1	20	18	21
Total CO₂e Scope 1 (tons)	99	1,987	315	252	117	808	515	101	232	828	286	249	1,574	196	153	174	1,247	9,133	9,889	9,888
Scope 2																				
Indirect Energy Consumption within buildings																				
Renewable sources⁴⁾																				
Electricity (MWh)	714	9,059	0	0	0	1,846	0	7,006	600	1,308	795	222	1,844	39	409	462	772	25,076	14,784	11,133
District heating (MWh)	475	0	0	0	0	0	0	3,311	0	0	0	0	0	0	0	0	0	3,785	4,340	4,027
Non-renewable sources⁵⁾																				
Electricity (MWh)	0	77	2,379	703	763	0	1,090	0	52	1,308	5	424	0	659	0	393	1,846	9,700	19,506	15,665
District heating (MWh)	1.2	0	0	0	0	102	0	0	0	0	0	0	0	0	0	0	401	504	585	1
Electric cars (no.)																				
Elbilar (st)	15	1	0	0	0	3	0	9	0	2	0	0	3	10	0	10	44	97	44	9
Total CO₂e Scope 2 (tons)⁶⁾	0	35	1,884	32	472	20	620	0	41	808	3	458	0	232	0	177	597	5,380	10,158	7,063

¹⁾ Data has been collected and calculated with the tool Worldfavor. DEFRA and Association of Issuing Bodies (AIB) has been used as main sources for emission factors.

²⁾ The production unit belongs to iGuzzini and manufactures for iGuzzini.

³⁾ The category 'Other' includes all legal entities that is not classified as manufacturing units (for all business areas). For example head office, sales companies, etc.

⁴⁾ Includes renewable electricity that are self-produced or origin marked with valid certificate.
⁵⁾ Refers to national energy mix on each national market. Each national mix also contains partly renewable sources, this part is not distinguished.

⁶⁾ Calculated with market based method. Corresponding figure with location based method is 8,579 tons CO₂e for the Fagerhult Group.

⁸⁾ Some 2021 figures have been updated due to improved data quality and better methods for measuring and collecting data.

⁹⁾ Historical data is not available due to changed calculation methods or due to no available data previous years.

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Environmental indicators 2022, cont.¹⁾

	Collection							Premium			Professional			Infrastructure			Other ³⁾	Group total		
	ateljé Lyktan, Åhus, Sweden	iGuzzini, Recanati, Italy	iGuzzini, Shanghai, China	Sistemalux, Montreal, Canada ²⁾	LED Linear, Neukirchen-Vluyn, Germany	WE-EF, Bispingen, Germany	WE-EF, Samut-prakarn, Thailand	Fagerhult, Habo, Sweden	Fagerhult, Suzhou, China	LTS, Tettwang, Germany	Arlight, Ankara, Turkey	Eagle Lighting, Melbourne, Australia	Whitecroft, Manchester, England	Designplan, Sutton, England	I-Valo, Iittala, Finland	Veko, Schagen, Netherlands	HQ, Commercial etc.	2022	2021 ⁹⁾	2020
Scope 3																				
Consumption of raw materials (tons)																				
Renewable Materials																				
Paper (for packaging)	49	286	132	31	40	56	18	243	89	213	106	103	136	105	1	37	0	1,645	1,628	1,318
Non-renewable Materials																				
Steel	41	577	38	72	10	193	66	1,188	255	219	396	690	1,258	373	8	18	0	5,401	5,707	4,530
Primary Aluminium	87	102	90	61	89	7	9	354	31	46	199	17	134	28	74	779	0	2,108	2,324	4,643
Secondary Aluminium	114	676	614	0	0	218	120	128	265	279	25	1	58	11	38	334	0	2,881	2,717	
Paint – Powder	12	0	1	0	0	12	3	61	25	18	21	19	49	23	5	0	0	249	252	201
Paint – Solvent	0.4	89	91	0	0	3	0	0	0	1	0	0	0	0	0	0	0	184	187	136
Plastics (granulate)	0	92	43	0	0	0	11	0	0	13	0	73	0	0	0	136	0	369	461	331
Plastics (for packaging)	3	28	19	2	7	7	3	65	8	10	3	9	27	2	1	6	0	199	219	200
Business travel																				
Short haul flights (p.km)	8,000	396,602	1,142	4,410	47,194	135,154	32,560	193,683	14,360	59,876	21,801	158,745	74,708	46,040	57,482	36,000	1,971,974	3,259,731	923,629	⁹⁾
Long haul flights (p.km)	0	1,402,954	25,059	53,323	143,808	205,948	107,595	41,193	20,000	9,144	36,221	2,636	0	0	0	0	1,195,343	3,243,224	507,346	
Hotel nights (no.)	640	1,855	27	41	152	572	63	729	24	109	150	108	434	196	90	882	4,646	10,718	5,196	
Train (km)	3,550	181,692	295	0	16,740	54,683	517	21,069	0	8,838	1,310	0	124,396	11,325	3,474	17,000	418,978	863,867	522,852	
Taxi (km)	6,581	30,107	10,357	830	594	4,949	2,424	3,076	0	0	881	0	4,107	467	147	1,000	49,054	114,574	63,374	
Employee owned cars (km)	11,006	0	1,892	16,333	7,403	3,374	0	43,336	0	0	0	129,600	499,096	25,541	18,214	0	276,156	1,031,951	814,431	
Waste																				
Total waste (tons)	144	502	84	160	64	451	125	994	43	372	208	349	822	117	38	64	0	4,537	3,976	⁹⁾
Share recovered (%) ⁷⁾	100	95	82	65	100	100	46	98	87	100	97	81	100	100	100	100	0	94	90	
Water																				
Total water withdrawal (m ³)	1,037	26,516	9,405	1,325	862.1	5,631	6,749	3,021	4,613	4,250	8,320	479	7,205	2,606	866	572	0	83,457	89,589	76,756
Total CO₂e Scope 3 (tons)	1,171	4,569	1,981	863	949	1,091	542	7,787	1,540	1,731	3,274	2,803	5,700	1,624	778	8,021	815	45,239	47,167	⁹⁾
Units Produced																				
Number of Units produced (pcs)	86,132	888,639	404,674	128,436	170,744	63,303	8,494	614,144	773,646	522,691	258,460	135,900	358,089	74,380	38,703	321,769	0	4,848,204	4,716,048	4,713,825

¹⁾ Data has been collected and calculated with the tool Worldfavor. DEFRA and Association of Issuing Bodies (AIB) has been used as main sources for emission factors.

²⁾ The production unit belongs to iGuzzini and manufactures for iGuzzini.

³⁾ The category 'Other' includes all legal entities that is not classified as manufacturing units (for all business areas). For example head office, sales companies, etc.

⁷⁾ Refers to part that is recycled to new material, recycled to energy, as well as anaerob decomposition.

⁸⁾ Some 2021 figures have been updated due to improved data quality and better methods for measuring and collecting data.

⁹⁾ Historical data is not available due to changed calculation methods or due to no available data previous years.

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EU Taxonomy

The world is facing major challenges to solve the climate crisis, and everyone needs to do their part. Countries, companies and individuals must transition to reduce emissions and negative impact on the environment and the climate. EU has the goal of becoming the first climate-neutral continent in the world, something that is to happen by 2050. There are various milestones on the way towards achieving this and objectives that are customised to or set based on the Paris Agreement. The intention with the Taxonomy is to encourage investment in sustainable activities. The proportion of Taxonomy-eligible economic activities was first reported in 2021, and the next step now in 2022 is to report the proportion of the operations' turnover, investments and costs that are sustainable (aligned) according to the definitions given in the Taxonomy. After a comprehensive analysis of our operations and turnover, including components, as well as a stricter interpretation of the Taxonomy's regulations, we have updated our assessment of the proportion of the Group's turnover that is Taxonomy-eligible.

Conclusions of the Taxonomy for the Fagerhult Group

Despite a smaller proportion of turnover in the highest energy classes we believe that we are well positioned in relation to the market. We are focused on continuously tracking technological developments and implementing the latest technology in our solutions, whether they are LED modules or connectivity solutions for smart lighting, so that we can continue to have a leading position in energy efficiency and creating the right lighting with people in mind. It is of the utmost importance that we optimise both of these areas in harmony with each other. The Taxonomy, with its focus on green and sustainable investments, is a step in the right direction and is also a part of our holistic approach to reduce our climate impact and our validation process with Science Based Targets initiative.

Our substantial contribution according to the Taxonomy

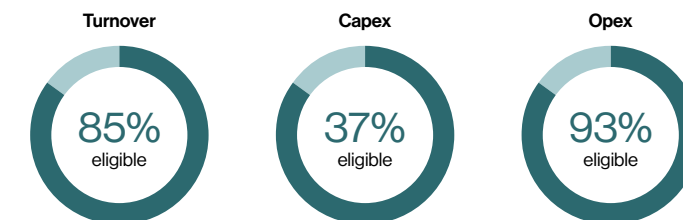
We have updated and revised our view of the scope of the Taxonomy in relation to our turnover compared with the previous year. This has resulted in the following definition: According to the Group's inter-

pretation, applicable turnover related to sales of products for indoor and outdoor environments when energy classification is possible. This also includes sensors and similar items intended to offer customers a more sustainable and energy-efficient solution. Sales of products or components that are not covered by compulsory energy classification or where the Group does not have full control over the product are excluded. This means that products that are not developed by one of the Group's brands are excluded (external brands). Products and components are exempt if they lack energy classification: panels for treatment rooms at hospitals, posts for outdoor luminaires, or other types of spare parts or accessories. Under this definition, eligible turnover amounts to 85% of the Group's total net sales.

We contribute substantially to one of the six defined EU goals, "climate change mitigation." Our industry has a direct connection to Article 10.1 of Regulation (EU) 2020/852, where the European Parliament and the European Council state that economic activities that consist of energy efficient technology has a positive impact on the environmental objective of climate change mitigation. Our modern LED solutions reduce energy consumption by up to 70 per cent compared with traditional installations and a connected solution that is controlled through sensors has even more potential to reduce energy consumption for our customers, which contributes to the environmental objective.

Do no significant harm

The Taxonomy establishes technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and for determining whether that economic activity does no significant harm to any of the other environmental objectives. By providing energy-efficient lighting solutions, we help make society more sustainable. Based on the application of goals and technical screening criteria in the EU Taxonomy to assess the principle of "do no significant harm," the Fagerhult Group will:



	Total (MSEK)	Eligible	Non-eligible
Turnover	7,025.5	85%	15%
Capital expenditure (Capex)	109.1	37%	63%
Operating expenditure (Opex)	341.8	93%	7%

- Identify the material physical climate risks by carrying out relevant risk analyses
- Assess the materiality of all physical climate risks identified
- Assess possible solutions that can reduce the potential or actual identified climate risk
- Act for the pollution prevention and control related to environmentally hazardous chemicals, starting with SVHC
- Use best practices and available guidance and apply the most recent knowledge about available methods

Minimum safeguards

The minimum safeguards, an important part of the EU Taxonomy Regulation, are based on recommendations from the European Parliament to ensure that any investments or activities labelled as "Taxonomy-aligned" meet certain minimum governance standards and do not violate social norms, including human rights and labour rights as well as a sustainable value chain from suppliers to customers. Ultimately, the minimum safeguards act as safety net aimed at preventing any purely green investments from being viewed as "aligned" if they, for example, violate human or labour rights, or engage in corrupt, anti-competitive or non-compliant taxation practices.

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The Taxonomy regulation specifies that one of the three criteria for economic activities to be considered environmentally sustainable is that they are “carried out in compliance with the minimum safeguards.” Compliance with the Minimum Safeguards is determined by assessing performance criteria against four core topics: human rights, including workers’ rights: bribery/corruption, taxation, and fair competition. The minimum safeguards criteria have been anchored in guidance provided by international organisations, in addition to upcoming EU regulation (CSDDD, CSRD, SFDR). Environmentally sustainable economic activities must also meet criteria for responsible business conduct already outlined in current legislation regarding responsible enterprise and fair competition.

We have an overall Code of Conduct (Fagerhult Group Code of Conduct), which covers our own operations as well as those of our business partners. In addition to the Code of Conduct, we have established policies that more specifically reflect to the core topics covered by provisions in the EU Taxonomy regarding minimum safeguards.

Requirements in our industry and their interpretation

The lighting industry is included in primary economic activity ‘3. Manufacturing’ and the sub-area ‘3.5 Manufacture of energy efficiency equipment for buildings’. This pertains mainly to lighting for buildings, which is why we also included exterior lighting and ‘close to house’ lighting such as in parks and gardens. The 3.5 heading also refers to several NACE codes, which stipulate that street lighting can be included in the Taxonomy. Since outdoor lighting cannot be connected to any other economic activity in the Taxonomy, we have chosen to include this application area in the same activity as our other application areas. We have also included turnover when an external partner manufactures our products. This happens only rarely and this proportion of turnover is therefore marginal. The part reported as non-eligible is turnover without energy class (e.g. outdoor poles, healthcare panels), and when we act as agents, which is a relatively small portion of our turnover.

Our industry is covered by two technical screening criterias in the Taxonomy and our interpretation is that meeting one criteria is sufficient for being considered aligned.

Light sources in the highest two populated energy efficiency classes

One of the criteria to be considered aligned in this area is to produce light sources in the top two populated energy efficiency classes as defined by Regulation (EU) 2017/1369 and delegated acts that have been adopted according to this regulation.

Our basis is EU Q&A 221219, with descriptions and explanation for household appliances since the technical screening criteria in the definition of this industry are entirely identical to the industry we are part of. Taxonomy requirements are focused on the top two energy efficiency classes that are represented by products available in the market. An overview of available products in the market based on the EPREL (European Product Registry for Energy Labeling) reference database was used to clarify which two energy classes are considered aligned.

Based on the above statements from the European Commission, it is our assessment that the room for interpretation is limited and that there is only one way to interpret this criterion: only the top two energy classes of light sources that are offered in the market are considered Taxonomy-aligned. Note that our interpretation of the Taxonomy criterion for energy classes applies to all types of light sources. We do not make a division of different types or categories of light sources where lower energy classes could be the two highest populated and thus favour our Taxonomy figures. Energy class A and B applies to all categories. This is in line with our original interpretation. We thereafter applied this breakdown of light sources to our turnover depending on which products the different light sources belong to. In the EPREL database, just over 1% of all light sources are in the top two energy classes, A and B. This means that the aligned turnover is very small in the industry, and for us. However, we have a better composition of our turnover in the other energy classes (C–G) than the market as a whole.

Motion and daylight controls for lighting systems

Motion and daylight controls for lighting systems are one of the alignment criteria. Our interpretation here is simple and direct. A lighting solution is Taxonomy-aligned when it includes a sensor for presence or daylight control.

Note that our interpretation of the Taxonomy criterion for energy classes applies to all types of light sources. We do not make a division of different types or categories of light sources where lower energy classes could be the two highest populated and thus favour our Taxonomy figures.

Light sources per energy class in the EPREL database¹⁾

Energy class	Number of light sources	Share
A	1,114	0%
B	3,479	1%
C	16,781	6%
D	37,561	14%
E	64,956	24%
F	99,886	36%
G	53,732	19%

¹⁾ Note that this shows all light sources manufactured and supplied in the EU (data from 23 of Feb 2023).

Fagerhult Group – Sales by energy classes

External net sales (%)	Share
Energy class A	0%
Energy class B	1%
Energy class C	20%
Energy class D	26%
Energy class E	22%
Energy class F	11%
Energy class G	4%
Without energy classification ¹⁾	16%
	100%
Share of net sales with light controls/sensors included ²⁾	5%

¹⁾ E.g. outdoor poles, healthcare panels.

²⁾ Related to luminaires with integrated sensor for presence or daylight control.

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Turnover

Our total turnover, including revenue from goods and services and other operating income. For more information about our accounting policies in relation to our consolidated sales, refer to Revenue recognition (pages 127–128) and comment 1 (page 134).

As described above, our interpretation is that all sales of lighting solutions under our own brands that include a light source or sensor are Taxonomy-eligible. This means that 85% of our turnover is Taxonomy-eligible. The remaining portion includes sales of

panels for treatment rooms, spare parts and accessories as well as other operating income that does not pertain to our core operations and can therefore not be related to any type of economic activities and is therefore not Taxonomy-eligible. According to the above strict interpretation of sustainable energy classes (A and B for all categories of light sources) and sensor solutions, we have a low proportion of Taxonomy-aligned turnover, but based on the EPREL database our performance is better than average in the light source market.

Economic activities	Code(s)	Absolute turnover MSEK	Proportion of turnover %	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)					Minimum safeguards	Taxonomy- aligned proportion of turnover, year 2022 %	Taxonomy-aligned proportion of turnover, year 2021 %	Category (enabling activity) E	Category (transitional activity) T	
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N						Biodiversity and ecosystems Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of energy efficiency equipment for buildings	3.5	410.4	5	100							Y	Y	Y	Y	Y	Y		5		E
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		410.4	5															5		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of energy efficiency equipment for buildings	3.5	6,615.1	80																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6,615.1	80																	
Total (A.1 + A.2)		7,025.5	85															5		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		1,244.1	15																	
Total (A+B)		8,269.7	100																	

¹⁾ Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

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Investments/capital expenditure

Our total investments include acquisitions of tangible and intangible non-current assets excluding goodwill and the year's added right-of-use assets. For further information see note 11 Intangible assets and note 12 Property, plant and equipment (pages 140–141) and added right-of-use assets in note 26 Leases (page 148).

From investments completed in 2022 that were central to operations, we have only included the non-current assets used in operations that drive revenue in the economic activity 3.5: Manufacture of energy efficiency equipment for buildings. We have not taken account of any Capex plan for the coming years.

Economic activities	Code(s)	Absolute CapEx MSEK	Proportion of CapEx %	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)					Minimum safeguards	Taxonomy- aligned proportion of CapEx, year 2022 %	Taxonomy- aligned proportion of CapEx, year 2021 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of energy efficiency equipment for buildings	3.5	23.1	8	100							Y	Y	Y	Y	Y	Y		8		E
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		23.1	8															8		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of energy efficiency equipment for buildings	3.5	86.0	29																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		86.0	29																	
Total (A.1 + A.2)		109.1	37															8		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-Non-eligible activities (B)		186.4	63																	
Total (A+B)		295.5	100																	

¹⁾ Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

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Costs/operating expenditure

Total operational expenditure (Opex) consists of direct non-activated expenses that are part of research and development, renovation activities for buildings, short-term leases, maintenance and repairs as well as other direct costs related to the daily service of property, plant and equipment (owned or leased). For more

information about research and development, see Note 29 (page 149). The part of operating expenditure that is Taxonomy-eligible is only the share of expenditure described above that are pertains to property, plant and equipment that are applicable within economic activity 3.5 Manufacture of energy efficiency equipment for buildings, which drives our turnover.

Economic activities	Code(s)	Absolute OpEx MSEK	Proportion of mitigation %	Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)					Minimum safeguards	Taxonomy- aligned proportion of OpEx, year 2022 %	Taxonomy-aligned proportion of OpEx, year 2021 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacture of energy efficiency equipment for buildings	3.5	40.1	11	100							Y	Y	Y	Y	Y	Y		11		E
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		40.1	11															11		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of energy efficiency equipment for buildings	3.5	301.7	82																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		301.7	82																	
Total (A.1 + A.2)		341.8	93															11		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-Non-eligible activities (B)		24.4	7																	
Total (A+B)		366.2	100																	

¹⁾ Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

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About the Sustainability Report

Fagerhult Group's 2022 Sustainability Report is integrated in the 2022 Annual and Sustainability Report, which has been adopted and approved by the Board of Directors. The Sustainability Report pertains to the 2022 calendar year (1 January to 31 December 2022). The report is published once each year and this report was published on 17 March 2023.

Specific sustainability information can be found in the section Our contribution on pages 61–98 and comprises the statutory sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act. The Sustainability Report has been prepared based on the requirements in the GRI Standards 2021 and has been subjected to a limited assurance review by a third party, KPMG, refer to the Assurance Report on page 98.

The Sustainability Report has the same scope as the Annual Report and encompasses all companies in the Fagerhult Group unless otherwise stated.

The starting point for the Sustainability Report was the Fagerhult Group's sustainability agenda, which is described on page 64. The sustainability agenda is based on ongoing dialogues with various stakeholder groups, the Group's materiality analysis and the undertakings communicated and linked to the UN SDGs and the Paris Agreement.

For more information about Fagerhult's sustainability work and reporting, please contact Chief Sustainability Officer (CSO) Anders Fransson, anders.fransson@fagerhultgroup.com.

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Fagerhult Group (AB Fagerhult) has reported in accordance with the GRI Standards for the period 1 January to 31 December 2022.

GRI 1 used		GRI 1: Foundation 2021			
GRI Standard	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
GRI 2: General Disclosures 2021					
	2-1 Organizational details	33, 35, 37, 39, 100–101, 103, 106, 109, 134, 150, 164			
	2-2 Entities included in the organization's sustainability reporting	93			
	2-3 Reporting period, frequency and contact point	93			
	2-4 Restatements of information	7, 80–87			
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	2-19 Remuneration policies	AB Fagerhult (publ) remuneration report for 2021, 109, AB Fagerhult (publ) remuneration report for 2022			
	2-20 Process to determine remuneration	AB Fagerhult (publ) remuneration report for 2021, 109, AB Fagerhult (publ) remuneration report for 2022, Decision at the annual general meeting on 26 April 2022			
	2-21 Annual total compensation ratio		Fagerhult does not yet report this information.	Information unavailable.	For the implementation of ESRS, Fagerhult will be able to report on this information.
	2-22 Statement on sustainable development strategy	10–11			
	2-23 Policy commitments	70–72, 75–77			
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			Requirement(s) omitted	Reason	Explanation
GRI 2: General Disclosures 2021					
	2-25 Processes to remediate negative impacts	66–72			
	2-26 Mechanisms for seeking advice and raising concerns	70–72			
	2-27 Compliance with laws and regulations	71			
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	2-29 Approach to stakeholder engagement	66–67			
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GRI Standard	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
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GRI 3: Material Topics 2021	3-1 Process to determine material topics	66–68			
	3-2 List of material topics	68			
Impact from climate changes					
GRI 3: Material Topics 2021	3-3 Management of material topics	69–72, 151–154			
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	69, 151–154			
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Sustainable design					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–72, 80			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	80, 87			
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			Requirement(s) omitted	Reason	Explanation
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GRI 3: Material Topics 2021	3-3 Management of material topics	70–72, 80			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	8, 75, 80, 86			
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	305-3 Other indirect (Scope 3) GHG Emissions	8, 75, 80, 87			
Circular economy					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–72, 80			
GRI 306: Waste 2020	306-3 Waste generated	41, 75–77, 80, 87			
Supply chain sustainability					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–72, 76–77			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	76–77			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	75–77			
Diversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–73, 80			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	80–85			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	73, 80–85, 115–118			
Health and safety in own operations					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–74			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	73–74			
	403-2 Hazard identification, risk assessment, and incident investigation	73–74			
	403-3 Occupational health services	73–74			
	403-4 Worker participation, consultation, and communication on occupational health and safety	73–74			
	403-5 Worker training on occupational health and safety	73–74			
	403-6 Promotion of worker health	73–74			
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	403-9 Work-related injuries	74, 80–85			
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	GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	68, 77		

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			Requirement(s) omitted	Reason	Explanation
GRI 3: Material Topics 2021					
Sustainability integrity and knowledge					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–72, 80			
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	404-3 Andel anställda som får regelbunden utvärdering av prestation och karriärutveckling	80–85			
Employee values					
GRI 3: Material Topics 2021	3-3 Management of material topics	70–72, 76–77			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	80–85			
	404-3 Andel anställda som får regelbunden utvärdering av prestation och karriärutveckling	80–85			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	76–77			

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Auditors' report

Auditor's Limited Assurance Report on AB Fagerhult's Sustainability Report for 2022 and statement regarding the Statutory Sustainability Report

To Aktiebolag Fagerhult (publ), Corp. Id. 556110-6203

Introduction

We have been engaged by the Board of Directors of AB Fagerhult to undertake a limited assurance engagement of AB Fagerhult's Sustainability Report for the year 2022. AB Fagerhult has defined the scope of the Sustainability Report on page 93 in this document, the Statutory Sustainability Report is defined on pages 61–98.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 93 in the Sustainability Report and consist of the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information (revised). 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. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The 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 of AB Fagerhult in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does

not provide the same level of assurance as a conclusion based on an audit.

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

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

Conclusions

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

A Statutory Sustainability Report has been prepared.

Stockholm, 17 March 2023

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

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The Fagerhult share

AB 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 7.1 billion.

Sales and trading

The share symbol is FAG and its ISIN is SE0010048884. One trading lot corresponds to one share. In 2022, total turnover for the share on Nasdaq in Stockholm was 15.4 million shares, at a combined value of MSEK 759. Average share turnover per trading day amounted to 60,963, representing a value of KSEK 2,999. An average of approximately 271 trades were made per trading day.

Share price trend

On 31 December 2022, the closing price for Fagerhult's share was SEK 40.45 per share, corresponding to a market capitalisation of approximately SEK 7.1 billion. The price of the Fagerhult share declined 34 per cent in 2022. Over the same period, the OMX PI rose 25 per cent. The highest closing price of SEK 63.70 was noted on 4 January and the lowest on 29 September at SEK 34.45. The average share price for the year was SEK 48.

Total shareholder return for the Fagerhult share, defined as the price trend including reinvestment of the dividend of SEK 1.30, was negative 32 per cent.

Share capital

At year end, AB Fagerhult's share capital amounted to MSEK 100.2 (100.2). Divided into 177,192,843 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 26 April 2022, it was resolved that the company be permitted to buy back its own shares. This option was not exercised in 2022.

In connection with the allocation of shares tied to the Group's share-savings plan (see Note 2), treasury shares are used. The

number of treasury shares totalled 1,046,064 (1,046,064) after allocation and the number of shares outstanding was 176,146,779. The percentage of shares held as treasury shares was 0.6 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.

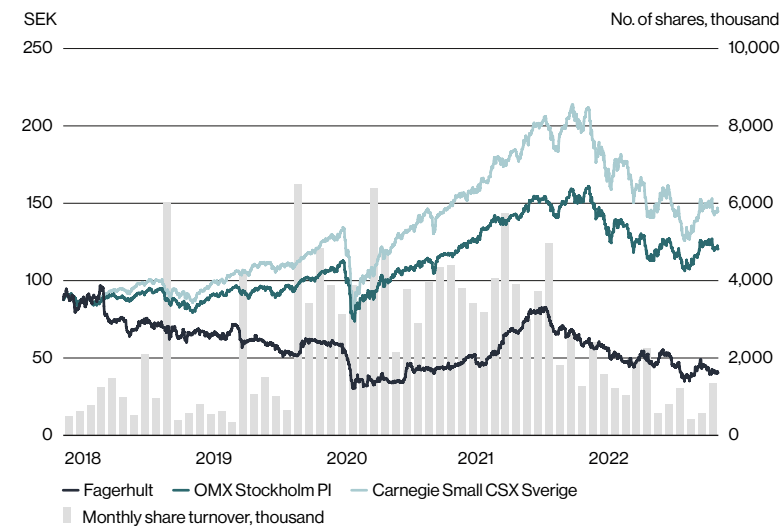
Ownership structure

At year end, AB Fagerhult had 8,847 (8,038) shareholders. The largest single shareholder was Investment AB Latour, in which the

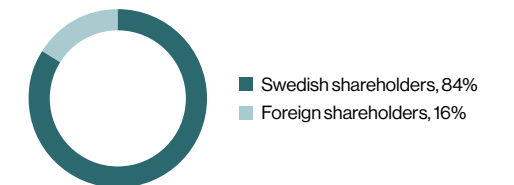
Douglas family are the main shareholders, with combined holdings of 47.8 per cent (47.8) of the share capital and votes in the company, based on the number of total shares. The ten largest shareholders accounted for 79.6 per cent (80.2) of the share capital and voting rights of the shares outstanding.

The proportion held by shareholders outside of Sweden was 16.0 per cent (15.3).

Five-year share price trend



Ownership distribution



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Ownership structure (on 31 Dec 2022)

Shareholder	No. of shares	Share capital and voting rights, %
Investment AB Latour	84,708,480	47.8%
Swedish National Pension Fund	14,384,861	8.1%
Nordea Funds	7,983,717	4.5%
BNP Paribas SEC Services	7,231,688	4.1%
Lannebo Funds	6,485,656	3.7%
The Svensson, family, foundation and company	4,805,388	2.7%
ING Luxembourg SA	4,015,000	2.3%
Swedbank Funds	3,965,930	2.2%
The Palmstierna family	3,890,392	2.2%
FMR, Fidelity (US)	2,818,612	1.6%
Other owners with more than 20,000 shares (179 owners)	26,966,767	15.2%
Other owners with 10,001–20,000 shares (124 owners)	1,737,730	1.0%
Other owners with 1,001–10,000 shares (1,875 owners)	5,547,452	3.1%
Other owners with up to 1,000 shares (6,659 owners)	1,605,106	0.9%
AB Fagerhult, treasury shares	1,046,064	0.6%
Number of shares at year end	177,192,843	100.00%

Share turnover

Year	2018	2019	2020	2021	2022
Volume of shares traded, million	14.2	25.6	47.1	41.5	15.4
Value of traded shares, MSEK	1,188.2	1,519.9	1,977.1	2,631.1	758.6
Average volume of shares traded/trading day	56,828	102,712	186,902	164,036	60,963
Average value per trading day, SEK thousand	4,752	6,104	7,845	10,400	2,999
Turnover rate, %	12.3	14.5	26.7	23.6	8.7
Highest price paid during the year, SEK	111.00	73.76	62.30	86.40	63.70 ¹⁾
Lowest price paid during the year, SEK	67.70	50.60	28.30	44.45	34.45 ²⁾

¹⁾ Paid 4 Jan 2022

²⁾ Paid 29 Sep 2022

Data per share

Year	2018	2019	2020	2021	2022
Earnings per share before dilution, SEK	4.39	3.32	3.21	2.64	3.27
Dividend per share, SEK	2.00	0.00	0.50	1.30	1.60 ¹⁾
Share price 31 Dec, SEK	76.10	59.50	45.50	60.90	40.45
Dividend yield, %	2.6	0.0	1.1	2.1	4.0
Equity per share, before dilution, SEK	18.60	31.23	32.94	35.30	39.07
Cash flow per share, before dilution, SEK ²⁾	3.30	6.58	6.46	4.56	2.29

¹⁾ Proposed dividend

²⁾ Cash flow from operating activities

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Five-year overview

Income items (MSEK)

	2018 ¹⁾	2019	2020	2021	2022
Net sales	5,621	7,845	6,816	7,088	8,270
Cost of goods sold	-3,474	-4,795	-4,417	-4,468	-5,148
Gross profit	2,147	3,050	2,399	2,620	3,122
Selling expenses	-1,036	-1,698	-1,536	-1,438	-1,620
Administrative expenses	-467	-631	-614	-621	-747
Other operating income	201	74	178	145	78
Other operating costs	-139		-94		
Operating profit	706	795	333	706	833
Financial income	10	38	25	12	42
Financial expenses	-49	-137	-141	-96	-84
Profit after net financial items	667	696	217	622	791

¹⁾ The Group has applied IFRS 16 Leases from 1 January 2019. The comparative figures for 2018 have not been adjusted.

Balance-sheet items (MSEK)

	2018	2019	2020	2021	2022
Intangible assets	3,160	6,042	5,658	5,740	6,075
Property, plant and equipment	703	2,808	2,470	2,377	2,421
Financial assets	52	205	219	216	226
Inventories	858	1,247	998	1,194	1,493
Trade receivables	925	1,427	1,122	1,196	1,603
Other current assets	115	230	171	188	222
Cash and cash equivalents	808	1,133	1,624	1,742	1,292
Total assets	6,621	13,092	12,262	12,653	13,332
Equity	2,129	5,501	5,802	6,219	6,882
Pension liabilities	93	190	186	173	173
Deferred tax liabilities	335	1,017	548	504	548
Other non-current interest-bearing liabilities	2,372	4,458	4,071	3,601	3,791
Other non-current non-interest-bearing liabilities	249	150			
Current interest-bearing liabilities	416	222	179	570	298
Current non-interest-bearing liabilities	1,027	1,554	1,476	1,586	1,640
Total equity and liabilities	6,621	13,092	12,262	12,653	13,332

Key performance indicators and data per share

	2018 ¹⁾	2019	2020	2021	2022
Sales growth, %	8.7	39.6	-13.1	4.0	16.7
Increase/decrease in operating profit, %	4.1	12.6	-58.2	112.5	18.0
Increase/decrease in operating profit after financial items, %	2.2	4.3	-68.9	187.2	27.1
Operating margin, %	12.6	10.1	4.9	10.0	10.1
Profit margin, %	11.9	8.9	3.2	8.8	9.6
Liquid ratio, %	56	64	98	81	67
Net debt/EBITDA	2.0	2.9	3.2	2.3	2.4
Equity/assets ratio, %	32	42	47	49	52
Capital employed, MSEK	5,010	10,372	10,238	10,563	11,144
Return on capital employed, %	14.8	10.8	3.5	6.9	8.1
Return on equity, %	25.0	13.5	10.1	7.8	8.8
Net debt, MSEK	2,073	3,737	2,812	2,603	2,971
Net investments in non-current assets, MSEK	123	243	184	150	180
Depreciation/amortisation of non-current assets, MSEK	320	479	558	441	424
Number of employees	3,384	4,465	4,419	4,237	4,059
Equity per share, SEK	18.60	31.23	32.94	35.30	39.07
Earnings per share, SEK	4.39	3.32	3.21	2.64	3.27
Dividend per share, SEK	2.00	-	0.50	1.30	1.60 ²⁾
Cash flow per share, SEK ³⁾	3.30	6.58	6.46	4.56	2.29
Number of shares outstanding, thousand	114,500	176,136	176,147	176,147	176,147
Average number of shares outstanding, thousand	114,497	153,274	176,142	176,147	176,147

¹⁾ The Group has applied IFRS 16 Leases from 1 January 2019. The comparative figures for 2018 have not been adjusted.

²⁾ Proposed dividend.

³⁾ Cash flow from operating activities.

For more information about the key performance indicators and the definitions applied, please refer to AB Fagerhult's website (www.fagerhultgroup.com) 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.

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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 2022.

Operations

The Fagerhult Group is one of Europe's leading lighting groups. We design, develop, manufacture, and market professional lighting solutions for human environments with a focus on aesthetics, functionality, flexibility and sustainability. The Group has 11 manufacturing facilities in Europe and factories also in China (two), Australia, Turkey, Thailand and Canada and sales companies in 27 countries.

AB Fagerhult's shares are listed on the Nasdaq Stockholm, Mid Cap list.

Changes in the Group

During 2022 the Fagerhult Group continued the strategic alignment process that was launched in 2020 and made good progress on; the recovery from the Covid pandemic, the Group's sustainability strategy and also the connectivity strategy. These key activities are significant organic growth opportunities. Market and sales collaboration across the Group's brands further increased, this being a key reason for the new Group structure and the strategic alignment process.

The structure, launched in 2020 for Fagerhult Group is based on four business areas; Collection, Premium, Professional and Infrastructure. Each of our 12 lighting brands belongs to one of the business areas and the selection has been done based on product applications, geographic footprint and partner focus. The connected lighting strategy is driven from a Group perspective using two brands; Organic Response for indoor and Citygrid for outdoor.

The strategic alignment process and the new business area structure created a new Fagerhult Group Management Team. The new management team consists of ten people; CEO, four Head of Business Areas, and five Group functions.

The Group's legal structure is regularly reviewed with the objective of reducing the number of legal entities, reducing complexity and reducing administration. Sometimes this is driven from a customer/market perspective and sometimes from a simplification of the legal, administration and tax perspective. During 2022 we carried out the following transactions. The ownership of the legal entity of Veko Lightsystems International B.V. was transferred from Fagerhults Belysning AB to AB Fagerhult. Also, the UK legal entity of Designplan International Limited was liquidated and the two Group subsidiaries in Russia (Fagerhult OOO SPb and iGuzzini illuminazione OOO) were inactive at the end of the year. This latter decision was taken as a result of the invasion of Ukraine and we are in the process of liquidating our businesses in Russia.

Sales and earnings

During 2022 the Group delivered record results for net sales and operating profit, this is despite the supply chain difficulties, which the Group's businesses managed very well. The improved results were a combination of higher sales from the very strong order intake levels in the later part of 2021 and the early part of 2022, a focus on pricing activities to overcome the supply chain cost pressures and good cost control in many of the Group's businesses. The focussed activities delivered net sales of 8,270 (7,088) MSEK,

an operating profit of 833.3 (706.4) MSEK with an operating margin of 10.1 (10.0) per cent.

As mentioned above, the market activity and therefore order intake was at a high level in late 2021 and into early 2022. During the middle part of the year this high level reduced slightly, but then recovered quite well in the final quarter with a healthy positive organic order intake.

Net sales increased quarter on quarter culminating in a record highest quarterly net sales for the Group in the final quarter of the year. This was made possible by strong order intake, a healthy order backlog and easing supply chain difficulties. Sales growth was delivered in all of the four business areas and in all of the Group's main geographical markets. Operating profits increased significantly in the Collection, Premium and Infrastructure business areas whereas in Professional we saw a decline.

For 2023 and beyond we expect the growth of the Group to continue. The global mega-trends remain strong and in favour and the Group's work during 2021 and 2022 in the brand companies, the business areas and on strategy development for sustainability, connectivity and human resources have all created a solid platform from which to grow further. The identified growth opportunities, including; the low level of the LED installed base (30–40 per cent), the up to 90 per cent energy savings from smart lighting solutions and the urgency in the refurbishment segment as the older technology fluorescent lamps are withdrawn from the market will all support the growth aspirations.

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The Group's order intake of 8,243 (7,674) MSEK shows an overall 7.4 (9.6) per cent increase and on a comparable basis an increase of 2.4 (13.0) per cent when adjusted for currency effects +388 MSEK. The Group's order intake has increased by more than 1.2 BSEK since the Covid pandemic affected year (2020) and has now fully recovered to above pre-Covid levels. The rolling 12 monthly order intake has been growing all year and has been ahead of 8 BSEK since the first quarter.

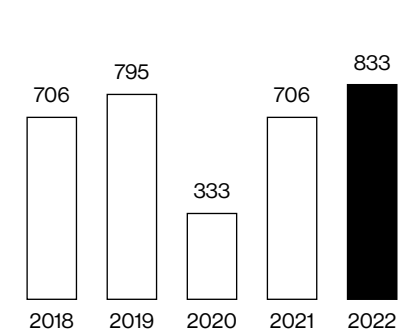
The Group's net sales of 8,270 (7,088) MSEK show a 16.7 per cent increase and on a comparable basis an increase of 11.0 per cent when adjusted for currency effects of +405 MSEK. The order backlog at the end of the year is 1,950 (1,890) MSEK.

The Group's operating profit of 833.3 (706.4) MSEK delivers an operating margin of 10.1 (10.0) per cent.

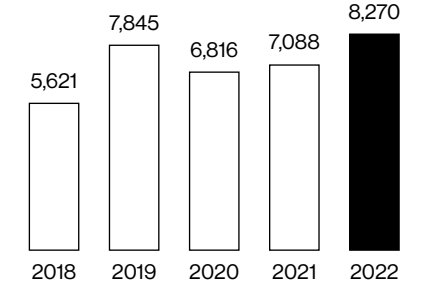
Operating cash flow was 402.7 (802.5) MSEK and financial items of -42.3 (-84.1) MSEK include 19.9 MSEK for IFRS16, a 11.8 MSEK increase in net interest costs and a 15.5 MSEK decrease in FX losses. The tax expense was 214.6 (152.7) MSEK which is an effective tax rate of 27.1 (24.5) per cent.

Earnings per share, based on the earnings attributable to the shareholders of the parent company for 2022 was SEK 3.27 (2.64). For 2022 the average number of shares outstanding was 176.1 (176.1)m and the number of shares at the year-end was 176.1 (176.1)m.

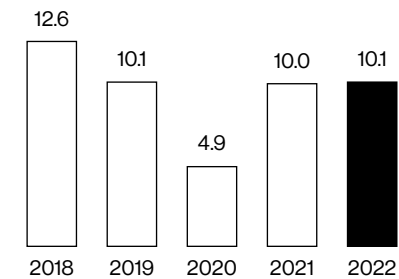
Operating profit, MSEK



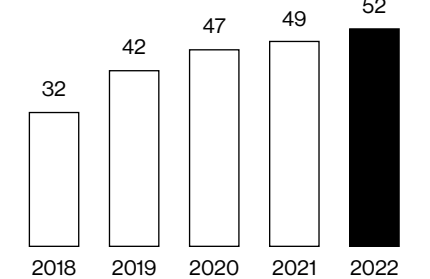
Net Sales, MSEK



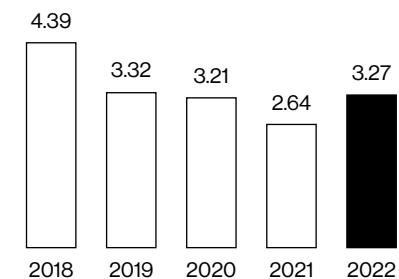
Operating margin, %



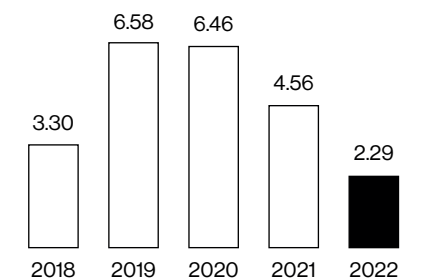
Equity/Assets ratio, %



Earnings per share, SEK



Operating cash flow per share, SEK



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Business areas

Fagerhult has in 2020 replaced the former geographical business area structure with the new structure for four business areas; Collection, Premium, Professional and Infrastructure. Each of the 12 lighting brands belongs to one of the business areas and the selection was done based on product applications, geographic footprint, partner focus and go-to-market approach.

Operations remain divided into the four business areas. In accordance with IFRS 8, the external reporting has been adapted so that segment reporting reflects the Group's operative leadership structure.

Collection – Exceptional lighting solutions for architectural applications worldwide.

Collection is home to our brands with a global market footprint. All have an international product portfolio and are well-renowned in the lighting designer and architect communities globally. They offer a wide product range with a focus on indoor and outdoor architectural applications. Brands included are; ateljé Lyktan, iGuzzini, LED Linear and WE-EF with product development and manufacturing facilities in Sweden, Italy, Canada, China, Germany and Thailand. The business area includes all sales companies for iGuzzini, LED Linear and WE-EF and also includes the Seneco business which was acquired in 2021.

Net sales in 2022 were 3,854 (3,162) MSEK, an increase of 21.9 per cent. The operating profit for the period was 352.6 (241.5) MSEK and the operating margin 9.1 (7.6) per cent.

Premium – Lighting solutions for European markets and for global customers.

Premium focuses on the European market and European-based global customers. Our Premium brands work closely with specifiers and partners to deliver premium projects, often with bespoke solutions for the customer. The majority of sales are related to indoor applications, there is also an outdoor offering for specific markets. Brands included are; Fagerhult and LTS with product development and manufacturing facilities in Sweden, Germany and China. The business area includes all Fagerhult sales companies and the Organic Response Technologies business.

Net sales in 2022 were 2,814 (2,531) MSEK, an increase of 11.2 per cent. The operating profit for the period was 397.9 (352.4) MSEK and the operating margin 14.1 (13.9) per cent.

Professional – Lighting solutions for selected applications, tailored to local market demands.

Professional focuses mainly on indoor applications for local and neighbouring markets. The brands work closely together with local partners on project specifications to deliver full and complete solutions. Local production and product development allows for tailored solutions with bespoke products delivered within short lead times. Brands included are; Arlight, Eagle and Whitecroft, with product development and manufacturing facilities in Turkey, Australia and the UK. The sales company in New Zealand is consolidated in this business area.

Net sales in 2022 were 1,019 (997) MSEK, an increase of 2.2 per cent. The operating profit for the period was 43.8 (83.8) MSEK and the operating margin 4.3 (8.4) per cent.

Infrastructure – Specialty lighting solutions for critical infrastructure and industry applications.

Infrastructure provides lighting solutions for environments with specific requirements for installation, durability and robustness. The companies are world-leading in their areas and highly experienced in finding the best solutions for every project and customer. The majority of sales are within Europe with some global installations. Brands included are; Designplan, i-Valo and Veko, with product development and manufacturing facilities in the UK, Finland and the Netherlands.

Net sales in 2022 were 909 (731) MSEK, an increase of 24.3 per cent. The operating profit for the period was 113.6 (88.4) MSEK and the operating margin 12.5 (12.1) per cent.

Financial position

The Group's equity/assets ratio at the end of the year was 51.6 (49.1) per cent. Cash and bank balances at year end amounted to MSEK 1,292 (1,742) and consolidated equity totaled MSEK 6,882 (6,219). Net debt amounted to MSEK 2,971 (2,603) where MSEK 740 (752) is due to the adoption of IFRS16 in 2019. Cash flow from operating activities for the year totaled MSEK 403 (803). Pledged assets and contingent liabilities were MSEK 18.1 (16.1) and MSEK 23.1 (17.5), respectively.

Employees

In 2022, the average number of employees decreased by 178 to 4,059 (4,237). At the end of 2022 the number of employees was 4,059, (4,237), an decrease of 178 which is 4 per cent. The number of employees in the Group's foreign companies amounted to 3,373 (3,484), which corresponded to 83 (82) per cent of the total number of employees. The proportion of women during the year amounted to 33 (35) per cent of all employees.

To further strengthen the Group's knowledge capital, the established goals for individual and organisation development continue to increase, so too has the investment in developing talented individuals, both new and existing employees and a new biannual talent review process took place during 2021 which identified good potential in many areas and businesses, this will be repeated in 2023. Establishing, communicating and aligning of the Group's core values continues and during 2023 a leadership guideline principles programme will be launched.

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

The existing policies, for 2022, are that remuneration to the CEO and other senior management consists of a fixed basic annual salary plus an annual variable remuneration in the form of a bonus scheme tied to relevant and appropriate performance measures plus a company car benefit and a pension scheme with contributions made by the employer and employee. Annual variable remuneration is based on achieving goals and is maximised at 30–50 per cent of the fixed basic annual salary.

The remuneration to senior management supports the company's strategy and long term development and sustainability in several ways. Firstly, the total compensation is scheduled during the current year as a basic salary plus the annual bonus aimed at improving the overall short term result. Most importantly the long-term incentive scheme seeks performance over a three year term by focusing on sustained delivery. Secondly, the annual bonus scheme is designed to work in conjunction with longer term aspects, for example sustained growth. Also, the annual schemes and long term schemes tie employees together in working teams.

Fixed annual basic salaries for staff and senior management are reviewed simultaneously, thereby ensuring consistency of levels of

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increase. Often, there are many members of staff who are offered an annual bonus scheme, which again is tied to similar performance criteria to those of senior management. The establishment and development of the executive remuneration policy is made by a combination of the board and the remuneration committee, sometimes with input from the market outside.

For 2021 and 2022 combined there was also an additional variable remuneration scheme, referred to as a medium term incentive scheme (MTI) and had two fundamental motivators. Firstly, there was no long term incentive scheme introduced in 2020 and secondly the MTI scheme is designed to return the Fagerhult Group to pre-Covid levels of net sales by the end of a two year period. The MTI scheme covers the two year period 2021 to 2022, closing at 31 December 2022. The scheme is a one-off scheme and will not be repeated in future years. The MTI scheme objectives and rewards are over the two year period. The objective is centred on net sales growth with an operating margin minimum and the reward is a maximum of up to a bonus payment of 30 per cent (in total, not each year) of fixed annual basic salary.

In 2021 and 2022, at the Annual General Meetings, a long-term incentive (LTI) scheme was proposed, approved and introduced in the form of a performance-based share plan for senior management. Senior management were invited by the CEO to become members of the scheme and this came with an obligation for them to invest between 2.5 per cent and 12 per cent of an annual basic salary in acquiring Fagerhult shares. Depending upon the aggregated three year earnings per share (EPS) the members have the opportunity to receive up to 4 Fagerhult shares in return for their investment providing a 100 per cent of the EPS targets have been achieved. Between 1 per cent and 100 per cent of the EPS targets, the award is linear.

For 2023 the above policies (with the exception of the MTI scheme) will be proposed at the Annual General Meeting.

Investments

The Group's gross investments in property, plant and equipment amounted to MSEK 144.4 (116.9), and primarily pertained to machinery and equipment.

Investments in subsidiaries amounted to SEK 0 million (254) and this sum includes the acquisition of non-controlling interest.

At the year end, construction in progress of tangible assets amounted to MSEK 39.3 (32.9).

Gross investments in intangible assets amounted to MSEK 35.2 (32.6), excluding acquisitions of subsidiaries.

Depreciation and amortisation for the year amounted to MSEK 423.5 (440.9), of which property, plant and equipment accounted for MSEK 205.6 (207.6).

Product & solutions development

Continuous product and solutions development is undertaken within the Fagerhult Group across each of the 12 lighting brands and 2 connectivity brands. The aim is to improve existing products, as well as the core focus of 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 Group's two main technical laboratories and engineering centres in Sweden and the laboratory in Italy, are two of Europe's best equipped facilities, where we can test the safety and performance of and approve our own products to international standards. Other developing technical facilities exist also in Sutton and Manchester in the UK and at Bispingen in Germany.

A vitality index measures the share of net sales from products which are under 3 years old.

Development costs of MSEK 16.4 (25.2) 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 combine its sustainability report with its annual report. Refer to pages 110–137 of this document.

Share buybacks, new issues and treasury shares

The AGM on 26 April 2022 authorised the Board to buy back the company's own shares. No shares were bought back during the year.

The number of treasury shares totaled 1,046,064 (1,046,064) and the number of shares outstanding was 177,192,843

(177,192,843). The per centage of shares held as treasury shares was 0.6 (0.6) per cent.

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 risks, including the manner in which these are managed, is found in Note 37.

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.

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 strategy, business, HR, connectivity and sustainability. The company's net sales amounted to MSEK 38.8 (28.7) for the period. The profit after financial items was MSEK 1,028.4 (113.0). The average number of employees during the period was 16 (14).

Outlook for 2023

The Group developed well during 2022, not only on the financial side with record results, but also the progress on key strategic areas was significant. On sustainability we determined the Group's carbon footprint baseline for all operations and for scope 1, 2 and 3 and this was the basis for signing up to the Science Based Targets initiative and setting our long-term targets. On connectivity, the appointment of the CTO is a critical part of the eco-system for our strategy in this topic. There will be good progress on the share of net sales from smart lighting with connectivity-solutions during the coming years.

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For some of our Group's markets we see activity levels affected by the shorter term economic pressures (geopolitical, war in Ukraine and inflation) and in some other markets we see growing activity levels. Overall the mix is positive as the mega-trends remain in favour. The Group is well positioned for when all markets return to a more stable state and we are prepared for uncertain times.

Looking internally, all indicators are positive. We have an improved and improving business and a healthy order backlog at more normal levels. The strategic focus is clear and we continue to work well on the many opportunities. The Group is well positioned for these opportunities and targets to increase its market share.

Proposed appropriation of profits

The following profits are at the disposal of the AGM:

Profit brought forward	3,666.0 Mkr
Net profit for the year	1,140.7 Mkr
Profit carried forward	4,806.7 Mkr

The total number of dividend-bearing shares on 16 March 2023 amounted to 176,146,779. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders:

SEK 1.60 per share	281.8 Mkr
To be carried forward	4,524.9 Mkr
Total	4,806.7 Mkr

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 or the group from fulfilling its short or long-term obligations, nor will it prevent the company or the group 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.

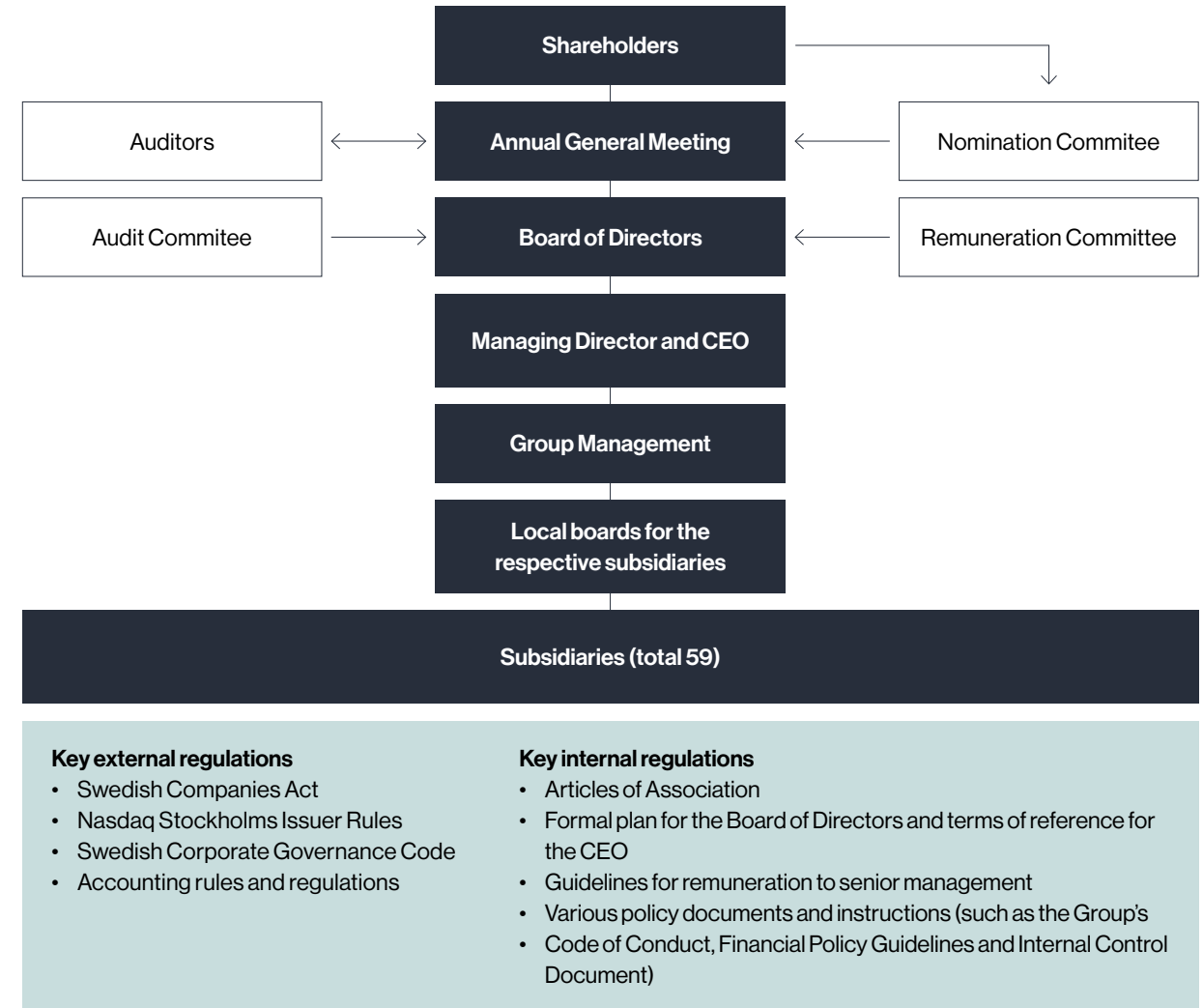
Considering that the operations of the company and the group continue to be profitable, the equity/assets ratio is at a satisfactory level. It is the company's and the Group's assessment that liquidity can be maintained at a similarly satisfactory level.

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Decentralised governance with responsible decision making is one of Fagerhult Group'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.



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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 mid-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 8,847 (8,038). The largest individual shareholder is Investment AB Latour, in

Largest shareholders as per 31 August 2022

Name	No. of shares	Share capital and voting rights, %
Investment AB Latour	84,708,480	47.8
Swedish National Pension Funds	14,384,861	8.1
Nordea Funds	7,983,717	4.5
BNP Paribas SEC Services	7,231,688	4.1
Lannebo Funds	6,485,656	3.7
The Svensson family, foundations and company	4,805,388	2.7
ING Luxembourg SA	4,015,000	2.3

which the Douglas family are the main shareholders and hold a total of 47.8 (47.8) per cent of the total number of shares. For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the Fagerhult share on pages 42–44 and to Note 35.

2022 Annual General Meeting

The 2022 AGM was held on 26 April in Fagerhult (Habo), Sweden. There were 122 235 522 shares represented at the AGM with the voting population being 69.4 (72.8) per cent of the total amount of shares with voting rights. Minutes from the AGM can be found on Fagerhult's website.

All resolutions were made in accordance with the proposals of the Board of Directors or the Nomination Committee.

- The AGM adopted the income statement and the balance sheet for the parent company as well as the consolidated income statement and the consolidated balance sheet for the financial year 2021.

- The AGM resolved to pay a dividend to the shareholders of SEK 1.30 (0.50) per share.
- The members of the Board of Directors and the CEO were discharged from liability for their administration of the company during the financial year 2021.
- The AGM resolved on fees to the members of the Board of Directors and to the Chair of the Board of Directors, as well as fees for work in the committees as follows; SEK 980,000 to the Chair of the Board, SEK 380,000 each to members of the Board of Directors elected by the AGM, SEK 130,000 to the Chair of the Audit Committee and SEK 78,000 each to members of the Audit Committee and SEK 50,000 to the Chair of the Remuneration Committee and SEK 25,000 each to members of the Remuneration Committee.
- The AGM elected the auditing firm KPMG AB as auditor for the period until the close of the next annual general meeting and the auditing firm announced that Authorized Public Accountant Mathias Arvidsson will to serve as chief auditor.

The nomination committee ahead of 2023 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes, %	Member of the Nomination Committee since
Jan Svensson (not entitled to vote)	Chairman of the Fagerhult Board	n/a	2008
Johan Hjertansson – Chairman	Investment AB Latour	47.8	2019
Jan Särilvik	Fjärde AP-Fonden	8.1	2020
Björn Henriksson	Nordea Funds	4.5	2022
Charlotta Faxen	Lannebo Funds	3.7	2022

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
Chairman, Jan Svensson	2007	1956	1030,000 ²⁾	60,000	Yes	Yes	6
Vice Chairman, Eric Douglas	1993	1968	405,000 ²⁾	85,708,480 ¹⁾	No	Yes	5
Board member, Cecilia Fasth	2014	1973	520,000 ²⁾	13,755	Yes	Yes	6
Board member, Teresa Enander	2019	1979	458,000 ²⁾	6200	Yes	Yes	6
Board member, Annica Bresky	2019	1975	380,000	4,480	Yes	Yes	4
Board member, Magnus Meyer	2022	1967	380,000	6,000	Yes	Yes	4
Total			3,173,000	85,798,915 (48,7%)	5 (83%)	6 (100%)	6

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

²⁾ These fees include board fees as well as audit or remuneration sub-committee fees.

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- The AGM resolved that the company's auditor's fees will be paid based on current account.
- The AGM elected members of the Board of Directors. Jan Svensson, Eric Douglas, Cecilia Fasth, Annica Bresky and Teresa Enander were re-elected as members of the Board of Directors and Magnus Meyer was elected as a new member of the Board of Directors.
- Jan Svensson was re-elected as Chair of the Board of Directors and Eric Douglas was re-elected as Vice Chair of the Board of Directors.
- The principles for the composition of the Nomination Committee were adopted.
- The principles for remuneration to senior management were adopted.
- The AGM approved the Board of Director's report regarding compensation pursuant to Chapter 8, Section 53a of the Swedish Companies Act.
- The AGM resolved to approve a performance-based share-savings plan.
- The AGM resolved to authorize the Board of Directors to acquire own shares to the extent the company holds total shares amounts to a maximum of one tenth of all shares in the company.

Nomination Committee

The Nomination Committee is to be formed after the Chairman of the Board of Directors 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 co-opted. 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 2022. 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.

The Nomination Committee consists of the following individuals together with the names of the shareholders they represent: Jan Svensson as Chairman of the Board of AB Fagerhult (co-opted and not entitled to vote), Johan Hjertonsson (Chair of the Nomination

Committee) representing Investment AB Latour, Jan Särilvik representing Fjärde AP-Fonden, Björn Henriksson representing Nordea Funds and Charlotta Faxen representing Lannebo Funds.

The Nomination Committee for the 2023 AGM is described above. 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 audit is conducted in accordance with the Swedish Companies Act, International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

At the 2022 AGM, KPMG AB were appointed as auditors, with Mathias Arvidsson as the chief auditor. Among his major auditing assignments, Mathias Arvidsson also has Wallenstam AB, IKEA of Sweden AB and Christian Berner Tech Trade AB.

and . The newly appointed auditor participated at the Audit Committee meetings in August and December 2022 and February 2023. The previous auditor Peter Nyllinge (PWC) participated at the Board and Audit Committee meeting in February 2022 and there reported on the 2021 audit.

Auditing of the Group's companies around the globe is coordinated by KPMG AB. All of the activities of companies with a significant scope of operations are audited by KPMG AB in the respective country, included for the first time in the Group audit were the following larger sub-groups; LED Linear, WE-EF, Veko and Designplan. 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, organisation 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. The six Board members combined represent ownership participations equivalent to 49 (49) per cent 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 CFO 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 115–116 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.

During 2022, six Board meetings took place. One of these was the statutory Board meeting. Four of these meetings address the quarterly reports and the year-end report and one addresses the budget for the following year. 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, during 2022 this was facilitated by a visit LED Linear GmbH in Germany. Strategic topics are discussed during the year when appropriate and this tends to be three or four times per year. Such topics include; business strategy, connectivity, sustainability, human resources, digitalisation etc.

During 2022 the Board held 5 normal Board meetings and 1 statutory Board meeting. The auditor of the company is present at Board meetings when needed, normally once a year and normally at the February meeting. Notices and supporting documents are

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sent to the Board a 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 these areas.

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 53. The Chairman of the Board, Jan Svensson became independent from 1 September 2019. Eric Douglas represents Investment AB Latour and the Douglas family and is not considered to be independent. 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 2022

The Board met six times during the year, with one of these meetings being the statutory Board meeting. Three of the six meetings were fully attended by the Board. Three meetings (one of which was the statutory Board meeting) had one member absent, the February and the April (2) meetings. The company's previous auditor PWC was present at the February Board meeting and the February Audit Committee (AC) meeting that addressed the annual accounts for 2021 and the company's current auditor was present at the AC meetings in August and December.

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 and divestments
- 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
- The Group's sustainability strategy and long-term goals
- The impact, effects and response to the global supply chain challenges

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 (AC) 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 AC 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 2019, the AC was established as Cecilia Fasth (Chair) and Teresa Enander (member). The CFO and the auditor attended all three AC meetings during the year and the Group's Legal Counsel attended the December AC meeting. All members of the AC attended the three meetings during 2022 and so too the CFO and the auditor. The Chair of the AC gave a brief report to the Board at the February, August and December Board meetings.

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

AB 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.

The CEO is assisted by Group Management, consisting of the heads of business areas and Group functions. 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 31,356 shares in the company and this is stated in the presentation of the management on pages 59. 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, the CPO, the Chief Sustainability Officer, the Chief Strategy & Communications Officer and the Chief Technical Officer plus four managers with responsibility for the business areas. At the end of the year there were two managers with business area responsibility.

Group Management has had regular weekly and monthly meetings during the year where it followed up operations, discussed matters affecting the Group and drafted proposals for strategic alignment plans and budgets, which the CEO presented to the

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Board for decision. During 2022, a considerable number of meetings and time was devoted to strategic issues such as sustainability, connectivity, HR matters and developing collaboration for longer term organic growth activities in the business areas.

Management of subsidiaries

Fagerhult Group's operations are organised into four business areas which include 59 subsidiaries. The operations of the respective subsidiaries are controlled by their leadership teams. The leadership teams of the subsidiaries consist of, among others, the managing director of the subsidiary, the local senior managers of functions, the business area manager and, in some 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 leadership team is governed. These meetings are held twice per year.

Fagerhult Group 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.

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.

Fagerhult Group'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 Group's position on issues related to human rights, labour conditions, the environment, business ethics and communication.

The Code applies to all Fagerhult Group's 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 Group'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 Group 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.

Remuneration to the Management and Board

Remuneration to senior management

The existing policies, for 2022, are that remuneration to the CEO and other senior management consists of a fixed basic annual salary plus an annual variable remuneration in the form of a bonus scheme tied to relevant and appropriate performance measures plus a company car benefit and a pension scheme with contributions made by the employer and employee. Annual variable remuneration is based on achieving goals and is maximised at 30–50 per cent of the fixed basic annual salary.

The remuneration to senior management supports the company's strategy and long term development and sustainability in several ways. Firstly, the total compensation is scheduled during the current year as a basic salary plus the annual bonus aimed at improving the overall short term result. Most importantly the long-term incentive scheme seeks performance over a three year term by focusing on sustained delivery. Secondly, the annual bonus scheme is designed to work in conjunction with longer term aspects, for example sustained growth. Also, the annual schemes and long term schemes tie employees together in working teams.

Fixed annual basic salaries for staff and senior management are reviewed simultaneously, thereby ensuring consistency of levels of increase. Often, there are many members of staff who are offered an annual bonus scheme, which again is tied to similar performance criteria to those of senior management. The establishment

and development of the executive remuneration policy is made by a combination of the board and the remuneration committee, sometimes with input from the market outside.

For 2021 and 2022 combined there was also an additional variable remuneration scheme, referred to as a medium term incentive scheme (MTI) and had two fundamental motivators. Firstly, there was no long term incentive scheme introduced in 2020 and secondly the MTI scheme is designed to return the Fagerhult Group to pre-Covid levels of net sales by the end of a two year period. The MTI scheme covers the two year period 2021 to 2022, closing at 31 December 2022. The scheme is a one-off scheme and will not be repeated in future years. The MTI scheme objectives and rewards are over the two year period. The objective is centred on net sales growth with an operating margin minimum and the reward is a maximum of up to a bonus payment of 30 per cent (in total, not each year) of fixed annual basic salary.

In 2021 and 2022, at the Annual General Meetings, a long-term incentive (LTI) scheme was proposed, approved and introduced in the form of a performance-based share plan for senior management. Senior management were invited by the CEO to become members of the scheme and this came with an obligation for them to invest between 2.5 per cent and 12 per cent of an annual basic salary in acquiring Fagerhult shares. Depending upon the aggregated three year earnings per share (EPS) the members have the opportunity to receive up to 4 Fagerhult shares in return for their investment providing a 100 per cent of the EPS targets have been achieved. Between 1 per cent and 100 per cent of the EPS targets, the award is linear.

For 2023 the above policies (with the exception of the MTI scheme) will be proposed at the Annual General Meeting.

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. From 2019 fees were payable to members of the Audit Committees and from 2022 fees were also payable to members of the Remuneration Committee, separate to the standard Board fee. In 2022, remuneration was paid in accordance with the table on page 148.

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Remuneration to the auditors

In 2022, remuneration was paid in accordance with Note 27 on page 99.

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 Group's Code of Conduct and core values. The Code includes principles governing how business is to be conducted and was reinforced during late 2021 as 1,802 managers across the group underwent an online training and testing process. This will be repeated every two years, the next being in 2023. These values represent a long-term commitment and a shared base connected to the business concept and strategies guiding employees in daily operations.

Fagerhult Group 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. During 2022 each brand company performed their own internal risk assessment and this will be repeated during 2023. Read more about risks on pages 151–154.

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, capital markets days, quarterly webcasts of the financial results, financial press releases and presentation materials for various meetings with the media, shareholders and investors.

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 2021 the CFO re-issued to the relevant personnel an update of the Group's Financial Internal Control Guidelines as well as the Group's Financial Policy document. A self-assessment for each significant subsidiary was then completed and during 2022 these were issued to the auditors, for inclusion in the audit process.

Fagerhult Group's whistleblower 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, Legal and HR departments 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.

During the last three years the Group's Finance department has established a forum focussed on addressing financial reporting and tax matters and through these regular forum meetings many matters are addressed and progressed.

Together with the controls implemented by the Group's management and the different business areas existing control

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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 2022

During the year Group Management continued to focus on the core strategic areas as well as dedicated time given to those external events that have an impact on the business.

Of high importance was to focus resources and efforts on the supply chain difficulties. Secondly, due to the supply chain cost pressures there was a considerable focus on pricing. The Group dealt with these situations well, as well as the effects of the Russia invasion of Ukraine and delivered a much improved result in 2022.

Furthermore, the activity level on the Group's address to sustainability was elevated and significant progress was made to determine the carbon footprint baseline for all our brands. The long-term sustainability targets are decided to a carbon reduction more than 30 per cent compared to the baseline by 2030 and carbon neutral by 2045. Commitment letter and validation data has been sent in to Science Based targets initiative to be validated during 2023.

Also there has been significant progress on the HR agenda. During the year we have made progress on the new core values,

establishing a process and team to develop a profile for leadership principles and of course on the recruitment and retention challenges. The building of leadership teams in many Group entities has been a core priority.

From the business area perspective, the focus has been on further developing the new business area setup combined with making significant progress on those identified key areas for organic growth. These key areas are focussed at long term sustained growth and for example include the address at the North American market, the approach to the retail application area, the DACH market for education, healthcare and offices and the internationalisation of the high end designer brand atelje Lyktan. Lastly, worth mentioning, is the rapidly growing opportunity in the retrofit and refurbishment segment. Here, fueled by higher energy costs, the increasing sustainability agenda and the 2023 withdrawal of the production of fluorescent lamps many of our businesses have good success in developing local solutions to serve the customer base and win projects.

From a technology/connectivity perspective the year has seen significant progress. The Group has recruited a new CTO and continued growth of the installed base of Organic Response and Citygrid sensor nodes was achieved. The northern hemisphere base in Linköping expands and begins to contribute well to the market address and customer solutions.

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Board of Directors



Jan Svensson
Chairman

Born: 1956
 Mechanical Engineer and M. Sc. in Business Administration. Chairman of Billerud AB, Securitas AB and Nobia AB. Board Member of Herenco Holding AB. Board Member of Fagerhult since 2007. Shares in AB Fagerhult: 60,000



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: 1,000,000 directly held shares and 84,708,480 shares held through Investment AB Latour



Annica Bresky

Born: 1975
 M.Sc. Engineering
 President and CEO Stora Enso.
 Board Member of Fagerhult since 2019.
 Shares in AB Fagerhult: 4,480



Teresa Enander

Born: 1979
 M.Sc. Engineering
 COO of Formica Capital AB.
 Board Member of Fagerhult since 2019.
 Shares in AB Fagerhult: 6,200



Magnus Meyer

Born: 1967
 M.Sc. and Lic in Engineering and Information Technology
 Board member of HiQ International AB, Kinnarps AB, Slättö Förvaltning AB, Coor Service Management AB, Vasakronan AB, Infranord AB, MW Group AB and Belatchew Arkitekter AB.
 Board Member of Fagerhult since 2022.
 Shares in AB Fagerhult: 6,000



Cecilia Fasth

Born: 1973
 M.Sc. Engineering
 CEO of Stena Fastigheter AB.
 Board Member of Fagerhult since 2014.
 Shares in AB Fagerhult: 13,755

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Board of Directors



Magnus Nell

Born: 1964
Employee Representative
Shares in AB Fagerhult: 0



Lars-Åke Johansson

Born: 1961
Employee Representative
Shares in AB Fagerhult: 3,000



Patrik Palm

Born: 1984
Deputy Employee
Representative
Shares in AB Fagerhult: 0



Billy Kiander

Born: 1984
Deputy Employee
Representative
Shares in AB Fagerhult: 0

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Group Management Team



1	1	3	4	5	6	7	8	9
Michael Brüer	Johan Lembre	Andrea Gageik	Michael Wood	Bodil Sonesson	Mario Dreismann	Catharina Flink (until 31 Dec 2022)	Frank Augustsson	Anders Fransson

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|---|--|---|
| <p>1 Michael Brüer
 Chief Strategy and Communication Officer</p> <p>Born: 1983
 M.Sc. Engineering and M.Sc. Business Administration
 Employed since: 2017
 Shares in Fagerhult: 8,742</p> | <p>4 Michael Wood
 Chief Financial Officer</p> <p>Born: 1964
 Chartered Accountant ACMA
 Employed since: 2005
 Shares in Fagerhult: 24,372</p> | <p>7 Catharina Flink
 Catharina Flink has left the Group, but was part of the Group Management Team until 31 Dec 2022.</p> |
| <p>2 Johan Lembre
 Chief Technology Officer</p> <p>Born: 1966
 M.Sc. Industrial and Management Engineering
 Employed since: 2022
 Shares in Fagerhult: 0</p> | <p>5 Bodil Sonesson
 President and CEO</p> <p>Born: 1968
 M.Sc. in Business Administration, MBA.
 Employed since: 2018
 Shares in Fagerhult: 31,356</p> | <p>8 Frank Augustsson
 Head of Business Area Premium</p> <p>Born: 1965
 Technical College Graduate
 Employed since: 1986–2001, 2004
 Shares in Fagerhult: 31,372</p> |
| <p>3 Andrea Gageik
 Chief People Officer</p> <p>Born: 1972
 Master of Arts M. A. Business Coaching and Change Management
 Certified in systemic organisational development and mediation
 Employed since: 2021
 Shares in Fagerhult: 1,836</p> | <p>6 Mario Dreismann
 Head of Business Area Collection</p> <p>Born: 1976
 M.Sc. in Business Administration
 Employed since: 2020
 Shares in Fagerhult: 14,426</p> | <p>9 Anders Fransson
 Chief Sustainability Officer</p> <p>Born: 1969
 M.Sc. Engineering
 Employed since: 2005
 Shares in Fagerhult: 25,602</p> |

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The Group delivered its best year ever in 2022. The order intake of SEK 8,243 million was a new record – and the first time we achieved over SEK 8 billion. New records were also set in net sales, with SEK 8,270 million and organic growth of 11 per cent. We delivered an operating profit 10.1 per cent despite challenges from cost pressures in the supply chain and inflationary pressures.

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Income statement

MSEK	Note	2022	2021
Net sales	1	8,269.6	7,087.5
Cost of goods sold		-5,147.2	-4,467.0
Gross profit		3,122.4	2,620.5
Selling expenses		-1,619.7	-1,437.8
Administrative expenses		-747.0	-621.2
Other operating income	33	77.6	144.9
Operating profit		833.3	706.4
Financial income	3	41.8	12.1
Financial expenses	4	-84.1	-96.2
Total financial items – net		-42.3	-84.1
Profit before tax		791.0	622.3
Income tax	9, 10	-214.6	-152.7
Net profit for the year		576.4	469.6
Net profit for the year attributable to shareholders of the Parent Company		576.3	465.5
Net profit for the year attributable to non-controlling interests		0.1	4.1
Total		576.4	469.6
Earnings per share, based on earnings attributable to shareholders of the Parent Company during the year:			
Earnings per share before dilution, SEK		3.27	2.64
Earnings per share after dilution, SEK		3.27	2.64
Average number of shares outstanding before dilution, thousand		176,147	176,147
Average number of shares outstanding after dilution, thousand		176,147	176,147
Number of shares outstanding, thousand		176,147	176,147

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Statement of comprehensive income

MSEK	Note	2022	2021
Net profit for the year		576.4	469.6
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of pension plans, net after tax	21	8.3	8.3
<i>Items that may be reclassified to profit or loss:</i>			
Translation differences, net after tax	37	302.5	158.3
Other comprehensive income for the year, net after tax		310.8	166.6
Total comprehensive income for the year		887.2	636.2
Total comprehensive income for the year attributable to shareholders of the Parent Company		887.1	630.9
Total comprehensive income for the year attributable to non-controlling interests		0.1	5.3
Total		887.2	636.2

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Balance Sheet

MSEK	Note	2022	2021
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
	11		
Goodwill		3,028.3	2,904.0
Brands		2,767.5	2,550.5
Other intangible assets		279.0	285.6
		6,074.8	5,740.1
<i>Property, plant and equipment</i>			
	12		
Land and buildings		1,097.8	1,041.2
Plant and machinery		392.7	399.5
Equipment, fixtures and fittings		175.4	170.6
Right-of-use assets	26	716.0	732.7
Construction in progress		39.3	32.9
		2,421.2	2,376.9
<i>Financial assets</i>			
Other shares and participations	13	2.9	2.7
Deferred tax assets	10	201.8	198.0
Other non-current receivables	13	21.8	15.5
		226.5	216.2
Total non-current assets			
		8,722.5	8,333.2
Current assets			
<i>Inventories</i>			
	16		
Raw materials and consumables		820.1	641.4
Work in progress		187.5	142.4
Finished products and goods for resale		464.9	384.9
Goods in transit		20.0	25.4
		1,492.5	1,194.1
<i>Current receivables</i>			
Trade receivables	6	1,603.5	1,196.1
Current tax assets		65.4	73.3
Other receivables		62.5	44.2
Prepaid expenses and accrued income	15	94.5	70.3
		1,825.9	1,383.9
<i>Cash and cash equivalents</i>			
		1,291.7	1,741.5
Total current assets			
		4,610.1	4,319.5
TOTAL ASSETS			
		13,332.6	12,652.7

MSEK	Note	2022	2021
EQUITY			
Capital and reserves attributable to shareholders of the Parent Company			
Share capital	34	100.2	100.2
Other contributed capital		3,194.6	3,194.6
Reserves		4.3	-298.2
Retained earnings incl. net profit for the year		3,583.2	3,222.3
		6,882.3	6,218.9
Non-controlling interests		-0.1	-0.2
Total equity			
		6,882.2	6,218.7
LIABILITIES			
Non-current liabilities			
Borrowings	17	3,196.5	2,988.4
Lease liabilities	26	594.4	612.7
Provisions for pensions and similar commitments	21	173.1	173.4
Deferred tax liabilities	10	548.2	503.6
		4,512.2	4,278.1
Current liabilities			
Borrowings	17	153.0	430.8
Lease liabilities	26	145.2	139.0
Advance payments from customers		51.5	93.7
Trade payables		747.8	681.6
Current tax liabilities		58.3	68.5
Other liabilities	22	181.2	164.4
Accrued expenses and deferred income	18	601.2	577.9
		1,938.2	2,155.9
Total liabilities			
		6,450.4	6,434.0
TOTAL EQUITY AND LIABILITIES			
		13,332.6	12,652.7

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Changes in equity

MSEK	Note	Attributable to shareholders of the Parent Company				Total	Non-controlling interests	Total equity
		Share capital	Other contributed capital	Reserves	Retained earnings incl. net profit for the year			
Equity on 1 January 2021		100.2	3,194.6	-455.3	2,924.9	5,764.4	38.2	5,802.6
Net profit for the year					465.5	465.5	4.1	469.6
Net investment hedges	30			1.0		1.0		1.0
Deferred tax on net investment hedges				-0.2		-0.2		-0.2
Remeasurements of pension plans					10.5	10.5		10.5
Deferred tax on remeasurements of pension plans					-2.2	-2.2		-2.2
Translation differences				156.3		156.3	1.2	157.5
Total comprehensive income for the year				157.1	473.8	630.9	5.3	636.2
Performance-based share-savings plan	2				-2.8	-2.8		-2.8
Dividend, SEK 0.50 per share	36				-88.1	-88.1		-88.1
Change in non-controlling interests	31				-85.5	-85.5	-43.7	-129.2
Equity on 31 December 2021		100.2	3,194.6	-298.2	3,222.3	6,218.9	-0.2	6,218.7
Net profit for the year					576.3	576.3	0.1	576.4
Net investment hedges	30			50.7		50.7		50.7
Deferred tax on net investment hedges				-10.4		-10.4		-10.4
Remeasurements of pension plans					10.5	10.5		10.5
Deferred tax on remeasurements of pension plans					-2.2	-2.2		-2.2
Translation differences				262.2		262.2		262.2
Total comprehensive income for the year				302.5	584.6	887.1	0.1	887.2
Performance-based share-savings plan	2				5.3	5.3		5.3
Dividend, SEK 1.30 per share	36				-229.0	-229.0		-229.0
Equity on 31 December 2022		100.2	3,194.6	4.3	3,583.2	6,882.3	-0.1	6,882.2

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Group

Cash-Flow Statement

MSEK	Note	2022	2021
Operating profit		833.3	706.4
<i>Adjustments for non-cash items:</i>			
Depreciation/amortisation	8	271.2	295.0
Depreciation of right-of-use assets	8	152.3	145.9
Profit/loss on the sale of shares in subsidiaries	31	–	–1.2
Profit/loss on the sale of property, plant and equipment		6.3	4.9
Items in equity		5.3	2.8
Translation differences		80.2	–12.3
		1,348.6	1,141.5
Interest received		8.2	2.7
Interest paid		–51.8	–40.0
Interest paid on lease liabilities		–11.7	–10.9
Income tax paid		–207.0	–217.0
Cash flow from operating activities before changes in working capital		1,086.3	876.3
Changes in working capital			
Changes in inventories		–303.8	–187.9
Changes in current receivables		–443.9	–104.9
Changes in current liabilities		64.1	219.0
Cash flow from operating activities		402.7	802.5

MSEK	Note	2022	2021
Investing activities			
Investments in subsidiaries, net of acquired cash and cash equivalents	22, 31	–	–124.4
Investments in intangible assets	11	–35.2	–32.6
Investments in property, plant and equipment	12	–144.4	–116.9
Divestment of subsidiaries	31	–	8.3
Changes in construction in progress	12	–6.3	–7.0
Changes in non-current receivables	13	–6.6	5.8
Cash flow from investing activities		–192.5	–266.8
Financing activities			
Acquisition of non-controlling interests	31	–	–129.2
Repayment of loans	17, 23	–378.1	–168.4
Borrowings	17, 23	16.1	62.8
Repayment of lease liabilities	23, 26	–152.3	–147.2
Dividends paid		–229.0	–88.1
Cash flow from financing activities		–743.3	–470.1
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,741.5	1,624.0
Translation differences in cash and cash equivalents		83.3	51.9
Cash and cash equivalents at end of the year		1,291.7	1,741.5

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Parent Company

Income statement

MSEK	Note	2022	2021
Net sales	1	38.8	28.7
Administrative expenses		-83.9	-71.1
Operating profit		-45.1	-42.4
Financial income and expenses			
Income from shares in subsidiaries	7	913.5	86.7
Interest income and similar profit/loss items	3	207.8	116.6
Interest expenses and similar profit/loss items	4	-47.8	-47.9
Total financial items		1,073.5	155.4
Profit before appropriations and tax		1,028.4	113.0
Group contributions received		174.0	279.0
Tax on profit for the year	9, 10	-61.7	-62.9
Net profit for the year		1,140.7	329.1

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Parent Company

Balance Sheet

MSEK	Note	2022	2021
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Shares and participations in subsidiaries	13, 14, 31	3,824.8	3,209.5
Receivables from subsidiaries	13	4,188.7	4,086.3
Deferred tax assets	10	2.0	1.7
Other non-current receivables	13	7.7	6.6
		8,023.2	7,304.1
Total non-current assets			
Current assets			
<i>Current receivables</i>			
Current tax assets		–	2.0
Other receivables		1.5	0.4
Receivables from subsidiaries		48.9	19.6
Prepaid expenses and accrued income	15	13.2	3.4
		63.6	25.4
Cash and bank balances		777.8	1,050.9
Total current assets			
		841.4	1,076.3
TOTAL ASSETS			
		8,864.6	8,380.4

MSEK	Note	2022	2021
EQUITY			
Restricted equity			
Share capital	34	100.2	100.2
Statutory reserve		159.4	159.4
		259.6	259.6
Non-restricted equity			
Retained earnings		3,666.0	3,564.1
Net profit for the year		1,140.7	329.1
		4,806.7	3,893.2
Total equity			
		5,066.3	4,152.8
LIABILITIES			
Non-current liabilities			
Borrowings	17	3,064.3	2,828.6
Provisions for pensions and similar commitments	21	9.6	8.3
		3,073.9	2,836.9
Current liabilities			
Borrowings	17	20.0	313.8
Trade payables		1.9	4.0
Current tax liabilities		1.6	–
Other liabilities		1.6	1.0
Liabilities to subsidiaries		676.5	1,046.8
Accrued expenses and deferred income	18	22.8	25.1
		724.4	1,390.7
Total liabilities			
		3,798.3	4,227.6
TOTAL EQUITY AND LIABILITIES			
		8,864.6	8,380.4

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Changes in equity

MSEK	Note	Share capital	Statutory reserve	Retained earnings incl. net profit for the year	Total equity
Equity on 1 January 2021		100.2	159.4	3,654.1	3,913.7
Net profit for the year				329.1	329.1
Performance-based share-savings plan	2			-1.9	-1.9
Dividend, SEK 0.50 per share	36			-88.1	-88.1
Equity on 31 December 2021		100.2	159.4	3,893.2	4,152.8
Net profit for the year				1,140.7	1,140.7
Performance-based share-savings plan	2			1.8	1.8
Dividend, SEK 1.30 per share	36			-229.0	-229.0
Equity on 31 December 2022		100.2	159.4	4,806.7	5,066.3

Parent Company

Cash-Flow Statement

MSEK	Note	2022	2021
Operating profit		-45.1	-42.4
<i>Adjustments for non-cash items:</i>			
Items in equity		1.8	-1.9
Exchange-rate differences		76.5	88.3
		33.2	44.0
Interest received		122.7	98.9
Interest paid		-47.8	-38.2
Income tax paid		-58.3	-68.7
Cash flow from operating activities before changes in working capital		49.8	36.0
Changes in working capital			
Changes in current receivables		-40.2	29.4
Changes in current liabilities		-374.1	123.4
Cash flow from operating activities		-364.5	188.8
Investing activities			
Investments in subsidiaries	31	-615.3	-249.4
Divestment of subsidiaries	31	-	1.2
Decrease in non-current receivables	13	159.7	9.3
Group contributions and dividends received		1,087.5	368.0
Cash flow from investing activities		631.9	129.1
Financing activities			
Repayment of loans	17,23	-335.0	-134.6
Borrowings	17,23	23.5	3.5
Dividends paid		-229.0	-88.1
Cash flow from financing activities		-540.5	-219.2
Change in cash and cash equivalents		-273.1	98.7
Cash and cash equivalents at beginning of the year		1,050.9	952.2
Cash and cash equivalents at end of the year		777.8	1,050.9

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Accounting policies

The 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 *Supplementary Accounting Rules for Groups*.

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 for the Parent Company 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 historical cost with the exception of certain financial assets and liabilities (conditional earnout payments and derivatives) which are valued at fair value.

Consolidated accounts

Subsidiaries

The consolidated accounts include subsidiaries over which the Group exercises control, which 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.

Transactions with non-controlling interests that do not lead to a loss of control are recognised as equity transactions, i.e., as transactions with owners in their capacity as owners.

Intra-Group transactions and balance-sheet items are eliminated in their entirety.

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 or the date on which the items are remeasured. 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 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 rate of exchange on the closing date;
- 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 rate on the closing date.

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.

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.

Revenue recognition

Goods

The Group manufactures and sells lighting solutions to the professional lighting market.

All of the Group's sales companies deliver to customer projects in the form of deliveries of lighting solutions, i.e., goods/products within the framework of the customer project. The sales cycle essentially follows the same model regardless of the business area and geographical market; the sales company makes an offer with regard to the provision of products/lighting solutions, which is confirmed by the customer in the form of an order. Thereafter, the contracted products/lighting solutions are manufactured and delivered to the customer.

Accordingly, the revenue flow corresponds with the project flow and, as mentioned above, the flows are essentially compatible within the Group. The Group's overall project and revenue streams conform in terms of their nature and their breakdown into categories with our four business areas: Collection, Premium, Professional and Infrastructure, thus providing the necessary information from an information and a risk perspective regarding the application areas (areas of use/environments) of the Group's product portfolio.

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The performance obligations for operations in all the Group's business areas are as follows:

- individual lighting fixtures (product sales);
- lighting solutions comprising multiple luminaires (product sales);
- complete lighting systems including control systems (product sales); and
- in exceptional and rare cases, the provision of minor services such as the replacement of light sources and the installation of individual luminaires.

The timing for revenue recognition from sales of the products/lighting solutions is when control of the goods passes to the customer, which takes place when the goods are delivered to the customer.

Services comprise an insignificant part of the Group's revenue and when a service is included in the transaction price, for practical reasons the revenue is recognised together with the sale of the products/lighting solution as the entire performance obligation is completed within a short time frame (within a maximum of five working days).

Volume rebates are often applied to sold products/lighting solutions based on accumulated sales over a twelve-month period. Income from sales of products/lighting solutions 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 the closing date. No financing component is assessed to be required at the time of sale with a credit period of 30 days, 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 products/lighting solutions have been delivered, as that is when payment becomes unconditional (that is, payment requires only the passage of time).

Other operating income

Income from activities outside the Group's primary operations is recognised as Other operating income. Income in the form of state aid for Covid-19 is included in other operating income and is recognised when there is reasonable assurance that the grants will be received and the Group will meet the conditions associated with the aid.

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

The Group's leases pertain primarily to factories, offices and vehicles. The 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 repayment of the liability and the finance cost. The finance cost is charged to profit or loss over the lease term 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 on a straight-line basis over the shorter of the asset's useful life and the lease term. Leases are typically made for fixed periods of three to ten years but may have extension or termination options as described below.

Assets and liabilities arising from a lease are initially measured on a present value basis.

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

- fixed fees; and
- variable lease fees that are based on an index.

The lease payments are discounted using the incremental borrowing rate.

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

- the initial valuation of the lease liability; and
- payments made on or prior to the date the leased asset was made available to the lessee.

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. Low-value assets comprise IT equipment and small items of office furniture.

Lease extension and termination options

Extension and termination options are included in most of the Group's leases for factories/production plants and offices. These terms are used to maximise flexibility in terms of managing contracts. Options to extend or terminate leases are included in assets and liabilities, when it is reasonably certain that they will be exercised.

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. No borrowing costs have been capitalised for the reporting periods presented.

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 2022 and 2021, 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 depreciation and impairment.

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	25–33 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

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 operating segments.

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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 of 20 years.

Other intangible assets

The item Other intangible assets includes Capitalised expenditure for product development, which is internally generated, Technology identified in conjunction with a business combination and IT systems.

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.

Acquired technology

Technology identified in conjunction with a business combination is recognised at fair value on the acquisition date. Technology has a finite useful life and is recognised at cost less accumulated amortisation and impairment. Amortisation is performed over the expected useful life, which is usually five to seven years.

IT systems

IT systems mainly pertain to acquired systems and external costs arising on the adaptation of systems in line with the Group's operations and needs. All assets are measured at cost less amortisation and impairment.

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 forms of maintenance are recognised as expenses in profit or loss during the period in which they arise.

Straight-line amortisation is applied over the estimated useful life of three to five years.

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 essentially 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

The Group classifies its financial assets in the following categories: Financial assets recognised at FVTPL (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.

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.

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 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 liabilities

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 items Non-current and Current 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 reserves in equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss. Gains and losses accumulated in the item reserves 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 options pertaining to treasury shares 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.

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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

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 obligations are valued at the present value of the expected future payments, utilising a discount rate corresponding to interest on first class housing 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 recognised as an employee benefit expense, together with a contra-entry directly against equity, and is calculated on the basis of the allocated shares' fair value at the time of allocation and is allocated over the plan's vesting period. The expense and liability for social security contributions are recognised as they accrue

during the vesting period based on the fair value of the benefit at the end of the respective reporting period.

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 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 for the year in accordance with the income statement attributable to shareholders of the Parent Company in relation to the average number of shares outstanding before and after dilution. Dilution arises from the dilution effect of potential ordinary shares, which for the Group comprises performance share awards in the Group's incentive schemes to the extent that the performance terms and conditions have been met at the end of the reporting period.

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.

The operating segment is based on four business areas: Collection, Premium, Professional and Infrastructure. Each of the Group's 13 brands belong to one of the business areas. The allocation has been made based on the Group companies' product range, geographical presence and partner focus.

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.

Fagerhult only applies IFRS 16 at Group level, and not at operating segment level.

Dividend

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 pertain 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. Furthermore, the Parent Company does not measure in accordance with IFRS 9, and instead applies the points stated in RFR 2 (IFRS 9 Financial Instruments, pp. 3–10). Nor does the Parent Company apply IFRS 16 *Leases* and has, from 1 January 2019, instead chosen to apply points 2–12 pertaining to IFRS 16 contained in RFR 2.

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 Intangible assets.

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Assessment of the length of the lease agreements

Extension and termination options are included in most of the Group's leases for factories/production plants and offices.

When the term of the lease was determined, the management considered all available information that provided a financial incentive to exercise an extension option, or to not utilise an option to terminate a contract. The possibility of extending a contract is only included in the term of the lease if it is reasonably certain that the contract will be extended (or not terminated). The following factors are normally most relevant for leases for factories/production facilities and offices:

- Historic lease terms and the costs and disruptions to operations entailed by the need to replace an existing factory/production facility or office premises;
- If the lease contains any material fees for terminating the lease (or not extending it), the Group normally considers it reasonably certain that the lease will be extended (or not terminated).
- If the Group has any expenses for leasehold improvements and expects these to have a substantial residual value, it is normally reasonably certain that the lease will be extended (or not terminated).

The majority of the lease extension options for factories/production facilities have been included in the lease liability, since the Group cannot replace assets without material costs for disruption to operations. The majority of the office leases comprise shorter lease terms and notice periods of one to three years. The Group's assessment is that these shorter lease terms do not reflect the actual terms, and therefore a minimum term of three years has been applied.

An individual assessment is conducted in conjunction with the lease expiring or as soon as a decision to change the operations is known and where the change would affect the term of the lease.

Measurement of trade receivables

Trade receivables are recognised net of any provisions for expected credit losses. The loss allowance for trade receivables is based on the assumptions for risk of default and expected loss levels. The Group makes its own assumptions and choices of input data for calculating impairment. These are based on historic data, known market conditions and forward-looking calculations at the end of each reporting period. Refer also to Note 6 Trade receivables and the section on Credit risk in Note 37 Risks.

Measurement of inventories

Inventories are reported using the first-in, first-out method at the lower of cost and net realisable value on the closing date. Estimates are required of projected sales volumes, which are primarily based on historic data and projections. Refer also to Note 16 Inventories.

Application of new or amended standards

New and amended standards applied from 2022

None of the new or amended standards that apply from 1 January 2022 have had any impact on the consolidated financial statements.

New and amended standards with future application

New or amended standards effective from future reporting periods 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.

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Note 1 | Segment reporting

COLLECTION

Exceptional lighting solutions for architectural applications across the globe.

Collection comprises our global brands. All these brands have an international product portfolio and are well-known among lighting designers and architects globally. They offer a broad product range with a focus on outdoor and indoor environments with stringent requirements in terms of architectural design.

The brands included comprise: Ateljé Lyktan, iGuzzini, LED Linear and WE-EF, with product development and manufacturing facilities in Sweden, Italy, Canada, China, Germany and Thailand. The business area also includes all sales companies for iGuzzini, LED Linear, WE-EF and Seneco.

PREMIUM

Lighting solutions for all European markets and for global customers

Premium focuses on the European market and Europe-based global customers. Our companies work closely with partners to deliver premium projects, often with customised solutions. Most of the sales are generated by products for indoor environments, but outdoor products are also available for specific markets.

The brands included are: Fagerhult and LTS, with their product development and manufacturing located in Sweden, Germany and China. The business area also includes all of Fagerhult's sales companies (except New Zealand) and Organic Response Technologies.

PROFESSIONAL

Lighting solutions for selected applications, adapted to local needs

Professional primarily focuses on products for indoor environments for local and neighbouring markets. The company works together with local partners on project specifications to deliver complete solutions. Local production and product development enable quick delivery of tailored solutions and customised products.

The brands included are: Arlight, Eagle Lighting and Whitecroft, with product development and manufacturing located in Turkey, Australia and the UK. The business area also includes the sales company in New Zealand.

INFRASTRUCTURE

Specially-adapted lighting solutions for critical infrastructure and industry

Infrastructure offers lighting solutions for environments with specific requirements for installation, sustainability and robustness. The companies are world-leading in their fields, and have extensive experience of finding the best solution for each project and customer. Most of the sales take place in Europe.

The brands included are: Designplan Lighting, i-Valo and Veko with product development and manufacturing located in the UK, Finland and the Netherlands.

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	Collection		Premium		Professional		Infrastructure		IFRS 16		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales and income														
Net sales	3,853.8	3,162.4	2,814.4	2,531.0	1,018.8	996.9	909.4	731.4			-326.8	-334.2	8,269.6	7,087.5
(of which internal sales)	(156.1)	(101.7)	(61.0)	(122.0)	(66.8)	(82.0)	(42.9)	(28.5)			-(326.8)	-(334.2)	-	-
Operating profit by line of business	352.6	241.5	397.9	352.4	43.8	83.8	113.6	88.4	12.0	8.9			919.9	775.0
Unspecified expenses													-86.6	-68.6
Operating profit													833.3	706.4
Financial income													41.8	12.1
Financial expenses													-84.1	-96.2
Income tax													-214.6	-152.7
Net profit for the year													576.4	469.6
Other disclosures														
Non-current assets	4,043.1	3,795.2	2,334.6	2,249.6	529.5	522.2	872.8	817.3	716.0	732.7			8,496.0	8,117.0
Other assets	1,693.8	1,302.9	972.7	715.3	311.0	327.1	344.8	235.9	-16.0	-15.3	-70.2	-69.1	3,236.1	2,496.8
Unclassified assets													1,600.5	2,038.9
Total assets													13,332.6	12,652.7
Liabilities	718.5	683.5	517.4	487.1	158.4	182.9	116.4	84.4	739.6	751.8	-58.2	-57.1	2,192.1	2,132.6
Unclassified liabilities													4,258.3	4,301.4
Total liabilities													6,450.4	6,434.0
Investments	90.6	72.4	51.5	50.1	22.5	13.0	15.0	14.0					179.6	149.5
Depreciation/amortisation	169.3	174.4	49.0	67.1	29.7	30.7	23.2	22.8	152.3	145.9			423.5	440.9

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	Collection		Premium		Professional		Infrastructure		IFRS 16		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External sales per market														
UK	215.9	175.8	351.0	317.4	602.2	608.1	165.0	129.5					1,334.1	1,230.8
Sweden	290.4	251.4	798.3	723.7			25.0	17.1					1,113.7	992.2
Germany	303.7	261.6	283.5	242.7			132.2	107.9					719.4	612.2
USA	526.1	370.5	14.3	1.3	0.9	0.1	0.2	–					541.5	371.9
Netherlands	31.1	15.5	127.2	126.2			362.7	294.6					521.0	436.3
Italy	464.2	382.1	9.4	6.8									473.6	388.9
France	368.1	329.5	95.5	76.5			6.9	13.7					470.5	419.7
Australia	149.8	141.8	2.5	3.9	232.1	217.2							384.4	362.9
Spain	127.3	102.4	167.4	123.6			16.7	10.0					311.4	236.0
Norway	41.3	26.0	250.3	195.9			0.2	–					291.8	221.9
Switzerland	199.4	144.1	33.3	20.9			5.3	3.9					238.0	168.9
Denmark	66.1	59.0	152.6	129.1									218.7	188.1
Finland	36.5	33.7	88.7	103.4			55.0	40.3					180.2	177.4
Canada	125.8	94.0											125.8	94.0
Russia	14.9	59.1	102.8	28.3			–	0.1					117.7	87.5
Belgium	56.3	46.5	10.6	9.1	0.6	0.4	47.2	44.1					114.7	100.1
Turkey	11.1	14.4	7.2	0.4	76.1	62.5							94.4	77.3
United Arab Emirates	54.3	45.1	26.6	37.7	–	0.5							80.9	83.3
China	60.0	65.3	16.0	41.9									76.0	107.2
Poland	8.7	5.6	53.3	69.6			11.0	3.7					73.0	78.9
Saudi Arabia	64.3	39.4											64.3	39.4
New Zealand	29.8	25.5			31.5	23.9							61.3	49.4
Austria	16.0	16.7	36.1	25.5			8.4	6.6					60.5	48.8
Ireland	7.3	5.1	42.7	31.4			1.7	3.4					51.7	39.9
Hong Kong	43.9	40.5					–	0.1					43.9	40.6
Qatar	35.0	26.2	0.8	2.5									35.8	28.7
Hungary	20.0	24.2	8.7	6.5			4.4	1.2					33.1	31.9
India	30.6	16.6											30.6	16.6
Slovakia	1.4	1.1	9.1	6.8	0.1	–	17.4	3.5					28.0	11.4
Estonia	8.4	7.9	19.0	14.7			–	0.3					27.4	22.9
Israel	22.5	19.4	0.4	2.7	1.1	0.8	1.5	1.9					25.5	24.8
The Czech Republic	17.6	16.3	5.9	7.3									23.5	23.6
Singapore	17.5	15.9					1.6	–					19.1	15.9
Thailand	16.1	14.7											16.1	14.7
Other	216.3	167.8	40.2	53.2	7.4	1.4	4.1	21.0					268.0	243.4
Total	3,697.7	3,060.7	2,753.4	2,409.0	952.0	914.9	866.5	702.9	–	–	–	–	8,269.6	7,087.5

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.

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	Collection		Premium		Professional		Infrastructure		IFRS 16		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Non-current assets per market														
Italy	2,395.4	2,247.6							19.8	21.5			2,415.2	2,269.1
Sweden	21.4	20.7	1308.4	1309.0					55.7	62.6			1,385.5	1,392.3
Germany	436.1	415.7	638.0	582.3			3.2	3.3	134.5	156.7			1,211.8	1,158.0
Netherlands	0.1	0.1	170.1	156.6			650.7	606.5	81.8	80.1			902.7	843.3
UK	0.9	0.5	84.4	78.8	360.4	358.5	127.8	124.6	209.3	212.5			782.8	774.9
Spain	570.3	529.8	14.1	13.2					2.6	2.5			587.0	545.5
France	302.0	281.9	50.2	46.0					60.6	45.4			412.8	373.3
Australia	85.1	78.4	30.9	28.2	146.3	135.1			43.6	48.9			305.9	290.6
Thailand	103.6	96.5							0.9	0.1			104.5	96.6
Finland	0.1	0.1	0.7	0.7			91.0	82.9	10.4	12.2			102.2	95.9
China	68.7	70.3	6.5	5.6					6.7	7.3			81.9	83.2
Denmark	25.1	22.0	1.1	1.2					10.6	9.0			36.8	32.2
Turkey					22.8	28.3			11.1	12.2			33.9	40.5
USA	10.0	8.5							21.9	23.7			31.9	32.2
Belgium	0.1	0.2	17.5	16.1					1.3	1.3			18.9	17.6
Norway	0.1	0.1	0.6	0.7					16.7	7.3			17.4	8.1
Ireland			12.1	11.2					4.0	3.8			16.1	15.0
Singapore	14.6	13.4							0.6	0.2			15.2	13.6
Canada	6.9	8.1							5.0	9.7			11.9	17.8
Switzerland	1.7	0.9							9.6	10.1			11.3	11.0
Other	0.9	0.4			-	0.3	0.1	-	9.3	5.6			10.3	6.3
Total	4,043.1	3,795.2	2,334.6	2,249.6	529.5	522.2	872.8	817.3	716.0	732.7	-	-	8,496.1	8,117.0

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Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2022	2021	2022	2021	2022	2021
Parent Company	40.4	39.7	20.9	16.4	(10.4)	(5.8)
Subsidiaries	1,952.9	1,774.5	509.2	458.0	(125.7)	(120.6)
Group	1,993.3	1,814.2	530.1	474.4	(136.1)	(126.4)

	2022			2021		
	Salaries and other remuneration	(of which variable remuneration)	Pension expenses	Salaries and other remuneration	(of which variable remuneration)	Pension expenses
Parent Company, 15 (14) employees	34.7	(7.9)	5.4	29.7	(7.0)	4.4
Subsidiaries, 35 (38) employees	72.5	(11.2)	5.5	74.2	(15.4)	7.1
Group	107.2	(19.1)	10.9	103.9	(22.4)	11.5

Remuneration to senior management during the year:	Basic salary/ Board fees		Variable remuneration		Other benefits		Pension expenses		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>Parent Company</i>										
Chairman of the Board, Jan Svensson	1.0	0.9							1.0	0.9
Board Member, Eric Douglas	0.4	0.4							0.4	0.4
Board Member, Cecilia Fasth	0.5	0.5							0.5	0.5
Board Member, Morten Falkenberg	–	0.4							–	0.4
Board member, Magnus Meyer	0.4	–							0.4	–
Board Member, Annica Bresky	0.4	0.4							0.4	0.4
Board Member, Teresa Enander	0.5	0.4							0.5	0.4
CEO, Bodil Sonesson	5.1	4.7	2.5	2.3	0.1	0.1	1.8	1.7	9.5	8.8
Other senior management, 8 (7) individuals	18.5	15.0	5.4	4.7	0.4	0.2	3.6	2.7	27.9	22.6
Total	26.8	22.7	7.9	7.0	0.5	0.3	5.4	4.4	40.6	34.4

Remuneration to the Board of Directors was determined at the 2022 AGM. No additional remuneration other than Board fees 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 2012 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 from 2013 to 2022. In the most recent plan, 2022, a total of 88 people were offered the opportunity to participate, of which 35 accepted.

Participation in the plan requires a personal investment in Fagerhult shares. Under normal circumstances, following 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.

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The allocated share awards (known as performance share awards) also require meeting a financial performance target related to Fagerhult's average earnings per share.

The 2018 plan was concluded in 2021. The conditions for the performance share awards pertaining to average earnings per share for 2018–2019 were not fulfilled and no shares were allocated to the participants. The 2019 plan, which was to end in 2022, did not meet the conditions (pertaining to average earnings per share for 2019–2020) that would allow the award of performance shares. For this reason, the Board decided that the plan participants would be entitled to retrieve their investment in Fagerhult shares in advance (in 2021 instead of in 2022).

For the remaining plans (2021 and 2022), in accordance with the conditions for the plan, the remaining participants have acquired a total of around 163,860 shares in Fagerhult. A total of approximately 665,440 share awards have been allocated to plan participants, of which 77,000 to the CEO and 134,568 to other senior management.

For the 2021 plan, the financial performance target pertains to average earnings per share for the 2021–2023 financial years. A maximum of about 352,096 shares can be allocated as part of the 2021 plan. 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. For the 2022 plan, the financial performance target pertains to average earnings per share for the 2022–2024 financial years. A maximum of about 303,344 shares can be allocated as part of the 2022 plan. 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 2022 for all share-savings plans was MSEK 6.4 (3.7) or SEK 0.04 (0.02) per share. The estimated fair value on the allocation date is SEK 63.80 for the 2021 plan and SEK 44.82 for the 2022 plan.

Change in share awards outstanding	2022	2021
Opening balance, No. of share awards	385,940	205,449
Concluded performance-based share-savings plan	–	–205,449
New performance-based share-savings plan	313,536	385,940
Management who have left the performance-based share-savings plan	–46,884	–
Share awards outstanding	652,592	385,940

Note 3 | Financial income

	Group		Parent Company	
	2022	2021	2022	2021
Interest income	6.9	1.7	122.7	99.5
Dividends	1.3	1.0	–	–
Exchange-rate gains	33.6	9.4	85.0	17.1
Total	41.8	12.1	207.7	116.6
<i>Of which Group companies</i>			(118.6)	(99.5)

Note 4 | Financial expenses

	Group		Parent Company	
	2022	2021	2022	2021
Interest expenses	51.8	40.0	43.4	32.0
Interest expenses on lease liabilities	11.7	10.9	–	–
Exchange-rate losses	16.2	39.1	–	9.7
Other financial expenses	4.4	6.2	4.4	6.2
Total	84.1	96.2	47.8	47.9
<i>Of which Group companies</i>			(0.0)	(0.0)

Note 5 | Financial assets and financial liabilities

Group	2022			2021		
	IFRS 9 Category	Carrying amount	Fair value	IFRS 9 Category	Carrying amount	Fair value
Financial assets						
Other shares and participations	1	2.9	2.9	1	2.7	2.7
Other non-current receivables	1	21.8	21.8	1	15.5	15.5
Trade receivables	1	1,603.5	1,603.5	1	1,196.1	1,196.1
Derivative instruments – held for trading (included in the item, other receivables)	2	–	–	2	3.4	3.4
Cash and cash equivalents	1	1,291.7	1,291.7	1	1,741.5	1,741.5
Financial liabilities						
Long-term borrowings – hedge accounting	4	213.7	213.7	4	196.4	196.4
Non-current borrowings – no hedge accounting applied	4	2,982.8	2,982.8	4	2,792.0	2,792.0
Non-current lease liabilities	n/a	594.4	–	n/a	612.7	–
Other non-current liabilities	3	–	–	3	–	–
Short-term borrowings – no hedge accounting applied	4	153.0	153.0	4	430.8	430.8
Current lease liabilities	n/a	145.2	–	n/a	139.0	–
Trade payables	4	747.8	747.8	4	681.6	681.6
Other liabilities	3	–	–	3	–	–
Derivative instruments – held for trading (included in the item, other liabilities)	3	4.8	4.8	3	14.9	14.9

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. Lease liabilities are measured pursuant to IFRS 16.

Derivative instruments outstanding per 31 December 2022 concerning currency forward contracts of a nominal value of MSEK 129.6 (246.7).

Fair value based on observable data. Refer also to Note 30, Hedging.

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

	Group		Parent Company	
	2022	2021	2022	2021
Trade receivables outstanding	1,675.6	1,293.2	–	–
ECL allowances	–72.1	–97.1	–	–
Carrying amount	1,603.5	1,196.1	–	–
<i>Of which covered by credit insurance</i>	<i>(450.3)</i>	<i>(468.2)</i>	<i>–</i>	<i>–</i>

	Group		Parent Company	
	2022	2021	2022	2021
Change in provision for credit losses				
Opening provision	–97.1	–99.7	–	–
Acquisitions of subsidiaries	–	–0.2	–	–
Confirmed losses	16.3	9.2	–	–
Reversed, unutilised provisions	22.7	10.7	–	–
Provision for the year	–9.5	–18.5	–	–
Translation differences	–4.5	1.4	–	–
Closing provision	–72.1	–97.1	–	–

Note 7 | Income from shares in subsidiaries

	Parent Company	
	2022	2021
Dividends received	913.5	89.0
Loss on divestment of subsidiaries	–	–2.3
Total	913.5	86.7

Note 8 | Depreciation/amortisation and impairment

Amortisation of intangible assets in the Group was MSEK 65.6 (87.4), depreciation of property, plant and equipment totalled MSEK 205.6 (207.6) and depreciation of right-of-use assets amounted to MSEK 152.3 (145.9). Impairment of goodwill amounted to MSEK 0.0 (0.0) and of brands to MSEK 0.0 (0.0). Depreciation/amortisation and impairment are specified per function in the income statements as follows:

	Group		Parent Company	
	2022	2021	2022	2021
Brands				
Cost of goods sold	3.4	3.3	–	–
Total	3.4	3.3	–	–
Other intangible assets				
Cost of goods sold	54.2	76.9	–	–
Selling expenses	2.3	2.4	–	–
Administrative expenses	5.7	4.8	–	–
Total	62.2	84.1	–	–
Land and buildings				
Cost of goods sold	25.1	24.4	–	–
Selling expenses	19.5	19.8	–	–
Administrative expenses	7.7	7.4	–	–
Total	52.3	51.6	–	–
Plant and machinery				
Cost of goods sold	100.8	100.1	–	–
Total	100.8	100.1	–	–
Equipment, fixtures and fittings				
Cost of goods sold	26.4	29.6	–	–
Selling expenses	12.5	12.5	–	–
Administrative expenses	13.6	13.8	–	–
Total	52.5	55.9	–	–
Right-of-use assets				
Cost of goods sold	47.6	45.4	–	–
Selling expenses	67.2	66.4	–	–
Administrative expenses	37.5	34.1	–	–
Total	152.3	145.9	–	–
Total depreciation/amortisation and impairment	423.5	440.9	–	–

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

	Group		Parent Company	
	2022	2021	2022	2021
Current tax	217.6	164.2	62.0	57.0
Deferred tax on temporary differences as per Note 10	9.6	–8.6	–0.3	5.9
Deferred tax income recognised directly in equity	–12.6	–2.9	–	–
Total	214.6	152.7	61.7	62.9
Difference between the Group's tax expense and the tax expense based on current rates				
Reported profit before tax	791.0	622.3	1,202.4	392.0
Tax according to current tax rates, 20.6% (20.6)	162.9	128.2	247.7	80.8
Tax effect of non-deductible expenses	11.2	33.1	0.7	1.5
Tax effect of non-taxable income	–12.9	–7.0	–188.5	–12.5
Tax due to changes in taxation	13.4	–	1.8	–
Utilized loss deductions from previous years' losses	–5.7	–9.2	–	–6.9
Effect of foreign tax rates	45.7	7.6	–	–
Income tax/tax on profit for the year recognised in profit or loss	214.6	152.7	61.7	62.9

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Note 10 | Deferred tax

	Group		Parent Company	
	2022	2021	2022	2021
Deferred tax expense/income for the year				
Deferred tax income referring to temporary differences	-43.1	-28.5	-0.3	5.9
Deferred tax expense referring to temporary differences	52.7	19.9	-	-
Total	9.6	-8.6	-0.3	5.9

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	
	2022	2021	2022	2021
Deferred tax liabilities				
Intangible assets	448.9	410.0	-	-
Buildings	80.4	77.4	-	-
Machinery and equipment	5.8	4.6	-	-
Current receivables	0.3	0.1	-	-
Untaxed reserves	7.4	7.1	-	-
Non-current liabilities	4.2	4.4	-	-
Current liabilities	1.2	-	-	-
Total deferred tax liabilities	548.2	503.6	-	-
Deferred tax assets				
Intangible assets	-	2.8	-	-
Buildings	65.2	63.9	-	-
Machinery and equipment	3.1	4.4	-	-
Right-of-use assets	9.4	8.4	-	-
Other financial assets	-	2.9	-	-
Inventories	36.6	30.7	-	-
Current receivables	10.0	15.6	-	-
Pension provisions	28.1	28.0	2.0	1.7
Non-current liabilities	5.7	2.2	-	-
Current liabilities	21.2	31.1	-	-
Tax losses	22.5	8.0	-	-
Total deferred tax assets	201.8	198.0	2.0	1.7

	Group		Parent Company	
	2022	2021	2022	2021
Change in deferred tax assets				
Opening balance	198.0	196.2	1.7	7.6
Right-of-use assets	1.6	4.6	-	-
Change in temporary differences recognised in profit or loss	-5.2	-4.6	0.3	-5.9
Change in temporary differences recognised in equity	2.5	-2.4	-	-
Translation differences	4.9	4.2	-	-
Closing balance	201.8	198.0	2.0	1.7
Change in deferred tax liabilities				
Opening balance	503.6	547.5	-	-
Acquisitions of subsidiaries	-	1.5	-	-
Change in temporary differences recognised in profit or loss	6.0	-8.6	-	-
Reclassification to current tax liabilities	-	-33.6	-	-
Translation differences	38.6	-3.2	-	-
Closing balance	548.2	503.6	-	-

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Note 11 | Intangible assets

	Group		Parent Company	
	2022	2021	2022	2021
Goodwill				
Opening cost	3,042.6	2,982.1	–	–
Acquisitions of subsidiaries	–	6.1	–	–
Translation differences	136.5	54.4	–	–
Closing accumulated cost	3,179.1	3,042.6	–	–
Opening impairment	–138.6	–138.9	–	–
Translation differences	–12.2	0.3	–	–
Closing accumulated impairment	–150.8	–138.6	–	–
Carrying amount	3,028.3	2,904.0	–	–
Brands				
Opening cost	2,614.5	2,562.2	–	–
Translation differences	223.5	52.3	–	–
Closing accumulated cost	2,838.0	2,614.5	–	–
Opening amortisation	–64.0	–56.2	–	–
Amortisation and impairment for the year	–3.4	–3.3	–	–
Translation differences	–3.1	–4.5	–	–
Closing accumulated amortisation	–70.5	–64.0	–	–
Carrying amount	2,767.5	2,550.5	–	–

	Group		Parent Company	
	2022	2021	2022	2021
Other intangible assets				
Opening cost	894.7	854.7	–	–
Acquisitions of subsidiaries	–	27.5	–	–
Purchases	35.2	32.6	–	–
Sales and disposals	–7.7	–34.0	–	–
Translation differences	61.2	13.9	–	–
Closing accumulated cost	983.4	894.7	–	–
Opening amortisation	–609.1	–546.1	–	–
Acquisitions of subsidiaries	–	–6.5	–	–
Amortisation for the year	–62.2	–84.1	–	–
Sales and disposals	7.7	34.7	–	–
Translation differences	–40.8	–7.1	–	–
Closing accumulated amortisation	–704.4	–609.1	–	–
Carrying amount	279.0	285.6	–	–

The item Brands includes brands with carrying amounts of MSEK 2,758.2 (2,538.4) 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 42.9 (35.9) and an IT system with a carrying amount of MSEK 64.6 (56.5) and Technology valued at MSEK 171.5 (191.0) of which the greater part is attributed to company acquisitions.

Impairment testing of goodwill and brands is recognised in profit or loss under the item, Other operating costs.

Impairment testing of goodwill and brands with indefinite useful lives

As of 31 December 2022, Goodwill and brands are distributed among the Group's cash-generating units (CGUs) and identified per segment as follows.

	Brands		Goodwill	
	2022	2021	2022	2021
Collection	2,463.1	2,264.3	7.2	6.6
Premium	68.0	62.5	2,034.1	1,966.6
Professional	5.3	6.8	422.2	407.7
Infrastructure	221.8	204.8	564.8	523.1
Total	2,758.2	2,538.4	3,028.3	2,904.0

At least 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 eight-year period (five-year period), as approved by management. The projection period has been changed as part of adapting the strategic plan to the effects of Covid-19. To extrapolate cash flows beyond this period, a growth rate of 2.0 per cent (3.0) 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 after tax which has been applied for all CGUs is 10 per cent (10). The risk-free interest rate has been historically low but is now on the rise. After taking into account risk-free interest and risk premiums on the stock market as well as Beta, the discount rate has not been adjusted compared to the previous year.

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 as follows:

Collection	2.0% (3.0)
Premium	2.0% (3.0)
Professional	2.0% (3.0)
Infrastructure	2.0% (3.0)

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. Consideration has also been given to increased costs for input materials and components as well as a general increase in inflation regarding other costs. The forecast is in line with previous experience and external sources of information.

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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.

Exchange rates

EUR 10.57 (10:14)

GBP 12.44 (11:76)

Sensitivity analysis

- the discount rate before taxes was 1 per cent higher.
- the estimated growth rate used to extrapolate cash flows for the entire projection period was 1 per cent lower.

If the discount rate before tax used to calculate value in use for the CGU had been 1 per cent higher than the management's assessment (11 per cent instead of 10 per cent), this would not have indicated any impairment in any CGU. If the projected growth rate were to decrease by 1 per cent for the entire projection period, no impairment would be required in any of the CGUs.

Note 12 | Property, plant and equipment

	Group		Parent Company	
	2022	2021	2022	2021
Land and buildings				
Opening cost	1,790.6	1,747.8	–	–
Purchases	25.6	8.4	–	–
Sales and disposals	–2.6	–0.2	–	–
Translation differences	144.1	34.6	–	–
Closing accumulated cost	1,957.7	1,790.6	–	–
Opening depreciation	–749.4	–683.5	–	–
Depreciation for the year	–52.3	–51.6	–	–
Sales and disposals	1.5	0.1	–	–
Translation differences	–59.7	–14.4	–	–
Closing accumulated depreciation	–859.9	–749.4	–	–
Carrying amount	1,097.8	1,041.2	–	–
Plant and machinery				
Opening cost	2,561.4	2,441.1	–	–
Purchases	70.3	69.4	–	–
Sales and disposals	–224.0	–12.6	–	–
Translation differences	158.1	63.5	–	–
Closing accumulated cost	2,565.8	2,561.4	–	–
Opening depreciation	–2,161.9	–2,024.0	–	–
Depreciation for the year	–100.8	–100.1	–	–
Sales and disposals	221.5	12.4	–	–
Translation differences	–131.9	–50.2	–	–
Closing accumulated depreciation	–2,173.1	–2,161.9	–	–
Carrying amount	392.7	399.5	–	–

	Group		Parent Company	
	2022	2021	2022	2021
Equipment, fixtures and fittings				
Opening cost	964.6	932.0	–	–
Acquisitions of subsidiaries	–	0.3	–	–
Purchases	48.5	39.1	–	–
Sales and disposals	–14.0	–33.1	–	–
Translation differences	67.3	26.3	–	–
Closing accumulated cost	1,066.4	964.6	–	–
Opening depreciation	–794.0	–746.1	–	–
Acquisitions of subsidiaries	–	–0.2	–	–
Depreciation for the year	–52.5	–55.9	–	–
Sales and disposals	11.3	29.1	–	–
Translation differences	–55.8	–20.9	–	–
Closing accumulated depreciation	–891.0	–794.0	–	–
Carrying amount	175.4	170.6	–	–
Construction in progress				
Opening cost	32.9	25.9	–	–
Land improvements during the year	34.6	19.8	–	–
Reclassifications	–30.2	–13.6	–	–
Translation differences	2.0	0.8	–	–
Carrying amount	39.3	32.9	–	–

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Not 13 | Financial assets

	Parent Company	
	2022	2021
Shares and participations in subsidiaries		
Opening cost	3,209.5	2,963.6
Acquisitions during the year, see Note 31	615.3	249.4
Divestments during the year	–	–3.5
Carrying amount	3,824.8	3,209.5
	Parent Company	
	2022	2021
Receivables from subsidiaries		
Opening receivables	4,086.3	4,111.5
New receivables	32.4	1,511.4
Amortised receivables	–192.1	–1,523.0
Translation differences	262.1	–13.6
Closing receivables	4,188.7	4,086.3

	Group		Parent Company	
	2022	2021	2022	2021
Other shares and participations				
Opening cost	2.7	9.8	–	–
Divestments during the year	–	–7.1	–	–
Translation differences	0.2	0.4	–	–
Carrying amount	2.9	2.7	–	–

	Group		Parent Company	
	2022	2021	2022	2021
Other non-current receivables				
Opening receivables	15.5	13.4	6.6	4.3
New receivables	5.4	1.7	1.1	2.3
Translation differences	0.9	0.4	–	–
Closing receivables	21.8	15.5	7.7	6.6

Note 14 | Shares and participations in subsidiaries

Details of wholly owned subsidiaries, their corporate identity numbers and registered offices. Refer also to Note 31:

Subsidiaries:	Corporate Identity Number	Registered offices	No. of shares	Carrying amount	
				2022	2021
Fagerhults Belysning AB	556321-8659	Habo	2,500	337.2	337.2
Ateljé Lyktan AB	556063-9634	Åhus	2,000	4.4	4.4
I-Valo OY, Finland	1571418-8	Iittala	2,020	62.6	85.0
Seneco A/S	35 68 05 86	Hasselager	1,651,385	16.2	16.2
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	256.0	256.0
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6	120.6
Veko Lightsystems International B.V., the Netherlands	37041869	Shagen	40,000	637.7	–
Eagle Lighting Australia Pty Ltd, Australia	ACN 124 400 933	Melbourne	500,001	32.5	32.5
Fagerhult GmbH, Germany	13135 B	Hamburg	1	10.3	10.3
WE-EF Leuchten GmbH, Germany	HRB 208064	Bispingen	1	0.2	0.2
iGuzzini illuminazione S.p.A, Italy	IT 00082630435	Macerata	21,050,000	2,347.1	2,347.1
Carrying amount				3,824.8	3,209.5

Sub-subsidiaries:	Corporate Identity Number	Registered offices	No. of shares	Share of equity, %	
				2022	2021
Fagerhults Belysning Sverige AB	556122-2000	Habo	1,000	100%	100%
Fagerhult Belysning AS, Norway	937418906	Oslo	100	100%	100%
Fagerhult AS, Denmark	63.128	Ishøj	65	100%	100%
Fagerhult OY, Finland	0980280-0	Helsinki	6,000	100%	100%
I-Valo OY, Finland	1571418-8	Iittala	2,020	100%	100%
Fagerhult Oü, Estonia	10703636	Tallinn	5,400	100%	100%
Fagerhult BV, the Netherlands	96121	IJsselstein	2,250	100%	100%
Fagerhult NV, Belgium	BE 0492.822.044	Baaigem	9,400	100%	100%
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	100%	100%
LED Linear GmbH, Germany	HRB 33525	Duisburg	1	100%	100%
LED Linear USA Inc, USA	SRV 131038296	Niagara Falls	3,000	100%	100%
LED Linear UK Ltd, UK	8280741	London	150	100%	100%
Arlight Aydınlatma A.S., Turkey	790 361 767	Kazan/Ankara	50,000	100%	100%
Fagerhult Lighting Ltd, UK	3488638	London	40,000	100%	100%
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	100%	100%
Fagerhult Sp.z.o.o, Poland	260213	Warsaw	1,000	100%	100%
Fagerhult France, France	391138385	Lyon	4,200	100%	100%
Fagerhult S.L., Spain	B84215722	Madrid	3,010	100%	100%
Fagerhult Lighting System (Suzhou) Co. Ltd, China	3200044439	Suzhou	1	100%	100%
Fagerhult Trading (Hong Kong) Co., Ltd	39362546-000-05-08-5	Hong Kong	1	100%	100%
OR Technologies Pty Ltd, Australia	ACN 618 122 277	Melbourne	100	100%	100%

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Sub-subsidiaries:	Corporate Identity Number	Registered offices	No. of shares	Share of equity, %	
				2022	2021
Fagerhult (NZ) Ltd, New Zealand	3233074	Christchurch	1	100%	100%
Fagerhult SPb, Russia	1097847074544	Saint Petersburg	1	100%	100%
WE-EF Lighting Co. Ltd, Thailand	105524015230	Bangplee	16,800	100%	100%
WE-EF Helvetica SA, Switzerland	CHE-115970534/CH-6	Geneva	1,000	100%	100%
WE-EF Lighting Ltd, UK	5925012148	Nottingham	30,000	-	100%
WE-EF Lighting Pty. Ltd, Australia	64570065	Braeside	50,000	100%	100%
WE-EF Lighting USA LLC, USA	2922528	Warrendale	1	100%	100%
WE-EF Lumiere S.A.S., France	398371088	Satolas-et-Bonice	5,000	100%	100%
Flux Eclairage S.A.S, France	504356346	Satolas-et-Bonice	4,000	100%	100%
Veko Lightsystems International B.V., the Netherlands	37041869	Shagen	40,000	-	100%
Veko Lightsystems GmbH, Germany	HRB 25170	Duisburg	1	100%	100%
Orlandi S.R.L., Italy	IT 08091600158	Macerata	1	-	100%
iGuzzini illuminazione France SA, France	FR 61300816287	Paris	31,000	100%	100%
iGuzzini illuminazione Iberica SA, Spain	A58675208	Barcelona	100,000	100%	100%
iGuzzini illuminazione Deutschland GmbH, Germany	DE 129381264	Munich	1	100%	100%
iGuzzini illuminazione Österreich GmbH, Austria	ATU72916623	Vienna	1	100%	100%
iGuzzini illuminazione UK Ltd, UK	2391370	London	121,578	100%	100%
iGuzzini illuminazione Norge AS, Norway	NO 979 575 785	Oslo	500	100%	100%
iGuzzini illuminazione Schweiz AG, Switzerland	105493484	Zurich	3,000	100%	100%
iGuzzini illuminazione Ooo, Russia	7719275374	Moscow	1	99%	99%
iGuzzini Finland & Baltic Ltd., Finland	F106691842	Helsinki	105	100%	100%
iGuzzini Lighting (China) Co., Ltd., China	310000400453617	Shanghai	1	100%	100%
Shanghai iGuzzini Trading Co., Ltd., China	9131010669878976XQ	Shanghai	1	100%	100%
iGuzzini Hong Kong Ltd, Hong Kong	788598	Hong Kong	2,000,000	100%	100%
iGuzzini S.E.A. Pte LTD, Singapore	200604874N	Singapore	400,000	100%	100%
iGuzzini Middle East FZE, United Arab Emirates	1034	Dubai	1	100%	100%
iGuzzini Lighting WLL, Qatar	64564	Doha	200	95%	95%
iGuzzini Lighting USA, Ltd, USA	27-1923628	Delaware	100	100%	100%
iGuzzini Canada (9372-1801 Québec Inc), Canada	1173367138	Québec	32,001,000	100%	100%
Sistemalux Inc., Canada	1012637761IC0001	Québec	12,248,100	100%	100%

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Note 15 | Prepaid expenses and accrued income

	Group		Parent Company	
	2022	2021	2022	2021
Prepaid rent	4.5	4.1	–	–
Insurance	7.8	11.3	–	–
Licences	14.8	10.1	–	–
Consultancy fees	2.5	2.6	0.2	–
Supplier bonus	12.2	8.8	–	–
Advertising and marketing	3.5	2.9	–	–
Taxes and social security contributions	8.6	6.3	–	–
Non-invoiced income	3.3	7.8	–	–
Maintenance of property, plant and equipment	6.6	4.3	–	–
Financial expenses	12.3	2.9	12.3	2.5
Other items	18.4	9.3	0.7	0.9
Total	94.5	70.3	13.2	3.4

Note 16 | Inventories

	Group		Parent Company	
	2022	2021	2022	2021
Raw materials and consumables	820.1	641.4	–	–
Work in progress	187.5	142.4	–	–
Finished products and goods for resale	464.9	384.9	–	–
Goods in transit	20.0	25.4	–	–
Total	1,492.5	1,194.1	–	–

Expenses arising for inventories that have been expensed are included in the item Cost of goods sold and amounted to MSEK 2,934.5 (2,460.9). Impairment amounted to MSEK 38.9 (66.0) and the amount recovered from previous years amounted to MSEK 61.3 (59.6). The previous year's impairment 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 301.1 (270.5) for the Group and MSEK 200.0 (200.0) for the Parent Company.

The Group's interest-bearing borrowings

	Group		Parent Company	
	2022	2021	2022	2021
Maturities for long-term loans:				
Within one year	153.0	430.8	20.0	313.8
Between one and five years	3,155.8	2,988.4	3,064.3	2,828.6
After five years	40.7	–	–	–
Total	3,349.5	3,419.2	3,084.3	3,142.4

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

	2022		2021	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Average contracted interest rate on borrowings:				
Long-term borrowings, EUR	2.8	3,196.5	1.0	2,988.2
Long-term borrowings, CAD	3.7	–	3.7	0.2
Total		3,196.5		2,988.4
Short-term borrowings, EUR	2.8	152.0	1.0	429.8
Short-term borrowings, THB	5.3	0.1	5.3	0.1
Short-term borrowings, CAD	3.7	0.2	3.7	0.6
Short-term borrowings, USD	9.7	0.7	2.0	0.3
Total		153.0		430.8

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

Note 18 | Accrued expenses and deferred income

	Group		Parent Company	
	2022	2021	2022	2021
Accrued salaries and remuneration	308.1	261.1	14.6	16.5
Customer bonuses	66.5	74.5	–	–
Accrued social security contributions	48.2	69.9	5.8	6.1
Claims	59.0	44.5	–	–
Financial items	3.3	4.2	1.4	1.0
Consultancy fees and temporary employees	7.5	9.1	–	–
Rent	8.7	9.0	–	–
Royalties	8.2	6.3	–	–
Audit fees	10.9	7.5	0.5	0.1
Shipping	11.4	6.6	–	–
Repair and maintenance	5.6	13.5	–	–
Accrued costs for material	5.9	20.7	–	–
Accrued utility costs	8.0	2.7	–	–
Other items	49.9	48.3	0.5	0.6
Total	601.2	577.9	22.8	25.1

Note 19 | Pledged assets

	Group		Parent Company	
	2022	2021	2022	2021
For own liabilities				
Real estate mortgages	18.1	16.1	–	–
Total pledged assets	18.1	16.1	–	–

Note 20 | Contingent liabilities

	Group		Parent Company	
	2022	2021	2022	2021
Guarantee FPG	0.9	1.2	–	–
Guarantees, pension commitments	7.8	6.6	7.7	6.6
Guarantees for subsidiaries	–	–	45.8	43.0
Other guarantees	14.4	9.7	–	–
Total contingent liabilities	23.1	17.5	53.5	49.6

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Note 21 | Provisions for pensions and similar commitments

	Group		Parent Company	
	2022	2021	2022	2021
Provisions for pensions PRI (interest-bearing)	48.4	63.3	–	–
Provisions for other pensions	124.7	110.1	9.6	8.3
Total	173.1	173.4	9.6	8.3

Defined-benefit plans

Within the Group there are defined-benefit plans in Sweden, Turkey, Germany, France, Italy and Switzerland, 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 2022 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 12.3 (2021: MSEK 13.5). The Group's share of the total contributions to the plan is negligible. The collective funding ratio is the market value of Alecta's 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 of consolidation, one measure could be to implement premium reductions. At the end of Q3 2022, Alecta's surplus in the form of the collective consolidation level was 189 per cent (2021: 172 per cent).

	Group	
	2022	2021
Defined-benefit plans		
<i>The amounts recognised in the consolidated income statement are:</i>		
Current service cost	15.3	20.5
Interest expenses	1.9	1.8
Total	17.2	22.3
<i>Specification of changes in net debt recognised in the consolidated balance sheet:</i>		
Net debt at beginning of year recognised in the approved balance sheet	173.4	185.5
Net cost recognised in profit or loss	17.2	22.3
Benefit payments	–9.6	–15.9
Settlement of pension plan	–3.4	–9.9
Actuarial gains (-)/losses (+)	–10.5	–10.2
Translation differences	6.0	1.6
Net debt at year end	173.1	173.4
<i>The amounts recognised in the balance sheet are determined as follows:</i>		
Present value of commitments	173.1	173.4
Net debt at year end	173.1	173.4
Total pension costs		
<i>Total pension costs recognised in the consolidated income statement:</i>		
Total costs for defined-benefit plans	17.2	22.3
Total costs for defined-contribution plans	118.9	104.1
Total pension costs	136.1	126.4
<i>Pension costs are allocated in the consolidated income statement among the following items:</i>		
Cost of goods sold	55.0	54.5
Selling expenses	44.9	45.1
Administrative expenses	34.3	25.0
Financial expenses	1.9	1.8
Total	136.1	126.4

	Group	
	2022	2021
Actuarial assumptions		
<i>Significant actuarial assumptions as of the closing date pertaining to pension liabilities in Sweden (expressed as weighted averages)</i>		
Net liability in Sweden	48.4	63.3
Discount rate	4.00%	1.50%
Future annual pension growth rate	2.10%	2.00%

Assumptions regarding future life expectancy are based on DUS 21 (DUS 14).

Sensitivity analysis

If the discount rate decreases 0.5 per cent, the present value of obligations will rise 4.8 per cent (6.1). If the interest rate increases 0.5 per cent, the present value of obligations will decline 4.5 per cent (5.6). If inflation decreases 0.5 per cent, the present value of obligations will decline 4.7 per cent (6.0). If inflation increases 0.5 per cent, the present value of obligations will rise 4.9 per cent (6.5). A change of one year in useful life affects the present value of obligations by 3.8 per cent (4.4).

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Note 22 | Other non-current liabilities

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

	Group		Parent Company	
	2022	2021	2022	2021
Change in liabilities for estimated earnout payments.				
Opening liabilities	–	106.1	–	–
<i>Liabilities paid:</i>				
Veko Lightsystems International B.V.	–	–108.6	–	–
Translation differences	–	2.5	–	–
Closing liabilities	–	0.0	–	–

The conditional earnout payment recognised regarding the acquisition of Veko Lightsystems International B.V., the Netherlands, was based on certain predetermined profit levels being met during 2018 to 2020. If contractual goals had been met, an earnout payment would be disbursed in cash during the 2021 financial year. In 2021, final settlement was completed as was payment of the contracted earnout of MSEK 108.6. The difference between the previously made provision of MSEK 106.1 and the final payment of MSEK 108.6 amounted to MSEK 2.5, which was charged to earnings for 2021.

Note 23 | Reconciliation of net debt

Net debt and changes in net debt are analysed below.

	Group		Parent Company	
	2022	2021	2022	2021
Cash and cash equivalents	1,291.7	1,741.5	777.8	1,050.9
Borrowings – due in <12 months (incl. overdraft facility)	–153.0	–430.8	–20.0	–313.8
Borrowings – due in >12 months	–3,196.5	–2,988.4	–3,064.3	–2,828.6
Lease liabilities – due within one year	–145.2	–139.0	–	–
Lease liabilities – due in >12 months	–594.4	–612.7	–	–
Net debt	–2,797.4	–2,429.4	–2,306.5	–2,091.5
Cash and cash equivalents	1,291.7	1,741.5	777.8	1,050.9
Borrowings – floating interest	–3,349.5	–3,419.2	–3,084.3	–3,142.4
Lease liabilities	–739.6	–751.7	–	–
Net debt	–2,797.4	–2,429.4	–2,306.5	–2,091.5

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Group	Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Lease liabilities	Total
Net debt on 1 January 2021	1,624.0	-47.6	-3,417.8	-784.6	-2,626.0
Acquisitions of subsidiaries				-0.6	-0.6
New lease agreements				-79.2	-79.2
Cash flow from borrowings		-381.9	487.5		105.6
Cash flow from lease liabilities				147.2	147.2
Cash flow from other activities	65.6				65.6
Translation differences	51.9	-1.3	-58.1	-34.5	-42.0
Net debt on 31 December 2021	1,741.5	-430.8	-2,988.4	-751.7	-2,429.4
Acquisitions of subsidiaries					-
New lease agreements				-115.8	-115.8
Cash flow from borrowings		362.0			362.0
Cash flow from lease liabilities				152.3	152.3
Cash flow from other activities	-533.1				-533.1
Translation differences	83.3	-84.2	-208.1	-24.4	-233.4
Net debt on 31 December 2022	1,291.7	-153.0	-3,196.5	-739.6	-2,797.4
Parent Company		Cash and cash equivalents/ overdraft facility	Borrowings due <12 months	Borrowings due >12 months	Total
Net debt on 1 January 2021		952.2		-3,210.3	-2,258.1
Cash flow from borrowings			-313.8	448.4	134.6
Cash flow from other activities		98.7			98.7
Exchange-rate differences				-66.7	-66.7
Net debt on 31 December 2021		1,050.9	-313.8	-2,828.6	-2,091.5
Cash flow from borrowings			311.5		311.5
Cash flow from other activities		-273.1			-273.1
Exchange-rate differences			-17.7	-235.7	-253.4
Net debt on 31 December 2022		777.8	-20.0	-3,064.3	-2,306.5

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

Of the Parent Company's total income from operations of MSEK 38.8 (28.7), MSEK 38.8 (28.3) pertained 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

	2022		2021	
	Number of employees	Men %	Number of employees	Men %
Parent Company	15	68%	14	73
Subsidiaries				
Italy	673	68%	749	67
Sweden	671	65%	739	65
Germany	577	74%	560	64
UK	571	73%	586	72
China	221	35%	233	35
The Netherlands	180	73%	195	69
Australia	177	67%	198	68
Canada	159	62%	159	63
France	146	61%	144	66
Thailand	144	65%	140	61
Turkey	134	80%	123	81
Spain	64	66%	51	61
Finland	56	66%	69	65
USA	52	62%	50	70
Norway	49	67%	49	65
United Arab Emirates	42	72%	25	68
Switzerland	31	78%	31	85
Denmark	23	65%	39	72
Poland	18	61%	18	67
Russia	11	73%	18	38
Hong Kong	10	33%	14	64
Belgium	8	74%	9	67
Estonia	7	57%	6	67
Ireland	6	100%	5	100
New Zealand	6	67%	7	86
Singapore	4	25%	4	25
Qatar	3	66%	2	54
Austria	2	100%	2	100
Total in subsidiaries	4,044	67%	4,223	65
Group total	4,059	67%	4,237	65

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Board members and senior management

	2022		2021	
	Number	Men %	Number	Men %
Group				
Board members	6	50	6	50
CEO and other senior management	44	82	46	87
Parent Company				
Board members	6	50	6	50
CEO and other senior management	9	67	8	63

Note 26 | Leases

Operational leases

	Parent Company	
	2022	2021
Leasing fees for the year	0.1	–
The nominal value of future minimum leasing fees for non-cancellable leases		
Within one year	0.1	–
Between one and five years	0.1	–
Total	0.2	–

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:	Group	
	2022	2021
Right-of-use assets		
– Factories	421.7	437.5
– Offices	223.3	237.4
– Vehicles	71.0	57.8
Deferred tax assets	9.4	8.4
Prepaid expenses	–16.0	–15.3
Total assets	709.4	725.8
Lease liabilities:		
Non-current	594.4	612.7
Current	145.2	139.0
Total liabilities	739.6	751.7

Right-of-use assets added in the 2022 financial year amounted to MSEK 116 (114), of which MSEK 0.0 (0.6) pertained to subsidiaries.

Amounts recognised in profit or loss

The statement of profit or loss shows the following amounts relating to leases	Group	
	2022	2021
Depreciation of right-of-use assets		
– Factories	–45.4	–43.8
– Offices	–70.0	–67.1
– Vehicles	–36.9	–35.0
Expenses relating to short-term leases or leases of low-value assets.		
	–7.5	–7.4
Exchange-rate difference	–8.2	–15.6
Interest expenses on lease liabilities (see Note 4 Financial expenses).	–11.7	–10.9
Deferred tax (see Note 10 Deferred tax).	1.6	4.6
Net effect on profit or loss	–178.1	–175.2

No material variable lease payments were identified.

The total cash outflow for leases in 2022 was MSEK 159.8 (154.6). The maturity analysis of lease liabilities is presented in Note 37 Risks under Liquidity Risk.

Note 27 | Remuneration to auditors

KPMG	Group		Parent Company	
	2022	2021	2022	2021
Audit	14.0	–	0.8	–
Other services	0.3	–	–	–
Total	14.3	–	0.8	–

Out of the remuneration to the auditors for 2022 the following relates to the audit firm KPMG AB: Audit MSEK 2.8 (0.0), audit activities other than audit assignment MSEK 0.0 (0.0), tax consulting MSEK 0.0 (0.0) and other services MSEK 0.0 (0.0).

PricewaterhouseCoopers	Group		Parent Company	
	2022	2021	2022	2021
Audit	0.8	9.6	0.1	0.7
Audit activities other than audit assignment	–	0.2	–	0.2
Tax consulting	3.0	3.0	1.9	0.8
Other services	0.7	0.5	0.5	–
Total	4.5	13.3	2.5	1.7

Out of the remuneration to the auditors for 2022 the following relates to the audit firm Öhrlings PricewaterhouseCoopers AB: Audit MSEK 0.3 (3.8), audit activities other than audit assignment MSEK 0.0 (0.0), tax consulting MSEK 1.8 (1.5) and other services MSEK 0.6 (0.2).

Other accounting firms	Group		Parent Company	
	2022	2021	2022	2021
Audit	3.6	4.9	–	–
Tax consulting	3.4	3.2	–	–
Other services	1.2	0.9	–	–
Total	8.2	9.0	–	–

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Note 28 | Expenses by nature

	Group		Parent Company	
	2022	2021	2022	2021
Raw materials and consumables	3,059.6	2,507.8	–	–
Changes in inventories of finished products and goods for resale, and work in progress	–125.1	–46.9	–	–
Expenses for employee benefits (notes 2 and 21)	2,523.4	2,288.6	61.3	56.1
Transportation expenses	225.8	186.0	–	–
Expenditure for own properties and rented premises	206.4	183.3	1.4	0.9
Advertising and selling expenses	334.1	243.4	0.9	0.6
External services	88.0	69.8	5.7	2.6
Temporary employees	75.7	47.9	–	–
Travel expenses	59.9	26.4	2.3	0.4
Consumables	55.4	48.3	2.2	1.5
Electricity and water	85.4	53.9	–	–
Own vehicle expenses	75.2	57.6	0.8	0.3
Other overheads	49.1	40.0	5.4	6.0
Contract manufacturing	173.3	164.4	–	–
Depreciation/amortisation and impairment (notes 8, 11 and 12)	423.5	440.9	–	–
Other costs	204.2	214.6	3.9	2.7
Total	7,513.9	6,526.0	83.9	71.1

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

Note 29 | Expenses for product development

	Group		Parent Company	
	2022	2021	2022	2021
Expensed overheads for product development	343.2	310.6	–	–

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 six months was, as per the closing date, NOK 47 per cent, EUR 0 per cent, GBP 56 per cent, CNY 57 per cent and PLN 69 per cent. The nominal value of these hedging contracts was MNOK 31.5 (34.5), MEUR 2.8 (1.8), MGBP 2.2 (2.6), MCNY 45.0 (36.0) and MPLN 3.9 (3.6). 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 negative MSEK 4.9 (positive: 0.9). 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 amounted to MSEK 306.6 (289.8) and accumulated borrowings of MSEK 213.7 (196.4), which reflects a hedging quotient of 70 per cent (68). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 17.3 (1.0) before deferred tax of MSEK 3.6 (0.2). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 27.6 (10.2) before deferred tax of MSEK 5.7 (2.1).

Refer also to Note 37.

Note 31 | Changes in the Group's composition

COMPANIES DIVESTED IN 2021

Commtech Commissioning Services S.A., Spain

On 28 January 2021, Fagerhult completed the sale of 100 per cent of the shares in Commtech to Aire Limpio S.L., a Spanish company based in Madrid. It had been decided previously that Commtech's core operations with local commissioning services were not a strategic component of the Group's operations. In 2020, Commtech had net sales of MSEK 28 and 35 employees. A capital gain of MSEK 1.2 was generated on the sale of the company for MSEK 12.0. The transaction had a positive effect of MSEK 8.3 on cash flow.

ACQUIRED COMPANIES IN 2021

Seneco A/S, Denmark

As part of strengthening Fagerhult's connectivity offering for outdoor environments, the Group has acquired the remaining 80 per cent of the shares in Seneco A/S.

Seneco is a Danish lighting connectivity company founded in 2010 that offers connected lighting systems. The system consists of a full wireless product range for outdoor luminaires as well as an online portal for remote monitoring and integration with other installations. Besides creating safer outdoor environments, the system leads to significant energy savings and lower maintenance costs. Most of Seneco's installations are located in Denmark and adjacent European markets. In 2017, 20 per cent of Seneco was acquired and since then we have noted good adoption of the technology across the Group's companies. The acquisition was completed on 8 April 2021. The acquisition price was MSEK 16.3 and resulted in a cash outflow of MSEK 15.8.

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Sistemalux Inc., Canada

To strengthen and further develop its presence in the North American market, the Fagerhult Group acquired the remaining 30% shares in Sistemalux Inc.

Sistemalux is based in Montreal, Canada, and has a longstanding business relationship with iGuzzini. In addition to offering high quality lighting solutions under its own brand, Sistemalux has been responsible for the successful launch of iGuzzini in the US and Canada. In 2021, sales were MSEK 255. The acquisition price was MSEK 129.2, which had a corresponding negative impact on cash flow.

LEGAL RESTRUCTURE IN 2022 AND 2021

In 2021, work started on restructuring the ownership of the Group's subsidiaries to ensure that the ownership structure is in harmony with the operations. As a result of these efforts, in 2021, the following subsidiaries were transferred from Fagerhults Belysning AB to the Group's Parent Company AB Fagerhult: Ateljé Lyktan AB, I-Valo OY, Designplan Lighting Ltd, Eagle Lighting (Australia) Pty Ltd and Fagerhult GmbH together with subsidiaries. In 2022, Veko Lightsystems International B.V., the Netherlands, was transferred from Fagerhults Belysning AB to the Group's Parent Company AB Fagerhult. All transactions were conducted at book value. The internal transfers have not had any impact on the consolidated financial statements, neither from an accounting perspective nor a fiscal perspective. On 1 January 2022, Orlandi S.R.L., Italy, was merged with its parent company iGuzzini illuminazione S.p.A, Italy.

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 2022, received orders, undelivered amounted to MSEK 1,950.4 (1,890.2), of which the majority pertains to deliveries for 2023.

Note 33 | Other operating income

Income from activities outside the Group's primary operations is recognised as Other operating income. Income in the form of state aid for Covid-19 is included in other operating income and is recognised when there is reasonable assurance that the grants will be received and the Group will meet the conditions associated with the aid. Of Other operating income recognised, MSEK 0.0 (38.7) pertained to state aid related to Covid-19. In September 2021, it was announced that the Board of Afa Sjukförsäkringsaktiebolag had decided to distribute a payment to certain employers pertaining to the collectively agreed AGS health insurance. The payments were disbursed to those employers who had previously received repayments of AGS premiums for 2004 to 2008 and who had valid insurance agreements in December 2020. The payment received in 2021 was MSEK 11.9 and was recognised under the item Other operating income.

Note 34 | Share capital

The share capital in AB Fagerhult totals SEK 100,409,278 (100,409,278) distributed amongst 177,192,843 (177,192,843) shares, with a quotient value of SEK 0.57 (0.57) per share. The number of treasury shares was 1,046,064, with a quotient value of SEK 591,310. 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.

	2022	2021
Change in the number of shares outstanding		
Number of shares outstanding at beginning of year	176,146,779	176,146,779
Number of shares outstanding at year end	176,146,779	176,146,779

Note 35 | 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 8,847 (8,038) shareholders. The ten largest shareholders together hold 79.6 per cent (80.2) of the shares outstanding.

Ownership structure (on 31 Dec 2022)

Shareholder	No. of shares	%
Investment AB Latour	84,708,480	48.1%
Swedish National Pension Fund	14,384,861	8.2%
Nordea Funds	7,983,717	4.5%
BNP Paribas SEC Services	7,231,688	4.1%
Lannebo Funds	6,485,656	3.7%
The Svensson, family, foundation and company	4,805,388	2.7%
ING Luxembourg SA	4,015,000	2.3%
Swedbank Funds	3,965,930	2.3%
The Palmstierna family	3,890,392	2.2%
FMR, Fidelity (US)	2,818,612	1.6%
Other	35,857,055	20.4%
Number of shares outstanding at the end of the period	176,146,779	100.0%

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Note 36 | Proposed appropriation of profits

The Group's retained earnings according to the consolidated balance sheet amount to MSEK 3,583.2 (3,222.3).

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

Profit brought forward	3,666.0
Net profit for the year	1,140.7
Total	4,806.7

The total number of dividend-bearing shares on 17 March amounted to 176,146,779. The Board of Directors proposes that the profit be appropriated as follows:

to be distributed as dividends to shareholders, SEK 1.60 (1.30) per share	281.8
To be carried forward	4,524.9
Total	4,806.7

Note 37 | 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 56 (8). 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 1 (1). 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. On the closing date, net assets in foreign companies corresponded to MSEK 6,173 (5,700) 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 amounted to MSEK 306.6 (289.8) and accumulated borrowings of MSEK 213.7 (196.4), which reflects a hedging quotient of 70 per cent (68). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 17.3 (1.0) before deferred tax of MSEK 3.6 (0.2). Annual translation differences recognised in other comprehensive income concerning borrowings as hedged net assets amounted to MSEK 27.6 (10.2) before deferred tax of MSEK 5.7 (2.1).

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 62 (57) 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 71 (60).

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	Effect, 1%
AUD	46.9	17.5	29.4	0.3
CAD	7.5	0.2	7.3	0.1
CNY	2.0	46.2	-44.2	-0.4
DKK	13.8	13.0	0.8	0.0
EUR	222.2	131.1	91.1	0.9
GBP	73.4	9.5	63.9	0.6
NOK	17.4	0.2	17.2	0.2
SEK	4.7	3.3	1.4	0.0
USD	50.3	32.7	17.6	0.2
Other currencies	10.9	10.2	0.7	0.0
Total	449.1	263.9	185.2	1.9

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 173.1 (173.4), interest-bearing liabilities totalled MSEK 3,349.5 (3,419.2) and cash and cash equivalents were MSEK 1,291.7 (1,741.5). 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 2022 and 2021, 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 per cent point change would be a maximum of MSEK 33 (34), 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 2022 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 2.6 (2.6) 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 2022 or 2021. Of the trade receivables carrying amount, MSEK 450 (468) is covered by credit insurance. A total provision of MSEK 72 (97) was made for expected credit losses. The average confirmed credit losses amounted to 0.10 per cent (0.06) 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.

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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 2022						
Repayment of bank loans	153.0	2,003.3	13.2	1,126.1	13.2	40.7
Payment of lease liabilities	145.2	118.7	94.8	78.7	67.5	270.1
Interest payments ²⁾	99.8	67.7	37.2	34.1	1.6	5.6
Trade payables and other liabilities ¹⁾	752.6	–	–	–	–	–
	1,150.6	2,189.7	145.2	1,238.9	82.3	316.4
As of 31 December 2021						
Repayment of bank loans	430.8	52.9	1,840.8	11.9	1,034.6	48.2
Payment of lease liabilities	137.8	112.1	93.5	78.0	69.5	294.6
Interest payments ²⁾	32.2	28.8	21.0	11.7	10.6	4.2
Trade payables and other liabilities ¹⁾	696.5	–	–	–	–	–
	1,297.3	193.8	1,955.3	101.6	1,114.7	347.0

¹⁾ Of this amount, MSEK 747.8 (681.6) pertained to Trade payables the majority of which fall due within 30 days of the closing date.

²⁾ Interest payments are based on interest rate levels as of 31 December.

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 structure 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 on 31 December 2022 was 2.5 per cent (2.3).

OPERATIONAL RISKS

Structural changes and changes in economic conditions

Market demand for the Group's products, and thereby the Group's sales, are impacted by factors outside of the Group's control. An economic downturn in the markets where the Group operates could result in lower demand for the Group's products. The most material sensitivity to the economic cycle is assessed at present to be the parts of the Group's operations that deliver to customers in the construction and property sectors, and customers in the retail sector. In the same manner, structural changes in the markets where the Group operates could give rise to lower demand for the Group's products. For example, changed consumption patterns and an accelerated transition from physical stores to online stores could negatively impact the segment of the Group's operations that delivers to stores and warehouses. In both cases, the changes will negatively affect the Group's operations, earnings and financial position.

Moreover, there is a risk that the Group's customers in sectors that are currently less sensitive to the economy would be negatively affected by extended periods of weak economic growth, high unemployment or other negative economic trends, primarily in Europe, or general concerns in the euro-zone, with a resulting decline in the capacity to pay. Accordingly, an economic downturn could negatively impact the Group's operations, earnings and financial position.

Competition

The Group meets direct competition in all product segments and in all geographic markets. The Group's long-term growth and earnings are therefore dependent on adapting to customers' needs, changes in industry requirements and on introducing attractive new products and services, in parallel with maintaining competitive pricing. To maintain its competitiveness, the Group must predict customers' needs and ensure it develops the products and services in demand with and accepted by these customers. Should the Group fail to maintain a competitive position in terms of quality, product prices, security of supply, brand recognition and a broad product offering, and/or fail to adapt to changes in market conditions or otherwise successfully compete with its competitors, this could have a negative effect on the operations, earnings and financial position of the Fagerhult Group.

All segments and all markets entail the risk of new competitors capturing market shares with the support of a product offering with which the Group cannot compete. Such competing products and services could reduce demand for the products provided by the Group. This could negatively impact the Group's operations, earnings and financial position.

Geopolitical and macroeconomic risks

The Group has operations in about 30 countries. The operations are exposed to risks related to geopolitical concerns and instability as a result of, for example, political or diplomatic crises, war, terrorism, regional or cross-border conflicts, natural catastrophes, strikes and other geopolitical circumstances in the jurisdictions where the Group conducts its international operations. Over the last two years, the operations have faced geopolitical challenges in, for example, Turkey and Russia. As a result of the war in Ukraine and the sanctions jointly decided by the EU, a decision has been taken to wind down the Group's operations in Russia. More information in this regard is available in the company's administration report. The Group also imports products to the UK and is thereby exposed to risk related to Brexit. Factors and events similar to the above in the operating environment could negatively impact the Group's operations, earnings and financial position.

Inventory risk

Products held in inventories entail a risk of becoming obsolete as a result of outdated technology or over production, if the Group is unable to adapt production to technological developments or to customer preferences. In both cases, the changes could negatively affect the Group's operations, earnings and financial position.

Operational risk

The Group's operations depend on reliable and efficient production units to ensure that the products are delivered on time and meet quality expectations. The Group's operations could be affected by operational disruptions due to, inter alia, late or incorrect deliveries, technical faults, labour law measures, accidents or erroneous administrative routines. There is also a risk that those measures taken by the company to avoid disruptions prove inadequate should a larger disruption occur. This could negatively impact the Group's operations, earnings and financial position.

Supplier risk

To be able to manufacture, sell and deliver products, the Group depends on external suppliers' availability, production, quality assurance and deliveries. Moreover, the Group is dependent on a few main suppliers for LED components, which would take a long time to replace. Faulty, late or missed deliveries from suppliers of different kinds could entail that the Group's deliveries are in turn delayed or cancelled, or are faulty or incorrect, which could have negative consequences for the Group's customer relations and lead to lower sales. This could negatively impact the Group's operations, earnings and financial position.

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Risks pertaining to operating costs

The Group's costs for manufacturing products are impacted by costs for, inter alia, purchasing manufacturing input materials. Those individual components that most impact costs comprise electronic components and sheet metal. Large price changes for input material purchased by the Group could entail a negative impact on the Group's operations, earnings and financial position.

In terms of the cost of adding value in the form of manufactured products, wage trends for employees track the general wage trends in the labour markets of the respective countries, which in turn is largely dependent on the economy as a whole. Unexpected large wage increases and/or increased average sick leave among the Group's staff could entail a negative impact on the Group's operations, financial position and earnings. The cost of adding value to manufactured products also includes energy costs, which are dependent on developments in the environmental and energy sectors. Rising energy costs could entail a negative impact on Fagerhult's operations, earnings and financial position.

Product liability

The Group's products expose the Group to potential claims if the products do not function as expected or prove to be defect, or if use of the products causes, results in, or is claimed to have caused or resulted in personal injuries, damage to property or other negative effects. The Group's products make various safety risks relevant, including electrical risks, mechanical risks, thermal risks and exposure to electromagnetic fields. Requirements covering product liability, irrespective of whether they pertain to project delays or other injuries, could prove costly and time-consuming to defend and could potentially damage the Group's reputation and result in material negative effects for the Group's operations, earnings and financial position.

Insurance

The Group purchases and manages Group-wide insurance policies for property and liability risks, thereby creating co-ordination gains and cost advantages. The Group's insurance programme encompasses, inter alia, a global liability insurance, which covers general liability and product liability. Limits apply to the scope and amounts of the insurance cover. For example, the cover does not encompass liability for delays and faults that do not lead to product liability. There is a risk that the Group does not receive full compensation for any damage that arises or claims that can be directed at the company, which could have negative consequences for the Group's operations, earnings and financial position.

Dependence on key individuals

The Group is dependent on being able to retain and recruit employees and senior management with key competence. There is a risk that one or more members of senior management or key individuals leave the Group at short notice. Where the Group fails to retain such key personnel, and/or fails in the future to recruit key personnel, this could have negative consequences for the Group's operations, earnings and financial position.

Permits

Several of the manufacturing companies in the Group have operations that in some form require permits. The Group currently possesses all necessary permits, mainly environment-related, for conducting operations. However, there is a risk that these permits may not be renewed or may be withdrawn or limited. Moreover, there is a risk that the Group's interpretation of applicable laws and provisions concerning the Group's operations, or the relevant authorities' interpretation of these or their own established practices, are not entirely correct, or that such rules, interpretations or practices are changed. Such changes could entail more permits being required for operations, which could be both time-consuming and costly as well as negatively impact on the Group's operations, earnings and financial position.

The environment

The operations of the Group have an environmental impact. As a result of the nature of the operations, a risk exists that pollution or environmental damage is caused or has been caused in the operations run by the Group. There is also a risk that the operations previously conducted by other businesses at a plant or property, and which are now owned by the Group, may have given rise to pollution or environmental damage. Under current Swedish environmental legislation, the entity conducting operations that have contributed to environmental damage bears responsibility for rectifying the damage. If the business is unable to or lacks sufficient funds to rectify the damage, the acquirer of the property, who at the time of the acquisition was aware of or should have discovered the pollution, is responsible. This means that, under certain conditions, claims could be directed at the Group for investigation, treatment or other remedial measures in the event of the presence or suspicion of pollution contaminating soil, bodies of water or groundwater. Such claims could negatively impact on the Group's operations, earnings and financial position.

A risk exists that future changes in environmental regulations could entail increased expenses and costs to enable continued production. Developments in Sweden and internationally are heading towards stricter environmental rules, whereby new permits are normally subject to lower limits for maximum environmental impact. Regulatory changes could require significant new investments to enable continued production. If the Group is unable to meet these changes in a cost-efficient manner or to successfully maintain the necessary permits, this could negatively impact on the Group's operations, earnings and financial position.

Corruption

Fagerhult has operations in some 30 countries on four continents. The Group has a decentralised business model that, inter alia, entails that each subsidiary is responsible for compliance with the Group's Code of Conduct. The large geographic spread and decentralised control leaves the Group exposed to the risk of corruption. If any member of management at any subsidiary should set aside the Code of Conduct's rules concerning zero tolerance for corruption, this could damage the Group's reputation, lead to lost business and leave the company liable to pay fines. This could result in significant negative impacts on the Group's operations, earnings and financial position.

IT risk

The Group needs to use IT systems to manage, inter alia, deliveries of products and input materials as well as to receive and manage customer orders. A major part of the Group's operations is aimed at customers who set stringent requirements for reliable and exact deliveries, which in turn sets high requirements for functioning and secure IT systems that are well-integrated with the company's various business segments. Maintaining, developing and investing in such systems requires significant capital investment and other resources. There is a risk that future investments required in IT systems will be greater than the company's expectations. Moreover, there is a risk that the company's IT systems are disrupted by software and hardware issues, computer viruses, hacker attacks and physical damage. Such problems and disruptions could, depending on the extent, negatively impact on the Group's operations, earnings and financial position. 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. User access to the system is regulated via Group authorisations and entitlements based on actual assignments and roles within the company.

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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 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 suppliers to fulfil the ethical standards we set for suppliers and sub-suppliers and demands human rights be respected. During the year, a supplier code of conduct has been implemented at Fagerhults Belysning, and Fagerhult applies the prudence concept for all relationships.

Note 38 | Events after the closing date

Between the closing date and the date on which this annual report was signed, no 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.

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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 25 April 2023.

Habo, 16 March 2023

Jan Svensson
Chairman

Eric Douglas
Vice Chairman

Cecilia Fasth
Board member

Magnus Meyer
Board member

Annica Bresky
Board member

Teresa Enander
Board member

Bodil Sonesson
President and CEO

Magnus Nell
Employee Representative

Lars-Åke Johansson
Employee Representative

Our audit report was submitted on 17 March 2023.

KPMG AB

Mathias Arvidsson
Authorised Public Accountant
Auditor-in-Charge

Jenny Jansson
Authorised Public Accountant

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Audit report

To the general meeting of the shareholders of AB Fagerhult, corp. id 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 2022. The annual accounts and consolidated accounts of the company are included on pages 100–155 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 the parent company as of 31 December 2022 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 2022 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 statement has been prepared. The statutory administration report and the corporate governance

statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (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 the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our

knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other Matter

The audit of the annual accounts for year 2021 was performed by another auditor who submitted an auditor's report dated 16 March 2022, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of 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.

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Valuation of goodwill and brands

See disclosure 11 and accounting principles on pages 140–141 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>The book value of goodwill and brands amount to SEK 5,796 million as of 31 December 2022, representing 43% of total assets. Goodwill and brands with an indefinite useful life should be subject to an annual impairment test. Other intangible assets are tested when impairment indicators are identified.</p> <p>Impairment tests are complex and include significant levels of judgments. The calculation of the assets' recoverable amount is based on forecasts and discounted future cash flow projections, which are established with reference to factors such as estimated discount rates, churn-rates, revenue- and profit forecasts and predicted long-term growth that may be influenced by management's assessments.</p>	<p>We have obtained and assessed the group's impairment tests to ensure they have been carried out in accordance with the technique stipulated in IFRS.</p> <p>Furthermore, we have evaluated management's future cash flow forecasts and the underlying assumptions, which includes the long-term growth rate and the assumed discount rate, by obtaining and evaluating the group's written documentation and plans. We have also considered previous years' forecasts in relation to the actual outcome.</p> <p>An important part of our work has also been to evaluate how changes to the assumptions may impact the valuation. The evaluation has been carried out by obtaining and assessing the group's sensitivity analysis.</p> <p>We have also analysed the disclosures in the Annual Report and considered whether they accurately reflect the assumptions that group management apply in their valuation and whether they, in all material respects, are in line with the disclosures required by IFRS.</p>

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 1–99 and 161–164. The other information comprises also of the remuneration report which we expect to gain access to after the date of this auditor's report. 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 that they give 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 is 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 using 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 has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

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 2022 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 take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets 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
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations 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 appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

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The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for AB Fagerhult for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of AB Fagerhult 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing

Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of AB Fagerhult by the general meeting of the shareholders on the 26 April 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2022.

Stockholm 17 March 2023

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Jenny Jansson
Authorized Public Accountant

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2023 Annual General Meeting

The Annual General Meeting of AB Fagerhult will be held on 25 April 2023 at Åvägen 1 in Habo.

Registration

Shareholders wishing to take part in the Annual General Meeting of shareholders must be registered in the Company's shareholders' register kept by Euroclear Sweden AB on 17 April 2023 and notify their intention to take part in the meeting to Fagerhult Group no later than 19 April 2023. Registrations can be made via Fagerhult Group's website, www.fagerhultgroup.com or by telephone on +46 08 402 90 19 or by post to AB Fagerhult, AGM, c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden. When registering, shareholders must state their name, personal identity number/ Corporate Identity Number, address, telephone number and registered shareholdings together with information about any proxies and assistants. Shareholders taking part in the Annual General Meeting under a proxy must submit the proxy to Fagerhult Group before the meeting.

Dividend

The Board of Directors proposes to the AGM a dividend of SEK 1.60 per share. The proposed record day is 27 April 2023. In the event that AGM adopts this proposal, the dividend will be distributed through the offices of Euroclear Sweden AB starting on 3 May 2023.

Nomination Committee

The Nomination Committee for the 2023 AGM comprises the following members:

- Jan Svensson, Chairman of AB Fagerhult (co-opted and ineligible to vote)
- Johan Hjertonsson representing Investment AB Latour
- Jan Särilvik representing the Fourth Swedish National Pension Fund
- Björn Henriksson representing Nordea Funds
- Charlotta Faxén representing Lannebo Fonder

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

Attn: Michael Wood
 Tegelviksgatan 32
 SE-116 41 Stockholm, Sweden

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- 25 April 2023 – Interim Report for Q1, 2023
- 25 April 2023 – 2023 AGM
- 20 July 2023 – Interim Report for Q2, 2023
- 27 October 2023 – Interim Report for Q3, 2023

Distribution policy

The Annual Report is available only in electronic and downloadable format at fagerhultgroup.com. Annual reports from previous years are also available at www.fagerhultgroup.com.

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News, reports and share price performance

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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

For more information about the Key ratios and the definitions applied, please refer to AB Fagerhult's website www.fagerhult-group.com 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.

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