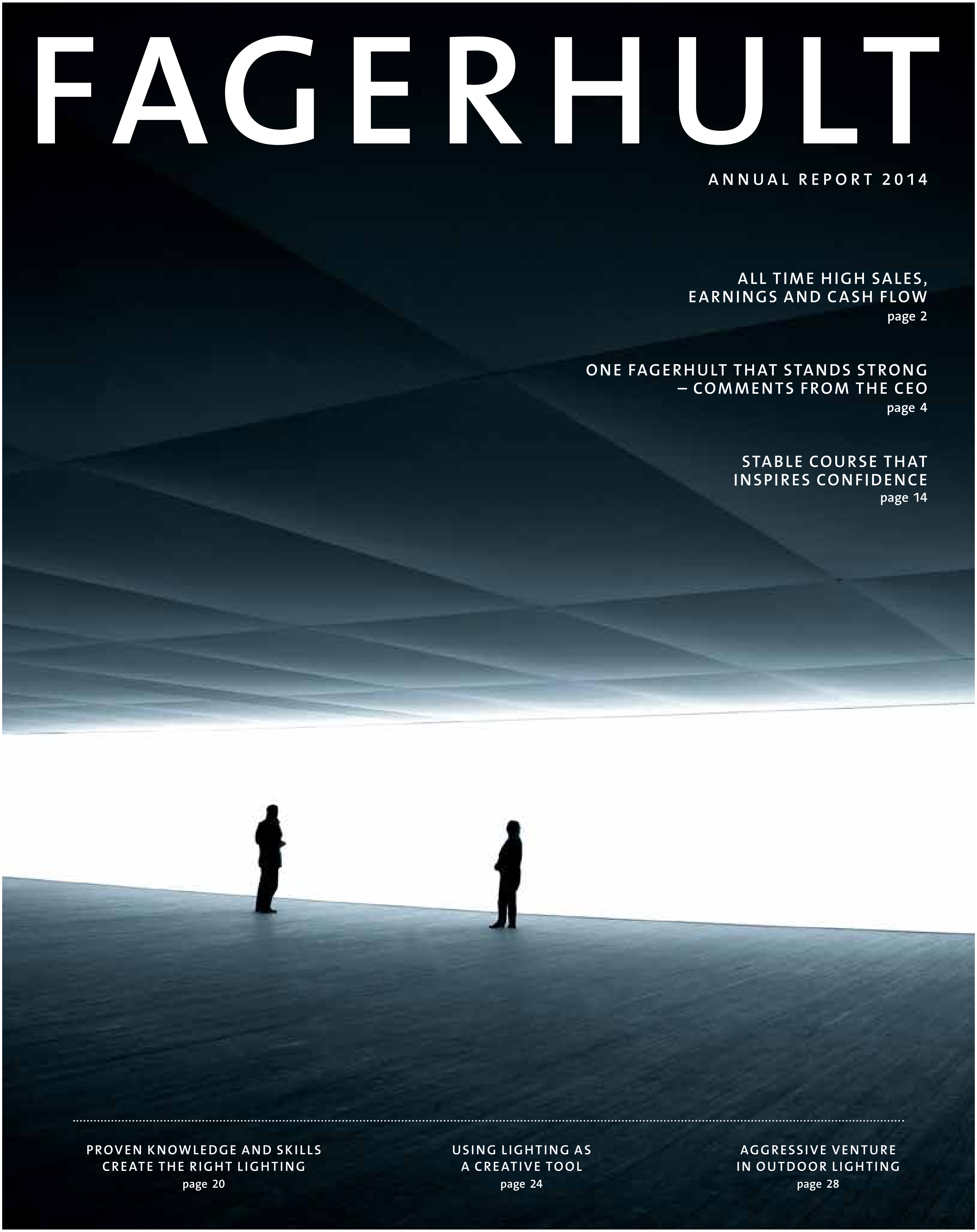
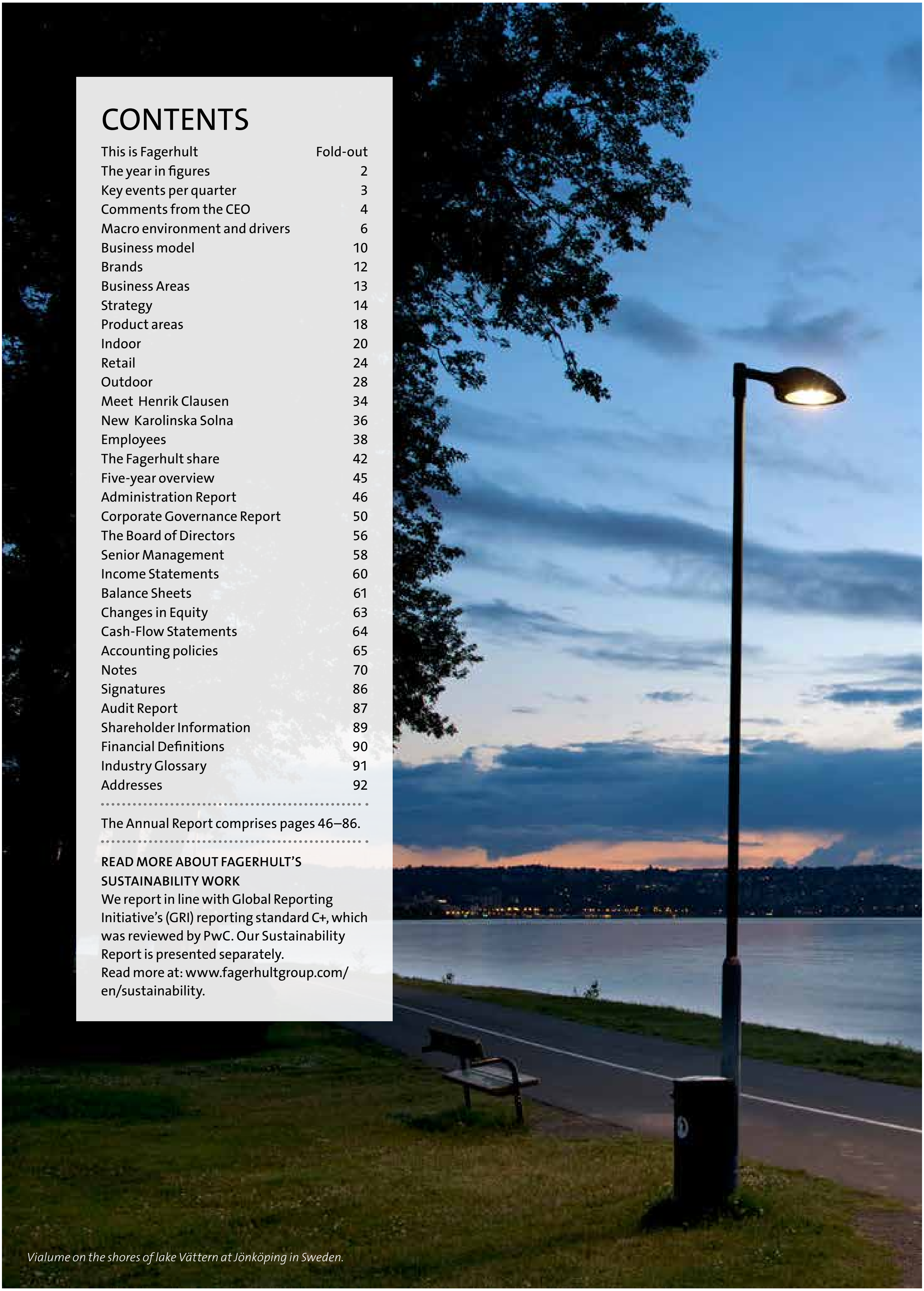
FAGERHULT

ANNUAL REPORT 2014





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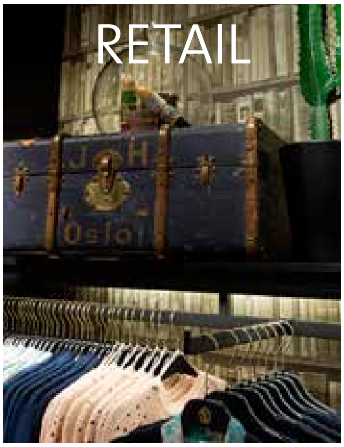
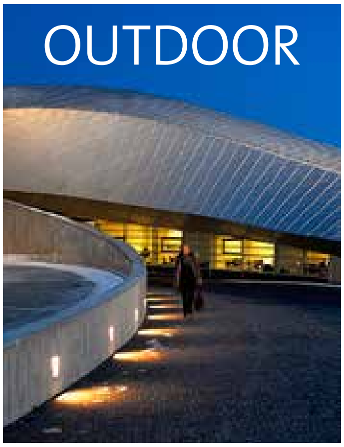
The Annual Report comprises pages 46–86.

READ MORE ABOUT FAGERHULT'S SUSTAINABILITY WORK
We report in line with Global Reporting Initiative's (GRI) reporting standard C+, which was reviewed by PwC. Our Sustainability Report is presented separately.
Read more at: www.fagerhultgroup.com/en/sustainability.

Vialume on the shores of lake Vättern at Jönköping in Sweden.

THREE PRODUCT AREAS





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

SALES

67 %

For more information, see page 20–23

RETAIL – Lighting solutions for retail concepts and commercial environments which enhance the products, stimulate consumers' purchasing behaviour and strengthen the brand.

SALES

27 %

For more information, see page 24–27

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

SALES

6 %

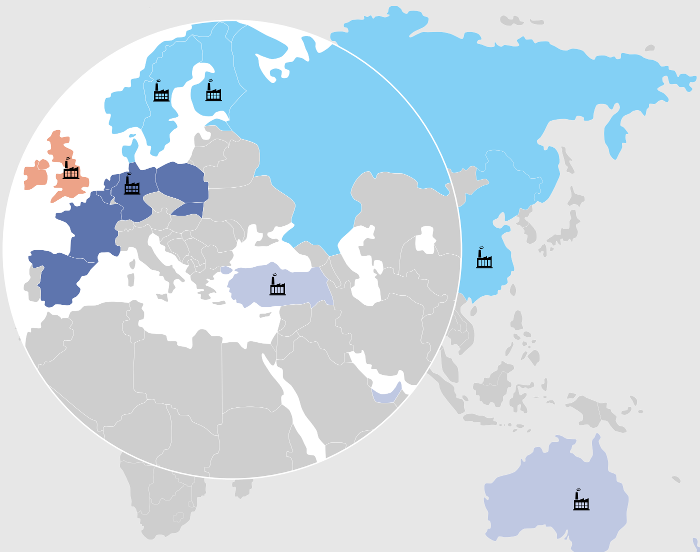
For more information, see page 28–31

EIGHT STRONG BRANDS

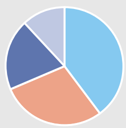
FAGERHULT	designplan LIGHTING	LTS® LICHT & LEUCHTEN	i VALO
Whitecroft lighting	ateljé Lyktan	eaglelightingaustralia 'Member of the Fagerhult Group'	ARLIGHT

INTERNATIONAL PRESENCE

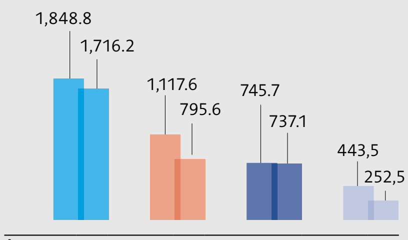
Fagerhult is one of Europe's leading lighting companies. Our largest markets are the Nordic region and the UK. Outside of these, Fagerhult has strong positions in Germany, the Netherlands, Turkey and Australia. With subsidiaries in a total of 20 countries, operations are divided into four geographical business areas. Marketing and sales activities are primarily performed locally through our subsidiaries and also via agents and distributors thus giving Fagerhult access to more than 40 markets. Production units are located in Sweden, Finland, the UK, Germany, Australia, Turkey and China.



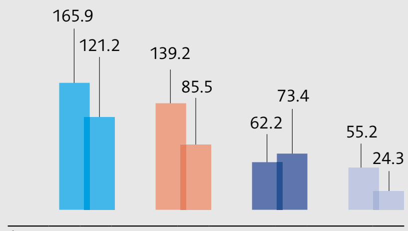
SALES PER BUSINESS AREA 2014



NET SALES PER BUSINESS AREA, MSEK



OPERATING PROFIT PER BUSINESS AREA, MSEK



GEOGRAPHICAL BUSINESS AREAS Northern Europe The UK and Ireland Rest of Europe Asia and Australia

VISION

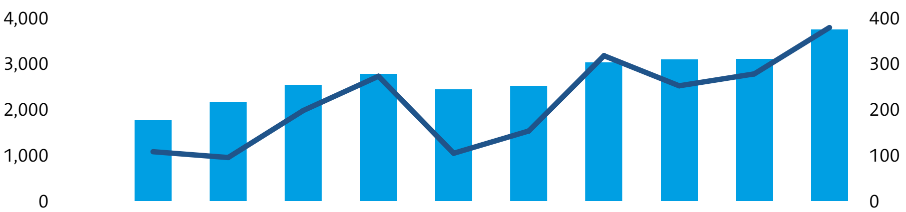
Fagerhult is to become a leading global lighting solutions provider.

MISSION

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

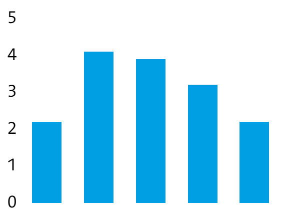
FAGERHULT HAS A HISTORY ROOTED IN VÄSTERGÖTLAND, SWEDEN. THE COMPANY WAS FOUNDED IN 1945 BY BERTIL SVENSSON AND ACHIEVED SALES OF SEK 13,000 IN ITS FIRST YEAR. A YEAR OR SO LATER, THE FIRST FACTORY WAS BUILT IN FAGERHULT, AT THAT TIME WITH SIX EMPLOYEES AND SALES AMOUNTING TO SEK 53,000. THE FACTORY REMAINS AT THE SAME LOCATION TODAY, BUT NOW HAS ABOUT 650 EMPLOYEES AND HAS BEEN EXTENDED SOME FORTY TIMES.

TRENDS FOR SALES AND OPERATING PROFIT, MSEK



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales	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	3,735.8
Operating profit	107.6	94.9	197.6	272.4	104.2	152.9	317.2	251.5	277.5	378.7

DIVIDEND YIELD, %



10	11	12	13	14
2.2	4.1	3.9	3.2	2.2

Fagerhult is one of Europe's leading lighting companies with a total of 2,400 employees in 20 countries. Fagerhult develops, manufactures and markets innovative and energy-efficient lighting solutions for professional indoor and outdoor environments. This comprises a wide range of products and solutions developed using expertise and insight into the positive impact of light on people in a variety of environments. Over the years, several strong brands have been acquired. The company's share is listed on Nasdaq Stockholm.

FINANCIAL HIGHLIGHTS FOR 2014

- Order intake increased 7 per cent and totalled MSEK 3,790.0 (3,241.7), adjusted for currency effects and acquisitions.
- Net sales rose 10 per cent to MSEK 3,735.8 (3,095.2), adjusted for currency effects and acquisitions.
- Operating profit posted a year-on-year increase of MSEK 101.2 to MSEK 378.7 (277.5). The operating margin was 10.1 per cent (9.0).
- The year was the best ever for the Group in terms of sales, operating profit and cash flow from operating activities.
- Despite extremely high sales, the order book is larger at the end of 2014 than it was at the start.
- The Group's market shares continued to grow over the last quarter due to an extremely strong offering in smart lighting solutions, utilising LED technology and control systems.
- At the end of 2014, sales of LED lighting solutions accounted for almost half of total sales.


The UN building, Copenhagen.

NET SALES

MSEK **3,736**

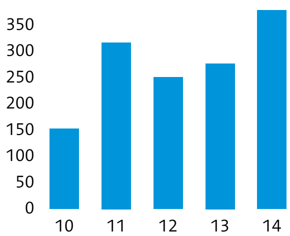
OPERATING PROFIT

MSEK **379**

KEY PERFORMANCE INDICATORS

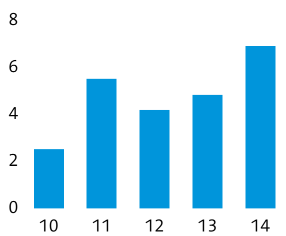
	2014	2013
Net sales, MSEK	3,736	3,095
Operating profit, MSEK	379	278
Profit after financial items, MSEK	348	247
Earnings per share, SEK	6.90	4.83
Sales growth, %	20.7	0.3
Operating margin, %	10.1	9.0
Net debt/equity ratio, %	78	86
Equity/assets ratio, %	38	37
Return on capital employed, %	15.6	13.3
Return on equity, %	22.1	18.7
Net debt, MSEK	1,040	885
Net investments in non-current assets, MSEK	110	65

OPERATING PROFIT, MSEK



152.9 317.6 251.5 277.5 378.7

EARNINGS PER SHARE, SEK



2.50 5.51 4.20 4.83 6.90

Q1

THE YEAR BEGAN WITH A STRONG FIRST QUARTER

- The lighting market continued to recover in all product segments.
- The Group captured market shares and posted a strong quarter with order intake up 24 per cent.
- Operating profit for the quarter was more than double at MSEK 75.3 (34.3).
- The acquisition of the Turkish firm Arlight was completed on 12 February.

Q2

THE MARKET RECORDED VARIED BUT GRADUAL IMPROVEMENTS

- The UK and Northern Europe continued to post high growth.
- The Group's strong offering in LED lighting meant that market shares continued to expand in most of the Group's markets.
- Another quarter with strong growth in order intake of 8 per cent excluding effects from currencies and acquisitions.
- During the quarter, a 3-for-1 share split was carried out in line with the resolution by the Annual General Meeting.

Q3

THIRD QUARTER MADE HISTORY AS THE BEST EVER

- With an operating profit of MSEK 122.5 (108.4), the third quarter made history – as Fagerhult's best ever. This was largely due to higher sales, up 10 per cent year-on-year after adjustment for currency effects and acquisitions. Growth was particularly favourable in Australia and the UK.
- Move to a new production facility for Designplan in Sutton, UK.
- The share of sales for LED products continued to increase.
- The market recovery continued at a slightly reduced rate of growth than in the first half of the year.

Q4

A STRONG QUARTER CONCLUDED AN EXTREMELY SUCCESSFUL YEAR FOR FAGERHULT

- 2014 was rounded off with another strong quarter. The year can be summed up as the best ever for the Group in terms of sales, operating profit and cash flow.
- LED products accounted for slightly less than half of the Group's sales in the quarter.
- Sales were in line with the previous year after adjustment for currencies and acquisitions.
- We end the quarter with a larger order book than we had a the start of the year.

The financial performance in 2014 means we have established Fagerhult at a completely new level. Naturally, this is a challenge, but by using this level as the base we are endeavouring to proceed and become even stronger moving forward.

FOR MORE INFORMATION, SEE PAGES 4–5

ONE FAGERHULT THAT STANDS STRONG

2014 was a year that started well, continued at the same pace and ended strongly with an operating profit that increased by 36 per cent. A significant contributing factor to another successful year has been the committed efforts by our employees to create customer value. Other factors included our decentralised entrepreneurial business approach and, not least, our consistent adherence to our strategy.

In many ways, Fagerhult's operating profit of MSEK 378.7 together with earnings per share of SEK 6.90 comprise an excellent summary for 2014. This was a strong performance that fills us all with pride and pleasure that the hard work has paid off. We can also see that earnings substantially exceeded the total returns achieved by Fagerhult over the past few years, which corresponded to 270 per cent measured as total shareholder return (TSR) over the past five years, 2010–2014. This performance is driven by our consistent adherence to our strategy, with the goal of creating a globally integrated company driven by customer insight and proven technical expertise. A key aspect of this strategy is our decentralised organisation with companies owning their own decisions and having extensive autonomy in controlling their operations. By leveraging the Group's size and expertise, for example, in terms of research and development and purchasing, in parallel with preserving and developing the entrepreneurial nature of each company, we have designed our route to success.

AN OUT OF SYNC MARKET

The lighting market has not grown appreciably over the year. We have, however, strengthened our position by continuing to capture market shares. In particular, healthy growth was achieved by UK operations, which included two very large projects that were delivered during the year. Progress is also being made in the Norwegian and Swedish markets.

"My hope is that all employees can be proud of being part of such an outstanding performance and grow from the experience."

My general perception is that we are in an unpredictable economic climate where the economic trends of the European countries have become significantly out of sync. In other words, there are areas for concern and challenges facing us which, to a great extent, are beyond our direct influence but which we must carefully analyse and decide how to manage. For Fagerhult, this means consistently adhering to our strategy and leveraging favourable conditions provided by our profitable base for further investment in product development, marketing and sales. The healthy financial performance also increases our acquisition capacity. The plan is to continue the past decades pace of acquisitions, which is a key factor in advancing toward our vision of becoming a leading, global supplier of lighting solutions.

HAVING THE RIGHT PEOPLE IN THE RIGHT POSITIONS IS A KEY ELEMENT OF SUCCESS.

Fagerhult's successes are made possible by our employees who, with their extensive skill set, are able to perform and deliver to very high quality standards. My hope is that everyone can be proud of being part of such an outstanding performance and grow from the experience. During the year, we have worked to strengthen our managers' ability to act as bridges between the strengths of a global Group and the strong local entrepreneurial spirit. This is a strategically important part of supporting our managers in their efforts to improve collaboration and increase knowledge exchange between the companies. A tangible

example of this was our global leadership programme, which brought together a number of key decision makers from across the Group during 2014. This networking and sharing of ideas between senior managers in our decentralised organisation helps create further business opportunities for Fagerhult.

A BEWILDERING TECHNOLOGICAL SHIFT THAT CREATES SUSTAINABLE VALUES

During the year, our sales of LED products more than doubled and now account for nearly half of total sales. Now that LEDs are considered the new norm we can confirm that the first phase of the technological shift has been accomplished. It is now up to us to continue this development by leveraging all of the potential opportunities provided by LED technology. Sales of LED products are and will be a key component of growth, but I would also like to highlight the other advantages of this new technology. By and large, everything is improved by LEDs. Lighting becomes more efficient, energy consumption significantly lower and the diodes considerably extend the luminaire's useful life. In addition, the technology offers intelligent ways of controlling and adapting lighting to needs and situations. We have made major investments in LED technology at our production units, which positions us well to continue driving technological development that adds advanced control systems to LED lighting, both indoors and outdoors.

PRIORITIES MOVING FORWARD

Creating customer value is always in focus. The most important message to our customers is that they have a stable partner in Fagerhult. Our extensive expertise means we do not just add tangible benefits through creating customised lighting, we are also able to create solutions for tomorrow that promote well-being and increased creativity.

The financial performance in 2014 means we have established Fagerhult at a completely new level. Naturally, this is a challenge, but by using this level as the base we are endeavouring to proceed and become even stronger moving forward. We look forward to an exciting 2015 and, not least, to celebrating the company's 70th anniversary.

Habo, February 2015

Johan Hjertonsson
President and CEO

CONSISTENT STRATEGY THAT GENERATES VALUE

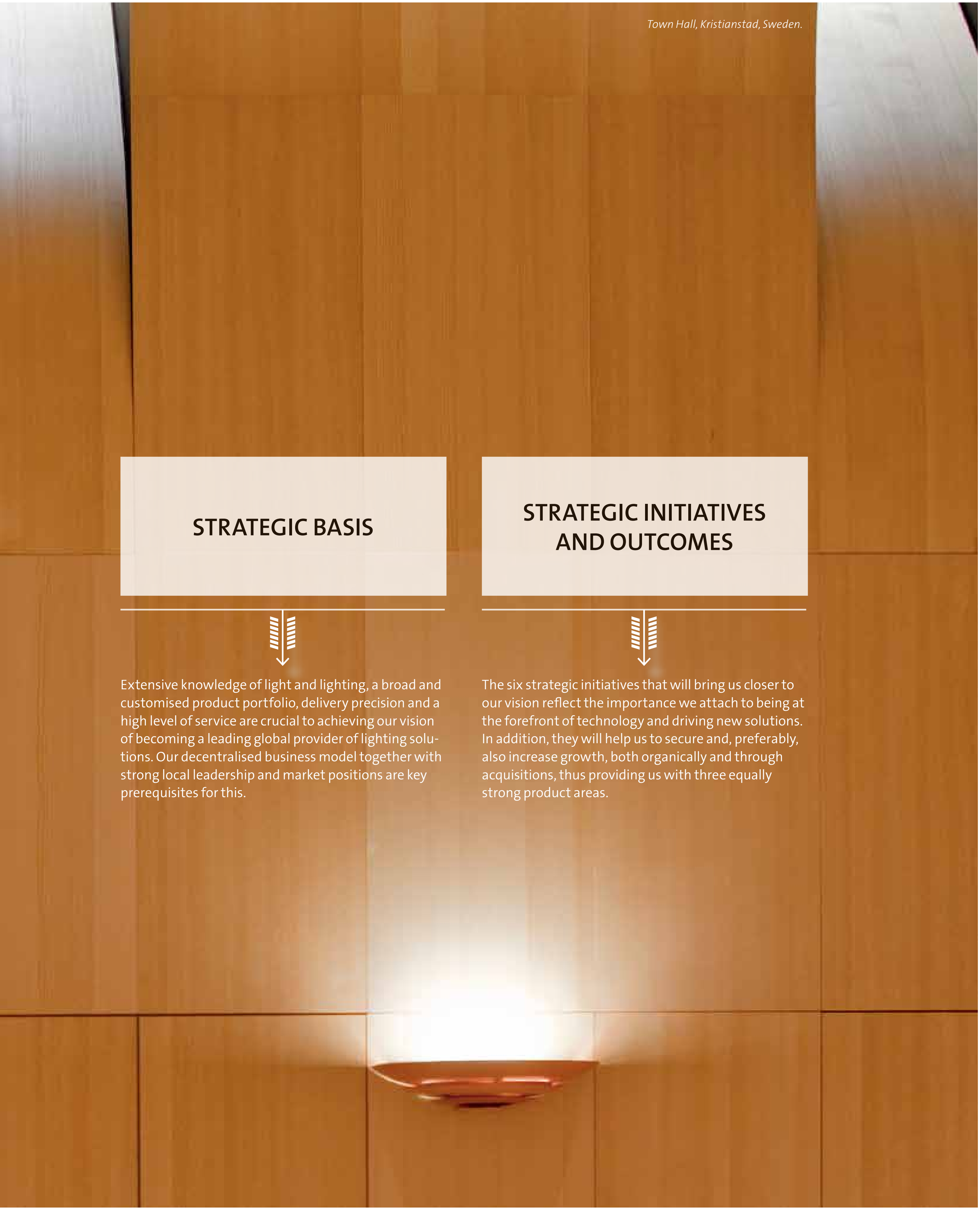
Fusing the local entrepreneurial perspective with economies of scale comprises the foundation of Fagerhult's ability to meet a changing business environment and reaching our desired position as a leading global provider of lighting solutions. Using a customer-centric approach, we consistently follow our strategy to continue growth, both organically and through acquisitions.

DRIVERS AND OPPORTUNITIES IN THE BUSINESS ENVIRONMENT

There are a number of macro trends that create possibilities for our industry moving forward. Analysis of changes in the business environment is key for Fagerhult to rapidly and consistently be able to turn new conditions into business opportunities. A general trend toward more stringent energy-efficiency requirements together with enhanced and more energy-efficient lighting, particularly, in combination with the technology shift to LED, are some of the strongest drivers.

BUSINESS MODEL

One key strength is the decentralised model for control and decision making that pervades the entire Group. This builds on locating decision-making, expertise and resources close to the customer and the local market in the form of strong brands that are well positioned in their respective markets. Group-wide synergies are best utilised through knowledge sharing and close collaboration on purchasing and product development.



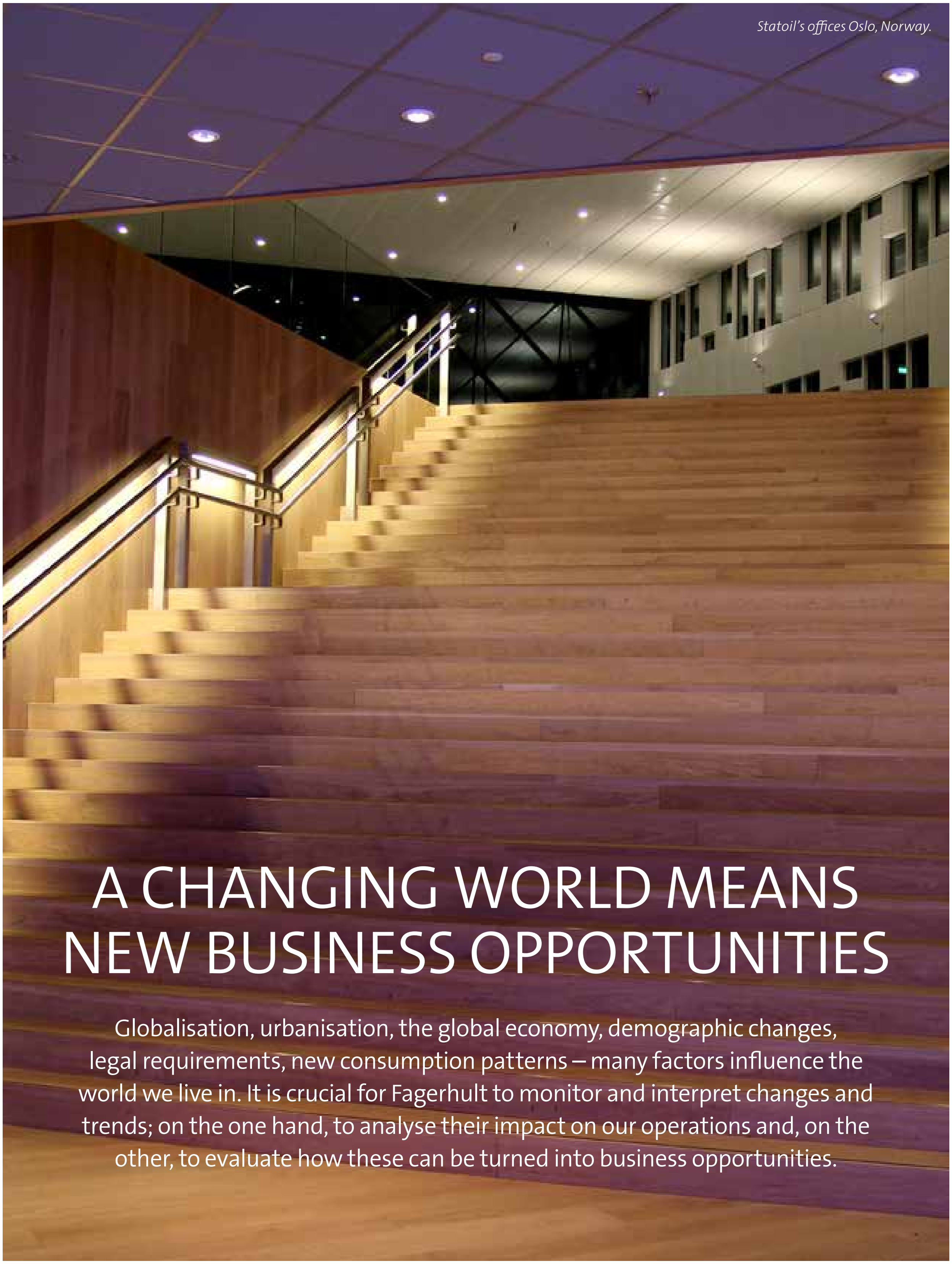
Town Hall, Kristianstad, Sweden.

STRATEGIC BASIS

Extensive knowledge of light and lighting, a broad and customised product portfolio, delivery precision and a high level of service are crucial to achieving our vision of becoming a leading global provider of lighting solutions. Our decentralised business model together with strong local leadership and market positions are key prerequisites for this.

STRATEGIC INITIATIVES AND OUTCOMES

The six strategic initiatives that will bring us closer to our vision reflect the importance we attach to being at the forefront of technology and driving new solutions. In addition, they will help us to secure and, preferably, also increase growth, both organically and through acquisitions, thus providing us with three equally strong product areas.



Statoil's offices Oslo, Norway.

A CHANGING WORLD MEANS NEW BUSINESS OPPORTUNITIES

Globalisation, urbanisation, the global economy, demographic changes, legal requirements, new consumption patterns – many factors influence the world we live in. It is crucial for Fagerhult to monitor and interpret changes and trends; on the one hand, to analyse their impact on our operations and, on the other, to evaluate how these can be turned into business opportunities.

GLOBAL TRENDS

MIXED SIGNALS FROM THE GLOBAL ECONOMY

In many respects, the lighting industry follows the construction industry's business cycle, which reflects the state of the global economy. Upturns and downturns in the construction industry primarily impact Indoor, since a major part of the luminaire and lighting systems market is driven by new construction and renovation, which tends to be deferred when the economy is strained. The global economy also impacts our retail business since consumers' purchasing power is decisive for our customers. The unsettled economy of the past few years improved slightly in 2014, although substantial differences remain between countries.

CHANGING POPULATION STRUCTURE

The world's population is ever increasing and, by 2050, there are expected to be 9 billion people with rising life expectancies. An aging population increases pressure on health and geriatric care, in parallel with more people remaining healthy and wanting to continue living active lives at advanced ages. These factors create new needs and place increased demands on a multitude of public functions, where different types of lighting will play important roles in the solution.

EVER INCREASING URBANISATION

In fifty years' time, 75 per cent of the world's population is expected to live in urban environments, compared with about 50 per cent today. This places requirements on urban infrastructure, where the need for energy-efficient lighting comprises a key element. Demand and requirements for safe and attractive urban environments together with the desire for a small-scale range of shops is also expected to increase in pace with generally rising living standards. Urbanisation can also be viewed in the light of meeting the emergence of new strong groups, such as, well-educated women, who are strengthening their position in the global market as workers, consumers, business leaders and investors.

ENERGY EFFICIENCY FOR REDUCED USE OF RESOURCES

Global economic growth and an increasing population mean increasing numbers of people sharing resources that are, in many cases, finite. This means requirements for more efficient use of resources, investments in renewable energy sources and new technology, usually, with reduced environmental impact through longevity and higher energy efficiency. The combination of lighting and control systems becomes significant, not just by conserving energy but also by utilising light's potential for health and well-being.

INDUSTRY-SPECIFIC DRIVERS

THE SHIFT TO LED AND CONTROL SYSTEMS

The lighting market's technological shift to LEDs is and will continue to be a key driver of growth. The main underlying reasons are the level of energy efficiency that can be achieved and the link to stricter requirements and legislation. The lifespan of diode lamps and their lack of thermal radiation in the direction light is cast are other reasons. In addition, new business opportunities are created by integrating LEDs with smart control systems. For example, in the form of lighting control based on needs and light adaptation to create increased well-being and stimulate our ability to perform better. A strong trend is forecast for smart control systems with annualised growth of about 20 per cent.

STRINGENT REGULATIONS

Policy-maker initiatives primarily pertain to issuing more stringent legislation that sets requirements for increased energy efficiency requirements and bans on inefficient technology. For example, the EU requires all light sources containing mercury to be phased out by 2016 and has introduced a directive for energy declarations by property owners. To meet this trend, it is crucial that the lighting industry act proactively and prepare well. This means participating in collaborations to be part of influencing and driving development; it is also entails keeping up-to-date with forthcoming changes to be able to adapt product development.

NEW AND INCREASED CUSTOMER NEEDS

Designed lighting solutions and insight about how adapted lighting can create and amplify an experience are increasing in significance. Insight is growing about how to work with lighting, for example, to create unique retail environments that develop and strengthen a brand. This is also setting new requirements for expertise, service and deliveries in the lighting industry. Customer demand is also changing in pace with increased awareness of how use of energy-efficient lighting solutions can reduce customers' own environmental impact and how soon the investment pays for itself.

CHANGES IN THE COMPETITIVE LANDSCAPE

The lighting industry operates in a relatively mature market, even if it is divided between different types of companies with large local differences in terms of competition. A relatively high level of acquisitions is ongoing, in parallel with shifting industry boundaries in the form of new participants, such as electronics companies, establishing themselves as the business opportunities with LED technology become apparent. While competing on price is an important tool for many companies, Fagerhult has chosen a different path – to differentiate itself.

STABLE BUSINESS MODEL THAT DELIVERS

Fagerhult develops, manufactures and markets innovative and energy-efficient lighting solutions for professional indoor and outdoor environments. A core part of our business is our decentralised organisational model with expertise, decision-making and resources located near customers in the form of strong brands firmly established and positioned in their home markets.

STRONG BRANDS WITH LOCAL DECISION-MAKING AND IMPLEMENTATION

Our eight primary brands have their strongest positions in their respective home markets, which is mainly due to the majority of the lighting market being local. Customer relationships and the ability to adapt our products and sales channels to the local conditions are key success factors. Our products and solutions are offered through one or more of Fagerhult's three principle product areas – Indoor, Retail and Outdoor – which reflect the professional lighting market. To a varying extent, our brands are contained within each of these areas and the areas provide a solid base for marketing a wide range of different customer and market segments in existing and emerging markets.

Artipelag, Värmdö, Sweden.

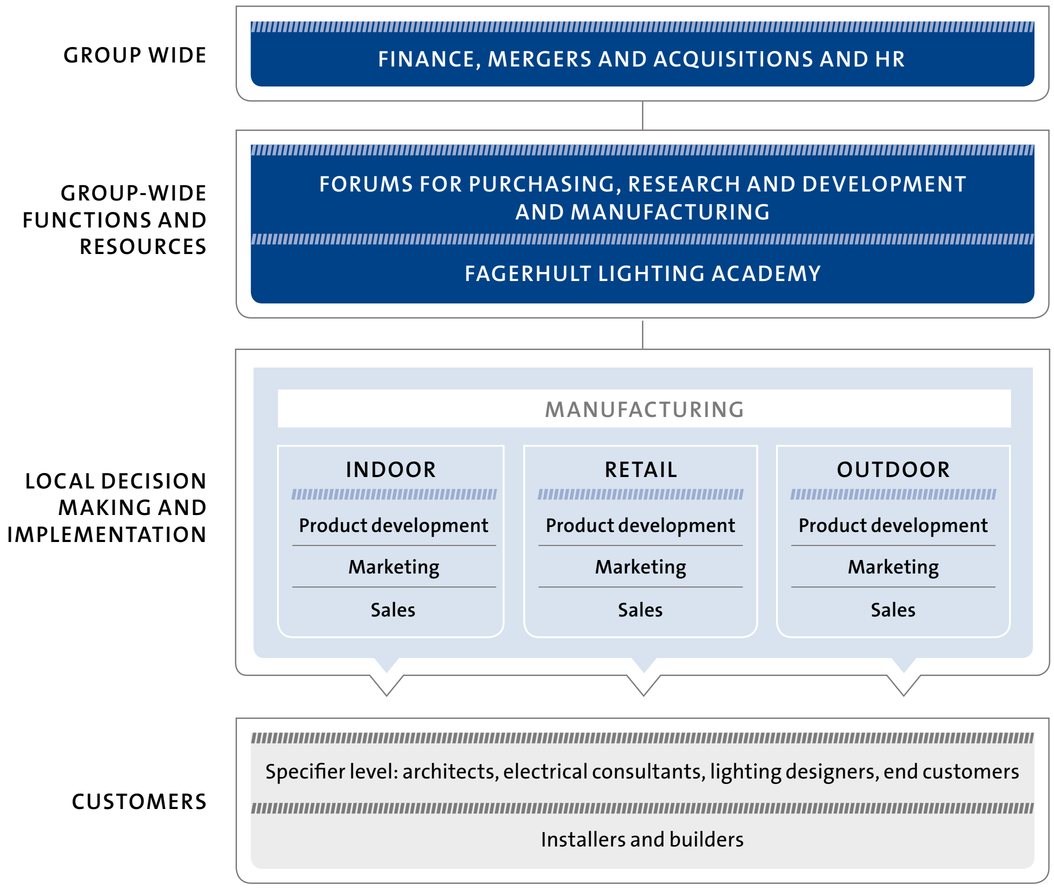
Generally, our brands are in the mass-premium segment. This means that our target groups are more sensitive to the value added by high-quality lighting and are less sensitive to price. Accordingly, we invest substantial time and resources in working with the specifier level, that is, architects, electrical consultants and lighting designers, to convey our expertise.

SALES MODEL – CUSTOMER SPECIFIC

Since the three product areas operate on entirely different prerequisites, a flexible and adaptable sales model is required, with a variation in direct and indirect sales depending on how the respective market works. Fagerhult's subsidiaries cover 20 countries that through direct and indirect sales in combination with agents, distributors and wholesalers reach some 40 markets worldwide.

One competitive advantage in the lighting industry is having production close to the market to allow short lead times and facilitate adaptation to specific needs and requirements. The company's manufacturing is aligned with the above and, accordingly is carried out at the product-owning subsidiaries' facilities in Sweden, Finland, the UK, Germany, Australia and Turkey. In addition, the facility in China focuses on high-volume products.

FAGERHULT'S BUSINESS MODEL



GROUP-WIDE FUNCTIONS AND RESOURCES THAT CREATE FAVOURABLE SYNERGIES

In many respects, the strong positions of the eight brands have been created through extensive technical expertise based on good insight into the value provided by the right lighting. To capture, gather and realise valuable synergies based on our collective lighting competence, Fagerhult has created a number of Group-wide functions. Good examples of this are the purchasing and manufacturing forums which leverage the Group's economies of scale. Furthermore, the size of the Group provides valuable economies of scale, not least with regard to purchasing and manufacturing.

Purchasing forum – As a large Group, many economies of scale can be realised from coordinating our purchasing. A network comprising Fagerhult's purchasing managers who coordinate purchasing at reduced cost is one example of an area where we leverage our size.

Research and development forum – An internally established forum focused on developing LED and control system solutions.

Fagerhult Lighting Academy – The hub for knowledge sharing between companies. The hub is tasked with compiling and spreading the Group's collective expertise.

GROUP-WIDE FUNCTION FOR FINANCIAL CONTROL AND ACQUISITIONS

The Group's decentralised structure empowers the companies with substantial autonomous decision-making powers. However, the Group management maintains its responsibility for overriding financial governance and control. Responsibility for acquisitions, which form a key part of Fagerhult's long-term growth strategy, is also at Group level.

STRONG BRANDS THAT DELIVER GROWTH

All of Fagerhult's portfolio of eight brands hold strong positions in their respective home markets. They play a central role in the growth strategy for reaching broader market coverage and increasing our market shares.

FAGERHULT

1945

HEAD OFFICE:
Fagerhult, Sweden

PRODUCT AREAS:
Indoor, Retail and Outdoor

Fagerhult's birthplace and main brand, which accounts for about half of the Group's total sales. The strongest positions are in the North European markets.

ateljé Lyktan

1974

HEAD OFFICE:
Åhus, Sweden

PRODUCT AREAS:
Indoor and Outdoor

The Group's most design-focused brand, which offers products in the higher price bracket from its premium position. Strongest position in the Swedish market.

Whitecroft lighting

2005

HEAD OFFICE:
Manchester, England

PRODUCT AREAS:
Indoor, Retail and Outdoor

Second largest market in terms of sales. Now the second largest company in the UK market which, in turn, accounts for about 95 per cent of Whitecroft's sales.

eaglelightingaustralia

'Member of the Fagerhult Group'

2007

HEAD OFFICE:
Melbourne, Australia

PRODUCT AREAS:
Indoor, Retail and Outdoor

Eagle Lighting Australia is one of the major companies in the Australian market and in New Zealand. The range also includes lighting solutions from Fagerhult and Designplan.

LTS® LICHT & LEUCHTEN

2010

HEAD OFFICE:
Tettnang, Germany

PRODUCT AREAS:
Indoor and Retail

With its quality focus, LTS occupies a strong position, principally in the German market, where the company is primarily a prominent player in the area of lighting solutions for retail concepts.

designplan LIGHTING

2011

HEAD OFFICE:
Sutton, England

PRODUCT AREAS:
Indoor and Outdoor

Designplan has a niche position in the UK market with lighting solutions for weather and vandal-proof environments. Designplan also has sales in Germany, Australia and in the Nordic market.

i VALO

2013

HEAD OFFICE:
Iittala, Finland

PRODUCT AREAS:
Indoor and Outdoor

Strong in lighting solutions for demanding industrial environments that, for example, are exposed to extreme temperatures. Leading position in the Finnish market with sales to France, Germany, Russia and Sweden, among other countries.

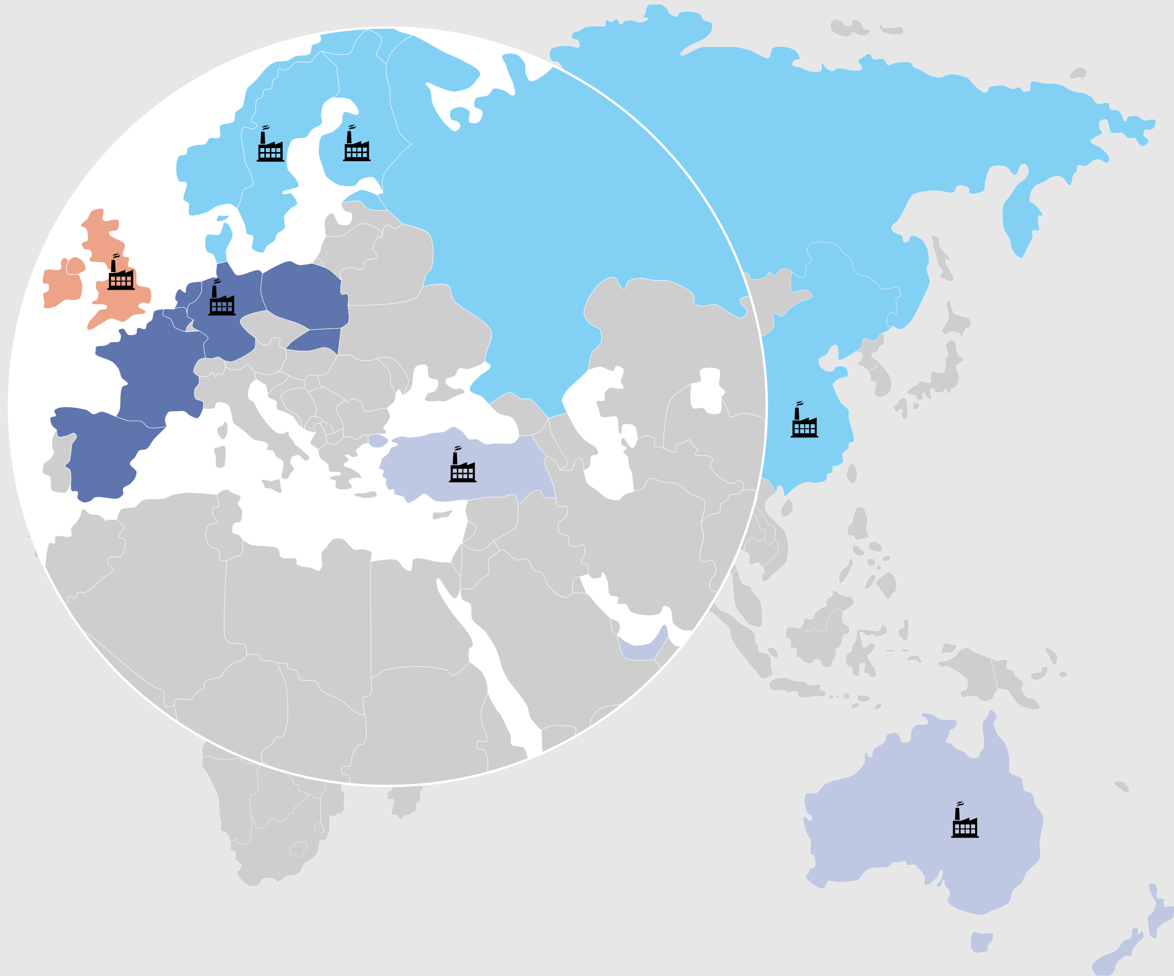
ARLIGHT

2014

HEAD OFFICE:
Ankara, Turkey

PRODUCT AREAS:
Indoor and Retail

Arlight has a strong position in the Turkish market for indoor lighting. Important low-cost production with short lead times for the Group's major markets.



BUSINESS AREAS – SUBSIDIARIES

NORTHERN EUROPE
Sweden, Norway, Finland, Denmark, Estonia, China and Russia.

UK AND IRELAND
The UK and Ireland

REST OF EUROPE
Belgium, France, the Netherlands, Poland, Slovakia, Spain and Germany

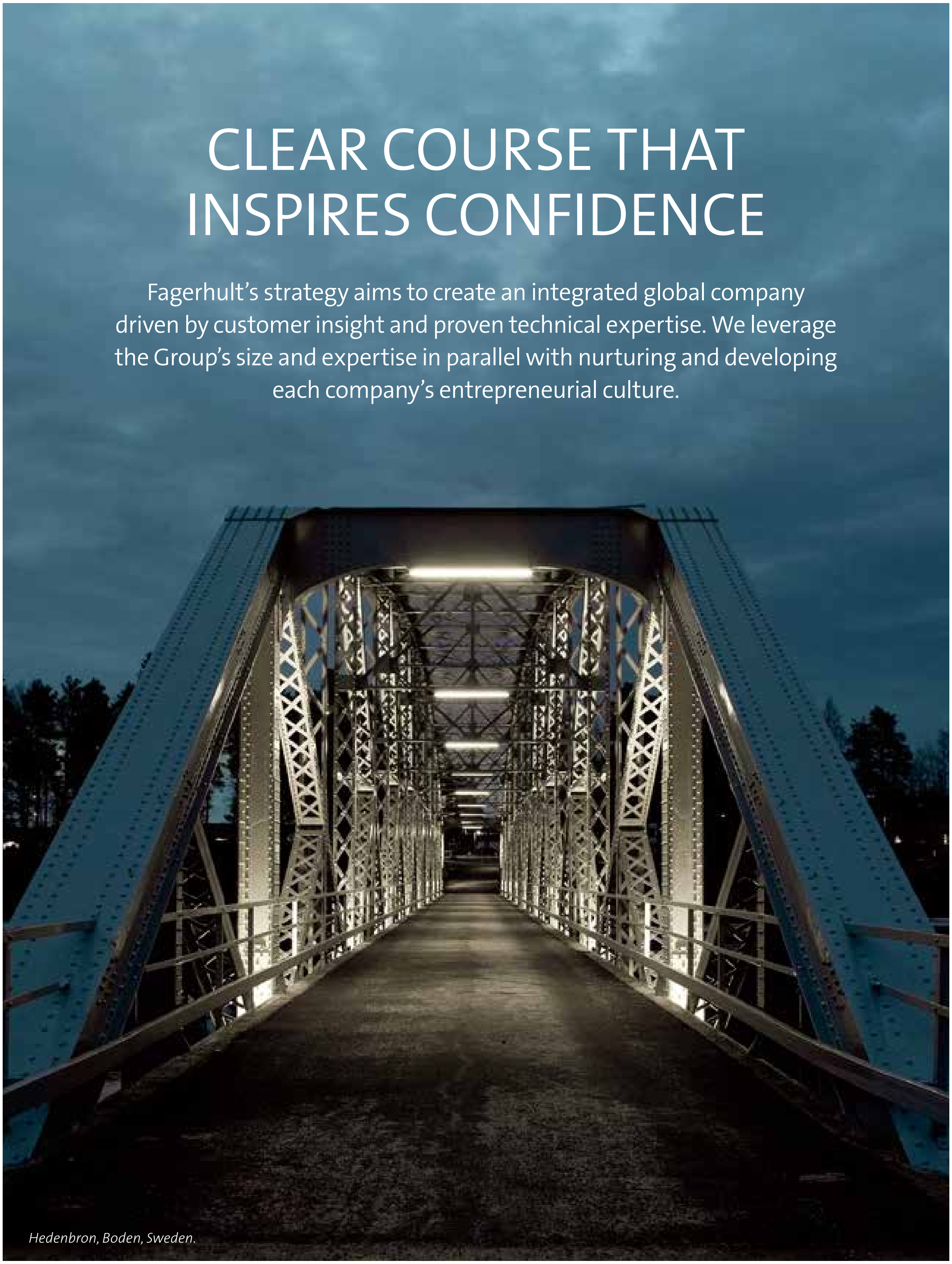
ASIA AND AUSTRALIA
Australia, United Arab Emirates, New Zealand and Turkey

MANUFACTURING

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

CLEAR COURSE THAT INSPIRES CONFIDENCE

Fagerhult's strategy aims to create an integrated global company driven by customer insight and proven technical expertise. We leverage the Group's size and expertise in parallel with nurturing and developing each company's entrepreneurial culture.



Hedenbron, Boden, Sweden.

FOUR STRATEGIC PRINCIPLES THAT DRIVE FAGERHULT

Fagerhult's bases its actions for driving operations and business on the following strategic principles: we will be ***aggressive, well-positioned, insightful,*** and also ***efficient*** and ***profitable.***

In addition to driving efficient and profitable operations to finance aggressive initiatives, one of the cornerstones is that we should manage and develop our strong existing position in the industry's value chain. In turn, this is based on strong brands that, with local and close customer relations, combine to be able to create lighting solutions that add value for the end customer. We have a clear position in the mass-premium segment, the lighting industry's mid-market segment, which means that we focus on a target group that is more sensitive to quality and the value generated by lighting solutions than the price.

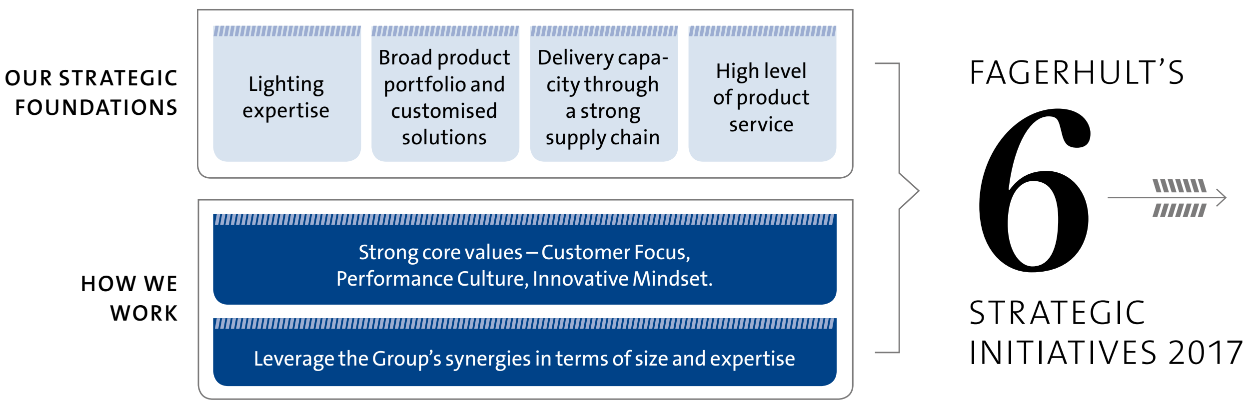
FOUNDATION FOR UNDERSTANDING OUR STRATEGIC EFFORTS

A core part of Fagerhult's strategy comprises the decentralised organisation with companies owning their own decisions and having great autonomy in controlling operations. In parallel, we operate in a changing business environment that never allows us to stand still. To ensure continued success, we have to work continuously with developing and improving lighting expertise, broadening the product portfolio with a high proportion of customised solutions, and consistently offering the highest possible level of delivery precision and customer service.

The size that the Group has grown to also contributes to the creation of a number of valuable synergies in many areas. It is essential for the strategic work to create Group-wide processes aimed at leveraging and realising these synergies, primarily when it comes to purchasing, sharing expertise and for HR issues.

FAGERHULT'S SIX STRATEGIC INITIATIVES

As part of taking another step toward our vision of becoming a leading global provider of lighting solutions, six strategic initiatives have been prepared to be realised by 2017. The main priorities are the creation of three equally strong legs from the product areas by growing Outdoor and Retail. Other priorities include fundamental initiatives that will help ensure a continued leading role at the forefront of technology and to implement continuous improvements for increased cost-efficiency.



FAGERHULT'S SIX STRATEGIC INITIATIVES 2017

1

DEVELOP INDUSTRY-LEADING LIGHTING SOLUTIONS

Taking a position at the forefront of technology is a given for Fagerhult. This applies particularly to the technological shift to LED, which in combination with smart control systems enables a multitude of innovative lighting solutions. To the ability of LEDs to lend value to luminaires and lighting we add the possibilities provided by control systems and our own extensive expertise in light's impact on people and environments. Together, this entails good potential to transform these insights into industry-leading lighting solutions.

OUTCOME

- LED's sales share has increased substantially and at year end was slightly less than 50 %.
- Major investments were made in LED technology at our production units during the year.

2

SECURE PROFITABLE ORGANIC GROWTH WITHIN INDOOR LIGHTING

The aim is to secure continued organic growth and further improve profitability for Indoor. Nurturing and further developing Fagerhult's position in this product area, which happens to be the market's largest and most competitive, is of central importance. Focus is on improving profitability in the Indoor product area.

OUTCOME

- Indoor posted year-on-year organic growth of 11 % (adjusted for currency effects and acquisitions).
- Market shares are growing in most markets, among others, the UK and Sweden.
- Continued focus on gross margins and smarter pricing have had a favourable impact.

3

GROW ORGANICALLY IN RETAIL LIGHTING

A clear trend exists toward working directly with retail and concept managers at large and often global fashion and grocery chains. In addition to identifying the possibilities that continuously pop up and working with more markets, one route is to follow the global fashion chains as they expand into new and existing markets.

OUTCOME

- The Retail product area grew 9 % (adjusted for currency effects and acquisitions) in 2014.
- Healthy growth in lighting solutions for global fashion chains.

4

GROWTH WITHIN OUTDOOR LIGHTING, ORGANICALLY AND THROUGH ACQUISITIONS

The investment in strengthening our own product outdoor lighting portfolio has resulted in the product families Vialume, Evolume and Lunova. The Group has a clear acquisition strategy to further strengthen the Outdoor product area.

OUTCOME

- The Outdoor product area grew 10 % (adjusted for currency effects and acquisitions) in 2014.
- Our own product families Vialume, Evolume and Lunova were launched in 2014, which together with LEDs in combination with control systems can generate energy savings of up to 40 %.

5

STRIVE FOR WORLD-CLASS PROCESS AND COST EFFICIENCY

Initiatives for continuous improvements, reduced use of resources and more efficient work methods are a constantly ongoing process for all parts of the Group. Purchasing, production and logistics are driving programs to raise productivity at all production facilities through investments and process development.

OUTCOME

- Significant savings were realised in purchasing where we leveraged the Group's size to achieve purchasing synergies.
- The acquisition of Arlight contributes to more efficient low-cost production located close to our major markets.

6

INCREASE EXPOSURE TO EMERGING MARKETS

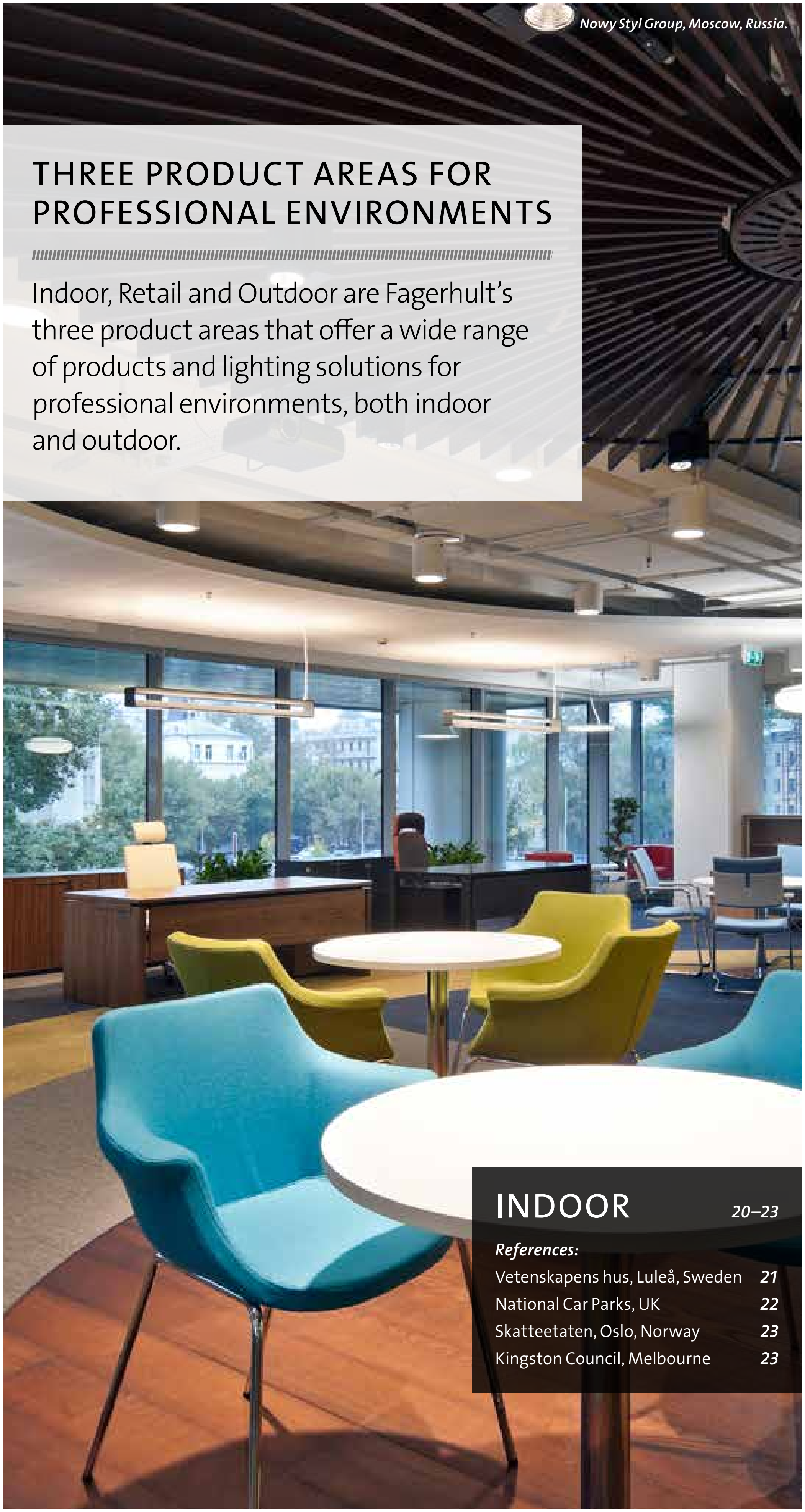
A clear element of the strategy is increasing exposure to emerging markets, for example Asia and the Middle East through acquisitions and organic growth.

OUTCOME

- Through the acquisition of Arlight, the Group has established itself in the dynamic Turkish market, as well as strengthened market positions in the Middle East together with our sales company Fagerhult Dubai.
- Emerging markets' share of sales increased to 14 %.
- Healthy growth in Eastern and Central Europe.

THREE PRODUCT AREAS FOR PROFESSIONAL ENVIRONMENTS

Indoor, Retail and Outdoor are Fagerhult's three product areas that offer a wide range of products and lighting solutions for professional environments, both indoor and outdoor.



Nowy Styl Group, Moscow, Russia.

Vivikes, Oslo, Norway.

RETAIL *24–27*

References:

Den Blå Planet, Copenhagen, Denmark.

OUTDOOR *28–31*

References:

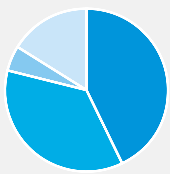
INDOOR

Indoor Lighting is Fagerhult's largest product area and accounts for a significant share of the company's total sales. All of the brands develop and market products for indoor use.

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

67 %

INDOOR'S NET SALES SPECIFIED PER BUSINESS AREA



- Northern Europe, 43 %
- UK and Ireland, 36 %
- Rest of Europe, 5 %
- Asia and Australia, 16 %

The impact of light on humans' well-being is well known. Correctly adapted lighting has the ability to make us thrive and perform better, at work and at school. Correct lighting is a key element of security at industrial premises, it is also a key factor for healthcare, where lighting should deliver appropriate illumination and meet high hygiene requirements.

Lighting solutions for indoor use are the common denominator for the brands and are offered in all of the Group's markets. Together we cover the majority of the needs that exist for indoor professional environments in terms of luminaires and solutions. The most prominent drivers are the possibilities of LED technology to create energy-efficient solutions that, combined with smart control systems, create added value for the customer.

FLEXIBLE SALES MODEL

The sales model is adapted to the local market and the customer segments' needs. This means sales directly to end customers and indirectly at the specifier level, which for Indoors primarily comprises lighting designers, architects, electrical consultants and property companies.

The main indoor environments comprise:

– Modern office environments with the possibility of directing and controlling lighting.
– Educational premises, including everything from classrooms to libraries.
– Health and medical care, including everything from luminaires for wards and examination rooms to adapted lighting for dialysis columns and panels for intensive care units and treatment rooms.
– Demanding environments, such as robust industrial environments and institutional environments needing vandalism-proof luminaires.

INDOOR'S PERFORMANCE IN 2014

Traditionally, Indoor is a highly competitive market. The position in the mass-premium segment is a key element of our success since our strengths lie not only in delivery reliability and good product quality, but also in our extensive knowledge and expertise of how to create the right lighting to increase our well-being in parallel with reducing energy consumption.

Among Fagerhult's product areas, Indoor follows the construction industry trend and, accordingly, has upturns and downturns that come late in an economic cycle. In 2014, Indoor's sales rose 11 per cent year-on-year, adjusted for currency effects and acquisitions. This was primarily attributable to our strong offering in LED lighting, which led to the company capturing market shares in a number of markets.

VETENSKAPENS HUS, LULEÅ, SWEDEN

LIGHTING THAT ENHANCES THE PREMISES' SOUL

Anyone entering the main hall of Vetenskapens hus in Luleå is immediately struck by the monumental architecture, with marble floors, vaulted ceilings and a large chandelier. Since January 2014, the old post office has become a meeting point for everyone interested in science, research and art. This is a place for cutting-edge scientific lectures and seminars.

Luleå University of Technology (LTU) had stringent requirements in terms of aesthetics and functions when it came to the function of the lighting in the building. The chandelier with built-in LED spotlights provides a warm and flexible light. Fagerhult's discreet Notor LED solutions that strengthen the premises' character are located along the sides of the premises. The entire lighting installation can be controlled through a digital control system.

Through small means, Vetenskapens hus has achieved a functional and aesthetically pleasing lighting solution that matches the building's requirements – thanks to close collaboration between Fagerhult and LTU.

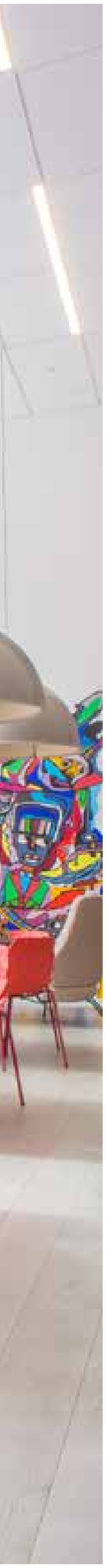
NATIONAL CAR PARKS, UK

Nothing but winners when UK parking giant converts to LED lighting.

With some 150,000 parkingspaces, National Car Parks (NCP) is the UK's largest private car parking company. When NCP decided to replace the old lighting in its car parks with LED lighting, the assignment was won by Whitecroft Lighting in partnership with Future Energy Solutions (FES). A total of over 50,000 LED luminaires were manufactured, including the specially developed ACL Park, which now effectively illuminates 134 UK multistorey car parks with space for a total of 45,000 cars.

In combination with presence detectors-sensor controlled lighting, excellent possibilities exist to reduce NCP's energy consumption by up to 65 per cent and drastically lower maintenance costs in the multistoreys. But there are even more winners: the new LED lighting is estimated to reduce carbon dioxide emissions by 11,000 tons per year and, in addition, create significantly more secure and safer parking.

Hood – perfect for Skatteetaten's cafeteria and coffee bar with its functions of creating zones and decorating rooms.



SKATTEETATEN, OSLO, NORWAY

ATELJE LYKTAN SHINES AT THE NORWEGIAN TAX ADMINISTRATION

When the Norwegian Tax Administration, Skatteetaten, totally refurbished its property from 1982, the aim was to create a working environment of the almost 25,000 square metres that was adapted to their operations and the needs of some 1,000 employees. The general interior design concept was one that signals and lives up to the ideas of sustainability and recycling. As an extension of the environmental profile much of the existing furniture was recovered and designed to merge seamlessly with the more modern furnishings. Naturally, this also required energy-efficient lighting capable of creating just the right light for the zone being illuminated and of blending into the environment regardless of whether the furniture was recycled or more modern and new. Ateljé Lyktan found the solution.

KINGSTON COUNCIL, MELBOURNE, AUSTRALIA

A brilliant alliance

The strategic alliance between Eagle Lighting Australia and Organic Response has proved successful. Organic Response's smart control systems are basically a distributed intelligence that enables all lighting within a defined area to act together as a coordinated unit.

The system allows each individual luminaire to make lighting decisions based on the number of people in the space, how they move around and the amount of ambient daylight together with the information communicated by the other luminaires.

On behalf of Kingston Council in Melbourne, Eagle Lighting Australia and Organic Response have installed a total of 1,600 LED luminaires equipped with sensors in a space of 11,400 square metres. Two key success factors to winning the assignment comprised the major user benefit gained from the simple lighting control together with substantial possibilities for reducing energy consumption.

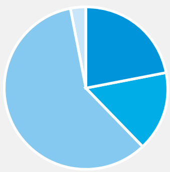
RETAIL

Retail lighting solutions comprise Fagerhult's second largest product area, which accounts for one third of the Group's sales. Retail offers solutions for applications ranging from individual store concepts to international retail chains.

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

27 %

RETAIL'S NET SALES SPECIFIED PER BUSINESS AREA



- Northern Europe, 22 %
- UK and Ireland, 16 %
- Rest of Europe, 59 %
- Asia and Australia, 3 %

One crucial and self-evident task of retail lighting is to create an attractive and inviting retail environment. However, retail lighting is also increasingly about highlighting and strengthening brands and, not least, about stimulating consumers' purchasing behaviour.

The range is marketed primarily under the Fagerhult brand, which is principally aimed at larger retail chains with well-known brands in fashion and food retailing. The product area has been divided to create two focus areas: Food and Fashion, to better meet various forms of consumption patterns. In addition, LTS has an offering aimed at showrooms and concept stores while, on a smaller scale, Whitecroft in the UK and Arlight in Turkey offer retail-lighting solutions.

SALES MODEL AIMED AT FOLLOWING CUSTOMERS' EXPANSION

Retail-lighting solutions are offered in most of the Group's markets, albeit to varying degrees, where possibilities for growth in pace with the expansion of the retail chain is a significant growth factor. LTS is a strong player in the German market, while Fagerhult has a strong position in the Nordic market and favourable positions in Russia, the UK, France and the Netherlands. The retail-lighting sales model has changed over the years in its adaptation to the needs of local markets and the customer segments. Marketing is today primarily aimed at concept managers at major international fashion chains since retail lighting is key element of the design concept. Fagerhult's sales are mostly direct to end customers, while LTS sells principally through wholesalers.

RETAIL'S PERFORMANCE IN 2014

Despite rapid digital development that has enabled new sales channels; the physical store remains a key complement and shop window that strengthens the brand. There are few tools as effective as light when it comes to creating the right mood and atmosphere in a retail environment.

In many respects, Retail follows the general consumer trend and is the first product area to see signs of an economic downturn or upturn being on its way. In 2014, Retail's sales adjusted for currency effects and acquisitions rose 9 per cent year-on-year, adjusted for currency effects and acquisitions. This was mainly attributable to healthy growth for the global fashion chains, where we are following their positive expansion. Many larger players have also chosen Fagerhult as the obvious partner when replacing their lighting with energy-efficient LED luminaires with smart control systems. In many cases, these lighting solutions have significantly reduced energy consumption.

FAGERHULT
ON DEMAND DESIGN

Fagerhult O.D.D. increases possibilities to stand out

Fagerhult's collaboration with the French firm La Halle, one of the Vivarte group's brands, is a good reflection of the effects of unleashing creativity to create a unique expression.

La Halle wanted discreet and sophisticated lighting to move its brand from budget shopping. Using this brief, Fagerhult O.D.D. prepared a customised version of the Crossroad spotlight with LEDs signalling both the trendiness and personality behind the La Halle brand journey.

HÄSTENS, STOCKHOLM, SWEDEN

CRYSTAL CLEAR WINNER WITH A STORE THAT FEELS LIKE HOME

Visitors to Hästens' flagship store in central Stockholm should know that what awaits them here is a bed range and lighting that is beyond the ordinary. The store is thus the worthy winner of Fagerhult Retail's Crystal Clear Award.

Hästens' aim is to welcome customers to a retail environment that signals exclusivity and home comforts. It assigns lighting a central role in creating both the desired ambience and in adapting lighting to daylight and customer behaviour. Examples of light design that meets these requirements include Relay, Fagerhult's LED mini-spotlight, which hangs from the basement floor's ceiling, and the ground floor's Zone Evo, which is equipped with LED lighting and a stylish cone form that provides flexible lighting.

With its lighting solution, Hästens has not only succeeded in creating an attractive atmosphere, where every component lifts and strengthens the brand, it is also saving energy. Through smart, customised lighting controls, which are also future-proofed, energy consumption is now at 4.7 W/square metre.

CRYSTAL CLEAR AWARD

The distinction is a newly instituted award closely linked to Fagerhult's Crystal Clear sustainability initiative. The jury comprised the Danish lighting designer Jesper Kongshaug, Director of the Fagerhult Lighting Academy Henrik Clausen and Fagerhult's Head of Product and Brands Elisabeth Back.

With its lighting solution, Hästens has not only succeeded in creating an attractive atmosphere, where every component lifts and strengthens the brand, it is also saving energy.

AZBUKA VKUSA, RUSSIA

Fagerhult lights up a Russian gourmet with a new character

Azbuka Vkusa, a Russian premium food retailer, wanted a new lighting system in conjunction with the refurbishment of its store. This was aimed at showcasing the brand and the offering on the one hand and contributing to significantly reduced energy consumption and maintenance on the other. The solution was Fagerhult's stylish LED spotlight Zone Evo that also succeeded in achieving an almost 50 per cent reduction in the store's energy consumption. As the crowning glory, the project was nominated for Fagerhult's Crystal Clear Award.

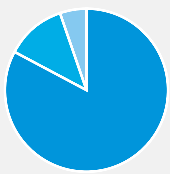
OUTDOOR

Outdoor lighting is the Group's smallest, and youngest, product area. In 2014, Vialume 1 was launched under the Fagerhult brand as part of the aggressive investment in outdoor lighting.

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

6%

OUTDOOR'S NET SALES SPECIFIED PER BUSINESS AREA



- Northern Europe, 82 %
- UK and Ireland, 12 %
- Rest of Europe, 5 %
- Asia and Australia, 0 %

Using outdoor lighting to create urban environments that are perceived as safe, secure and aesthetically pleasing is a crucial part of making cities more attractive.

Investing in LED lighting can realise substantial energy savings and adding intelligent controls makes the lighting even more cost-efficient. With the help of tomorrow's technology, lighting can be linked together in a network that can, in turn, deliver information regarding factors, such as the traffic intensity at the location.

Fagerhult offers lighting for most types of outdoor environments. Everything from facades and roofs to footpaths and cycle paths, parking facilities, streets and open spaces. Of the Group's brands, it is primarily Fagerhult and Ateljé Lyktan that offer solutions for all types of outdoor use. Designplan's robust products are adapted to manage harsh environments with exposure to severe weather and human impact.

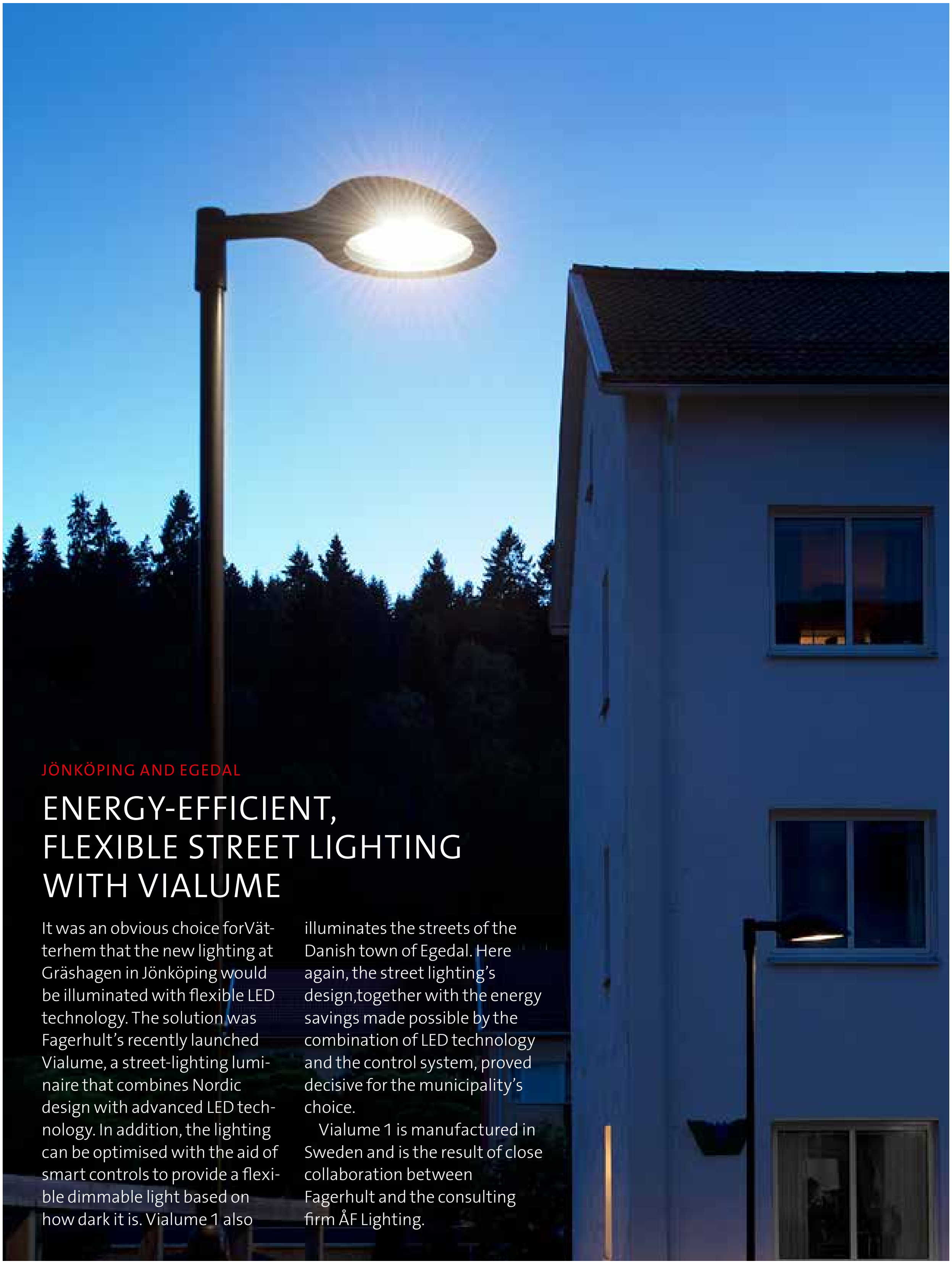
GLOBAL MARKET WITH A LOCAL SALES MODEL

Lighting solutions for outdoor use are offered in each of the Group's geographical markets. However, sales activities are mainly focused on the Nordic market. With varying degrees, the sales model focuses directly on end customers, for example, a municipality in its capacity as owner of streets and parks. In Outdoor's case, it also focuses on indirect sales at the specifier level, mainly comprising consultants, landscape architects and municipalities. From a Nordic perspective, public procurements are another key sales channel.

OUTDOOR'S PERFORMANCE IN 2014

The outdoor-lighting market comprises a number of well-established companies. To increase possibilities of capturing market shares, Fagerhult has developed Vialume 1. With its organic design with roots in Nordic design traditions, in combination with advanced LED technology and space for controls, the Vialume 1 has started to penetrate the market.

Outdoor is less sensitive to economic trends than the other product areas and in 2014, Outdoor's sales adjusted for currency effects and acquisitions rose 10 per cent year-on-year. This is, to a large extent, due to the favourable trend in the sale of outdoor luminaires in Scandinavia and the UK. The launches of our new product families Vialume and Lunova have played a decisive role in this positive growth, mainly due to being designed to Scandinavian conditions and lighting standards.

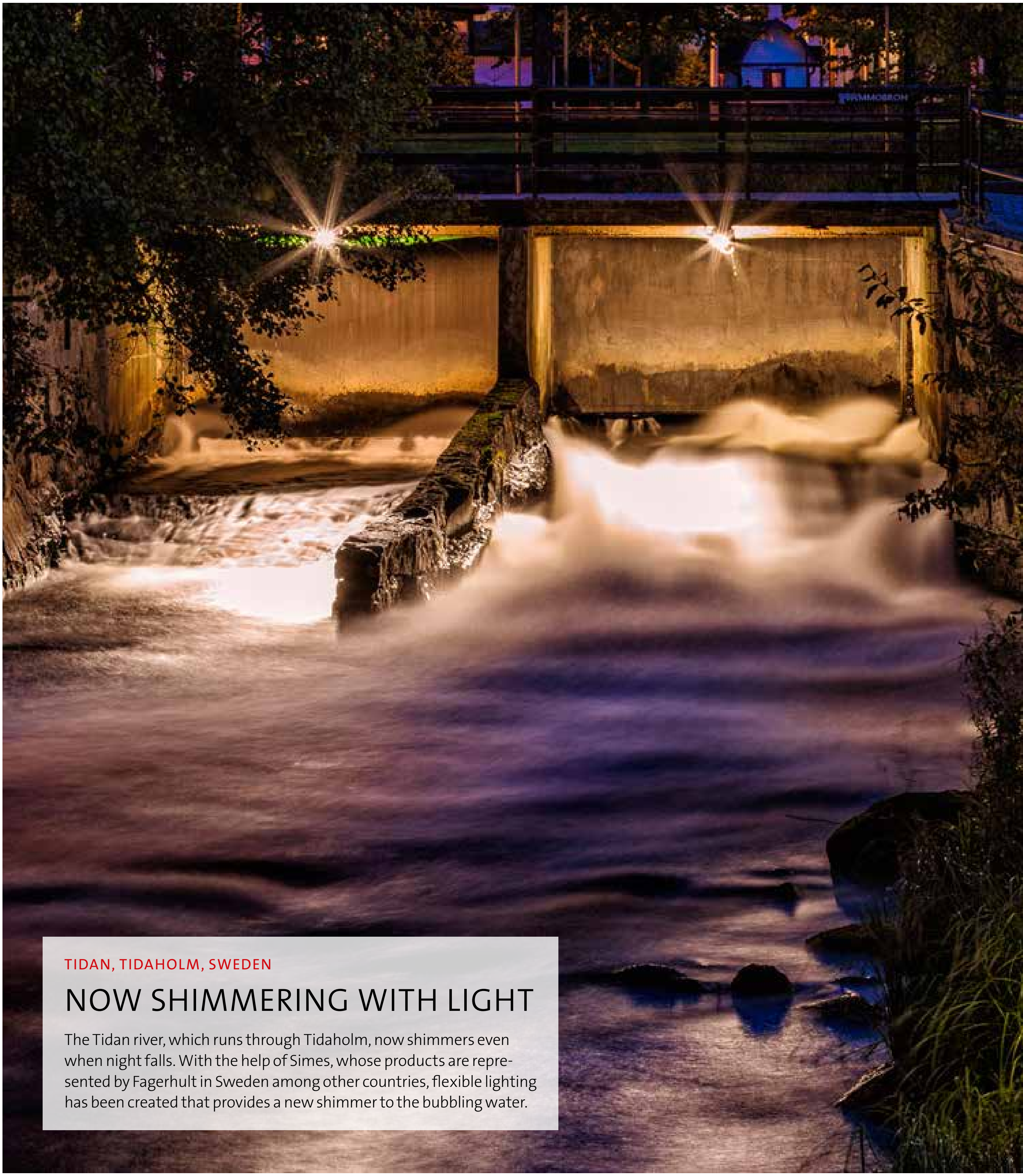


JÖNKÖPING AND EGEDAL

ENERGY-EFFICIENT, FLEXIBLE STREET LIGHTING WITH VIALUME

It was an obvious choice forVätterhem that the new lighting at Gräshagen in Jönköping would be illuminated with flexible LED technology. The solution was Fagerhult's recently launched Vialume, a street-lighting luminaire that combines Nordic design with advanced LED technology. In addition, the lighting can be optimised with the aid of smart controls to provide a flexible dimmable light based on how dark it is. Vialume 1 also illuminates the streets of the Danish town of Egedal. Here again, the street lighting's design,together with the energy savings made possible by the combination of LED technology and the control system, proved decisive for the municipality's choice.

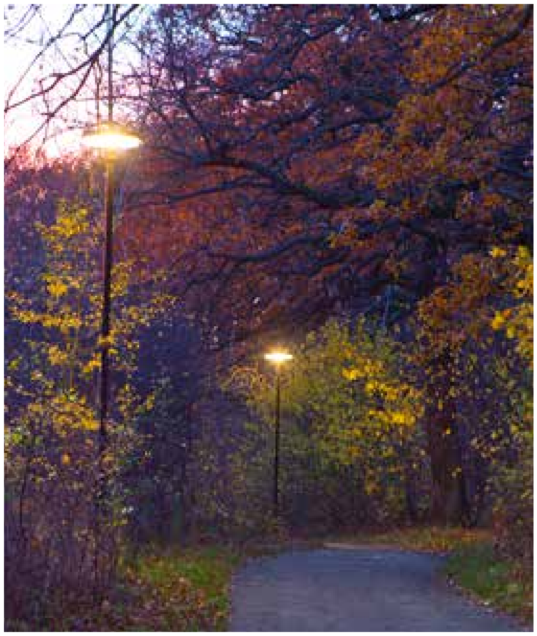
Vialume 1 is manufactured in Sweden and is the result of close collaboration between Fagerhult and the consulting firm ÅF Lighting.



TIDAN, TIDAHOLM, SWEDEN

NOW SHIMMERING WITH LIGHT

The Tidan river, which runs through Tidaholm, now shimmers even when night falls. With the help of Simes, whose products are represented by Fagerhult in Sweden among other countries, flexible lighting has been created that provides a new shimmer to the bubbling water.



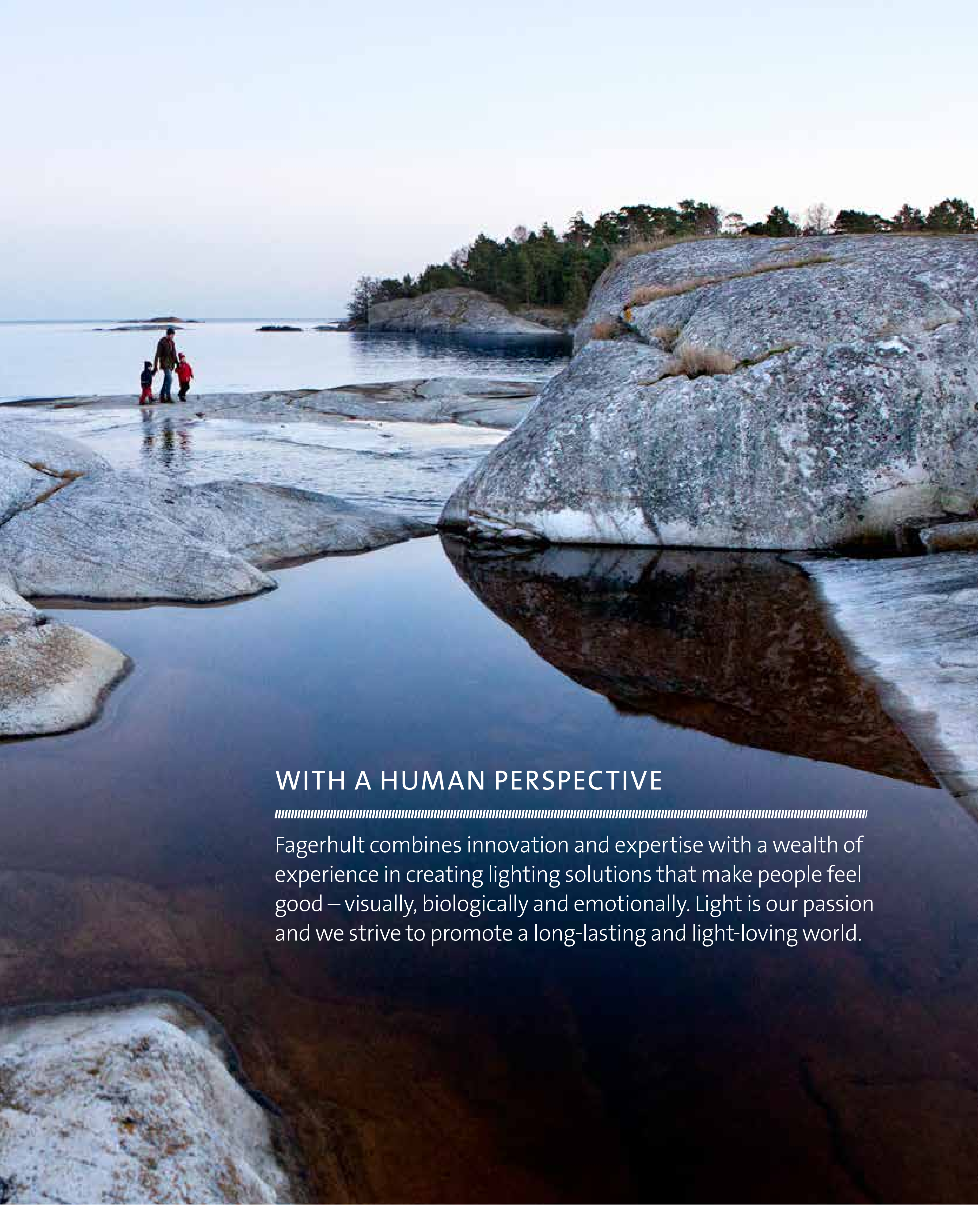
BROMMAPLAN, STOCKHOLM, SWEDEN

Proximity controlled lighting that conscientiously follows your path

As soon as someone approaches the foot and cycle path that leads between Tunnlandsvägen and Gustav III's Road in Bromma, the lighting, in groups of seven luminaires at a time, increases in intensity from half to full strength. The lighting then brightens in pace with the individual's progress, be it on foot or bicycle, to then reduce intensity to half strength after a predetermined length of time. This is made possible through Fagerhult's omnidirectional post luminaire Lunova equipped with a radio-based control system from Tritech.

A similar solution at Kungsholms strand in Stockholm showed that it is possible to save 40 per cent of energy consumption without impacting people's perception of being safe and secure.

Street lighting with Lunova in Bromma and at Kungsholms strand are some of the studies that are included in the major lighting project that has been ongoing in Stockholm since 2012. The objective is to study how smart light control and LED lighting can help meet the needs of users and, concurrently, save substantial amounts of energy. This needs to be looked at in light of the fact that in Stockholm's parks and along its public pathways, there are approximately 50,000 light sources using about 14 million kWh per year. The project, which ends in autumn 2015, is being run by Sustainable Innovation (Sust) and KTH Lighting Laboratory in collaboration with stakeholders that include the City of Stockholm and Fagerhults Belysning.



WITH A HUMAN PERSPECTIVE

Fagerhult combines innovation and expertise with a wealth of experience in creating lighting solutions that make people feel good – visually, biologically and emotionally. Light is our passion and we strive to promote a long-lasting and light-loving world.

MEET HENRIK CLAUSEN

A MAN PASSIONATE ABOUT LIGHT

For Henrik Clausen, Director of the Fagerhult Lighting Academy, light is as much a utility as a conveyor and amplifier of feelings. Using nature as a reference, Mr Clausen sees his task as explaining light as a bearer of communication in a broader context.

Why is light so important for us humans?
It is estimated that 83 per cent of all sensory impressions absorbed by people from their surroundings are visual. Probably the reason behind expressions such as "I have to see it with my own eyes" and "you see." Senses like hearing, taste, smell and touch account for the remaining 17 per cent. Light is clearly a basic prerequisite for us to see anything at all, but, in addition to its tangible benefits, light helps to amplify our feelings, our general well-being and our creativity.

What more can you say about using natural light as a reference?
Human senses are created for a level of daylight that endows nature's many colours and nuances with their truest expression. When lighting solutions are being developed, it is nature's light conditions and tones that should be used as our starting point.

Natural light is an excellent shared reference. We all have clear perceptions of how light varies between a sunny day in June, a cloudy winter day and in the twilight on a forest path in the spring. Put simply, nature helps us to find the words we need to describe the light we seek.

In your book, Light & Communication, you write about the hierarchy of lighting – please enlarge on that.
A good way of describing this would be to visualise it as a needs staircase where each step follows a logical order. The first and second steps cover our basic needs by creating safety and security as well as sufficiently good light conditions to enable performance of a specific task. Much of my motivation comes from getting us to progress further up the staircase to create lighting that aids well-being and creativity. However, it is important to remember to start on the bottom step. To attempt to create lighting that promotes creativity without having already ensured there is sufficient light for the creative people to safely access their places, is doomed to failure.

The transition to LED technology has been completed and will soon account for 50 per cent of your sales. What is your next step?
Most probably, this will be greater focus on how we can develop control systems to intelligently adapt lighting to meet all kinds of personal needs. In the same way that you adjust chairs and tables, open windows if you need fresh air or close them if it becomes too cold, it should also be possible top control light.

How everything connects

Quick guide to lighting's technical terms

WATT used as a measure of the light source's power and lumen is used to define the total amount of light spread by the light source in all directions.

CANDELA (luminous intensity) is the amount of light emitted by a luminaire in a given direction. The higher the efficiency, the more light emitted by the luminaire. However, remember to check the light distribution which details how the light is emitted from the luminaire and which areas of the space are lit.

BY adding the lux value (lumen per square metre) we can calculate the level of illumination for the area we intend to light up.

SOURCE: LIGHT & COMMUNICATION

The Nobel Prize in Physics 2014

Blue LEDs – the trigger for a bewildering shift in technology

On 10 December 2014, Shuji Nakamura, Hiroshi Amano and Isamu Akasaki received the Nobel Prize in Physics 2014 for the invention of efficient blue light-emitting diodes. An invention that in the form of light-emitting diodes (LEDs) has generated the greatest technological shift within lighting since the 1940's when fluorescent lights were introduced.

What is special about LED technology is that it has succeeded in uniting a number of key properties, they are:
- as small as a grain of sand,
- effective and, at the same time, energy efficient
- durable with a long lifespan.

	LED bulbs	Traditional lightbulbs
Energy efficiency	175 lumen/watt	13 lumen/watt
Lifespan	50,000 hours	1,000 hours

The hierarchy of lighting

Our lighting needs

4 **STEP 4: CREATIVITY** When the other needs have been resolved, lighting can be adapted to aid users in applying their concentration and creativity to solve their assignments.

3 **STEP 3: COMFORTABLE AND PLEASANT** Light conditions that make users feel comfortable and part of their surrounding environment.

2 **STEP 2: TANGIBLE USABILITY** Ensure that light conditions are relevant for the tasks being dealt with. Standards, norms and guidelines provide excellent support.

1 **STEP 1: SAFETY** Ensure that lighting is adapted in a manner that allows users to safely find their places and move freely round the premises without being injured.

SOURCE: LIGHT & COMMUNICATION

Spotlight on healthcare

When New Karolinska Solna (NKS) is completed in 2018, it will be one of Sweden's most advanced hospitals. Lighting is a key element of our operations, for the patients, the staff and the environment.

A modern university hospital, where care is provided, integrated with research and training and a building with stringent environmental requirements at every level.

New Karolinska Solna is a key part of Stockholm's investment in tomorrow's healthcare. The construction cost of the new university hospital is SEK 14.5 billion. The most advanced care in the county will be provided here and supplier requirements are correspondingly strict.

ON BEHALF OF the turnkey contractor Skanska, Fagerhult is delivering about 85 per cent of the hospital's lighting.

"We are used to large projects, but this one is bigger than most of them. We started delivering material in 2012 and will continue until 2017," says Christer Bengtson, Key Account Manager at Fagerhult.

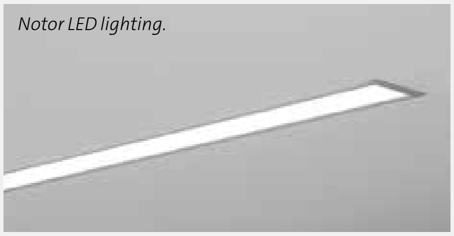
Christer Bengtson, Key Account Manager, Fagerhult.

Christer Liljegren, Product and Application Manager, Fagerhult.

Fagerhult has been part of planning the design of the lighting installations at the hospital in close collaboration with the technical consulting firms of ÅF and Sweco. Around 330,000 square metres of space needs lighting and, in many ways, the lighting has a key function.

"In a hospital, how the lighting works is extremely important. Patients lie looking up at the ceiling and they mustn't be blinded. It is important to find non-glare solutions," says Christer Bengtson.

NEW RESEARCH SHOWS that, in healthcare, lighting is an important element for both patients and staff. Human 24-hour biological rhythms alternate between sleep and wakefulness and are largely controlled by the light. The eye contains a third receptor that controls these rhythms and acts as a type of link to our production of the wakefulness hormone, cortisol. If the eye is blinded, the pupil contracts and it becomes



Notor LED lighting.

“We will deliver 15,000 metres of this type of luminaire to New Karolinska Solna.”

The environments at NKS are characterised by light and volume. One of the entrance halls.

In 2016, the first patients will be admitted by NKS.

The most serious cases can be taken care of via the rooftop helipad.

harder to keep the biological clock ticking.

Hospitals set stringent requirements for lighting for other reasons.

“When examining a patient’s skin, the colour rendering of the lighting is important to be able to interpret the results correctly,” says Christer Liljegren, Product and Application Manager at Fagerhult.

LIGHTING SOLUTIONS at NKS mainly comprise energy-efficient LED luminaires. These mean a longer lifespan and less maintenance compared with conventional lighting.

“Our LED product Notor is being installed in the corridors. We will deliver 15,000 metres of this type of luminaire to NKS,” says Christer Bengtson.

The logistical challenges in this project are larger than most and precision is required for even the smallest detail.

“We have exact unloading times for when our trucks can deliver equipment,” continues Christer Bengtson.

At NKS, Fagerhult has also delivered panels for intensive care units comprising roof-hung supply units containing electrical sockets, gas outlets, alarm outlets, etc. These are required to be flexible and easily accessible.

NKS is also imbued with an environmental mindset. Through a good climate shell, energy-efficient installations, smart windows and recovery, NKS can almost halve energy use compared with the old Karolinska hospital.

One example of energy-saving measures comprises the daylight and proximity-sensor controlled lighting solutions delivered by Fagerhult. The lighting is automatically regulated depending on the level of ambient light and movement in the room. All lighting is dimmable, which can also save energy.

IN 2016, the first patients will be admitted by NKS. They will be assigned single rooms with a shower and toilet, as well as space for a relative to sleep over. “Patients first” is the hospital’s motto. And this will become an increasingly common catchword in the future.

“A lot is happening in healthcare at the moment. We have many large, exciting projects underway in addition to NKS,” says Christer Liljegren.

New Karolinska Solna:

Floor space:
330,000 m^2
(46 football pitches)
No. of patient rooms:
630.
Operating theatres:
36.
Radiotheraphy rooms:
8.
Construction cost:
SEK 14.5 billion.

TOGETHER WE WILL STRENGTHEN OUR COMPETITIVENESS

During the year, key steps were taken to tailor a shared leadership model for the entire Fagerhult Group that is adapted to our operating model. The main purpose is to form a leadership that constitutes the crucial bridge between the Group's collective strength and the local entrepreneurial spirit. In total, the Fagerhult Group had about 2,400 employees at the end of 2014.

Fagerhult's decentralised model for control and decision making pervades the entire organisation. This enables all of the companies to build their own culture and organisation that creates inclusion, motivation, commitment and well-being among employees. However, the critical success factors are often shared and we are all agreed on the insight that our employees' competence and skills are of key importance to our ability to reach our shared and local business goals, in both the short and the long term.

"One of our objectives is to be an employer that reflects the needs and demand of the local market."

LEADERSHIP THAT MARRIES THE LOCAL STRENGTHS

During the year, several key steps were taken in the joint efforts to design and develop a leadership model tailored to our decentralised business model and shared values as well as our strategic challenges and possibilities. A number of in-depth interviews with the company's top management were conducted to identify exactly what such a leadership model should include. There was great agreement that Fagerhult's corporate culture rests on its shared values of Customer Focus, Performance Culture and Innovative Mindset, which are all well established in the organisation. A strategically important piece of the puzzle is the creation of a leadership that acts to improve cross-border collaboration and leverage synergies and good practices from other parts of the Group. In this case, we can really maximise the strength of being a global player in the lighting market boosted by the energy of local entrepreneurship. Already, excellent examples of networking between Group companies exist that generate substantial value, such as the purchasing and R&D forums, which successfully bring together a mix of employees on some of our major strategic challenges. In addition, there is the knowledge hub Fagerhult Lighting Academy that links together our collective expertise and research.

The requirements for unity, and the tools needed to support closer collaboration at all levels, have now been made tangible in the international leadership programme Bright Leaders. In 2014, this program gathered a number of the Group's senior management to further strengthen their abilities to lead a high performing organisation and allow people to grow in their roles. They have also gained a valuable network, which we are convinced will contribute to their and Fagerhult's continued success.

ENTREPRENEURSHIP – A REALITY AT FAGERHULT

One of our objectives is to be an employer that reflects the needs and demand of the local market. This is in line with our successful business model, whereby the local perspective and entrepreneurial drive are key factors. It is also important to highlight our ability to combine these qualities with the strengths of an international organisation and the development opportunities this creates for existing and potential employees. This includes our central aim of promoting


The participants in the international leadership programme Bright Leaders.

increased job rotation, excellent opportunities to share experience and encouraging employees to seek new positions within the Group.

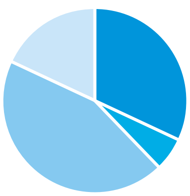
Fagerhult fosters a work environment that is characterised by pride and a strong team spirit, along with a range of soft values that are enabled by our non-hierarchical and open organisation, with direct communication channels. Making connections with future talent is a key factor in skills supply and, in 2015, Fagerhult will offer top talents in our largest markets the opportunity to participate in an international trainee program. By participating in external activities and graduate recruitment programmes at selected colleges and universities, we hope to increase interest in Fagerhult and the lighting industry and position ourselves where we belong, namely as a leading and innovative company in an incredibly exciting industry undergoing vigorous change.

THE CODE OF CONDUCT – A CRUCIAL COMPASS FOR OUR RESPONSIBILITY

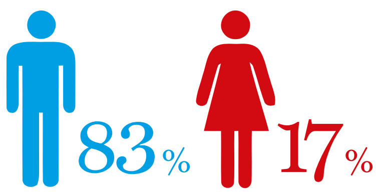
We are convinced that a combination of women and men of varying ages and ethnic backgrounds and experience, create a more innovative corporate culture. Naturally, everybody, irrespective of gender, religion or ethnic background is given the same possibilities for development and advancement as well as equal pay for equal work.

Understanding how our responsibility extends beyond our immediate area of control is also crucial. The guidelines to our approach are compiled in a Code of Conduct which all employees are to adhere to. The Code of Conduct states our position on such areas as labour conditions, diversity and equal opportunities. The Code also regulates our relations with suppliers and customers in regard to gifts and sponsorship and also describes how we understand our environmental responsibility and how we manage local legislative differences. Its contents are also communicated to our business partners with the expectation that they will comply with and respect its contents. During the year, we have also introduced a whistle-blower function as a complement to the Code of Conduct to make it as easy as possible to alert us if there are irregularities in our or in business partners' operations. In addition, we have implemented an anti-corruption training course for 130 of our senior management.

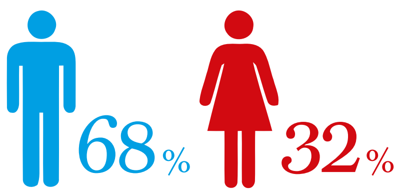
PERCENTAGE OF EMPLOYEES PER GEOGRAPHICAL MARKET



MEMBERS OF THE BOARD AND SENIOR MANAGEMENT BY GENDER



EMPLOYEES BY GENDER



Towards an increasingly strong international team

The international leadership programme Bright Leaders, which in 2014 gathered a number of the Group's senior management, generated nothing but satisfied participants.

MATT PASKIN
Technical Manager at Whitecroft Lighting and one of the participants in the international leadership programme Bright Leaders.

What significance does Bright Leaders have at local and international levels?
At a local level, the plan impacts our efforts with efficiency and change – best practice. It is also an excellent way of channelling the Fagerhult Group's values and leadership model. It comprises a method of implementing an entrepreneurial spirit, performance culture and customer focus in everything we do. The network is important from a wider perspective, since the programme gives us the opportunity to exchange knowledge based on the participants' local expertise. This became abundantly apparent during the course. Within the framework of the Fagerhult Group's leadership philosophy, my colleagues could choose the tools and models that were most appropriate for their market and in their cultural context. This is an excellent way of supporting the Fagerhult Group's development. It helps us to develop together, as one unit and, in parallel, equips us with the confidence and knowledge to act swiftly and locally to meet our customers' expectations.

How does the programme affect the Fagerhult Group's attractiveness?
I believe, that it is a prerequisite for an employer to offer this type of programme and approach to personal development for anyone considering employment with a global brand. What sets Bright Leaders apart is that the programme is so clearly tailored to fit the Fagerhult Group's spirit and objectives. It is noticeable that it has been designed by the organisation, for the organisation – and is not just a mix of different management models.

"What sets Bright Leaders apart is that the programme is so clearly tailored to fit the Fagerhult Group's spirit and objectives. It is noticeable that it has been designed by the organisation, for the organisation – and is not just a mix of different management models."

How important is exchange between the companies?
I already have personal experience of the advantages. When I meet a colleague from one of the Group companies here at Whitecroft or when I am out traveling, I often meet a colleague from the programme. This has resulted in many interesting discussions. From a long-term perspective, I believe the Fagerhult Group will benefit from the relationships built under the Bright Leaders programme. I have personally had access to an inexhaustible source of experience and knowledge that stretches across all markets, business functions and corporate cultures.

MIKA NURMINEN
Managing Director of I-Valo and one of the participants in the international leadership programme Bright Leaders.

"The well-conceived composition with participants from the various Group companies, each having different functions, backgrounds and experiences, contributed significantly to enhancing the value of sharing knowledge with each other."

What are your perceptions of Bright Leaders?
Based on my previous experience, courses of this type composed of international groups can be very rewarding. In addition, Bright Leaders had an excellent mix of theory and practical assignments, it was well planned and the trainers were extremely professional. Among other things, I underwent a range of tests to define my leadership style, which is exciting in itself, but this time it was followed up in a tangible and practical manner. I also think that the modules on coaching and leading change were very rewarding. I will be able to use much of the course content in my normal working day.

Have you made any new contacts?
I have made many new friends. One of the aspects that set the course apart was the well-conceived composition of participants from the different companies – everyone with different functions, backgrounds and experience. This made the exchange of knowledge so much more valuable. In my opinion, one of the most important aims of the leadership program is to create a network within the Group. The atmosphere was pleasant and we were given ample opportunity to discuss our leadership and the Fagerhult Group's core values and visions at a deeper level. There was a clear sense of solidarity. When you have spent time with colleagues from other parts of the Group in such positive conditions, it becomes easy to maintain contact and develop relationships across company boundaries. We will benefit from this in more demanding situations.

What was the strategic significance of the programme?
A leadership programme is an excellent method of utilising learning and networking to establish a shared culture and common values. It is particularly important in our own culture at the Fagerhult Group, which is based on local entrepreneurial companies held together by a strong international team spirit. Naturally, this is also extremely important for the Fagerhult Group's employer brand. Bright Leaders sends the signal that the Fagerhult Group invests in its employees. Developing talents that can lead our company in a structured and coordinated fashion is strategically important for reaching our goals.

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 totalled about SEK 5.3 billion.

SALES AND TRADING

The share symbol is FAG and its ISIN code is SE0000379844. One trading lot corresponds to one share. In 2014, total turnover for the share on Nasdaq OMX in Stockholm was 2.3 million shares, at a combined value of MSEK 373, which corresponded to approximately 100 per cent of share turnover. Average share turnover per trading day was about 9,255, representing a value of SEK 1,505,000. An average of approximately 24 trades were made per trading day.

LIQUIDITY GUARANTEE

In 2012, an agreement, under the framework of Nasdaq OMX Stockholm's liquidity guarantee system, was signed with Carnegie aimed at increasing turnover in Fagerhult's share.

SHARE PRICE TREND

At 31 December 2014, the closing price for Fagerhult's share was SEK 137.75 per share, corresponding to a market capitalisation of approximately SEK 5.3 billion. The price of the Fagerhult share rose 84 per cent in 2014. Over the same period, the Nasdaq OMX Stockholm PI rose 15 per cent. The highest closing price of SEK 151.50 was noted on 28 August and the lowest on 7 January at SEK 71.50. The average share price for the year was SEK 116.

Total shareholder return for the Fagerhult share, defined as the price trend including reinvestment of the dividend of SEK 2.42, was 88 per cent.

SHARE CAPITAL

At the end of the year, Fagerhult's share capital was MSEK 65.5 (65.5).

At the Annual General Meeting (AGM) on 24 April 2014, a resolution was passed to increase the number of shares in Fagerhult through a 3-for-1 share split. The record day at Euroclear Sweden AB for implementing the share split was 27 May 2014. Following completion of the split, the number of shares in Fagerhult rose from 12,850,000 to 38,550,000 with a quotient value of SEK 1.70 per share (5.10 prior to the split). All shares have equal voting rights and an equal participation in the company's earnings and capital.

The AGM also resolved that the company be permitted to buy back its own shares. This option has not been exercised in 2014. The number of treasury shares totalled 714,000 and the number of shares outstanding was 37,836,000. The percentage of shares held as treasury shares was 1.9 per cent. The Board of Directors proposes that the AGM resolve to grant the Board the continued right to buy back the company's shares until the next General Meeting.

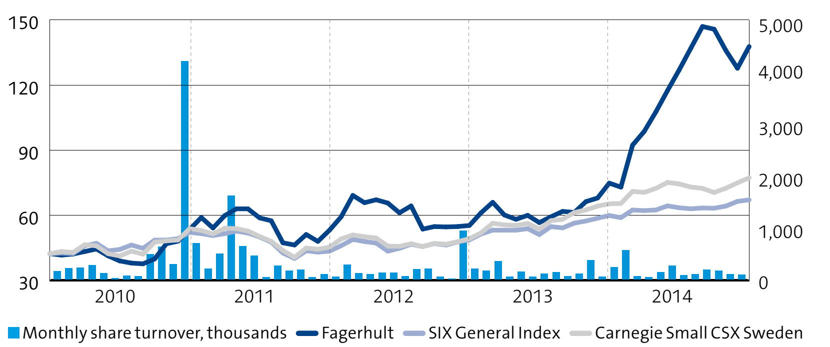
OWNERSHIP STRUCTURE

At year end, Fagerhult had 3,745 (3,292) shareholders. The largest single shareholder was Investment AB Latour, in which the Douglas family are the main shareholders, with combined holdings of 49.0 per cent (49.0) of the share capital and votes in the company, based on the number of shares outstanding. The eight largest shareholders accounted for 82.5 per cent (80.4) of the share capital and voting rights of the shares outstanding. The proportion held by shareholders outside of Sweden was 13.4 per cent (12.7).

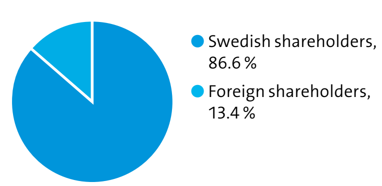
DIVIDEND

Over the long-term, Fagerhult intends to distribute 30–50 per cent of consolidated net profit. At this dividend level, the Board is of the opinion that there is sufficient cash flow to finance expected future investments. The Board proposes to the AGM a dividend of SEK 3.00 (2.42) per share, representing a dividend yield of 2.2 per cent (3.2) based on the share price on 31 December 2014.

FIVE-YEAR SHARE PRICE TREND



OWNERSHIP DISTRIBUTION



OWNERSHIP STRUCTURE (AT 31 DEC. 2014)

Shareholder	No. of shares	Share capital and voting rights, %
Investment AB Latour	18,530,400	48.1
The Svensson family, foundation and company	2,836,575	7.4
SSB CL Omnibus AC, USA	2,760,678	7.2
Lannebo Fonder	2,599,081	6.7
Robur Småbolagsfond	1,582,832	4.1
SEB Asset Management	1,125,000	2.9
The Palmstierna family	1,005,000	2.6
Fourth Swedish National Pension Fund	773,334	2.0
Nordea Fonder	541,500	1.4
NTC Fidelity Funds	512,812	1.3
SEB Fonder	361,019	0.9
Johan Hjertonsson	236,294	0.6
Other owners with more than 20,000 shares (45 owners)	2,088,305	5.4
Other owners with 10,001 – 20,000 shares (29 owners)	393,039	1.0
Other owners with 1,001 – 10,000 shares (609 owners)	1,586,932	4.1
Other owners with up to 1,000 shares (3,050 owners)	903,199	2.3
AB Fagerhult, treasury shares	714,000	1.9
Number of shares at year end	**38,550,000**	**100.00**

SHARE TURNOVER

Year	2010	2011	2012	2013	2014
Volume of shares traded, millions	7.2	5.1	2.4	2.1	2.3
Value of traded shares, MSEK	325	297	150	129	373
Average volume of shares traded/trading day	27,882	21,450	10,098	8,229	9,255
Average value per trading day, SEK thousand	1,284	1,231	601	517	1,505
Turnover rate, %	19	14	7	5	6
Highest price paid during the year, SEK	53.67	64.33	73.17	75.67	151.50[1]
Lowest price paid during the year, SEK	35.50	43.33	51.67	55.00	71.50[2]

1) Paid 28 Aug. 2014
2) Paid 7 Jan. 2014

DATA PER SHARE

Year	2010	2011	2012	2013	2014
Earnings per share before dilution, SEK	2.50	5.48	4.20	4.83	6.90
Dividend per share, SEK	1.17	2.17	2.17	2.42	3.00[1]
Share price 31 Dec, SEK	54	53	55	75	138
Dividend yield, %	2.2	4.1	3.9	3.2	2.2
Equity per share, before dilution, SEK	19.08	22.84	24.52	27.22	35.13
Cash flow per share, before dilution, SEK[2]	2.86	6.67	6.27	5.84	10.33

1) Proposed dividend
2) Cash flow from operating activities

FINANCIAL INFORMATION

FIVE-YEAR OVERVIEW

Profit/loss items (MSEK)	2010[3]	2011	2012	2013	2014
Net sales	2,506	3,023	3 085	3,095	3,736
(of which outside Sweden)	(1,805)	(2,294)	(2,302)	(2,369)	(2,930)
Cost of goods sold	–1,737	–2,013	–2,108	–2,087	–2,524
Gross profit	**769**	**1,010**	**977**	**1,008**	**1,212**
Selling expenses	–475	–534	–580	–560	–636
Administrative expenses	–155	–184	–178	–184	–220
Other operating income	14	26	32	14	23
Operating profit	**153**	**318**	**251**	**278**	**379**
Financial income	17	10	4	2	2
Financial expenses	–35	–42	–41	–33	–33
Profit after financial items	**135**	**286**	**214**	**247**	**348**
Balance-sheet items (MSEK)					
Intangible assets	928	1,008	975	1,048	1,425
Property, plant and equipment	350	344	339	333	387
Financial assets	21	28	23	23	49
Inventories, etc.	436	453	445	525	574
Trade receivables	448	540	495	577	676
Other current assets	79	105	89	66	68
Cash and cash equivalents	**208**	**306**	**257**	**249**	**353**
Total assets	**2,470**	**2,784**	**2,623**	**2,821**	**3,532**
Equity	722	864	928	1,030	1,329
Pension liabilities	42	83	60	62	66
Deferred tax liability	63	64	60	64	65
Other non-current interest-bearing liabilities	1,006	1,169	953	1,013	1,267
Other non-current non-interest-bearing liabilities					37
Current interest-bearing liabilities	115	29	117	59	60
Current non-interest-bearing liabilities	522	575	505	594	708
Total equity and liabilities	**2 ,470**	**2,784**	**2,623**	**2,821**	**3,532**
Key performance indicators and data per share					
Sales growth, %	2.8	20.6	2.1	0.3	20.7
Increase/decrease in operating profit, %	46.7	107.7	–20.8	10.3	36.5
Increase/decrease in operating profit after financial items, %	28.6	112.8	–25.3	15.5	40.9
Operating margin, %	6.1	10.5	8.2	9.0	10.1
Profit margin, %	5.4	9.5	6.9	8.0	9.3
Liquid ratio, %	33	51	41	38	46
Net debt/equity ratio, %	132	113	94	86	78
Equity/assets ratio, %	29	31	35	37	38
Capital employed, MSEK	1,885	2,145	2,058	2,163	2,723
Return on capital employed, %	11.0	16.3	12.2	13.3	15.6
Return on equity, %	13.1	26.3	17.8	18.7	22.1
Net debt, MSEK	955	975	874	885	1,040
Net investments in non-current assets, MSEK	83	66	92	65	110
Depreciation/amortisation of non-current assets, MSEK	84	89	85	88	95
Number of employees	1,926	2,228	2,192	2,204	2,370
Equity per share, SEK	19.08	22.84	24.52	27,22	35.13
Earnings per share, SEK	2.50	5.51	4.20	4,83	6.90
Dividend per share, SEK	1.17	2.17	2.17	2,42	3.00[1]
Cash flow per share, SEK	2.86	6.67	6.27	5,84	10.33[2]
Number of shares outstanding, thousands	37,836	37,836	37,836	37,836	37,836
Average number of shares outstanding, thousands	37,836	37,836	37,836	37,836	37,836

1) Proposed dividend.
2) Cash flow from operating activities.
3) The key performance indicators for 2010 have not been adjusted as a consequence of the changed accounting policy pertaining to IAS 19, 2012.

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 2014.

Operations

The Fagerhult Group is the Nordic region'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, Turkey, China and Australia.

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

Changes in the Group

In 2014, 100 per cent of the shares were acquired in Arlight, a company with its registered office in Ankara, Turkey. The company has been consolidated in the Group as of the first quarter of 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 major existing markets.

Sales and earnings

Compared with the year earlier, the market for lighting solutions recovered gradually over the year. Growth varied across the geographic markets. The UK was the fastest growing market among the Group's major markets. Market growth is estimated to have been lower in the second half of the year than in the first.

The Group's order intake totalled MSEK 3,790.0 (3,241.4). Adjusted for currency effects and acquisitions, order intake increased 7 per cent year-on-year. Net sales totalled MSEK 3,735.8 (3,095.2), up 10 per cent, adjusted for currency effects and acquisitions.

Sales in the Swedish market comprised 22 per cent (23) of total sales. The Group's largest market in 2014 was the UK, which accounted for 29 per cent (24) of sales.

Operating profit posted a year-on-year increase of MSEK 101.2 to MSEK 378.7 (277.5). Changes in exchange rates had a positive impact on the profit for the year of MSEK 24.6 while acquired units added MSEK 20.3, including acquisition costs. The improvement in earnings was primarily a result of the increase in sales, which has also resulted in increased capacity use at the Group's production facilities. Our strong LED product offering has been a prime reason behind the increase in market shares and higher sales. Sales of LED products has more than doubled compared with the year earlier and their share of the Group's sales had increased to slightly less than 50 per cent by year end.

Sales in Indoor Lighting rose 11 per cent while Retail Lighting posted growth of 9 per cent and Outdoor Lighting increased sales by 10 per cent. All changes have been adjusted for acquisitions and currency effects.

BUSINESS AREAS

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

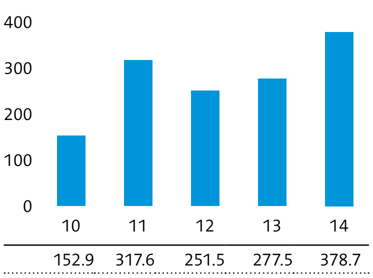
– Northern Europe
– UK and Ireland
– Rest of Europe
– Middle East, Asia and Australia
– Other

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.

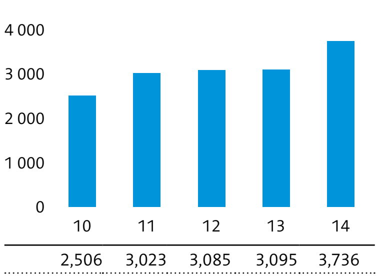
Northern Europe

The business area comprises the Group's operations in the Nordic and Baltic countries and Russia. The Group's plant in China, including manufacturing and purchasing, is also part of the business area. I-Valo Oy, a company acquired in 2013, has been consolidated in the Northern Europe segment. In Sweden and Finland, operations comprise development, manufacturing and sales activities, while operations in other markets, with the exception of China, refer only to sales.

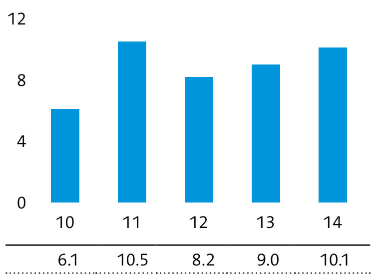
OPERATING PROFIT, MSEK



SALES, MSEK



OPERATING MARGIN, %



Net sales were MSEK 1,848.8, up from MSEK 1,716.2 in the preceding year.

Adjusted for currency effects and acquired units, the increase was 6 per cent. The operating profit for the period was MSEK 165.9 (121.2) and the operating margin 9.0 per cent (7.1). The improvement in operating profit was primarily due to increased sales. The segment includes four of the Group's production plants, which means that an increase in sales and capacity use has a significant impact on the segment's earnings. An improved gross margin and lower costs also added to earnings. Finally, currency changes had a positive impact of MSEK 9 compared with the preceding year.

UK and Ireland

The business area comprises our companies in the UK and Ireland. The dominant unit is Whitecroft Lighting, which develops, manufactures and sells lighting systems.

Net sales in 2014 were MSEK 1,117.6 compared with MSEK 795.6 in 2013. Adjusted for currency effects, this represented a 27 per cent growth rate. The segment posted an extremely favourable trend. The Group has increased its market shares in the UK, among other things, through a number of major projects for switching to LED lighting, which, coupled with control systems, has created significant energy gains for customers.

The operating profit for the period was MSEK 139.2 (85.5) and the operating margin 12.5 per cent (10.7). Currency movements had a positive impact of MSEK 13 on operating profit compared with the previous year.

During the year, Designplan subsidiary in Sutton in the UK moved to a new plant. The move resulted in a charge to earnings of MSEK 10. Moving forward, the newly constructed plant will have a positive impact on productivity in the business.

Rest of Europe

This business area comprises the operations in Germany, the Netherlands, France, Spain, Austria and Poland. The dominant unit in the segment is LTS Licht & Leuchten in Germany, which develops, manufactures and sells lighting systems.

Cumulative net sales for the year were MSEK 745.7, up from MSEK 737.1 the year earlier. Excluding acquisitions and currency effects, this represents growth of 1 per cent. The operating profit for the same period was MSEK 62.2 (73.4), which was attributable to price pressure and higher costs for trade fairs than in the preceding year.

Middle East, Asia and Australia

The business area comprises the operations in Turkey, the United Arab Emirates, Australia and New Zealand. Arlight, which has its registered office in Ankara, Turkey was consolidated in the segment during the period. The Australian and Turkish operations develop, manufacture and sell lighting systems while the operations in the UAE and New Zealand refer to sales.

Net sales for the period were MSEK 443.5, compared with MSEK 252.5 in the preceding year. Most of the increase was due to the acquisition of Arlight. Adjusted for currency effects and acquired units, sales grew by 14 per cent, which was primarily attributable to Australia and New Zealand.

The operating profit was MSEK 55.2 (24.3) and the operating margin 12.4 per cent (9.6).

Financial position

The Group's equity/assets ratio at the end of the quarter was 38 per cent (37). Cash and bank balances at the end of the period were MSEK 353 (249) and consolidated equity was MSEK 1,329 (1,030). Net debt was MSEK 1,040 (885). The increase in net debt is attributable to the acquisition of Arlight.

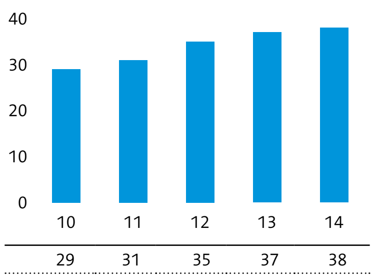
The growth in earnings and cash flow in 2014 resulted in a decrease in the net debt/equity ratio to 78 per cent (86), despite a higher net debt.

Cash flow from operating activities was MSEK 391 (221). The MSEK 170 improvement was largely an effect of an MSEK 101 increase in operating profit. Tax paid increased by MSEK 40, mainly due to the increase in profit. The cash flow from the change in working capital was MSEK 71 higher than in the preceding year, despite robust growth. Pledged assets and contingent liabilities were MSEK 7.3 (7.1) and MSEK 1.7 (1.7), respectively.

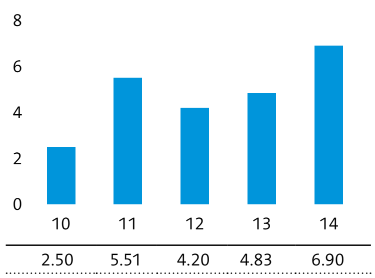
Employees

In 2014, the average number of employees increased by 166 to 2,370 (2,204). Adjusted for acquired units, the average number of employees increased by 20 people, or 1 per cent. The number of

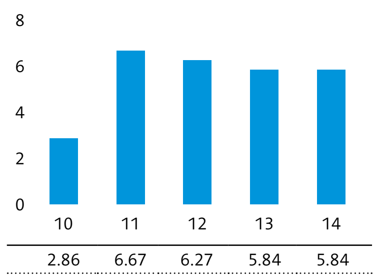
EQUITY/ASSETS RATIO, %



EARNINGS PER SHARE, SEK



CASH FLOW FROM OPERATING ACTIVITIES PER SHARE, SEK



employees in the Group's foreign companies amounted to 1,614 (1,423), which corresponded to 68 per cent (65) of the total number of employees. The proportion of women during the year amounted to 32 per cent (33) of all employees. To strengthen the Group's knowledge capital, establishing goals individual and organisational development have remained a prioritised issue.

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

Guidelines for remuneration to senior management

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

In 2012, a long-term incentive scheme was introduced in the form of a performance-based share-savings plan for senior management. The first plan was approved by the 2012 Annual General Meeting (AGM) and runs from 2012 to 2015. The 2013 and 2014 AGMs approved two further share-savings plans, which run from 2013 to 2016 and 2014 to 2017, respectively.

The Board also proposes that the AGM resolves on a fourth performance-based share-savings plan for the CEO and senior management for the period from 2015 to 2018. For further information, refer to the material enclosed with the notice of the AGM. For additional information, see Note 2.

Investments

The Group's gross investments in property, plant and equipment amounted to MSEK 95 (54), and primarily pertained to machinery and equipment.

Additional investments of MSEK 281 (84) were made in subsidiaries.

At year end, current investments amounted to MSEK 25. Gross investments in intangible assets totalled MSEK 15 (11), excluding acquisitions of subsidiaries.

Depreciation/amortisation for the year amounted to MSEK 95 (89), of which property, plant and equipment accounted for MSEK 78 (74).

Product development

Within the Fagerhult Group, continuous product development is conducted with the aim of improving existing products and developing new products. A basic principle is that development efforts should be carried out close to the markets and in collaboration with customers and end-users. Fagerhult is also prominent within lighting technology from an international perspective. Collaboration 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 test the safety of and approve our own products.

Development costs of MSEK 12 (10) 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 LEDs and intelligent controls, Fagerhult is contributing to significant improvements in energy efficiency in our customers' lighting solutions. Investment in product development as part of the shift toward LED technology continues. The proportion of total sales accounted for by LED products increased during the year and, in the fourth quarter, this amounted to slightly less than 50 per cent, compared with 30 per cent in the fourth quarter of 2013.

The Group's operations impact the external environment primarily through the evaporation of organic solvents into the air, and through noise pollution. For the past few years, targeted initiatives have been ongoing to minimise environmental impact, including the introduction of new painting facilities using alkaline washing processes and closed systems. The Group's Swedish plants have extremely low emissions of CO2 as they source their heat from district heating plants mainly fuelled by biomass and all electricity is hydroelectric. Initiatives to increase energy efficiency are ongoing at all facilities. The Company's production plants in Manchester and Sutton in the UK, Suzhou in China and Habo, Ahus and Bollebygd in Sweden are environmentally certified under ISO 14001. I-Valo Oy and Arlight, acquired in 2013 and 2014, are also certified under ISO 14001.

Further information is provided in the Group's Sustainability Report.

Shares buybacks

The AGM on 24 April 2014 authorised the Board to buy back the company's own shares. No shares have been bought back. The holding of treasury shares was 714,000. The total number of shares outstanding was 37,836,000 at year end. Treasury shares amount to 1.9 per cent.

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

Risks

A review of 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 clause). Nor are there any limitations as to the number of votes which each shareholder can exercise at general meetings. The company is not aware of any agreements between shareholders which could involve limitations on the right to transfer shares.

At the AGM on 24 April 2014, it was resolved in favour of a 3-for-1 share split. This was completed on 27 May 2014, which means the total number of shares increased to 38,550,000.

For further information, refer to page 42, the Fagerhult Share and Ownership Structure.

Appointment and removal of Board members

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

Parent Company

Operations at AB Fagerhult comprise Group management, the financing and coordination of marketing, production and business development. The company's net sales amounted to MSEK 16.4 (8.7) for the period. Profit after financial items was MSEK 112.3 (38.1).

There were 6 (5) employees during the period.

Outlook for 2015

Over the past year the Group has seen strong sales and earnings growth through acquisitions as well as organic growth. By developing our brands and our product portfolio, the Group has established a strong position in all major markets. In 2014, the lighting market continued to recover and the Group also increased its market shares, significantly outperforming the market. Management expects the market to continue to expand in 2015, although at a slower pace than in 2014.

The outlook varies across the geographic markets in which the Group operates. Growth is good in the UK but lower across large parts of the eurozone and Scandinavia.

The Group intends to continue to invest significant resources in product development and marketing, and in increased internationalisation. Management's ambition is to continue to strengthen the Group's market shares.

Proposed appropriation of profits

The Group's profit retained earnings according to the consolidated balance sheet amount to MSEK 1,067.1 (891.5).

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

Profit brought forward	100.0
Net profit for the year	229.7
	329.7

The total number of dividend-bearing shares on 9 March 2015 amounted to 37,836,000, excluding treasury shares. The Board of Directors proposes that the profit be appropriated as follows:

To be distributed as dividends to shareholders,	
SEK 3.00 per share	113.5
To be carried forward	216.2
	MSEK 329.7

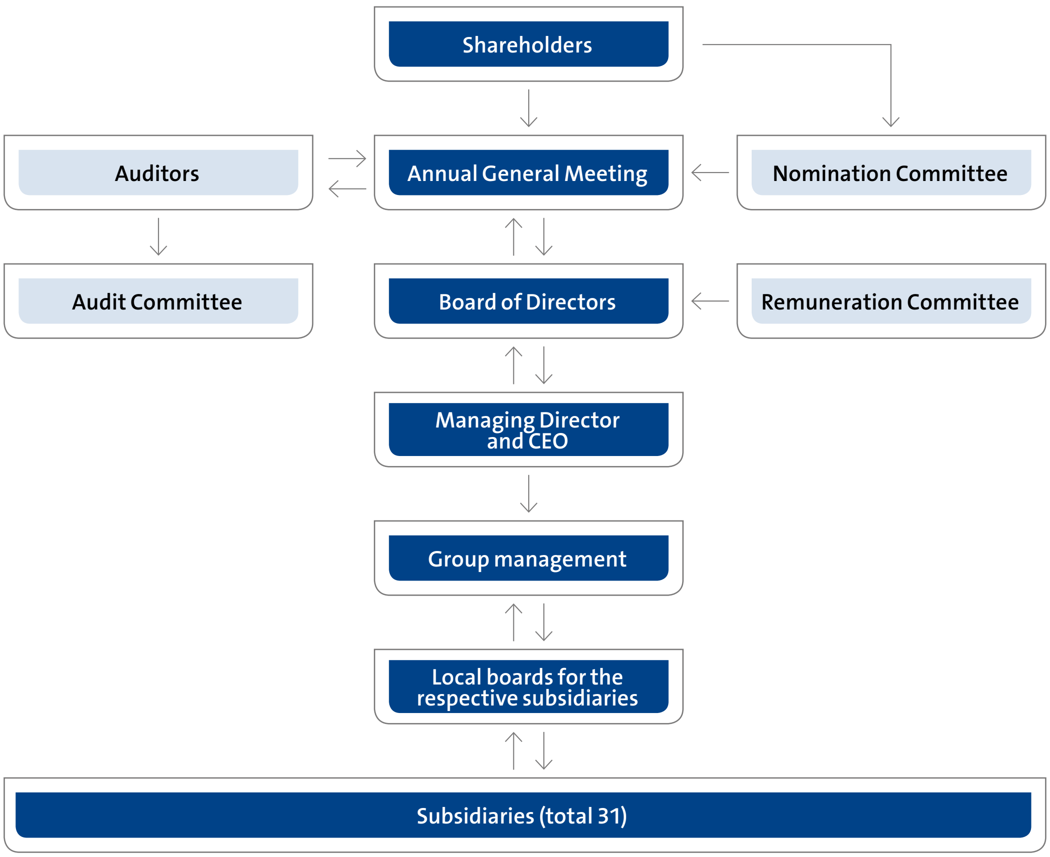
Board of Directors' statement regarding the proposed dividend

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

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

CORPORATE GOVERNANCE

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



KEY EXTERNAL REGULATIONS

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

KEY INTERNAL REGULATIONS

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

Shareholders and general meetings of shareholders

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

The number of shareholders at year end was 3,745. The largest individual shareholder is Investment AB Latour, in which the Douglas family are the main shareholders and hold a total of 49 per cent. For more information on the ownership structure, share capital, share price development, etc., please refer to the section on the Fagerhult share on pages 42–43 and to Note 29.

2014 Annual General Meeting

The 2014 AGM was held on 24 April in Habo. A total of 77 shareholders were present at the meeting, representing 70.8 per cent of the votes. Minutes from the AGM can be found on Fagerhult's website. All resolutions were passed with the required majority. Below is a selection of the resolutions passed at the meeting:

- Resolution on the distribution of a dividend of SEK 7.25 per share.
- Resolution on a 3-for-1 share split.
- Eric Douglas, Catherina Fored, Björn Karlsson, Fredrik Palmstierna, Johan Hjertonsson, and Jan Svensson were re-elected to the Board of Directors. Anna Malm Bernsten had declined re-election. Cecilia Fasth was elected as a new member of the Board.
- Jan Svensson was re-elected Chairman.
- Gustaf Douglas, Jan Svensson and Bjorn Karlsson were re-elected to the Nomination Committee. These individuals were granted the authority to appoint one or two new members.
- The AGM resolved to introduce a performance-based share-savings plan for senior management.
- The AGM resolved to grant the Board of Directors authorisation to buy back the company's own shares, corresponding to a maximum of 10 per cent of total share capital, for the period until the date of the next AGM.

Nomination Committee

A Nomination Committee is formed each year at the initiative of the Chairman of the Board, and is subsequently appointed at the AGM. The Nomination Committee comprises the representatives of major shareholders in the company. Board members can also serve as members of the Nomination Committee, but may not constitute a majority. The Nomination Committee for the 2015 AGM is described in the following table. The Chairman of the Board cannot serve as Chairman of the Nomination Committee. The Committee's representatives have broad and extensive experience of Board work and work on Nomination Committees.

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

External auditors

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

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

At the 2014 AGM, Öhrlings PricewaterhouseCoopers were re-appointed as auditors, with Bo Karlsson as the Auditor-in-Charge. Bo Karlsson's major audit 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 personally presented his report to the Board regarding the auditing assignment and the Group's internal controls at the Board meeting in February 2015.

Auditing of the Group's companies around the globe is coordinated by Öhrlings PricewaterhouseCoopers. All of the activities of companies with a significant scope of operations are audited by PricewaterhouseCoopers in the respective country. For a number of smaller companies, the audit is performed by other accounting firms.

The Nomination Committee ahead of 2015 AGM comprises:

Member of the Nomination Committee	Representing	Participation/votes:	Member of the Nomination Committee since
Gustaf Douglas (Chairman)	Investment AB Latour	49.0 %[1]	1997
Jan Svensson	Investment AB Latour	49.0 %	2008
Björn Karlsson	Svensson family	7.5 %	1997
Göran Espelund	Lannebo Fonder	6.9 %	2004

1) Holding through Investment AB Latour, where Gustaf Douglas with family and companies are the main owners.

THE BOARD OF DIRECTORS

Board members

The Board of Directors determines issues concerning the Group's strategic focus, finances, investments, acquisitions, sales, organisational matters and rules and policies. The Board of Directors is kept abreast of the company's operations through monthly reports provided by company management. The Board of Directors currently consists of seven members elected by the general meeting, as well as two Board members and two deputy members elected by the trade unions. Four (four) of the Board members represent ownership participations equivalent to 59 per cent (59) of the company's share capital and votes. The CEO is one of the members elected at the 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 Chief Financial Officer serves as the Board's secretary.

For further information concerning the Board members elected at the company's general meeting, refer to the section concerning the Board of Directors on pages 56–57 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.

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

Normally, five Board meetings are held each year and one statutory Board meeting. Four of these meetings address quarterly reports and the year-end report. At least one of the Board meetings takes place in conjunction with a visit to, and an in-depth review of, one of the Group's companies. One Board meeting per year is assigned additional time, and at this meeting a specific focus is placed on strategic issues. The auditor of the company is present at Board meetings 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 (that is, ownership exceeding 10 per cent). See the table below. The Chairman of the Board, Jan Svensson, as well as Fredrik Palmstierna, are not considered independent, as they represent the company's main shareholder in their roles as CEO and Chairman of Investment AB Latour, respectively. Eric Douglas represents the Douglas family. With the exception of the Managing Director 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 Committee's proposal. The CEO owns 236,294 shares in the company, corresponding to 0.6 per cent of the shares, which is stated in the presentation of the Board and management on pages 56–59. The holding is not classified as significant and the CEO has no partnership in companies that have significant business relationships with companies in the Fagerhult Group.

The work of the Board 2104

The Board met five times during the year, and held one statutory meeting. One member has been absent at three 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 that addressed the annual accounts and, during which, the auditor submitted his findings.

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

– Long-term operational goals
– The strategic focus of the operations
– Business plans, financial plans and forecasts

Board of Directors elected by the AGM	Elected	Born	Fee	Number of shares/votes	Independent in relation to the owners	Independent in relation to the Company	Number of meetings participated in
Chairman, Jan Svensson	2007	1956	400,000	18,539,400[1]	No	Yes	5
Vice Chairman, Eric Douglas	1993	1968	300,000	120,000	No	Yes	4
Board Member, Cecilia Fasth	2014	1973	200,000	1,000	Yes	Yes	3
Board Member, Björn Karlsson	1997	1961	200,000	2,836,575[1]	Yes	Yes	4
Board Member, Catherina Fored	2013	1964	200,000	3 000	Yes	Yes	5
Board Member, Fredrik Palmstierna	1992	1946	200,000	1, 005,000[1]	No	Yes	5
CEO, Johan Hjertonsson	2009	1968	–	236,294	Yes	No	5
Total			1,500,000	22,741,269 (60 %)	4 (57 %)	6 (86 %)	5

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

– Major investments
– Decisions on long-term financing
– Policies and instructions
– Review of the Group's risk management
– Interim reports and annual accounts
– Reports by the Board's committees
– Follow-up of the external audit

Evaluation of the work of the Board

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

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

The Audit Committee

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

In 2014, 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. All Board members were present at the 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 the CEO, and to approve the CEO's proposals for salaries and remuneration for the other members of senior management.

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

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

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

CEO and Group Management

Fagerhult's Managing Director and CEO is responsible for leading and developing operating activities pursuant to the guidelines and instructions issued by the Board. The framework is provided by the terms of reference issued to the CEO, which are determined annually by the Board.

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

During the year, the Group management comprised the CEO, two managers with responsibility for the regional business areas, two managers with functional responsibility for marketing and product development, and production and logistics, the Group's CFO and the Head of Human Resources and Sustainable Development. Group management has at least five meetings per year during which it follows up operations, discusses matters affecting the Group and drafts proposals for strategic plans and budgets, which the CEO presents to the Board for decision. 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, which comprise 31 subsidiaries. The operations of the respective subsidiaries are controlled by their Boards. The Boards of the subsidiaries consist of, among others, the managing director of the sub-

CODE OF CONDUCT

Our global presence demands that our employees and business partners take responsibility for themselves and for each other. Therefore, we have created a regulatory framework, our Code of Conduct.

Our Code of Conduct should be followed by everyone in our Group, employees as well as the Board and management. We also communicate our Code of Conduct to our business partners, with the expectation that it is complied with.

Our Code of Conduct states, amongst other things, that we will act as a reliable and honest Group that lives up to its commitments. We believe in long-term business relationships in which we, together with our business partners, create a basis for strong financial results, concern for the environment and social commitment.

sidiary, at least one business area manager and, in most cases, the Group's CEO. A formal work plan is established each year for each subsidiary, in which responsibilities and authorities are clearly delegated and where the work of the subsidiary's Board is set out.

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

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

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

REMUNERATION TO THE MANAGEMENT AND BOARD

Guidelines for remuneration

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

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

Long-term incentive scheme

In 2012, a long-term incentive scheme was introduced in the form of a performance-based share-savings plan for senior management. The first plan was approved by the 2012 AGM and runs from 2012 to 2015.

A second plan was approved by the 2013 General Meeting and runs from 2013 to 2016.

A third share-savings plan was approved in 2014 and runs from 2014 to 2017. The Board also proposes that the AGM resolves on a fourth performance-based share-savings plan for the CEO and senior management for the period from 2015 to 2018.

For further information on guidelines for remuneration and the long-term incentive schemes, please refer to the material enclosed with the notice of the AGM.

For additional information, see Note 2.

Remuneration to the Board

Fees payable to Board members are determined annually by the AGM. Board members who are also employees of the company receive no Board fees. No separate fees are payable for work on the committees other than the standard Board fee. In 2014, remuneration was paid in accordance with the table on page 52.

Remuneration to the auditors

In 2014, remuneration was paid in accordance with Note 23 on page 82.

INTERNAL CONTROL OF FINANCIAL REPORTING

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

Control environment

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

Financial reporting to the Board

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

Risk assessment

Regarding financial risk assessment, the risks are assessed as mainly relating to the potential for material misstatement in the reporting of the company's financial position and performance. To minimise these risks, governing documents have been established for accounting, procedures for annual reporting and follow-up of reported annual accounts.

A shared system for reporting annual accounts has also been implemented. Fagerhult's Board regularly assesses reporting from a risk perspective. As a support for these assessments, profit/loss items and balance-sheet items are compared with previous reports as well as budgets and forecasts. The risks identified in the financial reporting are managed through the Group's control structure.

In addition to assessing the risks in the financial reporting, the Board and management work continuously to identify and manage significant risks affecting Fagerhult's business from an operational and financial perspective. Read more about risks on page 84.

Control activities and follow-up

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

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

Information and communication

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

Internal information and communication is about creating awareness among the Group's employees about external and internal governing instruments, including authorities and responsibilities. Fagerhult's whistle-blower policy means that each employee has the right to report suspected breaches of laws or regulations without fear of reprisal.

Evaluation of the need for a separate audit function

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

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

Activities in 2014

During the year, focus has been on integrating the recently acquired companies I-Valo and Arlight in the Group's internal control and on inventory valuation and inventory control linked to the shift to LED technology.











JAN SVENSSON

Chairman
Born: 1956
Mechanical Engineer and M.Sc. in Business 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 Fagerhult since 2007.
Shares in AB Fagerhult: 18,539,400 (incl. Investment AB Latour)

ERIC DOUGLAS

Vice Chairman
Born: 1968
Certified Economist at high school level and 3 years of studies at Lund University within "Economics for Entrepreneurs". Self-employed since 1992. Chairman of Pod Investment AB and Sparbössan Fastigheter AB. Board Member of, amongst others, Investment AB Latour and Latour industries AB.
Board Member of Fagerhult since 1993.
Shares in AB Fagerhult: 120,000

CECILIA FASTH

Born: 1973
M.Sc. Engineering
CEO of Eklandia Fastighets AB (Castellum publ.)
Board Member of Fagerhult since 2014.
Shares in AB Fagerhult: 1,000

BJÖRN KARLSSON

Born: 1961
MBA.
Managing Director of Västerhuset AB.
Board member of Krafthagen AB.
Board Member of Fagerhult since 1997.
Shares in AB Fagerhult: 1,721,322 (including family and companies)

CATHERINA FORED

Born: 1964
Architect MSA.
Head of Urban Planning and Development Sundbyberg.
Board Member of Brunnberg & Forshed Arkitektkontor and Reomti Bygg AB.
Board Member of Fagerhult since 2013.
Shares in AB Fagerhult: 3,000

FREDRIK PALMSTIERNA

Born: 1946
MBA.
Chairman of Investment AB Latour.
Board Member of Securitas AB, Hultafors AB, Nobia AB, Academic Work AB and The Viktor Rydbergs Schools Foundation. Board Member of Fagerhult since 1992.
Shares in AB Fagerhult: 1,005,000 (incl. family and companies)

JOHAN HJERTONSSON

Managing Director and CEO of AB Fagerhult
Born: 1968
M.Sc. in Business Administration
Board Member of Nord-Lock International AB.
Board Member of Fagerhult since 2009
Shares in AB Fagerhult: 236,294

MAGNUS NELL

Born: 1964
Employee Representative
Shares in AB Fagerhult: 0

LARS OLSSON

Born: 1949
Employee Representative
Shares in AB Fagerhult: 600

BEATRICE SJÖBLOM

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

LARS-ÅKE JOHANSSON

Born: 1961
Deputy Employee Representative
Shares in AB Fagerhult: 0







JOHAN HJERTONSSON

Managing Director and Group CEO
Born: 1968
M.Sc. in Business Administration
Employed since: 2009
Shares in AB Fagerhult: 236,294

ELISABETH BACK

Head of Products & Brands
Born: 1963
M.Sc. in Business Administration
Employed since: 2010
Shares in AB Fagerhult: 8,744

ANDERS FRANSSON

Head of Operations
Born: 1969
M.Sc. Engineering
Employed since: 2005
Shares in AB Fagerhult: 2,554

HÅKAN GABRIELSSON

Chief Financial Officer
Born: 1967
M.Sc. in Business Administration
Employed since: 2011
Shares in AB Fagerhult: 4,930

PAUL BARTON

Regional Manager
Born: 1953
Engineer and Economic studies
Employed since: 2005
Shares in AB Fagerhult: 3,625

FRANK AUGUSTSSON

Regional Manager
Born: 1965
Technical College Graduate
Employed from: 1986–2001
and since: 2004
Shares in AB Fagerhult: 2,559

JENNY EVELIUS

Head of Human Resources
Born: 1969
M.Sc. in Business Administration
Employed since: 2013
Shares in AB Fagerhult: 2,572

INCOME STATEMENTS

MSEK	Notes	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Net sales	1	3,735.8	3,095.2	16.4	8.7
Cost of goods sold		–2,524.4	–2,086.9	–	–
Gross profit		**1,211.4**	**1,008.3**	**16.4**	**8.7**
Selling expenses		–636.5	–560.4	-4.3	–2.4
Administrative expenses		–219.7	–184.2	–41.9	–33.2
Other operating income		23.5	13.8	–	–
Operating profit	**2, 7, 19–26**	**378.7**	**277.5**	**–29.8**	**–26.9**
Financial income and expenses					
Income from shares in subsidiaries	6	–	–	146.5	74.5
Interest income and similar profit/loss items	3	2.5	2.5	32.5	15.4
Interest expenses and similar profit/loss items	4	–33.2	–33.0	–36.9	–24.9
Total financial items		–30.7	–30.5	142.1	65.0
Profit after financial items		**348.0**	**247.0**	**112.3**	**38.1**
Change in tax allocation reserve		–	–	21.4	–
Group contributions received		–	–	120.0	95.0
Tax on profit for the year	8, 9	–86.8	–64.4	–24.0	–13.1
Net profit for the year		**261.2**	**182.6**	**229.7**	**120.0**
Net profit for the year attributable to shareholders of the Parent Company		261.2	182.6		
Earnings per share, based on earnings attributable to shareholders of the Parent Company during the year:					
Earnings per share before dilution, SEK		6.90	4.83		
Earnings per share after dilution, SEK		6.90	4.83		
Average number of shares outstanding before dilution, thousands		37,836	37,836		
Average number of shares outstanding after dilution, thousands		37,836	37,836		
Number of shares outstanding, thousands		37,836	37,836		

STATEMENT OF COMPREHENSIVE INCOME

		GROUP 2014	GROUP 2013
Net profit for the year		261.2	182.6
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of pension plans		2.9	–1.0
Items that may be reclassified to profit or loss:			
Translation differences		123.8	0.6
Other comprehensive income for the period, net after tax		**126.7**	**–0.4**
Total comprehensive income for the year		**387.9**	**182.2**
Total comprehensive income attributable to shareholders of the Parent Company		**387.9**	**182.2**

Comprehensive income for the Parent Company is equivalent to net profit for the year.

BALANCE SHEETS

		GROUP		PARENT COMPANY	
MSEK	Notes	2014	2013	2014	2013
ASSETS					
Non-current assets					
Intangible assets	10				
Goodwill		1,245.6	914.9	–	–
Brands		150.6	110.9	–	–
Other intangible assets		22.8	20.3	–	–
Construction in progress and advance payments		6.0	1.7	–	–
		1,425.0	**1,047.8**	**–**	**–**
Property, plant and equipment	11				
Land and buildings		100.6	86.4	–	–
Plant and machinery		188.4	162.9	–	–
Equipment, fixtures and fittings		78.8	72.9	–	–
Construction in progress and advance payments		19.2	10.8	–	–
		387.0	**333.0**	**–**	**–**
Financial assets					
Shares and participations in subsidiaries	13, 27	–	–	616.3	616.3
Other shares and participations	12	9.2	9.2	–	–
Receivables from subsidiaries		–	–	1,412.3	895.8
Deferred tax assets	9	14.8	13.5	–	–
Other non-current receivables	12	24.5	0.5	–	–
		48.5	**23.2**	**2,028.6**	**1,512.1**
Total non-current assets		**1,860.5**	**1,404.0**	**2,028.6**	**1,512.1**
Current assets					
Inventories, etc.					
Raw materials and consumables		235.3	181.9	–	–
Work in progress		33.7	43.9	–	–
Finished products and goods for resale		282.1	272.4	–	–
Advance payments to suppliers		23.2	26.9	–	–
		574.3	**525.1**	**–**	**–**
Current receivables					
Trade receivables	5	676.4	577.4	–	–
Current tax assets		8.8	11.3	–	–
Other receivables		17.6	15.8	–	0.1
Receivables from subsidiaries		–	–	11.2	–
Prepaid expenses and accrued income	14	41.0	38.6	3.4	3.5
		743.8	**643.1**	**14.6**	**3.6**
Cash and cash equivalents/Cash and bank balances		*353.1*	*248.6*	*23.7*	*122.9*
Total current assets		**1,671.2**	**1,416.8**	**38.3**	**126.5**
TOTAL ASSETS		**3,531.7**	**2,820.8**	**2,066.9**	**1,638.6**

BALANCE SHEETS

		GROUP		PARENT COMPANY	
MSEK	Notes	2014	2013	2014	2013
EQUITY (Group/Parent Company[1])					
Capital and reserves attributable to shareholders of the Parent Company					
Share capital	28	65.5	65.5	65.5	65.5
Other contributed capital		159.4	159.4	–	–
Translation differences/Statutory reserve		37.2	–86.6	159.4	159.4
Retained earnings incl./excl. net profit for the year		1,067.1	891.5	100.0	68.5
Net profit for the year, Parent Company		–	–	229.7	120.0
		1,329.2	**1,029.8**	**554.6**	**413.4**
Untaxed reserves					
Transfer to tax allocation reserve		–	–	8.6	30.0
LIABILITIES					
Non-current liabilities					
Borrowings	15	1,267.1	1,012.9	1,246.7	1,008.8
Provisions for pensions and similar commitments	19	65.9	61.5	–	–
Other provisions	27	36.5	–	–	–
Liabilities to subsidiaries		–	–	1.7	1.7
Deferred tax liability	9	65.0	63.7	–	–
		1,434.5	**1,138.1**	**1,248.4**	**1,010.5**
Current liabilities					
Borrowings	15	60.4	59.0	59.5	55.3
Advance payments from customers		8.9	8.4	–	–
Trade payables		288.6	281.3	–	–
Current tax liabilities		53.7	24.2	24.3	6.5
Other liabilities		73.1	62.9	0.4	0.6
Liabilities to subsidiaries		–	–	154.2	110.3
Accrued expenses and deferred income	16	283.3	217.1	16.9	12.0
		768.0	**652.9**	**255.3**	**184.7**
Total liabilities		**2,202.5**	**1,791.0**	**1,503.7**	**1,195.2**
TOTAL EQUITY AND LIABILITIES		**3,531.7**	**2,820.8**	**2,066.9**	**1,638.6**
Pledged assets	17	–	–	None	None
Contingent liabilities	18	–	–	62.4	47.7

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

CHANGES IN EQUITY

GROUP	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Equity at 1 January 2013	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 period	–	–	0.6	181.6	182.2
Performance-based share-savings plan	–	–	–	1.7	1.7
Dividend, SEK 2.17 per share	–	–	–	–82.0	–82.0
Equity at 31 December 2013	**65.5**	**159.4**	**–86.6**	**891.5**	**1,029.8**
Net profit for the year	–	–	–	261.2	261.2
Other comprehensive income	–	–	123.8	2.9	126.7
Comprehensive income for the period	–	–	123.8	264.1	387.9
Performance-based share-savings plan	–	–	–	2.9	2.9
Dividend, SEK 2.42 per share	–	–	–	–91.4	–91.4
Equity at 31 December 2014	**65.5**	**159.4**	**37.2**	**1,067.1**	**1,329.2**

Parent Company	Share capital		Statutory reserve	Retained earnings	Total equity
Equity at 1 January 2013	65.5	–	159.4	148.8	373.7
Performance-based share-savings plan	–	–	–	1.7	1.7
Net profit for the year	–	–	–	120.0	120.0
Dividend, SEK 2.17 per share	–	–	–	–82.0	–82.0
Equity at 31 December 2013	**65.5**	**–**	**159.4**	**188.5**	**413.4**
Performance-based share-savings plan	–	–	–	2.9	2.9
Net profit for the year	–	–	–	229.7	229.7
Dividend, SEK 2.42 per share	–	–	–	–91.4	–91.4
Equity at 31 December 2014	**65.5**	**–**	**159.4**	**329.7**	**554.6**

CASH-FLOW STATEMENTS

		GROUP		PARENT COMPANY	
MSEK	Notes	2014	2013	2014	2013
Net profit for the year		**261.2**	**182.6**	**229.7**	**120**
Tax	8, 9	86.8	64.4	24.0	13.1
Change in untaxed reserves		–	–	–21.4	–
Group contributions received		–	–	–120.0	–95.0
Income from shares in subsidiaries	6	–	–	–146.5	–74.5
Interest income and similar profit/loss items	3	–2.5	–2.5	–32.5	–15.4
Interest expenses and similar profit/loss items	4	33.2	33.0	36.9	24.9
Operating profit		**378.7**	**277.5**	**–29.8**	**–26.9**
Adjustments for non-cash items:					
Depreciation/Amortisation		95.1	88.5	–	–
Profit/loss on the sale of property, plant and equipment		0.7	1.4	–	–
Items in equity		5.8	0.7	2.9	1.7
Exchange-rate differences		12.6	–19.1	26.0	–1.9
		492.9	**349.0**	**-0.9**	**-27.1**
Interest received		2.4	1.9	32.3	13.3
Interest paid		–32.3	–26.8	–29.6	–23.4
Income tax paid		–60.9	–21.4	–6.2	13.3
Cash flow from operating activities before changes in working capital		**402.1**	**302.7**	**–4.4**	**–23.9**
Changes in working capital					
Changes in inventories		–32.8	–51.8	–	–
Changes in receivables		–32.2	–92.7	–11.0	–3.1
Changes in current liabilities		53.9	62.9	48.6	62.0
Cash flow from operating activities		**391.0**	**221.1**	**33.2**	**35.0**
Investing activities					
Investments in subsidiaries and associated companies		–281.3	–84.3	–	–
Investments in intangible assets		–15.3	–11.2	–	–
Investments in property, plant and equipment		–94.9	–53.9	–	–
Changes in construction in progress and advance payments	11	–12.7	–8.2	–	–
Increase in non-current receivables	12	–24.1	–	–516.5	–71.3
Reduction in non-current receivables		–	3.6	–	–
Group contributions and dividends received		–	–	266.5	169.5
Cash flow from investing activities		**–428.3**	**–154.0**	**–250.0**	**98.2**
Financing activities					
Repayment of loans	15	–57.4	–56.1	–57.4	–56.1
Borrowings		268.2	98.6	266.4	90.7
Change in bank overdraft facilities		–	–36.9	–	–5.2
Dividends paid		–91.4	–82.0	–91.4	–82.0
Cash flow from financing activities		**119.4**	**–76.4**	**117.6**	**–52.6**
Change in cash and cash equivalents		**82.1**	**–9.3**	**–99.2**	**80.6**
Cash and cash equivalents at beginning of the year		248.6	256.8	122.9	42.3
Translation differences in cash and cash equivalents		22.4	1.1	–	–
Cash, cash equivalents at end of the year		**353.1**	**248.6**	**23.7**	**122.9**

ACCOUNTING POLICIES

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

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

All amounts are reported in millions of Swedish kronor (MSEK), unless stated otherwise. Assets and liabilities are valued at cost, unless stated otherwise 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 control, that is the right to determine the financial and operating policies, in a manner that generally derives from a shareholding of more than one half of the voting rights.

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

The Group applies the acquisition method to recognise the Group's business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 all non-controlling interests in the acquired company are recognized at fair value or at the proportionate share of the acquired company's net assets. The amount by which the consideration, any non-controlling interest and fair value at the acquisition dates of previous shareholdings exceeds the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the consideration transferred is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit or loss.

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

TRANSLATION OF FOREIGN CURRENCIES

Functional currency and presentation currency

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

Transactions and balance-sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange-rate differences attributable to operating activities are recognised in operating profit, while exchange-rate differences attributable to the Group's financing are recognised under financial income and expenses. Exceptions to this include 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 recognized in equity.

Subsidiaries

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

- assets and liabilities for each balance sheet are translated at the closing rate of exchange,
- income and expenses for each income statement are translated at the respective average exchange rate (unless the average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the transaction-date rates), and
- all resulting exchange-rate differences are recognised as a separate component of 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 for the current year and adjustments pertaining to previous years' current taxes and changes in deferred tax.

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

In the case of items recognised in profit or loss, related tax effects are also recognised in profit or loss. The tax effects of items that are recognised directly in equity are also recognised directly in 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 carrying amounts. These temporary differences have primarily arisen through consolidation adjustments and transfers to tax allocation reserves.

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

The reporting of deferred tax is based on effective tax rates

INVENTORIES

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

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

RECEIVABLES AND OTHER RECEIVABLES

Trade and other receivables are recognised at cost, less any provision for impairment. A provision for impairment of trade receivables is made 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, the probability that the debtor will enter into receivership or undergo financial reconstruction and default or late payments are considered indicators that an impairment provision for trade receivables may be required. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced using an impairment allowance account and the loss is recognised in profit or loss under Selling expenses. Recoveries of amounts previously written off are credited against Selling expenses in profit or loss.

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 primary operations has been recognised as Other operating income.

Interest income

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

Dividend income

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

INTERNAL TRANSFER PRICING

The pricing of transactions, such as 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 the lease term (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis.

BORROWING COSTS

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

STATEMENT AND CASH AND CASH EQUIVALENTS

The cash-flow statement has been prepared using the indirect method. The recognized cash flow includes only those transactions that have resulted in receipts or payments.

Cash and cash equivalents include cash and bank balances as well as short-term financial investments with maturities of less than three months. In both 2014 and 2013, cash and cash equivalents were comprised solely of cash and bank balances.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

INTANGIBLE ASSETS

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 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 reliably measured. Other development expenses are expensed as they arise. Development expenses previously recognised as an expense are not capitalised as assets in subsequent periods.

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

Goodwill

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

Goodwill is allocated to cash-generating units when testing for any impairment requirement. This allocation is made to the cash-generating units that are expected to benefit from the business combination giving rise to the goodwill item. The Fagerhult Group allocates goodwill to all lines of business.

Brands

This item mainly includes assets in the form of brands, which have arisen in conjunction with the acquisition of subsidiaries. These are valued at the fair value on the acquisition date and, thereafter, less amortisation and impairment.

Brands are amortised over their estimated useful lives or, in cases where the brand has an indefinite useful life, an annual impairment test is carried out.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets which have an indefinite useful life are not subject to amortisation and, instead, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In those cases in which the carrying amount exceeds the estimated recoverable amount, the carrying amount is immediately impaired down to the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for 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 depends on the purpose for which the financial assets were acquired. Company management determines the classification of financial assets at initial recognition 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, borrowings and operating liabilities.

Loans receivable and accounts receivable are non-derivative financial assets with fixed 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 closing date, which are classified as non-current assets. Loans receivable and accounts receivable are included in the items Other non-current receivables, Trade receivables and Other receivables in the balance sheet. Loans receivable and accounts receivable are initially recognised at fair value and, thereafter, at amortised cost on the basis of the effective interest method. Where necessary, provisions have been made for impairment.

Financial liabilities are initially valued at fair value, net after transaction costs, and thereafter, at amortised cost. The category Financial liabilities includes the items Borrowings, Trade payables, and Other liabilities.

Purchases and sales of financial instruments are recognised 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 profit or loss. Financial assets at fair value through profit or loss are initially valued at fair value, while applicable transaction costs are recognised in profit or loss. Financial instruments are derecognised when the rights to receive cash flows from the instruments have expired or been transferred, and the Group has substantially transferred all of the risks and rewards associated with ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are recognised after the acquisition date at fair value. Realised and unrealised gains and losses resulting from changes in fair value attributable to the category Financial assets at fair value through profit or loss are included in the income statement in the period during which they arise.

The Group makes an assessment at each closing date as to whether objective evidence exists of an impairment requirement for a financial asset or group of financial assets.

Derivative instruments are recognised 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 hedge accounting. Changes in fair value are, therefore, recognised immediately in profit or loss under Operating profit.

EQUITY

Transaction costs which are directly applicable to the issue of new shares or share options are recognised, net after tax, in equity, as a deduction from the proceeds of the issue. In the case of a repurchase of shares, retained earnings are reduced by the amount paid for the shares. When treasury shares are sold, retained earnings increase by the amount received.

EMPLOYEE BENEFITS

Pension commitments

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

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

The liability recognized in the balance sheet pertaining to defined-benefit plans is the present value of the defined-benefit commitments at the closing date and is adjusted for unrecognised actuarial gains/losses for service during previous periods. The defined-benefit commitments are calculated yearly by an independent actuary, applying the projected unit credit method. This method allocates pension costs in pace with the employees' execution of services for the company, which increases their right to future remuneration. The company's commitments are valued at the present value of the expected future payments, utilising a discount rate corresponding to interest on first-class corporate bonds. The most important actuarial assumptions are stated in Note 19.

Actuarial gains and losses may arise in conjunction with determination of the present value of the commitments. These can arise either because the actual outcome deviates from the earlier assumption, 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 recognised directly in profit or loss.

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

Share-based payments

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

Termination benefits

Termination benefits are payable when an employee's employment is terminated prior to the normal pensionable age or when an employee voluntarily accepts termination of employment in exchange for such benefits. The Group reports severance pay when there is a demonstrable obligation 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 termination benefits following the termination of employment as a result of an offer to encourage employees to leave service voluntarily. Benefits falling due more than 12 months after the closing date are discounted to present value.

Provisions

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

If there are a number of similar obligations, an assessment is made of the probability that an outflow of resources will be required to settle the entire group of obligations.

A provision is recognised even if the probability of an outflow for a separate item in this group of obligations is minimal.

EARNINGS PER SHARE

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

SEGMENT REPORTING

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

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

DIVIDENDS

Dividends to AB Fagerhult's shareholders are recognised as liabilities in the Group's annual accounts in the period in which the dividends were adopted by the Parent Company's shareholders.

PARENT COMPANY'S ACCOUNTING POLICIES

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

Group contributions are recognised as appropriations.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

Impairment tests for goodwill

For the Group, it has been determined that the estimates and assessments made in connection with impairment testing of goodwill are of significance for the consolidated accounts. Each year, the Group conducts tests to determine whether any impairment requirement exists for carrying amounts. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations are based on certain assumptions regarding the future which, for the Group, are associated with a risk of material adjustments of carrying amounts during the forthcoming financial year. Significant assumptions and the effects of reasonable changes of such are stated in Note 10.

If the estimated cost of capital applied in determining the pre-tax discount rate for the cash-generating units had been 2 per cent higher (for example 12 per cent instead of 10 per cent) than the management's assessment, this capital would still not have resulted in any impairment requirement.

APPLICATION OF NEW OR AMENDED STANDARDS

Changes in accounting policies and disclosures
New and amended standards applied by the Group
The following standards have been applied by the Group for the first time for the financial year beginning on 1 January 2014 and have a material impact on the consolidated financial statements:

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities have only had an impact in terms of supplementary disclosures.

Other standards, amendments and interpretations that come into effect for financial years beginning 1 January 2014 have no material impact on the consolidated financial statements.

New standards, amendments and interpretations of existing standards that have not been early-adopted by the Group
New standards and interpretations that have not yet been adopted by the Group
A number of new standards and interpretations a come into effect for financial years after 1 January 2014, and have not been applied in the preparation of these financial statements. None of these standards or interpretations are expected to have any material impact on the consolidated financial statements, with the exception of the following:

IFRS 9 Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of IFRS 9 was published in July 2014. IFRS 9 replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. The standard is to be applied to financial years beginning 1 January 2018. Early adoption is permitted. The Group has yet to assess the impact of implementing the standard.

IFRS 15 Revenue from Contracts with Customers governs how revenue recognition is carried out. The principles on which IFRS 15 is based aim to provide users of financial statements with useful information about a company's revenue. The expanded disclosure requirement means providing information about the revenue's nature, timing of settlement, uncertainty in revenue recognition and cash flows arising from the company's contracts with customers. Under IFRS 15, revenue is recognised when control is passed to the customer of an asset or service and the customer is able to use and obtain the benefits from the asset or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related SICs and IFRICs. IFRS 15 comes in to effect on 1 January 2017. Early adoption is permitted. The Group has yet to assess the impact of implementing the standard.

NOTES

Note 1 | Segment reporting

	Northern Europe		UK and Ireland[1]		Rest of Europe		Middle East, Asia and Australia[1]		Other		Eliminations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales and income														
Net sales	1,848.8	1,716.2	1,117.6	795.6	745.7	737.1	443.5	252.5			–419.8	–406.2	3,735.8	3,095.2
(of which internal sales)	*(363.3)*	*(351.5)*	*(38.2)*	*(43.0)*	*(16.5)*	*(11.7)*	*(1.8)*	*(0.0)*			*–(419.8)*	*–(406.2)*	*(0.0)*	*(0.0)*
Operating profit by line of business	165.9	121.2	139.2	85.5	62.2	73.4	55.2	24.3	–43.8	–26.9			378.7	277.5
Unclassified costs													0.0	0.0
Operating profit													**378.7**	**277.5**
Financial income													2.5	2.5
Financial expenses													–33.2	–33.0
Tax expenses for the year													–86.8	–64.4
Net profit for the year													**261.2**	**182.6**
Other disclosures														
Non-current assets	416.2	408.4	417.8	346.2	629.9	563.4	387.5	80.3					1,851.4	1,398.3
Other assets	848.9	809.1	435.1	335.9	276.6	303.9	256.6	119.3	38.3	126.5	–192.1	–281.0	1,663.4	1,413.7
Unclassified assets													16.9	8.8
Total assets													**3,531.7**	**2,820.8**
Liabilities	424.5	401.7	240.9	197.3	187.8	163.6	73.3	38.3	17.4	14.3	–157.6	–141.8	786.3	673.4
Unclassified liabilities													1,416.2	1,117.6
Total liabilities													**2,202.5**	**1,791.0**
Investments	44.3	35.5	42.5	15.1	18.8	9.3	4.6	5.2					110.2	65.1
Depreciation/Amortisation	58.6	58.7	17.5	14.4	12.0	11.3	7.0	4.1					95.1	88.5
External sales per market														
Sweden	802.2	722.3			3.5	3.9							805.7	726.2
UK	0.8	2.0	1,059.8	734.4	12.8	12.8							1,073.4	749.2
Germany	17.6	10.2	7.6	8.4	285.1	292.0	0.7						311.0	310.6
Norway	231.5	208.6			0.8	1.2							232.3	209.8
Australia	0.1				9.7	6.0	204.2	162.9					214.0	168.9
Finland	157.4	153.0											157.4	153.0
The Netherlands	1.4	0.8	0.5	1.2	135.0	134.7	2.5						139.4	136.7
Denmark	115.8	127.1			0.1	0.1							115.9	127.2
Turkey							111.6						111.6	0.0
United Arab Emirates	0.2				11.9	17.4	81.3	85.0					93.4	102.4
Spain	0.2	0.5			88.7	84.0	0.1						89.0	84.5
Russia	88.4	79.3				2.9							88.4	82.2
France	11.7	6.6	0.1	0.1	70.7	74.5							82.5	81.2
Other	58.2	54.3	11.4	8.5	110.9	95.9	41.3	4.6	–	–			221.8	163.3
Total	**1,485.5**	**1,364.7**	**1,079.4**	**752.6**	**729.2**	**725.4**	**441.7**	**252.5**	**–**	**–**	**–**	**–**	**3,735.8**	**3,095.2**
Non-current assets per market														
Sweden	278.1	286.3											278.1	286.3
UK			417.8	346.2									417.8	346.2
Germany					568.1	504.2							568.1	504.2
Turkey							303.3						303.3	0.0
Australia							84.1	80.1					84.1	80.1
Finland	84.2	76.7											84.2	76.7
China	14.7	14.6											14.7	14.6
Other	39.2	30.8	0.0	0.0	61.8	59.2	0.1	0.2	–	–	–	–	101.1	90.2
Total	**416.2**	**408.4**	**417.8**	**346.2**	**629.9**	**563.4**	**387.5**	**80.3**	**–**	**–**	**–**	**–**	**1,851.4**	**1,398.3**

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

– **Northern Europe.** The business area comprises the Group's operations in the Nordic and Baltic countries and Russia. The Group's plant in China, including manufacturing and purchasing, is also part of the business area. In Sweden, operations comprise development, manufacturing and sales activities, while operations in other markets, with the exception of China, refer only to sales. In the third quarter of 2013, I-Valo Oy, which develops, manufactures and sells lighting systems, was added to the business area. Other units engage in sales activities.

– **UK and Ireland.** The business area comprises our companies in the UK and Ireland. Whitecroft Lighting and Designplan Lighting develop, manufacture and sell lighting systems. Other units engage in sales activities.

– **Rest of Europe.** This business area includes operations in Germany, the Netherlands, France, Spain, Poland and Slovakia. The dominant unit in the segment is LTS Licht & Leuchten GmbH in Germany, which develops, manufactures and sells lighting systems. Other units engage in sales activities.

– **Middle East, Asia and Australia.** The business area comprises the operations in Turkey, the United Arab Emirates (UAE) and Australia. Arlight, which has its registered office in Ankara, Turkey was consolidated in the segment during the period. The Australian and Turkish operations develop, manufacture and sell lighting systems while the operations in the UAE refer to sales.

– **Other.** This business area is mainly comprised of the Parent Company and certain Group-wide functions.

1) Operations in the UAE, which were previously included in the UK and Ireland, now comprise part of the Middle East, Asia and Australia segment together with the newly acquired company Arlight. The comparative figures have been adjusted accordingly.

Information per product area	SALES	
	2014	**2013**
Indoor Lighting	2,504.0	2,012.0
Retail Lighting	1,003.7	881.5
Outdoor Lighting	228.1	201.7
Total	**3,735.8**	**3,095.2**

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

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

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

Note 2 | Salaries, other remuneration and social security contributions

	Salaries and other remuneration		Social security contributions		(of which pension expenses)	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Parent Company	13,9	11,9	11,0	9,8	(6,0)	(4,2)
Subsidiaries	860,4	765,4	213,6	191,4	(45,1)	(39,9)
Group	**874,3**	**777,3**	**224,6**	**201,2**	**(51,1)**	**(44,1)**

Salaries and other remuneration to Board members, the CEO and senior management

	2014			2013		
	Salaries and other remuneration	(of which variable remuneration	Pension expenses	Salaries and other remuneration	(of which variable remuneration	Pension expenses
Parent Company, 10 (10) employees	13.1	(3.5)	2.6	10.5	(2.1)	2.2
Subsidiaries, 26 (25) employees	36.2	(6.3)	3.1	31.5	(3.8)	2.5
Group	**49.3**	**(9.8)**	**5.7**	**42.0**	**(5.9)**	**4.7**

Remuneration to senior management during the year:	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension expenses	Share-based payments	Total
Parent Company						
Chairman of the Board, Jan Svensson	0.4	–	–	–	–	0.4
Board Member, Eric Douglas	0.3	–	–	–	–	0.3
Board Member, Cecilia Fasth	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
Managing Director and CEO	3.8	1.9	0.1	1.3	–	7.1
Other senior management (3 individuals)	4.3	1.6	0.3	1.3	–	7.5
	9.6	**3.5**	**0.4**	**2.6**	**–**	**16.1**
Subsidiaries						
Other senior management (3 individuals)	5.0	1.9	0.3	0.7	–	7.9
Group	**14.6**	**5.4**	**0.7**	**3.3**	**0.0**	**24.0**

Remuneration to the Board of Directors was determined at the 2014 AGM. No additional remuneration has been paid to the Board of Directors, with the exception of remuneration for travel expenses. Other senior management refers to the Group management and those individuals responsible for the various business areas. Other benefits refer to company cars.

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

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

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

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

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

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

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

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

Performance-based share-savings plan
The Company's 2012 AGM resolved to implement a performance-based share-savings plan for senior management and a number of key employees within the Group. The second and third performance-based share-savings plans were adopted by the 2013 and 2014 AGMs. In the first plan, a total of 27 people were offered the opportunity to participate, of which 25 accepted. In the second plan, 29 people were offered the opportunity to participate, of which 20 accepted. In the third plan, 34 people were offered the opportunity to participate, of which 31 accepted.

Participation in the plan requires a personal investment in Fagerhult shares. Following, under normal circumstances, a three-year vesting period, a cost-free allocation of shares in Fagerhult is made to the participants, provided that certain conditions are met. Under the terms of the three plans, participants have acquired a total of about 86,500 shares in Fagerhult. A total of approximately 305,000 share awards have been allocated to plan participants, of which 56,470 to the CEO and 80,476 to other senior management.

In order for the share awards to be eligible for the allotment of shares, participants are required to remain in employment within the Group and to retain their entire investment in Fagerhult shares acquired within the framework of the plan during the vesting period. Certain of the allocated share awards (known as performance share awards) also require meeting a financial performance target related to Fagerhult's average earnings per share. For the 2012 plan, the financial performance target pertains to average earnings per share for the 2012 to 2013 financial years, while the financial performance target for the 2013 plan pertains to average earnings per share for the 2013 to 2014 financial years and the financial performance target for the 2014 plan pertains to average earnings per share for the 2014 to 2015 financial years.

The terms for allocation of performance shares were not met under the first plan. Accordingly, a maximum of about 220,500 Fagerhult shares can be allocated under the terms of the three plans. The valuation of the allocated share awards is based on the market price of the share at the time of allotment, with a deduction for the lack of dividend. The total expense for the year was MSEK 5.4.

Note 3 | Interest income and similar profit/loss items

	GROUP		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
Interest income	2.4	1.7	32.3	13.3
Exchange-rate gains	0.1	0.8	0.2	2.1
Total	**2.5**	**2.5**	**32.5**	**15.4**

Note 4 | Interest expenses and similar profit/loss items

	GROUP		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
Interest expenses	30.2	26.9	27.2	20.9
Exchange-rate losses	0.3	2.0	7.3	1.5
Other financial expenses	2.7	4.1	2.4	2.5
Total	**33.2**	**33.0**	**36.9**	**24.9**
Of which Group companies			0.6	0.4

Note 5 | Trade receivables

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Maturity analysis of trade receivables outstanding				
Trade receivables, not yet due	497.1	425.8	–	–
Past-due trade receivables with no need for impairment:				
< 3 months	162.6	132.3	–	–
3–12 months	12.7	15.0	–	–
> 12 months	4.0	4.3	–	–
	179.3	151.6	–	–
Past-due trade receivables requiring impairment:				
< 3 months	3.0	0.8	–	–
3–12 months	18.2	5.9	–	–
> 12 months	5.3	2.7	–	–
	26.5	9.4	–	–
Provision for doubtful receivables	–26.5	–9.4	–	–
Carrying amount	**676.4**	**577.4**	**–**	**–**
Change in provision for doubtful receivables				
Opening provision	–9.4	–14.7		
Acquisitions of subsidiaries	–12.2	–	–	–
Reclassifications	–	4.5	–	–
Confirmed losses	0.6	7.3	–	–
Reversed, unutilised provisions	0.4	1.0	–	–
Provision for the year	–4.3	–7.7	–	–
Translation differences	–1.6	0.2	–	–
Closing provision	**–26.5**	**–9.4**	**–**	**–**

Note 6 | Income from shares in subsidiaries

	PARENT COMPANY 2014	PARENT COMPANY 2013
Dividends received	146.5	74.5
Total	**146.5**	**74.5**

Note 7 | Depreciation/amortisation and impairment

Amortisation of intangible assets in the Group was MSEK 17.1 (14.9) and depreciation of property, plant and equipment totalled MSEK 78.0 (73.6). Impairment amounted to MSEK 0.0 (0.0). Depreciation/amortisation and impairment are specified per function in the income statements as follows:

	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
Brands				
Cost of goods sold	3.1	2.8	–	–
Total	**3.1**	**2.8**	**–**	**–**
Other intangible assets				
Cost of goods sold	12.6	11.0	–	–
Selling expenses	0.4	0.4	–	–
Administrative expenses	1.0	0.7	–	–
Total	**14.0**	**12.1**	**–**	**–**
Land and buildings				
Cost of goods sold	4.6	4.2	–	–
Selling expenses	1.3	1.5	–	–
Administrative expenses	0.7	0.8	–	–
Total	**6.6**	**6.5**	**–**	**–**

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Plant and machinery				
Cost of goods sold	48.2	39.1	–	–
Total	**48.2**	**39.1**	**–**	**–**
Equipment, fixtures and fittings				
Cost of goods sold	9.7	14.2	–	–
Selling expenses	7.3	9.2	–	–
Administrative expenses	6.2	4.6	–	–
Total	**23.2**	**28.0**	**–**	**–**

Note 8 | Tax on profit for the year

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Current tax	95.8	66.7	24.0	13.1
Deferred tax	–9.0	–2.3	–	–
Total	**86.8**	**64.4**	**24.0**	**13.1**
Difference between the Group's tax expense and the tax expense based on current rates				
Reported profit before tax	348.0	247.0	253.7	133.1
Tax according to current tax rates	76.6	54.3	55.8	29.3
Tax effect of non-deductible expenses	2.2	2.2	0.4	0.2
Tax effect of non-taxable income	–1.6	–0.5	–32.2	–16.4
Effect of foreign tax rates	9.6	8.4	–	–
Tax on profit for the year recognised in profit or loss	**86.8**	**64.4**	**24.0**	**13.1**

Note 9 | Deferred tax

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Deferred tax expense/income for the year				
Deferred tax income referring to temporary differences	–13.8	–5.2	–	–
Deferred tax expense referring to temporary differences	4.8	2.9	–	–
Total	**–9.0**	**–2.3**	**0.0**	**0.0**
Temporary differences				
Temporary differences referring to the following items have resulted in deferred tax liabilities and deferred tax assets. These items have indefinite useful lives.				
Deferred tax liabilities				
Surplus in acquired subsidiaries	42.3	36.1	–	–
Other intangible assets	3.2	2.4	–	–
Buildings	1.2	1.9	–	–
Machinery and equipment	1.3	0.8	–	–
Current receivables	0.2	0.4	–	–
Untaxed reserves	14.8	20.7	–	–
Current liabilities	2.0	1.4	–	–
Total deferred tax liabilities	**65.0**	**63.7**	**0.0**	**0.0**
Deferred tax assets				
Machinery and equipment	0.6	1.0	–	–
Other financial assets	0.1	–	–	–
Inventories	3.1	3.9	–	–
Current receivables	1.0	0.7	–	–
Pension provisions	3.5	3.1	–	–
Current liabilities	6.5	4.8	–	–
Total deferred tax assets	**14.8**	**13.5**	**0.0**	**0.0**
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised, as a sale would not result in taxation.	774.6	616.4	–	–

Note 10 | Intangible assets

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Goodwill				
Opening cost	914.9	852.3	–	–
Acquisitions of subsidiaries	226.4	49.2	–	–
Translation differences	104.3	13.4	–	–
Closing accumulated cost	1,245.6	914.9	–	–
Opening impairment	0.0	0.0	–	–
Closing accumulated impairment	0.0	0.0	–	–
Carrying amount	**1,245.6**	**914.9**	**–**	**–**
Brands				
Opening cost	135.4	123.0	–	–
Acquisitions of subsidiaries	28.3	8.8	–	–
Translation differences	17.8	3.6	–	–
Closing accumulated cost	181.5	135.4	–	–
Opening amortisation	–24.5	–21.1	–	–
Amortisation for the year	–3.1	–2.8	–	–
Translation differences	–3.3	–0.6	–	–
Closing accumulated amortisation	–30.9	–24.5	–	–
Carrying amount	**150.6**	**110.9**	**–**	**–**
Other intangible assets				
Opening cost	113.9	103.8	-–	–
Acquisitions of subsidiaries	1.7	–	–	–
Purchases	15.3	11.2	–	–
Translation differences	2.6	–1.1	–	–
Closing accumulated cost	133.5	113.9	–	–
Opening amortisation	–93.6	–82.8	–	–
Acquisitions of subsidiaries	–1.4	–	–	–
Amortisation for the year	–14.0	–12.1	–	–
Translation differences	–1.7	1.3	–	–
Closing accumulated amortisation	–110.7	–93.6	–	-
Carrying amount	**22.8**	**20.3**	**–**	**–**

The item Brands includes brands with book values of MSEK 114.1 (75.6) and indefinite useful lives. These assets are subject to annual impairment testing. The item Other intangible assets includes capitalised expenditure for product development which is internally generated, at a carrying amount of MSEK 11.7 (10.2).

	GROUP		PARENT COMPANY	
Construction in progress and advance payments				
Opening cost	1.7	1.7	–	–
Land improvements during the year	6.1	–	–	–
Reclassifications to buildings/machinery	–1.9	–	–	–
Translation differences	0.1	–	–	–
Carrying amount	**6.0**	**1.7**	**–**	**–**

Impairment testing of goodwill and brands with indefinite useful lives

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

	GROUP	
	2014	2013
Northern Europe	151.4	146.7
UK and Ireland	279.1	247.4
Rest of Europe	565.4	531.4
Middle East, Asia and Australia	363.8	65.0
Total	**1,359.7**	**990.5**

Each year, the Group performs a test for each CGU to assess whether any need for impairment exists for goodwill and brands in line with the applied accounting policies. The recoverable amount for each CGU is determined by value-in-use calculations, which comprise the present value of estimated future payments expected to arise from an asset during its useful life, including the calculated residual value at the end of the asset's useful life. These calculations assume estimated future cash flows based on financial forecasts for the coming five-year period, as approved by management. To extrapolate cash flows beyond this period, a growth rate of 2 per cent has been applied, which is deemed to be a conservative estimate. The direct method of reporting 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 10 per cent (11). At present, the risk-free interest rate is historically low. After taking into account the risk-free interest rate and stock market risk premiums, the discount rate has been lowered compared with the year earlier. It is estimated that the discount rate will apply for 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 used to extrapolate cash flows beyond the budget period was 2 per cent.

Expenses

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

Exchange rates

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

Variables applied

Discount rate before tax of 10 per cent.

Exchange rates:
NOK 1.10
DKK 1.21
EUR 9.00
GBP 11.30

Sensitivity analysis

The recoverable amount exceeds the carrying amounts for goodwill by a significant margin. This also applies to each individual assumption provided that:
– the discount rate before taxes was 12 per cent
– the estimated growth rate applied to extrapolate cash flows beyond the budgeted period was 0 per cent.

Note 11 | Property, plant and equipment

	GROUP		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
Land and buildings				
Opening cost	183.9	173.6	–	–
Acquisitions of subsidiaries	–	4.0	–	–
Purchases	18.5	6.5	–	–
Sales	–	–1.1	–	–
Translation differences	4.1	0.9	–	–
Closing accumulated cost	206.5	183.9	–	–
Opening depreciation	–97.5	–91.7	–	–
Acquisitions of subsidiaries	–	–0.1	–	–
Depreciation for the year	–6.6	–6.5	–	–
Sales	–	1.1	–	–
Translation differences	–1.8	–0.3	–	–
Closing accumulated depreciation	–105.9	–97.5	–	–
Carrying amount	**100.6**	**86.4**	**–**	**–**
of which land	3.8	3.8	–	–
Plant and machinery				
Opening cost	679.1	644.7	–	–
Acquisitions of subsidiaries	26.8	4.1	–	–
Purchases	52.8	29.9	–	–
Sales and disposals	–11.7	–2.7	–	–
Translation differences	34.8	3.1	–	–
Closing accumulated cost	781.8	679.1	–	–
Opening depreciation	–516.2	–476.3	–	–
Acquisitions of subsidiaries	–17.0	–0.7	–	–
Depreciation for the year	–48.2	–39.1	–	–
Sales and disposals	11.7	2.7	–	–
Translation differences	–23.7	–2.8	–	–
Closing accumulated depreciation	–593.4	–516.2	–	–
Carrying amount	**188.4**	**162.9**	**–**	**–**

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Equipment, fixtures and fittings				
Opening cost	322.6	304.9	–	–
Acquisitions of subsidiaries	5.2	–	–	–
Purchases	23.6	17.5	–	–
Sales and disposals	–17.2	–5.2	–	–
Translation differences	18.8	5.4	–	–
Closing accumulated cost	353.0	322.6	–	–
Opening depreciation	–249.7	–220.7	–	–
Acquisitions of subsidiaries	–5.0	–	–	–
Depreciation for the year	–23.2	–28.0	–	–
Sales and disposals	16.5	3.8	–	–
Translation differences	–12.8	–4.8	–	–
Closing accumulated depreciation	–274.2	–249.7	–	–
Carrying amount	**78.8**	**72.9**	**–**	**–**
Construction in progress and advance payments				
Opening cost	10.8	4.2	–	–
Acquisitions of subsidiaries	–	1.0	–	–
Land improvements during the year	17.4	2.3	–	–
Reclassifications to buildings/machinery	–9.2	3.1	–	–
Translation differences	0.2	0.2	–	–
Carrying amount	**19.2**	**10.8**	**–**	**–**

Note 12 | Financial assets

	PARENT COMPANY	
	2014	2013
Shares and participations in subsidiaries		
Opening cost	616.3	616.3
Carrying amount	**616.3**	**616.3**
Receivables from subsidiaries		
Opening receivables	895.8	824.5
Change during the year	516.5	71.3
Closing receivables	**1,412.3**	**895.8**

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Other shares and participations				
Opening cost	9.2	9.2	–	–
Closing receivables	**9.2**	**9.2**	**–**	**–**
Other non-current receivables				
Opening receivables	0.5	0.7	–	–
New receivables	24.0	–	–	–
Paid receivables	–	–0.2	–	–
Closing receivables	**24.5**	**0.5**	**–**	**–**

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

Note 13 | Shares and participations in subsidiaries

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

	Corporate Identity Number	Registered offices	No. of shares	Carrying amount
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	Boras	1,800	2.9
Sub-subsidiaries:				
Fagerhults Belysning Sverige AB	556122-2000	Habo	1,000	1.0
Atelje Lyktan AB	556063-9634	Ahus	2,000	4.4
Fagerhult Belysning AS, Norway	937418906	Oslo	100	0.5
Fagerhult AS, Denmark	63.128	Ishoj	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 Ou, 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
Arlight Aydinlatma A.S., Turkey	790 361 767	Kazan/Ankara	50,000	318.4
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	5.6
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		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
Prepaid rent	11.5	12.8	–	0.1
Insurance	4.1	3.5	–	–
Licences	1.0	1.5	–	–
Consultancy fees	3.0	4.4	1.7	2.9
Supplier bonus	8.5	2.6	–	–
Advertising and marketing	0.8	2.9	–	–
Taxes and social security contributions	2.4	2.6	0.1	–
Financial items	1.8	0.3	1.4	–
Non-invoiced income	1.1	0.1	–	0.2
Other items	6.8	7.9	0.2	0.3
Total	**41.0**	**38.6**	**3.4**	**3.5**

Note 15 | Bank overdraft facilities and other borrowings

Agreed bank overdraft facilities at year end amounted to MSEK 144.3 (144.1) for the Group and MSEK 140.0 (140.0) for the Parent Company.

The Group's interest-bearing borrowings

	GROUP		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
Maturities for long-term loans:				
Within one year	60.4	59.0	59.5	55.3
Between one and five years	1,267.1	1,012.9	1,246.7	1,008.8
Total	**1,327.5**	**1,071.9**	**1,306.2**	**1,064.1**

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

	2014		2013	
	Interest, %	Liability, SEK	Interest, %	Liability, SEK
Average interest expense on borrowings:				
Long-term borrowings, SEK	1.6	420.6	2.7	420.0
Long-term borrowings, EUR	1.5	711.8	1.8	464.1
Long-term borrowings, GBP	1.9	134.7	2.0	128.8
Total		**1,267.1**		**1,012.9**
Short-term borrowings, SEK	–	–	2.7	2.7
Short-term borrowings, EUR	1.4	49.5	1.8	46.6
Short-term borrowings, GBP	1.9	10.9	2.0	9.7
Total		**60.4**		**59.0**

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

Note 16 | Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
Accrued salaries and remuneration	126.0	99.0	6.4	4.6
Customer bonuses	41.0	32.6	–	–
Accrued social security contributions	37.8	27.6	5.7	2.7
Claims	10.7	13.4	–	–
Financial items	9.2	4.7	3.2	3.4
Consultancy fees	7.3	4.7	1.0	1.2
Rent	7.3	0.8	–	–
Royalties	6.2	2.5	–	–
Audit fees	3.0	1.9	–	–
Shipping	2.9	2.2	–	–
Repair and maintenance	2.6	3.2	–	–
Temporary employees	1.7	0.5	–	–
Other items	27.6	24.0	0.6	0.1
Total	**283.3**	**217.1**	**16.9**	**12.0**

Note 17 | Pledged assets

	GROUP		PARENT COMPANY	
	2014	**2013**	**2014**	**2013**
For own liabilities				
Floating charges	4.3	4.1	–	–
Real estate mortgages	3.0	3.0	–	–
Total pledged assets	**7.3**	**7.1**	**–**	**–**

Note 18 | Contingent liabilities

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Guarantee FPG	0.9	0.9	–	–
Guarantees, customs authorities	0.8	0.8	–	–
Guarantees for subsidiaries	–	–	62.4	47.7
Total pledged contingent liabilities	**1.7**	**1.7**	**62.4**	**47.7**

Note 19 | Provisions for pensions and similar commitments

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Provisions for pensions PRI (interest-bearing)	62.5	60.9	–	–
Provisions for other pensions	3.4	0.6	–	–
Total	**65.9**	**61.5**	**0.0**	**0.0**

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

Pension insurance with Alecta
ITP 2 plan defined-benefit pension commitments for retirement and family pensions for salaried employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, Classification of ITP plans financed by insurance in Alecta, this is a defined-benefit multi-employer plan. For the 2014 financial year, the company did not have access to information that would enable it to report its proportional share of the plan's obligations, plan assets and costs, which means the plan could not be reported as a defined-benefit plan. The ITP 2 pension plan which is secured through insurance with Alecta is, therefore, reported as a defined-contribution plan. Premiums for defined-benefit retirement and family pensions are calculated individually and depend, inter alia, on the insured party's salary, previously earned pension rights and remaining length of service. Expected fees for the next reporting period for ITP 2 insurance with Alecta amount to MSEK 16.2 (2014: MSEK 15.2). The Group's share of the total contributions to the plan is negligible. The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance undertakings estimated pursuant to Alecta's actuarial assumptions, which do comply with IAS 19. The collective consolidation level is normally permitted to range between 125 per cent and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, actions must be taken to create conditions enabling the consolidation level to revert to the normal interval. For low consolidation levels, one measure could be raising the contractual premiums for taking up new insurance and expanding existing benefits. With a high level consolidation, one measure could be to implement premium reductions. At the end of 2014, Alecta's surplus in the form of the collective consolidation level was 144 per cent (2013: 149 per cent).

	GROUP	
	2014	2013
Defined-benefit plans		
The amounts recognised in the consolidated income statement are:		
Current service cost	1.0	–
Interest expenses	2.2	1.9
Total	**3.2**	**1.9**
Specification of changes in net debt recognised in the consolidated balance sheet:		
Net debt at beginning of year recognised in the approved balance sheet	61.5	60.2
Acquisitions of subsidiaries	6.4	–
Net cost recognised in profit or loss	3.2	1.9
Benefit payments	–2.1	–1.8
Settlement of pension plan	–0.2	–0.1
Actuarial gains (-)/losses (+)	–2.9	1.3
Net debt at year end	**65.9**	**61.5**
The amounts recognised in the balance sheet are determined as follows:		
Present value of commitments	65.9	61.5
Net debt at year end	**65.9**	**61.5**
Total pension costs		
Total pension costs recognised in the consolidated income statement:		
Total costs for defined-benefit plans	3.2	1.9
Total costs for defined-contribution plans	47.9	42.2
Total pension costs	**51.1**	**44.1**

	GROUP	
	2014	2013
Pension costs are allocated in the consolidated income statement among the following items:		
Cost of goods sold	15.6	13.7
Selling expenses	22.1	18.8
Administrative expenses	11.2	9.7
Financial expenses	2.2	1.9
Total	**51.1**	**44.1**
Actuarial assumptions		
Significant actuarial assumptions as of the closing date (expressed as weighted averages)		
Discount rate	3.00 %	3.75 %
Future annual pension growth rate	1.50 %	2.00 %

Assumptions regarding life expectancy 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 16.4 (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

	2014		2013	
	Number of employees	Men %	Number of employees	Men %
Parent Company	**6**	**50**	**5**	**60**
Subsidiaries				
Sweden	750	63	776	62
Norway	40	73	39	79
Denmark	26	62	28	57
Finland	75	64	80	64
Estonia	5	60	5	60
The Netherlands	33	79	30	77
Germany	262	81	266	82
Turkey	146	86	–	–
UK	636	73	589	73
France	24	54	20	50
Belgium	11	82	9	78
Spain	27	93	24	96
Poland	15	80	14	79
Russia	30	47	27	56
Ireland	5	80	5	80
Austria	0	0	1	100
Slovakia	5	40	6	50
Australia	110	65	113	64
New Zealand	3	67	3	67
United Arab Emirates	14	79	12	75
China	147	41	152	40
Total in subsidiaries	**2,364**	**68**	**2,199**	**67**
Group total	**2,370**	**68**	**2,204**	**67**

Board members and senior management

	Number	Men %	Number	Men %
Group				
Board members	6	67	6	67
CEO and other senior management	30	80	29	86
Parent Company				
Board members	6	67	6	67
CEO and other senior management	4	50	4	50

Note 22 | Operational leasing agreements

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Leasing fees for the year	63.1	57.7	0.3	0.3
The nominal value of future minimum leasing fees for non-cancellable leasing agreements				
Within one year	61.7	52.7	0.3	0.3
Between one and five years	149.5	78.6	0.3	0.2
After five years	219.8	22.1	–	–
Total	**431.0**	**153.4**	**0.6**	**0.5**

In the consolidated accounts, essentially, operational leasing comprises leased properties/premises. Of the leasing fees for the year and future leasing fees, properties/premises accounted for MSEK 426.3 (204.6). The majority of the increase compared with the preceding year pertained to the new lease agreement for Designplan Lighting Ltd in the UK.

Note 23 | Remuneration to auditors

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Audit	3.7	3.3	–	–
Audit activities other than audit assignment	2.0	0.9	–	–
Tax consulting	1.1	0.6	–	–
Total	**6.8**	**4.8**	**–**	**–**

Note 24 | Expenses by nature

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Raw materials and consumables	1,591.7	1,295.4	–	–
Changes in inventories of finished products and goods for resale, and work in progress	–52.9	–64.1	–	–
Expenses for employee benefits (Notes 2 and 19)	1,098.9	978.5	24.9	21.7
Transportation expenses	93.0	86.6	–	–
Expenditure for own properties and rented premises	87.6	77.1	0.9	0.9
Advertising and selling expenses	65.4	49.7	–	0.2
External services	63.2	64.0	8.3	8.3
Temporary employees	44.5	28.8	–	–
Depreciation/amortisation and impairment (Notes 7, 10 and 11)	95.1	88.5	–	–
Other costs	294.1	227.0	12.1	4.5
Total	**3,380.6**	**2,831.5**	**46.2**	**35.6**

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

Note 25 | Expenses for product development

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Expensed overheads for product development	120.8	96.3	–	–

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 had a positive impact on the Group's operating profit of MSEK 3.5 (1.5). The total hedging of future payments involving the most sensitive net flows in foreign currencies, as compared with the expected flows during the coming six months was, as per the closing date, NOK 40 per cent, EUR 10 per cent, GBP 40 per cent, AUD 40 per cent. The nominal value of these hedging contracts was MNOK 15.0 (28.0), MEUR 1.4 (1.5), MGBP 2.0 (1.4), and MAUD 1.0 (0.9). The Group does not apply hedge accounting for these contracts. Had the Group redeemed its outstanding contracts on the closing date at the current forward rate, the earnings impact would have been MSEK 1.0 (0.3).

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

Acquired companies

Arlight Aydinlatma A.S.

To further strengthen the Fagerhult Group's position in the European market, and to gain access to the Turkish market, Fagerhult acquired 100 per cent of the shares in Arlight, with its registered office in Ankara, Turkey. Arlight has 160 employees and manufactures luminaires and lighting systems, primarily intended for indoor use. Examples of suitable areas of application include offices, schools, hospitals, shopping centres and airports. The company had sales of MEUR 19 in 2013 with profitability well above the Fagerhult Group's average. The company has been consolidated in Fagerhult from the 1 February 2014. The consideration paid was MEUR 35.2, with an additional contingent consideration of MEUR 3.8 that could arise in 2015 depending on Arlight's financial performance.

The consideration consists of the following components:

Cash paid	278.3
Contingent consideration	34.1
Total consideration	**312.4**
Fair value of net assets acquired	86.0
Goodwill	*226.4*

The company had an impact of MSEK 153 on Group sales and an impact of MSEK 21 on consolidated net profit, before transaction and capital costs. If the company had been part of the Group from the beginning of the year, this would have meant an MSEK 165 increase in sales and a net profit before transaction and capital costs of MSEK 25.

The assets and liabilities arising from the acquisition

	Fair value
Cash and cash equivalents	2.0
Property, plant and equipment	10.0
Financial assets	
Intangible assets	28.6
Inventories	20.1
Receivables	67.3
Liabilities	–37.0
Deferred tax liabilities	–5.0
Net assets	**86.0**
Net assets acquired	86.0
Cash purchase consideration	278.3
Cash and cash equivalents in the acquired company	–2.0
Transaction costs	5.0
Change in consolidated cash and cash equivalents on acquisition	**281.3**

The nominal value of the acquired receivables was MSEK 67.3 and the fair value amounted to MSEK 67.3. Transaction costs amounted to MSEK 5.0 and were recognised under the item Administrative expenses. The provision for contingent considerations was MSEK 36.5 and was recognised under the item other provisions.

Note 28 | Share capital

The share capital in AB Fagerhult totals SEK 65,535,000 (65,535,000) distributed among 38,550,000 shares (12,850,000), with a quotient value of SEK 1.70 per share (5.10). The number of treasury shares was 714,000, which at a quotient value of SEK 1.70 per share, has a value of SEK 1,213,800. All shares outstanding entitle the holder to equal participation in the Parent Company's assets and profit and are fully paid-up. Each share entitles the holder to one vote.

	2014	2013
Change in the number of shares outstanding		
Number of shares outstanding at beginning of year	12,612,000	12,612,000
3-for-1 share split	25,224,000	-
Number of shares outstanding at year end	**37,836,000**	**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 office in the County of Jönköping, the Municipality of Habo, and with the Corporate Identity Number 556110-6203. The company's visiting address is Fagerhult, Habo, Sweden.

AB Fagerhult is the Parent Company of 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 about 3,745 shareholders. Together, the ten largest shareholders hold 85.3 per cent (84.2) of the shares outstanding.

Ownership structure (at 31 Dec. 2014)

Shareholder	No. of shares	%
Investment AB Latour	18,530,400	49.0 %
The Svensson family, foundation and company	2,836,575	7.5 %
SSB CL Omnibus AC, USA	2,760,678	7.3 %
Lannebo Fonder	2,599,081	6.9 %
Robur Småbolagsfond	1,582,832	4.2 %
SEB Asset Management	1,125,000	3.0 %
The Palmstierna family	1,005,000	2.7 %
Fourth Swedish National Pension Fund	773,334	2.0 %
Nordea Fonder	541,500	1.4 %
NTC Fidelity Funds	512,812	1.4 %
SEB Fonder	361,019	1.0 %
Johan Hjertonsson	236,294	0.6 %
Handelsbanken Svenska småbolagsfond	193,590	0.5 %
Eric Douglas, including family and company	120,000	0.3 %
Other shareholders	4,657,885	12.3 %
Number of shares outstanding at the end of the period	**37,836,000**	**100.0 %**

Note 30 | Dividend per share

An ordinary dividend of SEK 3.00 per share, totalling MSEK 113.5, will be proposed for 2014 at the AGM on 21 April 2015. This amount has not been reported as a liability but will, instead, be recognised in equity as an appropriation of profit for the 2014 financial year. The dividend for 2013 amounted to MSEK 91.4 (SEK 2.42 per share).

Note 31 | Risks

Financial risks

Currency risk

Currency 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

*I*n the international operations which Fagerhult undertakes, customers pay in their own currency, via the global sales organisation, which means that the Group assumes currency risk. Currency risk is 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 exchange flow, after net calculations of flows in the same currencies, shows a surplus of MSEK 308 (241). 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 anticipated net inflows from sales and purchases is hedged through forward contracts after individual assessment at 50 per cent for the coming six-month period. On statistical assessment of the foreign-exchange position, a change in the Swedish krona against other currencies of 1 per cent, with all other variables being constant, would impact the Group's earnings by about MSEK 3 (2). The financial instruments are managed by the Parent Company's senior management.

Translation exposure

Currency risk also arises in conjunction with the translation of foreign net assets and earnings, so-called translation exposure. This currency risk is not hedged and refers, primarily, to the translation of foreign subsidiaries' income statements and balance sheets. Earnings from foreign subsidiaries are translated into Swedish krona based on the average exchange rate for the year. The exposure of the Group's net assets outside of Sweden has increased as operations there have changed from previously pertaining to sales companies, to now also including production units. At the closing date, net assets in foreign companies corresponded to MSEK 1,322 (1,057) including goodwill.

A weakening of the Swedish krona by 1 per cent, with all other variables remaining constant, would result in an increase in equity of MSEK 13 (10) due to gains/losses on the translation of EUR and GBP. A change in the Swedish krona of 1 per cent against other currencies would result in a direct impact on net sales in the subsidiaries of about MSEK 28 (22) while the impact on foreign subsidiaries' earnings is MSEK 3 (2).

Interest-rate risk

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

The Group's interest-rate risk arises in conjunction with long-term borrowing. In addition to pension liabilities of MSEK 65.9 (61.5), interest-bearing liabilities totalled MSEK 1,327.5 (1,071.9) and cash and cash equivalents were MSEK 353.1 (248.6). Borrowing on the basis of floating interest rates exposes the Group to interest-rate risk as regards cash flow. Borrowing on the basis of fixed interest rates implies an interest-rate risk for the Group in terms of fair value. During 2014 and 2013, the Group's borrowings largely comprised loans with three-month fixed interest rates.

The Group analyses its exposure to interest-rate risk on a dynamic basis. Various scenarios are simulated, whereby refinancing, renegotiation of existing trading positions, alternative financing and hedging are taken into consideration. Based on these scenarios, the Group calculates the earnings impact from a given change in interest rates. In each simulation, the same change in the interest rate is applied for all currencies. The scenarios are simulated only for those liabilities comprising the largest interest-bearing positions. Simulations performed show that the earnings impact of a 1 per cent change would be a maximum of MSEK 13, with the current capital structure. The simulation is conducted quarterly to verify that the maximum possible loss is within the limits established by the executive management.

If interest rates on borrowing in Swedish krona as of 31 December 2014 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 1.0 (0.8) higher/lower, primarily as an effect of higher/lower interest expenses for borrowings with floating interest rates.

Credit risks
Credit risks are managed at Group level. Credit risks arise if the counterparty does not fulfil its commitments in conjunction with lending within the framework of cash management policies and through credit exposure to clients and banks, including receivables and agreed transactions. The investment of surplus cash is undertaken primarily in K1 graded commercial paper and with banks. Only banks and financial institutions with credit ratings 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. Where no independent credit assessment exists, a risk assessment is made of the customer's credit status in which the entity's financial position is considered, as well as previous experience and other factors. Individual risk limits are set based on internal or external credit ratings, in accordance with the limits set by the Group management. The application of credit limits is frequently reviewed. No significant losses occurred in either 2014 or 2013. The majority of receivables from customers are guaranteed through credit insurance. A total provision of MSEK 26.5 (9.4) was made for those trade receivables not expected to be received.

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As of 31 December 2014				
Bank loans	60.4	19.8	1247.3	–
Trade payables and other liabilities	707.6	36.5	–	–
As of 31 December 2013				
Bank loans	59.0	73.7	939.2	–
Trade payables and other liabilities	593.9	–	–	–

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

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

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

In 2014 the Group's strategy, which was unchanged compared with 2013, was to maintain a debt/equity ratio of between 50 per cent and 100 per cent and a AAA credit rating. The AAA credit rating has been maintained throughout the period. The debt/equity ratio at 31 December 2014 was 78 per cent (86).

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

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

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

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

Note 32 | Events after balance sheet date

The Board of Directors proposes a dividend payment of SEK 3.00 (2.42) per share, which is equivalent to a total of MSEK 113.5 (91.4).

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

SIGNATURES

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

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

The income statements and balance sheets will be submitted for adoption at the AGM on 21 April 2015.

Habo, 9 March 2015

Jan Svensson
Chairman of the Board

Eric Douglas
Vice Chairman

Cecilia Fasth
Board member

Björn Karlsson
Board member

Catherina Fored
Board member

Fredrik Palmstierna
Board member

Johan Hjertonsson
Managing Director and CEO

Magnus Nell
Employee Representative

Lars Olsson
Employee Representative

Our audit report was submitted on 9 March 2015.

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 consolidated accounts of AB Fagerhult (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 46–86.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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 judgement, 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 Managing Director, 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 audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its 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 present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance report was prepared. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of AB Fagerhult for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations 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 appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and 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 Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the 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 opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year

Jönköping, 9 March 2015

Öhrlings PricewaterhouseCoopers AB

Bo Karlsson
Authorised Public Accountant
Auditor-in-Charge

SHAREHOLDER INFORMATION

2015 Annual General Meeting

The Annual General Meeting of shareholders in AB Fagerhult will be held on Tuesday, 21 April 2015, at 5:00 p.m. in Fagerhult, Habo.

Registration

Shareholders wishing to take part in the AGM must be registered in the shareholders' register maintained by Euroclear Sweden AB on Wednesday, 15 April 2015 and notify Fagerhult of their intention to participate no later than 15 April 2015.

Notice can be given via e-mail to arsstamma@fagerhult.se, by telephone on +46 (0)8-522 359 75 or by post to AB Fagerhult, SE-566 80 Habo, Sweden. Shareholders who have registered their shares with a nominee shareholder must, in good time prior to 15 April 2015, temporarily re-register the shares in their own name, through the nominee shareholder, to have the right to participate in the General Meeting of shareholders.

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

Dividends

The Board of Directors proposes to the AGM a dividend of SEK 3.00 per share. The proposed record day is 23 April 2015. In the event that AGM adopts this proposal, the dividend will be distributed through the offices of Euroclear Sweden AB starting on 28 April 2015.

Nomination Committee

The Nomination Committee for the 2015 AGM comprises the following members:
- Gustaf Douglas, Investment AB Latour, Chairman,
- Jan Svensson, Investment AB Latour,
- Bjorn Karlsson, Svensson Family, and
- Göran Espelund, Lannebo Fonder.

Shareholders may, at any time, submit proposals to the Nomination Committee by post to:
AB Fagerhult
Att: Håkan Gabrielsson
Tegelviksgatan 32
SE-116 41 Stockholm, Sweden

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

Financial information 2015

- 21 April 2015 2015 AGM
- 21 April 2015 Interim report for Q1, 2015
- 20 August 2015 Interim report for Q2, 2015
- 22 October 2015 Interim report for Q3, 2015

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 at www.fagerhultgroup.com

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DEFINITIONS A TO Z

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 from operating activities for the year divided by the average number of shares outstanding.

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

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

Equity/assets ratio Equity in relation to total assets.

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

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

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

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

Number of employees Average number of full-time equivalents.

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 per cent. 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 luminaires 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 LEDs can be assumed negligible and this factor then 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 m^2 (cd/m^2).

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

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

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

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

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.

R_a: 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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