

## INTERIM REPORT JANUARY - MARCH 2007

- Net sales MSEK 610 (542)
- Income after financial items MSEK 38.3 (23.4)
- Income after taxes - MSEK 27.0 (16.4)
- Earnings per share SEK 2.13 (1.30)
- Order intake MSEK 658 (534)

### COMMENTS FROM GROUP CEO PER BORGVALL

- Continued strong growth
- Results after net financial income improved by 64%
- Good recovery and a strong quarter for the Retail Lighting business area.
- Receiving the Red Dot Design Award “best of the best” strengthens the brand.
- Letter of intent signed for an acquisition in Australia after the end of the period.

### GROUP

Fagerhult displayed strong growth during the first quarter of the year. Construction investments show continued growth in the markets in which the Group is active, contributing to the strong development. The European market for Professional Lighting is expected to grow by more than 4% annually over the next few years.

Net sales in the Group amounted to MSEK 610, an increase of 12%, of which just over 10% is organic growth. Organic growth has been greatest in Sweden, Norway and the UK. During the fourth quarter of 2006, the French company ECL was acquired, which, with the main part of its sales within Retail Lighting, has had a strong quarter with net sales of MSEK 24. Sales outside Sweden amounted to MSEK 379, constituting 62% of the Group's net sales. Order intake during the period amounted to MSEK 658, which is MSEK 48 higher than net sales.

Income after financial items has increased by 64% to MSEK 38.3 (23.4). The operating margin has improved and amounts to 7.0 (4.8) %. The Retail Lighting business area is showing a strong improvement compared with the previous year. The expanding operations in China are lowering the Group's costs. By the end of 2006, a decision was made regarding a close-down of the factory in Örnköldsvik. Production is gradually being moved to other production units and will be totally completed by the end of the summer.

To strengthen Fagerhult's presence in Eastern Europe, a sales company has been formed in Poland. As Fagerhult's focus on sales is primarily directed towards prescribers, it will take a certain amount of time before this effort can contribute a positive result.

For the second year in a row, Fagerhult has been awarded the Red Dot Design Award for innovative and distinguishing product design. The Open Box light fitting received the award "Red Dot: best of the best" in the lighting category, the design competition's most prestigious award. This distinction further strengthens the Fagerhult brand in the international arena.

## **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 414, compared with MSEK 387 in the previous year. Operating income was MSEK 32.5 (28.9) and the operating margin was 7.9 (7.5) %.

The state of the market continues to be strong. The primary markets in the Nordic countries and UK are developing well. Whitecroft, which is active in the UK market, has received the highest volume of orders in the company's history. In Norway, a number of larger projects have been secured.

### **RETAIL LIGHTING**

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

Net sales amounted to MSEK 104, compared with MSEK 71 in the previous year. Operating income was MSEK 9.3 (-2.2) and the operating margin was 9.0%.

The measures carried out during 2006 in the form of new product offers, new organisation and the internationalisation of operations have resulted in the business area showing a strong development in sales and earnings. The acquired French company ECL is contributing positively.

### **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 31, compared with MSEK 25 in the previous year. Operating income was MSEK -2.0 (-2.2)

During the period from January to March, demand for products for outdoor use was weak for natural reasons.

### **HOME LIGHTING**

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

Net sales amounted to MSEK 61, compared with MSEK 59 in the previous year. Operating income was MSEK 3.1 (1.5) and the operating margin was 5.1 (2.5) %.

The sales drive on interior decorating products to hotels and conference facilities is developing positively.

**NET SALES AND OPERATING PROFIT PER BUSINESS AREA**

	Professional Lighting		Retail Lighting		Exterior Lighting		Home Lighting		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External sales	413.9	387.6	103.6	71.2	31.0	24.5	61.2	58.9	609.7	542.2
Operating profit/loss	32.5	28.9	9.3	-2.2	-2.0	-2.2	3.1	1.5	42.9	26.0
Operating margin	7.9 %	7.5 %	9.0 %	-	-	-	5.1 %	2.5 %	7.0 %	4.8 %

**FINANCIAL POSITION**

The Group has a strong financial position. The Group's equity/assets ratio amounts to 36 (37) % and the debt/equity ratio to 0.8 (0.8). Cash and bank balances at the end of the period amounted MSEK 92 (138) and Group equity to MSEK 571 (548).

Cash flow from operating activities was MSEK 8.8 (14.8).

Pledged assets and contingent liabilities amounted to MSEK 85.2 (84.2) and MSEK 5.2 (19.1), respectively.

**INVESTMENTS**

The Group's gross investments in fixed assets amounted to 49.9 (21.6), of which reclassifications MSEK 37.5, reported as investments in progress at year-end.

**PERSONNEL**

The average number of employees during the period was 1,705 (1,590).

**PARENT COMPANY**

Operations in AB Fagerhult comprise Group management and financing, as well as the coordination of marketing, production and business development. The company does not report any net sales during the period. Income after financial items amounted to MSEK -5.6 (-5.5).

Cash and bank balances at the end of the period amounted to MSEK -21.7. The number of employees during the period was 9 (10)

**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.

**EVENTS AFTER THE END OF THE PERIOD**

Fagerhult has signed a letter of intent to acquire Eagle Lighting Australia Pty. Ltd with its registered offices in Melbourne, Australia on 23 April 2007. Sales amount to approximately MSEK 100 with good profitability. In addition to its own production, the company has several European agencies with Fagerhult leading. The acquisition creates a strong platform and makes it possible to further increase the business in a region with good growth.

**PROSPECTS FOR 2007**

The growth in Europe within the building and construction sector continues to be good. The Group's operations take place late in the financial cycle and therefore the market continues to be good even though the general business cycle has started to weaken. Significant investments are being made globally in shopping centres, retail premises and the increased promotion of brands, all of which are contributing to a strong market for retail lighting systems. Ongoing rationalisations are having a positive effect. Together, this will lead to both net sales and income continuing to increase, compared with the previous year.

Habo, 23 April 2007

Per Borgvall  
Group CEO

Interim reports will be presented on 10 August 2007 and 23 October 2007.

Disclosures can be submitted by Per Borgvall, Group CEO or Ulf Karlsson, Group CFO, tel 036-10 85 00.

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INCOME STATEMENT	2007	2006	2006/07	2006
	Jan-Mar 3 months	Jan-Mar 3 months	Apr-Mar 12 months	Jan-Dec 12 months
Net sales	609.7	542.2	2 229.6	2 162.1
(of which outside Sweden)	(379.0)	(323.3)	(1 366.8)	(1 311.1)
Cost of goods sold	-418.1	-378.5	-1 565.2	-1 525.6
<b>Gross profit</b>	<b>191.6</b>	<b>163.7</b>	<b>664.4</b>	<b>636.5</b>
Selling expenses	-109.5	-98.5	-405.5	-394.5
Administrative expenses	-41.9	-42.1	-158.7	-158.9
Other operating income	2.7	2.9	11.6	11.8
<b>Operating profit/loss</b>	<b>42.9</b>	<b>26.0</b>	<b>111.8</b>	<b>94.9</b>
Financial items	-4.6	-2.6	-14.2	-12.2
<b>Profit after financial items</b>	<b>38.3</b>	<b>23.4</b>	<b>97.6</b>	<b>82.7</b>
Tax	-11.3	-7.0	-28.8	-24.5
<b>Income</b>	<b>27.0</b>	<b>16.4</b>	<b>68.8</b>	<b>58.2</b>
Earnings per share before dilution, SEK	2.13	1.30	5.44	4.60
Earnings per share after dilution, SEK	2.10	1.28	5.35	4.53
Average no. of outstanding shares before dilution	12 654	12 650	12 654	12 653
Average no. of outstanding shares after dilution	12 850	12 850	12 850	12 850
No. of outstanding shares, thousands	12 654	12 650	12 654	12 654

BALANCE SHEET	31 Mar 2007	31 Mar 2006	31 Dec 2006
	Intangible fixed assets	384.3	332.5
Tangible fixed assets	274.3	260.7	279.6
Financial fixed assets	8.1	9.6	7.5
Inventories, etc.	348.4	332.6	348.9
Accounts receivable - trade	399.1	347.3	356.5
Other non interest-bearing current assets	61.2	42.8	51.6
Cash and bank balances	92.0	138.4	92.3
<b>Total assets</b>	<b>1 567.4</b>	<b>1 463.9</b>	<b>1 517.0</b>
Equity	570.9	547.6	534.9
Long-term interest-bearing liabilities	411.0	375.4	407.3
Long-term non interest-bearing liabilities	64.9	131.5	64.7
Short-term interest-bearing liabilities	33.5	51.1	35.2
Short-term non interest-bearing liabilities	487.1	358.3	475.2
<b>Total equity and liabilities</b>	<b>1 567.4</b>	<b>1 463.9</b>	<b>1 517.0</b>

CASH FLOW STATEMENT	2007	2006	2006/07	2006
	Jan-Mar 3 months	Jan-Mar 3 months	Apr-Mar 12 months	Jan-Dec 12 months
<b>Operating profit/loss</b>	<b>42.9</b>	<b>26.0</b>	<b>111.8</b>	<b>94.9</b>
Adjustment for items not included in the cash flow	21.3	11.7	52.1	42.5
Financial items	-4.7	-3.6	-12.3	-11.2
Paid tax	-14.8	-13.0	-52.3	-50.5
<b>Cash flow generated by operations</b>	<b>44.7</b>	<b>21.1</b>	<b>99.3</b>	<b>75.7</b>
Changes in working capital	-35.9	-6.3	-15.8	13.8
<b>Cash flow from continuing operations</b>	<b>8.8</b>	<b>14.8</b>	<b>83.5</b>	<b>89.5</b>
Cash flow from investing activities	-7.8	-5.9	-98.4	-96.5
Cash flow from financing activities	0.2	3.9	-31.1	-27.4
Translation differences in liquid funds	-1.5	1.1	-0.4	2.2
<b>Cash flow for the period</b>	<b>-0.3</b>	<b>13.9</b>	<b>-46.4</b>	<b>-32.2</b>
Cash and bank balances at the beginning of the period	92.3	124.5	138.4	124.5
<b>Cash and bank balances at the end of the period</b>	<b>92.0</b>	<b>138.4</b>	<b>92.0</b>	<b>92.3</b>

KEY RATIOS AND DATA PER SHARE	2007	2006	2006/07	2006
	Jan-Mar 3 months	Jan-Mar 3 months	Apr-Mar 12 months	Jan-Dec 12 months
Sales growth, %	12.4	33.7	3.1	22.9
Growth in operating income, %	65.0	36.1	17.8	-11.8
Growth in profit after taxes net financial income, %	63.7	29.3	18.0	-23.5
Operating margin, %	7.0	4.8	5.0	4.4
Profit margin, %	6.3	4.3	4.4	3.8
Liquid ratio, %	18	34		18
Debt/equity ratio	0.8	0.8		0.8
Equity/assets ratio, %	36	37		35
Capital employed, MSEK	1015	974		977
Return on capital employed, %	18.1	11.8		10.6
Return on equity, %	19.5	12.0		10.8
Net liability, MSEK	353	288		350
Gross investments in fixed assets, MSEK	49.9	21.6		60.1
Net investments in fixed assets, MSEK	49.9	5.1		43.0
Depreciation of fixed assets, MSEK	15.1	13.8		55.8
Number of employees	1 705	1 590		1 640
Equity per share, SEK	45.12	43.29		42.25
No. of outstanding shares, thousands	12 654	12 650		12 654

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<b>EQUITY</b>	<b>31 Mar 2007</b>	<b>31 Mar 2006</b>	<b>31 Dec 2006</b>
<b>Equity at the beginning of the period</b>	<b>534.6</b>	<b>545.2</b>	<b>545.2</b>
Change of translation reserve	9.3	-14.0	-24.9
Change of contributed capital	-	-	0.4
Dividend to shareholders	-	-	-44.3
Profit for the period	27.0	16.4	58.2
<b>Equity at the end of the period</b>	<b>570.9</b>	<b>547.6</b>	<b>534.6</b>