

INTERIM REPORT JANUARY - SEPTEMBER 2006

- Net sales – MSEK 1,566 (1,228)
- Income after financial items – MSEK 68.1 (80.6)
- Income after taxes – MSEK 47.7 (56.4)
- Earnings per share – SEK 3.77 (4.51)
- Order intake – MSEK 1,595 (1,262)

COMMENTS FROM GROUP CEO PER BORGVALL

- Good operating income during the third quarter, resulting in a certain extent of recovery
- Continued strong growth, 27%
- The negative trend within the Retail Lighting business area has been turned
- Retail lighting products are now being marketed under the name Fagerhult Retail, previously LampGustaf
- The business in China, where break-even was achieved in June, continues to develop positively
- Earnings forecast of approx MSEK 100 before tax and possible one-off costs

THE GROUP

JANUARY – SEPTEMBER

Net sales in the Group amounted to MSEK 1,566, which represents an increase of 27%. Net sales in Whitecroft Lighting, which was acquired in the fourth quarter of 2005, amounted to MSEK 327, an increase of 16% compared with the corresponding period in the previous year. The acquisition has had a positive effect of MSEK 19 on income after financial items. The Group's sales outside Sweden amounted to MSEK 956, constituting 61% (54) of net sales. Organic growth is largest in Sweden, Great Britain, Australia and France. Sales in other markets are on par with the previous year.

Income after financial items decreased by MSEK 12.5 to MSEK 68.1. The previous year's net income includes a capital gain related to the sale of the shares in Tryckta i Markaryd AB of MSEK 3.4. Continued restructuring of the Retail Lighting business area had a negative effect of MSEK 17 on operating income compared with the previous year. However, the negative trend has been broken and margins are gradually improving. Production in China has increased, showing positive monthly results for the last four months.

JULY – SEPTEMBER

The positive trend for sales development continued. Net sales increased by MSEK 124, or 31%, compared with the previous year. Operating income increased by 21% or MSEK 7, which means that accumulated operating income is now the same as in the previous year. The Board has decided to establish a sales company in Poland in 2007.

Both the brand for retail lighting and the company name LampGustaf have been changed to Fagerhult Retail. The LampGustaf brand is being retained within Home Lighting.

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 1,101, compared with MSEK 764 in the previous year. Operating income was MSEK 79.5 (64.1) and the operating margin was 7.2% (8.4). Whitecroft accounts for MSEK 288 of net sales. Disregarding acquired and sold companies, organic growth amounts to 9.1%. In addition, Whitecroft has shown organic growth of 15%.

Demand within the business area is good in most markets. The strongest markets are Sweden, Great Britain and the Netherlands. There are no signs of slowdown.

RETAIL LIGHTING

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

Net sales amounted to MSEK 222, compared with MSEK 250 in the previous year. The decrease is explained by, among other factors, the decrease of MSEK 40 in business with IKEA, and increased competition in Sweden after the acquisition of LampGustaf. However, sales outside Sweden continue to increase. Whitecroft's sales within the Retail Lighting business area amounted to MSEK 38. Operating income was significantly weaker than 2005, amounting to MSEK -4.3 (14.2), a decrease of MSEK 18.5. After the first half-year, the decrease was MSEK 19. The negative trend was therefore broken during the third quarter, and a profit of just over MSEK 5 has been reported for the period, slightly better than in the previous year.

The Fagerhult Group's centre for retail lighting is located in Bollebygd, and was previously marketed under the LampGustaf brand. To invest in international development with the improved possibilities available within the Fagerhult Group, LampGustaf has changed name to Fagerhult Retail. Changes consisting of the development of a completely new product range, production in China, the development of a strong new organisation and also the internationalisation of the business have resulted in high costs 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 87, compared with MSEK 72 in the previous year. Operating income amounted to MSEK 2.5 (3.0) and the operating margin was 3.0% (4.2).

Products produced by the subsidiary Elenco in Borås will, from the autumn onwards, be marketed by Fagerhult.

HOME LIGHTING

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

Net sales amounted to MSEK 155, an increase of MSEK 12 compared with the previous year. Operating income was MSEK 1.4, an improvement of MSEK 0.9, and the operating margin was 0.9% (0.3).

NET SALES AND OPERATING PROFIT PER BUSINESS AREA

	Professional Lighting		Retail Lighting		Exterior Lighting		Home Lighting		Non allocated items		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
External sales	1 101.3	763.7	221.9	249.5	87.4	72.0	155.1	143.1			1 565.7	1 228.3
Operating profit	79.5	64.1	-4.3	14.2	2.6	3.0	1.4	0.5	-	-3.2	79.2	78.6
Operating margin	7.2%	8.4%		5.7%	3.0%	4.2%	0.9%	0.3%			5.1%	6.4%

FINANCIAL POSITION

As a result of the acquisition of Whitecroft, the Group's equity/assets ratio decreased to 37% (51) and the debt/equity ratio increased to 0.8% (0.4). Cash and bank balances at the end of the period amounted to MSEK 76 (130) and net liabilities to MSEK 356 (60). The Group's equity amounted to MSEK 503 (499).

Cash flow from continuing operations was MSEK 27.8 (34.5). Working capital increased by MSEK 46 (28) during the third quarter. The amount is primarily attributable to increased accounts receivable due to increased sales.

Pledged assets and contingent liabilities amounted to MSEK 85.2 (79.9) and MSEK 19.1 (1.7), 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 58.8 (41.0). A property in Denmark was sold for book value, MSEK 16.5. Net investment for the period was MSEK 41.8.

PERSONNEL

The average number of employees during the period was 1,629 (1,216), of which 301 were employed in Whitecroft. There were 127 employees in China at the end of the period.

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 13.4. Income after financial items amounted to MSEK -14.5 (-4.9).

Cash and bank balances at the end of the period amounted to MSEK -19. There were 10 (4) employees during the period.

NOMINATING COMMITTEE

At the AGM Mr. Gustaf Douglas (chairman), Mr. Anders Frick and Björn Karlsson were elected Nominating committee. The committee has now been extended with Mr. Göran Espelund, Lannebo Fonder.

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

The acquisition of Whitecroft Lighting in England has resulted in a strong increase in sales compared to previous year and a positive contribution to earnings during 2006. Production in China, which has now attained profitability, has strengthened the Group's competitiveness, as well as its profitability. The economic climate in the construction industry continues to be favourable in most markets.

Measures taken in the Retail Lighting business area have begun to yield positive results, and, as has been mentioned, the gradual positive development of results is expected also during the fourth quarter. The combined result is that the sales will amount to approximately MSEK 2,100, and income after net financial items, before any one-off costs, will be approximately MSEK 100. This has not been previously communicated.

Habo, 24 October 2006

Per Borgvall
Group CEO

The interim report has not been the subject of examination by the company's auditor.

The year-end report for 2006 will be released 8 February 2007.

The Annual General meeting will be held 23 April 2007.

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

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PROFIT AND LOSS ACCOUNTS	2006 Jul-Sep 3 months	2005 Jul-Sep 3 months	2006 Jan-Sep 9 months	2005 Jan-Sep 9 months	2005 /06 Oct-Sep 12 months	2005 Jan-Dec 12 months
Net sales	524.7	400.7	1 565.7	1 228.3	2 096.6	1 759.2
(Of which outside Sweden)	(331.3)	(216.6)	(956.5)	(662.9)	(1 262.8)	(969.2)
Cost of goods sold	-357.0	-267.7	-1 093.8	-842.1	-1 437.2	-1 185.5
Gross profit	167.7	133.0	471.9	386.2	659.4	573.7
Selling expenses	-90.2	-76.5	-280.1	-235.3	-391.9	-347.1
Administrative expenses	-37.8	-23.6	-120.2	-77.9	-167.0	-124.7
Other operating income	2.4	1.9	7.6	5.6	7.7	5.7
Operating profit	42.1	34.8	79.2	78.6	108.2	107.6
Financial net	-4.6	3.2	-11.1	2.0	-12.6	0.5
Profit after financial items	37.5	38.0	68.1	80.6	95.6	108.1
Tax on profit for the period	-11.2	-11.4	-20.4	-24.2	-28.7	-32.5
Net profit for the period	26.3	26.6	47.7	56.4	66.9	75.6
Net earnings per share before dilution, SEK	2.08	2.10	3.77	4.51	5.29	6.03
Net earnings per share after dilution, SEK	2.05	2.07	3.71	4.39	5.21	5.88
Average no of outstanding shares before dilution, thousands	12 654	12 650	12 652	12 511	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 Sep 2006	30 Sep 2005	31 Dec 2005
Intangible fixed assets	333.9	78.7	346.8
Tangible fixed assets	269.8	235.8	267.4
Financial assets	6.4	7.2	11.1
Inventories	349.7	278.4	336.1
Receivables from customers	380.6	271.7	337.6
Other short-term receivables	49.0	30.5	40.2
Cash in hand and at the bank	76.1	130.4	124.5
Total assets	1 465.5	1 032.7	1 463.7
Equity	536.6	525.9	545.2
Long-term interest-bearing liabilities	380.7	190.3	371.4
Long-term interest-free liabilities	128.3	59.0	132.7
Short-term interest-bearing liabilities	51.1	-	51.2
Short-term interest-free liabilities	368.8	257.5	363.2
Total equity and liabilities	1 465.5	1 032.7	1 463.7

CASH FLOW ANALYSES	2006	2005	2006	2005	2005 /06	2005
	Jul-Sep 3 months	Jul-Sep 3 months	Jan-Sep 9 months	Jan-Sep 9 months	Oct-Sep 12 months	Jan-Dec 12 months
Operating profit	42.1	34.8	79.2	78.6	108.2	107.6
Adjustments for items not included in the cash flow	17.2	9.1	40.8	37.9	51.9	49.0
Financial items	-4.6	2.9	-12.1	1.7	-15.7	-1.9
Income tax paid	1.6	-10.1	-35.5	-22.1	-41.2	-27.8
Cash flow generated by operations	56.3	36.7	72.4	96.1	103.2	126.9
Changes in working capital	-46.0	-28.3	-44.6	-61.6	-24.1	-41.1
Net cash flow generated by operations	10.3	8.4	27.8	34.5	79.1	85.8
Cash flow generated by investments	-20.0	15.0	-39.1	-130.5	-292.5	-383.9
Cash flow from financing	2.8	-2.1	-37.9	113.4	157.0	308.3
Change in differences on translation of liquid assets	-0.8	0.6	0.8	-2.9	2.1	-1.6
Changes cash in hand and at the bank	-7.7	21.9	-48.4	14.5	-54.3	8.6
Balance as at beginning of the period	83.8	108.5	124.5	115.9	130.4	115.9
Balance as at the end of the period	76.1	130.4	76.1	130.4	76.1	124.5

KEY RATIOS	2006	2005	2006	2005	2005 /06	2005
	Jul-Sep 3 months	Jul-Sep 3 months	Jan-Sep 9 months	Jan-Sep 9 months	Oct-Sep 12 months	Jan-Dec 12 months
Net sales growth, %	30.9	23.9	27.5	23.8	19.2	27.3
Growth in operating profit, %	21.0	17.2	0.8	71.6	0.6	96.7
Growth in profit after financial items, %	-1.3	28.8	-15.5	75.6	-11.6	97.3
Operating margin, %	8.0	8.7	5.1	6.4	5.2	6.1
Profit margin, %	7.1	9.5	4.3	6.6	4.6	6.1
Quick ratio, %			18	51		30
Debt / equity ratio, times			0.8	0.4		0.8
Equity / assets ratio, %			37	51		37
Capital employed, MSEK			968	716		968
Return on capital employed, %			11.7	18.7		16.0
Return on equity, %			11.8	15.1		14.9
Net indebtedness, MSEK			356	60		298
Gross investments in fixed assets, MSEK	18.3	19.9	58.8	41.0		78.4
Net investments in fixed assets, MSEK	17.8	19.9	41.8	41.0		78.1
Depreciations of fixed assets, MSEK	14.6	10.5	42.6	32.0		43.0
No of employees			1 629	1 237		1 288
Equity per share, SEK			42.41	41.57		43.10
No of shares issued, thousands			12 654	12 650		12 650

EQUITY	30 Sep 2006	30 Sep 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	-12.4	5.8	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	47.7	56.4	75.6
Balance as at the end of the period	536.6	525.9	545.2