YEAR-END REPORT 2005

- **Net sales – MSEK 1,759 (1,382)**
- **Income after financial items – MSEK 108.1 (54.8)**
- **Income after tax – MSEK 75.6 (36.6)**
- **Earnings per share – SEK 6.03 (2.95)**
- **Order intake – MSEK 1,784 (1,394)**
- **Dividends proposed at SEK 3.50 (3.00) per share**

COMMENTS FROM THE GROUP CEO PER BORGVALL

- **Three strategic acquisitions executed during the year**
- **Profit doubled**
- **Growth in net sales of 27%, of which 10% was organic**
- **The Group's financial position remained strong, enabling continued investment.**
- **To strengthen business focus, an organisation divided into business areas has been introduced**

GROUP

JANUARY - DECEMBER 2005

Demand continued to increase during the year. Investment in construction displayed growth in most markets in which the Group is active. The market for office construction, however, remained weak. To strengthen and streamline the Group, three strategic acquisitions and two sales were completed.

The growth and internationalisation strategy initiated in the second half of 2004 has been consistently implemented. The Group's net sales for 2005 amounted to MSEK 1,759 (1,382), an increase of 27 % compared with the previous year. Net sales for comparable units increased by 10%. Sales outside of Sweden continue to grow, amounting to MSEK 969 (726) which corresponds to 55% (52) of total net sales. Companies acquired during the year had a positive effect of MSEK 339 on net sales. Orders received during the period were higher than net sales and amounted to MSEK 1,784 (1,394).

Income after financial items increased by 97% to MSEK 108.1 (54.8). Net profit for the year includes a capital gain of MSEK 3.4 referring to sales of shares in Tryckta. Operating income for comparable units amounted to MSEK 97 (50). Improvements in profit can primarily be ascribed to increases in volume.

OCTOBER-DECEMBER 2005

Demand was positive during the fourth quarter. Net sales increased by 36%, of which 7.5% is attributable to comparable units. Organic growth was greatest in markets outside of Sweden. Income after financial items amounted to MSEK 27.5, an improvement of MSEK 18.6.

It was a strong period for the Professional Lighting and Home Lighting business areas. The Retail Lighting business area had had a weak quarter as a result of restructuring and low demand during December, a period in which investment in fixtures for retail locations is naturally low.

The British industrial group Whitecroft Holding Ltd, parent company of Whitecroft Lighting Ltd, was acquired in November. Net sales and income are included in consolidated profit/loss for November and December.

BUSINESS AREAS

In order to increase business focus within defined areas, during the year the Group expanded from one segment to four. The Home Lighting remains. The Lighting for Public Areas segment has been divided into Professional Lighting, Exterior Lighting and Retail Lighting. Comparative figures have been recalculated to reflect the new organisation.

PROFESSIONAL LIGHTING

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

Net sales amounted to MSEK 1,118, compared with MSEK 988 in the previous year. The months of November and December include net sales from Whitecroft in the amount of MSEK 76. Operating income was MSEK 92.9 (46.0) and the operating margin was 8.3% (4.7).

RETAIL LIGHTING

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

Net sales amounted to MSEK 306, as compared with MSEK 133 in the previous year. Of this increase, MSEK 145 is attributable to LampGustaf AB, which was acquired during the year. Operating income amounted to10.9 (5.7) MSEK and the operating margin was 3.6% (4.3).

EXTERIOR LIGHTING

This business area comprises the sales of outdoor products for the lighting of buildings, parks, recreational areas, paths, etc.

Net sales amounted to MSEK 107 as compared with MSEK 78 in the previous year. Of the net sales, MSEK 23 was attributable to Elenco Lighting AB, which was a part of LampGustaf AB. Operating income amounted to MSEK 3.3 (0.5) and the operating margin was 3.1% (0.6).

HOME LIGHTING

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

Net sales amounted to MSEK 229, as compared with MSEK 183 in the previous year. Of this increase, MSEK 31 is attributable to units that were acquired or sold. Operating income amounted to MSEK 7.6 (2.5) and the operating margin was 3.3% (1.4).

UN-ALLOCATED ITEMS

Un-allocated items refer to costs for reported deficit in the factory in China which is being started up.

SALES AND OPERATING PROFIT PER BUSINESS DIVISION

	Professional lighting		Retail lighting		Exterior lighting		Home lighting		Un-allocated items		Sum	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	1 117,7	988,4	305,9	133,0	106,6	78,1	229,0	182,7			1 759,2	1 382,2
Operating profit	92,9	46,0	10,9	5,7	3,3	0,5	7,6	2,5	-7,1		107,6	54,7
Operating margin	8,3 %	4,7 %	3,6 %	4,3 %	3,1 %	0,6 %	3,3 %	1,4 %			6,1 %	4,0 %

ACQUISITIONS AND DISPOSALS

On 1 January 2005, 100% of the share capital in LampGustaf AB was acquired. LampGustaf is the Nordic region's leading player in the retail lighting sector, which is also its primary area of operations. In addition to this area, LampGustaf offers the Group a wide variety of light sources and a well-established assortment of architectural lighting. The company also includes a subsidiary in Hong Kong which is primarily engaged in purchasing operations for the Group and a smaller sales company in Russia. Another subsidiary of LampGustaf, Elenco Lighting AB, manufactures and sells exterior lighting for public areas. Elenco is well-suited to the Fagerhult Group's ambition to expand within this segment. The purchase amount totalled MSEK 137.4, of which MSEK 110 was paid in cash and the remaining MSEK 27.4 MSEK in the form of newly issued shares in AB Fagerhult.

In order to strengthen the Group's presence in Baltic countries, and thereby expand the home market throughout the entire Baltic Sea region, the Estonian sales company Rinaldo Marketing Oü was acquired at the turn of the year. Rinaldo is a trading company with six employees and net sales of approximately MSEK 10. The purchase amount of MSEK 1.6 was paid in cash.

To strengthen the Group's position in the European lighting market and create a strong platform in the important British market, in November the Group acquired Whitecroft Holding Ltd, parent company of Whitecroft Lighting Ltd. Whitecroft Lighting is a leading British lighting company with its core business within professional lighting and an especially strong position within the Healthcare segment, an important part of the market in Great Britain.

Whitecroft, which is based and has its only production unit in Ashton under Lyne, just outside of Manchester, has net sales of approximately MSEK 400 and has 288 Employees. The company has good profitability and good growth, and is well-positioned in the British market, which accounts for 95% of its sales.

The sellers were H2 Lighting BV, a Dutch private equity company, and members of management. The purchase amount, which was limited to a maximum of GBP 18.4 million, consisted of GBP 12.4 million in cash and up to GBP 6 million in earn-out with a close in March 2007.

The purchase amount consists of the following components:

Cash payment	175.6 MSEK
Maximum earn-out	84.2 MSEK
Direct expenses related to acquisition	12.0 MSEK
Combined purchase amount	271.8 MSEK
Fair value for acquired net assets	-79.9 MSEK
Goodwill	191.9 MSEK

The value of the Whitecroft brand has been estimated at MSEK 73.5 and the value of long-term customer relations at MSEK 2.0, including tax. The remaining amount is attributable to goodwill attributable to the acquired operations' profitability and to the synergy effects that are expected to arise.

ASSETS AND LIABILITIES INCLUDED IN THE ACQUISITION	**Fair value**	**Book-value**
Cash in hand and at the bank	1.3	1.3
Tangible fixed assets	17.4.0	17.4.0
Intangible fixed assets	75.5	0.0
Inventories	42.9	42.9
Receivables	90.9	90.9
Short-term liabilities	-87.9	-87.9
Long-term liabilities	-37.5	-37.5
Deferred tax	-22.7	0.0
Net assets	79.9	27.0
Acquired net assets	79.9	27.0
Cash payment		186.0
Deposit funds for part of earn-out		28.2
Cash in hand and at the bank in the acquired subsidiary		-1.3
Changes in the Group cash and bank balances		-212.9

Tryckta i Markaryd was sold during the third quarter. The sale provided a capital gain of MSEK 3.4 and cash flow from the transaction amounted to MSEK 22. In the first quarter, Aneta Belysning was sold without resulting in any effect on the income.

No acquisition took place during 2004.

FINANCIAL POSITION

The Group has a strong financial position. At the close of the year, the Group's debt/equity ratio was 0.8 (0.1). As a result of the year's acquisitions, the equity/assets ratio since the end of the year has decreased by 22% to 37%. Cash and bank balances at the end of the period amounted to MSEK 124 (116) and the Group's and equity was MSEK 545 (471).

Cash flow from operating activities amounted to MSEK 86 (96).

A directed issue of 250,000 new shares was executed in the second quarter and comprised a portion of the purchase price for shares in LampGustaf AB. The new share issue resulted in a dilution of 2%.

Assets and liabilities in companies that were sold or acquired have changed the company's financial position. The largest items were increases of MSEK 77 in Inventories, MSEK 108 in Accounts receivable – Trade, and MSEK 17 in Other interest-free current assets. Interest-bearing liabilities increased by MSEK 73, while the Group's equity decreased by MSEK 18. Bank loans attributable to acquisitions increased by MSEK 309.

Pledged assets and contingent liabilities amount to MSEK 84.2 (0.0) and MSEK 17.0 (3.1), respectively. The increase in pledged is mainly attributable to acquired companies, and the majority refers to property mortgages.

INVESTMENTS

The Group's net investments in tangible fixed assets amounted to 73 (33) MSEK and investments in intangible fixed assets to MSEK 344 (6), of which MSEK 339 (0) refers to acquired companies.

PERSONNEL

The average number of employees during the period was 1,288 (1,089) of which 101 were in the LampGustaf Group and 48 in Whitecroft. The number of employees in Whitecroft over the entire year was 288. There were 78 employees in the sold companies Aneta Belysning and Tryckta i Markaryd.

PARENT COMPANY

Operations in AB Fagerhult are comprised of Group management, financing and the coordination of the marketing, production and business development. The company reported no net sales for the period. Profit after financial items amounted to MSEK 53.2 (48.6).

The company's investments amounted to MSEK 409.2 MSEK and refer to shares in subsidiaries. Cash and bank balances at the end of the period were MSEK 27.6, which is a decrease of MSEK 24 during the year. There were 8 (0) employees during the period.

DIVIDENDS

Board of Directors have proposed a dividend of SEK 3.50 (3.00).

BUY-BACK OF SHARES

The board of directors of AB Fagerhult decided today to propose that the annual general meeting of shareholders held 25 April 2006 authorise the board to make decisions regarding the acquisition of the company's own shares.

NOMINATION COMMITTEE

At the annual general meeting, Gustaf Douglas (Chair), Anders Frick, and Björn Karlsson were elected to the Nomination Committee. The Committee has since been expanded to include Göran Espelund of Lannebo Fonder.

ACCOUNTING PRINCIPLES

This year-end report has been prepared in accordance with IAS 34 – Interim Financial Reporting and with Swedish Financial Accounting Standards Council recommendation RR 31 – Interim Financial Reporting for Groups. The Group's transition on 1 January 2004 to the International Financial Reporting Standards (IFRS) approved by the EU has not necessitated any changes, which is the reason there are no “bridges” in this report.

The transition as regards other standards has been reported in accordance with IFRS 1. Of the optional exemptions provided in IFRS 1, Fagerhult has chosen not to retroactively apply IFRS 3, implying that no adjustments have been made regarding company acquisitions completed prior to 1January 2004.

IAS 39 regarding the valuation of financial instruments has been applied as from 1 January 2005. An adjustment regarding the opening actual fair value of the company's currency derivatives has resulted in an increase in equity of MSEK 0.1, which is reported as a change in equity. Due to the modest size of the adjustment, no “bridge” is reported regarding this transition per 1 January 2005.

In the third quarter of 2004, a factory for the production of panels for hospitals was moved from Denmark to Sweden. In conjunction with this move, goodwill relating to these operations was written-down in the amount of MSEK 1.3. This has resulted in the reported value of goodwill in the 2004 closing balance being the same as according to previously applied accounting principles. No per-quarter adjustments have been made to figures for 2004 due to the size of the amount.

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

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

PROSPECTS FOR 2006

The acquisition of Whitecroft Lighting in England has resulted in both continued internationalisation and strong increases in net sales for the Group. Whitecroft will also continue to make positive contributions to income in 2006. The production of a number of products in China will strengthen the Group's competitiveness. Additional new markets will be cultivated and a new sales company established in Russia. Conditions for the construction industry are relatively favourable in most markets. Taken together, this will result in continued increases in both net sales and profit in comparison with the previous year.

Habo, 7 February 2006

Per Borgvall
Group CEO

The annual general meeting will be held at Fagerhult on Tuesday, 25 April 2006, at 5:00 pm.
The annual report will be distributed during week 12.
Interim reports will be issued 25 April 2006, 9 August 2006 and 24 October 2006.

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PROFIT AND LOSS ACCOUNTS	2005 Oct-Dec 3 months	2004 Oct-Dec 3 months	2005 Jan-Dec 12 months	2004 Jan-Dec 12 months
Net sales	530.9	390.0	1 759.2	1 382.2
(Of which outside Sweden)	(306.3)	(200.6)	(969.2)	(725.6)
Cost of goods sold	-343.4	-277.4	-1 185.5	-984.3
Gross profit	**187.5**	**112.6**	**573.7**	**397.9**
Selling expenses	-111.8	-72.8	-347.1	-261.8
Administrative expenses	-46.8	-29.0	-124.7	-83.4
Other operating income	0.1	2.9	5.7	6.8
Other operating expenses	-	-4.8	-	-4.8
Operating profit	***29.0***	***8.9***	***107.6***	**54.7**
Financial net	-1.5	0.0	0.5	0.1
Profit after financial items	***27.5***	***8.9***	***108.1***	**54.8**
Tax on profit for the period	-8.3	-4.2	-32.5	-18.2
Net profit for the period	***19.2***	***4.7***	***75.6***	**36.6**
Net earnings per share before and after dilution, SEK	1.52	0.38	6.03	2.95
No of shares issued, thousands	12 650	12 400	12 650	12 400
Average no of shares issued, thousands	12 650	12 400	12 546	12 400

BALANCE SHEETS	31 Dec 2005	31 Dec 2004
Intangible fixed assets	346.8	4.2
Tangible fixed assets	267.4	217.4
Financial assets	11.1	5.2
Inventories	336.1	221.5
Receivables from customers	337.6	217.9
Other short-term receivables	40.2	23.0
Cash in hand and at the bank	124.5	115.9
Total assets	**1 463.7**	**805.1**
Equity	545.2	471.1
Long-term interest-bearing liabilities	371.4	34.1
Long-term interest-free liabilities	132.7	61.0
Short-term interest-bearing liabilities	51.2	-
Short-term interest-free liabilities	363.2	238.9
Total equity and liabilities	**1 463.7**	**805.1**

CASH FLOW ANALYSES	2005 Oct-Dec 3 months	2004 Oct-Dec 3 months	2005 Jan-Dec 12 months	2004 Jan-Dec 12 months
Operating profit	**29.0**	**8.9**	**107.6**	**54.7**
Adjustments for items not included in the cash flow	11.1	16.6	49.0	45.8
Financial items	-3.6	0.0	-1.9	0.1
Income tax paid	-5.7	-1.8	-27.8	-26.2
Cash flow generated by operations	**30.8**	**23.7**	**126.9**	**74.4**
Changes in working capital	20.5	49.8	-41.1	21.4
Net cash flow generated by operations	**51.3**	**73.5**	**85.8**	**95.8**
Cash flow generated by investments	-253.4	-15.0	-383.9	-33.1
Cash flow from financing	194.9	-19.7	308.3	-110.3
Change in differences on translation of liquid assets	1.3	-0.4	-1.6	-0.3
Changes cash in hand and at the bank	**-5.9**	**38.4**	**8.6**	**-47.9**
Balance as at beginning of the period	130.4	77.5	115.9	163.8
Balance as at the end of the period	**124.5**	**115.9**	**124.5**	**115.9**

KEY RATIOS	2005 Oct-Dec 3 months	2004 Oct-Dec 3 months	2005 Jan-Dec 12 months	2004 Jan-Dec 12 months
Net sales growth, %	36.1	9.7	27.3	-1.5
Growth in operating profit, %	225.8	-58.6	96.7	-45.8
Growth in profit after financial items, %	209.0	-59.0	97.3	-46.3
Operating margin, %	5.5	2.3	6.1	4.0
Profit margin, %	5.2	2.3	6.1	4.0
Quick ratio, %			30	49
Debt / equity ratio, times			0.8	0.1
Equity / assets ratio, %			37	59
Capital employed, MSEK			968	505
Return on capital employed, %			16.0	10.6
Return on equity, %			14.9	7.2
Net indebtedness, MSEK			298	-82
Gross investments in fixed assets, MSEK	37.4	13.9	78.4	33.0
Net investments in fixed assets, MSEK	37.1	13.9	78.1	33.0
Depreciations of fixed assets, MSEK	11.0	16.3	43.0	45.5
No of employees			1 288	1 130
Equity per share, SEK			43.10	37.99
No of shares issued, thousands			12 650	12 400

SPECIFICATION OF CHANGES IN EQUITY	Share capital	Other reserves	Retained earnings
Balance as at 1 January 2004	**64.3**	**194.5**	**288.1**
Change in differences on translation		-0..4	-0..4
Transfers between restricted and non-restricted reserves		-5.4	5.4
Dividend paid			-111.6
Net profit for the period			36.6
Balance as at 31 December 2004	**64.3**	**188.7**	**218.1**
Effect of change of accounting principles			0.1
Adjusted balance as at 31 December 2004	**64.3**	**188.7**	**218.2**
Change in differences on translation		0.5	5.4
Issued call options		2.3	
Transfers between restricted and non-restricted reserves		-4.1	4.1
New share issue	1.2	26.2	
Dividend paid			-37.2
Net profit for the period			75.6
Balance as at the end of the period	**65.5**	**213.6**	**266.1**

CHANGES IN GROUP STRUCTURE AND THE EFFECT OF THE BALANCE SHEET ITEMS	31 Dec 2004	Changes in group structure 1)	Changes in the period	31 Dec 2005
Intangible fixed assets	4.2	342.2	0.4	346.8
Tangible fixed assets	217.4	8.5	41.5	267.4
Financial assets	5.2	0.3	5.6	11.1
Inventories	221.5	77.9	36.7	336.1
Receivables from customers	217.9	108.2	11.5	337.6
Other short-term receivables	23.0	17.4	-0.2	40.2
Cash in hand and at the bank	115.9	4.6	4.0	124.5
Total assets	**805.1**	**559.1**	**99.5**	**1 463.7**
Equity	471.1	-18.1	92.2	545.2
Long-term interest-bearing liabilities	34.1	72.7	264.6	371.4
Long-term interest-free liabilities	61.0	20.0	51.7	132.7
Short-term interest-bearing liabilities	-	4.4	46.8	51.2
Short-term interest-free liabilities	238.9	110.0	14.3	363.2
Total equity and liabilities	**805.1**	**189.0**	**469.6**	**1 463.7**
PLEDGED ASSETS AND CONTINGENT LIABILITIES				
Pledged assets	-	81.1	3.1	84.2
Contingent liabilities	3.1	0.4	13.5	17.0

1) Balance sheet items for acquired companies at the time of acquisition. Balance sheet items for sold companies at the start of the year.