

INTERIM REPORT, JANUARY - JUNE 2006

- Net sales – MSEK 1,041 (828)
- Income after financial items – MSEK 30.6 (42.6)
- Income after taxes – MSEK 21.4 (29.8)
- Earnings per share – SEK 1.69 (2.40)
- Order intake – MSEK 1,100 (871)

COMMENTS FROM GROUP CEO PER BORGVALL

- Continued strong sales growth of 26%, of which approximately 6% was organic
- The Retail Lighting business area is in the process of changes, which continues to affect short-term profitability
- The Professional Lighting business area is developing well
- Operations in China are now profitable. Critical mass was reached, with break-even in June

THE GROUP

Net sales in the Group amounted to MSEK 1,041, which represents an increase of 26%, of which 6% was attributable to organic growth. Net sales in Whitecroft Lighting, which was acquired in the fourth quarter of 2005, amounted to MSEK 210, an increase of 18% compared with the corresponding period in the previous year. The acquisition has had a positive effect of MSEK 10 on income after financial items. The Group's sales outside Sweden amounted to MSEK 625, constituting 60% (54) of net sales.

Income after financial items decreased by MSEK 12 to MSEK 30.6. Continuing changes of the Retail Lighting business area had a negative effect of MSEK 19 on operating income compared with the previous year. Investment in increased resources at the central level to support growth and internationalisation also had a negative effect on the earnings trend in the short term, but these investments are a condition for continued positive growth in the long-term. Production in China has been in operation for one year, and there are approximately 100 employees. Critical mass has been reached and a positive income was reported during July. However, in the first half-year the operations continued to run at a small loss of approximately MSEK 4, but going forward the Chinese business will contribute positively to the Group's earnings.

APRIL - JUNE

Despite a weak April, sales continued to grow, increasing by 18% during the second quarter. Income after financial items was MSEK 7.2, compared with MSEK 24.5 in the previous year. As the business operations are extremely dependent on volume during periods of strong growth, earnings were greatly affected by there being fewer working days during the second quarter compared with 2005. Furthermore, the Retail

Lighting business area recorded a loss of MSEK 7.4 during the quarter. A new director has been appointed for this business area. Order intake continues to be strong.

BUSINESS AREAS

PROFESSIONAL LIGHTING

This business area comprises the sale of indoor lighting for public environments such as offices, schools, hospitals and industrial structures.

Net sales amounted to MSEK 749, compared with MSEK 523 in the previous year. Operating income was MSEK 45.6 (34.7) and the operating margin was 6.1% (6.6).

Demand during the period has continued to be good. Growth is greatest in Sweden, the Netherlands, and Great Britain. The majority of Whitecroft's net sales take place within this segment, which has contributed to the improved results. Order intake is strong in most markets and the second half-year is expected to be continued good. Strong growth is expected in Norway during the second half-year, which will see a number of large projects, not least within the hospital sector.

RETAIL LIGHTING

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

Net sales amounted to MSEK 140, compared with MSEK 170 in the previous year. The decrease is explained by, among other factors, the decrease in business with IKEA and increased competition in Sweden after the acquisition of LampGustaf. However, sales outside Sweden continue to increase. Operating income was significantly weaker, amounting to MSEK -9.6 (9.4), a decrease of MSEK 19.

Changes in the form of developing an entirely new product offering, production in China of the majority of this offering, the building of a strong organisation and the internationalisation of operations has resulted in difficulties in maintaining sales and profit levels during the first half-year. A new director has been appointed to lead the area in a continued internationalisation. These measures will lead to successively improving volumes and margins during the year.

EXTERIOR 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 53, compared with MSEK 44 in the previous year. Operating income amounted to MSEK 1.8 (1.7).

In order to consolidate the Group's product offering in this area, a new catalogue for exterior products was produced, which should strengthen sales.

HOME LIGHTING

This business area comprises lighting for hotels, conference centres, public premises and the home.

Net sales amounted to MSEK 100, an increase of MSEK 9 compared with the previous year. Operating income was MSEK -0.7, which is an improvement of MSEK 1.3.

A number of new products adapted to hotel environments have been created and have been well-received. The strongest season for Home Lighting is during the second half-year.

NET SALES AND OPERATING PROFIT PER BUSINESS AREA

| | Professional Lighting | | Retail Lighting | | Exterior Lighting | | Home Lighting | | Total | |
|------------------|-----------------------|-------|-----------------|-------|-------------------|-------|---------------|------|---------|-------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| External sales | 748.8 | 523.0 | 139.6 | 170.2 | 52.8 | 44.0 | 99.8 | 90.4 | 1 041.0 | 827.6 |
| Operating profit | 45.6 | 34.7 | -9.6 | 9.4 | 1.8 | 1.7 | -0.7 | -2.0 | 37.1 | 43.8 |
| Operating margin | 6.1 % | 6.6 % | | 5.5 % | 3.4 % | 3.9 % | | | 3.6 % | 5.3 % |

FINANCIAL POSITION

As a result of the acquisition of Whitecroft, the Group's equity/assets ratio decreased to 35% (49) and the debt/equity ratio increased to 0.9% (0.4). Cash and bank balances at the end of the period amounted to MSEK 84 (109) and net liabilities to MSEK 345 (81). The Group's equity amounted to MSEK 503 (499).

Cash flow from continuing operations was MSEK 17.5 (26.1). During the second quarter, dividends totalling MSEK 44.3 were paid to shareholders.

Pledged assets and contingent liabilities amounted to MSEK 84.2 (79.9) and MSEK 19.1 (3.2), respectively. The increase in pledged assets is primarily attributable to acquired companies, and the majority refers to property mortgages.

INVESTMENTS

The Group's net investments in tangible fixed assets amounted to MSEK 40.5 (21.1). One property in Denmark was sold for book value, MSEK 16.5. Net investment for the period was MSEK 24.

PERSONNEL

The average number of employees during the period was 1,599 (1,216), of which 300 were employed in Whitecroft.

THE PARENT COMPANY

Operations in AB Fagerhult comprise management of the Group, financing and co-ordination of marketing, production and business development. The company's other income amounted to MSEK 8.6. Income after financial items amounted to MSEK -10 (-3.3).

Cash and bank balances at the end of the period amounted to MSEK 21.4. There were 10 (4) employees during the period.

ACCOUNTING PRINCIPLES

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

The Parent Company's interim report has been prepared in accordance with the Annual Accounts Act and with Swedish Financial Accounting Standards Council recommendation RR32. The accounting principles applied remain unchanged compared with the previous year.

For further information on the accounting principles applied, please refer to AB Fagerhult's website under the heading financial information.

PROSPECTS FOR 2006

As has been stated previously, the acquisition of Whitecroft Lighting in England has resulted in continued internationalisation, a strong increase in sales and a positive contribution to earnings during 2006. Production in China, which has now attained profitability, has strengthened the Group's competitiveness, and the economic climate in the construction industry continues to be favourable in most markets. The changes of the Retail Lighting business area will continue during the second half-year, with gradually improving development of the result. Together, the result will be that sales and earnings, with the exception of retail lighting, will continue to increase compared with the previous year's figures, a projection that has not been previously announced.

Habo, 9 August 2006

Per Borgvall
Group CEO

The next interim report will be published 24 October 2006.

For more information, please contact Per Borgvall, Group CEO or Ulf Karlsson, Group CFO,
tel +46-(0)36-10 85 00.

AB Fagerhult (publ)

Corporate Identity Number: 556110-6203

566 80 Habo

Tel +46-(0)36-10 85 00

headoffice@fagerhult.se

www.fagerhult.com

| PROFIT AND LOSS ACCOUNTS | 2006 Apr-Jun 3 months | 2005 Apr-Jun 3 months | 2006 Jan-Jun 6 months | 2005 Jan-Jun 6 months | 2005 /06 Jul-Jun 12 months | 2005 Jan-Dec 12 months |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|---------------------------------------|
| Net sales | 498.8 | 422.1 | 1 041.0 | 827.6 | 1 972.6 | 1 759.2 |
| (Of which outside Sweden) | (301.9) | (235.2) | (625.2) | (446.3) | (1 148.1) | (969.2) |
| Cost of goods sold | -358.3 | -288.6 | -736.8 | -574.4 | -1 347.9 | -1 185.5 |
| Gross profit | 140.5 | 133.5 | 304.2 | 253.2 | 624.7 | 573.7 |
| Selling expenses | -91.4 | -80.9 | -189.9 | -158.8 | -378.2 | -347.1 |
| Administrative expenses | -40.3 | -29.9 | -82.4 | -54.3 | -152.8 | -124.7 |
| Other operating income | 2.3 | 2.0 | 5.2 | 3.7 | 7.2 | 5.7 |
| Operating profit | 11.1 | 24.7 | 37.1 | 43.8 | 100.9 | 107.6 |
| Financial net | -3.9 | -0.2 | -6.5 | -1.2 | -4.8 | 0.5 |
| Profit after financial items | 7.2 | 24.5 | 30.6 | 42.6 | 96.1 | 108.1 |
| Tax on profit for the period | -2.2 | -7.4 | -9.2 | -12.8 | -28.9 | -32.5 |
| Net profit for the period | 5.0 | 17.1 | 21.4 | 29.8 | 67.2 | 75.6 |
| Net earnings per share before dilution, SEK | 0.40 | 1.37 | 1.69 | 2.40 | 5.31 | 6.03 |
| Net earnings per share after dilution, SEK | 0.39 | 1.33 | 1.67 | 2.32 | 5.23 | 5.88 |
| Average no of outstanding shares before dilution, thousands | 12 650 | 12 483 | 12 650 | 12 442 | 12 650 | 12 546 |
| Average no of outstanding shares after dilution, thousands | 12 850 | 12 850 | 12 850 | 12 850 | 12 850 | 12 850 |
| No of outstanding shares , thousands | 12 654 | 12 650 | 12 654 | 12 650 | 12 654 | 12 650 |

| BALANCE SHEETS | 30 Jun 2006 | 30 Jun 2005 | 31 Dec 2005 |
|---|------------------------|------------------------|------------------------|
| Intangible fixed assets | 328.1 | 78.8 | 346.8 |
| Tangible fixed assets | 262.7 | 228.8 | 267.4 |
| Financial assets | 6.9 | 7.2 | 11.1 |
| Inventories | 346.5 | 282.9 | 336.1 |
| Receivables from customers | 331.8 | 245.5 | 337.6 |
| Other short-term receivables | 65.2 | 41.6 | 40.2 |
| Cash in hand and at the bank | 83.8 | 108.5 | 124.5 |
| Assets for sale | - | 32.6 | 124.5 |
| Total assets | 1 425.0 | 1 025.9 | 1 463.7 |
| Equity | 503.0 | 498.9 | 545.2 |
| Long-term interest-bearing liabilities | 377.9 | 137.6 | 371.4 |
| Long-term interest-free liabilities | 128.1 | 59.0 | 132.7 |
| Short-term interest-bearing liabilities | 51.1 | 51.4 | 51.2 |
| Short-term interest-free liabilities | 364.9 | 268.5 | 363.2 |
| Liabilities direct connected to assets for sale | - | 10.5 | 363.2 |
| Total equity and liabilities | 1 425.0 | 1 025.9 | 1 463.7 |

| CASH FLOW ANALYSES | 2006 | 2005 | 2006 | 2005 | 2005 /06 | 2005 |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| | Apr-Jun 3 months | Apr-Jun 3 months | Jan-Jun 6 months | Jan-Jun 6 months | Jul-Jun 12 months | Jan-Dec 12 months |
| Operating profit | 11.1 | 24.7 | 37.1 | 43.8 | 100.9 | 107.6 |
| Adjustments for items not included in the cash flow | 11.9 | 16.0 | 23.6 | 28.8 | 43.8 | 49.0 |
| Financial items | -3.9 | -0.2 | -7.5 | -1.2 | -8.2 | -1.9 |
| Income tax paid | -24.1 | -2.4 | -37.1 | -12.0 | -52.9 | -27.8 |
| Cash flow generated by operations | -5.0 | 38.1 | 16.1 | 59.4 | 83.6 | 126.9 |
| Changes in working capital | 7.7 | -28.3 | 1.4 | -33.3 | -6.4 | -41.1 |
| Net cash flow generated by operations | 2.7 | 9.8 | 17.5 | 26.1 | 77.2 | 85.8 |
| Cash flow generated by investments | -13.2 | -48.7 | -19.1 | -145.5 | -257.5 | -383.9 |
| Cash flow from financing | -44.6 | 59.8 | -40.7 | 115.5 | 152.1 | 308.3 |
| Change in differences on translation of liquid assets | 0.5 | -2.6 | 1.6 | -3.5 | 3.5 | -1.6 |
| Changes cash in hand and at the bank | -54.6 | 18.3 | -40.7 | -7.4 | -24.7 | 8.6 |
| Balance as at beginning of the period | 138.4 | 90.2 | 124.5 | 115.9 | 108.5 | 115.9 |
| Balance as at the end of the period | 83.8 | 108.5 | 83.8 | 108.5 | 83.8 | 124.5 |

| KEY RATIOS | 2006 | 2005 | 2006 | 2005 | 2005 /06 | 2005 |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| | Apr-Jun 3 months | Apr-Jun 3 months | Jan-Jun 6 months | Jan-Jun 6 months | Jul-Jun 12 months | Jan-Dec 12 months |
| Net sales growth, % | 18.2 | 26.4 | 25.8 | 23.8 | 12.1 | 27.3 |
| Growth in operating profit, % | -55.1 | 187.2 | -15.3 | 172.0 | -6.2 | 96.7 |
| Growth in profit after financial items, % | -70.6 | 191.7 | -28.2 | 159.8 | -11.1 | 97.3 |
| Operating margin, % | 2.2 | 5.9 | 3.6 | 5.3 | 5.1 | 6.1 |
| Profit margin, % | 1.4 | 5.8 | 2.9 | 5.1 | 4.9 | 6.1 |
| Quick ratio, % | | | 20 | 33 | | 30 |
| Debt / equity ratio, times | | | 0.9 | 0.4 | | 0.8 |
| Equity / assets ratio, % | | | 35 | 49 | | 37 |
| Capital employed, MSEK | | | 932 | 688 | | 968 |
| Return on capital employed, % | | | 8.8 | 15.5 | | 16.0 |
| Return on equity, % | | | 8.2 | 12.3 | | 14.9 |
| Net indebtedness, MSEK | | | 345 | 81 | | 298 |
| Gross investments in fixed assets, MSEK | 18.9 | 9.0 | 40.5 | 21.1 | | 78.4 |
| Net investments in fixed assets, MSEK | 18.9 | 9.0 | 24.0 | 21.1 | | 78.1 |
| Depreciations of fixed assets, MSEK | 14.2 | 10.8 | 28.0 | 21.5 | | 43.0 |
| No of employees | | | 1 599 | 1 216 | | 1 288 |
| Equity per share, SEK | | | 39.75 | 39.44 | | 43.10 |
| No of shares issued, thousands | | | 12 654 | 12 650 | | 12 650 |

| EQUITY | 30 Jun 2006 | 30 Jun 2005 | 31 Dec 2005 |
|--|----------------|----------------|----------------|
| Balance as at 1 January | 545.2 | 471.1 | 471.1 |
| Effect of change of accounting principles | - | 0.1 | 0.1 |
| Adjusted balance as 1 January | 545.2 | 471.2 | 471.2 |
| Changes in currency translation reserves | -19.7 | 5.4 | 5.9 |
| Changes in Paid-Up capital | 0.4 | 29.7 | 29.7 |
| Dividend relating to 2005 | -44.3 | -37.2 | -37.2 |
| Net profit for the period | 21.4 | 29.8 | 75.6 |
| Balance as at the end of the period | 503.0 | 498.9 | 545.2 |