

INTERIM REPORT, JANUARY - MARCH 2006

- Net sales – MSEK 542 (405)
- Income after financial items – MSEK 23.4 (18.1)
- Income after tax – MSEK 16.4 (12.7)
- Earnings per share SEK 1.30 (1.02)
- Order intake – MSEK 534 (435)

COMMENTS FROM GROUP CEO PER BORGVALL

- Strong increase in net sales of 34%, of which just over 10% was organic growth.
- Income after financial items improved by 29%.
- Investment in construction is increasing in Europe.
- The retail lighting business area was restructured, which affected short-term profitability.
- Receiving the Red Dot Design Award and Lights of the Future strengthen the brand.

THE GROUP

Demand continues to strengthen in Europe. Investment in construction has shown growth in most of the markets in which the Group is active. Conditions in Sweden, Norway, Great Britain and Holland in particular have developed well.

Net sales in the Group amounted to MSEK 542, an increase of 34%, of which just over 10% is attributable to organic growth. Whitecroft Lighting, a company acquired in the fourth quarter of 2005 which has the majority of its sales in England, had a strong quarter, with sales of MSEK117. The acquisition has affected by approximately MSEK 10, after financial items. Sales outside of Sweden amounted to MSEK 323, which constitutes 60% of the Group's net sales.

Income after financial net increased by 29% to MSEK 23.4 (18.1). Operations in China continued to show a small deficit during the first quarter, approximately MSEK 3, but the trend will turn during the remainder of the year as volumes successively increase. Furthermore, the company has received its first orders for delivery to the Chinese market.

Orozzo, one of the new products recently launched by Fagerhult, was honoured in the world's foremost design competition, receiving the Red Dot Design Award for innovative and outstanding product design. Ateljé Lyktan's product Tundra has been appointed one of the winners in the European design competition Lights of the Future 2006. These distinctions further strengthen 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 387, compared with MSEK 240 in the previous year. Operating profit was MSEK 28.9 (15.3) and the operating margin was 7.5% (6.4).

Demand was good during the period. The majority of Whitecroft's sales fall within this segment, which contributed to the improved results. However, other markets are also showing good growth. Both Fagerhult and Whitecroft have had continued success with deliveries to, among others, the hospital sector, in which demand during the coming year is also expected to be strong.

RETAIL LIGHTING

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

Net sales amounted to MSEK 71, compared with MSEK 86 in the previous year. The decrease is explained by, among other factors, the decrease in business with IKEA and increased competition in Sweden after the acquisition of LampGustaf. However, sales outside Sweden continue to increase. Operating income amounted to MSEK -2.2 (5.4).

Restructuring in the form of development of an entirely new product offering, the building of a strong organisation and the internationalisation of operations has resulted in difficulties in maintaining sales and profit levels during the first quarter of the year. These restructuring measures will lead to successively increasing volumes and margins 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 25, compared with MSEK 21 in the same period in the previous year. Operating income was MSEK -2.3 (-0.7).

During the winter months, demand for products for outdoor use is generally weak.

HOME LIGHTING

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

Net sales amounted to MSEK 59, equivalent to the previous year's figures. Operating income was MSEK 1.5 (-0.9).

There is increasing interest in home lighting products adapted for hotel environments.

NET SALES AND OPERATING PROFIT PER BUSINESS AREA

	Professional Lighting		Retail Lighting		Exterior Lighting		Home Lighting		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
External sales	387.7	239.7	71.2	86.0	24.5	21.1	58.9	58.7	542.3	405.5
Operating profit	28.9	15.3	-2.2	5.4	-2.2	-0.7	1.5	-0.9	26.0	19.1
Operating margin	7.5 %	6.4 %		6.3 %			2.5 %		4.8 %	4.7 %

FINANCIAL POSITION

The Group has a strong financial position. As a result of the acquisitions during 2005, the Group's equity/assets decreased to 37% (51), and the debt/equity ratio increased to 0.8 (0.2). Cash and bank balances at the end of the period amounted to MSEK 138 (90) and the Group's equity amounted to MSEK 548 (488).

Cash flow from continuing operations was MSEK 14.8 (16.3).

Pledged assets and contingent liabilities amount to MSEK 84.2 (79.9) and MSEK 19.1 (3.2), 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 21.6 (8.5). During the period, a property in Denmark was sold for book value, MSEK 16.5. Net investment for the period was MSEK 5.1.

PERSONNEL

The average number of employees during the period was 1,590 (1,202), of which 304 were employed in Whitecroft.

THE PARENT COMPANY

Operations in AB Fagerhult comprise management of the Group, and the financing and co-ordination of of market, production and business development. The company did not report any sales during the period. Income after financial items amounted to MSEK -5.5 (-1.1).

Cash and bank balances at the end of the period amounted to MSEK 27.6, which is a decrease of MSEK 24 during the year. There were 10 (4) employees during the period.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS) that have been approved by the EU, as well as with the Swedish Annual Accounts Act.

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 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 both continued internationalisation and a strong increase in net sales for the Group. Whitecroft will make continued positive contributions to income in the remainder of 2006. The manufacture of a number of products in China will strengthen the Group's competitiveness. Additional new markets will be cultivated and a sales company will be 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 income as compared with the previous year.

Habo, 25 April 2006

Per Borgvall
Group CEO

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PROFIT AND LOSS ACCOUNTS	2006	2005	2005 /06	2005
	Jan-Mar 3 months	Jan-Mar 3 months	Apr-Mar 12 months	Jan-Dec 12 months
Net sales	542.2	405.5	1 895.9	1 759.2
(Of which outside Sweden)	(323.3)	(211.1)	(1 081.4)	(969.2)
Cost of goods sold	-378.5	-285.8	-1 278.2	-1 185.5
Gross profit	163.7	119.7	617.7	573.7
Selling expenses	-98.5	-77.9	-367.7	-347.1
Administrative expenses	-42.1	-24.4	-142.4	-124.7
Other operating income	2.9	1.7	6.9	5.7
Operating profit	26.0	19.1	114.5	107.6
Financial net	-2.6	-1.0	-1.1	0.5
Profit after financial items	23.4	18.1	113.4	108.1
Tax on profit for the period	-7.0	-5.4	-34.1	-32.5
Net profit for the period	16.4	12.7	79.3	75.6
Net earnings per share before dilution, SEK	1.30	1.02	6.29	6.03
Net earnings per share after dilution, SEK	1.28	1.01	6.17	5.88
Average no of outstanding shares before dilution, thousands	12 650	12 400	12 608	12 546
Average no of outstanding shares after dilution, thousands	12 850	12 600	12 850	12 850
No of outstanding shares , thousands	12 650	12 400	12 650	12 650

BALANCE SHEETS	31 Mar 2006	31 Mar 2005	31 Dec 2005
	Intangible fixed assets	332.5	79.2
Tangible fixed assets	260.7	236.7	267.4
Financial assets	9.6	6.3	11.1
Inventories	332.6	273.0	336.1
Receivables from customers	347.3	237.1	337.6
Other short-term receivables	42.8	40.4	40.2
Cash in hand and at the bank	138.4	90.2	124.5
Total assets	1 463.9	962.9	1 463.7
Equity	547.6	488.1	545.2
Long-term interest-bearing liabilities	375.4	34.1	371.4
Long-term interest-free liabilities	131.5	96.7	132.7
Short-term interest-bearing liabilities	51.1	52.2	51.2
Short-term interest-free liabilities	358.3	291.8	363.2
Total equity and liabilities	1 463.9	962.9	1 463.7

CASH FLOW ANALYSES	2006	2005	2005 /06	2005
	Jan-Mar 3 months	Jan-Mar 3 months	Apr-Mar 12 months	Jan-Dec 12 months
Operating profit	26.0	19.1	114.5	107.6
Adjustments for items not included in the cash flow	11.7	12.8	47.9	49.0
Financial items	-3.6	-1.0	-4.5	-1.9
Income tax paid	-13.0	-9.6	-31.2	-27.8
Cash flow generated by operations	21.1	21.3	126.7	126.9
Changes in working capital	-6.3	-5.0	-42.4	-41.1
Net cash flow generated by operations	14.8	16.3	84.3	85.8
Cash flow generated by investments	-5.9	-96.8	-293.0	-383.9
Cash flow from financing	3.9	55.7	256.5	308.3
Change in differences on translation of liquid assets	1.1	-0.9	0.4	-1.6
Changes cash in hand and at the bank	13.9	-25.7	48.2	8.6
Balance as at beginning of the period	124.5	115.9	90.2	115.9
Balance as at the end of the period	138.4	90.2	138.4	124.5

KEY RATIOS	2006	2005	2005 /06	2005
	Jan-Mar 3 months	Jan-Mar 3 months	Apr-Mar 12 months	Jan-Dec 12 months
Net sales growth, %	33.7	21.1	7.8	27.3
Growth in operating profit, %	36.1	154.7	6.4	96.7
Growth in profit after financial items, %	29.3	126.3	4.9	97.3
Operating margin, %	4.8	4.7	6.0	6.1
Profit margin, %	4.3	4.5	6.0	6.1
Quick ratio, %	34	26		30
Debt / equity ratio, times	0.8	0.2		0.8
Equity / assets ratio, %	37	51		37
Capital employed, MSEK	974	609		968
Return on capital employed, %	11.8	14.6		16.0
Return on equity, %	12.0	10.6		14.9
Net indebtedness, MSEK	288	31		298
Gross investments in fixed assets, MSEK	21.6	12.1		78.4
Net investments in fixed assets, MSEK	5.1	12.1		78.1
Depreciations of fixed assets, MSEK	13.8	10.7		43.0
No of employees	1 590	1 202		1 288
Equity per share, SEK	43.29	39.36		43.10
No of shares issued, thousands	12 650	12 400		12 650

SPECIFICATION OF CHANGES IN EQUITY	Share capital	Paid-up capital	Other reserves	Retained earnings
Balance as at 1 January 2005	64.3	131.1	57.6	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 31 December 2005	65.5	159.6	54.0	266.1
Change in differences on translation			-2.3	-11.7
Transfers between restricted and non-restricted reserves			6.4	-6.4
Net profit for the period				16.4
Balance as at the end of the period	65.5	159.6	58.1	264.4