

## INTERIM REPORT JANUARY - JUNE 2007

- Net sales MSEK 1,218 (1,041)
- Income after financial items MSEK 71.3 (30.6)
- Income after taxes – MSEK 50.3 (21.4)
- Earnings per share SEK 3.98 (1.69)
- Order intake MSEK 1,357 (1,100)

### COMMENTS FROM GROUP CEO PER BORGVALL

- Continued strong growth
- Income after financial items significantly improved, + 133%
- The Retail Lighting and Professional Lighting business areas are developing well
- Three acquisitions during the period, in Australia, Belgium and Ireland
- LampGustaf Inredning AB was sold, after the end of the period

### THE GROUP

The market continues to be strong, creating good conditions for the Group. Order intake and sales have both increased significantly compared to the corresponding period in 2006.

The Group's net sales amounted to MSEK 1,218, an increase of 17%, of which more than 12% is attributable to organic growth. Sweden, Norway and England account for the largest portion of this growth, but the majority of the markets show positive development. Group sales outside Sweden total MSEK 779, accounting for 63% (60) of net sales.

Income after financial items has increased by 133% to MSEK 71.3 (30.6). This improvement is a result of increased volumes and improved gross margins attributable to, among other things, an increase in operations in China.

The Retail Lighting Business area shows a significant improvement in results, and the positive development in the Professional Lighting Business area also continues. The Outdoor Lighting Business area has a positive increase in volume. However, further efforts to strengthen this business area imply an increase in expenses. For the Decorative Lighting business area, the sale of LampGustaf Inredning results in a decrease in volumes, but margins and results are improved.

### APRIL – JUNE

The positive trend from the first quarter continues and the period shows a growth in sales of 22% compared to the previous year and an increase in income after financial items of 358%. The close-down of the factory in Örnsköldsvik is now complete and production has been relocated to other units within the Group, which will have a positive impact on results during the second half of the year.

A sales office has been established in Dubai, in a very expansive region. This effort, combined with the recently opened office in Poland, will negatively impact results during the next few years, but are important to the Group's long-term development.

## **BUSINESS AREAS**

### **PROFESSIONAL LIGHTING**

This business area includes sales of indoor lighting for public environments, such as offices, schools, hospitals, industrial structures, etc.

Net sales amounted to MSEK 845, compared to MSEK 749 in the previous year. Operating income amounted to MSEK 66.8 (45.6) and the operating margin was 7.9% (6.1).

Demand continues to be strong in our primary markets comprising the Nordic countries, England and Holland. During the period, a number of major projects, among others, within the hospital sector, have been undertaken.

### **RETAIL LIGHTING**

This business area includes sales of lighting systems, lighting sources and services to retailers.

Net sales amounted to MSEK 201, compared to MSEK 140 in the previous year. Operating income amounted to MSEK 14.6 (-9.6) and the operating margin was 7.2 %.

This business area is developing in a very positive manner as a result of measures carried out during 2006. The gross margin has improved significantly as a result of increased production in China. The business area's largest markets are Sweden, England and France. In May, 50% of shares in the Belgian company WACO were acquired, which will also strengthen the product offer in other markets. The French company, ECL, which was acquired during autumn 2006, continues to be successful and is developing positively.

### **EXTERIOR LIGHTING**

This business area includes sales of outdoor products for the lighting of buildings, parks, recreational areas, public footpaths, etc.

Net sales amounted to MSEK 69, compared to MSEK 53 in the previous year. Operating income amounted to MSEK -0.7 (1.8).

The outdoor lighting season really starts first during the summer months. The organisation has been strengthened to allow this area to develop more rapidly, with the ultimate ambition of increasing sales and improving results. This implies an initial increase in expenses, but will not have a negative impact on full-year results.

### **HOME LIGHTING**

This business area includes lighting for hotels, conference centres, public premises and home settings.

Net sales amounted to MSEK 102, which is an increase of MSEK 2 compared to the previous year. Operating income amounted to MSEK 0.1, which is an improvement of MSEK 0.8.

Shares in LampGustaf Inredning AB were sold after the end of the period; thereafter, this business area comprises operations conducted in Belid AB.

**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	844.8	748.8	201.4	139.6	69.1	52.8	102.2	99.8	1,217.5	1 041.0
Operating profit/loss	66.8	45.6	14.6	-9.6	-0.7	1.8	0.1	-0.7	80.8	37.1
Operating margin	7.9 %	6.1 %	7.2 %	-	-	3.4 %	0.1 %	-	6.6 %	3.6 %

**ACQUISITIONS**

Eagle Lighting in Australia was acquired through an assets and liabilities transaction as of 1 June. Eagle Lighting, with sales of MSEK 100, is a specialist company with its core business within professional lighting. The company is in a strong position for continued growth within this segment in Australia. The company's head office, factory and distribution warehouse are located in Melbourne, and sales offices are located in both Sydney and Brisbane. The purchase sum, not to exceed MAUD 14, includes MAUD 8.6 in cash and a possible additional purchase sum not to exceed MAUD 5.4, depending on the development of results up until June 2008.

The purchase sum comprises the following components:

Cash paid	MSEK 48.4
Maximum additional purchase sum	MSEK 33.0
Direct expenses in connection with the acquisition	MSEK 6.3
Total purchase sum	MSEK 87.7
Fair value of acquired net assets	MSEK 20.8
Goodwill	MSEK 66.9

Eagle Lighting's market presence has been valued at MSEK 12.8, including deferred taxes in the amount of MSEK 3.8. The assumed value of assets and liabilities amounts to MSEK 11.8. The remaining amount of the surplus value has been attributed to goodwill referring to the acquired operations' profitability, and to expected synergy effects. The acquisition calculation is preliminary.

**ASSETS AND LIABILITIES INCLUDED IN THE ACQUISITION**

	Fair value	Book value
Tangible fixed assets	3,1	3,1
Intangible fixed assets	12,8	0,0
Inventories	10,5	10,5
Liabilities	-1,8	-1,8
Deferred income tax liabilities	-3,8	0,0
<b>Net assets</b>	<b>20,8</b>	<b>11,8</b>
Acquired net assets	20,8	11,8
Purchase amount settled in cash		51,3
Cash and cash equivalents in acquired subsidiary		0,0
Change in the Group's cash and cash equivalents in conjunction with the acquisition		51,3

A total of 100% of the shares in the Irish company Project Lighting Ltd were acquired as of June 30. The company, with sales of MSEK 20, has its office and distribution warehouse in Dublin and has 5 employees. The purchase sum comprises MEUR 1.1 in cash and 20,000 shares in AB Fagerhult, with an additional

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purchase sum of MEUR 0.5 to be paid in 2009. The value of the shares is calculated based on the market value at acquisition date, that is, SEK 153.

The purchase sum comprises the following components:

Cash paid	MSEK 10.5
Value of shares	MSEK 3.1
Additional purchase sum	MSEK 5.1
Direct expenses in connection with the acquisition	MSEK 1.2
Total purchase sum	MSEK 19.9
Fair value of acquired net assets	MSEK 9.8
Goodwill	MSEK 10.1

Project Lighting's market presence has been valued at MSEK 2.3, including deferred taxes in the amount of MSEK 0.7. The assumed value of assets and liabilities amounts to MSEK 11.8. The remaining amount of the surplus value has been attributed to goodwill referring to the acquired operations' profitability, and to expected synergy effects. The acquisition calculation is preliminary.

#### ASSETS AND LIABILITIES INCLUDED IN THE ACQUISITION

	Fair value	Book value
Cash and cash equivalents	2,6	2,6
Tangible fixed assets	1,0	1,0
Intangible fixed assets	2,3	0,0
Inventories	1,4	1,4
Receivables	12,2	12,2
Liabilities	-9,0	-9,0
Deferred income tax liabilities	-0,7	0,0
<b>Net assets</b>	<b>9,8</b>	<b>8,2</b>
Acquired net assets	9,8	8,2
Purchase amount settled in cash		13,8
Cash and cash equivalents in acquired subsidiary		-2,6
Change in the Group's cash and cash equivalents in conjunction with the acquisition		11,2

During the period, 50% of the Belgian company WACO was acquired, with an option to purchase the remaining 50% of shares during 2009. WACO develops and manufactures electrical fittings for lighting for retail purposes with substantial design elements. The company has sales of MEUR 2 and 10 employees. The purchase price has been paid in the amount of MSEK 11.

#### FINANCIAL POSITION

The Group has a strong financial position. The Group's equity/assets ratio is 32% (35) and the debt/equity ratio is 1.0 (0.9). Cash and bank balances at the end of the period amounted to MSEK 98.9 (84) and net liabilities to 462 (345). The Group's equity amounted to MSEK 549 (503).

Cash flow from operating activities during the period amounted to MSEK -38.4 (17.5). The strong growth makes that the value of the working capital, in the first place the accounts receivable, increases considerably.

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

#### **INVESTMENTS**

The Group's gross investments in fixed assets amounted to MSEK 63.0 (40.5), of which reclassifications accounted for MSEK 37.5, which, at year-end, were reported as investments in progress.

#### **PERSONNEL**

The average number of employees during the period was 1,723 (1,599).

#### **PARENT COMPANY**

Operations in AB Fagerhult comprise corporate management, financing and coordination of marketing, production and business development. The Company's other income amounted to MSEK 9.6. Income after financial items amounted to MSEK -11.6 (-10.0).

Cash and bank balances at the end of the period amounted to MSEK 29. 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 applied accounting principles, please refer to AB Fagerhult's website under the heading Financial Information.

#### **EVENTS AFTER THE END OF THE PERIOD**

Fagerhult has signed agreements regarding the sale of all shares in the subsidiaries, LampGustaf Inredning AB and Fagerhult (HK) Sourcing Limited, to Vätterleden Invest AB, with 6 August as date of taking possession. The sale will not affect earnings per share during 2007.

#### **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 this cycle and the market, therefore, continues to be good even though the general business climate 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. Continued rationalisations are having a positive effect. All in all, this will lead to both net sales and income continuing to increase, compared with the previous year.

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## BOARD ASSURANCE

The Board and the Managing Director hereby certify that the interim report provides a fair view on the business, position and results for the Company and the Group. It also describes significant risks and areas of uncertainty faced by the Group.

Habo, 10 August 2007  
AB Fagerhult (publ)

Per Borgvall  
Group CEO

Anders Frick  
Chairman of the board

Anna Bernsten  
Member of the board

Eric Douglas  
Member of the board

Fredrik Palmstierna  
Member of the board

Annika Fröberg  
Deputy employee representative

Björn Karlsson  
Member of the board

Eva Nygren  
Member of the board

Jan Svensson  
Member of the board

Anders Svensson  
Deputy employee representative

The interim report has not been subject to a special audit by the Company's auditor.

The next interim report will be submitted on 23 October 2007.

Information may be obtained from Per Borgvall, Group CEO, or Ulf Karlsson, Group CFO.  
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### **AB Fagerhult (publ)**

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<b>INCOME STATEMENT</b>	<b>2007</b> <b>Apr-Jun</b> <b>3 months</b>	<b>2006</b> <b>Apr-Jun</b> <b>3 months</b>	<b>2007</b> <b>Jan-Jun</b> <b>6 months</b>	<b>2006</b> <b>Jan-Jun</b> <b>6 months</b>	<b>2006/07</b> <b>Jul-Jun</b> <b>12 months</b>	<b>2006</b> <b>Jan-Dec</b> <b>12 months</b>
Net sales	607.8	498.8	1,217.5	1,041.0	2,338.6	2,162.1
(of which outside Sweden)	(399.7)	(301.9)	(778.7)	(625.2)	(1,464.6)	(1,311.1)
Cost of goods sold	-412.6	-358.3	-830.7	-736.8	-1,619.5	-1,525.6
<b>Gross profit</b>	<b>195.2</b>	<b>140.5</b>	<b>386.8</b>	<b>304.2</b>	<b>719.1</b>	<b>636.5</b>
Selling expenses	-110.8	-91.4	-220.3	-189.9	-424.9	-394.5
Administrative expenses	-48.6	-40.3	-90.5	-82.4	-167.0	-158.9
Other operating income	2.1	2.3	4.8	5.2	11.4	11.8
<b>Operating profit/loss</b>	<b>37.9</b>	<b>11.1</b>	<b>80.8</b>	<b>37.1</b>	<b>138.6</b>	<b>94.9</b>
Financial items	-4.9	-3.9	-9.5	-6.5	-15.2	-12.2
<b>Profit after financial items</b>	<b>33.0</b>	<b>7.2</b>	<b>71.3</b>	<b>30.6</b>	<b>123.4</b>	<b>82.7</b>
Tax	-9.7	-2.2	-21.0	-9.2	-36.3	-24.5
<b>Income</b>	<b>23.3</b>	<b>5.0</b>	<b>50.3</b>	<b>21.4</b>	<b>87.1</b>	<b>58.2</b>
Earnings per share before dilution, SEK	1.84	0.40	3.98	1.69	6.88	4.60
Earnings per share after dilution, SEK	1.81	0.39	3.91	1.67	6.78	4.53
Average no. of outstanding shares before dilution	12,654	12,,650	12,654	12,650	12,654	12,653
Average no. of outstanding shares after dilution	12,850	12,850	12,850	12,850	12,850	12,850
No. of outstanding shares, thousands	12,676	12,,654	12,676	12,654	12,676	12,654

<b>BALANCE SHEET</b>	<b>30 Jun</b> <b>2007</b>	<b>30 Jun</b> <b>2006</b>	<b>31 Dec</b> <b>2006</b>
Intangible fixed assets	475.7	328.1	380.6
Tangible fixed assets	273.1	262.7	279.6
Financial fixed assets	18.8	6.9	7.5
Inventories, etc.	373.3	346.5	348.9
Accounts receivable - trade	415.3	331.8	356.5
Other non interest-bearing current assets	54.8	65.2	51.6
Cash and bank balances	98.9	83.8	92.3
Assets for sale	32.7	-	-
<b>Total assets</b>	<b>1 742.6</b>	<b>1,425.0</b>	<b>1,517.0</b>
Equity	549.3	503.0	534.6
Long-term interest-bearing liabilities	489.0	377.9	407.3
Long-term non interest-bearing liabilities	168.4	128.1	64.7
Short-term interest-bearing liabilities	33.5	51.1	35.2
Short-term non interest-bearing liabilities	474.8	364.9	475.2
Liabilities direct connected to assets for sale	27.6	-	-
<b>Total equity and liabilities</b>	<b>1 742.6</b>	<b>1,425.0</b>	<b>1,517.0</b>

<b>CASH FLOW STATEMENT</b>	<b>2007 Apr-Jun 3 months</b>	<b>2006 Apr-Jun 3 months</b>	<b>2007 Jan-Jun 6 months</b>	<b>2006 Jan-Jun 6 months</b>	<b>2006/07 Jul-Jun 12 months</b>	<b>2006 Jan-Dec 12 months</b>
<b>Operating profit/loss</b>	<b>37.9</b>	<b>11.1</b>	<b>80.8</b>	<b>37.1</b>	<b>138.6</b>	<b>94.9</b>
Adjustment for items not included in the cash flow	16.8	11.9	38.1	23.6	57.0	42.5
Financial items	-4.8	-3.9	-9.5	-7.5	-13.2	-11.2
Paid tax	-3.9	-24.1	-18.7	-37.1	-32.1	-50.5
<b>Cash flow generated by operations</b>	<b>46.0</b>	<b>-5.0</b>	<b>90.7</b>	<b>16.1</b>	<b>150.3</b>	<b>75.7</b>
Changes in working capital	-93.2	7.7	-129.1	1.4	-116.7	13.8
<b>Cash flow from continuing operations</b>	<b>-47.2</b>	<b>2.7</b>	<b>-38.4</b>	<b>17.5</b>	<b>33.6</b>	<b>89.5</b>
Cash flow from investing activities	-80.8	-13.2	-88.6	-19.1	-166.0	-96.5
Cash flow from financing activities	134.9	-44.6	135.1	-40.7	148.4	-27.4
Translation differences in liquid funds	-	0.5	-1.5	1.6	-0.9	2.2
<b>Cash flow for the period</b>	<b>6.9</b>	<b>-54.6</b>	<b>6.6</b>	<b>-40.7</b>	<b>15.1</b>	<b>-32.2</b>
Cash and bank balances at the beginning of the period	92.0	138.4	92.3	124.5	83.8	124.5
<b>Cash and bank balances at the end of the period</b>	<b>98.9</b>	<b>83.8</b>	<b>98.9</b>	<b>83.8</b>	<b>98.9</b>	<b>92.3</b>

<b>KEY RATIOS AND DATA PER SHARE</b>	<b>2007 Apr-Jun 3 months</b>	<b>2006 Apr-Jun 3 months</b>	<b>2007 Jan-Jun 6 months</b>	<b>2006 Jan-Jun 6 months</b>	<b>2006/07 Jul-Jun 12 months</b>	<b>2006 Jan-Dec 12 months</b>
Sales growth, %	21.9	18.2	17.0	25.8	8.2	22.9
Growth in operating income, %	241.4	-55.1	117.8	-15.3	46.0	-11.8
Growth in profit after taxes net financial income, %	358.3	-70.6	133.0	-28.2	49.2	-23.5
Operating margin, %	6.2	2.2	6.6	3.6	5.9	4.4
Profit margin, %	5.4	1.4	5.9	2.9	5.3	3.8
Liquid ratio, %			19	20		18
Debt/equity ratio			1.0	0.9		0.8
Equity/assets ratio, %			32	35		35
Capital employed, MSEK			1110	932		977
Return on capital employed, %			16.2	8.8		10.6
Return on equity, %			18.6	8.2		10.8
Net liability, MSEK			462	345		350
Gross investments in fixed assets, MSEK	13.1	18.9	63.0	40.5		60.1
Net investments in fixed assets, MSEK	5.3	18.9	55.2	24.0		43.0
Depreciation of fixed assets, MSEK	16.4	14.2	31.5	28.0		55.8
Number of employees			1,723	1,599		1,640
Equity per share, SEK			43.33	39.75		42.25
No. of outstanding shares, thousands			12,676	12,654		12,654



<b>EQUITY</b>	<b>30 Jun 2007</b>	<b>30 Jun 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	8.6	-19.7	-24.9
Change of contributed capital	3.3	0.4	0.4
Dividend to shareholders	-47.5	-44.3	-44.3
Profit for the period	50.3	21.4	58.2
<b>Equity at the end of the period</b>	<b>549.3</b>	<b>503.0</b>	<b>534.6</b>