FAGERHULT

ANNUAL REPORT 2013

The Annual Report comprises pages 51–91.

Read more about Fagerhult's sustainability work
Our reports are presented according to GRI's reporting standard C+, which has been confirmed by PwC. Our Sustainability Report is presented separately. Read more at www.fagerhultgroup.com/en/sustainability.

This Annual Report is a translation of the Swedish original.

Blue and white light floods Blue Planet in Copenhagen – the largest and most modern aquarium in northern Europe. A dynamic, creative and sustainable solution for indoor and outdoor lighting was developed jointly by lighting designers and Fagerhult.

THREE PRODUCT AREAS

INDOOR – Interior lighting for offices, schools, healthcare and other demanding indoor environments such as the transport and manufacturing sectors. Read more on page 24.

SALES

65 %

RETAIL – Lighting solutions for retail concepts and commercial environments which enhance the brand. Read more on page 30.

SALES

29 %

OUTDOOR – Exterior lighting that creates safe and secure urban environments such as footpaths, bicycle paths, streets and parks, as well as lighting for architectural effects. Read more on page 36.

SALES

6 %

EIGHT STRONG BRANDS

FAGERHULT

Whitecroft lighting

designplan LIGHTING

ateljé Lyktan

LTS® LICHT & LEUCHTEN

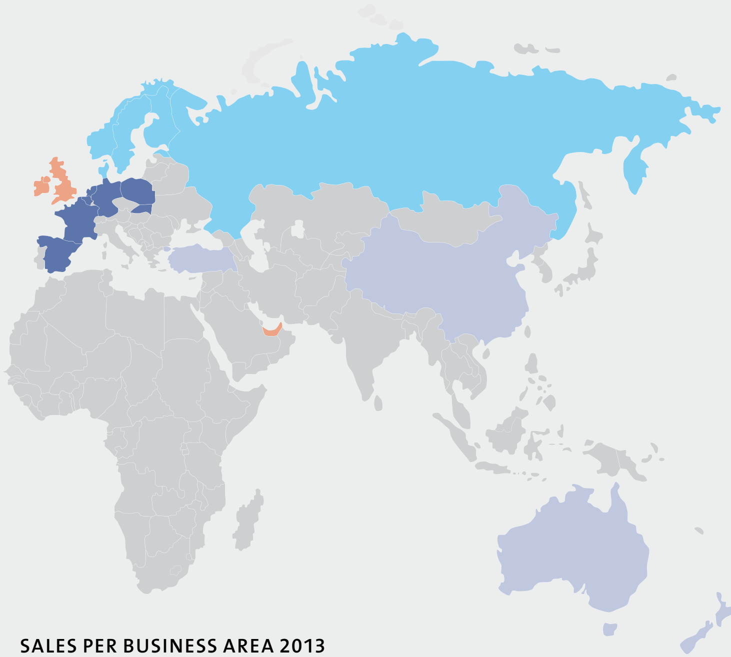
eaglelightingaustralia 'Member of the Fagerhult Group'

i VALO

ARLIGHT

TWENTY COUNTRIES

Today, Fagerhult is one of the leading lighting companies in Europe, with the Nordic Countries and Continental Europe incorporating its largest home markets. Outside of the Nordic Countries, Fagerhult's strongest market positions are in the UK, Germany, the Netherlands, and Australia. The Group has subsidiaries in 20 countries, divided into four geographical business areas. Most marketing and sales activities are undertaken locally, supplemented by a network of agents and distributors giving Fagerhult access to approximately 40 markets. Manufacturing takes place at the Group's production facilities in Sweden, Finland, the UK, Germany, Australia, Turkey and China.



SALES PER BUSINESS AREA 2013

Global presence through successful acquisitions and organic growth

Fagerhult has grown organically while also acquiring a handful of well-run companies – a successful model that combines a strong focus on local operations with Group-wide synergies.

Well-positioned for the shift to LED

Fagerhult's substantial investments in LED development have created real opportunities in a market where LED accounts for the majority of growth. In the fourth quarter, the share of LED luminaires sold constituted over 30 percent of total net sales.

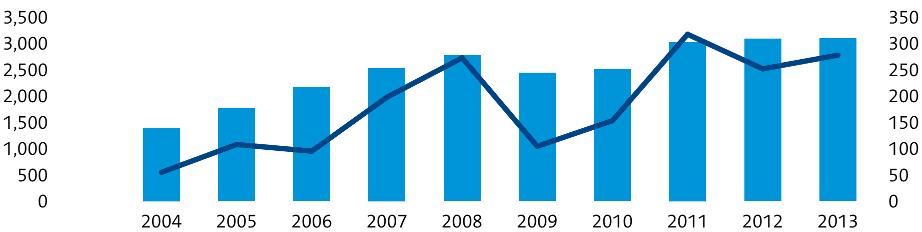
Strong cash flow provides the grounds for continued expansion

Our cash flow, allied with our unbroken focus on cost control and keeping tied up capital to a minimum, provides the basis for continued profitable growth.

Stable earnings trend and low-risk dividends

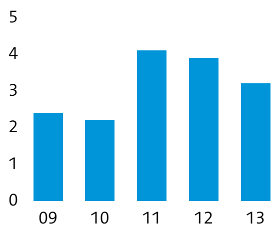
Fagerhult has been a profitable company ever since its inception in 1945 and it has a very robust ownership profile through the investment company, Latour.

SALES DEVELOPMENT AND EARNINGS TREND, MSEK



Sales	1,382.2	1,759.2	2,162.1	2,527.4	2,770.1	2,436.3	2,505.6	3,022.8	3,085.1	3,095.2
Operating profit	54.7	107.6	94.9	197.6	272.4	104.2	152.9	317.2	251.5	277.5

DIVIDEND YIELD, %



2.4	2.2	4.1	3.9	3.2

FAGERHULT IS ONE OF EUROPE'S LEADING LIGHTING COMPANIES, WITH 2,200 EMPLOYEES IN 20 COUNTRIES. FAGERHULT DEVELOPS, MANUFACTURES AND MARKETS INNOVATIVE AND ENERGY-EFFICIENT LIGHTING SOLUTIONS FOR PROFESSIONAL INDOOR AND OUTDOOR ENVIRONMENTS. THE COMPANY OFFERS A WIDE RANGE OF PRODUCTS AND SOLUTIONS DEVELOPED ON THE BASIS OF ITS INSIGHTS INTO THE POSITIVE IMPACT OF LIGHT ON PEOPLE IN A VARIETY OF ENVIRONMENTS. THROUGHOUT THE YEARS, SEVERAL STRONG BRANDS HAVE BEEN ACQUIRED. THE SHARE IS TRADED ON THE NASDAQ OMX EXCHANGE IN STOCKHOLM.

VISION

Fagerhult is to become a leading global lighting solutions provider.

FAGERHULT WAS FOUNDED BY BERTIL SVENSSON IN 1945. IN ITS FIRST YEAR, THE COMPANY'S NET SALES WERE SEK 13,000. AS EARLY AS THE SECOND YEAR OF OPERATIONS, THE FIRST FACTORY WAS BUILT IN FAGERHULT, WITH 6 EMPLOYEES AND GENERATING TOTAL SALES OF SEK 53,000. THIS FACTORY IS STILL STANDING, IN THE SAME PLACE, ALTHOUGH THROUGH THE YEARS, THE TOTAL AREA HAS BEEN EXPANDED SEVERAL TIMES OVER.

MISSION

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

Q1

THE YEAR BEGINS WITH A SLUGGISH DEMAND

The economic situation continues to be subdued, resulting in a decrease in orders received, and the market is expected to remain slow. Total net sales decrease by 11 percent, but are largely offset by cost savings. Conversely sales increased in Germany and the Middle East. Gross margins remain stable compared to last year, though they were higher than in the previous quarter. Operating profit decreases. The strong Swedish krona impacts sales and profits negatively. Fagerhult's luminaire Appareo was awarded the Red Dot Design Award.

Q2

IMPROVED OPERATING PROFIT AND AN ACQUISITION

The order situation improves by 12 percent compared with the first quarter, but the market continues to be slow. Net sales increase by 1 percent, adjusted for currency effects. Operating profit improves, mostly due to reduced costs and a high gross margin. Cash flow from operating activities strengthens.
In June, the Finnish company I-Valo Oy is acquired, expanding Fagerhult's range of solutions for heavy industry.

Q3

SIGNS OF A GRADUAL RECOVERY

Higher market shares increase net sales by 3 percent, adjusted for currency effects and acquisitions. Orders received increase by 8 percent compared with the previous year, and the slow market shows some signs of a gradual recovery. The share of LED luminaires sold constitutes approximately 20 percent of total net sales. Our strong focus on cost control and an improving gross margins were key to the recovery. The Group achieves its best operating profit ever in a single quarter, despite negative currency effects, equivalent to an operating margin of 13.4 percent.

Q4

STRONG ORDER INTAKE AND A TURKISH ACQUISITION

Strong order intake, and sales increase by 5 percent compared with the previous year, adjusted for currency effects and acquisitions. Operating profit improves, as does the operating margin, which amounts to 9.8 percent in the fourth quarter. The market's gradual improvement continues and is expected to carry on through 2014. The share of LED luminaires sold as a percent of total sales continues to grow, exceeding 30 percent of net sales. At the end of the year, an agreement is signed to acquire the Turkish company Arlight, increasing Fagerhult's exposure to growth markets while enabling low cost production with shortened lead times to major existing markets. The acquisition is finalised in February 2014. Dividends of SEK 7.25 per share and a stock split 3-for-1 are proposed.

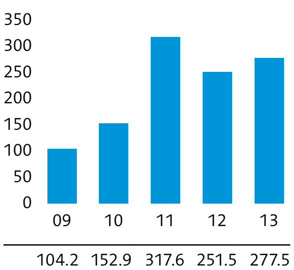
FINANCIAL HIGHLIGHTS

- Orders increased by 4 percent and amounted to SEK 3,241.4 million (SEK 3,121.7m), adjusted for currency effects, and the acquisition of I-Valo increased the order intake by 5 percent.
- Net sales increased by 2 percent to SEK 3,095.2 million, adjusted for currency effects and acquisitions.
- Operating profit increased by SEK 26.0 million compared with the previous year to SEK 277.5 million (SEK 251.5m), despite currency effects that burdened profits by SEK 20 million.
- Actions taken during the year to improve gross margins and lower fixed costs resulted in a positive earnings effect.
- The product area Retail grew by 10 percent, particularly in Germany, the UK and France, while sales within Indoor and Outdoor decreased by 5 and 7 percent, respectively.
- In June, the Finnish company I-Valo was acquired, and, at the end of December, an agreement was signed to acquire the Turkish company Arlight, which was finalised in February 2014.

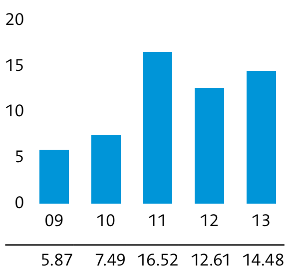
PERFORMANCE AND KEY RATIOS

	2013	2012
Net sales, MSEK	3,095	3,085
Operating profit, MSEK	278	251
Profit after financial items, MSEK	247	214
Earnings per share, SEK	14.48	12.61
Sales growth, %	0.3	2.1
Operating margin, %	9.0	8.2
Net debt/equity ratio, %	86	94
Equity/assets ratio, %	37	35
Return on capital employed, %	13.3	12.2
Return on equity, %	18.7	17.8
Net debt, MSEK	885	874
Net investments in fixed assets, MSEK	65	92

OPERATING PROFIT, MSEK



EARNINGS PER SHARE, SEK



NET SALES

MSEK **3,095**

OPERATING PROFIT

MSEK **278**

CONSISTENT STRATEGY KEY TO SUCCESS

2013 was a good year for Fagerhult. Although the lighting market did not grow by any notable extent during the year, we both strengthened our position and improved our profits. Two major acquisitions show that we stand by our ambition to become a global player. We are proud of our success, which is based on a consistent adherence to our strategy and a constant focus on our customers. This would not be possible without the enthusiasm and energy of our employees, and I wish to extend my sincere gratitude for all of their hard work during the year.

Despite sales remaining virtually unchanged compared with the previous year, we increased our operating profit by slightly more than 10 percent, to SEK 278 million, and earnings per share increased by 15 percent to SEK 14.48. The positive earnings trend is due to our continuous efforts to improve our margins and to increase our productivity and efficiency. Through intense efforts to reduce fixed costs, we have improved our operating margin, from 8.2 percent to 9.0 percent. Our cash flow from operating activities was strong, amounting to SEK 221 million, and we are working continuously to reduce our capital base to free up capital. Despite acquisitions and dividends paid to our shareholders, our net debt was approximately the same at the end of 2013 as it was at the beginning of the year. Overall, we can conclude that Fagerhult's financial position is robust.

BREAKTHROUGH YEAR FOR LED

During 2013, our LED sales increased by over 30 percent compared with the previous year. As the technology matures, LED now accounts for a substantial portion of growth in the lighting market. As the global economy recovers, the demand for LED is expected to increase further, while, at the same time the prices of components and products are expected to drop. Demand is also positively affected by the increased global focus on energy efficiency, with new green legislation and regulations playing a crucial role. The Fagerhult Group is well positioned within LED and invested 95 percent of it's 2013 research and development budget in LED. The significant investments undertaken in the last couple of years also include the intelligent control systems which are central to this technological shift. The rate of development is rapid and, in order to be able to offer the solutions of tomorrow, we will continue to be proactive in this area. During the year, Fagerhult's luminaire Appareo was awarded the Red Dot Design Award, which we see as major proof of our ability to combine design with technological innovation.

"CAN DO" CULTURE

Fagerhult has improved its market share, despite of the lack of growth in the lighting market. This is the result of several years of persistent efforts and aggressive ventures, and is proof that our strategy has been successful. To achieve both sales and operational excellence, we continuously endeavour to further improve ourselves within the areas in which we already enjoy success. Our significant investments in product development have paid off, as have our brand positioning efforts. At present, Fagerhult has eight strong brands and subsidiaries in 20 countries who, together with our representatives and distributors, reach a total of around 40 markets around the world, providing us with favourable conditions to achieve larger geographical coverage and increase our share of the market.

Last, but not least, success is also about having the right people in the right places, with the ability to get the job done and deliver. Fagerhult is a knowledge-based company which is characterised by a strong entrepreneurial spirit and a 'can do' culture. Our common core values – Customer Focus, Performance Culture and Innovative Mindset – are well-rooted throughout our organisation, and we work continuously to galvanise their significance in the Group. We have also worked a lot with leadership development and with creating the conditions to develop our employees' competencies.

TWO MAJOR ACQUISITIONS

Fagerhult aims to become a global player in the lighting solutions market. In order to achieve our aim, we have to continue to deliver profitable organic growth at the same time as expanding through acquisitions. Our approach is, therefore, aggressive and we have, time and time again, proven that we can carry out successful acquisitions. We have the ability to identify profitable and successful companies and to integrate these companies in an effective manner. In June, the Finnish company I-Valo was acquired, which broadens our range of solutions for heavy industry – an acquisition which has developed and been well integrated during the year. Just before the end of the year, another acquisition was announced –

this time of the Turkish company, Arlight, which increases our exposure to new growth markets. The acquisition of Arlight is completely in line with our strategy to have low cost production in proximity to our major existing markets, in order to shorten lead times. We confidently look forward to the integration of Arlight into the Group's global network.

NEW VENTURE WITHIN OUTDOOR

Outdoor constitutes a relatively small portion of our sales as our investments within Outdoor lighting have, to date, been somewhat muted. Pending a suitable acquisition, Fagerhult has elected to invest in the area by developing a new product portfolio that will be launched during the year, including lighting solutions for parks, footpaths and bicycle paths. The development of these new products has been undertaken in close co-operation with the Danish consultancy firm ÅF Lighting.

SUSTAINABILITY: OUR CORE STARTING POINT

In this day and age, all major construction projects have to have an eye on energy efficiency, and lighting is a key component of this. Our solutions help customers to reduce both energy consumption and their environmental impact, which also results in reduced costs. A number of factors affect our operations and the further development of our business, such as the technological shift to LED, "green" legislation and new regulations. For us, it is important to run our operations around the world and conducting our business in a sustainable manner. As we grow, our sustainability work in a number of areas must also grow and improve. The guidelines describing our approach, our responsibilities, ethics and practices, as well as other issues, are compiled in the Code of Conduct, which all employees are to follow. The Code also clarifies our views on our environmental responsibility and provides guidelines as to our stance on different countries' legislation and other regulations which affect our operations. Our ambition is to increase transparency in our initiatives and results within the area of sustainability and we have, therefore, chosen to have PwC review our sustainability reporting.

PROMISING PREMISES FOR 2014

A strong order intake during the fourth quarter 2013 has given Fagerhult a good starting position for 2014. We have a profitable base for continued investments within sales, marketing and product development. At the same time, we are always looking for ways to increase and improve our customer focus. During 2014, we expect to gradually see the positive effects of the latest acquisitions and the venture we are now working on within Outdoor. Our shareholders can feel safe in the knowledge that we have complete confidence in our strategy and will not rest in our quest to achieve our vision to become a global supplier of lighting solutions.

Habo, March 2014

Johan Hjertonsson
President and CEO

LIGHT IS OUR PASSION

Fagerhult has been a pillar of the lighting industry since 1945. Over all these years, we have combined our passion for light with the functional beauty and ethos of Scandinavian-designed lighting. With a long-term focus on energy efficiency, through intelligent control systems and advanced LED technology, we want our work to contribute to a lasting, light-loving world.

POSITIVE FORCES CREATING EXCITING OPPORTUNITIES

GLOBAL TRENDS

LIGHTING AND THE GLOBAL ECONOMY

The lighting industry tends to follow the business cycles of the construction industry which, in turn, are governed by global growth and the global economic situation. The luminaire and lighting systems market is primarily fuelled by new construction, which tends to be delayed when the economy is strained. The financial turmoil over the last couple of years, along with the European debt crisis, has held back the growth in the lighting industry. The current signs of recovery in the global economy are, therefore, positive.

URBANISATION

As of 2008, half of the Earth's population lives in cities and in fifty years this number is estimated to grow to 75 percent. The growth of cities leads to, amongst other things, an increased need for transport and infrastructure, as well as a need for safe, attractive outdoor environments. An increased need for energy efficient lighting is a key component of these initiatives.

CHANGING DEMOGRAPHICS

Population growth, particularly in emerging market countries, is generally high. The world's population is estimated to reach over 9 billion by the year 2050. At the same time, the global population is becoming increasingly older. This results in rising demands on, amongst other things, healthcare and nursing homes, where lighting is an important component. The expanding population also increases the need for other types of lighting solutions for schools, workplaces and retail environments.

ENERGY EFFICIENCY

The availability of natural resources is limited and economic growth increases demand for raw materials. These developments necessitate a more efficient use of resources and initiatives focusing on the energy of tomorrow. They also require an increased global commitment to our impact on the environment and climate through the development of sustainable technology.

Many of the global development trends we are experiencing today create a need for expanded, improved and more energy efficient lighting. For Fagerhult, it is essential to interpret these changes and convert them into business opportunities. The recovery of the global economy, increased energy efficiency requirements and the technological shift towards LED lighting are the most powerful driving forces.

INDUSTRY-SPECIFIC DRIVING FORCES

THE SHIFT TOWARDS LED AND CONTROL SYSTEMS

The most important driving force behind the growth of the lighting market is the comprehensive technological shift towards the new, energy efficient LED technology: light emitting diodes with a long lifespan and low environmental impact. Aligned with this development, the market is heading towards integrated solutions through intelligent control systems, which can create even more energy efficient and customised solutions, opening the door to new business opportunities. The price of LED is falling and demand is expected to rise as the macro-economy shows signs of recovery. At the same time, energy efficiency is driven by regulations and legislation. The lighting market is expected to grow by five percent annually until 2016, and then by three percent annually until 2020[1]. LED's share of the general lighting market is expected to reach 45 percent in 2016, and 70 percent in 2020. The intelligent control systems market is expected to experience strong growth, also seeing growth of 20 percent annually. See page 14 for more information about LED technology.

NEW AND INCREASED CUSTOMER NEEDS

The behaviour of both customers and end-users is changing. Increasing numbers of people recognise the importance of light for their well-being, and interest in design products and the possibilities of lighting design is growing. Retail environments are also becoming an increasingly important part of profiling brands and enhancing the shopping experience. Customised solutions based on unique concepts are increasingly in demand, putting suppliers' knowledge, service levels and delivery fulfilment to the test. Consumers' behaviour is also changing, a higher level of awareness of their own environmental responsibility has increased the demand for solutions that reduce energy consumption and, consequently, climate impact. Parallel with this development, there is still a need for good solutions using existing technology. Customers' price sensitivity is also increasing, escalating the importance of lifespan and repayment periods when making investment decisions.

TOUGHER "GREEN" REGULATIONS

The development of regulations impacting lighting products is another important driving force. Governments around the world are introducing new initiatives, in the form of bans on inefficient technology as well as stricter legislation on energy efficiency requirements and incentives for new construction. More and more countries are now introducing bans on specific technologies for both housing and commercial lighting products. In Europe, the transition to more sustainable light sources has been propelled by the ban on low-voltage halogen bulbs. The EU has demanded that all light sources containing mercury be phased out by 2016, and have also determined that, by 2020, all new buildings are to consume "next to no" energy. The EU Directive on energy reporting for home owners is another example. The proliferation of equivalent standards for design and energy classification is increasing across the world and there are global campaigns underway to increase awareness of the importance of energy efficient lighting.

CHANGES IN THE COMPETITIVE LANDSCAPE

The lighting market is relatively mature and is experiencing a consolidation phase in which there is a high frequency of acquisitions. The industry is fragmented and includes several different types of companies, while, at the same time, there are major local differences in terms of competition. A sector convergence is also taking place. New players, such as electronics companies, are establishing themselves on the market, as they see an opportunity to get a foot in the door and develop their own products and solutions in conjunction with the ongoing shift to LED technology.

1) McKinsey & Company, Perspectives on the global lighting market, August 2012

STRONG BRANDS AND A LOCAL FOCUS

Fagerhult develops, manufactures and markets innovative and energy efficient lighting solutions for professional indoor and outdoor environments. The business, brands and customers are often local. Consequently, operations are run locally through several companies with strong brands, reaching a variety of customer and market segments. Growth is achieved through increased sales in existing and new markets, organically or through acquisitions.

PENETRATING SEVERAL CUSTOMER SEGMENTS

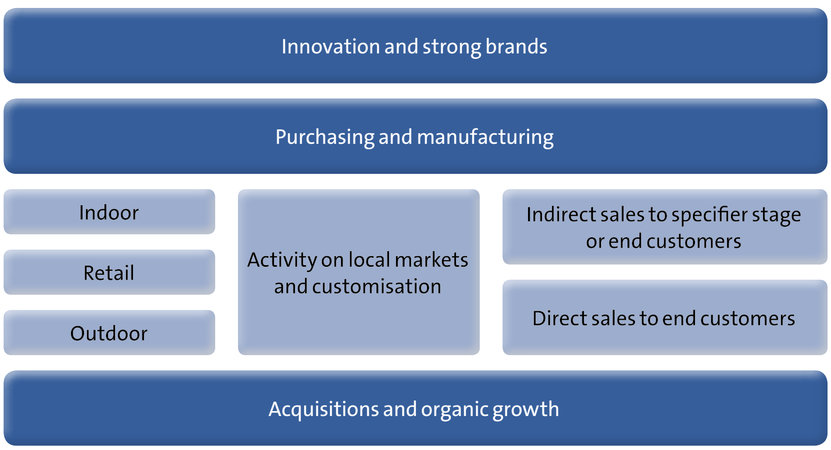
A wide range of products and solutions is offered within our three main product areas: Indoor, Retail and Outdoor. By approaching the market from these three areas, utilising various brands, we are able to penetrate several different customer and market segments in both mature and emerging markets. This market development is supported centrally for each product area.

BRAND STRATEGY MEANS GROWTH

Fagerhult's operations are run on the basis of eight strong and well respected brands, targeting different industries and market segments. As the lighting market is primarily local, these brands hold the strongest position and the largest market share in their home markets. Furthermore, third-party products are offered under additional brands. Brand positioning is a key part of our growth strategy to achieve larger market coverage and increased market shares. The positioning is also to result in an increased exchange and better utilisation of available resources. Overall, Fagerhult's various brands are positioned as mass premium – meaning that they are aimed at a large segment of the market that values quality of lighting over price, while a certain amount of price sensitivity exists. The exception is Ateljé Lyktan which has a premium positioning – a strong focus on design, aimed at a more narrow segment of the market. This also means that Ateljé Lyktan is in a higher price range than our other brands.

Generally, Fagerhult's goal is to have two brands per market, in order to avoid an excessively complex brand structure. The more niche brands, Designplan and I-Valo, are, however, available in several of our major markets, meaning that, in effect, there are three or four brands in these markets. Read more about our brands on the next spread.

FAGERHULT'S BUSINESS MODEL



Innovation is crucial to the business

Crucial to all development activities are Fagerhult's understanding of light and people's needs in different environments. An intensive product development effort is conducted mainly within each product-owning subsidiary. On a Group level, Fagerhult Lighting Academy acts as a hub for research and the study of light. The academy was founded in 2004 to harness the Group's collective knowledge about everything from lighting design to environmental consequences, and can give Fagerhult a competitive advantage in establishing a presence in new markets. The academy also plays a key role in the integration efforts in connection with acquisitions, as a forum for the transfer of knowledge between the various subsidiaries. Another important hub for Fagerhult is the internally established forum for innovation and technology development, which primarily concentrates on solutions within LED and control systems. The forum is headed by the R&D managers of the two largest companies – Fagerhult and Whitecroft.

SYNERGIES WITHIN PURCHASING AND MANUFACTURING

Purchases for the Group are coordinated through a network for the purchasing managers of Fagerhult, which lowers the cumulative costs. Manufacturing is primarily done at the product-owning subsidiaries' facilities in Sweden, Finland, the UK, Germany and Australia. In addition, the manufacturing facility in China focuses on high volume products. Manufacturing and customisation, in close proximity to the local market, is often a competitive advantage in the lighting industry. At the end of the year, Fagerhult acquired the Turkish lighting company Arlight, which has a major modern manufacturing facility in Ankara. The acquisition is in line with our strategy to provide low cost manufacturing in close proximity to our major existing markets in order to shorten lead times – while also increasing our presence in emerging markets. Read more about Fagerhult's strategic focus on page 16.

LOCAL MARKET FOCUS

By primarily working in the various markets on a local basis, Fagerhult builds a thorough level of local expertise in each market. Local focus has been one of Fagerhult's strengths, as building relationships is essential in the lighting industry. The sales models differ between the three product areas, but are similar for the different geographical markets. Indoor and Outdoor are more complex as several parties must be taken into account, which is why a large portion of the sales is aimed at the so-called specifier stage, which consists of the consultants and various contractors contracted by the municipalities. For Indoor, this stage includes construction companies, architects and electrical consultants, which, in turn, have a major impact on the choice of products and solutions for various projects.

For Outdoor, the activities are aimed at end customers, such as municipalities, which are responsible for parks and streets, and major procurers or private owners of public spaces connected to buildings. They are also aimed at the specifier stage. For Retail, the sales model is different as sales are instead aimed directly towards the store and concept managers of various retail chains.

Sales are conducted through the different subsidiaries found in 20 countries, and the sales channels vary between the different companies and markets. Sometimes, sales are conducted exclusively through the Company's own sales organisation, and sometimes the companies work through agents and distributors, or, as in the German market, primarily through wholesalers. Local direct sales dominate for several brands, while, for instance, products from the Fagerhult brand are sold primarily through Fagerhult's own pure sales company. The product segments also have different weights in the different markets, creating a growth opportunity through the increased focus on product segments with lower market share or by adding more segments. The customer processing is described more in-depth in the chapters of each product area.

SUCCESSFUL ACQUISITIONS

Acquisitions are an important part of Fagerhult's business model and long-term strategy. A positive sales growth provides Fagerhult with a stable cash flow forming the basis for a continued growth in existing or new markets. Read more about Fagerhult's successful acquisitions model on the next page, and about strategic initiatives on page 18.

THE BRANDS OF FAGERHULT – IMPORTANT ASSETS

1945

Fagerhult is founded in 1945 by Bertil Svensson, who designs and manufactures different types of lamps. Through proprietary development and acquisitions, the product portfolio is expanded to solutions for offices, education, healthcare, stores and outdoor lighting. Fagerhult is the main brand of the Group, and constitutes approximately half of overall sales, and has a strong position in the markets of the Nordic region and Northern Europe. Fagerhult is to be perceived as the leader in knowledge of the industry by adding valuable knowledge and insights on light and the human being.

1974

Fagerhult acquires Ateljé Lyktan, a lighting company rich in tradition, which was founded in 1934 and has its manufacturing in Åhus. Ateljé Lyktan has a strong focus on Swedish design and develops lighting fixtures for indoor and outdoor use. Positioning-wise, Ateljé Lyktan is the Group's most design-focused premium brand. Sweden is the largest market, although an international expansion has recently been initialised.

2005

Whitecroft Lighting Ltd is acquired. The company, based just outside Manchester, develops, manufactures and markets a wide range of lighting solutions for education, healthcare, offices, stores and outdoors. Whitecroft is the second largest actor on the British main market and also sells solutions in the Middle East. After Fagerhult, Whitecroft is the Group's second largest brand.

2007

Eagle Lighting Australia (ELA), with focus on solutions for healthcare and office environments, is acquired. The company has its own manufacturing in Melbourne – an advantage in a market with a high level of customisation. ELA offers a wide range of fixtures and solutions, primarily for indoor use while also offering various solutions from Fagerhult and Designplan. ELA is a major actor on the Australasian market, including New Zealand, and is perceived as flexible, attentive and reliable.

2010

The German LTS Licht & Leuchten GmbH, with manufacturing in Tettnang, is acquired. LTS also offers a comparatively wide product portfolio, focusing on indoor lighting. LTS is a major actor within store lighting but also offers other solutions. LTS has a significant market position in the German market, with a strong focus on quality.

2011

Designplan Lighting Ltd, a niche, yet leading, actor on the British market, with solutions for demanding and robust environments, is acquired. Weather and vandal proof solutions for, among other things, transportation, social housing, detention facilities, secure care and city environments, are offered. Designplan's solutions are, also, sold in other markets such as Australia. In the Nordic markets, several products are sold under the Fagerhult brand.

2013

The Finnish I-Valo Oy is acquired. The company specialises in the manufacture of high quality lighting solutions for various industrial applications, both indoor and outdoor, in exceedingly demanding conditions, such as dusty environments or extreme temperatures. I-Valo also offers lighting for housing and public buildings. Product development is conducted in cooperation with customers and partners, and manufacturing takes place in Iittala. I-Valo is market leading in Finland, although a large portion of sales is also made to France, Russia and Sweden.

2014

At the end of 2013, Fagerhult signs an agreement to acquire the Turkish lighting company Arlight, which develops, manufactures, and markets lighting solutions, primarily for indoor use. Application areas include offices, schools, hospitals, shopping malls and airports. Arlight has a strong position on the Turkish market for indoor lighting and a modern manufacturing facility outside Ankara.

SUCCESSFUL ACQUISITION MODEL

Over the course of the last decade, Fagerhult has acquired some ten companies, two of which were acquired in the last year. Acquisitions are an important part of Fagerhult's business model, and, as such, an essential part of the Company's long-term growth strategy. Valuable knowledge and experience have been integrated into a decentralised model which creates a platform for successful integration.

- Identify well-run and profitable acquisition candidates – an important prerequisite which affects the long-term earnings trend, but also the more short-term pricing.
- Strong local management and market position – locally proven entrepreneurship, combined with established brands, as well as sales channels and relationships.
- Established model for control and management of acquired lighting companies – focus on preserving and supporting the local management through local Board of Directors for each subsidiary and Group-wide functions.
- Apply key knowledge and experience from having integrated operations practically.
- Use the size of the Group in the form of Group-wide synergies for areas such as product development and purchasing.
- Create a globally knitted together Group – cooperation between the subsidiaries provides access to new geographical markets and valuable exchanges of experiences.

New "family member" creates mutual benefit

Fagerhult acquired the UK lighting company Whitecroft Lighting Ltd, based just outside Manchester, in November 2005. At the time of the sale, the company had 280 employees and sales of approximately SEK 400 million. Today, Whitecroft's sales amounts to over SEK 600 million and the number of employees has grown to 420. The company had and still has a good profitability and, despite a number of economically challenging years, has retained good and stable growth. Whitecroft is now the second largest player in the UK market, which accounts for about 95 percent of the company's sales. The largest segment is lighting solutions for educational environments, healthcare and offices.

Whitecroft's CEO at the time of acquisition, today a member of the Group Management with a Regional responsibility, explains the success factors and challenges of the acquisition.

Success factors when Whitecroft was acquired and integrated?

Fagerhults' strategy is to acquire only good and profitable companies with growth potential, strong management and stable operations – no turnaround cases. When Whitecroft was acquired, it was important for us to create a continued sense of stability and to maintain confidence in the business. A change of this sort often creates concern and raises many questions. Fagerhult's CEO at the time was visible and presented the transaction at Whitecroft's premises immediately after the deal was announced, but we deliberately chose to make no change during the next few months. A few visits were made by staff from Fagerhult and Whitecroft continued exactly as they had done before the acquisition. After some months, we started to prepare and implement plans that could be progressively rolled out that would benefit both parties.

Important lessons learnt?

Identify areas where opportunities for competitive advantages and synergies exist and introduce these opportunities gradually. You cannot rush into everything at once; instead, it is important to focus on managing the priorities delivering the greatest benefits. It is also important to define a clear brand platform, based on the success and core capabilities of each business unit, so that every company knows how they fit within the Group. Often, internal collaborations and internal requirements are tougher than external. Relationships are the key to success. This is about sharing common values and goals, about getting on with each other and having fun. Great businesses are made by great people and the relationships, as well as the performance environment within the Fagerhult Group, are the best I have ever seen.

What are the most valuable synergies?

Both parties have benefited from the acquisition. Whitecroft's material purchase costs were lower than Fagerhult's at the time, so Fagerhult could take advantage of this, while Whitecroft benefited from the broad experience and knowledge in Fagerhult. All companies benefited by learning from each other. An open mind to exchanging knowledge in, such as, R&D, IT, purchasing, production, HR and management is key.

LED

THE TECHNOLOGY THAT'S HERE TO STAY

LED is the greatest technological shift within lighting since the 1940's when fluorescent lights were introduced. When it comes to energy efficiency and lifespan, LED is superior to the other alternatives on the market, and is experiencing an incredibly quick evolution. As the development progresses, LED is expected to provide further energy efficiency and, thus, become the obvious choice for many more applications than today.

LED, or Light Emitting Diode, is the first source of light to combine the qualities that many lighting planners and architects desire:

- to be as small as possible
- to generate light in a very efficient manner
- to have a long lifespan

The many technological advantages of LED

LED is already especially suitable for certain applications. The light source's exemplary ability to direct and control the beam of light can be utilised for accent lighting, or for lighting limited spaces, such as workspaces, staircases, etc. If used correctly, LED fixtures can also be installed in previously impractical locations, such as bridges, tunnels, and high ceilinged rooms. LED can also withstand cold better than regular light sources, and is therefore ideally suited to outdoor lighting, for street lights or street signs, for example. The diode is also suitable for coloured light and is very easy to dim and control through the use of, for instance, dimmers, occupancy detectors, and daylight sensors.

Cost savings potential and falling prices

LED fixtures are practically maintenance-free during their entire lifespan. Not having to change light sources can lead to substantial savings in costs for personnel and aids. In just a few years, the efficiency of LED has doubled, while, at the same time, the cost of LED components has fallen dramatically, resulting in lower prices. A significant contributing factor is the manufacturing overcapacity of LED components which has resulted from heavy investments in manufacturing facilities in Asia. The continued technological development and increased production of components likely means that prices will continue to drop, although they are expected to level out to some degree.

The LED shift drives growth

In 2013, the global LED market was estimated to be worth USD 25.4 billion, with a penetration of 19 percent[1]. For 2015, these numbers are USD 44.2 billion and 38.6 percent. In 2020, McKinsey estimates that penetration will be almost 70 percent, with an annual growth rate of 9 percent up until 2014, and thereafter 6 percent up until 2020[2]. Of key importance for the development of the LED market are, as mentioned before, regulations and legislation in different countries. So far, this has been the most evident in Asia, where Japan has the highest ratio of LED penetration, which is expected to be 74 percent by 2015. In China, the LED market is estimated to grow by 30 percent annually.

Penetration is expected to increase the most within offices, stores, restaurants and other leisure related locations, as well as in transportation. Architectural lighting continues to be an early adopter, with an LED share which is estimated to be almost 90 percent in 2020.

Continued standardisation and technological development

When it comes to technological improvements, the luminous efficiency of LEDs compared with traditional lighting continues to increase. The industry has surpassed the development targets set up by the US Department of Energy for LEDs (129 lm/W for warm white light, and 164 lm/W for cold white light). In addition to these significant efficiency improvements, development is increasingly geared towards more standardised LED packages, light engines and modules for different application areas in the general lighting market. The lighting industry has a common standardisation consortium named Zhaga, which aims to introduce uniform LED components (module and driver), simplifying maintenance and simultaneously allowing for upgrades to the latest technology. Zhaga's membership has doubled in the last couple of years.

Focus on intelligent control systems

Efficiency of the light source aside, over 30 percent of energy is consumed while spaces and rooms are not used, motivating users to reduce energy consumption, especially where consumption is high, through the use of intelligent, dynamic control systems. Combined with LED, control systems have several advantages, as they extend the lifespan of the light source, further improving the financial benefits. The control system market is estimated to grow by almost 20 percent until 2020. LED and control systems also increase the need for technical expertise in the form of advisory services for the development or installation of this kind of solution.

1) DIGITIMES Research, March 2013
2) McKinsey & Company, Update on the global lighting market, August 2012

5 *quick questions about LED*

1. What is LED?

An abbreviation of Light Emitting Diode, that is, a light diode-semiconductor which emits light when it is electrically stimulated. LED is operated by direct current (DC), and often requires a separate driver which is the heart of the LED technology. The LED is very small, with an actively glowing surface which isn't larger than 1–2 mm^2. The unit is mounted on a circuit board, where several LEDs are connected in a cluster, forming a LED module. Dimming is made with the ballast which can control intensity, time, daylight levels and presence, as well as control the colour of the light.

2. Is LED a new technology?

No, as early as 1927, the Russian scientist Oleg Vladimirovitj Losev presented a light diode in a magazine. The first light diode with a visible spectrum was developed in 1962 by Nick Holonyak Jr., who is regarded as the father of the light diode.

3. What is the lifespan of LED?

Manufacturers of light diodes and control units claim that the lifespan is 50,000 hours, defined as the time when the light diodes glow with more than 70 percent of the maximum luminous intensity. This is not a formal standard, but is generally accepted within the lighting industry. This means that the lifespan of LEDs is three times longer than that of a metal halide.

4. Why is LED an energy efficient and sustainable light source?

The high efficiency and long life span implies fewer light sources to recycle and replace. The LED technology can also produce coloured lights without the help of a filter, something which preserves a lot of energy as a traditional spotlight requires a colour filter, reducing the luminous flux by up to 90 percent. Neither does LED contain any movable or fragile parts which affect the lifespan, or any mercury, which facilitates its handling, and reduces the risk for emissions.

5. LED is slightly more expensive today – will that always be the case?

The price trend of LEDs is decreasing, as volumes increase and manufacturing costs decrease for LED chips and packages. Thus, the payback period is shorter and affects investment calculations positively.

STRONG TRACK RECORD OF BEING ABLE TO IMPLEMENT OUR STRATEGIES

Fagerhult's strong position is based on local client relationships, strong brands and a proven ability to apply lighting technologies meeting the end user's needs. Our vision is to be a leading, global supplier of lighting solutions. To achieve this vision, we have formulated six strategic initiatives – based on our working methods, our strategic principles and our fundamental values – all of which will be implemented until 2017.

STRATEGIC PRINCIPLES

Fagerhult strives to play a leading role in the advancement of the lighting industry, meaning that we take an offensive approach to the way we work. For this reason, acquisitions continue to be an important aspect of our strategy, contributing to our growth with international expansion and strengthening our product portfolio.

OFFENSIVE

We strive to be one of the main players in our industry.

EFFICIENT AND PROFITABLE

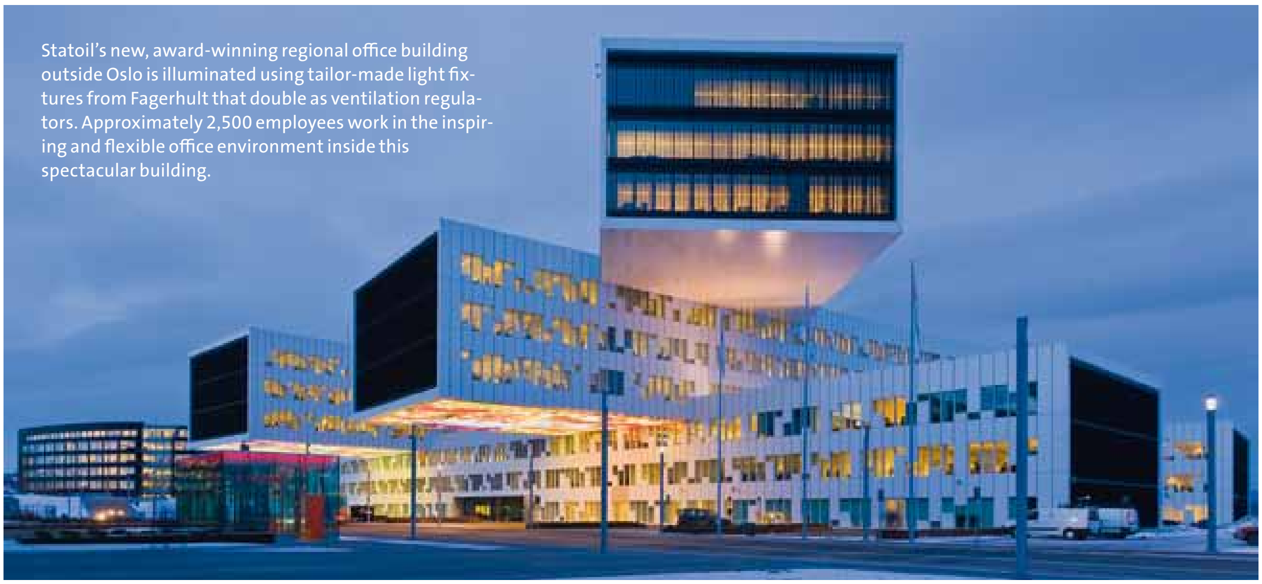
We finance our offensive strategy by focusing on efficiency and cost control, without compromising on dividends to shareholders.

WELL-POSITIONED

We harness and further develop the core expertise and strengths within the Group.

INSIGHTFUL

We base our decisions and activities on our astute and unique insight into our end clients' requirements.



Statoil's new, award-winning regional office building outside Oslo is illuminated using tailor-made light fixtures from Fagerhult that double as ventilation regulators. Approximately 2,500 employees work in the inspiring and flexible office environment inside this spectacular building.

BASIC FRAMEWORK OF OUR STRATEGIC BLUEPRINT

Fagerhult has defined a framework that illustrates the Group's approach for the next four years – until 2017.

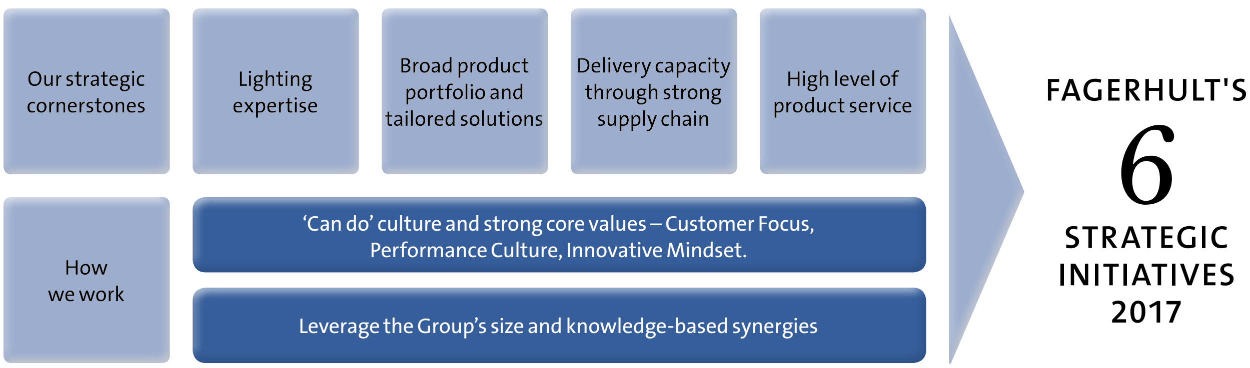
HOW WE WORK

Our aim is to be a globally knitted together, customer insight driven company that leverages the Group's size and competencies while preserving the entrepreneurial culture in our local organizations . The various companies making up the Group provide valuable synergies within a number of areas, in terms of both knowledge and economies of scale. These synergies arise primarily in purchasing and manufacturing, but also help in retaining talented employees and ensuring that these individuals have the opportunities to develop within Fagerhult.

Without a doubt, the foundations for our success are the way we work and what pushes us in the right direction. Of central importance to Fagerhult as a globally knitted together Group is our strong entrepreneurial 'can do' culture, something which is at the heart of all of our companies. We also have three enduring common core values – Customer Focus, Performance Culture and Innovative Mindset. These are values deeply-rooted throughout the whole Group that both support and enable long-term targets and planning. These values are always at the base of everything we do and constitute an important part of our integration work with our acquisitions.

FOUNDATION FOR OUR STRATEGIC INITIATIVES

Fagerhult's strategic framework is also based on four cornerstones – focus areas where we are already highly accomplished but where further development and advancement are of key significance in the improvement of our competitive advantages. These cornerstones include lighting expertise and knowledge, a broad product range with a high portion of tailored solutions, accuracy of delivery – delivering the right things, at the right time and at the right place, as well as a high service level for our products and solutions. With these four fundaments at the very centre of our thinking, we have defined strategic initiatives that will describe our direction up until 2017 and bring us a step closer to achieving our vision. Fagerhult's six strategic initiatives are described and exemplified on the next page.



FAGERHULT'S SIX STRATEGIC INITIATIVES 2017

1

DEVELOP INDUSTRY-LEADING LIGHTING SOLUTIONS

We should be at the forefront during the technological shift to LED where intelligent control systems play an important role. It is not just the technology in itself that is critical in the development of industry-leading products and solutions. In order to create added value for our customers, focus also needs to continue to be centred on knowledge of both requirements and conditions, and on transforming insights into solutions. Fagerhult's strategic focus also covers recognised designs.

EXAMPLES

- The "Nya Karolinska Solna" project in Stockholm, where Fagerhult is supplying lighting with a strong focus on LED and energy efficiency.
- Fagerhult has developed lighting concepts for various leading fashion chains considered to be at the forefront of retail lighting.
- During 2013, Fagerhult's LED luminaire Appareo was awarded the prestigious Red Dot Design Award.
- Collaborative partnerships with universities and industry organisations.

2

SECURE PROFITABLE ORGANIC GROWTH WITHIN INDOOR LIGHTING

Indoor lighting is one of the market's largest segments and, consequently, also one of the most competitive. Fagerhult's target is organic, profitable growth, improving profitability in the segment. To this end, an increase in cost consciousness is required through the entire Group, in combination with a strong continued focus on product development.

EXAMPLES

- Acquisition of I-Valo, which operates in a profitable niche – this provides the basis for profitable future growth in that market.
- Acquisition of Arlight in Turkey – a profitable company in the Turkish growth market.
- The development of cost-effective products.
- Major focus on gross margins.
- Intensified effort to reduce fixed costs.

3

AIM FOR ORGANIC GROWTH WITHIN RETAIL LIGHTING

This segment has undergone a significant transformation, from having previously sold solutions tailored for individual, local retail spaces, to working more and more with retail and concept managers for larger fashion and grocery chains. Retail Lighting has also experienced growth through the acquisition of LTS in Germany, yet there remains the potential to intensify operations in the segment in a number of markets. This work is supported centrally through a separate organisation for Retail Lighting, which develops products, concepts, plans of action and tools.

EXAMPLES

- Retail grew by 10 percent in 2013.
- Increased our market share by accompanying large, global clients into new geographical markets.
- Continue to supply to local retail lighting players.

4

GROWTH WITHIN OUTDOOR LIGHTING, ORGANICALLY AND THROUGH ACQUISITIONS

Growth within Outdoor Lighting through acquisitions has long been an explicit strategy. As the number of acquisition candidates is limited, Fagerhult has elected to enter the arena itself, and a product portfolio for Outdoor Lighting has been developed under the Fagerhult name. At the same time, the work to identify and initiate discussions with potential acquisition candidates is continuing.

EXAMPLES

- Launch of Fagerhult's own product portfolio, developed in close co-operation with the Danish consultancy firm ÅF Lighting. The product portfolio will be launched on the market in 2014. For more information, see page 39.

5

STRIVE FOR WORLD-CLASS PROCESS AND COST EFFICIENCY

Fagerhult's numerous processes are continuously reviewed and fine-tuned to become quicker and more cost-effective. Our target is to reach Operational Excellence by constantly implementing improvements in purchasing, production and logistics. This also includes on-going investments into measures designed to raise productivity. Our delivery capacity is crucial, meaning that a pointed focus on maintaining first-class precision with our deliveries and reducing lead times is a must. The technological shift, bringing with it an ever faster rate of change, also means that purchasing is increasingly important in enabling the Group to secure access to the right components at the right price. The Turkish company Arlight, acquired at the end of the year, has a modern production facility providing access to low-cost production with short lead times to Fagerhult's largest markets in Western and Northern Europe.

EXAMPLES

- Acquisition of Arlight.
- Continued focus on cost, use the Group's size to drive down suppliers' prices.
- On-going work with capital rationalisation to reduce the capital base and free up capital.
- Benchmarking and exchange of experiences between Group companies.

6

INCREASE EXPOSURE TO EMERGING MARKETS

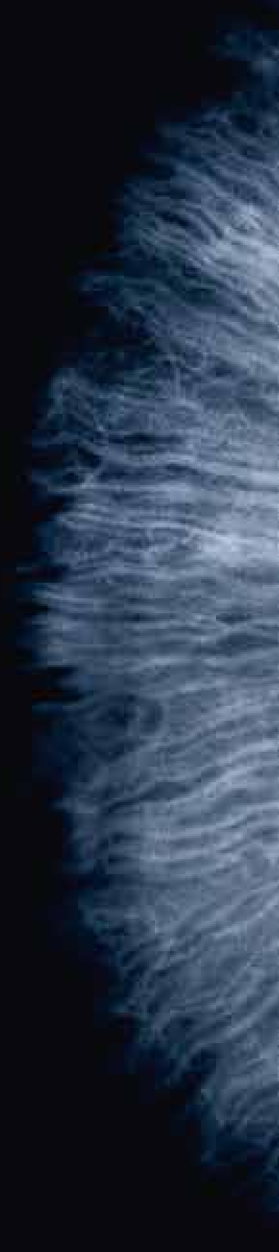
Fagerhult has a strong position in Europe but the Group's ambition is to gradually move toward increased internationalisation, which entails expansion into new markets. Fagerhult intends to increase its exposure to emerging markets through acquisitions and organic growth, with an eye on Asia, the Middle East, Russia and Eastern Europe in particular. Turkey also represents a large growth market where Fagerhult has augmented its exposure through the acquisition of Arlight.

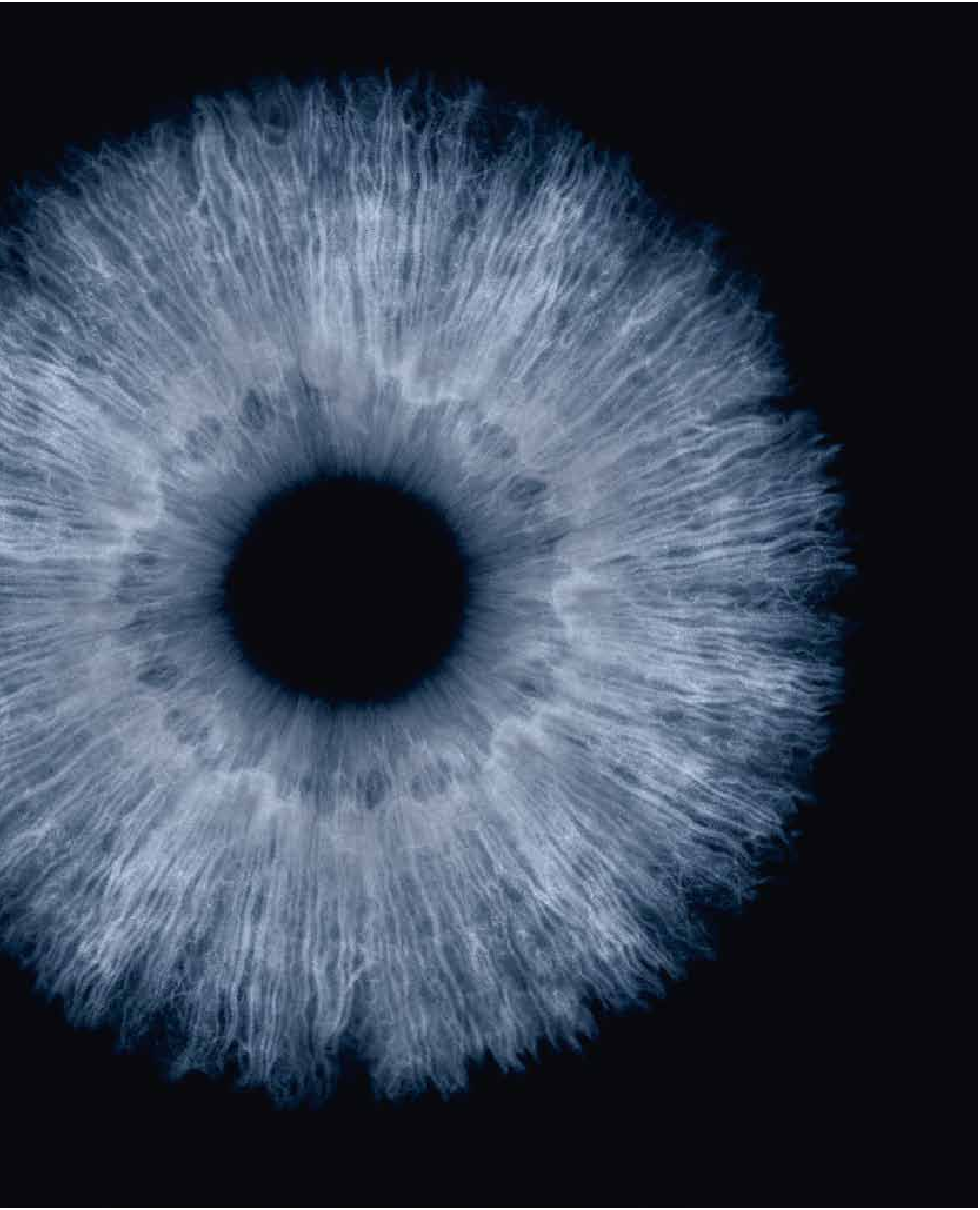
EXAMPLES

- Acquisition of Arlight.
- Expansion within emerging markets such as the Middle East and Russia.

PEOPLE AND THE ENVIRONMENT AT THE CENTRE

All of Fagerhult's research and development work is undertaken with people and the environment at the centre, against the background of established understanding and well-documented research. Since the early 2000s, we have carried out a research project together with Lund University which has contributed greatly to society's understanding of how the right lighting can have a positive effect on people and reduce energy consumption.





SOLID PLATFORM FOR CONTINUED EXPANSION

Thanks to acquisitions and organic growth, Fagerhult has grown into one of Europe's leading lighting companies, with the Nordic Countries and the rest of Europe as its home market. We see the potential for continued growth in all the circa 40 markets that we currently reach, and our strategy is also to expand our presence into new growth markets. Innovation and product development takes place within the framework of our three product areas, Indoor, Retail and Outdoor.

STRONG BRANDS

The Fagerhult Group boasts eight strong brands, each with their largest market share in the respective home markets. Our principal brand name, Fagerhult, has the strongest base in the Nordic countries and Northern Europe. Ateljé Lyktan operates in the niche market for cutting edge design in the Nordic countries. Whitecroft is a market-leading company based in the UK, where the niche company Designplan is also a major player. LTS Licht & Leuchten is a large player in the German market while Eagle Lighting's home market is Australia. During 2013, the Finnish industrial lighting company I-Valo was acquired, something that strengthens Fagerhult's position in the Nordic market but also its profile in France and Russia. At the end of the year, the Turkish lighting company Arlight was acquired, affording Fagerhult the platform to step into a new, growing market.

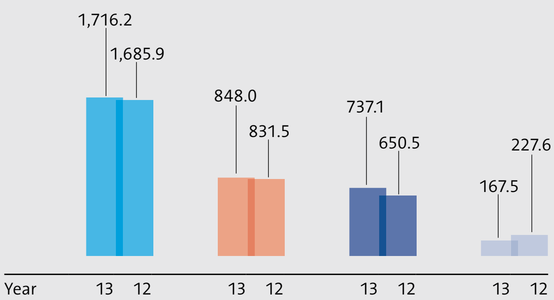
BUSINESS AREAS AND PRODUCT AREAS

Fagerhult reports its sales and profits according to four separate business areas (see diagram on the next page). As regards innovation, product development and marketing, we have also chosen to divide the Company's activities into three product areas – Indoor (professional interior lighting), Retail (retail lighting), and Outdoor (professional exterior lighting). The largest product area, Indoor, is in all of the markets. Retail's various solutions are primarily found in the Nordic and German markets, although they are also sold to global brand chain stores, and follow along with those stores' international expansion.

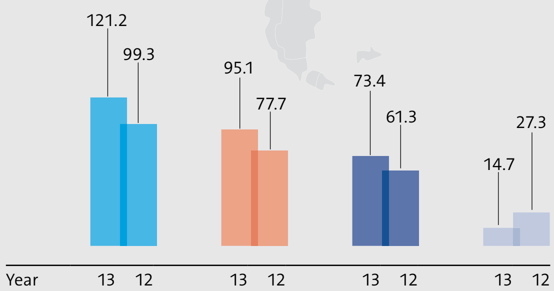
LOCAL SALES

The main body of our marketing and sales work is undertaken locally, but the model varies between subsidiaries, geographical markets and product areas. Sales is primarily carried out through our own companies, but the Group also works through agents, distributors and wholesalers to reach other markets. Sales activities are targeted both indirectly towards the specifier stage and directly towards the end customer. In spite of the limited market growth in recent years, Fagerhult's sales have increased more than those of our competitors. By increasing the penetration of the product areas in certain markets or by adding new segments in other markets, our aim is to continue to grow organically. New acquisitions also provide the opportunity to increase our exposure to new, growing markets.

NET SALES PER BUSINESS AREA, MSEK

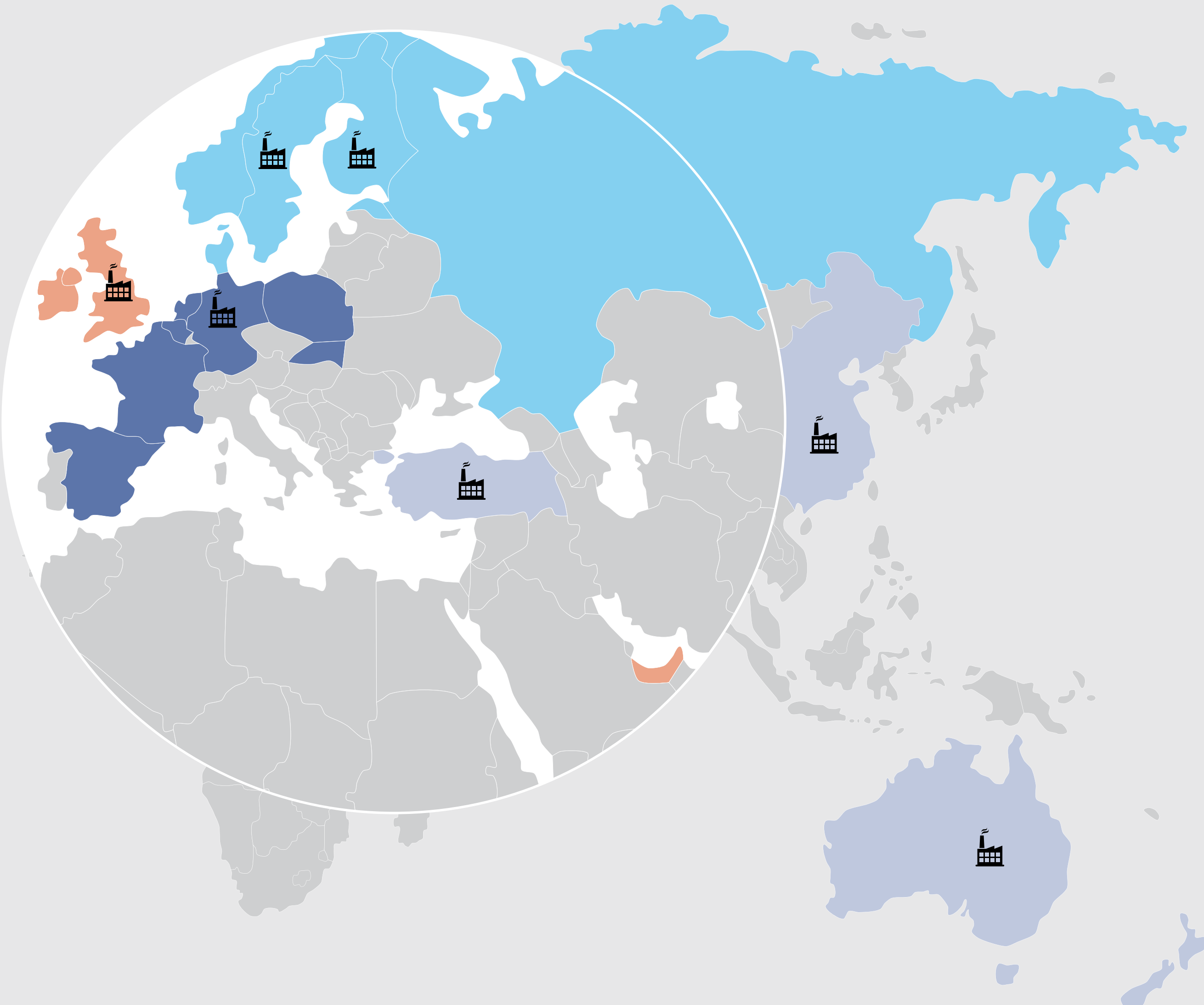


OPERATING PROFIT PER BUSINESS AREA, MSEK



Northern Europe · UK, Ireland and the Middle East · Rest of Europe · Asia and Australia

Fagerhult has subsidiaries in 20 countries with operations divided into four business areas. Together with our representatives and distributors, we reach a total of about 40 markets around the world.



BUSINESS AREAS – SUBSIDIARIES

Northern Europe
Sweden
Norway
Finland
Denmark
Russia
Estonia

UK, Ireland and the Middle East
UK
Ireland
United Arab Emirates

Rest of Europe
Germany
Netherlands
France
Spain
Poland
Slovakia
Belgium

Asia and Australia
China
Australia
New Zealand
Turkey[1]

1) Turkey is not included in the annual report for 2013.

MANUFACTURING

Sweden:	Habo, Åhus
Finland:	Iittala
Germany:	Tettnang
UK:	Manchester, Sutton
Australia:	Melbourne
China:	Suzhou
Turkey:	Ankara

INDOOR

The right lighting is an important factor for people in the workplace and in schools in order for them to enjoy themselves and maximise performance. The lighting in industrial premises is an important element of safety, while lighting systems in hospitals are subject to stringent hygiene requirements. Indoor Lighting is Fagerhult's largest product segment and today accounts for around two thirds of total sales.

PRODUCTS, SOLUTIONS AND BRANDS

Fagerhult's product portfolio covers a broad spectrum of luminaires and solutions and all of Fagerhult's operations develop, manufacture and market solutions implying that the varied product portfolio suits a wide range of professional interior environments. Such flexibility in what we can offer to our professional customers means that we are able to work with a high number of different customers and market segments. Our primary segments are:

- Office: Products and solutions for modern office environments.
- School: Lighting solutions specially adapted to educational premises, everything from classrooms to libraries.
- Hospital/Healthcare: Light fittings for examination rooms as well as lighting and supply systems such as panels for intensive care units and treatment rooms and dialysis columns.
- Demanding environments: Systems, applications and products for more robust environments, such as industrial manufacturing, transport, custodial institutions and secure care. These solutions are developed and manufactured by Fagerhult's niche brands, Designplan and I-Valo.

MARKETING, SALES AND CLIENTS

Products and solutions for professional indoor lighting are offered in all of the various geographical markets in which Fagerhult operates. The allocation of sales and customers into segments, for all three product areas, is based on a profound knowledge of the local market. The applicable sales model does, however, differ somewhat between the product areas. For Indoor, the complexity of the process means that several parties need to be approached. Sales efforts are partially indirect in nature, directed towards the specifier stage, which has a significant amount of influence on the products and solutions finally chosen to be used in building projects. For projects that are turnkey contracts or partnership projects, Fagerhult is often involved in producing a solution for the electrical consultant, based on a functional description. However, a certain amount of sales are also made directly to the end customers and on some markets sales are made via agents, distributers and wholesalers. Indoor's sales decreased by 5 percent during the year.

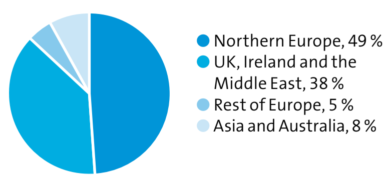
DEPENDENCY ON THE GENERAL ECONOMIC CLIMATE

Among Fagerhult's product areas, Indoor is the last to respond in any given economic cycle, and generally follows the development of the construction industry.

INDOOR'S SHARE OF THE GROUP'S TOTAL NET SALES

65 %

INDOOR'S NET SALES SPECIFIED PER BUSINESS AREA



The Aldar Properties' headquarters received an award for its futuristic design at the Building Exchange Conference in Spain.

ALDAR PROPERTIES IN ABU DHABI, UNITED ARAB EMIRATES

UNIQUE, BEAUTIFULLY-LIT OFFICES

Aldar Properties' head office is the world's first circular office building – a unique architectural landmark. The creators of this exceptional building are the architects MZ & Partners, together with the consulting engineers Arup, whose previous work includes the Sydney Opera House and Beijing Olympic Stadium. The headquarters are a work of concrete and steel with recycled glass facades swathed in diagonal steel mesh. Fagerhult takes great pride in having played its part in the development of Abu Dhabi's skyline. Fagerhult's supporting role in the project included lighting design, energy efficiency calculations and delivering lighting that accentuated the building's extraordinary shape. Fagerhult's tailored solution for the project included luminaires from both Fagerhult and Whitecroft, including the installation of 9,000 of Fagerhult's recessed Indigo, specially-adapted to naturally blend in with the 110-metre high building, and 1,000 of Whitecroft's LED-downlight Concert. Given the lighting solution presented and that the luminaires were manufactured at the Group's production facilities in Sweden, the UK and China, the project can be considered a good example of the possibilities for combining different brands and leveraging the Group's collective resources. The lighting solution generates an elegant complement to the architecture on each floor, while simultaneously ensuring that the offices are attractive to view from a distance. The lighting solution scores highly according to exacting LEED standards (energy classification system for buildings) and reduces the building's energy consumption.

DNB'S HEAD OFFICE IN BJØRVIKA, CENTRAL OSLO, NORWAY

FUTURISTIC SPACES WITH A VIEW

DNB is Norway's biggest and one of the Nordic countries leading banks. Fagerhult lighting illuminates the bank's head offices, 85,000 square metres comprising three futuristic workspaces, restaurants and meeting areas, including two auditoriums. The new offices have been built to meet today's requirements for modern, flexible workspaces for the bank's 4,200 employees. Fagerhult's Avion luminaire provides excellent direct and indirect light over the desks, with an elegant flow of light in pure white. This comprehensive lighting project was also tailored to make use of several other luminaires from Fagerhult, each adding its own effect to the overall lighting concept.

NEW UNITED NATIONS BUILDING IN COPENHAGEN, DENMARK

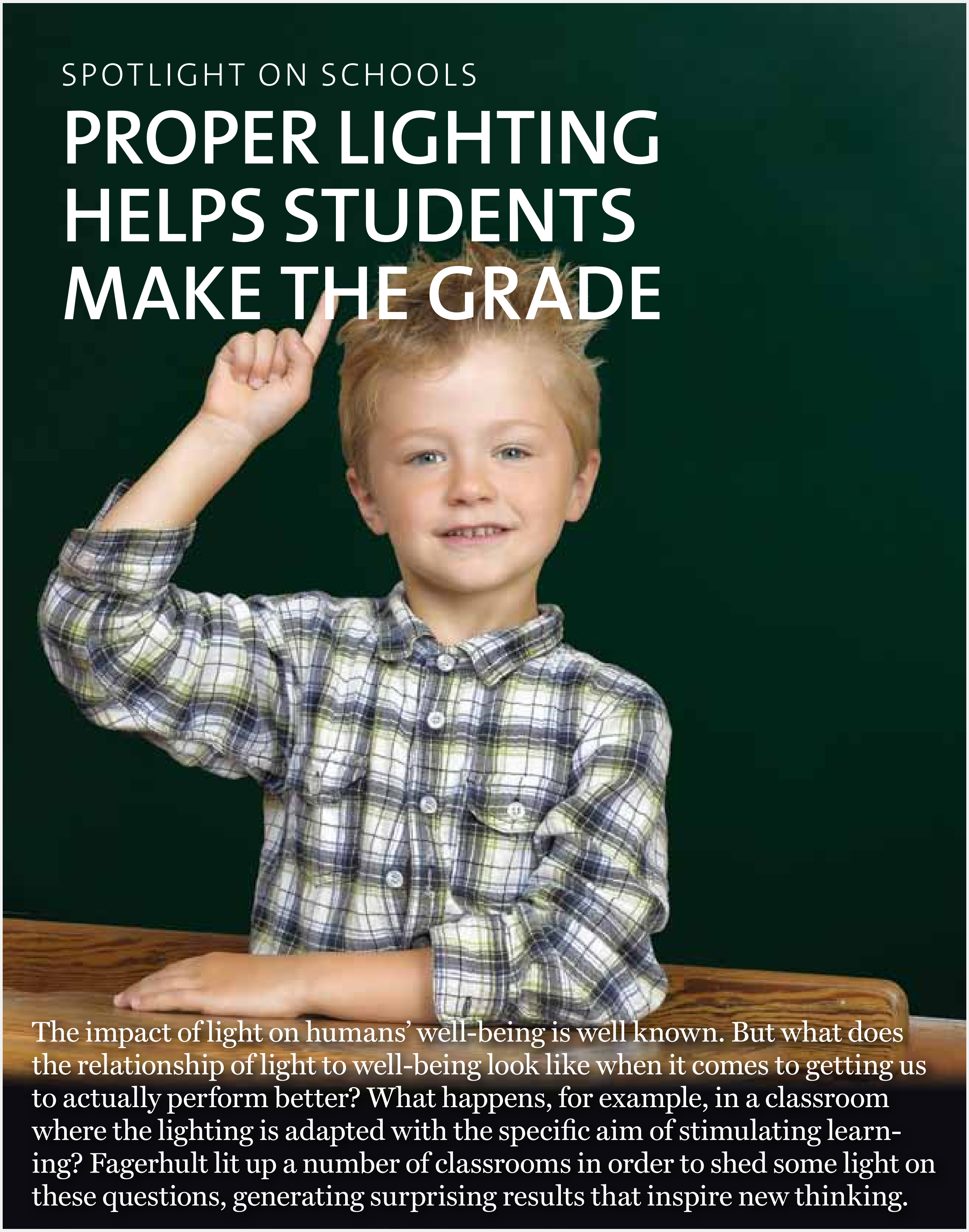
SPECTACULAR GREEN UN CENTRE

In July 2013, the Secretary-General of the United Nations Ban Ki-Moon and Queen Margrethe of Denmark officially opened this star-shaped UN building, located on its own small island at Marmormolen (Marble Pier) in the Nordhavn harbour area of Copenhagen. The building is already considered iconic and has won awards for its green profile. A total of 45,000 square metres of workspace for 1,200 employees makes this building the 6th largest UN centre in the world, and the star-shaped building now houses all of the Danish functions of the UN. The building's eight "arms" are home to the various organisations of the UN and meet at the centre, symbolising openness at all levels in a unified organisation.

The building was constructed with a high green profile and a plan to reduce energy consumption and lower carbon dioxide emissions. As a result, the building received the prestigious EU Green Building Award for New Buildings in 2012. The UN City, as it is known, is classified as Energy Class 1, meaning that it should consume less than 50 kWh per square metre per year. Rainwater is used to flush the toilets, all material is locally produced, harbour water cools the building and heat is generated from solar panels located on the roof. The centre has also been classified in the highest category possible according to LEED standards – the international energy classification system for buildings. The sustainable lighting solution delivered for the building was provided by Fagerhult, employing luminaires including the recessed and pendant version of the linear Notor, a tailored version of Ray and the round, opal shaped Pozzo. For functional lighting, numerous solutions were utilised, both from Fagerhult and our partner, Simes.

SPOTLIGHT ON SCHOOLS

PROPER LIGHTING HELPS STUDENTS MAKE THE GRADE



The impact of light on humans' well-being is well known. But what does the relationship of light to well-being look like when it comes to getting us to actually perform better? What happens, for example, in a classroom where the lighting is adapted with the specific aim of stimulating learning? Fagerhult lit up a number of classrooms in order to shed some light on these questions, generating surprising results that inspire new thinking.

When the "third receptor" on the retina was discovered a little more than a decade ago, the direct relationship between well-being and access to light was proven, once and for all[1]. The receptor is in direct contact with the part of brain governing our circadian rhythm, as well as our biological clock, with the excretion of the sleep hormone melatonin and the stress hormone cortisol, which give us energy. Previously centred around the visual effects of light, that is, the importance of sufficient light for the ability to read and work, research has now broadened to look more closely at two further dimensions: the emotional dimension relating to how we experience space and light, and the biological dimension regarding the way light controls our state of alertness.

Natural light as a model for ambient light

The light we find in nature in the sky and on the horizon comprises our primary reference of a good light source as it provides the eye's retina with the greatest possibility of achieving a high level of light intake. Nature's light is, thus, an important source of inspiration in finding an optimal combination of direct and indirect man-made light. In other words, producing a type of light that not only provides direct lighting within a work area, but also creates ambient light as reflections of indirect light from walls and ceilings generate a feeling of natural light.

Studies showing that ambient light gives us energy and that it makes us feel and perform better, raise the question of what positive effects this type of light could have in an educational environment. We already know that proper lighting conditions in the classroom are one of the most important aspects in developing a creative, educational environment. But the question is how significant classroom lighting actually is. In order to investigate this question further, Fagerhult, together with Lund University and University College London, undertook a yearlong field study (2008–2009) in a junior school in London.

Studies confirm the positive stimulation effect of proper lighting

The purpose of the field study was to investigate how a classroom with more ambient light impacts the students' general well-being and learning capacity. The experimental classroom was illuminated with ambient light of approximately 300 lx on the ceiling and wall surfaces, and one fixture of about 500 lx on the desk. In order to optimise energy consumption, the lighting was also equipped with an absence and daylight control system. The students' performance, degree of alertness and well-being were studied continually throughout the year with the help of interviews and cortisol measurements. The results where subsequently compared with the results of students who spent the year in a classroom with standard lighting.

The outcome was remarkable. Largely without exception, the students in the experimental classroom felt better and worked better. The adapted ambient light also contributed to decreased levels of melatonin, which made many of the students more energetic even during the darkest periods of the year. At the end of the school year, it was clear that the majority of the students in the experimental classroom had improved their results in math, reading and writing during the year.

Bargain with big energy savings from LED

Inspired by these results, Fagerhult later (2012) investigated how LED light, in the same manner, can stimulate learning and general well-being. Further cooperation with Lund University was initiated, this time focusing on a high school in Helsingborg. The half-year-long study had an additional purpose: to investigate how LED lighting in the experimental classroom, also at the same effect as T5 lighting tubes, could provide both better light and lower energy consumption.

This time, as before, the outcome was unanimously positive. The students in the LED classroom gave witness of the experience of becoming increasingly awake until lunchtime, after which time they had good levels of alertness throughout the remainder of the school day. The students in the other classrooms, however, experienced decreased levels of activity and energy as the day went on. These experiences were confirmed by measurements of the students' cortisol levels.

In the LED classroom, another positive, not entirely insignificant, effect could be seen: lower energy consumption compared with the other classrooms, at a difference of 13 percent.

1) 2002 by David Berson, Brown University, Providence, RI; USA

WHAT IS AMBIENT LIGHT?

Natural light is our point of reference for a type of light that makes us feel good. When we're outdoors, light is reflected from all directions, from the horizon and up towards the sky, and is distributed over a very large surface, which helps the eye's retina ability to utilise the light. The qualities of natural light also serve as the starting point for Fagerhult in the development of new lighting solutions and the important ambient light – that is, the development of the optimal illumination of walls and ceilings.

COUNT ON AMBIENT LIGHT

The vertical average illuminance of the four walls

+

The horizontal average illuminance of the ceiling and on the work surfaces (reference surface)

/6

=

The illuminance of the ambient light in one room

DID YOU KNOW?

Studies show that the most positive effects on a person's level of alertness, well-being and performance are achieved at 100cd/m^2 on the walls, with a horizontal illuminance of 500 lux on the desk. The value of 100 cd/m^2 seems to be the optimal level for the vertical environment's light – consider, then, that the normal level of light in an average office is often three to four times lower.

RETAIL

Increasingly, retail lighting is being developed to create attractive environments profiling the brand while stimulating the consumers' purchasing behaviour. Retail grew by ten percent during the year and is Fagerhult's second largest product segment. It comprises approximately one third of net sales – and has the potential to grow in pace with the chain stores' expansion.

PRODUCTS, SOLUTIONS AND BRANDS

Various solutions are offered for specific retail concepts and for national and international chain stores. The solutions offered under Fagerhult's own brand are aimed, primarily, at larger chain stores with strong brands within fashion and food retailing. LTS, which is a major actor in the German market, is more focused on showrooms and the store concept, but at a smaller scale.

MARKETS, SALES AND CLIENTS

Products and solutions for retail lighting are offered in the majority of the markets in which Fagerhult is active, but to varying degrees. LTS and Fagerhult generate the majority of Retail's sales, which means that Retail has a strong presence in LTS's home market, Germany. Fagerhult has a strong position within Retail in the Nordic market, as well as a good geographic reach outside its home market, primarily in Russia, the UK, France and Holland. The international expansion within Retail also goes hand in hand with the Fagerhult Group's major global clients. Other companies offering solutions within Retail to a lesser extent are Whitecroft in the UK and the newly acquired company Arlight in Turkey.

Fagerhult's business in retail lighting has developed through the years. Originally selling solutions to individual and largely local shops, sales are today primarily aimed at those responsible for concepts at major international fashion chains like Nike. Fagerhult often supplies proposals for how lighting can best be integrated into retail interior concepts. There is also price pressure in the retail lighting market, which is primarily based on a number of spotlights lighting up shelves.

Fagerhult's sales take place directly to the client, while the German LTS differs from other companies in the Group and primarily sells indirectly via wholesalers.

Retail's sales increased by ten percent during the year, primarily in Germany, the UK and France.

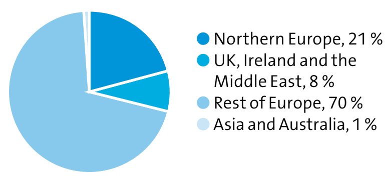
DEPENDENCY ON THE GENERAL ECONOMIC CLIMATE

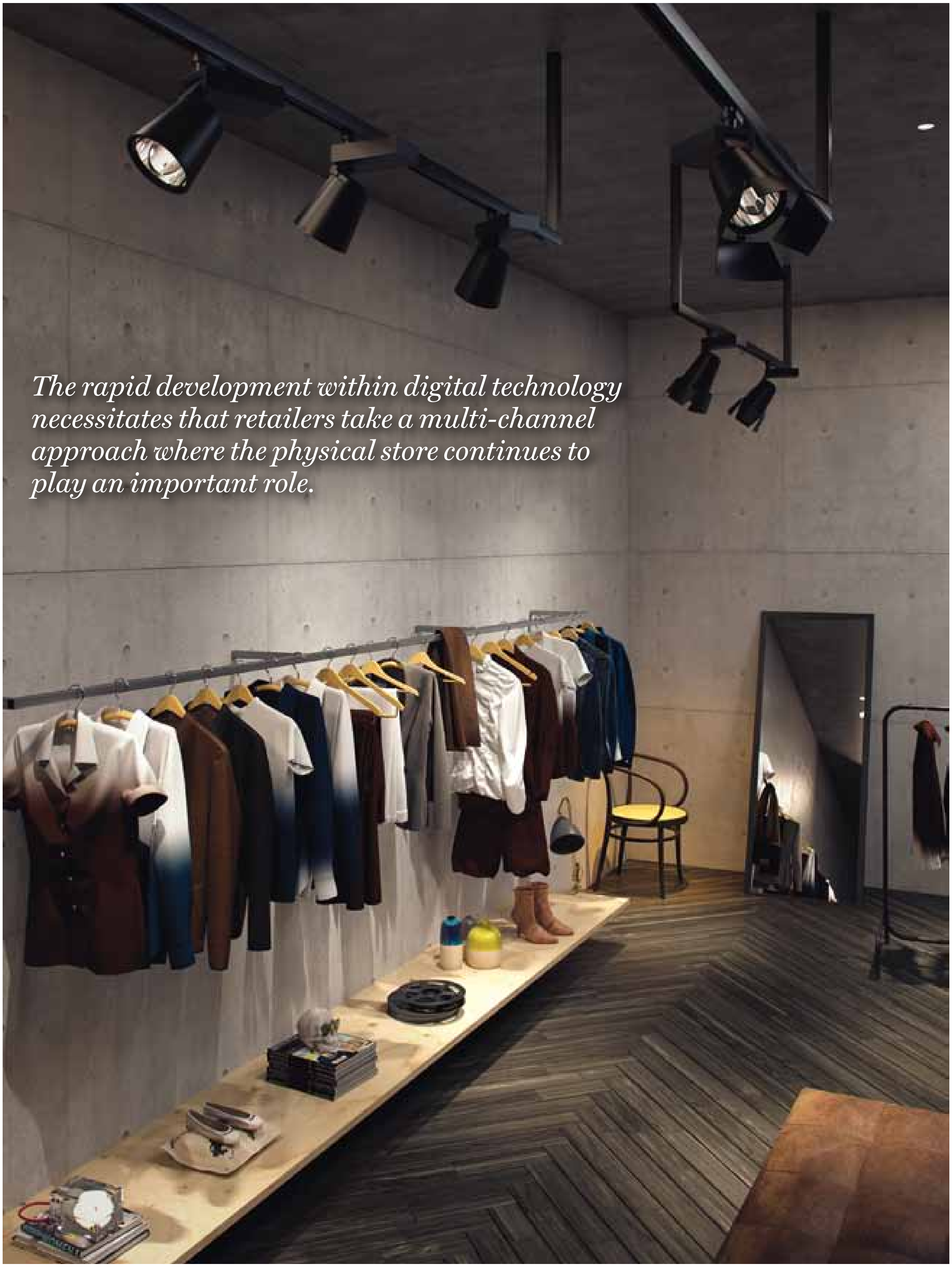
The retail industry can be found at the earlier end of the economic cycle, which means that Retail is normally the first product segment to react to a recovery.

RETAIL'S SHARE OF THE GROUP'S TOTAL NET SALES

29%

RETAIL'S NET SALES SPECIFIED PER BUSINESS AREA





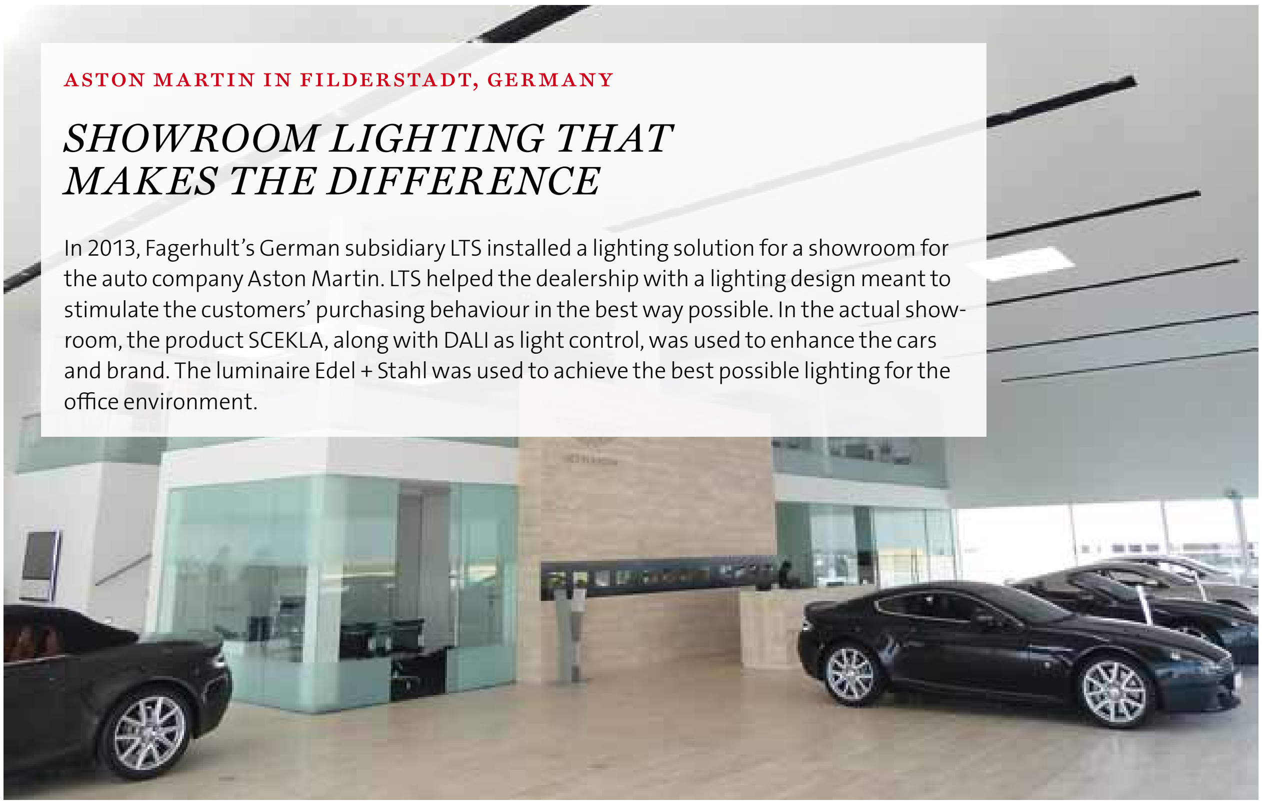
The rapid development within digital technology necessitates that retailers take a multi-channel approach where the physical store continues to play an important role.

NIKE

Visual lighting experience in stores all over Europe

During a number of years, Fagerhult has been the lighting partner of Nike. In 2013, Fagerhult delivered solutions to more than 40 Nike stores and, during recent years, to a total of more than 100 stores throughout Europe. Nike has a number of different store concepts requiring different lighting solutions.

One of the concepts which Fagerhult delivered is based on the customer feeling that they are standing in a school gym in the 1960's. The light concept for the stores is based on contrasts, shadows and accent lighting aimed at providing an interesting visual experience and creating a commercial shopping environment. Nike has a requirement that the lighting solution must decrease energy consumption and, thereby, decrease operating costs. Consequently, Fagerhult's concept is based on a stringent design using energy efficient and well thought through lighting and, at the same time, providing an interesting visual experience. When cylinder shaped spotlights were chosen, Fagerhult's fixture, Marathon, was the perfect choice, together with Pleiad Power. Above the cash registers, sensational, pistachio green pendant fixtures were installed, which are well suited to the store atmosphere.



ASTON MARTIN IN FILDERSTADT, GERMANY

SHOWROOM LIGHTING THAT MAKES THE DIFFERENCE

In 2013, Fagerhult's German subsidiary LTS installed a lighting solution for a showroom for the auto company Aston Martin. LTS helped the dealership with a lighting design meant to stimulate the customers' purchasing behaviour in the best way possible. In the actual showroom, the product SCEKLA, along with DALI as light control, was used to enhance the cars and brand. The luminaire Edel + Stahl was used to achieve the best possible lighting for the office environment.

VOLT

CONTRASTS INSPIRE FASHION-CONSCIOUS MEN

The Norwegian brand Volt targets young, fashion-conscious men. Casual as well as party clothes and shoes are offered to these customers, and it is important for Volt that the retail space is inspiring at the same time that it stimulates purchases. Volt has a retail presence in Norway and Sweden, and is part of the Norwegian Varner Group. Throughout the year, Fagerhult has delivered lighting solutions to over 20 stores and plans are in place to deliver many more in the coming years. More information about the Varner Group is available on page 35.

The lighting concept developed for Volt's stores is dark and, at the same time, luxurious with sharp contrasts. The stores are made up of two parts, Library and Magasin. In the Library section, customers can find jeans and casual clothes. This part of the store should bring to mind a venerable English library, with old-fashioned design elements that convey a sense of quality and British gentlemen's fashion. As a result, Library's lighting concept is all about pendant and decorative lighting. Genuine materials – crystal chandeliers, banker's lamps in brass and green glass – frame the retail space and help create a genuine store environment.

In Magasin, the other part of the store, customers find the more formal selection, such as suits. The Magasin section should inspire a more modern and trendy atmosphere, which is why the lighting is more restrained in its design.

The solutions for both Library and Magasin are dynamic and LED is used in Volt's most profiled stores.

RETAIL

STORE CONCEPTS THAT ENHANCE THE BRAND

Clothes are expressions of our identity, and selling clothes is becoming more and more about building a brand and selling experiences. There are few tools as effective as light when it comes to creating the right mood and atmosphere in a shopping environment. By constantly improving the store concept – everything from smaller adjustments to entirely new concepts – the brand, too, is perceived as interesting, flexible and modernised. That is exactly what Cubus wanted to achieve with its store in Sandvika outside Oslo.

Clothing retailer Cubus wanted to strengthen the already clearly established identity of its store in Sandvika outside Oslo. With the motto "More is more" as its starting point, Fagerhult Light Agency, together with Fagerhult's On Demand Design team, took on the task of allowing creativity and light to flow in a manner that would enhance the shop's overall atmosphere and contribute to lower energy consumption. On the basis of LED technology, Fagerhult produced a changeable and creative lighting solution that was in perfect harmony with the contents of the store's respective sections. Customers visiting the underwear department, for example, are welcomed by an elegant framework of white chandeliers, combined with discrete spotlights recessed into the ceiling. Meanwhile, the Telescope Aqua, a luminaire with a body of opal acrylic cups and matte white plastic ends, exudes a pattern of playful light over the children's clothes. This solution is repeated in and around the colourful fitting rooms, where Telescope Aqua is paired with lamps from the NUD Collection, in order to create the proper atmosphere for customers trying on clothes. All of this is controlled by the smart control system DALI to achieve the highest level of energy effectiveness.

THE BRAND THEATRE EXPERIENCE – A CREATIVE JOURNEY

We offer our clients guidance and advice regarding the ways in which different lighting solutions can complement and enhance their brand's personality. Through the campaign "The Brand Theatre Experience," we, along with the client, describe our creative journey towards defining the most suitable lighting concept in a real and visual manner. The starting point is a comprehensive understanding of the brand and the "story" associated with it, which instils a great sense of creativity among our light designers and can result in a genuine brand experience, where the lighting sets the scene. No less important is the understanding of the target group – the store's customers, their preferences and what controls their purchasing behaviour. We also closely monitor trends within store concepts and include these insights in the conceptual work process. The client's various wishes and demands, concerning such topics as energy efficiency, are also important inputs. The creative process is subsequently initiated with discussions resulting in a flow of ideas. "Mood boards" and sketches identify and capture the feeling that the lighting concept should create and serve as a framework for ideas and inspiration. When a concept has been chosen, a solution consisting of suitable products, light sources and colouring is presented to the client. We also offer a Life Cycle Cost analysis to help compare the new installation with the old, in order to provide the client with a framework for assessing the payback time of the investment, maintenance costs and energy consumption.

The Fagerhult Light Agency is the team working with conceptual lighting design at Fagerhult Retail. It is our group of experts who, with creativity and innovation, create new intelligent lighting concepts complementing or adding emotion to a brand and store concept. The Fagerhult On Demand Design (O.D.D.) team gathers extensive knowledge of the latest technology and construction techniques in order to provide clients with tailored solutions. The team is made up of employees with a variety of expertise from different parts of the Fagerhult Group, such as China, Belgium, and Sweden, who work closely with the client to develop product solutions for specific shop concepts or special fittings.

BRIEF COMMENTS ON VARNER GROUP AND CUBUS

The Varner Group is a Norwegian fashion group based in Billingstad, near Oslo. The Varner group consists of 12 different store concepts, including Cubus, Bik Bok, Dressman, Carlings and Volt. Varner Group has approximately 1,200 shops in the Nordic and Baltic countries, in Germany and in Poland. Varner Group builds, or rebuilds, 140 shops per year. Fagerhult Retail is responsible for the lighting design of a number of these projects.

NEW TRENDS IN RETAIL ENVIRONMENTS…

Flexible and dynamic environments
– fewer generic shops

Frequently changing clothing collections or moving around products within the store enhances the sense of an updated brand.

Selling experiences
– see and experience fantastic things

Retail space is increasingly being considered to comprise a stage on which the brand and shop concept can reach staggering new heights, where the physical and online environments can merge.

The pop-up trend
– quick and unrefined

Temporary shops that open anywhere and in any which way. The owners want to create a hype so that the customers notice and talk about the experience and the brand. Many such concepts are characterised by raw and industrial aesthetics.

Pastoral and genuine
– longing for a more down-to-earth life style

A high-speed and globally connected environment galvanises interest in small-scale production and local origins – the return and revitalisation of the urban and local shop owners.

OUTDOOR

It is ever more important for cities to direct their attention to, and emphasise the importance of, security and safety, while creating attractive outdoor environments. At the same time, requirements placed on energy efficiency and reduced environmental impact are expanding. Outdoor lighting is currently the smallest product segment. In order to increase sales, the brand Fagerhult is launching a number of new products in 2014.

PRODUCTS, SOLUTIONS AND BRANDS

Fagerhult's outdoor lighting solutions include not only solutions in close vicinity to buildings, such as facades, roofs, parking places and public spaces, but also various solutions for city and park lighting, including roads, bridges and tunnels. Of the Group's various brands, it is primarily Fagerhult and Ateljé Lyktan that offer fittings and solutions for outdoor use. The solutions offered by the more niched brand, Designplan, are suitable for more robust environments, as they are made to resist weather damage and vandalism, and include outdoor lighting. Fagerhult also offers a variety of outdoor products from third parties. In 2014, the Fagerhult brand is making a more aggressive effort within Outdoor by launching a new product line produced in close partnership with architects. For more information, please refer to page 39.

MARKETS, SALES AND CLIENTS

Products and solutions for outdoor use are offered on each of Fagerhult's geographical markets. Sales activity has, so far, been focused on the Nordic markets.

The sales model for Outdoor is similar to that of Indoor, as it is more complex and involves several parties. The activities target municipalities owning parks and streets, as well as large clients, or private owners of public space surrounding buildings. The specifier stage that is, the consultants and various entrepreneurs that municipalities contract, have to be tended to simultaneously. Public procurements are also an important channel, in which contractors or energy companies have specified the proper solutions and products.

Outdoor's sales decreased by seven percent over the course of the year.

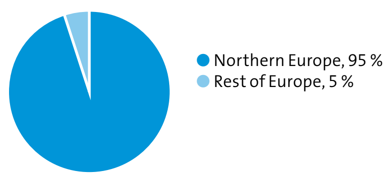
DEPENDENCY ON THE GENERAL ECONOMIC CLIMATE

The product segment Outdoor is found in between Indoor, which is more late-cycle, and Retail, which most rapidly follows the market's recovery.

OUTDOOR'S SHARE OF THE GROUP'S TOTAL NET SALES

6%

OUTDOOR'S NET SALES SPECIFIED PER BUSINESS AREA



KAPTENSBRON MALMÖ

LIGHTING THAT CATCHES THE EYE

Malmö City decided to tear down the old Kaptensbron ("Captain's Bridge"), which was over 50 years old and in dire need of renovation, and to replace it with a new bridge. Kaptensbron is Malmö's busiest pedestrian and bicycle path. Approximately 10,000 bicyclists and pedestrians cross it each day. The light fixture was developed in a collaboration between Esbjörn Jonsson and Berit Restad, Lokal XXX Arkitekter AB – Johan Moritz, Malmö City – Composite Design and Ateljé Lyktan. Carbon fibre was used to maintain the shape and to build the 6-metre high pole. Using LED was the obvious choice not only in terms of sustainability and maintenance aspects, but also in terms of design, as the process of working with tiny technical parts allows for a greater freedom of creative expression.

TELENOR, BERGEN, NORWAY

A tailored spotlight solution

Telenor is the largest telecoms service provider in Norway, and one of the leading telecoms service providers in the Nordic region. When Telenor decided to upgrade its offices in Bergen, the 10-year-old building was revitalised with a new exterior lighting solution, created through a collaboration between Designplan and Fagerhult's sales company in Norway. The building has prominent wood panelling, and the company wanted a spotlight with a wide distribution angle, while stressing the importance of installing fixtures consistent with the style of the previous lighting.

A new spotlight version, with a distribution angle of 36 degrees, was developed specifically for this project. In total, 46 fixtures were delivered, requiring 20 metres of power line per fixture, as the pipes had to be placed inside the wall. The client was very pleased with the solution, and will continue to use Fagerhult as its supplier of additional fixtures when they need to be replaced. For Fagerhult, this is a good example of the ways in which we harness expertise across our companies and brands to provide customised solutions.

NEW PRODUCTS IN 2014

Flexible light for a vivid street

In 2014, Fagerhult is launching a new range of flexible streetlight fixtures designed to create safe and visually attractive city and housing environments. These streetlights are all about people. We need lighting to be able to see what is going on in the street and to be able to act in case of emergency.

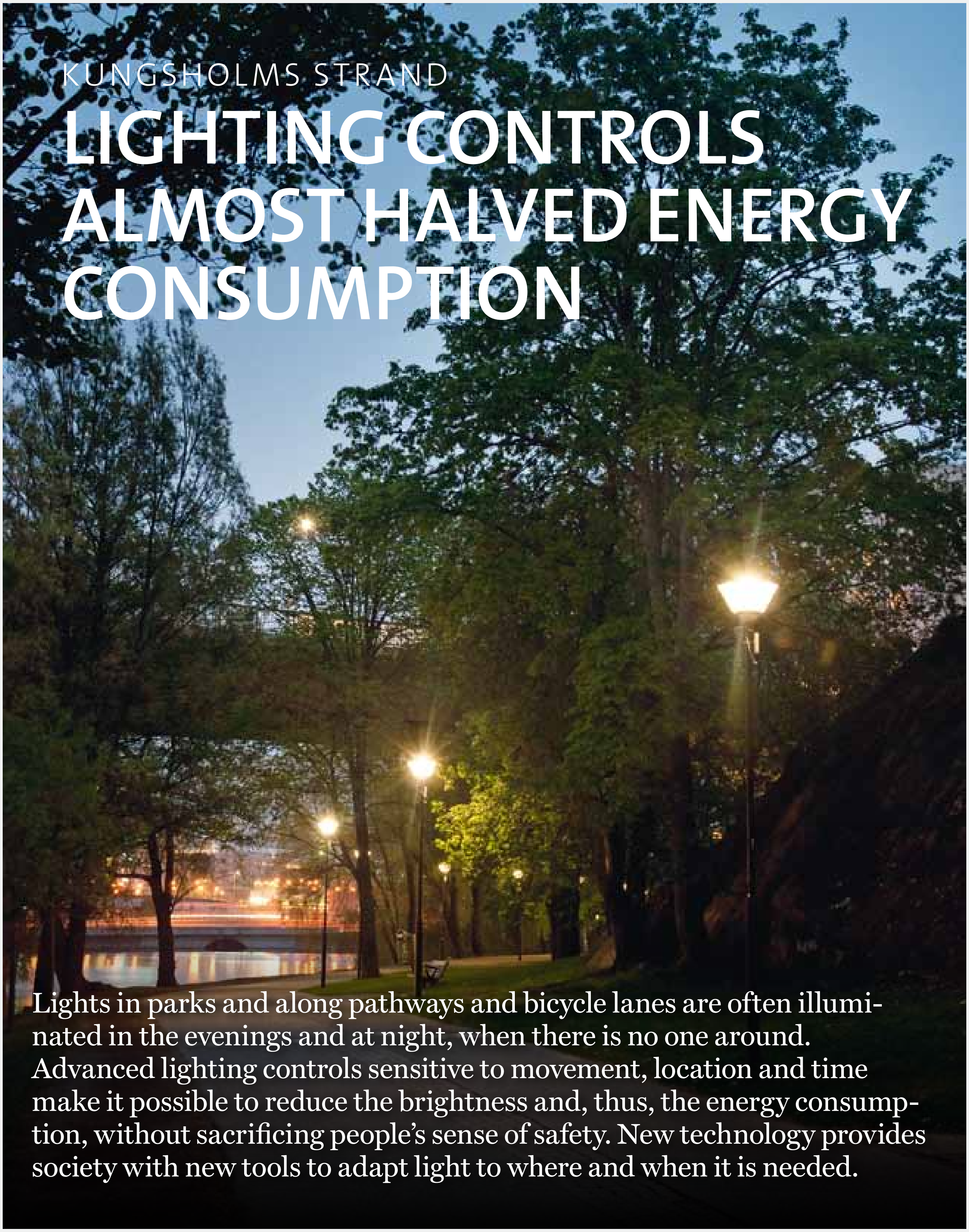
Furthermore, the demand for safer city environments is constantly increasing. Lighting, by itself, cannot decrease criminality – but the presence of other people can. That is why it is so important to properly illuminate urban environments.

Lunova

Lunova is one of the Fagerhult brand's newly developed LED fixtures intended for parks, schoolyards, playgrounds and other open areas where the lighting needs to provide a safe and welcoming atmosphere with a high level of visual comfort. The product will become available during 2014.

Vialume

The fixture, Vialume 1, is the first product of a product line that will be launched in 2014 and that has been developed based on the Nordic design tradition and an organic design language. Its advanced LED technology can be further optimised with the help of lighting controls. Vialume 1 results in energy savings of up to 40 percent and, at the same time, decreases maintenance, compared with traditional light sources. The product is manufactured in Sweden and is the result of a close collaboration between Fagerhult and the consulting firm, ÅF Lighting.



KUNGSHOLMS STRAND

LIGHTING CONTROLS ALMOST HALVED ENERGY CONSUMPTION

Lights in parks and along pathways and bicycle lanes are often illuminated in the evenings and at night, when there is no one around. Advanced lighting controls sensitive to movement, location and time make it possible to reduce the brightness and, thus, the energy consumption, without sacrificing people's sense of safety. New technology provides society with new tools to adapt light to where and when it is needed.

In autumn 2012, Kungsholms strand in Stockholm conducted a study. The City of Stockholm funded the technical infrastructure needed, and the Swedish Energy Agency partly financed the project through Sust (Sustainable Innovation), who also coordinated the project. Harita Undurty Surya and Efi Stragali of the light laboratory at the Royal Institute of Technology's (KTH) conducted the study. Fagerhult participated in the project, along with the system supplier, Tritech, by developing LED fixtures and intelligent control systems, while also contributing valuable competence.

Climate smart energy efficiency

The goal of the project was to trigger a more rapid introduction of energy efficient lighting solutions, primarily for pathways and bicycle lanes, through technological development and demonstration. Light control is to result in substantial energy savings without disregarding people's sense of comfort. Moreover, the fixtures' energy effectiveness acts to reduce emissions of carbon dioxide, nitrogen dioxide, sulphur dioxide and airborne particle pollutants. It also reduces the light's impact on plant and animal life, as well as the level of light pollution, such as sky-glow and undesirable scattered light.

Five light scenarios were evaluated

In total, 34 LED fixtures were adapted and installed along a pathway and bicycle lane along 750 metres of Kungsholms strand in order to test and evaluate five different light scenarios. One scenario studied different strategies for controlling individual fixtures, such as advanced motion sensors dimming the light when there was no one walking by. The system was decentralised and integrated in each fixture's machinery, meaning that each fixture is autonomous, and, thus, did not require major investments or changes in infrastructure. The technical evaluation was then, through surveys and interviews, compared with how people experience safety and visual quality.

40 percent energy savings

The evaluation showed that it is possible to reduce energy consumption by 40 percent without impacting people's sense of comfort. The trick was to allow the first light posts on the path to be fully lit at all times, as before, but to allow occupancy detectors to adjust the light posts further ahead. As a pedestrian approached these posts, the light intensity would increase from the low level of brightness (such as 50 percent) to being fully lit. A few light posts behind and ahead of the pedestrian would also be at full intensity, so that the pedestrian would not notice anything. A minute later, the light would dim back down to a lower level of intensity, as the person on the path gradually leaves that area behind. The study shows that this method worked exceptionally.

The challenge ahead is to make it more cost efficient to introduce the solution at full scale. Doing so would provide Stockholm and other municipalities with a foundation and a set of strategies for introducing motion controls in parks and streets. In the parks and along the public pathways of Stockholm, there are approximately 50,000 light sources consuming approximately 14 million kWh per year.

Fagerhult's post luminaire, Azur, was used for the project.

ENGAGED EMPLOYEES ARE KEY TO OUR SUCCESS

It is our employees' expertise, commitment and drive to innovate that enable Fagerhult to successfully meet a changing environment and achieve our desired position. In total, there were about 2,200 employees in Fagerhult Group at the end of 2013.

Creating a sense of participation, motivation, commitment and job satisfaction among our employees is not only fundamental to Fagerhult's success. It is also our responsibility as an employer.

As a knowledge-based Company, our employees' competencies and skills are of paramount importance to achieving our business objectives, in both the short and the long term. Critical success factors are to insure that our employees understand what is expected from them, and to provide them with the best opportunities to develop and grow in harmony with the business.

AN ATTRACTIVE EMPLOYER

The balancing act of operating a global Company, with employees and customers working at a local level, requires a lot of Fagerhult as an employer. By clearly protecting the local perspective and the entrepreneurial drive and commitment, we strive to be an employer that reflects the needs of each market. At the same time, we find it important to highlight the strength of a global organisation and the exciting development opportunities that this gives our employees.

Whether it's about developing solutions for existing lighting systems or for the future, the work takes place at the forefront of technological development. We foster a work environment that is characterised by pride and a strong team spirit through and through, along with a range of soft values that, in many ways, are made possible by our non-hierarchical and open organisation, with direct channels for contact and communication. A clear growth agenda, with the stated ambition of continuing to move from being a European market leader toward becoming a global player to be reckoned with, is evidence of a Fagerhult planning for an exciting future.

LEADERSHIP BASED ON SOLID CORE VALUES

Fagerhult's corporate culture rests on solid ground and is based on the core values of Customer Focus, Performance Culture and Innovative Mindset. Relevant and easy to understand, these values are well anchored throughout the organisation. Moreover, there is an on-going effort to further concretise what these terms mean, in order to reinforce their importance in the employees' daily work.

Over the years, a great deal of effort has been made to strengthen leadership and ensure that conditions are conducive to making the right priorities. In 2014, we take the next step in implementing a Group-wide leadership framework by developing internal leadership programs. We understand, from experience, the value of combining the local entrepreneurial perspective with the benefits of large-scale operations. Using this model, we now intend to direct our attention toward the various ways in which leadership can play a role in bridging these two components of our strategy to improve collaboration, and develop synergies, between our local and global operations. One important aspect will be to see the value of a greater exchange of knowledge between the fellow subsidiaries. Another will be to systematise Talent Management by improving such aspects as the ability to capture an individual's skills and aspirations, and the awareness surrounding development opportunities offered throughout our international organisation. The goal is for each employee to have a clear dialogue with his or her manager, in which they can discuss and follow up on individual development.

AN EYE FOR TALENT

Making connections with future talent is the key to supplying the organisation with competence. Participating in external activities at selected colleges and universities provides us with opportunities to create an interest in Fagerhult's business and to establish ourselves as an employer offering good opportunities for an interesting future. Managing competence is also about recognising talent among our existing employees. The opportunity for employees to grow in their positions and develop within Fagerhult is to be positive in every possible manner, and our aim is to promote increased job rotation and encourage employees to advance to new positions internally.

Generally, it is also important to accelerate networking between our fellow subsidiaries. Our internal events Global Innovation Forum and Global Purchasing Forum serve as good examples of this effort, as they successfully bring together employees from various fellow subsidiaries to discuss some of our most strategic challenges.

Fagerhult Lightning Academy is the knowledge centre that collects our accumulated expertise and research. The Academy also plays an important role in integrating employees coming in through acquisitions, as it provides a forum for

Marie Peterson is Customer Relations Manager at Fagerhult in Habo, Sweden. Employed since 1981, she knows the Company history well. Today, she is primarily responsible for customer visits and tours of our production facility.

learning, while also helping to map and identify new key and core competencies.

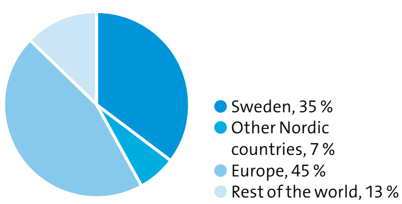
DIVERSITY AND EQUALITY

Our belief is that we, with women and men of all ages and with different backgrounds and experience, create a more innovative workplace. It is self-evident to us that women and men should have equal opportunities for development and advancement, as well as equal pay for equal work. Gender distribution at the end of 2013 for the Group was male/female 67/33 percent.

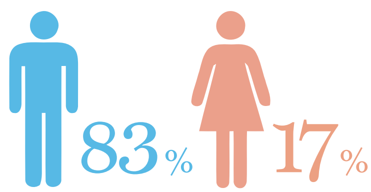
RESPONSIBILITY IN FOCUS

Taking responsibility as a Company is central for us—without compromise. A guideline to our approach to these issues is compiled in a Code of Conduct which all employees are to adhere to. The Code of Conduct describes our position on matters such as working conditions, diversity and equal opportunity, our perspective on our environmental responsibilities, and the ways in which we relate to differences between countries with respect to laws, conventions, and other regulations impacting our business. The Code of Conduct is also communicated to business partners, with the expectation that they, too, will abide by it. In summary, these are issues that are always topical, meaning that work with the Code must continue in order to ensure that each of the fellow subsidiaries have these issues on their agendas. Moreover, a whistleblower function has been created to make it as easy as possible to alert us if there are irregularities in our business, or in the operations of any of our business partners. More information about important employee issues can be found in Fagerhult's Sustainability Report for 2013.

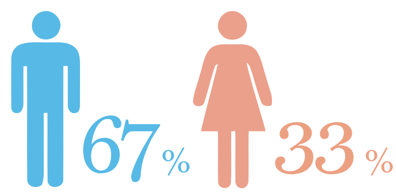
PERCENTAGE OF EMPLOYEES PER GEOGRAPHICAL MARKET



MEMBERS OF THE BOARD AND SENIOR MANAGEMENT BY GENDER



EMPLOYEES BY GENDER



INTERNAL MOBILITY WITHIN FAGERHULT

LEADS TO GLOBAL CAREER OPPORTUNITIES

Managing competence within Fagerhult involves attracting new talent, as well as creating opportunities for our existing employees. We aspire to promote increased job rotation and encourage our employees to consider new positions within the Group.

Carolyn Bromley, Anna Nordstedt and Peter Jang Lund – three employees who have chosen to broaden the scope of their competence through new positions within the Group.

Carolyn Bromley

I.C.T. support and Test Engineer at Eagle Lighting

Education: IT technician
Number of years at Fagerhult: 16

How did your journey begin?
It started back in 1997 at Whitecroft Lighting in England. Starting in Customer Service, I stepped over to the IT side, and an exciting project to implement a new IT system, in 2002. Doing so gave me an understanding of the possibilities within IT, and left me wanting more. Only a few years later, I became IT manager. When my husband and I decided to move to Australia in 2009, there was a vacant IT manager position at Eagle Lighting in Melbourne. I applied and got the job!

A major source of support during my career has been the opportunity to continually sharpen and broaden my skills through a series of training courses, not only in IT, but also in other areas.

What do you do to spread knowledge between fellow subsidiaries?
Sharing knowledge and experience among the various subsidiaries is natural to me. With the help of video conferencing and Skype, we can basically wipe out the distance between us. Having worked at two subsidiaries, I can also add that, in my experience, we have come a long way in building a common culture, regardless of the companies' specialisation and geographic location.

Anna Nordstedt

Purchasing Manager at Eagle Lighting

Education: Master of Science in Ergonomic Design & Production
Number of years at Fagerhult: 6

How did you end up at Fagerhult?
I was doing my thesis when I accidentally saw an advertisement for Fagerhult's trainee program. To top it all off, it was the day before the deadline! But I applied and was fortunate to be accepted to the program.

Can you describe your journey within the organisation?
The trainee program started in 2008, and I immediately became involved in various projects, including the implementation of flow assembly in Habo. In addition, I had the opportunity to spend six months at Eagle Lighting in Australia, which is also my current workplace. I really value my time as a trainee, as it gave me a unique foundation to build upon. Besides all of the different projects I was able to participate in, I obtained an understanding of how the organisation is structured, and I also established a large network.

After the trainee period, I started at Outdoor within Fagerhult, first in as Project Support and later as Production Manager, in charge of our third-party catalogue. In 2012, my Australian-born partner started thinking about moving back home, and we decided to try our wings in Melbourne. I contacted Eagle Lighting, and it turned out that they had a vacant Purchasing Manager position, which I was offered.

Peter Janglund

Operations Manager at Eagle Lighting

Education: Master of Science in Mechanical Engineering
Number of years at Fagerhult: 10

How did you end up at Fagerhult?
Above all, I saw an opportunity to combine my interest in technology and business. In addition, Fagerhult's rich history and market leadership felt attractive and exciting. When a vacancy in the Purchasing Department in Habo appeared, I was quick to apply.

What has your journey been like?
In my first year, I worked with technical procurement in Habo and one part of this work was to develop a supplier base in China, which gave me a good understanding of managing purchases in the Asian market. When Fagerhult decided to develop its own operations in China, I had the opportunity to follow along to build the procurement function on-site. After four years as Sourcing Director in China, I continued the journey south and have been working as Operations Manager at Eagle Lighting in Melbourne, Australia, since 2009.

What is your view on the development opportunities within the Group?
Fagerhult is a fantastic Group to work in because the development opportunities are so good. As new companies, often in completely new markets, are continually joined to the Group, we operate in a truly international environment. An innovative and entrepreneurial spirit really permeates the organisation and creates an environment offering many interesting career paths.

How has your international experience enriched you?
The opportunity to work in different countries and meet other cultures is extremely enriching, both professionally and privately. This type of experience undoubtedly provides a broader perspective on most things, as well as important insights about similarities and differences in cultures. The ability to communicate with each other is, of course, essential, not least in the common effort to build a strong set of values that unite us – no matter where in the world we find ourselves.

THE FAGERHULT SHARE

Fagerhult's share was listed in May 1997 and is traded on the Mid Cap list of the NASDAQ OMX, Stockholm. Market capitalisation at year-end amounted to approximately SEK 2.8 billion.

SALES AND TRADING

The Company's stock symbol is FAG and its ISIN code is SE0000379844. One lot corresponds to one share. In 2013, the share's total trading volume on NASDAQ OMX in Stockholm was 0.7 million shares, at a combined value of SEK 129 million, representing approximately 100 percent of the share's total sales. Average number of shares traded per trading day was about 2,743, representing a value of SEK 517,000. An average of approximately 8 trades were made per day.

LIQUIDITY WARRANTY AGREEMENT

In 2012, an agreement was signed with Carnegie in order to, within the framework of the Stockholm Stock Exchange's system for liquidity warranties, increase sales of Fagerhult's share.

SHARE DEVELOPMENT

The closing price of the Fagerhult share on December 31, 2013 was SEK 224.50 per share, representing a market capitalisation of approximately SEK 2.8 billion. The price of the Fagerhult share increased by 35 percent in 2013. During the same period, the NASDAQ OMX Stockholm PI increased by 20 percent. The highest closing price was noted on 27 December at SEK 227 and the lowest on 13 June at SEK 165. The average share price for the year was SEK 186.

Total return on the Fagerhult share, i.e. price development including the reinvestment of dividends of SEK 6.50, was 41 percent.

EQUITY

At the end of the year, Fagerhult's share capital amounted to SEK 65.5 million (SEK 65.5m), divided into 12,850,000 shares with a nominal value of SEK 5.10 per share. All shares have equal voting rights and an equal share of the Company's earnings and capital.

At the Annual General Meeting on 18 April 2013, it was resolved that the Company is to receive the opportunity to purchase its own shares. This option has not been exercised in 2013. The number of treasury shares amounted to 238,000 and the number of shares outstanding to 12,612,000. The number of treasury shares as a percentage of total shares amounted to 1.9 percent. The Board of Directors proposes to the Annual General Meeting that the Board's right to purchase own shares extend until the next General Meeting.

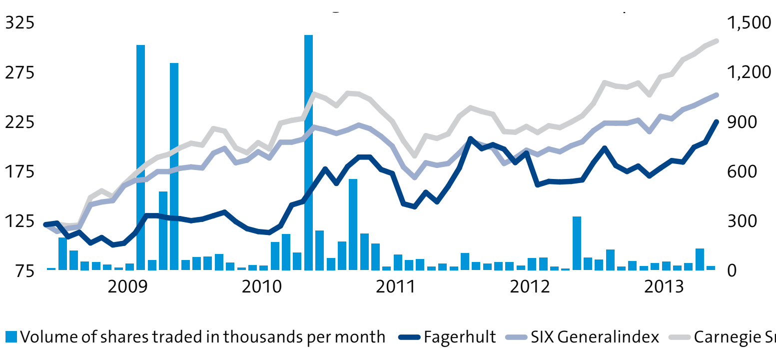
OWNERSHIP STRUCTURE

At the end of the year, Fagerhult had 3,292 (3,326) shareholders. The largest single shareholder was Investment AB Latour and SÄKI AB, in which the Douglas family are the main shareholders, with combined holdings of 49.0 (49.0) percent of capital and votes in the Company, based on the number of shares outstanding. The eight largest shareholders accounted for 80.4 (79.4) percent of the capital and voting rights of the shares outstanding. Foreign shareholders' holding amounted to 12.7 (13.0) percent.

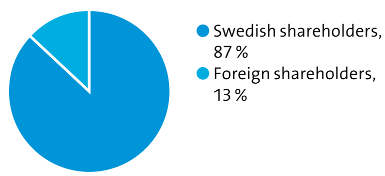
DIVIDENDS

Fagerhult intends to distribute 30–50 percent of consolidated net income. At this dividend level, the Board is considered to have cash flows satisfactory enough to finance expected future investments. The Board proposes a dividend of SEK 7.25 (6.50) per share, representing a yield on the share price on 31 December 2013 of 3.2 (3.9) percent.

THE FAGERHULT SHARE'S FIVE-YEAR DEVELOPMENT



OWNERSHIP DISTRIBUTION



OWNERSHIP STRUCTURE (AS OF 31 DEC 2013)

Shareholder	No. of shares	Share capital and voting rights. %
Investment AB Latour	3,976,800	30.9
SÄKI AB	2,200,000	17.1
The Svensson family, foundation and company	945,525	7.4
Lannebo Fund	883,162	6.9
SSB CL Omnibus AC	870,325	6.8
Robur Small business fund	518,659	4.0
SEB Asset Management	375,000	2.9
Fourth Swedish National Pension fund	369,981	2.9
The Palmstierna family	285,770	2.2
NTC Fidelity Funds	193,887	1.5
SEB Funds	183,325	1.4
Stiftelsen Stockholms Sjukhem	150,000	1.2
Other owners with 10,001 – 100,000 shares (36 owners)	694,692	5.4
Other owners with 1,001 – 10,000 shares (163 owners)	397,168	3.1
Other owners with up to 1,000 shares (3,081 owners)	567,706	4.4
AB Fagerhult, re-purchased shares	238,000	1.9
Number of shares at year-end	**12,850,000**	**100.00**

SHARE TURNOVER

Year	2009	2010	2011	2012	2013
Volume of shares traded, millions	3.7	2.4	1.7	0.8	0.7
Value of traded shares, MSEK	451	325	297	150	129
Average volume of shares traded/trading day	14,558	9,294	7,150	3,366	2,743
Average value per trading day	1,798	1,284	1,231	601	517
Turnover rate, %	28	19	14	7	5
Highest price paid during the year, SEK	135.50	161.00	193.00	219.50	227.00[1]
Lowest price paid during the year, SEK	99.50	106.50	130.00	155.00	165.00[2]

1) Paid 27 Dec 2013
2) Paid 13 June 2013

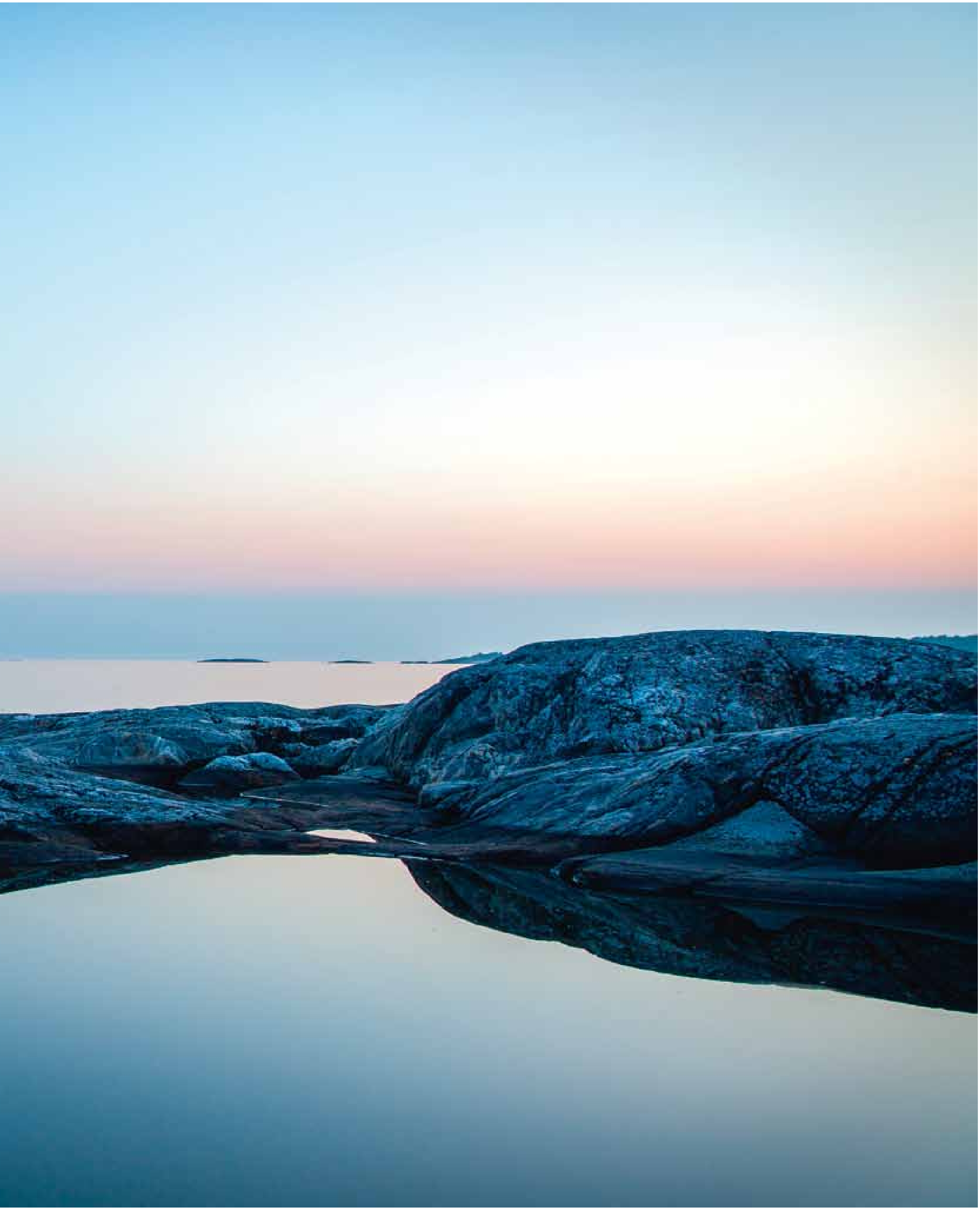
DATA PER SHARE

Year	2009	2010	2011	2012	2013
Earnings per share before dilution, SEK	5.87	7.49	16.43	12.61	14.48
Dividend per share, SEK	3.00	3.50	6.50	6.50	7.25[1]
Share price 31 Dec, SEK	127	161	160	166	225
Dividend yield, %	2.4	2.2	4.1	3.9	3.2
Equity per share, before dilution, SEK	56.88	57.25	68.52	73.57	81.65
Cash flow per share, before dilution, SEK	17.06	8.59	20.00	18.82	17.53

1) Proposed dividend
2) Cash flow from operating activities

WITH A HUMAN PERSPECTIVE

Human and environmental impact is central to our entire business operations and is the foundation for our sustainability initiative. We combine innovation and expertise with a wealth of experience in creating lighting solutions that make people feel good – visually, biologically and emotionally. We believe in responsibility and sustainability – for customers, employees and future generations.



Five-year overview

Profit/loss items (MSEK)	2009	2010	2011	2012	2013
Net sales	2,436	2,506	3,023	3,085	3,095
(of which outside Sweden)	(1,735)	(1,805)	(2,294)	(2,302)	(2,369)
Costs of goods sold	–1,672	–1,737	–2,013	–2,108	–2,087
Gross profit	**764**	**769**	**1,010**	**977**	**1,008**
Selling expenses	–498	–475	–534	–580	–560
Administrative expenses	–172	–155	–184	–178	–184
Other operating income	10	14	26	32	14
Operating profit	**104**	**153**	**318**	**251**	**278**
Financial income	16	17	10	4	2
Financial expenses	–15	–35	–42	–41	–33
Profit after net financial income/expenses	**105**	**135**	**286**	**214**	**247**
Balance Sheet items (MSEK)					
Intangible assets	475	928	1,008	975	1,048
Tangible fixed assets	320	350	344	339	333
Financial fixed assets	19	21	28	23	23
Inventories, etc.	302	436	453	445	525
Accounts receivable	363	448	540	495	577
Other current assets	40	79	105	89	66
Cash and cash equivalents	197	208	306	257	249
Total assets	**1,716**	**2,470**	**2,784**	**2,623**	**2,821**
Equity	717	722	864	928	1,030
Pension liabilities	42	42	83	60	62
Deferred income tax liabilities	55	63	64	60	64
Other non-current interest-bearing liabilities	459	1,006	1,169	953	1,013
Other non-current non-interest-bearing liabilities	9	–	–	–	–
Non-current interest-bearing liabilities	2	115	29	117	59
Non-current non-interest-bearing liabilities	432	522	575	505	594
Total equity and liabilities	**1,716**	**2,470**	**2,784**	**2,623**	**2,821**
Key ratios and data per share					
Sales growth, %	–12.1	2.8	20.6	2.1	0.3
Growth in operating profit, %	–61.7	46.7	107.7	–20.8	10.3
Growth in profit after net financial income/expenses, %	–59.7	28.6	112.8	–25.3	15.5
Operating margin, %	4.3	6.1	10.5	8.2	9.0
Profit margin, %	4.3	5.4	9.5	6.9	8.0
Liquid ratio, %	45	33	51	41	38
Net debt/equity ratio, %	43	132	113	94	86
Equity/assets ratio, %	42	29	31	35	37
Capital employed, MSEK	1,220	1,885	2,145	2,058	2,163
Return on capital employed, %	9.8	11.0	16.3	12.2	13.3
Return on equity, %	10.4	13.1	26.3	17.8	18.7
Net debt, MSEK	305	955	975	874	885
Net investments in fixed assets, MSEK	90	83	66	92	65
Depreciation of fixed assets, MSEK	75	84	89	85	88
Number of employees	1,881	1,926	2,228	2,192	2,204
Shareholders' equity per share, SEK	56.88	57.25	68.52	73.57	81.65
Earnings per share, SEK	5.87	7.49	16.52	12.61	14.48
Dividend per share, SEK	3.00	3.50	6.50	6.50	7.25[1]
Cash flow per share, SEK	17.06	8.59	20.00	18.82	17.53[2]
Number of outstanding shares, thousands	12,612	12,612	12,612	12,612	12,612
Average number of outstanding shares, thousands	12,612	12,612	12,612	12,612	12,612

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

In 2012, the accounting principles were changed following an amendment to IAS 19. The figures for the comparative years 2009–2010 in the table above have not been adjusted.

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 2013.

OPERATIONS

The Fagerhult Group is Scandinavia's largest, and one of Europe's leading, lighting groups. We develop, manufacture, and market professional lighting systems for public environments with a focus on design, function, flexibility and energy-efficient solutions. The Group has sales companies in 20 countries and manufacturing facilities in Europe, China and Australia.

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

CHANGES IN THE GROUP

During 2013, the Group acquired a total of 100% of the shares of I-Valo Oy, with its registered offices in Iittala, Finland. The company has been consolidated in the Group as of the third quarter of 2013. I-Valo manufactures luminaires and lighting systems mainly for industrial applications and harsh environments. In December 2013, an agreement was signed to acquire 100% of the shares in Arlight, Turkey. The acquisition was completed in early 2014. The acquisition of Arlight provides the Group with access to the dynamic Turkish market, as well as several interesting growth opportunities in the region. This acquisition also gives us access to a low cost manufacturing facility located near our large existing markets.

SALES AND INCOME

After a downturn in the market during the first half of 2013, the second half year was characterised by stable demand, followed by a gradual improvement. This improvement during the last six months of 2013 applied to all market segments, and we believe that our market share has improved during the year.

The Group's orders received amounted to MSEK 3,241.4 (3,121.7). Adjusted for currency effects and the acquisition of I-Valo, orders received increased by 5 % compared with the previous year. Net sales totalled MSEK 3,095.2 (3,085.1), which is an increase of 2 %, adjusted for currency effects and acquisitions.

Sales on the Swedish market comprised 23 (25) % of total sales. The Group's largest market for the year was the UK, which accounted for 24 (24) % of total sales.

Operating profit increased by MSEK 26.0 compared with the previous year, to MSEK 277.5 (251.5), in spite of lower sales figures and currency effects which negatively impacted profit by MSEK 20. A number of measures have been implemented during the year with the aim of improving the gross margin and decreasing fixed expenses, something which has had a positive effect on profit.

Retail Light grew by 10% during the year. Sales within Indoor Lighting decreased by 5% and within Outdoor LIghting sales declined by 7%. (All percentages have been adjusted for currency effects and acquisitions).

BUSINESS AREAS

Fagerhult has chosen to divide its operations into four business areas based on geographical regions, as well as one business area covering other activities: Northern Europe; UK, Ireland and the Middle East; Other Europe; Asia and Australia; Other

In accordance with IFRS 8, the external reporting has been adapted so that segment reporting reflects the Group's operative leadership structure. The reporting procedure also includes disclosures regarding the development of the previous business areas: Indoor Lighting, Retail Lighting, and Outdoor Lighting.

NORTHERN EUROPE

This business area is comprised of the Group's units and companies in the Nordic countries, the Baltic countries and Russia. This area also includes the factory in China, which engages in manufacturing and purchasing. In Sweden and Finland, operations are comprised of development work, manufacturing and sales, while operations in other markets, with the exception of China, comprise only of sales.

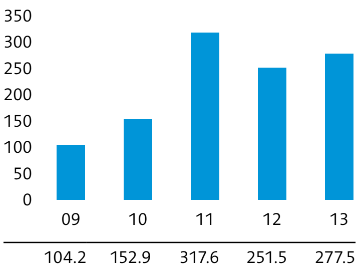
Net sales for 2013 amounted to MSEK 1,716 (1,686) which, after adjustments for currency effects and acquired operations, implies net sales are unchanged compared with 2012. The operating margin was 7.1 (5.9) %. The higher operating margin was a result of measures taken to cut costs and improve gross margins. Higher capacity utilisation in the Group's production facilities also contributed to the improved result. Currency effects of MSEK 15 negatively impacted profit in the Northern Europe segment during 2013.

UK, IRELAND AND THE MIDDLE EAST

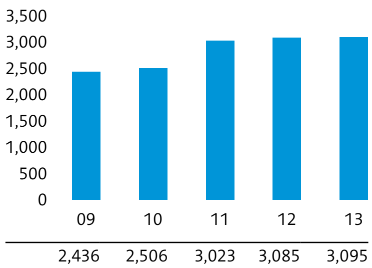
This business area comprises our companies in England and Ireland, as well as our operations in the Middle East. The dominant unit is Whitecroft Lighting, which engages in the development, manufacture and sale of lighting systems. The business area also includes the company Designplan Lighting Ltd, which was acquired during 2011. Other units engage in sales activities.

Net sales for 2013 amounted to MSEK 848, compared with MSEK 832 in the previous year, and the operating margin amounted to 11.2 (9.3) %. Adjusted for acquired operations and currency effects, sales

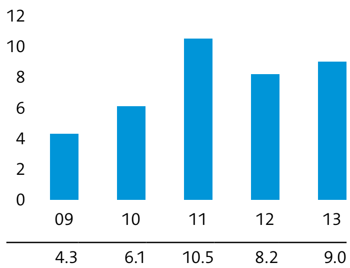
OPERATING PROFIT, MSEK



SALES, MSEK



OPERATING MARGIN, %



increased by 7%. Growth was positive in, among other markets, the Middle East, and as regards the Fagerhult brand in the UK.

OTHER EUROPE

This business area includes operations in Germany, the Netherlands, France, Spain and Poland. The dominant unit in the segment is the German company LTS Licht & Leuchten, which engages in the development, manufacture and sale of lighting systems.

Net sales for 2013 amounted to MSEK 737 (651) and the operating margin was 10.09 (9.4) %. Adjusted for currency effects, sales increased by 14%, which also contributed to the increased operating margin.

ASIA AND AUSTRALIA

This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken. The business area also includes a sales company in New Zeeland.

Net sales for 2013 amounted to MSEK 168 (228), which, adjusted for currency effects, comprised a decrease of 19% compared with 2012. The market was very weak during the first part of the year, but recovered during the latter part. The operating margin was 8.8 (12.0) %. The earnings trend is a result of low volumes in the first part of the year which was offset by reduced expenses.

FINANCIAL POSITION

The Group's equity/assets ratio at year-end was 37 (35) %. Cash and bank balances at the end of the period amounted to MSEK 249 (257) and the Group's equity totalled MSEK 1,030 (928). Net debt amounted to MSEK 885 (874). During the period, a dividend of MSEK 82 was paid and an acquisition of MSEK 84 was undertaken.

In recent years, the exposure of the Group's net assets outside Sweden has increased and, from previously referring only to sales companies, it now also refers to the entities with production facilities. In 2013, however, the impact of the translation of net foreign assets at the closing rate was limited and increased equity by MSEK 0.6 (decreased 26.2).

Cash flow from operating activities for the period January–December was MSEK 221 (237). The lower cash flow was a result of an increase in working capital at the end of the year due to increased sales.

Pledged assets and contingent liabilities amounted to MSEK 7.1 (6.9) and MSEK 1.7 (3.6), respectively, at year-end.

EMPLOYEES

During 2013, the average number of employees increased by 12 to 2,204 (2,192). Adjusted for acquired entities, the average number of employees decreased by 40, corresponding to 2 %. The number of employees in the Group's foreign companies amounted to 1,423 (1,380), which corresponds to 65 (63) % of the total number of employees. The proportion of women amounted to 33 (34) %. In order to strengthen the Group's knowledge capital, the Company has continued to focus on establishing goals related to the development of both the individual and the organisation.

In order to reduce absence due to illness, the Company's health care has focused on preventative measures and healthy living. For information on salaries and remuneration, refer to Note 2.

GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT

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

In 2012, a long-term incentive scheme was introduced, in the form of a performance-based share savings plan for senior management in effect during the period 2012–2015. A second plan was approved by the Annual General Meeting in 2013 and runs between 2013–2016.

The Board also proposes that the Annual General Meeting resolves on a third performance-based share savings plan for the CEO and senior management for the period 2014–2017. For further information, refer to the material enclosed with the notice of the Annual General Meeting, and to Note 2.

INVESTMENTS

The Group's gross investments in tangible fixed assets amounted to MSEK 65 (94), primarily referring to machinery and equipment. No investments have been made in new subsidiaries during the year, implying that this item, therefore, amounted to MSEK 84 (0).

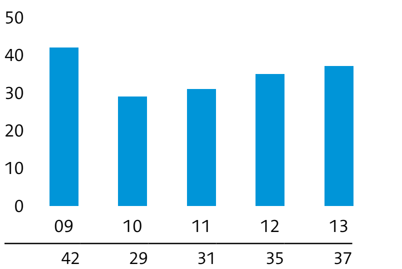
At year-end, current investments amounted to MSEK 12. Gross investments in intangible fixed assets amounted to MSEK 11 (9), excluding acquisitions of subsidiaries.

Depreciation/amortisation for the year amounted to MSEK 88 (85), of which tangible fixed assets constituted MSEK 74 (72).

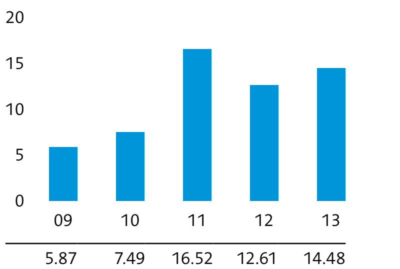
PRODUCT DEVELOPMENT

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

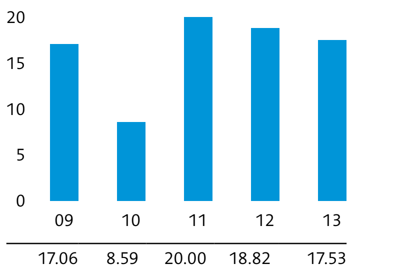
EQUITY/ASSETS RATIO, %



EARNINGS PER SHARE, SEK



CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK



Development costs of MSEK 10 (8) were capitalised in the balance sheet for the year. Other costs are expensed as they arise, see Notes 10 and 25.

ENVIRONMENTAL IMPACT

With the technology shift towards LED and intelligent controls, Fagerhult is contributing to significant improvements in energy efficiency in our customers' lighting solutions. Investment in product development related to the technological shift towards LED continues. The proportion of total sales accounted for by LED products has increased during the year and, in the fourth quarter, this amounted to over 30 %, compared with 12 % in the fourth quarter of 2012.

The Group's operations impact the external environment primarily through the evaporation of organic solvents into the air, and through noise pollution. Over the course of several years, targeted efforts have been made to minimise environmental impact, including the introduction of new coating facilities using alkaline washing processes and closed systems. Since 2010, the Group's Swedish plants have had very low emissions of CO_2 as they have been heated with heat from district heating plants mainly fuelled by biomass and all electricity has been generated through hydropower. Efforts to increase energy efficiency are on-going in all facilities. The Company's production facilities in Manchester Sutton in England, Suzhou in China and Habo, Åhus and Bollebygd in Sweden are environmentally certified according to ISO 14001. I-Valo Oy and Arlight, acquired in 2013 and 2014, are also certified according to ISO 14001.

Further information is provided in the section regarding the Group's sustainability work.

ACQUISITION OF OWN SHARES

The Annual General Meeting, held on 18 April 2013, authorised the Company to acquire its own shares. No acquisitions of the Company's own shares have been made. The Company's holding of own shares totals 238,000. The total number of outstanding shares was 12,612,000 at year-end. The Company owns 1.9 percent of its own shares.

The Board of Directors proposes that the Annual General Meeting resolve to grant the Board continued authorisation, until the next Annual General Meeting, to acquire the Company's own shares. As acquired shares do not provide an entitlement to dividends, they are excluded from the total number of shares in the proposed appropriation of profits stated below.

RISKS

A review of potential risks, including the manner in which these are managed, is found in Note 31.

THE FAGERHULT SHARE

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

For further information, refer to page 46–47, The Fagerhult Share and Ownership Structure.

APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD

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

PARENT COMPANY

Operations in AB Fagerhult consist of the management of the Group, the financing and coordination of marketing activities, production and business development. The Company's net sales amounted to MSEK 8.7 (8.7). Profit after financial items amounted to MSEK 133.1 (54.8).

There were 5 (5) employees during the period.

PROSPECTS FOR 2014

In recent years, the Group has had a strong sales and earnings trend through good organic growth, but also through acquisitions.

The weak business cycle in the construction sector negatively impacted profit during the first half of 2013. During the second half of the year, the prospects for our largest markets have, however, improved somewhat, and we have seen improvements in the lighting market. Company management is of the opinion that the market will continue to recover and improve during 2014, although with the reservation that the development of the market remains difficult to assess.

Of those markets in which Fagerhult is active, Indoor Lighting and Outdoor Lighting are situated late in the business cycle, while Retail Lighting comes in somewhat earlier. The assessment is that the recovery may draw out with time.

The Group intends to continue with its significant investments in product development and marketing, as well as to continue its focus on increased internationalisation.

The acquisitions of I-Valo, completed in June 2013, and of Arlight, completed in February 2014, are expected to have a positive effect on the Company's earnings per share during 2014.

PROPOSED APPROPRIATION OF PROFITS

The Group's profit brought forward, according to the consolidated balance sheet, amounts to MSEK 891.5 (790.2).

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

Profit brought forward	68.5
Net profit for the year	120.0
Total	188.5

The total number of dividend-bearing shares on 5 March 2014 amounted to 12,612,000, excluding repurchased shares. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders,	
SEK 7.25 per share	91.4
To be carried forward	97.1
Total	188.5

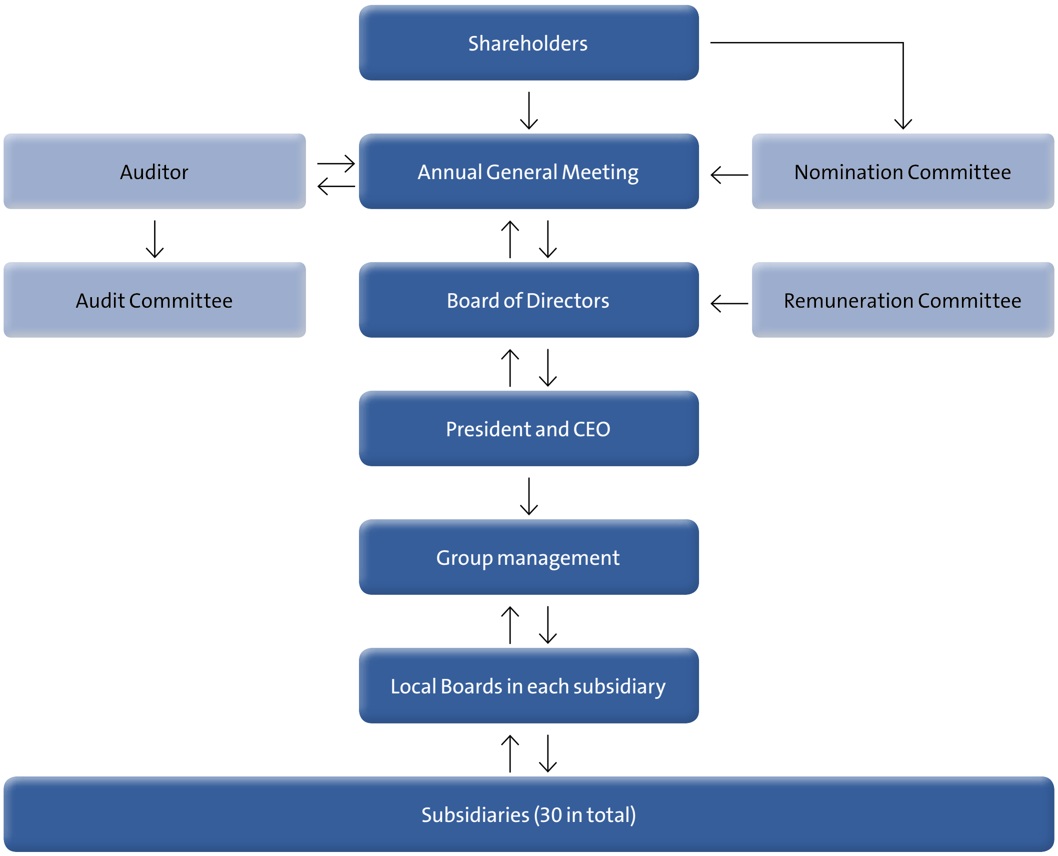
BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED DIVIDEND

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

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

Corporate Governance Report

Decentralised governance and decision-making is one of Fagerhult's strengths, and permeates the entire organisation. The objective of the Company's corporate governance is to ensure that this takes place 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 Fagerhult's confidence among stakeholders such as shareholders, customers, suppliers, capital markets, society and employees.



MAJOR EXTERNAL REGULATIONS

- Swedish Companies Act
- NASDAQ OMX Stockholm's regulations
- Swedish Code of Corporate Governance (the Code)
- Accounting Rules and Regulations

KEY INTERNAL REGULATIONS

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

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders' rights to decide on Fagerhult's affairs are exercised at the Annual General Meeting, or if appropriate, the Extraordinary General Meeting, which is the highest decision-making body.
The Annual General Meeting shall be held no later than six months after the end of the financial year and is usually held in April. At the Annual General Meeting, the shareholders elect the Company's Board of Directors and appoint external auditors, and decide on the remuneration due to the Board and auditors. Furthermore, the Annual General Meeting decides whether to adopt the income statement and balance sheet, approve the appropriation of profits and discharge the Board and CEO form liability. The Annual General Meeting also decides 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 amounted to 3,292. The largest individual shareholders are Investment AB Latour and SÄKI AB, in which the Douglas family are the main shareholders and whose total ownership participation is 49 percent. For more information on the ownership structure, capital, share price development, etc., please refer to the section on the Fagerhult share on pages 46–47 and to Note 29.

ANNUAL GENERAL MEETING 2013

The 2013 Annual General Meeting was held on 18 April in Habo. A total of 65 shareholders were present at the meeting, representing 72.1 percent of the votes. Minutes from the Annual General Meeting can be found on Fagerhult's website. All resolutions were made with the required majority. Below is a selection of the resolutions passed at the meeting:

– Resolution on the distribution of a dividend of SEK 6.50 per share.
– Anna Malm Bernsten, Eric Douglas, Björn Karlsson, Fredrik Palmstierna, Johan Hjertonsson, and Jan Svensson were re-elected to the Board of Directors. Eva Nygren withdrew herself from availability for re-election. Catherina Fored was elected to the Board as a new member.
– Jan Svensson was re-elected Chairman.
– Gustaf Douglas, Jan Svensson and Björn Karlsson were re-elected to the Nomination Committee. These individuals were granted the authority to appoint one or two new members.
– The Annual General Meeting resolved to introduce a performance-based share savings plan for senior management.
– The Annual General Meeting granted the Board of Directors authorisation to repurchase the Company's own shares, corresponding to a maximum of 10 percent of total share capital, for the period until the date of the next Annual General Meeting.

NOMINATION PROCEDURE

A Nomination Committee is formed each year at the initiative of the Chairman of the Board of Directors, and is subsequently appointed at the Annual General Meeting. The Committee shall comprise representatives of major shareholders in the Company. Board members can also serve as members of the Committee, but may not constitute a majority. The Chairman of the Board of Directors cannot serve as Chairman of the Nomination Committee. The Nomination Committee for the 2014 Annual General Meeting can be found in the table below.

The representatives of the Nomination Committee have broad and extensive experience of Board work and work in Nomination Committees.

The work of the Nomination Committee is undertaken during the end of the financial year and at the start of the new financial year. Prior to an Annual General Meeting at which auditors are to be appointed, the Nomination Committee cooperates with the Audit Committee, which works with the evaluation of the audit of the Company. The Nomination Committee is to consider the guidelines applying to independent members of the Board under the Swedish Code of Corporate Governance. Shareholders have the opportunity to provide written proposals to the committee.

EXTERNAL AUDITORS

The Company's auditor, elected at the Annual General Meeting, reviews Fagerhult's annual report and consolidated accounts, the management 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 accounting principles in Sweden.

At the Annual General Meeting 2013, PricewaterhouseCoopers were re-appointed as auditors, with Bo Karlsson as the responsible auditor. Bo Karlsson's major auditing engagements include SKF and Assa Abloy. He has no other engagements in companies that are associated with Fagerhult's major shareholders or CEO.

The auditor presented a personal report to the Board regarding the auditing engagement and the internal controls of the Group at a Board meeting held in February 2014.

Member of the Nomination Committee	Represents	Participation/votes:	Member of the Nomination Committee since
Gustaf Douglas (Chair),	Investment AB Latour	49.0 %[1]	1997
Jan Svensson	Investment AB Latour	49.0 %[2]	2008
Björn Karlsson	Svensson family	7.5%	1997
Göran Espelund	Lannebo Fonder	7.0%	2004

1) Holding through Investment AB Latour, where Gustaf Douglas with family and company are the main owners.
2) Holding including SÄKI AB.

The review of the Group's companies around the globe is coordinated by PricewaterhouseCoopers. All companies of significant scope are audited by PricewaterhouseCoopers in the respective company's country of domicile. For a handful of smaller companies, the audit is performed by another accounting firm.

THE BOARD OF DIRECTORS

BOARD MEMBERS

The Board of Directors resolves on matters concerning the Group's strategic focus, finances, investments, acquisitions, sales, organisational matters and rules and policies. The Board of Directors is kept abreast of the Company's operations through monthly reports provided by Company management. The Board of Directors currently consists of seven members elected by the Annual General Meeting, as well as two Board members and two deputy members chosen by the trade unions. Four (4) of the Board members represent ownership participations equivalent to 59 (59) percent of the Company's share capital and votes. The CEO is one of the members elected at the Annual General Meeting. With the exception of the trade union representatives, the CEO is also the only Board member employed by the Company. Company employees participate in Board meetings in a reporting capacity. The Company's CFO serves as the Board's secretary.

For further information concerning the Board members elected at the Company's Annual General Meeting, refer to the section concerning the Board of Directors on pages 60–61 of this Annual Report.

THE WORK OF THE BOARD

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

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

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

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

BOARD OF DIRECTORS' INDEPENDENCE

Fagerhult's Board meets the stipulation in the Code that a majority of the elected members are independent of the Company and its management, and that at least two of the members are independent in relation to major shareholders (i.e. ownership exceeding 10 %). See the table below. The Chairman of the Board, Jan Svensson, as well as Fredrik Palmstierna, are not considered independent, as they represent the main shareholder in their roles as CEO and Chairman of Investment AB Latour. Eric Douglas represents the Douglas family. With the exception of the President and CEO Johan Hjertonsson, 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 proposal. The CEO owns 77,815 shares in the Company, equivalent to an ownership participation of 0.6%, which is stated in the presentation of the Board and management on page 60–63. The holding is not classified as significant and the CEO has no ownership in companies that have significant business relationships with companies in the Fagerhult Group.

Board of Directors elected by the Annual General Meeting	Elected	Born	Remuneration	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	400,000	6,179,800*	No	Yes	5
Deputy Chairman, Eric Douglas	1993	1968	300,000	40,700*	No	Yes	4
Board Member, Anna Malm Bernsten	2003	1961	200,000	3,000	Yes	Yes	4
Board Member, Björn Karlsson	1997	1961	200,000	945,525*	Yes	Yes	5
Board Member, Catherina Fored	2013	1964	200,000	1,000	Yes	Yes	3
Board Member, Fredrik Palmstierna	1992	1946	200,000	285,770*	No	Yes	5
CEO, Johan Hjertonsson	2009	1968	–	77,815	Yes	No	5
Total			1,500,000	7,503,375 (59%)	4 (57 %)	6 (86 %)	5

* Sum total of directly and indirectly held Company shares and shares representing other owners.

THE WORK OF THE BOARD 2013

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

Important 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
– Evaluations and decisions regarding the acquisitions of I-Valo and Arlight
– Long-term financing
– Policies and instructions
– Interim reports and annual accounts
– Reports by the Board's committees
– Follow-up of external audit

EVALUATION OF THE WORK OF THE BOARD

The Board will ensure that its work is continuously evaluated through a systematic and structured process. This evaluation is initiated by the Chairman of the Board. The process includes, amongst other things, a questionnaire in which the members of the Board have the opportunity to express their opinion of the Board's work and to provide proposals concerning the manner in which this can be improved. The results of the evaluation are disclosed to the Board, followed by discussions and decisions regarding changes in working methods.

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

THE AUDIT COMMITTEE

The main duty of the Audit Committee is to audit the Group's accounting records and financial reporting, as well as to remain in continuous contact with the auditors and review their work plan and their remuneration. The Committee shall, furthermore, assist the Nomination Committee in its choice of auditors and their remuneration prior to the Annual General Meeting at which the appointment of auditors takes place.

In 2013, the Audit Committee comprised the entire Board, with the exception of the CEO. Over the year, the Committee has had one meeting with the Company's auditor. Five of the six Board members were present at this meeting.

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 be provided to the CEO, and to approve the CEO's proposal for salaries for the other members of senior management. Its duties also include supervising the remuneration to be provided to the Board members in the event that they are engaged by the Company's Board as consultants. The Committee also deals with any Group-wide bonus system and option programmes.

Decisions concerning remuneration for the CEO are resolved upon by the Board.

The Remuneration Committee consists of Jan Svensson (Chairman of the Board) and Eric Douglas (Deputy Chairman of the Board). The Committee has had one meeting over the past year, at which both members were present.

CEO AND GROUP MANAGEMENT

Fagerhult's President and CEO is responsible for leading and developing the operations following the guidelines and instructions issued by the Board. The framework of such guidelines and instructions is the terms of reference issued to the CEO, which are determined annually by the Board.

The CEO is assisted in this work by Group management, consisting of the Heads of business areas and staff units. The CEO, in consultation with the Chairman, 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 reports to the Board on the Company's development. The CEO leads Group management and makes decisions in consultation with other members of management.

The Group management has consisted during the year of the CEO, two regional business managers, two managers with functional responsibility within marketing and product development, production and logistics, the Group's CFO and the Director of Human Resources and Sustainable Development. Group management has at least six meetings per year during which it follows up the operations, discusses matters affecting the Group and drafts proposals for strategic plans and budgets, which the CEO presents to the Board to ratify. One longer meeting per year is held, during which the operations are planned and discussed in more detail.

MANAGEMENT OF SUBSIDIARIES

Fagerhult's operations are organised into four business areas. These include 30 subsidiaries. The operations of the respective subsidiaries are controlled by their Boards. The Boards of the subsidiaries consist of, among others, the Manager of the subsidiary, at least one business area manager and, in most cases, the Group's President. A formal work plan is established annually for each subsidiary, in which responsibilities and authorities are clearly delegated and where the work of the subsidiary's Board is governed.

Fagerhult has a decentralised structure, with a strong focus on responsibility and performance, which combines with clear, Group-wide processes to achieve synergies. The Company's approximately 100 senior managers and specialists meet annually for discussion, in order to reach a broad consensus on important issues.

CODE OF CONDUCT

Fagerhult's 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 shall 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 economic performance, concern for the environment, and social commitment

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

Fagerhult's Code of Conduct and Fagerhult's global presence demand that our employees and business partners take responsibility – for themselves and for each other. The Code clarifies Fagerhult's position on issues related to human rights, labour conditions, the environment, business ethics and communication. The Code covers all Fagerhult employees regardless of position. The Board and management have a particular responsibility to promote the application of the Code of Conduct. The Code is also communicated to all of Fagerhult's business partners with the expectation that it is complied with. Fagerhult shall act as a reliable and honest company that lives up to its commitments. Fagerhult believes in long-term business relationships in which we, together with our business partners, create a basis for strong economic performance, concern for the environment, and social commitment.

REMUNERATION TO THE MANAGEMENT AND BOARD

GUIDELINES FOR RENUMERATION

Remuneration to the CEO and other senior management consists of basic salary, variable remuneration, other benefits and pension. The distribution of payment between basic salary and variable remuneration is to be in proportion to the senior manager's responsibilities and authority.

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

LONG-TERM INCENTIVE SCHEME

In 2012, a long-term incentive scheme was introduced, in the form of a performance-based share savings plan for senior management. It is intended that three annual share savings plans should be implemented. The first plan was approved by the Annual General Meeting 2012 and runs between 2012–2015. The second plan was decided by the General Meeting 2013 and runs between 2013–2016.

The Board also proposes that the Annual General Meeting resolves on a third performance-based share savings plan for the CEO and senior management for the period 2014–2017.

For further information on guidelines for remuneration and the long-term incentive scheme, please refer to material enclosed with the notice for the Annual General Meeting. For additional information, see Note 2.

RENUMERATION TO THE BOARD

Fees payable to Board members are determined annually by the Annual General Meeting. Board members who are also employees of the Company receive no Board fees. No specific fees are payable for work in the committees other than the standard Board fee. In 2013, remuneration was paid in accordance with Note 2 on page 75.

RENUMERATION TO THE AUDITOR

In 2013, remuneration was paid in accordance with Note 23 on page 86.

INTERNAL CONTROL AND FINANCIAL REPORTING

The internal control is intended to ensure accurate and reliable financial reporting and accounting in accordance with applicable laws and regulations, accounting standards and other requirements for listed companies.

CONTROL ENVIRONMENT

The control environment is comprised of 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, authorities and responsibilities which are documented and communicated in governing documents. One example is the division of responsibilities between the Board and the CEO and instructions regarding the delegation of authority, as well as instructions applying to the accounting and reporting. Important internal control instruments include Fagerhult's Code of Conduct and values. The Code includes principles for the manner in which business is to be conducted. These values represent a long-term commitment and a common base connected to the business concept and strategies guiding employees in their daily activities. Fagerhult is characterised by a decentralised organisation based on goal-oriented management, where good performances are rewarded.

FINANCIAL REPORTING TO THE BOARD

The CEO is responsible for ensuring that the Board receives the reports required for its assessment of the Company's and the Group's financial position. Fagerhult's Board receives monthly financial reports and the Group's financial situation is discussed at each Board meeting.

RISK ASSESSMENT

Regarding financial risk assessment, the risks mainly relate to the potential for material misstatements in the reporting of the Company's financial position and results. To minimise these risks, governing documents have been established concerning accounting, procedures for annual reporting and follow-up of reported annual accounts. Fagerhult's Board regularly assesses reporting from a risk perspective. As a support for these assessments, income statement items and balance sheet items are compared with previous reports, budgets and forecasts. The risks identified in the financial reporting are managed by the Group's control structure.

In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting Fagerhult's business from an operational and financial perspective. Read more about the risks on page 89.

CONTROL ACTIVITIES AND FOLLOW-UP

Control activities involve all levels of the organisation and concern the measures selected to manage the Group's risks. In order to ensure completeness and accuracy in the financial reporting, there are instructions and guidelines that have been communicated to the relevant personnel. The activities also limit the identified risks. The Group's central Control Function analyses and monitors deviations from budgets, prepares forecasts, monitors significant variations between periods, and reports these to others within the organisation, which minimises 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.

The monitoring of the effectiveness and implementation of these control activities takes place through programmed controls and through individually established procedures. The Group has a common reporting system in which all reporting is undertaken. Financial monitoring is carried out by senior management in conjunction with regular visits to the subsidiaries, and the activities of the Control Function are consistently developed.

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 routines. The CEO is responsible for all of the information provided. For example, he is to ensure that financial press releases and presentation materials for various meetings with the media, shareholders and investors are accurate and of good quality. There is an information policy applying to external communication providing guidelines as to the manner in which such information is to be presented. 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. Fagerhult's whistle-blower policy means that every employee has the opportunity to report suspected breaches of laws or regulations without fear of reprisal.

EVALUATION OF THE NEED FOR A SEPARATE AUDIT FUNCTION

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

Discussions with the Company's external auditors concerning the audit approach, as well as the auditing firm's extensive organisation are, when taken together with the controls implemented by the Group's management and the existing control functions in the different business areas, considered to provide a satisfactory level of assurance. This means that a separate internal audit function is not considered necessary.

ACTIVITIES DURING 2013

During the year, the focus was on inventory valuation and liquidity management.











JAN SVENSSON

Chairman
Born: 1956
Mechanical Engineer and holds a degree in Business and Administration. Managing Director and Board Member of Investment AB Latour. Chairman of Oxeon AB and Nederman Holding AB - Board Member of Loomis AB, Assa Abloy AB and Tomra Systems ASA.
Board Member of AB Fagerhult since 2007.
Shares in Fagerhult: 3,000

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. Partner in Pod Investment AB. Chairman of Sparbössan – Fastigheter AB. Board Member of, amongst others, Investment AB Latour and Latour industries AB.
Board Member of Fagerhult since 1993.
Shares in Fagerhult: 40,000

ANNA MALM BERNSTEN

Born: 1961
Civil Engineer
Conducts her own consultancy within management and business development. Board Member of Cellavision AB, Nolato AB, Matrisen AB, Oatly AB, Birdstep ASA, Medvir AB and Neurovive AB.
Board Member of Fagerhult since 2003.
Shares in Fagerhult: 3,000

BJÖRN KARLSSON

Born: 1961
MBA.
Managing Director of Västerhuset AB.
Board Member of Skaraborgsmäklaren AB.
Board Member of Fagerhult since 1997.
Shares in Fagerhult: 32,324

CATHERINA FORED

Born: 1964
Architect MSA.
Federal Director of Sweden’s Architects (Sveriges Arkitekter) and Managing Director of Sweden’s Architects’ Service Company (Sveriges Arkitekters Servicebolag). Board Member of Reomti Bygg AB and BIM Alliance.
Board Member of Fagerhult since 2013.
Shares in Fagerhult: 1,000

FREDRIK PALMSTIERNA

Born: 1946
MBA.
Chairman of Investment AB Latour. Board Member of Securitas AB, Hultafors AB, Nobia AB and Academic Work AB.
Board Member of Fagerhult since 1992.
Shares in Fagerhult: 315,770 (including family and Company)

JOHAN HJERTONSSON

Managing Director
Born: 1968
Degree in Business and Administration
Board Member of Nord-Lock International AB.
Board Member of Fagerhult since 2009.
Shares in Fagerhult: 77,815

MAGNUS NELL

Born: 1964
Employee Representative
Shares in Fagerhult: 0

LARS OLSSON

Born: 1949
Employee Representative
Shares in Fagerhult: 200

BEATRICE SJÖBLOM

Born: 1984
Deputy Employee Representative
Shares in Fagerhult: 0

LARS-ÅKE JOHANSSON

Born: 1961
Deputy Employee Representative
Shares in Fagerhult: 0







JOHAN HJERTONSSON

President and Group CEO
Born: 1968
Degree in Business and Administration
Employed since: 2009
Shares in Fagerhult: 77,815

ELISABETH BACK

Responsible for Products & Brands
Born: 1963
Degree in Business and Administration
Employed since: 2010
Shares in Fagerhult: 2,557

ANDERS FRANSSON

Responsible for Operations
Born: 1969
Civil Engineer
Employed since: 2005
Shares in Fagerhult: 761

HÅKAN GABRIELSSON

Chief Financial Officer
Born: 1967
Degree in Business and Administration
Employed since: 2011
Shares in Fagerhult: 1,342

PAUL BARTON

Regional Manager
Born: 1953
Engineer: Greenwhich College, London; Economics studies: Henley Management College, University of Reading.
Employed since: 2005
Shares in Fagerhult: 692

FRANK AUGUSTSSON

Regional Manager
Born: 1965
Technical College Engineer
Employed since: 1986–2001, 2004
Shares in Fagerhult: 853

JENNY EVELIUS

Head of Human Resources
Born: 1969
Degree in Business and Administration
Employed since: 2013
Shares in Fagerhult: 556

Income Statements

MSEK	Notes	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Net sales	1	3,095.2	3,085.1	8.7	8.7
Cost of goods sold		–2,086.9	–2,107.6	–	–
Gross profit		**1,008.3**	**977.5**	**8.7**	**8.7**
Selling expenses		–560.4	–579.9	–2.4	–6.5
Administrative expenses		–184.2	–177.7	–33.2	–19.0
Other operating income		13.8	31.6	–	–
Operating profit	**2, 7, 19–26**	**277.5**	**251.5**	**–26.9**	**–16.8**
Financial income and expenses					
Income from shares in subsidiaries	6	–	–	169.5	89.1
Interest income and similar profit/loss items	3	2.5	3.9	15.4	0.8
Interest expenses and similar profit/loss items	4	–33.0	–41.5	–24.9	–18.3
Total financial income		–30.5	–37.6	160.0	71.6
Profit after financial items		**247.0**	**213.9**	**133.1**	**54.8**
Changes in tax allocation reserve		–	–	–	–8.6
Tax on profit for the year	8, 9	–64.4	–54.8	–13.1	–7.0
Net profit for the year		**182.6**	**159.1**	**120.0**	**39.2**
Net profit for the year attributable to Parent Company shareholders		182.6	159.1		
Earnings per share calculated on profit attributable to Parent Company shareholders during the year					
Earnings per share before dilution, SEK		14.48	12.61		
Earnings per share after dilution, SEK		14.48	12.61		
Average no. of shares before dilution, thousands		12,612	12,612		
Average no. of shares after dilution, thousands		12,612	12,612		
No. of outstanding shares, thousands		12,612	12,612		

STATEMENT OF COMPREHENSIVE INCOME

Net profit		182.6	159.1		
Other comprehensive income					
Items not reversed in the income statement:					
Actuarial gains/losses		–1.0	11.8		
Items which can be reversed in the income statement:					
Translation differences		0.6	–26.2		
Other comprehensive income for the period, net after tax		**–0.4**	**–14.4**		
Total comprehensive income for the year		**182.2**	**144.7**		
Total comprehensive income attributable to Parent Company shareholders		**182.2**	**144.7**		

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

Balance Sheets

		GROUP		PARENT COMPANY	
MSEK	**Notes**	**2013**	**2012**	**2013**	**2012**
ASSETS					
Fixed assets					
Intangible assets	10				
Goodwill		914.9	852.3	–	–
Trademarks		110.9	101.9	–	–
Other intangible assets		20.3	21.0	–	–
Construction in progress and advance payments		1.7	–	–	–
		1,047.8	**975.2**	**0.0**	**0.0**
Tangible fixed assets	11				
Land and buildings		86.4	81.9	–	–
Plant and machinery		162.9	168.4	–	–
Equipment, fixtures and fittings		72.9	84.2	–	–
Construction in progress and advance payments		10.8	4.2	–	–
		333.0	**338.7**	**–16.8**	**–18.8**
Financial fixed assets					
Shares and participations in subsidiaries	13, 27	–	–	616.3	616.3
Other shares and participations	12	9.2	9.2	–	–
Receivables from subsidiaries		–	–	895.8	824.5
Deferred tax assets	9	13.5	12.9	–	–
Other non-current receivables	12	0.5	0.7	–	–
		23.2	**22.8**	**1,512.1**	**1,440.8**
Total fixed assets		**1,404.0**	**1,336.7**	**1,512.1**	**1,440.8**
Current assets					
Inventories etc.					
Raw materials and consumables		181.9	135.2	–	–
Work in progress		43.9	34.5	–	–
Finished products and goods for sale		272.4	264.4	–	–
Advance payments to suppliers		26.9	11.5	–	–
		525.1	**445.6**	**0.0**	**0.0**
Current receivables					
Accounts receivable – trade	5	577.4	494.8	–	–
Current tax assets		11.3	41.3	–	19.9
Other receivables		15.8	16.5	0.1	–
Prepaid expenses and accrued income	14	38.6	31.7	3.5	0.5
		643.1	**584.3**	**3.6**	**20.4**
Cash and cash equivalents / cash and bank balances		*248.6*	*256.8*	*122.9*	*42.3*
Total current assets		**1,416.8**	**1,286.7**	**126.5**	**62.7**
TOTAL ASSETS		**2,820.8**	**2,623.4**	**1,638.6**	**1,503.5**

Balance Sheets

		GROUP		PARENT COMPANY	
MSEK	**Notes**	**2013**	**2012**	**2013**	**2012**
EQUITY (Group/Parent Company[1])					
Capital and reserves attributable to Parent Company shareholders					
Share capital	28, 29	65.5	65.5	65.5	65.5
Other contributed capital		159.4	159.4	–	–
Translation differences / Statutory reserve		–86.6	–87.2	159.4	159.4
Profit brought forward incl./excl. net profit for the year		891.5	790.2	68.5	109.6
Net profit for the year, Parent Company				120.0	39.2
		1,029.8	**927.9**	**413.4**	**373.7**
Untaxed reserves					
Transfer to tax allocation reserve		–	–	30.0	30.0
LIABILITIES					
Non-current liabilities					
Borrowings	15	1,012.9	952.9	1,008.8	951.7
Provisions for pensions and similar commitments	19	61.5	60.2	–	–
Liabilities to subsidiaries		–	–	1.7	1.7
Deferred tax liabilities	9	63.7	60.5	–	–
		1,138.1	**1,073.6**	**1,010.5**	**953.4**
Current liabilities					
Borrowings	15	59.0	117.2	55.3	85.5
Advance payments from customers		8.4	4.7	–	–
Accounts payable – trade		281.3	233.2	–	–
Current tax liabilities		24.2	10.5	6.5	–
Other liabilities		62.9	61.5	0.6	2.1
Liabilities to subsidiaries		–	–	110.3	53.6
Accrued expenses and deferred income	16	217.1	194.8	12.0	5.2
		652.9	**621.9**	**184.7**	**146.4**
Total liabilities		**1,791.0**	**1,695.5**	**1,195.2**	**1,099.8**
TOTAL EQUITY AND LIABILITIES		**2,820.8**	**2,623.4**	**1,638.6**	**1,503.5**
Pledged assets	17	–	–	None	None
Contingent liabilities	18	–	–	47.7	61.3

1) Restricted equity: share capital and statutory reserve. Non-restricted equity: profit brought forward and net profit for the year

Changes in Equity

Group	Share capital	Other contributed capital	Translation differences	Profit brought forward	Total equityl
Equity as of 1 January 2012	65.5	159.4	–61.0	700.3	864.2
Net profit for the year	–	–	–	159.1	159.1
Other comprehensive income	–	–	–26.2	11.8	–14.4
Comprehensive income for the year	–	–	–26.2	170.9	144.7
Dividend, SEK 6.50 per share	–	–	–	–82.0	–82.0
Performance-based share savings programme	–	–	–	1.0	1.0
Equity as of 31 December 2012	**65.5**	**159.4**	**–87.2**	**790.2**	**927.9**
Net profit for the year	–	–	–	182.6	182.6
Other comprehensive income	–	–	0.6	–1.0	–0.4
Comprehensive income for the year	–	–	0.6	181.6	182.2
Performance-based share savings programme	–	–	–	1.7	1.7
Dividend, SEK 6.50 per share	–	–	–	–82.0	–82.0
Equity as of 31 December 2013	**65.5**	**159.4**	**–86.6**	**891.5**	**1,029.8**

Parent Company	Share capita		Statutory reserve	Profit brought forward	Total equityl
Equity as of 1 January 2012	65.5	–	159.4	190.6	415.5
Performance-based share savings programme	–	–	–	1.0	1.0
Net profit for the year	–	–	–	39.2	39.2
Dividend, SEK 6.50 per share	–	–	–	–82.0	–82.0
Equity as of 31 December 2012	**65.5**	–	**159.4**	**148.8**	**373.7**
Performance-based share savings programme	–	–	–	1.7	1.7
Net profit for the year	–	–	–	120.0	120.0
Dividend, SEK 6.50 per share	–	–	–	–82.0	–82.0
Equity as of 31 December 2013	**65.5**	–	**159.4**	**188.5**	**413.4**

Cash Flow Statements

		GROUP		PARENT COMPANY	
MSEK	**Notes**	**2013**	**2012**	**2013**	**2012**
Net profit for the year		**182.6**	**159.1**	**120.0**	**39.2**
Tax	8,9	64.4	54.8	13.1	7.0
Change in untaxed reserves		–	–	0.0	8.6
Income from shares in subsidiaries	6	1.1	0.0	–169.5	–89.1
Interest income and similar profit/loss items	3	–2.5	–3.9	–15.4	–0.8
Interest expenses and similar profit/loss items	4	31.9	41.5	24.9	18.3
Operating profit		**277.5**	**251.5**	**–26.9**	**–16.8**
Adjustment for items not included in the cash flow:					
Depreciation/amortisation		88.5	84.8	–	–
Profit/loss on the sale of tangible fixed assets		1.4	–1.5	–	–
Items in equity		0.7	1.0	1.7	1.0
Translation differences		–19.1	–9.7	–1.9	–18.1
		349.0	326.1	–27.1	–33.9
Interest received		1.9	2.4	13.3	0.1
Interest paid		–26.8	–41.8	–23.4	–18.2
Income tax paid		–21.4	–74.4	13.3	–14.0
Cash flow from operating activities before changes in working capital		**302.7**	**212.3**	**–23.9**	**–66.0**
Changes in working capital					
Changes in inventories		–51.8	11.3	–	–
Changes in receivables		–92.7	41.1	–3.1	1.0
Changes in current liabilities		62.9	–27.4	62.0	48.5
Cash flow from operating activities		**221.1**	**237.3**	**35.0**	**–16.5**
Investing activities					
Investments in subsidiaries and associated companies		–84.3	–	–	–
Investments in intangible assets		–11.2	–9.3	–	–
Investments in tangible fixed assets		–53.9	–84.4	–	–
Sales of tangible fixed assets		–	1.8	–	–
Changes in construction in progress and advance payments	11	–8.2	13.8	–	–
Changes in non-current receivables and securities	12	3.6	–1.8	–71.3	267.2
Group contributions and dividends received		–	–	169.5	89.1
Cash flow from investing activities		**–154.0**	**–79.9**	**98.2**	**356.3**
Financing activities					
Repayment of loans	15	–93.0	–129.8	–93.0	–129.8
Changes in other borrowing		98.6	14.1	122.4	–85.7
Dividend paid		–82.0	–82.0	–82.0	–82.0
Cash flow from financing activities		**–76.4**	**–197.7**	**–52.6**	**–297.5**
Changes in cash and cash equivalents		**–9.3**	**–40.3**	**80.6**	**42.3**
Cash and cash equivalents at the beginning of the year		256.8	305.7	42.3	0.0
Translation differences in cash and cash equivalents		1.1	–8.6	–	–
Cash and cash equivalents at year-end		**248.6**	**256.8**	**122.9**	**42.3**

Accounting principles

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

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

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

CONSOLIDATED ACCOUNTS

SUBSIDIARIES

The consolidated accounts include subsidiaries over which the Group has the right to determine the financial and operating policies, which generally accompanies a shareholding of more than one half of the voting rights.

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

The purchase method of accounting is applied in the accounting of the Group's business combinations. The cost of an acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities, and the shares issued by the Group. The purchase price includes the fair value of any assets or liabilities as a result of an agreement on the contingent consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition, the Group determines whether any non-controlling interest in the acquired company is recognised at fair value or at the holding's proportionate share of the acquired company's net assets. The amount by which the purchase price, any non-controlling interest and fair value at the acquisition date of the previous shareholding exceeds the fair value of the 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 the income statement.

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

TRANSLATION OF FOREIGN CURRENCIES

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

Items included in the annual accounts of each of the Group's entities are valued 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 reporting currency.

TRANSACTIONS AND BALANCE SHEET ITEMS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange rate differences attributable to operating activities are recorded in operating profit, while exchange rate differences attributable to the Group's financing are recorded under financial income and expenses. Exceptions to this include transactions that constitute hedging which fulfil the requirements for the hedge accounting of cash flows or of net investments, for which exchange rate differences are recorded in equity.

SUBSIDIARIES

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

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

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

INCOME TAX

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

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

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

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

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

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

INVENTORIES

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

The valuation of work in progress and finished goods comprises design costs, direct labour, other direct costs and a reasonable mark-up for indirect costs (based on normal production capacity). This item excludes borrowing costs. Net realisable value is the estimated selling price in the on-going course of business, less applicable variable selling expenses.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

REVENUE RECOGNITION

GOODS

Sales of goods are recognised upon delivery to customers, in accordance with the conditions of sale. Revenue refers to the fair value of goods sold, excluding VAT and discounts. Inter-company sales are eliminated in the consolidated accounts.

OTHER OPERATING INCOME

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

INTEREST INCOME

Interest income is recognised over the duration of the interest's tenure using the effective interest method.

DIVIDEND INCOME

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

INTERNAL TRANSFER PRICING

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

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis. These agreements have durations of between 3 and 5 years.

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 part of the acquisition cost. Other borrowing costs are recognised as expenses in the period in which they arise.

CASH FLOW STATEMENT AND CASH AND CASH EQUIVALENTS

The cash flow statement has been prepared using the indirect method. The reported cash flow includes only those transactions that have resulted in receipts or payments. Cash and cash equivalents include cash in hand, deposits held on call with banks and short-term, highly liquid investments with original maturities of three months or less. In both 2013 and 2012, cash and cash equivalents were comprised solely of cash in hand and deposits held on call with banks.

TANGIBLE FIXED ASSETS

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

No depreciation is reported for land. In order to distribute the difference between acquisition cost and estimated residual value, the depreciation of other assets is undertaken on a straight-line basis according to plan over the estimated useful life, as follows:

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

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

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

INTANGIBLE FIXED ASSETS

RESEARCH AND DEVELOPMENT

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

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

GOODWILL

Goodwill consists of the amount by which the acquisition cost exceeds the fair value of the Group's participation in the acquired subsidiary's or associate's identifiable net assets at the point in time of the acquisition. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for write-down requirements and is recognised at acquisition cost less accumulated write-downs. The profit or loss on the sale of an entity includes the remaining reported value of goodwill referring to the entity sold.

Goodwill is allocated to cash generating units, following the assessment of any write-down requirement. This allocation is made to the cash generating units which are expected to benefit from the business combination which has given rise to the goodwill item. The Fagerhult Group allocates goodwill to all lines of business.

TRADEMARKS

The item mainly includes assets in the form of trademarks which have arisen in conjunction with the acquisition of subsidiaries. These are valued at the fair value on acquisition date and thereafter, less amortisation and write-downs. Trademarks are amortised over their estimated useful life or, in cases where the trademark has an indefinite useful life, there is an annual test for write-down requirements.

WRITE-DOWNS OF NON-FINANCIAL ASSETS

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

FINANCIAL INSTRUMENTS

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

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

Loans receivable and accounts receivable are non-derivative financial assets with determined or determinable payments which are not listed on an active market. These characteristically arise in conjunction with the Group providing funds, goods or services directly to a customer without the intention to trade in the receivables. These are included in current assets with the exception of items with a maturity date later than 12 months after the balance sheet date, which are classified as fixed assets. Loans receivable and accounts receivable are included in the items "Other non-current receivables", "Accounts receivable – trade" and "Other receivables" in the balance sheet. Loans receivable and accounts receivable are initially reported at fair value and, thereafter, at accrued acquisition cost on the basis of the effective interest method. Where necessary, provisions have been made for write-downs.

Financial liabilities are initially valued at fair value, net after transaction costs, and thereafter, at accrued acquisition cost. The category "Financial liabilities" includes the items Borrowings, Accounts payable – trade, and Other liabilities.

Purchases and sales of financial instruments are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset. Financial instruments are initially valued at fair value plus transaction costs, which applies to all financial assets which are not valued at fair value in the income statement. Financial assets valued at fair value through profit and loss are initially valued at fair value, while applicable transaction costs are reported in the income statement. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instruments has expired or been transferred, and the Group has transferred all of the risks and benefits associated with the right of ownership. Available-for-sale financial assets and financial assets valued at fair value through profit and loss are reported after the time of purchase at fair value. Realised and unrealised gains and losses resulting from changes in fair value attributable to the category financial assets valued at fair value through profit and loss are included in the income statement in the period during which they arise.

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

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

EQUITY

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

REMUNERATION TO EMPLOYEES

PENSION COMMITMENTS

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

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

The liability which is reported in the balance sheet and attributed to defined benefit plans is the present value of the defined benefit obligations at balance sheet date less the fair value of investment assets, adjusted for non-reported actuarial profits/losses for service during previous periods. The defined benefit obligations are calculated yearly by an independent actuary, applying the so-called projected unit credit method. This method allocates pension 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 corporate bonds. The most important actuarial obligations are specified in Note 19.

Actuarial profits and losses can arise in the determination of the present value of the obligations. These can arise either due to the fact that the current circumstances deviate from previously-made assumptions, or because the assumptions have changed, in which case these items are reported in Other comprehensive income in the period in which they arise. Costs of employment for previous periods are reported directly in the income statement.

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

SHARE-BASED PAYMENT

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

REMUNERATION FOLLOWING TERMINATION

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

PROVISIONS

Provisions are recognised when the Group has a statutory or informal obligation to do so as a result of events that have arisen, when it is more probable that an outflow of resources is required to settle the obligation than would have been required if payment were not made, and when it has been possible to calculate the amount in a reliable manner.

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

EARNINGS PER SHARE

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

SEGMENT REPORTING

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

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

DIVIDENDS

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2. RFR 2 stipulates that the Parent Company shall, in its annual accounts, apply International Financial Reporting Standards (IFRS) as adopted by the EU, to the degree that it is possible to comply with the framework of the Swedish Annual Accounts Act, and with regard to the relationship between accounting and taxation. RFR 2 stipulates those exceptions and amendments to be made in relation to IFRS. Identified differences between accounting principles in the Group and the Parent Company mainly refer to IAS 12 Income tax. The amounts transferred to untaxed reserves constitute taxable temporary differences. Due to the relationship between accounting and taxation, deferred tax liabilities applicable to untaxed reserves are not disclosed separately in the Parent Company. Accordingly, these are reported in their gross amounts in the balance sheet. Balance sheet appropriations are reported at gross value in the income statement.

Group contributions are reported according to their financial content, which implies that they are equalised with dividends in the Parent Company.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

CONSIDERATION OF WRITE-DOWN REQUIREMENTS FOR GOODWILL

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

If the estimated cost of capital applied in determining the discount rate before tax for the cash-generating units had been 1% higher (e.g. 12% instead of 11%) than the management's assessment, the increase in the cost of capital would not have resulted in a write-down requirement.

APPLICATION OF NEW OR REVISED STANDARDS

Changes in accounting principles and disclosures
New and revised standards applied by the Group
None of the IFRS or IFRIC interpretations that are mandatory for the first time the financial year beginning on 1 January 2013 have had any material impact on the Group.

IAS 1 "Presentation of Financial Statements", amendment regarding other comprehensive income
The most significant change to the amended IAS 1 is the requirement that the items reported under "Other comprehensive income" are to be classified according to two categories. This classification is based on whether or not the items can be reclassified to an item in the income statement (reclassification adjustments). The amendment does not address the matter of which items are to be included in "Other comprehensive income". The application of the amendment has led to more headings in Other comprehensive income.

IFRS 13 "Fair Value Measurement"
Aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The standard provides guidance regarding valuations at fair value for all types of assets and liabilities, both financial and non-financial. The requirements do not extend the area of application for when the fair value should be applied but provides guidance regarding the manner in which it should be applied in areas where other IFRS already require or allow valuation at fair value. The standard has implied additional disclosures.

Amendments to IAS 36 "Impairment of Assets"
Address the disclosure of information regarding the calculation of the recoverable amount of written-down assets if that amount is based on fair value less costs of disposal. The Group has decided to apply this standard as of 1 January 2013 and the standard has not had an effect on the annual accounts.

New standards, amendments and interpretations of current standards that have not been early-adopted by the Group
A number of new standards and changes of interpretations and current standards come into effect for financial years beginning after 1 January 2013 and have not been applied in the preparation of the Group's annual accounts. None of these standards or interpretations are expected to have any material effect on the Group's annual accounts, with the exception of the following:

IFRS 10 "Consolidated Financial Statements"
The aim of IFRS 10 is to establish principles for the preparation and presentation of consolidated accounts when an entity controls one or more other companies. The standard defines the concept of control and establishes control as the basis for consolidation. The standard provides guidance for determining whether an entity controls another and therefore must include this company in its consolidated accounts. The standard also specifies the manner in which the consolidated accounts are to be prepared. The Group intends to apply the amendments no later than the financial year beginning 1 January 2014 and has not yet evaluated the full effects on the annual accounts.

IFRS 12, "Disclosures of Interests in Other entities"
IFRS 12 includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. The Group intends to apply the changes no later the financial year beginning 1 January 2014 and has not yet evaluated the full effects on the annual accounts.

IFRS 9 "Financial Instruments"
IFRS 9 is the first standard issued as a stage in the major project to replace IAS 39. IFRS 9 retains but simplifies the model with multiple evaluation criteria based on two primary measurement categories: accrued acquisition cost and fair value. Classification is based on the Company's business model and the characteristics of the contractual cash flows.

The guidance provided in IAS 39 regarding the testing of financial assets and hedge accounting for write-down requirements continues to apply. The Group intends to apply the changes no later than the financial year beginning 1 January 2015 and has not yet evaluated the full effects on the annual accounts.

Notes

Note 1 | Segment reporting

	Northern Europe		UK, Ireland and the Middle East		Other Europe		Asia and Australia		Other		Eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net sales and income														
Net sales	1 716.2	1 685.9	848.0	831.5	737.1	650.5	167.5	227.6			–373.6	–310.4	3 095.2	3 085.1
(of which sales in Sweden)	*(351.5)*	*(300.5)*	*(10.4)*	*(5.3)*	*(11.7)*	*(4.6)*	*(0.0)*	*(0.0)*			*–(373.6)*	*–(310.4)*	*(0.0)*	*(0.0)*
Operating profit by line of business	121.2	99.3	95.1	77.7	73.4	61.3	14.7	27.3	–26.9	–14.1			277.5	251.5
Unclassified costs													0.0	0.0
Operating profit													**277.5**	**251.5**
Financial income													1.4	3.9
Financial expenses													–31.9	–41.5
Tax expenses for the year													–64.4	–54.8
Net profit for the year													**182.6**	**159.1**
Other disclosures														
Fixed assets	408.4	350.6	346.4	338.2	563.4	545.8	80.1	94.7					1 398.3	1 329.3
Other assets	809.1	693.6	370.8	355.8	303.9	243.8	82.0	83.6	126.5	42.9	–278.6	–141.3	1 413.7	1 278.4
Unclassified assets													8.8	15.7
Total assets													**2 820.8**	**2 623.4**
Liabilities	408.3	362.3	208.0	190.9	163.6	130.8	39.5	41.3	14.3	7.4	–139.6	–118.8	694.1	613.9
Unclassified liabilities													1 096.9	1 081.6
Total liabilities													**1 791.0**	**1 695.5**
Investments	35.5	67.1	15.1	18.3	9.3	7.5	5.2	0.8					65.1	93.7
Depreciation/Amortisation	58.7	54.8	14.4	13.2	11.3	11.2	4.1	5.6					88.5	84.8
													–	–
Sales per market													–	–
Sweden	722.3	780.7		0.1	3.9	2.4							726.2	783.2
UK	2.0	1.4	734.4	738.0	12.8	9.3							749.2	748.7
Germany	10.2	3.6	8.4	5.7	292.0	269.2							310.6	278.5
Norway	208.6	241.3		0.1	1.2	1.7							209.8	243.1
Australia					6.0	7.3	162.9	219.4					168.9	226.7
Netherlands	0.8	0.1	1.2	1.2	134.7	129.8							136.7	131.1
Finland	153.0	143.7				0.3							153.0	144.0
Denmark	127.1	120.3			0.1	0.3							127.2	120.6
United Arab Emirates			85.0	62.3	17.4	18.0							102.4	80.3
Spain	0.5	1.0			84.0	88.0							84.5	89.0
Russia	79.3	58.3			2.9	0.7							82.2	59.0
France	6.6	0.7	0.1	0.3	74.5	39.4							81.2	40.4
Other	54.3	34.3	8.5	18.5	95.9	79.5	4.6	8.2					163.3	140.5
Total	**1 364.7**	**1 385.4**	**837.6**	**826.2**	**725.4**	**645.9**	**167.5**	**227.6**	**–**	**–**	**–**	**–**	**3 095.2**	**3 085.1**
Fixed assets per market														
Sweden	286.3	304.1											286.3	304.1
UK			346.2	338.0									346.2	338.0
Germany					504.2	486.3							504.2	486.3
Australia							80.1	94.7					80.1	94.7
Finland	76.7	0.8											76.7	0.8
Chine	14.6	14.4											14.6	14.4
Other	30.8	31.3	0.2	0.2	59.2	59.5							90.2	91.0
Total	**408.4**	**350.6**	**346.4**	**338.2**	**563.4**	**545.8**	**80.1**	**94.7**	**–**	**–**	**–**	**–**	**1 398.3**	**1 329.3**

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

– **Northern Europe.** This business area is comprised of the Group's units and companies in the Nordic countries, the Baltic countries and Russia. This area also includes the factory in China, which engages in manufacturing and purchasing. In Sweden, operations are comprised of development work, manufacturing and sales, while operations in other markets, with the exception of China and Finland, comprise only of sales. During the third quarter of 2013, I-Valo Oy, which engages in the development, manufacture and sale of lighting systems, was added to the business area. Other units engage in sales activities.
– **UK, Ireland and the Middle East.** This business area comprises our companies in England and Ireland, as well as operations in the Middle East. Whitecroft Lighting and Designplan Lighting engage in the development, manufacture and sale of lighting systems. Other units engage in sales activities.
– **Other Europe.** This business area includes operations in Germany, the Netherlands, France, Spain, Poland and Slovakia. The dominant unit in the segment is the company LTS Licht & Leuchten in Germany, which engages in the development, manufacture and sale of lighting systems. Other units engage in sales activities.
– **Asia and Australia.** This business area is mainly comprised of operations in Australia, where, in addition to sales, manufacturing is also undertaken.
– **Other.** This business area is mainly comprised of the Parent Company and certain Group-wide functions.

Information per product area	SALES	
	2013	**2012**
Indoor Lighting	2,012.0	2,064.7
Retail Lighting	881.5	801.9
Outdoor Lighting	201.7	218.5
Total	**3,095.2**	**3,085.1**

Indoor Lighting. This product area includes sales of indoor lighting for public environments, such as offices, schools, hospitals, industries, etc.
Retail Lighting. This product area includes sales of lighting systems, light sources and service to retail environments.
Outdoor Lighting. This product area includes sales of outdoor products for the lighting of buildings, parks, recreational areas, pathways, etc.

Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension costs)	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Parent Company	11.9	10.0	9.8	7.0	(4.2)	(3.2)
Subsidiaries	765.4	751.7	191.4	201.7	(39.9)	(44.4)
Group	**777.3**	**761.7**	**201.2**	**208.7**	**(44.1)**	**(47.6)**

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

	2013			2012		
	Salaries and other remuneration	(of which variable remuneration)	Pension expenses	Salaries and other remuneration	(of which variable remuneration)	Pension expenses
Parent Company, 10 (9) employees	10.5	(2.1)	2.2	8.0	(0.0)	2.0
Subsidiaries, 24 (23) employees	30.0	(3.6)	2.2	28.3	(2.1)	2.1
Group	**40.5**	**(5.7)**	**4.4**	**36.3**	**(2.1)**	**4.1**

Remuneration to senior management during the year:

	Basic salary / Remuneration	Variable remuneration	Other benefits	Pension costs	Share-based payment	Total
Parent Company						
Chairman of the Board, Jan Svensson	0.4	–	–	–	–	0.4
Board Member, Eric Douglas	0.3	–	–	–	–	0.3
Board Member, Anna Malm Bernsten	0.2	–	–	–	–	0.2
Board Member, Björn Karlsson	0.2	–	–	–	–	0.2
Board Member, Catherina Fored	0.2	–	–	–	–	0.2
Board Member, Fredrik Palmstierna	0.2	–	–	–	–	0.2
CEO	3.4	1.3	0.1	1.2	–	6.0
Other senior management (3 individuals)	3.5	0.8	0.1	1.0	–	5.4
	8.4	**2.1**	**0.2**	**2.2**	**–**	**12.9**
Subsidiaries						
Other senior management (3 individuals)	4.4	1.2	0.3	0.8	–	6.7
Group	**12.8**	**3.3**	**0.5**	**3.0**	**–**	**19.6**

Remuneration to the Board of Directors was determined at the 2013 Annual General Meeting. No additional remuneration has been paid to the Board of Directors, with the exception of remuneration for travel expenses. Other senior management refers to the Group management and those individuals responsible for the various business areas. Other benefits refer to company cars.

Remuneration policy
The Chairman of the Board and Board members receive remuneration in accordance with the resolutions of the Annual General Meeting. Remuneration is not paid to members of the Board employed within the Group.

Remuneration to the CEO is determined by the Board on the basis of proposals made by the Remuneration Committee. Remuneration to other senior management has been determined by the CEO in consultation with the Remuneration Committee.

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

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

For other senior management, variable remuneration is maximised at 20–40 percent of the basic salary. Variable remuneration is typically based on improvement, compared to the previous year, in terms of each individual's respective responsibility for operating 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 at an amount corresponding to 35 percent of the fixed annual salary is paid for the CEO. Pension benefits for other senior management are paid within the framework of current supplementary pension plans (ITP) for salaried employees.

Severance Pay
The period of notice of termination for the CEO is 6 months if termination is initiated by the Company and 6 months if initiated by the CEO. If termination is initiated by the Company without reason for termination, the CEO is entitled to severance pay corresponding to 12 monthly salaries. Severance pay is deducted against other earned income.

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

Share Savings Programme
The Company's 2012 Annual General Meeting resolved to implement a performance based incentive programme for senior management and a number of key employees within the Group. The intention is to implement three annual programmes and, at the 2013 AGM, the decision was taken on a second programme. A total of 27 people were offered the opportunity to participate, of which 25 accepted. In the second programme, 29 people were offered the opportunity to participate, of which 20 accepted. Participation in the programme requires a personal investment in Fagerhult shares. Following, under normal circumstances, a three-year vesting period, a cost-free allocation of shares in Fagerhult can be made to the participants, provided that certain conditions are met. Under the terms of the programme, participants have acquired a total of 20,200 shares in Fagerhult.
A total of approximately 72,600 share rights have been allocated to participants in the programme, of which 15,355 have been allocated to the CEO and 20,519 to other senior management. Thus, a maximum of 72,600 Fagerhult shares can be allocated under the terms of the programme. In order for the share rights 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 programme during the vesting period. Certain of the allocated share rights (so-called performance share rights) also require that a financial performance goal, related to Fagerhult's average earnings per share for the financial years 2012–2013, has been achieved, in order for the allocation of shares to be executed, whereas the financial performance target for the 2013 programme targets the average earnings per share for the financial years 2013–2014. The valuation of the allocated share rights is based on the market price of the shares at the time of allotment, with a deduction for the lack of dividend. Total expenses attributable to the programme for the year amounted to MSEK 2.7.

Note 3 | Interest income and similar profit items

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Interest income	1.7	2.2	13.3	0.1
Exchange rate gains	0.8	1.7	2.1	0.7
Total	**2.5**	**3.9**	**15.4**	**0.8**
of which Group companies			13.2	–

Note 4 | Interest expenses and similar loss items

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Interest expenses	26.9	33.5	20.9	17.7
Exchange rate losses	2.0	7.0	1.5	0.1
Other financial expenses	4.1	1.0	2.5	0.5
Total	**33.0**	**41.5**	**24.9**	**18.3**
of which Group companies			0.4	–

Note 5 | Accounts receivable - trade

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Maturity analysis of outstanding accounts receivable				
Accounts receivable, not yet due	425.8	363.7	–	–
Due accounts receivable without write-down requirement:				
< 3 months	132.3	115.4	–	–
3–12 months	15.0	13.1	–	–
> 12 months	4.3	2.6	–	–
	151.6	**131.1**	**–**	**–**
Due accounts receivable with write-down requirement:				
< 3 months	0.8	0.4	–	–
3–12 months	5.9	3.7	–	–
> 12 months	2.7	10.6	–	–
	9.4	**14.7**	**–**	**–**
Provisions for doubtful debts	–9.4	–14.7	–	–
Book value	**577.4**	**494.8**	**–**	**–**
Change in reserve for doubtful debts				
Opening reserve	–14.7	–8.6	–	–
Reclassifications	4.5	–4.2	–	–
Established losses	7.3	4.7	–	–
Reversed, unutilised provisions	1.0	0.9	–	–
Provisions for the year	–7.7	–7.8	–	–
Translation differences	0.2	0.3	–	–
Closing reserve	**–9.4**	**–14.7**	**–**	**–**

Note 6 | Income from shares in subsidiaries

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Group contributions received and dividends	–	–	169.5	89.1

Note 7 | Depreciation/amortisation and write-downs

Amortisation of intangible assets in the Group amounts to MSEK 14.9 (13.2) and depreciation of tangible fixed assets amounts to MSEK 73.6 (71.6).

Write-downs amount to 0.0 (0.0). Depreciation/amortisation and write-downs are specified per function in the income statement as follows:

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Trademarks				
Costs of goods sold	2.8	3.0	–	–
Total	**2.8**	**3.0**	**–**	**–**
Other intangible assets				
Costs of goods sold	11.0	9.1	–	–
Selling expenses	0.4	0.4	–	–
Administrative expenses	0.7	0.7	–	–
Total	**12.1**	**10.2**	**–**	**–**

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Land and buildings				
Costs of goods sold	4.2	4.0	–	–
Selling expenses	1.5	1.3	–	–
Administrative expenses	0.8	0.7	–	–
Total	**6.5**	**6.0**	**–**	**–**
Plant and machinery				
Costs of goods sold	39.1	40.9	–	–
Total	**39.1**	**40.9**	**–**	**–**
Equipment, fixtures and fittings				
Costs of goods sold	14.2	10.5	–	–
Selling expenses	9.2	9.6	–	–
Administrative expenses	4.6	4.6	–	–
Total	**28.0**	**24.7**	**–**	**–**

Note 8 | Tax on profit for the year

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Current tax	66.7	56.3	13.1	7.0
Change due to alteration of tax rate in Sweden	–	–4.2	–	–
Deferred tax	–2.3	2.7	–	–
Total	**64.4**	**54.8**	**13.1**	**7.0**
Difference between the Group's tax expenses and tax expenses based on current rates				
Reported profit before tax	247.0	213.9	133.1	46.2
Tax according to current tax rates	54.3	56.3	29.3	12.2
Change due to alteration of tax rate in Sweden	–	–4.2	–	–
Tax effect of non-deductible expenses	2.2	1.4	0.2	0.1
Tax effect of non-taxable income	–0.5	–0.1	–16.4	–5.3
Effect of foreign tax rates	8.4	1.4	–	–
Tax on profit for the year reported in the income statement	**64.4**	**54.8**	**13.1**	**7.0**

Note 9 | Deferred tax

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Deferred tax expenses/income for the year				
Deferred tax income referring to temporary differences	–5.2	–5.6	–	–
Deferred tax expenses referring to temporary differences	2.9	8.3	–	–
Change due to alteration of tax rate in Sweden	–	–4.2	–	–
Total	**–2.3**	**2.7**	**–**	**–**

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

Deferred income tax liabilities				
Surplus in acquired subsidiaries	36.1	34.2	–	–
Other intangible assets	2.4	1.6	–	–
Buildings	1.9	2.0	–	–
Plant and machinery	0.8	1.6	–	–
Inventories	–	0.3	–	–

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Current receivables	0.4	0.1	–	–
Untaxed reserves	20.7	19.3	–	–
Current liabilities	1.4	1.4	–	–
Total deferred income tax liabilities	**63.7**	**60.5**	**0.0**	**0.0**
Deferred tax assets				
Plant and machinery	1.0	0.8	–	–
Other financial assets	–	–	–	–
Inventories	3.9	2.1	–	–
Current receivables	0.7	4.3	–	–
Pension provisions	3.1	2.5	–	–
Current liabilities	4.8	3.2	–	–
Total deferred tax assets	**13.5**	**12.9**	**0.0**	**0.0**
Temporary differences referring to investments in subsidiaries for which deferred tax liabilities have not been reported, as a sale would not result in taxation.	593.1	530.8	–	–

Note 10 | Intangible assets

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Goodwill				
Opening acquisition cost	852,3	877,6	–	–
Acquisition of subsidiaries	49,2	–	–	–
Translation differences	13,4	–25,3	–	–
Closing accumulated acquisition cost	914,9	852,3	–	–
Opening write-downs	0,0	0,0	–	–
Closing accumulated write-downs	**0.0**	0.0	–	–
Book value	**914.9**	**852.3**	**–**	**–**
Trademarks				
Opening acquisition cost	123.0	126.2	–	–
Acquisition of subsidiaries	8.8	–	–	–
Translation differences	3.6	–3.2	–	–
Closing accumulated acquisition costs	135.4	123.0	–	–
Opening amortisation	–21.1	–18.4	–	–
Amortisation for the year	–2.8	–3.0	–	–
Translation differences	–0.6	0.3	–	–
Closing accumulated amortisation	–24.5	–21.1	–	–
Book value	**110.9**	**101.9**	**–**	**–**
Other intangible assets				
Opening acquisition cost	103.8	96.1	–	–
Purchases	11.2	9.3	–	–
Translation differences	–1.1	–1.6	–	–
Closing accumulated acquisition costs	113.9	103.8	–	–
Opening amortisation	–82.8	–73.7	–	–
Amortisation for the year	–12.1	–10.2	–	–
Translation differences	1.3	1.1	–	–
Closing accumulated amortisation	–93.6	–82.8	–	–
Book value	**20.3**	**21.0**		

The item Trademarks includes trademarks with book values of MSEK 75.6 (64.5) and indefinite useful lives. These assets are subject to testing for write-down requirements. The item "Other intangible assets" includes capitalised expenditure for product development which is internally generated, at a book value of MSEK 10.2 (7.3).

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Construction in progress and advance payments				
Opening acquisition cost	0.0	–	–	–
Costs capitalised during the year	1.7	–	–	–
Book value	**1.7**	**–**	**–**	**–**

Testing of write-down requirements regarding goodwill and trademarks with indefinite useful life
Goodwill and trademarks (with indefinite useful life) are distributed amongst the Group's cash generating units (CGU) and are classified per segment according to the following.

	PARENT COMPANY	
	2013	**2012**
Northern Europe	146.7	87.3
UK, Ireland and the Middle East	247.4	241.6
Other Europe	531.4	512.0
Asia and Australia	65.0	75.9
Total	**990.5**	**916.8**

Each year, the Group performs a test of each cash-generating unit in order to assess whether a write-down requirement exists in accordance with the applied accounting principles. The recoverable amount for each CGU is determined by calculating the value in use, which is comprised of the present value of estimated future payments expected to arise from the asset during its useful life, including the calculated residual value at the end of its useful life. These calculations assume estimated future cash flows based on financial forecasts for the coming five-year period, as approved by management. To extrapolate cash flows beyond this period, a growth rate of 2 percent has been applied, which is deemed to be a conservative estimate. The direct method of reporting operating cash flows 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 is 11 (11) percent. At the moment, the risk-free rate is historically low. As risk premiums on the stock market are deemed to be at a long-term normal level, this means, overall, that the discount rate from the previous year is retained. It is estimated that the discount rate can be applied to all segments as the circumstances are, at the moment, similar.

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

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

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

Assumptions applied
Discount rate before tax of 11 percent.

Exchange rates:
NOK 1.10, DKK 1.17, EUR 8.70, GBP 10.30.

Sensitivity analysis
The recoverable amount exceeds the reported value of goodwill by a significant margin. This also applies to each individual assumption provided that:
– the discount rate before taxes would have been 12 percent
– the estimated growth rate applied to extrapolate cash flows beyond the budgeted period would have been 0 percent.

Note 11 | Tangible fixed assets

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Land and buildings				
Opening acquisition cost	173.6	169.6	–	–
Acquisitions of subsidiaries	4.0	–	–	–
Purchases	–6.5	4.9	–	–
Sales	1.1	–	–	–
Translation differences	–0.3	–0.9	–	–
Closing accumulated acquisition cost	183.9	173.6	–	–
Opening depreciation	–91.7	–86.3	–	–
Acquisitions of subsidiaries	0.1	–	–	–
Depreciation for the year	–6.5	–6.0	–	–
Sales	1.1	–	–	–
Translation differences	–0.3	0.6	–	–
Closing accumulated depreciation	–97.5	–91.7	–	–
Book value	**86.4**	**81.9**	**–**	**–**
of which land	3.8	3.8	–	–

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Plant and machinery				
Opening acquisition cost	644.7	611.1	–	–
Acquisitions of subsidiaries	4.1	–	–	–
Purchases	29.9	45.1	–	–
Sales and disposals	–2.7	–4.2	–	–
Translation differences	3.1	–7.3	–	–
Closing accumulated acquisition cost	679.1	644.7	–	–
Opening depreciation	–476.3	–444.5	–	–
Acquisition of subsidiaries	–0.7	–	–	–
Depreciation for the year	–39.1	–40.9	–	–
Sales and disposals	2.7	4.2	–	–
Translation differences	–2.8	4.9	–	–
Closing accumulated depreciation	–516.2	–476.3	–	–
Book value	**162.9**	**168.4**	–	–
Equipment, fixtures and fittings				
Opening acquisition cost	304.9	280.9	–	–
Purchases	17.5	34.4	–	–
Sales and disposals	–5.2	–4.5	–	–
Translation differences	5.4	–5.9	–	–
Closing accumulated acquisition cost	322.6	304.9	–	–
Opening depreciation	–220.7	–205.0	–	–
Depreciation for the year	–28.0	–24.7	–	–
Sales and disposals	3.8	4.1	–	–
Translation differences	–4.8	4.9	–	–
Closing accumulated depreciation	–249.7	–220.7	–	–
Book value	**72.9**	**84.2**	**–**	**–**
Constructions in progress and advance payments				
Opening acquisition cost	4.2	17.9	–	–
Acquisition of subsidiaries	1.0	–	–	–
Expenses accrued during the year	2.3	3.4	–	–
Reclassifications to buildings/machinery	3.1	–17.2	–	–
Translation differences	0.2	0.1	–	–
Book value	**10.8**	**4.2**	–	–

Note 12 Financial fixed assets

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Shares and participations in subsidiaries				
Opening acquisition cost	–	–	616.3	616.3
Book value	**–**	**–**	**616.3**	**616.3**
Receivables from subsidiaries				
Opening receivables	–	–	824.5	1,091.7
Change during the year	–	–	71.3	–267.2
Closing receivables	**–**	**–**	**895.8**	**824.5**
Other shares and participations				
Opening acquisition cost	9.2	7.4	–	–
Acquisitions during the year	–	1.8	–	–
Closing receivables	**9.2**	**9.2**	**–**	**–**

	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Other non-current receivables				
Opening receivables	0.7	0.7	–	–
Paid receivables	–0.2	–	–	–
Closing receivables	**0.5**	**0.7**	**–**	**–**

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

Note 13 | Shares and participations in subsidiaries

	Corporate Identity Number	Registered offices	Number of shares	Book value
Subsidiaries:				
Fagerhults Belysning AB	556321-8659	Habo	2,500	200.4
Fagerhult Retail AB	556337-4924	Bollebygd	5,000	137.4
Whitecroft Lighting Holdings Ltd, UK	03848868	Ashton-under-Lyne	11,915	275.6
Elenco Lighting AB	556035-5090	Borås	1,800	2.9
Sub-subsidiaries:				
Fagerhults Belysning Sverige AB	556122-2000	Habo	1,000	1.0
Ateljé Lyktan AB	556063-9634	Åhus	2,000	4.4
Fagerhult Belysning AS, Norway	937418906	Oslo	100	0.5
Fagerhult AS, Denmark	63.128	Ishöj	65	2.1
Fagerhult OY, Finland	0980280-0	Helsinki	6,000	0.1
I-Valo OY, Finland	1571418-8	Iittala	2,020	83.9
Fagerhult Oü, Estonia	10703636	Tallin	5,400	1.6
Fagerhult BV, the Netherlands	96121	IJsselstein	2,250	10.3
Waco NV, Belgium	BE 0492.822.044	Baaigem	9,400	16.4
Fagerhult GmbH, Germany	13135 B	Hamburg	1	10.3
LTS Licht & Leuchten GmbH, Germany	HRB 630906	Tettnang	1	672.3
Fagerhult Central Europe GmbH, Austria	FN 305989	Vienna	1	1.0
Fagerhult s.r.o, Slovakia	47168293	Bratislava	1	0.4
Whitecroft Lighting Ltd, UK	03848973	Ashton-under-Lyne	2	3.6
Designplan Lighting Ltd, UK	00784246	Sutton	360,300	120.6
Designplan International Ltd, UK	02182306	Sutton	1	0.0
Fagerhult Lighting Ltd, UK	3488638	London	40,000	0.5
Fagerhult Lighting Ltd, Ireland	98.834	Dublin	100	14.9
Fagerhult Sp.z.o.o, Poland	260213	Warsaw	1,000	0.1
Fagerhult France, France	391138385	Lyon	4,200	33.1
Fagerhult S.L., Spain	B84215722	Madrid	3,010	15.6
Commtech Commissioning Services S.A., Spain	A83770263	Madrid	60,120	7.2
Fagerhult Lighting System (Suzhou) Co. Ltd, China	3200044439	Suzhou	1	22.0
Eagle Lighting (Australia) Pty Ltd, Australia	124400933	Melbourne	500,001	32.5
Fagerhult (NZ) Ltd, New Zealand	3233074	Christchurch	1	0.2
Fagerhult SPb, Russia	1097847074544	Saint Petersburg	1	0.0

Note 14 | Prepaid expenses and accrued income

	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Prepaid rent	12.8	12.2	0.1	0.1
Insurance	3.5	2.2	–	–
Licenses	1.5	1.9	–	–
Consultancy fees	4.4	2.0	2.9	–
Supplier bonus	2.6	5.7	–	–

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Trade fairs	2.9	0.2	–	–
Taxes and social security contributions	2.6	2.1	–	0.1
Financial items	0.3	0.3	–	–
Non-invoiced income	0.1	0.5	0.2	0.2
Other items	7.9	4.6	0.3	0.1
Total	**38.6**	**31.7**	**3.5**	**0.5**

Note 15 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facilities at year-end amounted to MSEK 144.1 (150.4) for the Group and MSEK 140.0 (146.5) for the Parent Company.

The Group's interest-bearing borrowing

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Due dates for long-term loans:				
Within one year	59.0	117.2	55.3	85.5
Between one and five years	1,012.9	952.9	1,008.8	951.7
Total	**1,071.9**	**1,070.1**	**1,064.1**	**1,037.2**

	2013		**2012**	
	Interest, %	**Liability, SEK**	**Interest, %**	**Liability, SEK**
Average interest expenses on borrowing:				
Long-term borrowing, SEK	2.7	420.0	2.6	432.2
Long-term borrowing, EUR	1.8	464.1	1.7	389.5
Long-term borrowing, GBP	2.0	128.8	1.8	131.2
Total		**1,012.9**		**952.9**
Short-term borrowing, SEK	2.7	2.7	2.6	36.9
Short-term borrowing, EUR	1.8	46.6	1.7	64.6
Short-term borrowing, GBP	2.0	9.7	1.8	15.7
Total		**59.0**		**117.2**

The book value of the Group's borrowings corresponds to fair value, as the loans incur variable interest rates that are market-based.

Note 16 | Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Accrued salaries and remuneration	99.5	88.7	4.6	2.2
Accrued social security contributions	27.6	28.6	2.7	1.2
Customer bonuses	32.6	29.5	–	–
Complaints	13.4	7.8	–	–
Royalty	2.5	2.0	–	–
Repair and maintenance	3.2	2.2	–	–
Audit fees	1.9	2.3	–	–
Consultancy fees	4.7	1.5	1.2	1.0
Shipping	2.2	4.2	–	–
Financial items	4.7	2.0	3.4	0.8
Other items	24.8	26.0	0.1	–
Total	**217.1**	**194.8**	**12.0**	**5.2**

Note 17 | Pledged assets

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
For own liabilities				
Floating charges	4.1	3.9	–	–
Real estate mortgages	3.0	3.0	–	–
Total pledged assets	**7.1**	**6.9**	**–**	**–**

Note 18 | Contingent liabilities

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Warranty FPG	0.9	0.9	–	–
Warranty for subsidiaries	–	–	–	14.0
Warranties, customs authorities	0.8	0.5	–	–
Guarantees commitments for subsidiaries	–	–	47.7	47.3
Other contingent liabilities	–	2.2	–	–
Total pledged contingent liabilities	**1.7**	**3.6**	**47.7**	**61.3**

Note 19 | Provisions for pensions and similar commitments

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Provisions for pensions PRI (interest-bearing)	60.9	59.6	–	–
Provisions for other pensions	0.6	0.6	–	–
Total	**61.5**	**60.2**	**–**	**–**

Defined benefit plans
Within the Group there are defined benefit plans in Sweden, in which employees retain the right to remuneration after they have terminated their employment, based on the salary level at the time of termination and on the period of service. The Group does not have any managed 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 made by the Emerging Issues Task Force UFR 3 of the Swedish Financial Accounting Council, this is a defined benefit plan covering several employers. For the financial year 2013, the Group did not have access to the information which would enable it to report this plan as a defined benefit plan. The ITP2 pension plan which is insured through insurance premiums with Alecta is, therefore, reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is dependent on the salary, previously earned pensions and expected remaining service. Expected fees for the next reporting period for ITP 2 insurance with Alecta amount to MSEK 15.2 (2013: MSEK 14.9). The Group's share of the total contributions to the plan is negligible. The collective funding ratio is the market value of Alecta assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or greater than 155 percent, measures shall be taken in order to create the conditions for the consolidation level to return to the normal range. At low consolidation, a measure can be to raise the agreed price for new issues and to expand existing benefits. With a high level consolidation, one measure could be to introduce premium reductions. At the end of 2013, Alecta's surplus in the form of the collective funding ratio amounted to 149 percent (2012: 129 percent).

	2013	2012
Defined benefit pension plans		
The amounts reported in the consolidated income statement:		
Costs of employment for current year	–	3.4
Interest expenses	1.9	2.7
Interest income on managed assets	–	–1.1
Losses (+) or gains (–) of any curtailments or settlements	–	–4.5
Total	**1.9**	**0.6**

	2013	2012
Specification of changes in net debt reported in the consolidated balance sheet:		
Net debt at beginning of year reported in prepared balance sheet	60.2	82.7
Net expenses reported in the income statement	1.9	0.6
Benefit payments	–1.8	–4.4
Reimbursements	–	0.7
Contributions by employer	–	–2.6
Settlement of pension plan	–0.1	–0.3
Actuarial gains (–) / losses (+)	1.3	–16.5
Net debt at year-end	**61.5**	**60.2**
The amounts reported in the balance sheet have been calculated according to the following:		
Present value of commitments	61.5	60.2
Net debt at year-end	**61.5**	**60.2**
Total pension costs		
Total pension costs reported in the consolidated income statement:		
Total expenses for defined benefit plans	1.9	0.6
Total expenses for defined contribution plans	42.2	47.0
Total pension costs	**44.1**	**47.6**
Pension costs are allocated in the consolidated income statement amongst the following items:		
Cost of goods sold	13.7	13.1
Selling expenses	18.8	23.7
Administrative expenses	9.7	8.1
Financial expenses	1.9	2.7
Total	**44.1**	**47.6**
Actuarial assumptions		
Significant actuarial assumptions as of balance sheet date (expressed as weighted averages)		
Discount rate	3.75%	3.50%
Future annual pension increases	2.00%	1.75%
Assumptions regarding expected lifetimes are based on public statistics		

Note 20 | Purchases and sales between Group companies and other related parties

The Parent Company's total income from operations of MSEK 8.7 (8.7) refers to remuneration from subsidiaries for services performed. There have been no other purchases between the Parent Company and the subsidiaries or other related parties. Remuneration to members of the Board, the CEO and other senior management is reported in Note 2.

Note 21 | Average number of employees

	2013		2012	
	Number of employees	Men %	Number of employees	Men %
Parent Company	5	60	5	60
Subsidiaries				
Sweden	776	62	807	62
Norway	39	79	40	83
Denmark	28	57	27	56
Finland	80	64	32	66
Estonia	5	60	5	60
Netherlands	30	77	31	74
Germany	266	82	255	84
UK	589	73	569	72
France	20	50	19	47

	2013		2012	
	Number of employees	Men %	Number of employees	Men %
Belgium	9	78	9	78
Spain	24	96	16	94
Poland	14	79	11	82
Russia	27	56	25	60
Ireland	5	80	5	80
Austria	1	100	3	100
Slovakia	6	50	6	50
Australia	113	64	110	59
New Zealand	3	67	3	67
United Arab Emirates	12	75	11	64
China	152	40	203	42
Total in subsidiaries	**2,199**	**67**	**2,187**	**66**
Group total	**2,204**	**67**	**2,192**	**66**

Members of the Board and senior management

	2013		2012	
	Number	Men %	Number	Men %
Group				
Members of the Board	6	67	6	67
Group President and other senior management	29	86	27	89
Parent Company				
Members of the Board	6	67	6	67
CEO and other senior management	4	50	3	67

Note 22 | Operational leasing agreements

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Leasing fees for the year	57.7	57.5	0.3	0.3
The nominal value of future minimum leasing fees for leasing agreements that cannot be cancelled				
Within one year	52.7	60.0	0.3	0.3
Between one and five years	78.6	103.3	0.2	0.2
After five years	22.1	44.1	–	–
Total	**153.4**	**207.4**	**0.5**	**0.5**

Note 23 | Remuneration to auditors

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Audit	3.3	3.2	–	–
Audit activities other than audit assignment	0.9	0.8	–	–
Tax consultancy	0.6	0.9	–	–
Other services	–	0.5	–	–
Total	**4.8**	**5.4**	**–**	**–**

Note 24 | Expenses allocated according to type of cost

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Raw materials and consumables	1,295.4	1,242.0	–	–
Changes in inventory of finished products and goods for resale, and work in progress	–64.1	11.3	–	–
Expenses for remuneration to employees (Notes 2 and 19)	978.5	970.4	21.7	17.0
Transport costs	86.6	91.5	–	–
Advertising and selling expenses	49.7	58.6	0.2	0.2
Expenditure for own properties and rented premises	77.1	81.1	0.9	0.9
External services	64.0	65.5	8.3	3.1
Depreciation/amortisation and write-downs (Notes 7, 10 and 11)	88.5	84.8	–	–
Other costs	255.8	260.0	4.5	4.3
Total	**2,831.5**	**2,865.2**	**35.6**	**25.5**

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

Note 25 | Expenses for product development

	GROUP		PARENT COMPANY	
	2013	**2012**	**2013**	**2012**
Capitalised overhead expenses for product development	96.3	94.1	–	–

Note 26 | Hedging

A certain portion of the expected inflow of foreign currencies is hedged. This refers primarily to payments from foreign subsidiaries. During the financial year, this has had a positive effect on the Group's operating profit of MSEK 1.5 (1.1). The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared with the expected flows during the coming 6 months was, as per balance sheet date, NOK 50 percent, EUR 10 percent, GBP 30 percent, AUD 20 percent. The nominal value of these hedging contracts was MNOK 28.0 (7.0), MEUR 1.5 (0.0), MGBP 1.4 (0.0), MAUD 0.9 (0.0). The Group does not apply hedge reporting in regards to these contracts. Had the Group redeemed its outstanding contracts per balance sheet date at the current forward rate, the effect on the Group's operating profit would have been MSEK 0.3 (0.0).

Note 27 | Changes in the Group's composition – Acquisitions and disposals

Acquired companies

I-Valo Oy

In order to further strengthen the Fagerhult Group's position in the European lighting market, and to complement the Group's product segment for demanding industrial applications, Fagerhult acquired 100 % of the shares in I-Valo Oy, with its registered offices in Iittala, Finland. The acquisition will have a positive impact on earnings per share in 2013 and onwards. I-Valo has 60 employees and manufactures luminaires and lighting systems mainly for industrial applications and harsh environments. Examples of such industrial applications include paper and pulp manufacturing, mining and bio energy industries. The company had sales of MEUR 10 in 2012 with profitability above the Fagerhult Group's average. The company has been consolidated in Fagerhult from the second quarter 2013. The purchase price in the transaction was MEUR 9.5, with an additional MEUR 1.1 in transaction expenses also being paid

The purchase price consists of the following components:	
Cash payment	83.9
Additional consideration	–
Total purchase price	**83.9**
Fair value of net assets acquired	34.8
Goodwill	**49.1**

The Company's impact on the Group's sales amounted to MSEK 45.9 and on consolidated net income to MSEK 5.3, before transaction and capital costs. If the company had been part of the Group from the beginning of the year, this would have implied an increase in sales of MSEK 58.6 and a net profit before transaction costs and capital costs of MSEK 4.3.

	Fair value
Cash and cash equivalents	0.7
Tangible fixed assets	8.9
Financial fixed assets	3.5
Intangible assets	10.1
Inventories	12.3
Receivables	11.7
Liabilities	-9.0
Deferred tax liabilities	-3.4
Net assets	**34.8**
Net assets acquired	34.8
Purchase price settled in cash	83.9
Cash and cash equivalents in the acquired company	-0.7
Transaction costs	1.1
Change in cash and cash equivalents on acquisition	**84.3**

The nominal value of the acquired receivables amounted to MSEK 11.7 and the fair value amounted to MSEK 11.7. Transaction costs amounted to MSEK 1.1 and have been included in the item Administrative expenses.

Note 28 | Share capital

The share capital in AB Fagerhult totals SEK 65,535,000 (65,535,000) distributed amongst 12,850,000 (12,850,000) shares, with a quotient value of SEK 5.10 (5.10) per share. The Company's holding of its own shares totals 238,000 and has a total quotient value of SEK 1,213,800. All outstanding shares 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.

	2013	2012
Change in the number of outstanding shares		
Number of outstanding shares at beginning of year	12,612,000	12,612,000
Number of outstanding shares at year-end	**12,612,000**	**12,612,000**

Note 29 | 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 offices in the County of Jönköping, the Municipality of Habo, and with Corporate Identity Number 556110-6203. The Company's visiting address is Fagerhult, Habo. AB Fagerhult is the Parent Company in the Fagerhult Group, one of Europe's leading lighting groups. The Group develops, manufactures and markets lighting systems for public environments. At year-end, AB Fagerhult had approximately 3,292 shareholders. The ten largest shareholders together hold 84.2 (82.1) percent of the shares.

Ownership structure (as per 31 December 2013)

Shareholders	Number of shares	%
Investment AB Latour	3,976,800	31.5%
SÄKI AB	2,200,000	17.4%
The Svensson family, foundation and company	945,525	7.5%
Lannebo Fonder	883,162	7.0%
SSB CL Omnibus AC, USA	870,325	6.9%
Robur Småbolagsfond	518,659	4.1%
SEB Asset Management	375,000	3.0%
Fourth Swedish National Pension Fund	369,981	2.9%
The Palmstierna family	285,770	2.3%
NTC Fidelity Funds	193,887	1.5%
SEB Fonder	183,325	1.5%
Stiftelsen Stockholms Sjukhem	150,000	1.2%
Other shareholders	1,659,566	13.2%
Number of outstanding shares at year-end	**12,612,000**	**100.0%**

Note 30 | Dividend per share

An ordinary dividend of SEK 7.25 per share, totalling MSEK 91.4, will be proposed for 2013 at the Annual General Meeting on 24 April 2014. This amount has not been reported as a liability but will, instead, be reported in equity as an appropriation of profit for the financial year 2013. The dividend for 2012 amounted to MSEK 82.0 (SEK 6.50 per share).

Note 31 | Risks

Financial risks

Foreign exchange risk
Foreign exchange risk arises when future business transactions, or reported assets or liabilities, are expressed in a currency which is not the Group's functional currency.

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

As a large part of the production takes place in Sweden, Fagerhult has a surplus inflow of foreign currency. The direct commercial foreign currency cash flow, after net calculations of flows in the same currency, shows a surplus of MSEK 241 (215). In addition to this, there is also an indirect impact in conjunction with the purchase of raw materials and components. This results, over time, in a lower net exposure for the Group.

The Group's policy is to hedge all significant net cash flows. Incoming flows of foreign currency should be used for payment in the same currency. In addition, a certain portion of the anticipated net inflow from sales and purchases is hedged by means of forward contracts after individual assessment at 50 percent for the coming 6–9 month period. When a statistical assessment of the foreign exchange situation is made, a change in the Swedish krona against other currencies of 1 percent, with all other variables being constant, would have affected the Group's profit/loss for the year by approximately MSEK 2 (2). The financial instruments are managed by the Parent Company's Board of Directors.

Translation exposure
Foreign exchange risks also arise in conjunction with the translation of foreign net assets and income, so-called translation exposure. This foreign exchange risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. The income in a foreign subsidiary is translated to Swedish krona based on the average rate for the year. The exposure of the Group's net assets outside of Sweden has increased as the operations there have changed from having previously referred to sales companies, to now also including production units. At balance sheet date, net assets in foreign companies are equivalent to MSEK 1,057 (894) including goodwill.

A weakening of the Swedish krona by 1 percent with all other variables remaining constant would result in an increase in equity of MSEK 10 (9) largely due to gains/losses on the translation of EUR and GBP. A change in the Swedish krona of 1 percent against other currencies would result in a direct impact on net sales in the subsidiaries of approximately MSEK 22 (22) whilst the impact on results in the foreign subsidiaries is MSEK 2 (2).

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

The Group's interest rate risk arises in conjunction with long-term lending. In addition to pension liabilities of MSEK 61.5 (60.2), interest-bearing liabilities amount to MSEK 1,071.9 (1,070.1) and cash and cash equivalents to MSEK 248.6 (256.8). Borrowing on the basis of variable interest rates implies an interest rate risk for the Group as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest rate risk for the Group in terms of actual value. During 2013 and 2012, the Group's lending was comprised largely of loans with three-month fixed interest rates.

The Group analyses its exposure to interest rate risks on a dynamic basis. Various scenarios are simulated, whereby refinancing, re-negotiation of existing trading positions, alternative financing and hedging are taken into consideration. With these scenarios as the starting point, the Group calculates the impact on results which a given change in interest rates would produce. In each simulation, the same change in the interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest bearing positions. Executed simulations show that the effect on the result of a change of 1 percent would be a maximum of MSEK 11, on the basis of the current capital structure. The simulation is made quarterly in order to verify that the maximum possible loss is within the limits established by the executive management.

If interest rates on borrowing in Swedish krona as of 31 December 2013 had been 10 points higher/lower but all other variables had been constant, then gains after tax for the financial year would have been MSEK 1.1 (1.1) higher/lower, primarily as an effect of higher/lower interest costs for borrowing on the basis of variable interest.

Credit risks
Credit risks are managed at Group level. Credit risks arise if the counterparty does not fulfil its commitments in conjunction with lending within the framework of cash management policies and through credit exposure towards clients and banks, including receivables and agreed transactions. The investment of surplus cash is undertaken primarily in K1 graded commercial paper and in banks. Only banks and financial institutions which have received a credit rating of at least "A" from independent rating institutes are accepted. If the Group's customers have received a credit rating from an independent rating institution, these ratings are used as the basis for decision making. In those cases in which an independent credit assessment does not exist, a risk assessment is made of the customer's credit status in which the entity's financial position is considered, as well as previous experience and other factors. Individual risk limits are established based on internal or external credit ratings, in accordance with the limits set by the Group management. The application of credit limits is frequently reviewed. No significant losses occurred in either 2013 or 2012. The majority of receivables from customers are guaranteed through credit insurance. A total provision of MSEK 9.4 (14.7) has been reported for those customer receivables not expected to be collectable.

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

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

The table below presents an analysis of the Group's financial liabilities to be settled net, specified according to the time to maturity, as of balance sheet date. The amounts stated in the table are the contractually stipulated, undiscounted cash flows. Amounts falling due within 12 months correspond to the recorded amount, as the effect of discounting is negligible.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As of 31 December 2013				
Bank loans	59.0	73.7	939.2	–
Accounts payable and other liabilities	593.9	–	–	–
As of 31 December 2012				
Bank loans	117.2	80.3	872.6	–
Accounts payable and other liabilities	504.7	–	–	–

Capital risk

The Group's objective with regard to the capital structure is to secure the Group's ability to continue operating, so that it can continue to generate returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep the cost of capital low.

To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as interest-bearing debt in relation to equity.

In 2013 the Group's strategy, which was unchanged compared to 2012, was to maintain a debt/equity ratio of between 50% and 100% and a credit rating of AAA. The credit rating of AAA has been maintained throughout the period. The debt/equity ratio as of 31 December 2013 was 86% (94%).

Operational risks

Price risk

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

Risk associated with plants and inventories

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

IT security

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

Insurance

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

Note 32 | Events after balance sheet date

The Board of Directors proposes a dividend payment of SEK 7.25 (6.50) per share, which is equivalent to a total of MSEK 91.4 (82.0).

Acquisition of Arlight

In order to further strengthen the Fagerhult Group's position in the European market, and to gain access to the Turkish market, Fagerhult signed an agreement on 20 December 2013 to acquire 100 % of the shares in Arlight, with its registered offices in Ankara, Turkey. The acquisition was finalised on 11 February 2014. Arlight has 160 employees and manufactures luminaires and lighting systems, primarily intended for outdoor use. Examples of suitable areas of application include offices, schools, hospitals, shopping centres and airports. The company is expected to report sales of MEUR 21 for 2013, with profitability well over the average within the Fagerhult Group. Fagerhult is paying a price of MEUR 28 (debt free cash free basis) for 100 % of the shares in Arlight. A further MEUR 7 may be payable as additional purchase consideration between now and 2015, depending on Arlight's financial development. The transaction is being financed with funds from existing credit facilities.

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

Signatures

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

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

The income statements and the balance sheets will be submitted for adoption at the Annual General Meeting on 24 April 2014.

Habo, 5 March 2014

Jan Svensson
Chairman of the Board

Eric Douglas
Deputy Chairman

Anna Malm Bernsten
Board Member

Björn Karlsson
Board Member

Catherina Fored
Board Member

Fredrik Palmstierna
Board Member

Johan Hjertonsson
President and CEO

Magnus Nell
Employee Representative

Lars Olsson
Employee Representative

Our audit report was submitted on 5 March 2014.

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Auditor-in-Charge

Audit Report

To the annual general meeting of shareholders in AB Fagerhult (publ), Corporate identity number 556110-6203.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of AB Fagerhult for the year 2013. The Company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 51–91.

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

The Board of Directors and the CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, as well as for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

OPINION

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and give, in all material aspects, a true and fair view of the financial position of the Parent Company as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and give, in all material aspects, a true and fair view of the financial position of the Group as of 31 December 2013 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance report has been prepared. The administration report and corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend, therefore, that the Annual General Meeting of shareholders adopt the income statements and balance sheets of the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriation of the Company's profit or loss and the administration of the Board of Directors and the CEO of AB Fagerhult for the year 2013.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors is responsible for the proposed appropriation of the Company's profit or loss, and the Board of Directors and the CEO are responsible for administration according to the Swedish Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriation of the Company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriation of the Company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the CEO is liable to the Company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

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

OPINION

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Jönköping, 5 March 2014

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Auditor-in-Charge

Shareholder Information

ANNUAL GENERAL MEETING OF SHAREHOLDERS 2014

The Annual General Meeting of shareholders will be held on Thursday, 24 April 2014, at 5 pm in Fagerhult, Habo.

REGISTRATION

Shareholders wishing to take part in the Annual General Meeting of shareholders must be registered in the shareholders' register kept by Euroclear Sweden AB on Wednesday, 16 April 2014 and register their intention to take part in the meeting to Fagerhult no later than 16 April 2014.

Registrations can be made by post to AB Fagerhult, 566 80 Habo, via e-mail to arsstamma@fagerhult.se or by telephone on +46 (0)8-522 359 75 or by post to AB Fagerhult, 566 80 Habo. Shareholders who have registered their shares with a nominee shareholder must, in good time prior to 16 April 2014, temporarily re-register the shares in their own name, through the nominee shareholder, in order to have the right to participate in the Annual General Meeting of shareholders.

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

DIVIDENDS

The Board of Directors proposes to the Annual General Meeting of shareholders a dividend of SEK 7.25 per share. The proposed reconciliation date is 29 April 2014, and, in the event that the Annual General Meeting of the shareholders adopts this proposal, the dividend will be distributed by Euroclear Sweden AB on 5 May 2014 to those registered in the shareholders register as at the date of reconciliation.

NOMINATION COMMITTEE

The Nomination Committee for the AGM 2014 consists of the following members:

- Gustaf Douglas, Investment AB Latour, Chairman
- Jan Svensson, Investment AB Latour
- Björn Karlsson, Svensson Family
- Göran Espelund, Lannebo Fonder

Shareholders may, at any time, submit proposals to the Nomination Committee by post to:
AB Fagerhult
F.A.O: Håkan Gabrielsson
Tegelviksgatan 32
116 41 Stockholm

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

FINANCIAL CALENDAR 2014

- 24 April 2014 Annual General Meeting of shareholders 2014
- 24 April 2014 Interim Report Q1, 2014
- 21 August 2014 Interim Report Q2, 2014
- 21 October 2014 Interim Report Q3, 2014

DISTRIBUTION POLICY

A printed copy of the Annual Report is available upon request and can be ordered by sending an e-mail to ir@fagerhult.se or by calling +46 (0)36-10 85 00. All of Fagerhult's Annual Reports from previous years are available on www.fagerhultgroup.com/en/financial-reports

IR CONTACT

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Financial Definitions

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

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

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

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

Equity/assets ratio Equity in relation to total assets.

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

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

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

Net investments Investments for the year in tangible fixed assets, less income from the sale of fixed assets.

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

Number of employees Average number of FTE employees.

Operating margin Operating profit in relation to net sales.

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

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

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

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

Industry Glossary

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

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

Failure fraction - Fy: The failure of fraction at nominal lifetime and is given in %. For example, at 15% failures, a factor of F_{15} is stated.

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

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

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

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

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

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

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

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

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

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

Luminance: Indicates how bright a surface is dependent on the light reflected from an object in a specific direction. Measured in candelas per m² (cd/m²).

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

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

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

Luminous Intensity Distribution: Measured according to the CIE standard and stated in cd / 1,000 lm. Reported in the table or with polar plot.

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

Nominal lifetime: (Rated life) Defined as the number of burning hours after which a given part of the initial light output remains. Today, life expectancy is given as the number of hours when 70% of the initial luminous flux remains and is designated as L_{70}.

OLED: Abbreviation of Organic Light Emitting Diode.

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

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

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

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

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

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