

## YEAR-END REPORT 2008

- Net sales MSEK 2,770 (2,527)
- Operating profit MSEK 272.4 (197.6)
- Profit after taxes MSEK 184.1 (135.0)
- Earnings per share SEK 14.62 (10.69)
- Order intake MSEK 2,724 (2,802)
- Proposed dividend per share SEK 5,50 (4.50)

### COMMENTS FROM GROUP CEO PER BORGVALL

- Record profit for full-year 2008
- Growth during the year was 11.4%, adjusted for acquired and sold operations
- Operating profit improved by 38 %
- Order intake, adjusted for acquired and sold operations, is the same as previous year

### THE GROUP

#### JANUARY-DECEMBER

The past year, 2008, was, so far, the best year ever regarding both sales and income. Volume development has been favourable on all markets. The current financial turbulence will affect demand in 2009, and sales development is expected to be weaker than in previous years.

The Group's net sales amounted to MSEK 2,770, an increase of 9.6%. Growth is 11.4% if sold operations are taken into consideration. Net sales have been impacted by MSEK 91, compared to 2007, as a result of discontinued operations. The Group's sales outside Sweden increased by MSEK 267 to MSEK 1,918 (1,651), which constitutes 69% (65) of the Group's net sales. The increasing proportion of sales outside Sweden implies an increase in currency exposure. In translation at the previous year's rates, sales have been negatively impacted by MSEK -60, primarily regarding the UK, which is the Group's largest market outside Sweden. Order intake during the period amounted to MSEK 2,724 (2,802), which, for comparable units, is on the same level as 2007.

Operating profit has increased by 38% to MSEK 272.4 (197.6). The operating margin has improved and amounts to 9.8% (7.8). The higher margin is due to increased volumes and improved margins as a result of the current rationalisation measures. The increased currency exposure has impacted income before financial items by MSEK -17. This is primarily due to the weaker British currency and the stronger Chinese currency, as an increasingly large portion of the Group's production takes place in China.

During the year, Belid was divested, which affected operating profit negatively by MSEK 7, as compared with 2007. A sales company has been established in Austria as a base for Central Europe.

**OCTOBER - DECEMBER**

Net sales during the period amounted to MSEK 644 which, adjusted for sold operations, is an increase of 3.7%. Operating profit amounted to MSEK 37.1, compared with MSEK 50 after adjustment for the divested company.

Order intake during the period was MSEK 603, which is MSEK 112 lower than in the previous year. Disregarding currency effects and the divestment of Belid, order intake is approximately 3% lower than in 2007. A certain degree of weakening has been noticeable in Sweden and Norway, while some markets report a higher order intake than in the previous year.

A decision has been taken regarding the establishment of two sales companies in Russia, in order to penetrate the market more effectively.

**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 2,049, compared with MSEK 1,763 in the previous year. Operating profit was MSEK 217.1 (153.1) and the operating margin was 10.6 (8.7) %.

Demand has been strong in our core markets of the Nordic countries, the UK and the Netherlands. Of the Nordic countries, Denmark and Finland are showing the highest growth rates. The earnings trend has been favourable in the Nordic region. Operations in Australia continue to be favourable with good margins. In the UK, demand has fallen slightly within the hospital area, which has been compensated for by growth within the educational sector. A high profile order has been received in London regarding a major office construction, Heron Towers, which will be one of the highest buildings in central London, with an order value of MSEK 9.

The development of the Group's new markets in Poland, Russia and United Arab Emirates has been positive.

The business area is driven, to a high degree, by demands on energy efficiency, which creates business opportunities, even in a declining business cycle. The increased usage of lighting management systems decreases energy consumption at the same time as it improves the working environment.

**RETAIL LIGHTING**

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

Net sales amounted to MSEK 447, compared with MSEK 420 in the previous year. Operating profit has improved significantly, amounting to MSEK 48.5 (35.0). The operating margin was 10.9 (8.3) %.

The business area continues to develop positively, with improved margins. The division's largest markets are Sweden, the UK and France. The goal is to enter into additional markets, as well as to strengthen established contacts. Within certain retail areas, some slow-down can be noticed, while others continue to be strong, such as, for example, food stores.

The focus of this business areas also lies on environmentally-friendly lighting and increasing the attractiveness of goods on sale by way of appropriate lighting solutions.

**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 175, compared with MSEK 153 in the previous year. Operating profit amounted to MSEK 2.9 (2.5) and the operating margin was 1.7 (1.6) %.

Work is in progress to strengthen this business area. Among other things, a co-operation agreement has been signed with a major Spanish company, Indal, giving the business area exclusive rights to sell Indal's products in the Nordic countries.

**HOME LIGHTING**

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

Net sales amounted to MSEK 99, compared with MSEK 190 in the previous year. Operating profit was MSEK 3.9 (7.0) and the operating margin was 4.0(3.7) %.

The only remaining company in this business area, Belid AB, was sold on 2 September which means that this business area now is discontinued.

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

	Professional Lighting		Retail Lighting		Exterior Lighting		Home Lighting		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External sales	2 049.1	1 763.3	447.0	420.2	175.4	153.4	98.6	190.5	2 770.1	2 527.4
Operating profit/loss	217.1	153.1	48.5	35.0	2.9	2.5	3.9	7.0	272.4	197.6
Operating margin	10.6%	8.7%	10.9%	8.3%	1.7%	1.6%	4.0%	3.7%	9.8%	7.8%

**FINANCIAL POSITION**

The Group has a strong financial position. The Group's equity/assets ratio amounts to 41 (35) %. Cash and bank balances at the end of the period amounted to MSEK 200 (132) and consolidated equity to MSEK 706 (601). Net indebtedness amounts to MSEK 322. Net indebtedness in relation to earnings before depreciation and amortisation (EBITDA), for the last twelve month period, amounts to 1.0.

In recent years, exposure of the Group's net assets overseas has expanded from primarily affecting sales companies to also affecting manufacturing units. The translation of overseas net assets to the closing rate of exchange has reduced equity by MSEK 19.

Cash flow from operating activities was MSEK 216.9 (161.1).

Pledged assets and contingent liabilities amounted to MSEK 5.0 (83.6) and 12.3 (9.7), respectively.

**REPURCHASE OF SHARES.**

At the Annual General Meeting on 21 April 2008, the Board of Directors was authorised to adopt a resolution regarding the acquisition of the Company's own shares. No acquisition of the Company's own shares has been made. The total holding of own shares has decreased by over 29,000 shares to 238,000 shares as a consequence of the utilisation of incentive programmes.

AB Fagerhult's Board of Directors has today resolved to propose that the Annual General Meeting on 22 April 2009 shall authorise the Board of Directors to decide on the acquisition of own shares for the period of time up to the next Annual General Meeting.

#### **INVESTMENTS**

The Group's gross investments in fixed assets amounted to 104 (88), primarily referring to machinery and equipment.

#### **NEW MANAGING DIRECTOR**

Johan Hjertonsson has been appointed new Managing Director after the resignation of Per Borgvall. Mr Hjertonsson is currently the Chief Executive Officer of Lammhults Design Group and has previously worked within the Electrolux Group, where he held a number of leading positions within marketing and product development.

Mr Borgvall will leave his position on 28 February. Ulf Karlsson, Group CFO, has been appointed acting Managing Director for the period until Mr Hjertonsson takes up his position later in the spring.

#### **PERSONNEL**

The average number of employees during the period was 1,978 (1,896).

#### **PARENT COMPANY**

Operations in AB Fagerhult comprise the management of the Group, financing and the coordination of marketing, production and business development. The Company's other income amounted to MSEK 4.8 (19.2). Income after financial items amounted to MSEK 143.6 (53.5).

The number of employees during the period was 6 (8).

#### **DIVIDENDS**

The Board of Directors will propose that the Annual General Meeting shall resolve on a dividend of SEK 5,50 (4.50) per share.

#### **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 Reporting Board recommendation RFR 2.2. 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.

#### **RISKS AND UNCERTAINTY FACTORS**

The material risk and uncertainty factors for the Group primarily consist of business risks and financial risks regarding currencies and interest rates. Due to our international operations, the Fagerhult Group is subject to financial exposure in connection with exchange fluctuations. The most prominent of these are currency risks connected with export sales and the import of raw materials and components. This exposure is reduced through the hedging of flows in sensitive currencies on the basis of individual assessment. Currency risks also exist in the translation of foreign net assets and earnings. Further information on the Company's risks can be found in the Annual Report for 2007. Apart from the risks described in the Company's Annual Report, no further material risks are deemed to have arisen.

#### **NOMINATION COMMITTEE**

At the Annual General Meeting, Gustaf Douglas (chairman), Jan Svensson and Björn Karlsson were appointed to the Nomination Committee. The Committee has been enlarged to include Göran Espelund, Lannebo Fonder.

#### **PROSPECTS FOR 2009**

In recent years, the Group has experienced a strong sales and earnings trend due to good organic growth but also as the result of a series of acquisitions. This strategy remains in effect and the Group will stay to the course of continued investments and increased internationalisation.

The instability in the financial markets makes it difficult to obtain a clear picture of the state of the market. Fagerhult's operations are situated late in the financial cycle, meaning that market conditions are relatively favourable over the short term

Habo, 5 February 2009

AB Fagerhult (publ)

Per Borgvall

Group CEO and Managing Director

The report has not been the subject of individual review by the Company's auditor.

The Annual General Meeting will take place on Wednesday 22 April 2009 at Fagerhult, Habo. The Annual Report will be distributed during the week of 23-29 March. The interim reports will be presented on 22 April 2009, 14 August 2009 and 26 October 2009.

Disclosures can be provided by Per Borgvall, Managing Director or Ulf Karlsson, Group CFO, telephone 036-10 85 00.

#### **AB Fagerhult (publ)**

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## THE GROUP

INCOME STATEMENT, GROUP	2008	2007	2008	2007
	Oct-Dec 3 months	Oct-Dec 3 months	Jan-Dec 12 months	Jan-Dec 12 months
Net sales	643.9	674.6	2 770.1	2 527.4
(of which outside Sweden)	(453.2)	(432.0)	(1 918.6)	(1 651.5)
Cost of goods sold	-414.5	-440.8	-1834.9	-1 705.0
<b>Gross profit</b>	<b>229.4</b>	<b>233.8</b>	<b>935.2</b>	<b>822.4</b>
Selling expenses	-144.9	-128.7	-507.7	-451.2
Administrative expenses	-52.1	-52.6	-170.5	-186.9
Other operating income	4.7	1.5	15.4	13.3
<b>Operating profit</b>	<b>37.1</b>	<b>54.0</b>	<b>272.4</b>	<b>197.6</b>
Income from shares in subsidiaries	0.8	-	0.8	9.7
Financial items	2.6	-4.6	-13.4	-17.3
<b>Profit after financial items</b>	<b>39.7</b>	<b>49.4</b>	<b>259.8</b>	<b>190.0</b>
Tax	-11.8	-19.4	-75.7	-55.0
<b>Net profit</b>	<b>27.9</b>	<b>30.0</b>	<b>184.1</b>	<b>135.0</b>
Earnings per share before dilution, SEK	2.22	2.37	14.62	10.69
Earnings per share after dilution, SEK	2.17	2.33	14.33	10.51
Average no. of outstanding shares before dilution	12 595	12 635	12 596	12 629
Average no. of outstanding shares after dilution	12 850	12 850	12 850	12 850
No. of outstanding shares, thousands	12 612	12 583	12 612	12 583

BALANCE SHEET, GROUP	31 Dec 2008	31 Dec 2007
	Intangible fixed assets	430.0
Tangible fixed assets	288.9	279.1
Financial fixed assets	24.7	19.7
Inventories, etc.	352.6	378.9
Accounts receivable - trade	390.7	409.1
Other non interest-bearing current assets	33.1	36.4
Cash and bank balances	200.3	131.9
<b>Total assets</b>	<b>1 720.3</b>	<b>1 714.1</b>
Equity	706.0	601.5
Long-term interest-bearing liabilities	471.8	498.9
Long-term non interest-bearing liabilities	57.6	65.8
Short-term interest-bearing liabilities	50.0	57.1
Short-term non interest-bearing liabilities	434.9	490.8
<b>Total equity and liabilities</b>	<b>1 720.3</b>	<b>1 714.1</b>

<b>CASH FLOW STATEMENT, GROUP</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
	<b>3 months</b>	<b>3 months</b>	<b>12 months</b>	<b>12 months</b>
<b>Operating profit</b>	<b>37.1</b>	<b>54.0</b>	<b>272.4</b>	<b>197.6</b>
Adjustment for items not included in the cash flow	28.6	17.9	75.7	64.5
Financial items	-4.0	-4.5	-20.6	-16.9
Paid tax	-18.8	-17.0	-71.2	-37.5
<b>Cash flow generated by operations</b>	<b>42.9</b>	<b>50.4</b>	<b>256.3</b>	<b>207.7</b>
Changes in working capital	51.3	48.7	-39.4	-46.6
<b>Cash flow from continuing operations</b>	<b>94.2</b>	<b>99.1</b>	<b>216.9</b>	<b>161.1</b>
Cash flow from investing activities	-30.0	-25.8	-16.9	-177.4
Cash flow from financing activities	-27.9	-43.4	-133.2	55.3
<b>Cash flow for the period</b>	<b>36.3</b>	<b>29.9</b>	<b>66.8</b>	<b>39.1</b>
Cash and bank balances at the beginning of the period	162.0	101.7	131.9	92.3
Translation differences in liquid funds	2.0	0.3	1.6	0.5
<b>Cash and bank balances at the end of the period</b>	<b>200.3</b>	<b>131.9</b>	<b>200.3</b>	<b>131.9</b>

<b>KEY RATIOS AND DATA PER SHARE, GROUP</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>
	<b>3 months</b>	<b>3 months</b>	<b>12 months</b>	<b>12 months</b>
Sales growth, %	-4.6	13.1	9.6	16.9
Growth in operating income, %	-31.3	243.9	37.9	108.2
Growth in profit after taxes net financial income, %	-19.6	238.4	36.7	129.7
Operating margin, %	5.8	8.0	9.8	7.8
Profit margin, %	6.2	7.3	9.4	7.5
Liquid ratio, %			41	26
Debt/equity ratio			0.7	0.9
Equity/assets ratio, %			41	35
Capital employed, MSEK			1228	1158
Return on capital employed, %			25.7	20.5
Return on equity, %			28.2	23.8
Net liability, MSEK			322	424
Gross investments in fixed assets, MSEK	17.6	6.4	104.0	87.6
Net investments in fixed assets, MSEK	17.6	6.3	104.0	85.2
Depreciation of fixed assets, MSEK	13.8	13.6	62.8	61.7
Number of employees			1 978	1 897
Equity per share, SEK			55.98	47.80
No. of outstanding shares, thousands			12 612	12 583

<b>EQUITY, GROUP</b>	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
<b>Equity at the beginning of the period</b>	<b>601.5</b>	<b>534.6</b>
Change of translation reserve	-18.6	-9.5
Result from sold shares and share options and change in own shareholding	-4.4	-11.1
Dividend to shareholders	-56.6	-47.5
Profit for the period	184.1	135.0
<b>Equity at the end of the period</b>	<b>706.0</b>	<b>601.5</b>

**PARENT COMPANY**

<b>INCOME STATEMENT, PARENT COMPANY</b>	<b>2008 Oct-Dec 3 months</b>	<b>2007 Oct-Dec 3 months</b>	<b>2008 Jan-Dec 12 months</b>	<b>2007 Jan-Dec 12 months</b>
Net sales	4.8	4.8	4.8	19.2
Selling expenses	-0.4	-0.8	-1.5	-3.3
Administrative expenses	-7.3	-6.5	-23.4	-20.9
<b>Operating profit</b>	<b>-2.9</b>	<b>-2.5</b>	<b>-20.1</b>	<b>-5.0</b>
Income from shares in subsidiaries	169.0	77.0	182.1	77.0
Financial items	-0.6	-5.1	-18.4	-18.5
<b>Profit after financial items</b>	<b>165.5</b>	<b>69.4</b>	<b>143.6</b>	<b>53.5</b>
Changes in tax allocation reserve	-19.6	17.5	-19.6	17.5
Tax	-32.0	-20.4	-32.0	-20.4
<b>Net profit</b>	<b>113.9</b>	<b>66.5</b>	<b>92.0</b>	<b>50.6</b>

<b>BALANCE SHEET, PARENT COMPANY</b>	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
Financial fixed assets	915.5	903.5
Other non interest-bearing current assets	0.2	0.3
Cash and bank balances	10.6	1.3
<b>Total assets</b>	<b>926.3</b>	<b>905.1</b>
Equity	364.5	333.5
Untaxed reserves	56.5	36.9
Long-term interest-bearing liabilities	431.0	465.0
Short-term interest-bearing liabilities	50.0	57.1
Short-term non interest-bearing liabilities	24.3	12.6
<b>Total equity and liabilities</b>	<b>926.3</b>	<b>905.1</b>