

YEAR-END REPORT 2006

- Positive earnings trend during the second half of the year
- Net sales - MSEK 2,162 (1,759)
- Income after financial items, before close-down costs - MSEK 105.2 (108.1)
- Close-down costs charged - MSEK 22.5
- Income after taxes - MSEK 58.2 (75.6)
- Earnings per share SEK 4.60 (6.03)
- Order intake MSEK 2,221 (1,784)
- Dividends proposed at SEK 3.75 (3.50) per share

COMMENTS FROM GROUP CEO PER BORGVALL

- Sales growth continues to be strong, 23%
- International presence strengthened via continued expansion in China and a new sales company
- Acquisition of French sales company within retail lighting
- Decision to close down factory in Örnköldsvik during 2007

THE GROUP

JANUARY – DECEMBER

Demand during the year has been positive in the majority of the markets in which the Group is active. Organic growth has been greatest in Sweden, Great Britain, the Netherlands, Australia and France, while other markets are reporting net sales in line with previous years. The Group's net sales amounted to MSEK 2,162, which is an increase of 23% compared with 2005. Sales in Whitcroft Lighting, which was acquired during the fourth quarter of 2005, amounted to MSEK 435, an increase of 10% compared with the previous year. The acquisition has had an impact of approximately MSEK 25 on income after financial items. The Group's sales outside of Sweden amounted to MSEK 1,311, representing 61% (55) of net sales.

Income after financial items, before close-down costs for the factory in Örnköldsvik, decreased by MSEK 2.9 to MSEK 105.2. The previous year's income includes a capital gain of MSEK 3.4 referring to the sale of shares in Tryckta i Markaryd AB. Income has been charged with one-off costs attributable to the closure amounting to MSEK 22.5, primarily referring to personnel costs and removal costs. Production in Örnköldsvik will be relocated to China and to other production units in Sweden. Ongoing changes within the Retail Lighting business area had a negative impact on operating income of nearly MSEK 14, compared with the previous year. However, the negative trend has been broken: the second half of the year is showing positive results, and margins are now gradually improving. Operations in China are increasing in scope, and showed positive monthly results during the entire second half-year.

OCTOBER – DECEMBER

The positive sales and income development trends have strengthened. Sales increased by MSEK 65, or 12%, compared with the previous year. Operating income before close-down costs improved by 32%, or

MSEK 9, which results in accumulated operating income now exceeding the previous year's figure by MSEK 10.

In December 2006, the Board of Directors resolved to close down the factory in Örnköldsvik during 2007, which will have a positive impact on income during the second half of 2007.

During the period, the French company Eclairage Conseil Lyonnais (ECL) was acquired in France. ECL's core business area is retail lighting. On the basis of this acquisition, a platform has been created in one of Europe's most important markets, France. After the acquisition, Fagerhult Group's net sales in France will amount to approximately MSEK 75.

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 1,489, compared with MSEK 1,118 in the previous year. Operating income was MSEK 105.5 (92.9) and the operating margin was 7.1% (8.3). Whitecroft accounted for MSEK 307 of net sales.

The business climate within this business area is good in the majority of markets. The strongest markets are Sweden, Great Britain and the Netherlands.

RETAIL LIGHTING

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

After a strong fourth quarter compared with 2005, net sales amounted to MSEK 313, compared with the previous year's MSEK 306. Sales outside of Sweden continue to increase. Whitecroft's sales within the Retail Lighting business area were MSEK 50 and the acquired company ECL's net sales are included in the amount of MSEK 17. Operating income was significantly weaker compared with 2005, amounting to MSEK -2.9 (10.9), a decline of MSEK 13.8. After the first six-month period, the decline was MSEK 19. Consequently, the negative trend was broken during the second half-year, and profit of MSEK 6.7 was reported for the period, an improvement of MSEK 5 over the previous year.

The Fagerhult Group's centre for retail lighting is located in Bollebygd and was previously marketed under the LampGustaf brand. In order to invest in international development with improved possibilities within the Fagerhult Group, LampGustaf has changed its name to Fagerhult Retail. New business developments, such as a completely new product range, production in China, changes to strengthen the organisation, and the internationalisation of the operations, have resulted in increased 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 127, compared with MSEK 107 in the previous year. Operating income doubled to MSEK 6.6 (3.3) and the operating margin was 5.2% (3.1).

HOME LIGHTING

This business area comprises lighting for hotels, conference centres, public premises and the home. Net sales amounted to MSEK 233, compared with MSEK 229 in the previous year. Operating income was MSEK 8.2, an improvement of MSEK 0.8, and the operating margin was 3.5% (3.3).

NON-ALLOCATED ITEMS

Refers to costs attributable to closure of the factory in Örnköldsvik.

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	1,489	1,118	313	306	127	107	233	229			2,162	1,759
Operating profit	105,5	92,9	-2,9	10,9	6,6	3,3	8,2	7,6	-22,5	-7,1	94,9	107,6
Operating margin	7,1%	8,3%		3,6%	5,2%	3,1%	3,5%	3,3%			4,4%	6,1%

ACQUISITIONS AND SALES

Per 1 October, 100% of the shares in the French company Eclairage Conseil Lyonnais (ECL) in France was acquired. ECL is a specialist company with its core business area within retail lighting and with a strong position for continued growth in France within this segment. The acquisition also included the subsidiary Reflexion, which works with planning for lighting projects. ECL has its offices and distribution warehouse in Saint Genis Laval, outside of Lyon, and has 25 employees. The purchase amount, at a maximum of MEUR 5, is comprised of MEUR 3 in cash and an additional purchase amount of up to MEUR 2, depending on the development of earnings up to the end of March 2007.

The purchase amount consists of the following components:

Cash paid	MSEK 27,3
Maximum additional purchase amount	MSEK 18,1
Direct expenses in conjunction with the acquisition	<u>MSEK 2,3</u>
Total purchase amount	MSEK 47,7
Fair value of acquired net assets	MSEK 8,1
Goodwill	MSEK 39,6

ECL's long-term customer relations have been valued at MSEK 2,4, including deferred tax. The remaining amount has been attributed to goodwill arising from the acquired operation's profitability and due to expected synergy effects.

ASSETS AND LIABILITIES INCLUDED IN THE ACQUISITION

	Fair value	Book value
Cash and cash equivalents	1.4	1.4
Tangible fixed assets	0.7	0.7
Intangible fixed assets	2.4	0.0
Inventories	7.7	8.9
Receivables	22.8	22.8
Liabilities	-26.2	-26.2
Deferred income tax liabilities	-0.7	0.0
Net assets	8,1	7,6
Acquired net assets	8.1	7.6
Purchase amount settled in cash		29.6
Cash and cash equivalents in acquired subsidiary		-1.4
Change in the Group's cash and cash equivalents in conjunction with the acquisition		-28.2

FINANCIAL POSITION

The Group's equity/assets ratio was 35% (37). The debt/equity ratio was unchanged at 0.8. Cash and bank balances at the end of the period amounted to MSEK 92 (124) and net liabilities to MSEK 350 (298). The Group's equity amounted to MSEK 535 (545).

Cash flow from operating activities was MSEK 90.0 (85.8).

Assets and liabilities in the acquired companies have changed, to a certain extent, the company's financial position. Consequently, the interest-bearing liabilities have increased by MSEK 19.9.

Pledged assets and contingent liabilities amount to MSEK 85.2 (84.2) and MSEK 4.2 (17.0), respectively.

INVESTMENTS

The Group's gross investments in tangible fixed assets amounted to MSEK 46.3 (78.1). The value of construction in progress, MSEK 37.8, can be added to this amount. A property in Denmark was sold for book value, MSEK 16.1. Net investments for the period were MSEK 43.0.

PERSONNEL

The average number of employees during the period was 1,640 (1,288), of whom 301 were employed in Whitecroft. There were 139 employees in China at the end of the period, an increase during the year of 90.

THE PARENT COMPANY

Operations in AB Fagerhult comprise management of the Group, financing, and the coordination of marketing, production and business development. The company's other income amounted to MSEK 18.2. Income after financial items amounted to MSEK 81.1 (53.2).

Cash and bank balances at the end of the period amounted to MSEK -7.6. There were 9 (8) employees during the period.

DIVIDENDS

The Board of Directors proposes a dividend of SEK3.75 (3.50) per share.

REPURCHASE OF SHARES

AB Fagerhult's Board of Directors resolved today to propose that the Annual General Meeting of shareholders, on 23 April 2007, authorise the Board to resolve upon the acquisition of own shares until the next Annual General Meeting.

NOMINATING COMMITTEE

At the Annual General Meeting, Gustaf Douglas (Chairman), Anders Frick and Björn Karlsson were appointed to the Nominating Committee. This committee has now been expanded to include Göran Espelund of Lannebo Fonder.

ACCOUNTING PRINCIPLES

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

The Parent Company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and with the Swedish Financial Accounting Standards Council's recommendation RR32. The accounting principles 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 2007

The acquisition of Whitecroft at the end of 2005 has resulted, during 2006, in continued internationalisation and a strong increase in net sales for the Group. The acquisition of ECL in France, combined with continued internationalisation efforts, such as the newly started sales company in Poland, will further strengthen the Group in the international market.

The business climate indicates continued positive development, with good growth within the construction and the public facilities sectors. Fagerhult's business operations peak late in the business cycle, and, therefore, the company's market conditions remain good, even when the overall economic climate begins to weaken. Significant investments are being made globally in shopping centres, retail premises and the increased promotion of brands, all of which contribute to a strong market for retail lighting systems. Furthermore, the EU energy directive, which regulates energy consumption in housing and public environments, points toward several years of good development for the industry.

Habo, 8 February 2007

Per Borgvall
Group CEO

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

The Annual General Meeting will be held on Monday, 23 April 2007, at Fagerhult in Habo. The Annual Report will be released during the week of 12 March. Interim reports will be presented on 23 April 2007, 10 August 2007 and 23 October 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	2005	2006	2005
	Oct-Dec 3 months	Oct-Dec 3 months	Jan-Dec 12 months	Jan-Dec 12 months
Net sales	596.4	530.9	2,162.1	1,759.2
(Of which outside Sweden)	(354.6)	(306.3)	(1,311.1)	(969.2)
Cost of goods sold	-431.8	-343.4	-1,525.6	-1,187.8
Gross profit	164.6	187.5	636.5	571.4
Selling expenses	-114.4	-111.8	-394.5	-347.1
Administrative expenses	-38.7	-46.8	-158.9	-124.7
Other operating income	4.2	0.1	11.8	8.0
Operating profit	15.7	29.0	94.9	107.6
Financial net	-1.1	-1.5	-12.2	0.5
Profit after financial items	14.6	27.5	82.7	108.1
Tax on profit for the period	-4.1	-8.3	-24.5	-32.5
Net profit for the period	10.5	19.2	58.2	75.6
Net earnings per share before dilution, SEK	0.83	1.52	4.60	6.03
Net earnings per share after dilution, SEK	0.82	1.49	4.53	5.88
Average no of outstanding shares before dilution, thousands	12,654	12,650	12,653	12,546
Average no of outstanding shares after dilution, thousands	12,850	12,850	12,850	12,850
No of outstanding shares , thousands	12,654	12,650	12,654	12,650

BALANCE SHEETS	31 Dec 2006	31 Dec 2005
	Intangible fixed assets	380.6
Tangible fixed assets	279.6	267.4
Financial assets	7.5	11.1
Inventories	348.9	336.1
Receivables from customers	356.5	337.6
Other short-term receivables	51.6	40.2
Cash in hand and at the bank	92.3	124.5
Total assets	1,517.0	1,463.7
Equity	534.9	545.2
Long-term interest-bearing liabilities	407.3	371.4
Long-term interest-free liabilities	64.7	132.7
Short-term interest-bearing liabilities	35.2	51.2
Short-term interest-free liabilities	475.2	363.2
Total equity and liabilities	1,517.0	1,463.7

CASH FLOW ANALYSES	2006	2005	2006	2005
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	3 months	3 months	12 months	12 months
Operating profit	15.7	29.0	94.9	107.6
Adjustments for items not included in the cash flow	2.2	11.1	43.0	49.0
Financial items	0.9	-3.6	-11.2	-1.9
Income tax paid	-15.0	-5.7	-50.5	-27.8
Cash flow generated by operations	3.8	30.8	76.2	126.9
Changes in working capital	58.4	20.5	13.8	-41.1
Net cash flow generated by operations	62.2	51.3	90.0	85.8
Cash flow generated by investments	-57.9	-253.4	-97.0	-383.9
Cash flow from financing	10.5	194.9	-27.4	308.3
Change in differences on translation of liquid assets	1.4	1.3	2.2	-1.6
Changes cash in hand and at the bank	16.2	-5.9	-32.2	8.6
Balance as at beginning of the period	76.1	130.4	124.5	115.9
Balance as at the end of the period	92.3	124.5	92.3	124.5

KEY RATIOS	2006	2005	2006	2005
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	3 months	3 months	12 months	12 months
Net sales growth, %	12.3	36.1	22.9	27.3
Growth in operating profit, %	-45.9	225.8	-11.8	96.7
Growth in profit after financial items, %	-46.9	209.0	-23.5	97.3
Operating margin, %	2.6	5.5	4.4	6.1
Profit margin, %	2.4	5.2	3.8	6.1
Quick ratio, %			18	30
Debt / equity ratio, times			0.8	0.8
Equity / assets ratio, %			35	37
Capital employed, MSEK			977	968
Return on capital employed, %			10.6	16.0
Return on equity, %			10.8	14.9
Net indebtedness, MSEK			350	298
Gross investments in fixed assets, MSEK	1.8	37.4	60.1	78.4
Net investments in fixed assets, MSEK	1.7	37.1	43.0	78.1
Depreciations of fixed assets, MSEK	13.2	11.0	55.8	43.0
No of employees			1,640	1,288
Equity per share, SEK			42.25	43.10
No of shares issued, thousands			12,654	12,650

EQUITY	31 Dec 2006	31 Dec 2005
Balance as at 1 January	545.2	471.1
Effect of change of accounting principles	-	0.1
Adjusted balance as 1 January	545.2	471.2
Changes in currency translation reserves	-24.9	5.9
Changes in Paid-Up capital	0.4	29.7
Dividend relating to 2005	-44.3	-37.2
Net profit for the period	58.2	75.6
Balance as at the end of the period	534.6	545.2