

Interim report, January – June 2010

- Net sales MSEK 1,166 (1,233)
- Net sales, excluding exchange rate differences MSEK 1,208 (1,233)
- Operating profit MSEK 40.4 (59.2)
- Income after taxes MSEK 28.2 (40.5)
- Earnings per share SEK 2.24 (3.21)
- Order intake MSEK 1,257 (1,356)
- Order intake, excluding exchange rate differences MSEK 1,302 (1,356)

Comments by CEO Johan Hjertonsson

- Lower-than-expected sales, primarily in the Nordic countries
- Recovery within the business area Retail Lighting
- Increased activity within the construction sector
- Revenue during the second quarter after currency adjustments are level with the previous year
- Lower cost level for the Group. The fixed costs are reduced by MSEK 25 on a full-year basis.
- Global shortage of electronic components impacts the Group's productivity negatively.

THE GROUP

JANUARY – JUNE

The year started with weak demand in most of the geographic markets. Increased activity can now be discerned within the construction industry, although Fagerhult has yet to benefit from this, as lighting is a later aspect of the construction process.

The Group's net sales amounted to MSEK 1,166 (1,233), a decrease of 5 %. Translated on the basis of unchanged currency exchange rates, the decline is 2 %. In principle, the decline is evenly distributed across the different geographical markets. The business area Retail Lighting reports clear improvements in comparison with 2009, while Professional and Outdoor Lighting report lower net sales. Sales outside Sweden amounted to MSEK 822 (873), which constitutes 71 (71) % of the Group's net sales.

The Group's order intake amounted to MSEK 1,257 (1,356), surpassing net sales by MSEK 91.

Operating profit decreased by MSEK 19, due to lower sales and the strengthening of the Swedish krona, which reduced export revenues – this corresponds to deteriorated net profit of MSEK 5. The Swedish currency's sharp weakening during the first quarter 2009 and the strengthening that occurred in 2010 has, in addition, affected the comparison of operating profit between the years by MSEK 10, due to

revaluation of balance sheet items from the beginning of each year. In total, the strengthening of the Swedish krona has had a negative impact on income of MSEK 15.

The price level has been maintained, despite increased competition due to low demand. Planned cost cuts proceed according to plan, while sales volumes are lower than expected, primarily in the Nordic countries. The close-down of the factories in Borås and Falkenberg are completed. This, in combination with other cost rationalisations has caused the Group's fixed costs to decrease by MSEK 25 on a full-year basis. The operating margin has decreased and amounts to 3.5 (4.8) %.

The assessment is that the first six-month period of 2010 is cyclically the weakest period for the Group's operations, which come late in the business cycle. A profit improvement, due to improved volumes in combination with lowered costs, is expected during the second six-month period of 2010.

THE SECOND QUARTER

Net sales for the period amounted to MSEK 599 (624). Adjusted for exchange rate fluctuations, net sales were equal to the previous year. In the Nordic countries, sales have fallen in Sweden and Finland, while in Norway and Denmark they remain level with 2009. In the UK, Fagerhults second-largest market, sales during the period are level with the previous year. In the Netherlands, sales have fallen, while they have increased in Australia. Net sales on the new markets, Poland and Austria, are increasing rapidly, albeit from relatively low levels.

Operating profit amounted to MSEK 27.5, as compared to MSEK 36.3 for 2009. Profit improved in comparison with the first quarter, when it amounted to MSEK 12.9.

Order intake amounted to MSEK 647 (715), surpassing net sales by MSEK 48. Among a number of important orders are three hospitals in Sweden, to a value of MSEK 20, for Kalmar county council among others, and a project for Statoil's head office in Norway for MSEK 6. Furthermore, orders for an interesting project in U.A.E have been secured, totalling MSEK 10.

During the quarter there arose a global shortage of electronic components included in electrical ballasts, which are a part of all of the Group's products. This has negatively impacted the productivity during the quarter. We assess that the shortage will continue to prevail during the rest of the year.

BUSINESS AREAS

PROFESSIONAL LIGHTING

This business area comprises sales of indoor lighting for public environments such as offices, schools, hospitals, industry, etc.

Net sales amounted to MSEK 938, as compared with MSEK 1,012 in the previous year. Operating profit amounted to MSEK 40.3 (66.0) and the operating margin was 4.3 (6.5) %.

Of the Group's business areas, Professional Lighting is latest in the business cycle, as sales often refer to major projects which have yet to return to the volume level applying prior to the economic recession. In addition, lighting comes in at a late stage in the construction process.

Norway, Australia and Central Europe show a positive development while Sweden, Finland, the Netherlands and the UK report decreased volumes. The decline on the important Nordic markets is of major significance for the business area's profit. We assess that we will not lose market share.

RETAIL LIGHTING

This business area comprises the sale of lighting systems, light sources and service to retail locations.

Net sales amounted to MSEK 161, as compared with MSEK 142 in the previous year. Operating profit has improved and amounted to MSEK -0.0 (-8.0).

This business area has been heavily impacted by the financial turbulence, but comes at an earlier stage in the economic cycle; improvements have also been made here, compared with the previous year. The improvements are greatest in Sweden, Norway and the UK. The outlook for an improved economic climate is deemed to be favourable.

OUTDOOR LIGHTING

This business area comprises the sale of outdoor products for the lighting of buildings, parks recreational areas, paths, etc.

Net sales amounted to MSEK 67, as compared to MSEK 79 in the previous year. Operating profit amounted to MSEK 0.1 (1.2).

Turnover is for the main part attributable to the Nordic market and to the Netherlands. The business area is driven by the rapid phase-out of light bulbs with mercury, the increasing societal demands for more energy-efficient lighting systems, and safety and security, creating business opportunities for the coming years.

NET SALES AND OPERATING PROFIT PER BUSINESS AREA

	Professional Lighting		Retail Lighting		Outdoor Lighting		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
External sales	937.5	1 011.5	161.0	142.0	67.3	79.3	1 165.8	1 232.8
Operating profit/loss	40.3	66.0	0.0	-8.0	0.1	1.2	40.4	59.2
Operating margin	4.3%	6.5%	-	-	0.1%	1.5%	3.5%	4.8%

FINANCIAL POSITION

The Group's equity/assets ratio is 40 (41) %. Cash and bank balances at the end of the period amounted to MSEK 110 (157) and consolidated equity was MSEK 698 (730). Net indebtedness amounts to MSEK 393.

Exposure of the Group's net foreign assets has increased in recent years: previously, the exposure primarily impacted sales companies, currently, it also impacts manufacturing units. The translation of net foreign assets at the closing rate of exchange has reduced equity by MSEK 10.

Cash flow from operating activities was MSEK -16 (68). The negative cash flow is primarily due to an increase in accounts receivable from the beginning of the year, outgoing payments in connection with shut-down of factories and increase in stock in Australia as a result of increased sales and in China as a result of a sharply increased production rate.

Pledged assets and contingent liabilities amounted to MSEK 4.7 (5.0) and MSEK 3.1 (5.9) respectively.

INVESTMENTS

The Group's gross investments in fixed assets amounted to MSEK 49 (50), primarily referring to machinery and equipment.

PERSONNEL

Average number of employees was during the period 1,829 (1,862).

PARENT COMPANY

Operations in AB Fagerhult comprise the management of the Group, financing and coordination of marketing, production and business development. The Company reported no sales during the period. Income after financial items amounted to MSEK 42.4 (9.1).

The number of employees during the period was 6 (6).

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting.

The Parent Company's Interim report has been established in accordance with the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council's Recommendation, RFR 2.2. The accounting principles remain unchanged compared with the previous year.

For further information regarding the accounting principles applied in the reporting, please refer to AB Fagerhult's website under the heading Financial Information.

RISKS AND UNCERTAINTIES

The material risk and uncertainty factors for the Group primarily consist of business risks and financial risks regarding currencies and interest rates. Due to our international operations, the Fagerhult Group is subject to financial exposure in arising from exchange rate fluctuations. The most prominent of these are currency risks associated with export sales and the import of raw materials and components. This exposure is reduced through the hedging of flows in sensitive currencies on the basis of individual assessment. Currency risks also exist in the translation of foreign net assets and earnings. Further information on the Company's risks can be found in the Annual Report for 2009. Apart from the risks described in the Company's Annual Report, no further material risks are deemed to have arisen.

PROSPECTS FOR 2010

In recent years, the Group has experienced a positive net sales and earnings trend due to favourable organic growth, but also as the result of a series of acquisitions. This strategy remains in effect and the Group continue on its initiated course of continued investments and increased internationalisation.

The financial uncertainty has significantly impacted net sales and income. The structural measures executed, including, amongst other things, the close down of two factories, imply that we have adapted our operations to the current market situation. When the business cycle turns up again, there are good premises for improved income.

BOARD ASSURANCE

The Board of Directors and Managing Director hereby certify that this interim report provides a true and fair account of the Company's and the Group's operations, financial position and results of operations and describes the material risks and uncertainties to which the Group is exposed.

Habo, 19 August 2010

AB Fagerhult (publ)

Jan Svensson
Chairman of the Board of Directors

Anna Malm Bernsten
Board member

Björn Karlsson
Board member

Eric Douglas
Board member

Eva Nygren
Board member

Fredrik Palmstierna
Board member

Johan Hjertonsson
CEO

Magnus Nell
Employee Representative

Lars Olsson
Employee Representative

The interim report has not been subject to review by the Company's auditor.
The next interim report will be presented 20 October 2010.
Disclosures can be provided by Johan Hjertonsson, CEO or Ulf Karlsson, CFO, telephone 036-10 85 00.

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THE GROUP

INCOME STATEMENT	2010 Apr-Jun 3 months	2009 Apr-Jun 3 months	2010 Jan-Jun 6 months	2009 Jan-Jun 6 months	2009/10 Jul-Jun 12 months	2009 Jan-Dec 12 months
Net sales	598.9	624.5	1 165.8	1 232.8	2 369.3	2 436.3
(of which outside Sweden)	(425.9)	(441.4)	(822.4)	(872.5)	(1 684.7)	(1 734.8)
Cost of goods sold	-415.5	-421.3	-820.5	-840.0	-1 652.7	-1672.2
Gross profit	183.4	203.2	345.3	392.8	716.6	764.1
Selling expenses	-114.8	-128.1	-228.7	-254.0	-472.4	-497.7
Administrative expenses	-43.6	-40.8	-82.5	-84.1	-170.4	-172.0
Other operating income	2.5	2.0	6.3	4.5	11.6	9.8
Operating profit/loss	27.5	36.3	40.4	59.2	85.4	104.2
Financial items	-2.1	-3.2	-0.4	-1.8	1.9	0.5
Profit after financial items	25.4	33.1	40.0	57.4	87.3	104.7
Tax	-7.5	-9.8	-11.8	-16.9	-25.6	-30.7
Net profit for the period	17.9	23.3	28.2	40.5	61.7	74.0
Profit attributed to owners of the parent company	17.9	23.3	28.2	40.5	61.7	74.0
Earnings per share, calculated on profit attributed to owners of the parent company:						
Earnings per share before dilution, SEK	1.42	1.85	2.24	3.21	4.89	5.87
Earnings per share after dilution, SEK	1.39	1.81	2.19	3.15	4.80	5.76
Average no. of outstanding shares before dilution	12 612	12 612	12 612	12 612	12 612	12 612
Average no. of outstanding shares after dilution	12 850	12 850	12 850	12 850	12 850	12 850
No. of outstanding shares, thousands	12 612	12 612	12 612	12 612	12 612	12 612
Report of the comprehensive income for the period						
Net profit for the period	17.9	23.3	28.2	40.5	61.7	74.0
Other comprehensive income:						
Exchange differences on translation foreign operations	17.6	28.6	-9.5	52.6	-55.3	6.8
Other comprehensive income for the period, net of tax	17.6	28.6	-9.5	52.6	-55.3	6.8
Total comprehensive profit for the period	35.5	51.9	18.7	93.1	6.4	80.8
Total comprehensive profit for the period attributed to the owners of the parent company	35.5	51.9	18.7	93.1	6.4	80.8

BALANCE SHEET	30 Jun 2010	30 Jun 2009	31 Dec 2009
Intangible fixed assets	468.3	482.1	474.5
Tangible fixed assets	316.5	311.2	319.9
Financial fixed assets	15.0	26.5	18.8
Inventories, etc.	357.9	334.7	301.7
Accounts receivable - trade	435.7	412.6	363.5
Other non interest-bearing current assets	59.3	48.6	40.2
Liquid funds	109.5	157.3	197.4
Total assets	1 762.2	1 773.0	1 716.0
Equity	698.3	729.7	717.4
Long-term interest-bearing liabilities	499.1	456.9	500.8
Long-term non interest-bearing liabilities	61.9	76.2	63.7
Short-term interest-bearing liabilities	3.0	71.7	1.8
Short-term non interest-bearing liabilities	499.9	438.5	432.3
Total equity and liabilities	1 762.2	1 773.0	1 716.0

CASH FLOW STATEMENT	2010 Apr-Jun 3 months	2009 Apr-Jun 3 months	2010 Jan-Jun 6 months	2009 Jan-Jun 6 months	2009/10 Jul-Jun 12 months	2009 Jan-Dec 12 months
Operating profit	27.5	36.3	40.4	59.2	85.4	104.2
Adjustment for items not included in the cash flow	16.6	22.1	36.4	41.2	73.3	78.1
Financial items	-1.8	-2.1	-3.5	-8.0	-5.8	-10.3
Paid tax	5.9	-15.8	-16.2	-37.7	-52.0	-73.5
Cash flow generated by operations	48.2	40.5	57.1	54.7	100.9	98.5
Changes in working capital	-39.4	2.5	-73.3	13.5	29.8	116.6
Cash flow from continuing operations	8.8	43.0	-16.2	68.2	130.7	215.1
Cash flow from investing activities	-8.6	-26.8	-27.6	-63.3	-91.6	-127.3
Cash flow from financing activities	-37.8	-54.3	-40.6	-55.9	-74.9	-90.2
Cash flow for the period	-37.6	-38.1	-84.4	-51.0	-35.8	-2.4
Liquid funds at the beginning of the period	142.0	192.7	197.4	200.3	157.3	200.3
Translation differences in liquid funds	5.1	2.7	-3.5	8.0	-12.0	-0.5
Liquid funds at the end of the period	109.5	157.3	109.5	157.3	109.5	197.4

KEY RATIOS AND DATA PER SHARE	2010 Apr-Jun 3 months	2009 Apr-Jun 3 months	2010 Jan-Jun 6 months	2009 Jan-Jun 6 months	2009/10 Jul-Jun 12 months	2009 Jan-Dec 12 months
Sales growth, %	-4.1	-11.6	-5.4	-12.2	-2.8	-12.1
Growth in operating income, %	-24.2	-51.6	-31.8	-57.3	-18.0	-61.7
Growth in profit after taxes net financial income, %	-23.3	-54.2	-30.3	-56.9	-16.6	-59.7
Operating margin, %	4.6	5.8	3.5	4.8	3.6	4.3
Profit margin, %	4.2	5.3	3.4	4.7	3.7	4.3
Liquid ratio, %			22	31	22	45
Debt/equity ratio			0.7	0.7	0.7	0.7
Equity/assets ratio, %			40	41	40	42
Capital employed, MSEK			1 200	1 258	1 200	1 220
Return on capital employed, %			8.1	11.8	7.8	9.8
Return on equity, %			8.0	11.3	8.6	10.4
Net liability, MSEK			393	371	393	305
Gross investments in fixed assets, MSEK	25.2	24.9	49.2	50.3	-1.1	90.3
Net investments in fixed assets, MSEK	25.2	24.9	48.6	50.3	-1.7	90.3
Depreciation of fixed assets, MSEK	20.5	18.4	39.7	35.9	3.8	74.8
Number of employees			1 829	1 862	1 870	1 881
Equity per share, SEK			55.37	57.86	55.37	56.88
No. of outstanding shares, thousands			12 612	12 612	12 612	12 612

CHANGE IN EQUITY

Attributed to the owners of the parent company

	Share capital	Other contributed capital	Difference on translation	Profit carried forward	Total equity
Equity as at 1 January 2009	65.5	159.4	-22.8	503.9	706.0
Change in differences on translation			52.6		52.6
Total transactions reported for equity			52.6		52.6
Net profit for the period				40.5	40.5
Total comprehensive profit for the period			52.6	40.5	93.1
Dividend paid, SEK 5.50 per share				-69.4	-69.4
Equity as at 30 June 2009	65.5	159.4	29.8	475.0	729.7
Equity as at 1 January 2010	65.5	159.4	-16.0	508.5	717.4
Change in differences on translation			-9.5		-9.5
Total transactions reported for equity I			-9.5		-9.5
Net profit for the period				28.2	28.2
Total comprehensive profit for the period			-9.5	28.2	18.7
Dividend paid, SEK 3.00 per share				-37.8	-37.8
Equity as at 30 June 2010	65.5	159.4	-25.5	498.9	698.3

PARENT COMPANY

INCOME STATEMENT	2010 Apr-Jun 3 months	2009 Apr-Jun 3 months	2010 Jan-Jun 6 months	2009 Jan-Jun 6 months	2009/10 Jul-Jun 12 months	2009 Jan-Dec 12 months
Net sales	-	-	0.1	-	6.0	5.9
Selling expenses	-0.1	-0.5	-0.5	-0.8	-1.2	-1.5
Administrative expenses	-4.9	-4.3	-9.4	-8.4	-21.1	-20.1
Operating profit	-5.0	-4.8	-9.8	-9.2	-16.3	-15.7
Income from shares in subsidiaries	13.3	-	56.6	29.1	113.6	86.1
Financial items	-5.5	-6.8	-4.4	-10.8	-0.8	-7.2
Profit after financial items	2.8	-11.6	42.4	9.1	96.5	63.2
Changes in tax allocation reserve	-	-	-	-	25.1	25.1
Tax	-	-	-	-	-9.5	-9.5
Net profit	2.8	-11.6	42.4	9.1	112.1	78.8

BALANCE SHEET	30 Jun 2010	30 Jun 2009	31 Dec 2009
Financial fixed assets	879,6	908,4	877,1
Other non interest-bearing current assets	13,5	5,6	6,2
Cash and bank balances	-	-	4,7
Total assets	893,1	914,0	888,0
Equity	378,5	304,2	373,9
Untaxed reserves	31,4	56,5	31,4
Long-term interest-bearing liabilities	479,4	415,0	458,7
Short-term interest-bearing liabilities	-	132,3	17,2
Short-term non interest-bearing liabilities	3,8	6,0	6,8
Total equity and liabilities	893,1	914,0	888,0

CHANGE IN EQUITY	Share capital	Statutory reserve	Profit brought forward	Total equity
Equity as at 1 January 2009	65.5	159.4	139.6	364.5
Net profit for the period			78.8	78.8
Dividend paid, SEK 5.50 per share			-69.4	-69.4
Equity as at 31 December 2009	65.5	159.4	149.0	373.9
Net profit for the period			42.4	42.4
Dividend paid, SEK 3.00 per share			-37.8	-37.8
Equity as at 30 June 2010	65.5	159.4	153.6	378.5