Lammhults Design Group.

ANNUAL REPORT 2012

LAMMHULTS DESIGN GROUP IN BRIEF

Net sales for remaining businesses:	SEK 627.4 million	(651.1)
Operating profit for remaining businesses:	SEK 3.8 million	(15.6)
Operating margin for remaining businesses:	0.6%	(2.4)
Net sales for whole Group:	SEK 713.9 million	(753.8)
Operating profit for whole Group:	SEK 9.6 million	(18.5)
Operating margin for whole Group:	1.3%	(2.5)
Return on capital employed:	2.1%	(3.5)
Equity/assets ratio:	64.9%	(52.2)
Debt/equity ratio:	0.20	(0.51)
Dividend payout ratio:	81%	(69)
Average number of employees:	376	(400)

THIS ANNUAL REPORT IS ALSO AVAILABLE IN SWEDISH

OFFICE & HOME INTERIORS

WHAT THE BUSINESS AREA DOES AND HOW IT IS ORGANISED:

Office & Home Interiors develops and markets products for interiors in public and domestic settings. The Lammhults brand covers visually strong, timeless furniture with a high design value, while the Abstracta and Borks brands encompass products for visual communication and screening. The Voice brand is primarily associated with innovative storage solutions for home environments, while the Ire brand is associated with upholstered furniture offering timeless design, clean lines and sustainable quality for the home. The Voice and Ire ranges are being developed to also incorporate public spaces. Following restructuring in 2012, the business area's operations are predominantly run by the companies Lammhults Möbel AB in Lammhult, Ire Möbel AB in Tibro, and Abstracta AB in Lammhult plus subsidiaries.

CUSTOMERS:

In public environments the business area works with architects and designers who recommend products to their clients. Dealers constitute an important part of the sales process towards end customers, who are usually companies and organisations. In home environments, customers are private individuals and sales are mainly through furniture stores.

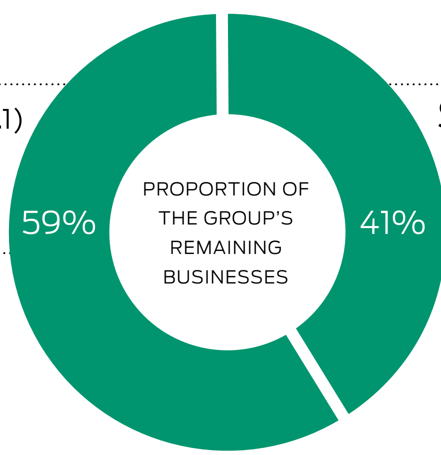
PUBLIC INTERIORS

WHAT THE BUSINESS AREA DOES AND HOW IT IS ORGANISED:

Public Interiors develops, markets and sells attractive and functional interiors and product solutions for public use. The business area has previously primarily been focused on libraries. In late 2011 the decision was made to broaden the business area's operations. Alongside libraries, expanded sales initiatives are focussed on the education, health and care sectors. The business area is partly dedicated to selling total interior systems on a project basis and partly to after market sales of furniture and consumables. The business area comprises the companies Lammhults Biblioteksdesign AB (Sweden), Lammhults Biblioteksdesign A/S (Denmark) and Schulz Speyer Bibliothekstechnik AG (Germany) and subsidiaries.

CUSTOMERS:

Public Interiors works in close cooperation with architects and interior designers who design and propose interiors for their customers. Public Interiors' end customers are mainly players whose operations are publically funded, e.g. local government.



Office & Home Interiors

NET PROFIT:

Net sales

SEK 372.0 million (393.1)

Operating profit

SEK 5.6 million (24.6)

LARGEST MARKETS:

Sweden, Denmark, Norway, the UK and Germany.

BRANDS:

LAMMHULTS abstracta BORKS voice ire

Public Interiors

NET PROFIT:

Net sales

SEK 257.5 million (260.7)

Operating profit

SEK 16.6 million (7.1)

LARGEST MARKETS:

Germany, France, Sweden, Norway and Denmark.

BRANDS:

BCI Eurobib direct SCHULZ SPEYER

Lammhults Design Group creates positive experiences through modern interiors for a global audience. Consumer insight, innovation, Design Management and strong brands are the cornerstone of our business. We develop products in partnership with some of the foremost designers in the market.

LAMMHULTS DESIGN GROUP
IS LISTED ON NASDAQ OMX STOCKHOLM.

	Q1	Q2	Q3	Q4
REMAINING BUSINESSES				
Net sales	SEK 161.9 m. (157.4)	SEK 152.3 m. (154.7)	SEK 143.9 m. (161.9)	SEK 169.3 m. (177.0)
Operating profit	SEK –3.1 m. (–2.5)	SEK –1.7 m. (0.8)	SEK 7.0 m. (9.1)	SEK 1.5 m. (8.1)
WHOLE GROUP				
Net sales	SEK 196.0 m. (192.1)	SEK 177.0 m. (172.6)	SEK 171.6 m. (187.0)	SEK 169.3 m. (202.0)
Operating profit	SEK 3.6 m. (2.5)	SEK –2.2 m. (–2.4)	SEK 9.6 m. (10.7)	SEK –1.4 m. (7.7)

COMMENTS

Q1

The Group increased its net sales, operating profit and cash flows from operating activities, compared with the preceding year.

Buoyant order bookings and profitability for Scandinavian Eyewear.

Higher net sales and improved profitability for Public Interiors, as a result of a delivery of a project to Darmstadt, Germany, valued at approximately SEK 10 million.

Q2

Borks' former production facility in Denmark was relocated and merged with that of Abstracta.

Improved profits for Public Interiors and Scandinavian Eyewear but weaker in Office & Home Interiors.

Lars Bülow took over as new CEO at Lammhults Möbel AB.

Q3

Voice's property just outside Jönköping was sold to reduce and release tied-up capital. The sale had a positive impact of approximately SEK 44 million on liquidity in the Group. A capital gain of around SEK 4 million was recorded. The net effect on profits after the cost of harmonising and streamlining the Abstracta, Borks and Voice product ranges was marginal.

Lammhults Möbel secured an order valued at approximately SEK 15 million from WTO (the World Trade Organization) in Switzerland. The order was for interiors for WTO's new headquarters in Geneva.

The operations of a subsidiary in Spain in Public Interiors was closed down.

Q4

All shares in Scandinavian Eyewear AB were sold to Marchon Europe of the Netherlands, part of VSP Global of the USA. The purchase consideration for the shares was approximately SEK 58 million, leading to a capital loss of approximately SEK 3 million. The positive effect of the sale on the Group's cash and cash equivalents was approximately SEK 37 million.

Voice's former production facility was relocated and merged with that of Abstracta in Lammhult. During the year, the production facilities of Abstracta, Borks and Voice were merged, creating a larger and more efficient production unit at Lammhult.

Non-recurring impairment losses in inventories at Office & Home Interiors totalling approximately SEK 4 million were charged to operating profit for the quarter. In addition, the Group's operating profit was charged with non-recurring and restructuring costs of around SEK 12 million during the year.

Lammhults Design Group.

2012 – PUTTING STRATEGY INTO PRACTICE

FROM WORDS TO ACTION

A WORD FROM THE PRESIDENT

ANDERS ROTHSTEIN, PRESIDENT AND CEO

Streamlining. Focus. Improved efficiency. In 2012 the Group-wide strategy that we drew up in 2011 and presented in October the same year entered its next phase – Putting strategy into practice. 2012 was a year of action within the Group while the world around us was characterised by economic uncertainty. Nevertheless, we are looking forward to 2013 with a certain amount of confidence.

IN THE PAST TWO YEARS, 2011 AND 2012, WE HAVE RESTRUCTURED AND CONSISTENTLY WORKED TO PUT LAMMHULTS DESIGN GROUP ON A FIRM, LONG-TERM FOOTING. THIS IS A STRATEGIC ENDEAVOUR IN THREE STAGES WITH A CLEAR AREA OF FOCUS FOR EACH YEAR.

2011

STREAMLINING, FOCUS AND IMPROVED EFFICIENCY

Planning and developing long-term structural measures.

2012

PUTTING THE STRATEGY INTO PRACTICE

Implementing and putting the strategic measures in place.

2013

IMPLEMENTING AND REAPING THE REWARDS

The first half of the year will see the restructuring measures continuing to be put in place before we increasingly move into a phase in which we will start to reap the benefits. This will involve ensuring that the restructuring measures have paid off in the improvements in results envisaged and a greater focus on sales and marketing activities.

MACROECONOMIC IMPACT WITH CHALLENGES AND OPPORTUNITIES

A Group with strong exports and an international reputation naturally cannot remain isolated from the ups and downs of the global economy. The European debt crisis and widespread economic uncertainty throughout much of the world has had a knock-on effect on our business.

We can state that 2012 was challenging in many ways. Our businesses in Spain and Italy have undergone a particularly tough time. On the other hand, we have gained market share in Belgium and France. It is predicted that the European financial situation will remain unstable with clouds on the horizon, yet with some glimmers of light at the end of the tunnel.

Our successful trajectory in the Swedish market has been maintained throughout 2012. For 2013, however, a slowdown is forecast in Sweden too. Media reports in particular predict a general fall in demand in our important domestic market. This means we cannot count on underlying market growth. Instead all the companies in the Group are rolling up their sleeves and focussing on continued improvements day to day. We also calculate that the restructuring measures and efficiency improvements we put in place in 2012 will start to pay off in 2013.

Putting the strategy into practice this year has involved intense work and a number of measures to safeguard future profitability.

One important measure running through much of the year is integrating the operations of Borks and Voice with Abstracta. This is a process which will create major structural and cost benefits in administration, sales and marketing, and in production and product development too.

In the Public Interiors business area we have extended our range to cover the education sector through Eurobib Direct. The range is in place and active work began on sales in late 2012/early 2013.

We have worked consistently and with focus, an initiative which has also had an impact on profits for the year, with restructuring and one-off costs coming in at a total SEK 16 million. From a strategic point of view, this is a necessary investment which will place us on considerably more solid ground for 2013. A few more restructuring measures now remain to be put into practice before 2013 becomes the year in which Lammhults Design Group starts to reap the rewards of its three-year strategy.

The Group as a whole is engaged in a process to boost sales. This goes by the title Sales 3.0, and means a shift “from being the recommended option to being the obvious choice”.

> The Group is engaged in a process of change, a key component of which is increased work on sales. This work goes by the name Sales 3.0 and means a shift from being the recommended option to being the obvious choice.
>
> Anders Rothstein

KEY EVENTS IN PUTTING THE STRATEGY INTO PRACTICE.

2012

Here we set out just some of the measures and changes put in place during the year.

JANUARY

Lars Bülow joined Lammhults Design Group in a move that saw the Group gaining unique experience and expertise in design and brands.

After four years' collaboration, Lammhults and Abstracta were ready to move on and become stronger standing on their own feet. The split enabled Abstracta to join forces with Borks and Voice, so achieving major structural and cost synergies.

FEBRUARY

Negotiations commenced to shut down the Borks factory in Kolding, Denmark. This is the first step towards integrating Abstracta and Borks.

The process of selling Scandinavian Eyewear began.

After two years of falling volumes caused by the Southern European debt crisis and awareness of problems in the Spanish market, a controlled closure of Public Interiors' Spanish subsidiary was carried out.

MARCH

Borks was integrated with Abstracta. On the marketing side a joint range and a joint sales team were created in the respective markets. On the manufacturing side, production moved from Kolding in Denmark to low-cost producers in Europe and to Abstracta. Integration opens up opportunities for savings and synergies.

During the year we also continued to strengthen our entire offering, working actively on purchasing and development. We have a focus on product development that lives up to our end users' increasingly tougher demands in terms of design, function and sustainability.

WORK ON SUSTAINABILITY CONTINUES AND IS GAINING A HIGHER PROFILE IN OUR ANNUAL REPORT.

The Global Reporting Initiative (GRI) sets out international guidelines for reporting companies' work on sustainability issues. In last year's annual report we were able for the first time to report the Group's long-term sustainability and social responsibility in line with GRI.

This is the second year that we are reporting our work on sustainable development but that does not mean that this is a new area for us. This is work that has been underway in the Group for many years.

KEY FIGURES FOR 2012

For the remaining businesses, net sales totalled SEK 627.4 million (651.1) in 2012, with an operating profit of SEK 3.8 million (15.6). Had the exchange rate remained unchanged compared with the previous year, net sales would have amounted to SEK 638 million and operating profit to SEK 4.4 million.

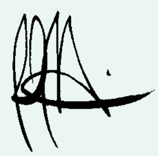
The Group's financial position has been further strengthened during the year by the sales of Voice's property and Scandinavian Eyewear. The equity/assets ratio was 64.9% (52.2), and the debt/equity ratio was 0.20 (0.51). In these turbulent and in many ways uncertain times, a strong balance sheet is reassuring while simultaneously leaving us well placed to invest in profitable growth in priority areas and markets.

A LONG-TERM INITIATIVE THAT WILL START TO BEAR FRUIT IN 2013

Lammhults Design Group has acted pre-emptively and put energy and effort into building a strong foundation for the years ahead. 2013 is the year in which the structural changes will gradually start to bear fruit. This does not mean we can now take our eye off the ball. On the contrary, we are prepared to face new challenges and are naturally keeping a weather eye on changes in the market. We are particularly monitoring the continued uncertainty in many areas that affect us.

2013 will also see us focussing on realising a number of growth-based action plans.

To conclude, I would like to thank all our employees for their hard work in what has been a tough year in many ways as we put the strategy into practice in 2012. I look forward to a year in which the measures we have jointly put in place will gradually produce even better results for our shareholders.



Anders Rothstein
President and CEO
Lammhults Design Group

APRIL

Negotiations began on moving Voice's production to Abstracta. At the same time, the Group decided to free up capital and realise a calculated surplus by selling Voice's property.

Lars Bülow took up the post of CEO of Lammhults Möbel AB.

MAY

The process of integrating Voice operations with Abstracta began.

A move to extend our offering for the education sector began in the Public Interiors business area through Eurobib Direct.

SEPTEMBER

The sale of the Voice factory property was concluded, producing a capital gain of approximately SEK 4 million. The gain is allocated against the costs of harmonising and streamlining the Abstracta, Borks and Voice product ranges. The sale had a positive impact on liquidity amounting to some SEK 44 million for the Group.

OCTOBER

Scandinavian Eyewear was sold to Marchon Europe, part of VSP Global, streamlining operations within the Group. In the first three quarters of 2012 Scandinavian Eyewear showed strong profitability and had also built up a record order portfolio. Marchon is thus well-placed for taking the company further. The sale means a capital loss of approximately SEK 3 million but primarily produces a positive effect on the Group's cash and cash equivalents of approximately SEK 37 million.

OUR STRATEGIC STRENGTHS:

ROBUST FINANCES

During the year, the Group sold Voice's property and the Scandinavian Eyewear business area, generating a cash flow of just over SEK 80 million, reducing and releasing tied-up capital. These divestments, combined with a cash flow of SEK 25 million from operating activities, enabled the Group to reduce its interest-bearing liabilities by around SEK 115 million during 2012 to approximately SEK 72 million on 31 December 2012.

The Group has ambitions for growth. In order to be able to carry through acquisitions at the right time, it is important to maintain robust finances. Lammhults Design Group operates from a strong financial base, which allows us to implement our growth strategy in the Office & Home Interiors business area, both organically and via complementary acquisitions. At the turn of the year 2012/2013, the equity/assets ratio was 64.9% (52.2), and the debt/equity ratio was just 0.20 (0.51). Our financial position therefore continues to allow scope for acquisitions without departing from the Group's financial goals for equity/assets ratio (no less than 35%) and debt/equity ratio (within the range of 0.7–1.0).

STRONG BRANDS

Four years ago, a decision was taken to introduce a brand-led strategy in order that the Group should move from a holding company type of structure to a more integrated industry-oriented group focusing on interiors. With clearer, more consistent branding, we can achieve sustainable, profitable growth, thereby increasing shareholder value.

CLU
Ire. Design Carl Öjerstam. Launch Stockholm Furniture Fair 2013.

In recent years, the brand strategy has been refined to maximise impact from the work on branding in the Group. Lammhults Design Group has adopted its own graphical identity, which has created clarity externally, among our customers, and in-house. As a result, our own already strong and well-established brands in interiors – Lammhults, Abstracta, Borks, Voice, Ire, BCI, Eurobib Direct and Schulz Speyer – can retain their individual characteristics, while at the same time benefiting from an endorsement process that tags them "Part of Lammhults Design Group". This set-up gives us opportunities to work with our brands, both individually and in a collection-inspired way to meet the requirements of individual customers. It also enables us to exploit synergies in purchasing, production, marketing and sales.

The brand strategy places the customer at the centre. Insight into customer needs today and in the future is vital if we are to be able to develop good products and solutions, which are also essential if our business is to succeed. Consistent and credible branding is another important tool by which the Group's future gross margins can be improved.

EXPORT POTENTIAL

Lammhults Design Group has its roots in Sweden but is an international Group. Around 64 percent of our revenues come from markets other than Sweden. The Group's companies have long experience of offering our customers modern interiors with Scandinavian design and world-class quality.

In late 2011, it was decided that the Group would streamline its offering and focus on profitable growth in furniture and interiors. Marketing was targeted geographically on Northern Europe and in the long-term also on certain areas in the BRIC countries. The Group's largest export markets are currently Denmark, Norway, Germany, France and the UK and we see greater potential in developing sales in these markets than in building up sales in new markets outside Northern Europe. In Office & Home Interiors, the ambition is also to carry out acquisitions with the aim of further strengthening Lammhults Design Group's position within its defined geographical focus.

RIO
Lammhults. Design Gunilla Allard. Launch Stockholm Furniture Fair 2013.

SYNERGY OPPORTUNITIES

The Group previously consisted of four business areas. In late 2011 the decision was made to gather expertise and resources in two clear business areas, Office & Home Interiors and Public Interiors, to improve future profitability. Bringing together the Group's know-how in design management and innovation, and structuring operations in two business areas created cost synergies. Increasingly closer collaboration will be seen in the Group's supply chain functions to improve product supply efficiency and identify Group-wide synergies.

No.216 SIDEBOARD
Voice. Design Jesper Ståhl. Launch Stockholm Furniture Fair 2013.

Following the decision, the former business areas Lammhults Office and Lammhults Home were coordinated in Office & Home Interiors. In 2012 the operations of Borks and Voice were integrated with those of Abstracta. The production units in Kolding and Jönköping have moved and been coordinated with Abstracta's production in Lammhult. Purchasing, administration, product development and marketing have been integrated to exploit synergies between the businesses. This restructuring has affected the Group's results for the year but has primarily brought about reductions in costs for the future. The Voice and Ire ranges in the former business area Lammhults Home will be developed to also encompass public spaces.

The former business area Lammhults Library has gradually been expanded by extended sales initiatives, alongside libraries, being focussed on players in the education sector and in the long term also the health and care sectors. Consequently, the business area has been renamed Public Interiors.

As part of the streamlining programme, it was decided that the business area Scandinavian Eyewear would be divested in the long term. On 3 October 2012 all the shares in Scandinavian Eyewear were sold to Marchon Europe, the Netherlands, part of the US company VSP Global. The purchase consideration was approximately SEK 58 million.

GOALS AND GOAL FULFILMENT

LAMMHULTS DESIGN GROUP'S FINANCIAL GOALS
OVER A BUSINESS CYCLE ARE:

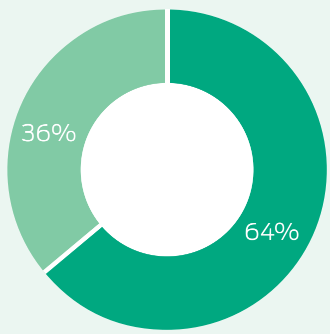
Average annual growth of at least 10%	-3.6% for remaining businesses
An average annual operating margin of at least 8%	0.6% for remaining businesses
An annual return on capital employed of at least 15%	2.1%
Equity/assets ratio of at least 35%	64.9%
A debt/equity ratio in the range 0.7–1.0	0.20
A dividend payout ratio of approximately 40% of profits after tax, taking into account the Group's long-term capital requirements	81%

The Scandinavian Eyewear business area was sold on 3 October 2012. The comments in the following therefore refer in all cases to remaining businesses, that is, operations excluding Scandinavian Eyewear.

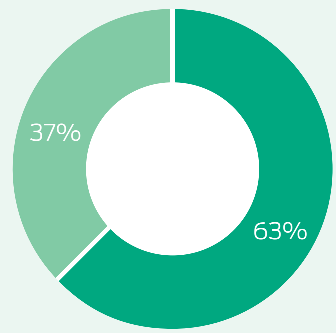
The general uncertainty in large areas of the world around us continued to affect business in 2012. Restraint in public sector investments in a number of European markets adversely affected sales by Public Interiors, where sales fell by 1%. Weak demand in the premium segments of the furniture market for home interiors in Sweden affected sales for the Voice and Ire brands in Office & Home Interiors. Sales of the two brands declined by some 20%, while sales of the Lammhults and Abstracta/Borks products that are aimed at public sector buyers remained at last year's level. Strengthening of the Swedish krona had a negative impact of approximately SEK 11 million on the Group's net sales.
The Group's gross margin declined from 36.2% to 35.1%, mainly because of costs involved in harmonising and streamlining the product ranges in Abstracta, Borks and Voice, as well as non-recurring impairment losses of SEK 4 million in the inventories of Office & Home Interiors and because production overheads were distributed over lower sales volumes in Office & Home Interiors. In addition, tough competition prevailed in many markets, which affected selling prices. Total overheads were approximately SEK 1 million higher than in the preceding year. In all, the Group's operating profit was charged with non-recurring and restructuring costs of around SEK 16 million during the year. In addition to the above-mentioned impairment losses on inventories, these costs consisted of approximately SEK 9 million for integration of the businesses of Borks and Voice with that of Abstracta, plus costs of approximately SEK 3 million at Public Interiors for the closure of subsidiaries in Spain and Austria and integration of the sales companies in the Netherlands and Belgium. As a result of these streamlining and productivity measures, cost reductions of around SEK 9 million have been implemented for 2013. The operating margin for the year worked out at 0.6% (2.4).

Sale of Voice's property and the Scandinavian Eyewear business area in the second half of 2012 generated a cash flow of just over SEK 80 million, reducing and releasing tied-up capital. This resulted in further consolidation of the Group's financial position. On 31 December 2012, the Group's equity/assets ratio was 64.9% (52.2) and its debt/equity ratio 0.20 (0.51). Our financial position therefore continues to allow scope for acquisitions without departing from the Group's goals for equity/assets ratio and debt/equity ratio. In view of this strong financial position, the Board recommended that the AGM approve dividend of SEK 0.50 (0.50) per share, corresponding to a dividend payout ratio of 81% (69).

WHERE OUR REVENUES COME FROM
FOR REMAINING BUSINESSES



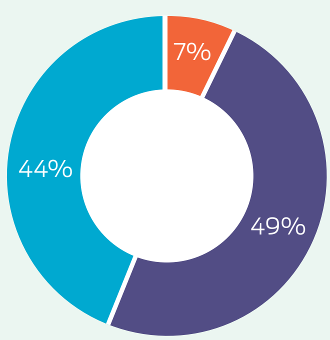
WHERE OUR REVENUES COME FROM
FOR THE WHOLE GROUP



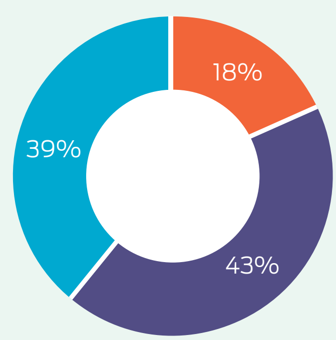
SWEDEN

EXPORT MARKETS

DISTRIBUTION OF REVENUES
FOR REMAINING BUSINESSES



DISTRIBUTION OF REVENUES
FOR THE WHOLE GROUP



PRIVATE CONSUMPTION

BUSINESS SECTOR CONSUMPTION

PUBLIC SECTOR CONSUMPTION

"Remaining businesses" are exclusive of Scandinavian Eyewear. "Whole Group" is inclusive of Scandinavian Eyewear through Q1–Q3 2012.

Say the name Lammhults and you conjure up the image of classic furniture and design icons – wherever in the world you may be. The story began with Lammhults Mekaniska Verkstad in 1945. In the 1960s the company started to make a name for itself for innovative product development and ground-breaking design partnerships. The journey from the Swedish soil of Småland and its local traditions to today's international design Group had begun.

THE DESIGN GROUP TAKES SHAPE

BACK TO OUR ROOTS

Lammhults Möbel AB subsequently became part of Rörviks-gruppen and later of R-vik Industrigrupp, after it was hived off in 1997. Two years later the group changed its name to Expanda following an acquisition. A decade later, in 2008, the group changed its name to Lammhults Design Group, a change that made it evident where its roots lay and was a signal for the future.

STREAMLINING UNDERWAY

Incorporating design in the name of the group made its focus clear. The strategy that began in 2011 and is still underway seeks to streamline operations to focus on the design of furniture and interiors. The new companies that have been acquired all have clear links with interior design while companies that lack such a link have been hived off. 2012 saw the Group taking a further step into the interior design market of the future in moving from four business areas to two.

In its new structure Lammhults Design Group has one element, Office & Home Interiors, which is primarily geared towards commercial customers and public spaces, but also includes a range for private homes. The second element, Public Interiors, focuses on public spaces such as libraries, education and the health and care sectors.

The companies in the Group continue to forge exciting design partnerships, launch high-profile new products and receive awards for their design. Design is part of the company culture and Design Management a way of running the business. This is the future for the design Group.

Lammhults Design Group.

BUSINESS AREA

OFFICE & HOME INTERIORS

SUBSIDIARIES

Lammhults Möbel AB
Abstracta AB
Ire Möbel AB

BRANDS

LAMMHULTS
abstracta
voice
BORKS
ire

BUSINESS AREA

PUBLIC INTERIORS

SUBSIDIARIES

Lammhults Biblioteksdesign AB
(formerly Eurobib AB)
Lammhults Biblioteksdesign A/S
(formerly BCI A/S)
Schulz Speyer Bibliothekstechnik AG

BRANDS

BCI
Eurobib direct
SCHULZ SPEYER

SOME OF THE GROUP'S PRODUCTS LAUNCHED IN 2012

Lammhults
Gunilla Allard's new range of chairs Comet Sports and the modular sofa Addit by Anya Sebton were launched at Orgatec in Cologne and the Stockholm Furniture Fair.

The classic S70 from 1968, by Börge Lindau and Bo Lindekrantz, was relaunched. A long-awaited return.

A NUMBER OF HIGH-PROFILE PRODUCTS DELIVERED BY THE GROUP'S COMPANIES IN 2012

WTO (World Trade Organization), Switzerland. All the interiors for the new head office in Geneva.
A prestigious project which resounded through the industry, bringing in a large amount of goodwill for Lammhults. Value approximately SEK 15 million.

Abstracta delivered a large number of its Provision whiteboards to Ericsson. Value SEK 2.5 million.

Friends Arena, Solna. Lammhults delivered the products Quickly, Area, Comet and Cooper to a value of SEK 4.5 million.

Lammhults Biblioteksdesign delivered shelving systems and display products to Vallentuna Library to a value of SEK 2.4 million.

OTHER EVENTS

"One Company Thinking", a concept that was developed during the year to exploit the combined product and experience of BCI and Schulz Speyer.

During the year Ire gained a 100% female senior management team. This is unique in the industry and rare in the world of business as a whole.

Lammhults Möbel's management system was already certified under ISO 9001 and ISO 14001.
It has now also gained certification under the health and safety standard OHSAS 18001.

Abstracta
Several acoustic furniture products, such as Loop and Bits Wall by Anya Sebton, and Aircone and Airwave by Stefan Borselius.

Meet – mobile seating that encourages spontaneous meetings. It also works as a wastepaper basket.

Ire
Altero, a sofa with great scope for personalisation, designed by Carl-Henrik Spak.

The industrial Group Sandvik moved its head office to the World Trade Center in Stockholm. Abstracta fitted its interiors with products from all its sectors: acoustics, meetings and workstations.

Schulz Speyer delivered a library project for Darmstadt, Germany, amounting to approximately SEK 10 million.

Abstracta delivered coloured glass boards and the Frost partition to Vattenfall. Value SEK 1.8 million.

BCI, Abstracta and Eurobib delivered products for the Craig Millar Library in Edinburgh, Scotland. Value approximately SEK 2.5 million.

The year saw Public Interiors strengthening its distribution chain in the important markets of Kuwait and Saudi Arabia.

The offices of law firm Vinge in Gothenburg were named Best Looking Office in Sweden in 2012. Abstracta delivered interior design products for its conference rooms.

The Campus chair celebrated its 25th anniversary with an architect event at the Danish embassy in Stockholm. The designers behind Campus – Johannes Foersom and Peter Hiort-Lorenzen – gave a talk with one of Lammhults' former CEOs Ragne Bogholt.

The leading bookshelf system 60/30 Classic steel from BCI was approved for Nordic Ecolabelling.

For Lammhults Design Group design is more than just part of our name. It is a fundamental part of our strategy, deeply ingrained in our business model and a guiding principle that steers the work of the Group and its component companies.

DESIGN AS AN INVESTMENT

Design is always on one side of the equation when we are seeking acquisitions and it weighs heavily throughout the value chain, from concept to sales. On the following pages, we present the Group's view of Design Management and show how our companies have made design a recipe for success in terms of aesthetics, finances and sustainability.

Vilnius University Library. Lammhults. Archal. Design Johannes Foersom & Peter Hiort-Lorenzen.

Design Management is a management tool and a process-oriented method. Fundamentally, it is about coordinating the creative flows in the companies and turning them into business benefits.

Lars Bülow

DESIGN MANAGEMENT IN DETAIL

The Group has an exciting history in which Design Management has played a major role although it has not always gone by that name. Since last year Brand & Design Director Lars Bülow has been actively working with the Group's other managers and designers to take the Group's way of working to the next level.

Lars Bülow has many years of experience in combining entrepreneurship and design. He is responsible for the business area Office & Home Interiors and is CEO of Lammhults Möbel. His expertise and commitment will now benefit the entire Group.

THE DEFINITION OF DESIGN MANAGEMENT

Design is the cornerstone on which the work of the entire Lammhults Design Group rests. Lars Bülow is keen to highlight the fact that design is a way of working that goes beneath the surface, affecting every decision made and activity carried out. From product development to human resources. From the architecture of the buildings to the design of the coffee cups in the cafeteria.

S-WOOD
Ire. Design Emma Olbers. Launch Stockholm Furniture Fair 2013.

Design Management is a management tool and a process-oriented method, as Lars Bülow puts it. Fundamentally, it is about coordinating the creative flows in the companies and turning them into business benefits. It is about always asking what a decision or an action means for the design philosophy. The result is reflective corporate management that sees the bigger picture and acts consistently.

IN THE GROUP'S DNA

The Group's strong design identity goes back a long way. Lammhults Möbel itself truly stands out in the Swedish furniture industry. A company that has worked intuitively on design since its inception, this way of thinking is deeply embedded, and now inspires the other companies in the Group.

This tradition has now been reinvigorated in the streamlining of interiors and design of recent years. Lammhults, Abstracta, Voice, BCI, Schulz Speyer, Eurobib – all have integrated Lammhults Design Group's approach to Design Management as the successful method of building sustainable profitability. It is time to write a new chapter in the Group's design history.

In a hugely competitive market, design is a crucial advantage. It gives the company a strong identity. Each product has a clear designer, a copyright holder providing protection against piracy. The design philosophy lends personality and authenticity to our marketing and helps to reach the right target groups.

A MANAGEMENT PHILOSOPHY THAT CREATES VALUE

FOR CUSTOMERS

Clarity and a long-term approach are important characteristics for professional furniture buyers. Target-oriented work on design makes Lammhults Design Group's companies strong partners for our customers. They also gain access to a range that will stand the test of time in terms of quality and design.

FOR INVESTORS

A consistently implemented design strategy builds long-term profitability and offers an investment with steady growth.

FOR EMPLOYEES

The symbolic value and the design of the workplace environment are important for the atmosphere and sense of community in the workplace. Employees seeing that the company invests in quality and is acclaimed for its products boosts job satisfaction and pride.

In other words, Design Management is a way of working that creates value at all levels.

TRE
Voice. Design Nina Jobs. Launch Stockholm Furniture Fair 2013.

Vilnius University Library. Lammhults. Archal. Design Johannes Foersom & Peter Hiort-Lorenzen.

A STUDY IN ALUMINIUM

The effects of Design Management are most clearly seen when it is part of the entire process from initial concept to finished product. Products for today, the Archal chair range from Lammhults Möbel is a trailblazer that will leave its mark for many years to come.

The product development work took three years and challenged Lammhults' combined expertise in design, technology and innovation. It all started with the designer duo Johannes Foersom and Peter Hiort-Lorenzen, both of whom have a long history with Lammhults, seeking to question prevailing patterns. Imagine if Lammhults, with its tradition of steel tubular furniture, was to make a range of furniture based on aluminium...

Aluminium can be recycled over and over again with low energy inputs. This makes it a sustainable choice of material, which Lammhults quickly decided to take further. Contacts were forged with recycled aluminium company Stena in Älmhult, seizing an opportunity to work sustainably and locally.

An impressive 99.9% of the aluminium used for Archal is recycled and obtained within a radius of 100 km of the factory. The chairs in the Archal range consist of between 55 and 75 percent aluminium. The remainder is plastic, which is easy to separate for recycling, and FSC-labelled timber. Archal is a product that demonstrates maximum consideration for the environment and regenerates Lammhults' modern design language.

In early 2013 the armchair in the range was approved by the Nordic Ecolabel, one of the highest set of environmental criteria there is, and work continues to gain certification for more items in the range.

IRE SETS THE ECO STANDARD

The environment is an important issue in every industry, and Ire too has used design as a means of improving sustainability. The focus on ecolabelled products is a cornerstone of the operations of this furniture company in Västergötland in Sweden. It all comes down to competitiveness and a responsibility for the environment that we all share.

Ire launched its first Nordic Ecolabelled product in 2012, the Rejoin sofa by Emma Olbers. Ire is now building on what it has learned from that process and is working towards getting its next product approved under the Nordic Ecolabel criteria. This will be the Visit armchair designed by Carl-Henrik Spak, a big seller in the contract market.

Ire's development department has learned that a great deal of dedication goes into every ecolabelled product. Incorporating the environmental aspects as early as the design phase, as in the case of Rejoin, makes the entire process much easier. Combined with an already strong commitment to the environment in the organisation, the results far exceeded expectations. Designing products with a lower environmental impact requires that the designer thinks differently, often demanding more innovative thought processes and greater awareness in the choice of materials.

MILJÖMÄRKT

One of the most well-known ecolabelling systems, the Nordic Ecolabel is now 20 years old and can be found on thousands of products in shops. It is also one of the most stringent, with criteria that are constantly being updated. The products allowed to carry the Nordic Ecolabel also contribute towards the vision of a sustainable society through sustainable consumption.

Bits Wall is a further development of Abstracta's successful Triline Wall sound absorber. Both are unique in that they are acoustic solutions designed to be mounted on the walls themselves. They have also attracted international attention. Google chose Triline for one of its California offices. Bits Wall won an award for its design from Wallpaper magazine.

ABSTRACTA'S DESIGN WINS INTERNATIONAL AWARDS

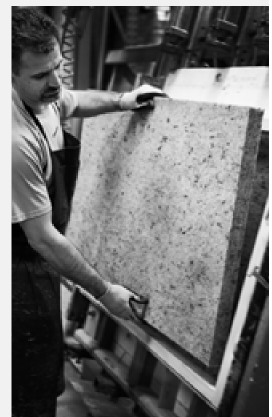
Today public spaces and our offices are buzzing with sound and noise. The sound environment and acoustics is an area that more and more people are actively working on. It is also an area of expertise that Abstracta started developing at an early stage, not least in collaboration with designer Anya Sebton.

She is behind several of Abstracta's acoustic solutions and her latest creation Bits Wall stands out in more ways than one. With its triangular shape, it effectively absorbs the sound waves in the room, improving the acoustics. At the same time, it has a design and a modular approach that makes it an exciting visual element in the room. A functional piece of furniture that triggers creativity. And one example of how the company's business concept is refined and reinforced in the design process.

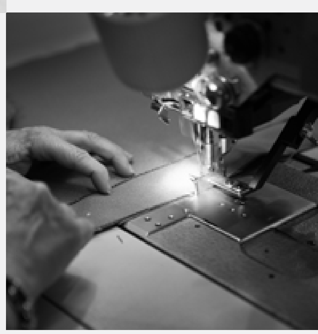
Design and enterprise go hand in hand throughout our Group's history. Design is a way of thinking that brings together people and the market, technology and aesthetics. By allowing design to characterise everything we do, we create products that attract attention and are well received by the market. It makes our production more efficient and builds a better working environment for our employees.







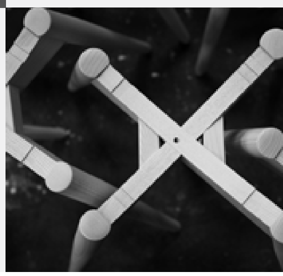


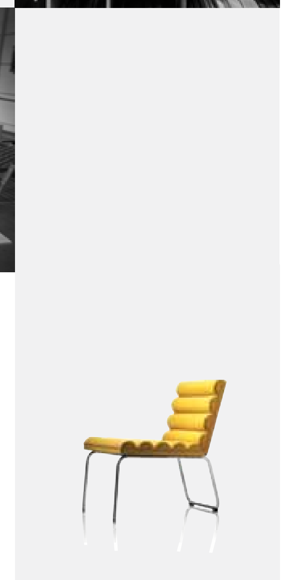






SUSTAINABLE PROFITABILITY IS OUR OVERALL GROUP STRATEGY; DESIGN MANAGEMENT IS OUR PHILOSOPHY.

A STRATEGIC CHOICE:

DESIGN MANAGEMENT FOR SUSTAINABLE PROFITABILITY

The Group's companies each have their own design language and their own way of working with design. Like the parent company, they have an awareness of Design Management and see it as a means of achieving innovation and results. Good design is a competitive advantage that unites the companies in the Group and which has proved to be sustainable in the long term.

DESIGN MANAGEMENT FOR THE FUTURE

Lammhults Design Group is expanding internationally, which makes Design Management increasingly important.

A strong identity is crucial for winning ground in the export markets. It avoids competing solely on price, while also protecting us against piracy and showing customers that we stand for higher quality.

Design Management takes many forms and create values throughout the chain. But above all, it is an impetus for continuing to develop the Group towards sustainable profitability.

Business area: Office & Home Interiors / Lammhults

Project: Friends Arena, Solna, Sweden

Products: Area by Anya Sebton, Quickly by Johannes Foersom & Peter Hiort-Lorenzen and Comet and Cooper by Gunilla Allard

Architect: Krook & Tjäder / Berg Arkitektkontor / Koncept Stockholm

AREA Design Anya Sebton.

LAMMHULTS FURNITURE FOR A NATIONAL ARENA

Sweden's new national arena, Friends Arena in Solna, opened on 27 October 2012. Seating 65 000 people, it is Sweden's largest indoor arena, and a huge investment in entertainment and experiences. The building itself was designed by architects Krook & Tjäder and Berg Arkitektkontor, while Concept Stockholm is responsible for the interiors of the arena's public space.

It almost goes without saying that Sweden's national arena should largely contain Swedish furniture, but a lot of thought has gone into the choice of interior design. Milott Widolf from Concept Stockholm explains: "We chose good quality furniture, that will stand the test of time from a predominantly Swedish furniture flora. To ensure that the interiors do not feel dated, a timeless design was preferred, with angular elements inspired by the perforated aluminium cassettes of the facade. Flexibility was a watchword for all the interior components. Everything has to fit together and be able to be placed anywhere else in the arena, just like members of a team".

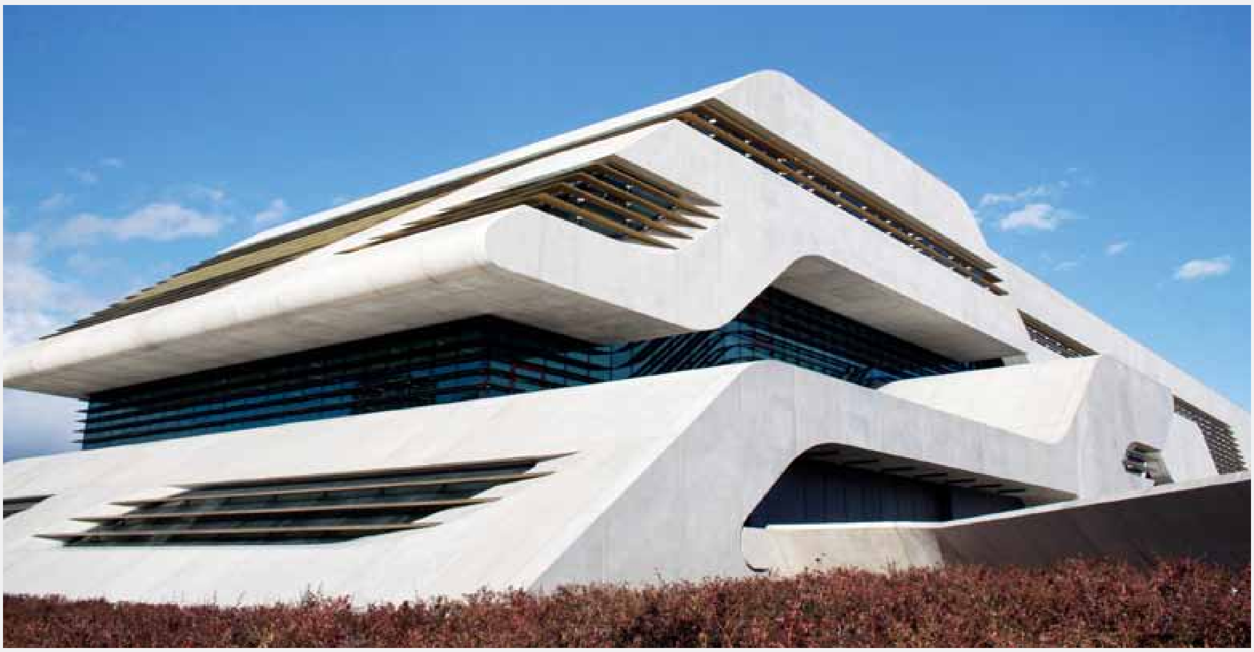
Lammhults' furniture can be found in the arena's restaurants, lounges, communal spaces and bars. The stadium has 500 Area modular sofas by Anya Sebton. With its unique magnetic linking system, it is an example of Lammhults' flexible and dynamic solutions for this type of environment. The Quickly folding table by designer duo Johannes Foersom and Peter Hiort-Lorenzen and Gunilla Allard's Comet chair and Cooper table are also represented.

Business area: Public Interiors / BCI

Project: PierresVives Multimedia library, Montpellier, Hérault, France

Products: Special solutions. BCI Classic 60x30 steel shelves. London, lacquered wooden panels.

Architect: Zaha Hadid



A UNIQUE PARTNERSHIP FOR UNIQUE SOLUTIONS

Award-winning architect Zaha Hadid designed this spectacular building in Montpellier. The building was opened in 2012 and forms a meeting point providing knowledge and information for local residents. It contains a multimedia library and a large archive.

PierresVives adopted an innovative approach from day one. That applies to its architecture as well as its operations. This is a place for living, an open, accessible and friendly meeting place. It is an ambition that makes demands of the interior design and is the precise reason why BCI got the job.

BCI has the expertise in modern libraries and the ability to create tailored interiors from a cost-efficient standard range. In PierresVives BCI has not only worked closely with the client, the company has also worked in a unique partnership with its sibling companies in the Group to produce a specially designed solution.

Abstracta delivered sound absorbing panels and study furniture that creates privacy. Lammhults' Club and Area chairs are the perfect match for Zaha Hadid's architecture. The children's furniture also ties in with the concept and comes from Eurobib Direct's range.

The children's section also features the most colourful of all the specially designed elements for the library, the "Tree of Storytelling", directly inspired by the building itself and its shape of a horizontal Tree of Knowledge.

Abstracta delivered sound absorbing panels and study furniture that creates privacy. Lammhults' Club and Area chairs are the perfect match for Zaha Hadid's architecture. The children's furniture also ties in with the concept and comes from Eurobib Direct's range.

Business area: Office & Home Interiors / Abstracta

Project: Psykiatrins hus, Uppsala University Hospital, Sweden

Products: Alumi and Soneo Wall by Nina Jobs

Architect: Kristin Östberg and Jörgen Backman, Indicum

ACOUSTICS MEET AESTHETICS

When Uppsala University Hospital opened its new psychiatry building, Psykiatrins hus, the aim was to gather all its expertise in the field under one roof. Here different skills come together to work for the best of the patient. A large group of administrative staff have moved from their own offices to the open plan landscape of the new building.

Open plan offices set high demands in terms of sound levels. This was the challenge that the architects and Abstracta worked together to solve – how to create good acoustics and an interior that meets high aesthetic criteria?

Psykiatrins hus uses the screens Alumi and Soneo Wall to absorb noise and create privacy in an open environment. Great attention was paid to the positioning of each workstation in relation to the others. High screens around the workstations and open storage act as sound absorbers.

Kristin Östberg is the interior architect at Indicum and was involved in designing the interior of Psykiatrins hus. She says: "We chose to use Abstracta's screens because of their stable construction, their design and their absorption. They withstand knocks, etc. while the thin steel frames beautifully set off the fabric screens".

Besides quality-assured acoustic function, Abstracta's solutions always meet high standards in terms of aesthetics. They also give the architect an opportunity to decide on the colours and patterns themselves. Psykiatrins hus in Uppsala has gained an open plan office with a good sound environment and an interior that gives it its own identity.

ALUMI Design Nina Jobs.

Business area: Public Interiors / Schulz Speyer

Project: Administrative centre, Houthalen-Helchteren, Belgium

Product: Ratio shelving system, display shelves, book drawers and book trolleys

Architect: Holistic Architecture 50 5

CLEAN LINES IN A NEW ECO-BUILDING

"Daubechies' eye" is the name of the new administrative centre of Houthalen-Helchteren in Flanders in Belgium. The building, with high eco credentials takes its name from the city's famous mathematician Ingrid Daubechies. The new building will cut carbon emissions for the local authority's properties by 90 percent. It is built on the side of the city's former mine. The design is a futuristic blue tower rising above a grass-covered roof.

Part of the centre is the library, whose entire interior is by Schulz Speyer. The interior design has sought a clean, white environment with plenty of display opportunities. As a result, the first thing visitors see on entering the library are beautifully and tidily displayed books and periodicals. Each row of shelving has one display shelf and each shelf ends with a display panel.

ARCHAL
Lammhults. Design Johannes Foersom & Peter Hiort-Lorenzen.

MILJÖMÄRKT
331 066

SUSTAINABILITY REPORT 2012

PRESIDENT'S STATEMENT

Our ambition and aim is to develop products and solutions that are not only recommended by architects and interior designers but are also the obvious choice of our customers. Similarly, we work to continually improve our workplaces and environment such that we also become the obvious choice of our employees. Our work to streamline the Group's operations seeks to create profitable growth. Aided by our strong brands, we are driven by continuing to create value for our shareholders, customers, employees and other stakeholders.

We seek continued development of our staff, value chains, companies and business areas, creating a climate that will see us become the obvious choice. We do this by building trust and respect for what we do and how we do it. Our most important asset is products whose design is timeless and sustainable. A life-cycle approach included as early as the design and development stage is of crucial importance. Our core values and the Group's Code of Conduct are fundamental. Sustainability and responsibility therefore characterise all our business relationships, as well as the development of new products, functions, design, choice of materials, the working environment and processes.

Our aim is to work with: "Furniture and interiors for sustainable work and home environments for life's professional and social relationships which encourage and support people's cooperation and interaction."

The Group prioritises four overall sustainability goals that will help to generate sustainable business and social development. In this report we set out what we have achieved in 2012. Constant improvements mean we are on track to attain a clear focus that supports our aim to be the obvious choice.

Anders Rothstein
President and CEO, Lammhults Design Group

FURNITURE AND INTERIORS FOR SUSTAINABLE WORK AND HOME ENVIRONMENTS FOR LIFE'S PROFESSIONAL AND SOCIAL RELATIONSHIPS WHICH ENCOURAGE AND SUPPORT PEOPLE'S COOPERATION AND INTERACTION.

LAMMHULTS DESIGN GROUP'S VISION FOR SUSTAINABILITY

Lammhults Design Group's products have a tradition of responsible and sustainable design and production. The quality of our products and their long lifetime are a prerequisite for sustainable consumption. Our ambition is to be a trailblazer while complying with international standards and legal and market requirements. Business ethics, high morals and integrity are integrated in Lammhults Design Group's operations and constant striving towards sustainable development. We take environmental, social and financial aspects into account when creating and offering products and services. We examine the environmental, social and financial impacts and reduce risks in our own organisation, in our products and in the value chain. At the same time, our product quality must always meet the requirements and expectations of our customers.

Lammhults Design Group is to run its operations in line with the principles of the UN Global Compact and ISO 26000, the leading standard for social responsibility, and its principles on ethical behaviour, respect for the rule of law, respect for international standards and expectations, respect and consideration for the requirements and expectations of stakeholders, responsibility, transparency, the precautionary principle and respect for human rights. Lammhults Design Group's vision for sustainable development and social responsibility must permeate the entire organisation, the value chain and our products and services.

GOVERNANCE AND STRATEGY

The Group's governance is predominantly steered by the Codes of Conduct and policies which were revised in 2011 and cover all employees. They are founded on the guidelines of the 10 principles of the UN's Global Compact on human rights, labour, the environment and anti-corruption. These rest on the UN's Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and its 27 principles, and the UN Convention against Corruption. Guidelines on developing work on sustainability are found in the guiding standard ISO 26000.

We want to ensure a clear link between strategic corporate management of our business areas and companies and actual improvements in terms of finances, the environment, people and society. Direct responsibility for the environment, the working environment and ethics is taken locally by each company. All the Group's companies in Sweden currently meet the requirement of being certified under the environmental management system ISO 14001. The management system at Lammhults Möbel is certified and approved under ISO 9001, ISO 14001 and now also OHSAS 18001.

DIALOGUE WITH STAKEHOLDERS AND MATERIALITY ANALYSIS

Our most important stakeholder groups are identified in and around our value chains. These are Shareholders, Customers, Employees, Suppliers, Partners and Investors, and Society in the form of government agencies, the education sector, the media and the local communities in which we run our operations.

The Group's companies in Sweden and Denmark are members of the relevant industry organisations. In Sweden TMF, the national trade and employers' association of the wood processing and furniture industry, carries out extensive work on the environment and sustainability. TMF runs Möbelfakta, an established and updated reference and labelling system for furniture that sets relevant and ambitious criteria in terms of function, lifetime, environmental considerations and social responsibility. The environmental criteria reflect high external standards and are based on the guidance of the Swedish Environmental Management Council (SEMCo), with the technical requirements based on the international product standards (CEN and ISO) and social responsibility on the UN Global Compact. The Group is represented on the technical committee that heads the development of Möbelfakta.

Work within the industry has created an excellent basis for clearly setting out and establishing what is considered material in terms of environmental performance of products, product quality, product safety, resource management and a good working environment throughout the production chain. This creates a sound footing for our priorities.

Lammhults Design Group is dedicated to running its business in line with the principles of the UN Global Compact and the guiding standard for social responsibility, ISO 26000 and its principles:

– Ethical behaviour

– Respect for the rule of law

– Respect for international standards and expectations

– Respect and consideration for the requirements and expectations of stakeholders

– Responsibility

– Transparency

– The precautionary principle

– Respect for human rights

BODONI
Abstracta – Voice Collection. Design Jesper Ståhl.

SUSTAINABILITY GOALS

LAMMHULTS DESIGN GROUP HAS DRAWN UP FOUR COMPREHENSIVE SUSTAINABILITY GOALS TO ACHIEVE SUSTAINABLE BUSINESS AND SOCIAL DEVELOPMENT AND ON-GOING IMPROVEMENT. THE GOALS AND ACHIEVEMENTS DURING THE YEAR ARE SET OUT BELOW.

1. Ensure that Lammhults Design Group's core values and social and environmental principles are recognised and integrated in the operations of each company

During the year internal training in our Code of Conduct and policies has been carried out in all the companies, and is set to continue in 2013. The management systems in our companies have been developed during the year and Lammhults Möbel gained certification under the health and safety standard OHSAS 18001. Abstracta also underwent a certification audit for OHSAS 18001 at the end of the year. It is expected that Abstracta will gain certification in the first quarter of 2013. The CEOs also have to certify that the Code of Conduct is complied with in conjunction with Möbelfakta declarations. During the year Lammhults Möbel and Voice have declared products under the Möbelfakta criteria. No checks of our working procedures under ISO 26000 were carried out during the year. In early 2013, however, a guide for systematic self declaration was published (SIS-SP 2:2013) which facilitates supervision.

2. Ensure that we have a socially and environmentally sound and responsible supply chain

We do this by using suppliers who work systematically on methods to safeguard their social and environmental responsibility in their operations. Extensive work on surveying and classifying suppliers has been carried out and will continue during 2013. Lammhults Möbel is now able to report that over 60 percent of its major suppliers have management systems under ISO 14001.

3. Increase the proportion of sustainable wood raw materials in our products and support sustainable forestry

In order to Möbelfakta-label or Nordic Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry. This has been introduced as a criterion when developing new products. Surveys and documentation to ensure traceability are currently underway with procedures being established for documentation for drawings, orders, criteria documents and showing the relevant certificates. The survey in progress shows that a large proportion (>50 percent) of the Group's wood raw materials come from FSC-certified forestry. A considerable amount of the processing of wood raw materials is carried out by the Group's suppliers, which accounts for difficulties in exactly quantifying the proportion.

4. Reduce the environmental impact of our products and services

One of our measures is to increase the number of products documented as compliant with the criteria and standards of Möbelfakta and/or the Nordic Ecolabel or equivalent sustainability, environmental and social responsibility criteria. In 2012 Lammhults Biblioteksdesign was awarded the Nordic Ecolabel for its leading bookshelf system (60/30 Classic steel). During the year Lammhults Möbel has worked on Nordic Ecolabelling of several products. Recently Nordic Ecolabel approval was gained for a piece of furniture in the Archal chair range, whose design is based on recycled aluminium. 2012 also saw Lammhults Möbel declare four pieces of furniture under the Möbelfakta criteria. In the Voice range, the Bodoni chair has been approved and declared under Möbelfakta. Ire Mobel has put in place measures for lighting to reduce electricity consumption by approximately 4 percent. The restructuring measures carried out during the year (integrating Borks and Voice with Abstracta) with considerably more production now concentrated at Abstracta's production unit in Lammhult will reduce the Group's environmental burden in the years ahead.

EMPLOYEE TURNOVER, NO. PER AGE GROUP*

		Age group					
		< 30	31–40	41–50	51–60	> 61	Total
2012	Joined	8	11	9	4	5	37
	Left	10	17	28	16	14	85
2011	Joined	10	8	3	3	0	24
	Left	6	9	10	5	7	37

AGE DISTRIBUTION OF EMPLOYEES IN THE GROUP*

		Age group					
		< 30	31–40	41–50	51–60	> 61	Total
2012	No.	51	68	101	90	36	346
2011	No.	46	92	118	98	46	400

NUMBER OF EMPLOYEES PER REGION*

2012	Men	Women	Total	2011	Men	Women	Total
Sweden	130	79	209	Sweden	139	93	232
Denmark	29	36	65	Denmark	37	42	79
Germany	23	13	36	Germany	24	12	36
Other countries	20	16	36	Other countries	30	23	53
Total	202	144	346	Total	230	170	400

ATTENDANCE AND SICK LEAVE IN SWEDEN, DENMARK AND GERMANY*

	2012	2011
Hours worked	96.5%	96,2%
Sick leave < 14 days	2.2 %	1.9%
Sick leave > 14 days	1.3 %	1.9%

EMPLOYEE TURNOVER, NO. BY GENDER AND REGION*

	2012				2011			
	Men	Women	Total	Turnover %	Men	Women	Total	Turnover %
Sweden	31	11	42	20%	16	6	22	9%
Denmark	19	12	31	48%	3	5	8	10%
Germany	2	0	2	6%	1	1	2	6%
Other countries	7	3	10	28%	5	0	5	9%
	59 (69%)	26 (31%)	85	25%	25 (68%)	12 (32%)	37	9%

* All data for 2012 refer to remaining operations, i.e. excluding Scandinavian Eyewear which was sold in early October 2012.

OUR SOCIAL RESPONSIBILITY

Our stakeholders

The stakeholder perspective characterises Lammhults Design Group's work on sustainability which is carried out in an on-going dialogue with our stakeholders. In 2013 customer surveys were carried out to form a basis for prioritised action plans.

Employees

The skills of our employees and their ability to develop and manufacture products and solutions for good and stimulating environments for work, learning, meetings and interaction are at the heart of the Group's operations. Consequently, we strive to create good workplaces and a stimulating working environment characterised by commitment and involvement. Developing leadership and employeeship is crucial. One important tool is regular performance reviews which form a basis for the development of every individual employee. From 2013 onwards we will be reporting the proportion of employees who have participated in performance reviews during the year.

Organisational development is in progress within the companies. During the year forms and working methods have been developed to encourage greater participation, involvement and commitment among employees. Lammhults Möbel has successfully launched improvement groups on the production side during the year. Goals and goal fulfilment have been made more visible during the year.

Lammhults Design Group values ethics, diversity and equality. We want the composition of our human resources to reflect the world around us and our customers. The Group's remaining businesses have 346 employees, 58 percent men and 42 percent women. Restructuring measures have been put in place during the year, resulting in staff cuts. Staff turnover at own request corresponds to a turnover of 9 percent. Total absence has fallen slightly during the year, amounting to 3.5 percent. Gender distribution, age distribution, staff turn-over and sick leave are reported in the table above.

Suppliers

The Group carries out production or runs outsourced production in Sweden, Denmark and Germany. We largely use local suppliers in the respective country. For the Group as a whole, local suppliers account for 71 percent of purchasing in terms of value. Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers.

Our requirements for suppliers are summarised in the Code of Conduct for suppliers revised during 2011. This was communicated to our suppliers during the year and a survey of our supplier base has also been carried out in conjunction with this. Suppliers were asked to reply to self-evaluation questions on the environment, the work environment, social responsibility and quality. Follow-up with supplementary questions and summaries is currently in progress. Lammhults Möbel now reports that over 60 percent of its major suppliers have management systems in line with ISO 14001 and that 15 percent have an occupational health and safety system equivalent to OHSAS 18001.

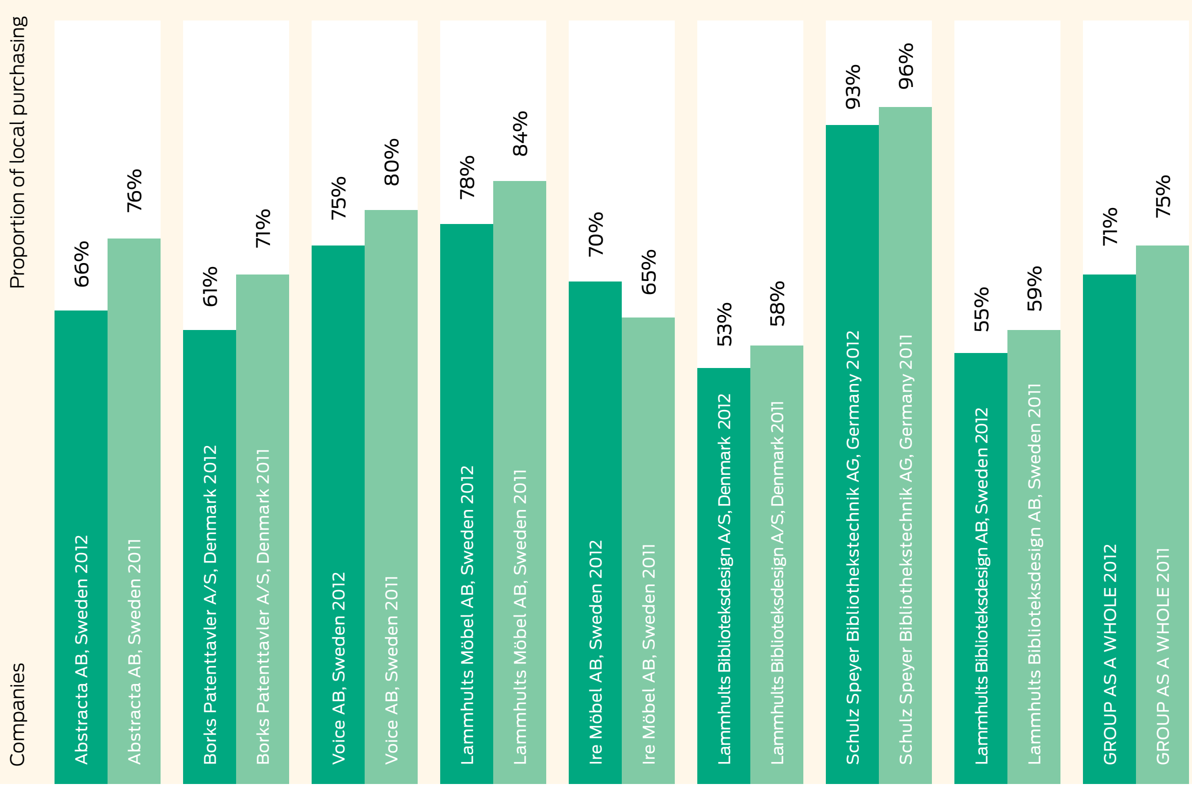
Our suppliers in China are judged to pose the greatest risk of breach of the Code of Conduct. Of the total purchase value, purchasing in China accounts for less than 3 percent. The suppliers concerned are regularly visited by us or our partners.

Anti-corruption and human rights

Risk analyses of breach of the company's Code of Conduct regarding bribery and offences against legislation and regulations have previously been carried out for all the companies in the Group. This risk analysis also covers risk of inappropriate gifts or other favours provided for personal gain or to benefit another party and not for the best of the company. During the year familiarisation with and training in the Code of Conduct have been carried out.

A risk analysis of offences against human rights, freedom of association, child labour and forced labour has also been performed. For the Group's own companies whose production is in Sweden, Denmark and Germany, where rights and freedom of association are protected by law, there is judged to be no risk. Some of the companies have suppliers in Asia. Here there is judged to be a risk and measures have already been put in place. The Code of Conduct and requirements are communicated and followed up by visits. The risk is therefore judged to be low for the suppliers with whom we work.

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS



DISTRIBUTION OF ECONOMIC VALUE PER STAKEHOLDER

For us, sustainability and sustainable development are about creating financial value in the form of profitable growth in which social and environmental responsibility are integrated in our operations. We seek to create financial value for shareholders, employees and other stakeholders. We will do our bit towards positive social development and invest with a sensible, long-term perspective.

* All data for 2012 refer to remaining operations, i.e. excluding Scandinavian Eyewear which was divested in early October 2012.

ECONOMIC VALUE CREATED AND DISTRIBUTED*

Economic value generated directly	2012	2011
Revenue	627.4	651.1
Total economic value generated directly	627.4	651.1
Economic value distributed		
Operating expenses, of which the major share to our suppliers	437.8	446.8
Salaries, social welfare charges and remuneration to employees	185.8	188.7
Payments to financiers, net	3.7	5.1
Payments to the public sector in the form of taxes	1.9	6.7
Total, economic value distributed	**629.2**	**647.3**
Net, economic value	–1.8	3.8
Dividend to owners	4.2	4.2
Retained in the businesses	–6.0	–0.4

OUR SOCIAL ENGAGEMENT

Several of the companies in the Group have established partnerships with schools and educational institutions for study visits, work experience and dissertations. These partnerships are of great value and have an impact on our business and future development. There are several good examples of the importance of these networks for recruitment and for developing products and services. Through the industry organisation (TMF), the Group has also been involved in initiatives on piracy issues through seminars and lobbying responsible politicians.

OUR ENVIRONMENTAL RESPONSIBILITY

Our work is characterised by constant improvements. During the year Lammhults Biblioteksdesign and Lammhults Möbel have seen products awarded the Nordic Ecolabel. All product developers in the Office & Home Interiors business area have been trained in Eco-design during the year.

The companies' energy use is shown in the table on page 37. All the units in Sweden are heated using district heating, which is an eco-friendly option. The units in Denmark and Germany are heated using fossil fuels (gas and oil respectively). In total, district heating accounts for 68 percent of the Group's heating requirement. Comparing consumption for heating from one year to the next requires a correction with what are termed "degree days" to standardise consumption in relation to a normal year. In Lammhult, where the Group has considerable operations, 2011 was a mild year (88 percent of a normal year) while 2012 was close to a normal year with degree days equivalent to 98 percent.

The reduction in carbon emissions, which comes in at 30 percent compared with the previous year, is due to the fact that since 2012 all the companies in Sweden have been signed up to green electricity contracts. The reduction amounts to almost 300 tonnes to a total of approximately 800 tonnes/year for all operations in Sweden. This is reported in the table on page 37. CO2 emissions from transport are not reported as only a limited number of suppliers are currently able to submit an emissions report. CO2 reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil.

The packaging materials and raw materials in coatings and adhesives are shown in the table on page 37. The report shows that corrugated board and wood (based on renewable raw materials) dominate as packaging materials and account for approximately 95 percent of all packaging materials. Projects completed within Lammhults Biblioteksdesign AS have reduced the amount of packaging by almost 30 percent compared with the previous year, which is one important explanation for the reduced volumes.

Water is used to a very limited extent in manufacturing processes, and the volumes reported primarily reflect the number of employees per company.

Waste is reported in the table on page 37. The table shows that material recycling is the dominant method of waste management, which is important for a sustainable society. 62 percent of total waste has been able to be recycled through material recycling.

MATERIAL USE & ENERGY CONSUMPTION*

* All data, for 2012 and 2011, refer to remaining businesses.

Manufacturing facilities	Lammhults Möbel AB Sweden	Abstracta AB Sweden	Voice AB Sweden	Ire Mobel AB Sweden	Borks Patenttavler A/S Denmark	Lammhults Biblioteksdesign AB Sweden	Lammhults Biblioteksdesign A/S Denmark	Schulz Speyer Bibliothekstechnik AG Germany	Total 2012	Total 2011	Index*
PACKAGING MATERIALS											
Corrugated board (kg)	88 077	82 965	11 202	12 720	1 865	5 069	33 415	2 400	**237 713**	272 414	87%
Plastic (kg)	5 777	994	341	2 083	2 541	357	0	2 000	**14 093**	33 365	42%
Wood (kg)	3 731	6 023	15 657	0	6 295	0	13 650	0	**45 356**	86 168	53%
OTHER RAW MATERIALS											
Powder coating (kg)	2 182	0	0	0	0	0	18 212	0	**20 394**	23 338	87%
Liquid coating (kg)	3 116	0	0	0	0	0	0	0	**3 116**	3 561	88%
Glue (kg)	3 875	8 196	52	2 739	12 128	0	0	0	**26 990**	25 608	105%
ENERGY											
Oil (kWh)	0	0	0	0	0	0	0	111 420	**111 420**	110 580	101%
Natural gas (kWh)	0	0	0	0	248 490	0	1 522 202	0	**1 770 692**	1 914 033	93%
Electricity (kWh)	885 168	713 454	469 495	256 537	175 476	286 096	495 720	81 433	**3 363 379**	3 473 775	97%
District heating (kWh)	1 383 230	1 411 644	371 860	650 660	0	275 000	0	0	**4 092 394**	4 381 149	93%
Water consumption (m3)	600	410	611	355	111	340	378	270	**3 075**	3 170	97%
Carbon emissions from heating and electricity (kg)	35 964	36 703	29 217	947	132 698	6 073	538 916	68 675	**849 193**	1 205 510	70%
WASTE											
Hazardous waste (kg)	12 559	1 100	0	137	0	0	0	0	**13 796**	16 334	84%
Landfill (kg)	0	18 120	2 424	0	9 890	0	0	0	**30 434**	33 110	92%
Material recycling of steel (kg)	19 520	7 650	492	0		0	114 349	0	**142 011**	160 969	88%
Material recycling of aluminium (kg)	1 080	4 990		0	3 420	0			**9 490**	7 070	134%
Material recycling of wood (kg)	30 780	71 840	30 940	0		0		2 970	**136 530**	134 150	102%
Material recycling of plastic (kg)	2 810	2 320	280	540	960	0			**6 910**	15 535	44%
Material recycling of corrugated board (kg)	21 215	15 070	14 010	1 210	12 000	0	6 760		**70 265**	54 385	129%
Material recycling of paper (kg)	8 690	1 525	528	570		4 000		7 610	**22 923**	14 189	162%
Combustible waste (energy recovery) (kg)	21 690	44 190	46 470	12 620	33 300	17 600	13 746	7 440	**197 056**	180 940	109%

* The index refers to total results for 2012 compared with the previous year for equivalent operations.

ABOUT THE REPORT

Our annual report on our work is made in line with the Global Reporting Initiative (GRI) guidelines G3.1 level C. Economic and social indicators cover the entire Group. The environmental aspects include all the production and distribution units. The sales companies have a marginal impact on the environmental indicators. The report for 2012 covers the remaining businesses, which is why Scandinavian Eyewear AB, which was divested during the year, is excluded from the 2012 report. Factories of subcontractors are not included in the report, as previously. A GRI cross-reference table is provided as an annex to the report, available only in electronic form on the website: **www.lammhultsdesigngroup.com**

OFFICE & HOME INTERIORS

LAMMHULTS abstracta voice ire BORKS

PUBLIC INTERIORS

BCI eurobib direct SCHULZ SPEYER

A SHARPER FOCUS WITH THE SPOTLIGHT ON THE STRENGTHS OF THE INDIVIDUAL BRANDS.

LAMMHULTS DESIGN GROUP IS HEADING INTO THE FUTURE WITH TWO STRONG AND CLEAR BUSINESS AREAS: OFFICE & HOME INTERIORS AND PUBLIC INTERIORS.

OFFICE & HOME INTERIORS

FURNITURE FOR MODERN MEETING PLACES

LARS BÜLOW

BRAND & DESIGN DIRECTOR LAMMHULTS DESIGN GROUP

BUSINESS AREA MANAGER OFFICE & HOME INTERIORS

CEO LAMMHULTS MÖBEL AB

Office & Home Interiors faces exciting opportunities. Major changes are underway in furnishing patterns in many workplaces, particularly in what are known as activity-based working environments. Social meeting places where employees and customers meet in formal and informal settings are developing at an increasing pace. At the same time personal workspace, "own territory", is fading into the background.

Modern meeting places are now emerging at an increasing rate. Organisations' newly awakened need for interior design merges with the visions of architects to create high-impact interiors. Meeting places span everything from traditional conference seating to creative and informal furniture for open debate. The architecture balances functional, social and aesthetic features.

New organisational patterns demand new interiors. The way trends are going, there is a growing need for well-judged functionality, advanced technology and energising aesthetics. This is a much-needed challenge for our entire industry to think along new lines and an opportunity to try out new ideas that we at Office & Home Interiors fully appreciate. We are currently developing new products that fulfil the plans of architects and meet the changing needs of our users.

STRUCTURAL CHANGES IN PLACE

The priority for 2012 was streamlining and restructuring the business area's operations. The restructuring work has been completed. The organisation put in place for profitable growth is expected to start to generate good productivity and synergy effects during the financial year 2013.

The changes include the sale of the Borks production unit in Denmark, with its manufacturing and warehouse moving to Abstracta's modern facilities in Lammhult. Voice operations have also moved from Jönköping to Lammhult and been integrated as part of Abstracta. Voice has additionally started to broaden its range to also cover public settings with creative storage solutions which fit seamlessly into Abstracta's product mix.

On the following pages we present the development of the companies in the business area in more detail. On a general level, I can sum up 2012 as a demanding year. Our skilled employees have met tough individual challenges and taken on their commitments with infectious positive energy and great determination. Here at Office & Home Interiors we are gearing up to harvest the fruits of the restructuring process that is now complete. The entire business area is looking forward to an interesting and stimulating 2013.

Lars Bülow
Business Area Manager Office & Home Interiors

OFFICE & HOME INTERIORS	2008	2009	2010	2011	2012
Net sales, SEK million	439.7	376.6	361.1	393.1	**372.0**
Operating profit, SEK million *	50.1	29.3	23.8	24.6	**5.6**
Operating margin, %	11.4	7.8	6.6	6.3	**1.5**
Capital employed, SEK million	205.1	188.0	219.3	201.6	**150.0**
Return on capital employed, %	27.1	15.1	11.8	11.9	**3.3**
Investments, SEK million	20.6	9.7	4.6	14.0	**10.3**
Average number of employees	198	187	183	210	**207**

* excl. administration charges paid to Parent Company.

The economic results of the business areas as above are accounted for in accordance with IFRS. Figures for 2008 were recalculated to reflect the requirements of IFRS, as against the general recommendations of the Swedish Accounting Standards Board, for presentation in the 2009 Annual Report.

OFFICE & HOME INTERIORS

Lammhults has a long tradition of manufacturing products with consistent design and an honest approach to their materials. A clear legacy from modernism and its links to the development of industrialism. Aesthetics, simplicity and sustainability in every respect are incredibly important. An attitude that is summed up in the concept Modern Essentials.

LAMMHULTS

CEO LARS BÜLOW

MODERN ESSENTIALS

Lammhults is a historic brand. With a consistent focus on design and quality, it is one of the foremost brands in the Swedish furniture industry. The products stand the test of time in terms of their materials and their ethos. The product range is extensive, comprising chairs, tables and accessories, primarily for public settings.

Architect Lars Bülow is the CEO of Lammhults Möbel and here talks about the company, the past year and the outlook for the future.

Design Management has been a success factor for Lammhults, how does it work in practice?

It is a top priority for the company's management. It runs through every aspect of the business, forming a link between visions and reality. Work on design is reported at every management group meeting and the results achieved are discussed at the highest level.

How does Lammhults' market work?

Relationships are a key issue because our primary target group is professional architects and purchasers. We put a great deal of our resources into being recommended. This increases our reputation in our target group and that way we attract interest from agents, dealers and end customers.

Lammhults is looking to expand strongly in the export market, how do you operate internationally?

About 75 percent of our turnover comes from the Nordic countries. That is our basic market. At the moment we see great potential for growth in the UK, Germany, France, the Netherlands, Switzerland and the USA. We have also enjoyed important success in a number of smaller markets such as the Czech Republic, Lithuania, Turkey and the Middle East region. Here there is an urge for transformation which, correctly exploited, can lead to increased sales of Lammhults' design. In the majority of cases, we act through agents and in some cases through importers.

How would you sum up 2012 for Lammhults?

– Design Management has been strengthened in that we have drawn up long-term platforms for our brand and range.

– More drive and focus on innovation in our partnerships with our established design contacts.

– A clearer information and management structure has increased involvement and commitment throughout the organisation.

– Reigniting our relationship with customers and agents through clearly formulated goals and consistent information.

– A sharper focus on sustainability and higher productivity.

How has Lammhults tackled the fluctuations in the economy?

We have coped well. It is true that the year got off to a poor start and we lost out on volumes and profits, but the orders secured in the autumn saw us regaining lost ground. Several large projects, in Sweden and in export markets, came our way. We rounded off 2012 with a record order book and it is likely that we have gained market share in several markets.

What trends affect Lammhults' development?

On the product side we are working on innovation and becoming more solution oriented. Modern company structures demand meeting place furniture to suit new needs and working processes.

Customers are also seeking originality and personality in the workplace as much as in the home. Interior design has become part of a company's brand profile and a way of attracting a new generation of employees born in the 1980s and 1990s. This pattern of needs fits Lammhults.

Sustainability and the environment are becoming increasingly important and weigh heavily when customers are choosing their interiors.

How does Lammhults work to achieve sustainable profitability?

Based on long-term and consistent Design Management. Persistent communications and committed staff as well as enthusiastic leadership. Trustworthiness on environmental issues. And a focus on change, on-going improvements and increased productivity.

OFFICE & HOME INTERIORS

In 2012 Borks and Voice became part of Abstracta. The product brand Voice offers a contemporary, exciting range with a twist, products that suit the home and the modern workplace.

abstracta voice BORKS

CEO THOMAS SAMUELSSON

GREAT WORKSPACES

Abstracta has positioned itself as an innovator, strong on design, for workplace interiors. The company designs and manufactures products for a good work environment, creative meetings and from 2012 onwards also exciting products, primarily storage solutions, for the home. The range covers furniture for offices, homes and public spaces. Abstracta's offering is characterised by expertise in the work environment, particularly the sound environment, and simple and functional design.

The company's CEO Thomas Samuelsson tells us what makes Abstracta special, what characterised 2012 and what is waiting round the corner.

In what way is design a strategic issue for Abstracta?

We are fundamentally a design company and the management engages in a constantly on-going dialogue with designers and customers. Design must run through the entire company, not only the products. It is an on-going process that we are constantly driving forward in order to stand out from other companies in our market. We have a product council that addresses range issues, under the leadership of the responsible marketing manager. Abstracta's and Voice's brand platforms form the foundation of our work.

What does the market for your brands look like?

All sales are via local retailers. Our sales representatives, our marketing department and our agents work with them directly. We also work closely with architects and interior designers who recommend products to their clients. We also conduct an active dialogue with end customers.

The Nordic market is the most important market for us and where we also have our own sales staff. Germany, France, Benelux and the UK are also significant markets where we operate through our network of agents.

What meant the most for Abstracta in 2012?

Consolidating Borks and Voice with Abstracta AB. We simultaneously switched production and administration to our site in Lammhult. This is an efficiency improvement that puts us on a firm footing for continued development.

We also see major opportunities in offering Abstracta and Voice together. The new type of office is often seeking more home-like products in different activity environments. Here we have started to broaden the Voice range with creative storage solutions also for public environments. Voice also naturally enables us to reach a wider audience via interior design retailers for the domestic market.

What new products would you like to highlight from 2012?

Anya Sebton's class A wall-mounted sound absorber Bits Wall and the Loop partition. Two examples of sound absorbent solutions with exciting aesthetics. Then we have Meet, an innovative storage and seating solution which encourages creative meetings, produced by Daniel Lavonius Jarefeldt, Johanna Munck af Rosenschöld and Josef Zetterman.

The modular storage unit No. 5 by Voice, designed by Jesper Ståhl, whose shape and function makes it well suited for the home and the office has been well received and looks promising.

What have you done to tackle the turbulent economic situation?

The private furniture market has been extremely hard pressed and we have addressed this with structural measures and cost savings. In public environments we have withstood the turbulence well and only saw sales tail off in the fourth quarter of the year.

Where is Abstracta focusing in 2013?

On a great deal of function and clear design on the product side. Functionality and total cost are important factors for our customers. Product development in our core area continues. We are sensitive to trends and work in partnership with experienced designers. We will also continue our on-going work on Design Management, a focus that will strengthen our identity and, in the long term, our position.

We will strengthen our brand further and focus on effective sales and clear marketing. Our initiatives will be concentrated on our core markets in the Nordic countries and Europe. Internally we have launched an ambitious product for stock and productivity improvements, which is expected to pay off as early as 2013.

OFFICE & HOME INTERIORS

Ire has perfection as its brand philosophy and the upholstered furniture range has a clear place in the premium segment. Several of the models comprise modular ranges offering huge flexibility. Ire's furniture is primarily geared towards the urban home, but incorporates features that make it equally well-suited for public spaces.

ire

CEO RAMONA NILSSON

TRUE TO PERFECTION

Timelessness and durability are values that epitomise a piece of furniture from Ire. The design transcends short-term trends. High-quality materials partnered with removable and replaceable elements produce furniture that stands the test of time and can be renewed throughout its lifetime. With several eco-labelled products, Ire has made sustainability an important part of its profile. Ire's approach to sustainability encompasses the environment and quality.

CEO of Ire Mobel Ramona Nilsson discusses where the company currently stands and its aims for 2013.

What does design mean for Ire's operations?

Design is at the heart of our business and our view of design as a success factor is key to the entire company. During the year a new design strategy was launched on the collection side with designer Emma Olbers as an important external resource and impetus. The work is broadly anchored in the company, providing a long-term approach and a good impact.

Can you describe Ire's marketing strategy?

We primarily work with the retail sector and sell through dealers in the Nordic and Benelux countries. In the Nordic countries the market is divided into furniture chains and independent retailers. The chains are increasingly focusing on price as a competitive factor, which is why we are gearing ourselves towards individual retailers. Ire is positioned in the premium segment and we approach dealers who have a similar target market: design-conscious individuals with urban lifestyles.

What was most important for Ire in 2012?

The Stockholm Furniture Fair got the year off to a flying start in terms of sales and PR. The new Altero sofa went down very well. Ire's work on design and sustainability also attracted attention in the blogosphere and in social media.

With a new sales representative entirely focused on architects and dealers in the public sector, 2012 was the year we seriously began to focus on the contract market.

From 2012 onwards Ire has also had an entirely female senior management team, which is unique in the industry.

What are this year's new products?

The aforementioned Altero sofa by Carl Henrik Spak was this year's big launch. Otherwise the year has been characterised by intense product development. We produced a new armchair bed, primarily destined for the hotel sector, in partner-

ship with designer Jesper Ståhl. It is called Collar and will be launched at the 2013 Stockholm Furniture Fair. We will simultaneously be launching CLU, a modern club armchair by Carl Öjerstam and the Armilla sofa by Emma Olbers.

The economy has been turbulent, how has that affected Ire?

It has been a tough year. Financial uncertainty in Europe has had a negative impact on the entire furniture industry and the premium range, where Ire is placed, has been particularly vulnerable. We have also lost sales compared with last year. The smaller design retailers are experiencing a difficult time and our sales there have fallen. At the same time, the larger dealers are growing and we have increased our sales there. The major projects on the contract side were not realised in 2012.

What is the outlook like for the year ahead?

Although the market for 2013 is uncertain, the outlook for the future is bright. Expanding our remit to include professional settings has gone down well and makes us less sensitive to market fluctuations. We are also seeing several glimmers of light on the horizon in our markets. Being less affected by the economic downturn, Norway is looking good on the retail side. In Sweden we are working to gain market share as growth looks low for the foreseeable future.

The prevailing economic climate offers major opportunities for us to grow on the contract side. The hotel sector and soft office environments are areas where we will be concentrating our efforts. In Norway the contract market is completely virgin territory for us and we are launching an initiative there.

The economy is only one factor that affects our future. Product development also plays an important role. If we get the right product out on the market, we have every opportunity to grow, whatever the economic cycle does. We have developed a number of new products that have received a good response from people who recommend us and purchasers alike. The armchair bed for hotels is one product we have a lot of faith in.

PUBLIC INTERIORS

LIBRARY 2.0 – A DEVELOPMENT WITH POTENTIAL

ANDERS ROTHSTEIN

BUSINESS AREA MANAGER PUBLIC INTERIORS

PRESIDENT AND CEO, LAMMHULTS DESIGN GROUP

Public Interiors creates attractive, creative and functional interiors for libraries and other public spaces.
This is a sector undergoing change and facing particular challenges but also major opportunities.

Digital on the rise in libraries. As borrowing of e-books increases, the need for physical space to store books decreases. As a player in the industry, we have to ask ourselves whether libraries in their current form will continue to exist, and see how the library of the future takes shape.

FROM BORROWING TO EXPERIENCES

Modern library users do not mainly come to borrow books. They see the library as a meeting place, a place to study or work and an extension of their living room. This is where they read newspapers, have a coffee, learn something new, work and view films, drama and concerts.

The library of the future is a combined experience and information centre. It is open to every citizen and is highly likely to take on additional social functions. The trend is moving towards libraries becoming a “one stop shop” for society.

New functions and needs fuel a need for different interiors and furniture. Openness, accessibility and technological integration are key.

THE BUSINESS AREA IS EXPANDING WITH NEW TARGET GROUPS

In 2012 the business area started to operate under the name Public Interiors, a name change that also reflects the focus of the business. To continue to grow profitably, we have sought complementary areas in the public sector. In the past year we focused on education. In the longer term we will also market ourselves to the health and care sectors, areas that are growing fast and offer great potential. A broader market focus combined with more efficient product supply leaves our business area well placed to achieve profitable growth.

EXCHANGING SKILLS WITHIN THE GROUP

The business area will primarily expand through organic growth in its existing geographical markets. Initiatives geared towards players in the education sector will also contribute towards expansion. There is sound expertise and experience in the education sector within the Group and we will be drawing on the knowledge and the products of the business area Office & Home Interiors.

DOUBLE FOCUS STRENGTHENS OUR OFFERING

Public Interiors is divided into two entities:
– Projects, with the brands BCI and Schulz Speyer.
– Aftermarket, with the brand Eurobib Direct geared towards libraries plus the new sector, education, with a range of replacement products and consumables.

Together they complement each other and enable us to effectively cover the entire market.

Anders Rothstein, Business Area Manager Public Interiors, President and CEO

PUBLIC INTERIORS	2008	2009	2010	2011	2012
Net sales, SEK million	353.5	365.0	318.2	260.7	**257.5**
Operating profit, SEK million *	45.3	35.7	13.8	7.1	**16.6**
Operating margin, %	12.8	9.8	4.3	2.7	**6.4**
Capital employed, SEK million	189.0	196.6	157.6	153.9	**135.8**
Return on capital employed, %	28.7	19.4	8.0	5.2	**11.9**
Investments, SEK million	5.0	7.1	3.0	2.3	**2.4**
Average number of employees	150	158	162	141	**133**

* excl. administration charges paid to Parent Company.

The economic results of the business area as above are accounted for in accordance with IFRS. Figures for 2008 were recalculated to reflect the requirements of IFRS, as against the general recommendations of the Swedish Accounting Standards Board, for presentation in the 2009 Annual Report.

PUBLIC INTERIORS

The offering is based on long-term experience of the industry, commitment and in-depth expertise. The products and services are also characterised by high quality, functionality and attractive design. Eurobib Direct in turn offers short delivery times. Expansion of the business area will see the three brands' expertise and products reaching a broader target group in the public sector.

Lammhults Biblioteksdesign AB
Lammhults Biblioteksdesign A/S

CEO MIKAEL KJELDSEN

THREE BRANDS WITH A SHARED TARGET GROUP

With the brands BCI and Schulz Speyer, the business area reaches the Scandinavian and the international market with its interior design solutions for libraries. In Eurobib Direct, the business area has a tailored aftersales concept with consumables and display materials as well as stand-alone furniture.

Mikael Kjeldsen is CEO of the companies which have the brands BCI and Eurobib Direct in their portfolio and works closely with Schulz Speyer.

How is Design Management part of the companies' management style?

Design is one of our most important cornerstones, but for us it is not just the specific product that is included in the design concept. With our great international expertise in interior solutions, we inspire decision-makers to create new libraries as complete experience centres. That process is also part of our work on design and is as much a part of our management as our encounters with our customers at managerial level.

How do the business area's companies complement each other?

The business area Public Interiors is divided into two entities: Projects, that focuses on solutions, and Aftersales, which is responsible for additional products. BCI and Schulz Speyer are responsible for projects. Eurobib Direct takes care of after-sales. This division makes us the best partner for our customers, from architects to users. Our offerings range from concepts and inspiration to consumables. From creating experiences for visitors to cost-effective operation.

Which markets are the most important for the companies?

We have several "domestic markets". BCI originates and is based in Denmark and Sweden. Schulz Speyer is in Germany and Eurobib Direct in Sweden. However, all three work through the business area's subsidiaries and distributors in our export markets, e.g. France, the UK, Norway, Belgium, the Middle East, the USA and selected parts of the BRIC countries.

What important events would you like to highlight from 2012?

At BCI and Schulz Speyer we have launched a project that we call One Company Thinking. We have put in place a number of activities to forge closer links between BCI and Schulz Speyer. This involves developing the range and the concept, but also integrating administration and sales functions. The result is better use of our skills and resources. The two brands and the legal units continue to work separately, while pooling their strengths in a shared concept. Initially the concept has boosted our distribution chain in the important Kuwaiti and Saudi Arabian markets.

Eurobib Direct has produced a completely new e-commerce platform and we have started to roll out our existing aftersales concept through subsidiaries in the UK and Germany, where we already have customers through project-based sales. In the Swedish market we have also launched an initiative focused on the business area's new education segment.

How have the business area's companies coped with the economy?

Thanks to the above measures, despite tough competition on prices in a generally weak market, we have improved our profitability in 2012. We have also moved up the rankings in several markets, particularly Germany, Sweden, the UK, France and Belgium.

What does the future look like for the companies?

For many years traditional libraries have been facing greater competition in attracting visitors, particularly in the age 15 to 40 category. It is becoming increasingly important for libraries to create attractive environments and find something new to reverse the downward trend. There is a growing need for entirely new products and services. This is a need that our companies, together with the Group's other business area, have the skills, experience and products to meet. We are extremely well-placed to get involved in designing and providing interiors for the libraries of the future – experience centres worldwide.

What are the companies' strengths for creating sustainable profitability?

We are an attractive partner that delivers complete solutions through effective processes. We are skilled at creating new, exciting products and solutions that meet the needs of today and tomorrow.

ADDIT EASY CHAIR & ADD TABLE
Lammhults. Design Anya Sebton. Launch Stockholm Furniture Fair 2013.

Corporate Governance Report

Governance and application of the Code

Lammhults Design Group AB is a Swedish company with limited liability (Swedish: aktiebolag). Its registered office is in Växjö, Sweden. The Company is governed via the Annual General Meeting of Shareholders (AGM), the Board of Directors and the CEO in accordance with the Swedish Companies Act and the Company's Articles of Association, as well as Nasdaq OMX Stockholm's Regulations for Issuers, including the Swedish Code of Corporate Governance (the Code). Effective 1 July 2008, a revised code of corporate governance includes all companies that are quoted on the OMX or NGM Exchanges. Governance in the Group has been based on the Code since then. The aim of the Code is to establish conditions favouring an active and responsible ownership role. It is one element of self-regulation in the Swedish business sector. The Code is based on the principle of comply or explain, which means that it is not a crime to deviate from one or more rules in the Code provided that a justification exists and is explained. Lammhults Design Group does not have any deviations from the Code in 2012 to account for. The Corporate Governance Report has been examined by the Company's auditor.

Functions of the Annual General Meeting of shareholders

Shareholders' influence in the Company is exercised at the Annual General Meeting (AGM), which is the Company's highest decision-making body. At the AGM, shareholders vote on resolutions, for example, on adoption of the annual accounts and the consolidated financial statements, filing of the Company's results, discharging the Members of the Board and the CEO from liability, election of the Board and Chair and, where appropriate, election of an auditor, how the Nomination Committee is to be constituted, remuneration to the Board and the auditors and guidelines on remuneration to the CEO and other senior executives.

Conduct of the Annual General Meeting of shareholders

The Company does not apply any particular arrangements as regards the conduct of the Annual General Meeting, neither on the basis of provisions in the Articles of Association nor, as far as is known to the Company, any shareholders' agreement.

Restrictions as to voting rights

The Company's Articles of Association did not stipulate any restrictions as to how many votes each shoulder can cast at an annual general meeting.

Particular provisions in the Articles of Association

The Company's Articles of Association do not contain any provisions as to appointment or discharge of Board members, or as to an amendment of the Articles of Association.

Direct or indirect shareholdings

The following shareholders have a direct or indirect shareholding in the Company, which shareholding represents no less than one tenth of the voting rights for all shares outstanding in the Company: Scapa Capital AB (25.8% of the votes) and Canola AB (17.7% of the votes).

Annual General Meeting 2012

Lammhults Design Group's AGM, held on 26 April 2012, was attended by around 70 shareholders and guests. The shareholders in attendance represented approximately 71 percent of the total number of voting rights in the Company. In addition to voting on the customary resolutions, the meeting re-elected the following Board Members: Yngve Conradsson, Jörgen Ekdahl, Jerry Fredriksson, Erika Lagerbielke, Lotta Lundén and Anders Pålsson. Anders Pålsson was re-elected as Chair of the Board. The AGM also voted to authorise the Board to approve the issue of a total of no more than 800 000 new Class B shares in the Company. Dividend was set at SEK 0.50 per share.

The functions of the Nomination Committee

The AGM resolved that the Chair of the Board should, no later than at the end of the third quarter every year, call a meeting with the four largest shareholders in terms of equity stake and/or voting rights in the Company. These parties will then each appoint one member, who should not be a Member of the Board, of the Nomination Committee. The function of the Nomination Committee is to propose to the AGM the number of Board Members, the Chair of the Board, other Board Members, auditors and the remuneration of the Board and the auditors. The Nomination Committee for the 2013 AGM consists of the following persons: Anders Hultman (Chair, appointed by Scapa Capital), Sven Zetterqvist (appointed by Skandia Life Assurance Company), Göran Johansson (authorised representative) and Lars Johansson (appointed by Canola AB).

The work of the Board of Directors

According to the Swedish Companies Act, the Board of Directors has overall responsibility for the organisation and administration of the Group, as well as for overseeing that the quality of financial reporting, asset management and other financial conditions is satisfactory. The Board takes decisions on issues relating to the Group's overall objectives, strategic direction and policies, as well as on major issues relating to finance, acquisitions, disposals and investments. The work of the Board of Directors of Lammhults Design Group AB is governed by the rules of procedure that are annually adopted by the statutory Board meeting. The rules of procedure regulate the Board's working methods and overall tasks, the holding of meetings, the formulation of ongoing financial reporting and the allocation of tasks between the Board and the CEO. The relevance and timeliness of the rules of procedure are reviewed every year.

During the year, the Board of Directors held five ordinary meetings and three extraordinary meetings in addition to the statutory meeting.

The meetings were devoted to financial follow-up of operations, strategic issues, budget discussions, acquisition and disposal issues, recruitment issues and external financial information. The CEO and the CFO take part in the meetings of the Board, in a reporting capacity.

The Board meetings were prepared by the CEO and the CFO. The CEO provided the Board Members with written reports and supporting documentation at least five working days prior to each respective meeting. The Members of the Board received monthly reports regularly during the year, informing them of the financial and operational developments in the Group. The reports were drawn up jointly by the CEO and the CFO.

Board of Directors – attendance and evaluation

A total of nine meetings were held in 2012, six after the AGM. The attendance at these meetings was as follows: Yngve Conradsson (9), Jörgen Ekdahl (9), Jerry Fredriksson (9), Erika Lagerbielke (8), Lotta Lundén (8) and Anders Pålsson (9). The Chair of the Board ensures that the work of the Board is evaluated once a year. In addition, the Board evaluates the work of the CEO. On the basis of the results, measures are being taken on an ongoing basis by the Chair and Management to improve the quality of work by the Board.

Composition of the Board

According to the Articles of Association, the Board is to be made up of no less than five and no more than twelve members, with no more than five deputies. Since the 2011 AGM, the Chair of the Board has been Anders Pålsson. All Board Members are independent of the Company and the Company's management. One of the Board Members, Yngve Conradsson, has a relationship of dependence with Scapa Capital AB, the biggest shareholder in Lammhults Design Group AB, while another, Jerry Fredriksson, has a relationship of dependence with, Canola AB, which ranks second in terms of voting rights. The other four Board Members are independent of the biggest shareholders. For further information on the individual Board Members, see page 56.

Remuneration to Board of Directors

Remuneration to the Board is subject to resolution by the AGM. The 2012 AGM resolved that fees to the Board Members for the period up to the next AGM shall amount to SEK 840 thousand (840), including SEK 240 thousand (240) to the Chair of the Board. The other Board Members each receive a fee of SEK 120 thousand (120). In addition, the AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50 thousand to the Chair and SEK 25 thousand to the other two members of each committee.

Auditing

According to the Articles of Association, the Company shall have one or two auditors or one or two auditing firms. The auditing firm KPMG AB was appointed auditor at the 2012 AGM, with Michael Johansson being appointed as principal auditor until the end of the next AGM. The Company's principal auditor attends at least one Board meeting a year and reviews the auditing for the year.

Audit Committee

The main task of the Audit Committee is to support the Board in its work of quality assurance in the Company's financial reporting. The Committee meets the Company's auditor regularly to keep informed of the risks (both commercial risks and risks of errors in the financial reporting) that have emerged in the course of auditing. The Committee also discusses important accounting issues affecting the Group. The Audit Committee was composed of Jörgen Ekdahl (chair), Erika Lagerbielke and Lotta Lundén. The Chair of the Audit Committee is responsible for ensuring that the Board as a whole is kept continuously updated on the work of the Committee. In 2012, four minuted meetings were held. Full attendance at the Committee meetings was recorded for all members.

Remuneration Committee

The Remuneration Committee comprised Anders Pålsson (Chair), Yngve Conradsson and Jerry Fredriksson. The Committee submits proposals to the Board regarding the CEO's employment conditions, including benefits. The remuneration of other senior executives is determined by the Board on the basis of proposals from the CEO. The CEO is required to inform the Remuneration Committee annually in advance of remuneration proposed for management personnel accountable directly to the CEO. In 2012, five minuted meetings were held. Full attendance at the Committee meetings was recorded for all members.

CEO and Group Management

The CEO manages the business in accordance with the rules of procedure adopted for the Board of Directors and the CEO, and in accordance with the Board's instructions. The CEO is responsible for ensuring that the Board receives the objective, detailed and relevant information and material for decisions that are required to enable the Board to take well-informed decisions.

In 2012, Group Management consisted of the CEO, CFO, Supply Chain Manager and Brand & Design Director. For further information on the individual members, see page 58.

The Group Management also hold business reviews with the company managements in each business area. These forums are devoted to financial follow-up, business development, strategic issues and discussion of acquisitions.

Remuneration to CEO and Group Management

Guidelines on salaries, bonuses and other remuneration to the Company's senior executives are for resolution by the AGM. For 2012, the AGM resolved that remuneration paid by the Company should be in line with the market, and competitive, such that the Company is able to recruit, motivate and retain competent and skilled personnel. The Group's senior executives who make up the Group Management team, have an agreement on variable remuneration over and above a fixed salary. The size of the variable remuneration is linked to predetermined objectives based on individually set goals, or on the Group's results and cash flows. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. There should also be scope for long-term equity or equity-related incentive programmes. For further information on salaries and other remuneration, see Note 7.

Internal Controls and Risk Management

The overall purpose of internal controls is to ensure to a reasonable degree that the Company's and the Group's operational strategies and objectives are followed up and that the investment of the owners is protected. Furthermore, internal controls are intended to ensure that external financial reporting is, with a reasonable degree of certainty, reliable and prepared in accordance with generally accepted auditing practices, that applicable laws and regulations are complied with and that the requirements to which listed companies are subject are observed.

The Board bears the ultimate responsibility for ensuring that the internal controls in Lammhults Design Group are adequate. The CEO is responsible for ensuring that an adequate system of internal controls is in place, one that covers all significant risks of errors in the Company's financial reporting.

Control Environment

The control environment is the basis of internal controls for the financial reporting. The Group's internal control structure is built inter alia on a clear division of responsibilities and roles, not only between Board and CEO but also within the operational activities. Policies and guidelines are documented and evaluated continuously by Board and management.

Risk Assessment

On the basis of regular discussions and meetings within the organisation, Lammhults Design Group's management identifies, analyses and decides on the way risks of errors in the financial reporting are to be managed. The Board addresses the outcome of the Company's risk assessment and risk management process, in order to ensure that it encompasses every important area, and determines policy and, where required, the actions necessary. The Group's significant risk and uncertainty factors include business risks in the form of high exposure to certain sectors, and financial risks. Financial risks, such as currency, interest rate, finance and liquidity risks, are managed in the main by the Parent Company's financial control function, while credit risks are dealt with primarily by the financial control function in the particular business area. The level of financial risk in the Group has been mitigated through the sale of Voice's property and Scandinavian Eyewear. These divestments, combined with the cash flow from operating activities, enabled the Group to reduce its interest-bearing liabilities by around SEK 115 million during 2012.

Control Activities

The principal aim of control activities is to prevent or at an early stage to discover errors in the financial reporting so that they can be addressed and remedied. Routines and activities have been designed to deal with and remedy significant risks associated with the financial reporting. The CEO and CFO monitor the business areas by regular meetings – business reviews – with the management of the particular company regarding its operations, financial position and results, as well as its key financial and operational ratios. The Board analyses inter alia monthly business reports, in which the CEO and CFO report on the past period and comment on the financial position and results of the Group and the particular business area. This enables significant variations and deviations to be monitored, minimising the risks of error in the financial reporting. The processes of end-of-period and annual accounting involve risks of error in the financial reporting. These routines are of a less-than-repetitive nature and include several stages where judgement is required. Thus, it is important during control activities that an efficient reporting structure should operate, in which the business areas report using standardised reporting forms, and that important income statement and balance items receive comment.

Information and communication

The information provided by Lammhults Design Group must be accurate, open and prompt, and must be distributed simultaneously to all stakeholder groups. All communication is to be made in accordance with the rules of Nasdaq OMX Stockholm, and with other regulations. The financial information must give the capital and equity markets, as well as current and future shareholders, an all-round and clear picture of the Group, its operations, strategy and financial development.

Each business area has a financial controller who is responsible for maintaining high-quality and high delivery punctuality in the financial reporting. the CFO regularly informs these financial controllers of any changes in Group-wide accounting policies and other issues relevant to the financial reporting.

Follow-up

The Board's follow-up of internal controls for the financial reporting is conducted partly in the form of reports from the Audit Committee and partly through the annual follow-up of parts of the system of internal controls by the Company's external auditors within the framework of the statutory audit. The external auditors report the outcome of their examination to the Audit Committee and Group Management. Important observations are also communicated directly to the Board. The Company's principal auditor attends at least one Board meeting a year and reviews the auditing for the year.

Another means of follow-up is in the form of monthly and quarterly reports to the Board, showing financial outcomes and the management's comments on the business and internal controls.

Statement on internal controls

Nothing has emerged to indicate that the system of internal controls is not operating in the manner intended. Consequently, the Board has decided not to set up an internal audit function. The decision will be reviewed annually.

The Corporate Governance Report has been examined by the Company's auditor.

Lammhult, 11 March 2013
Board of Directors

Auditors' Statement on the Corporate Governance Report

To the Annual General Meeting of Shareholders in Lammhults Design Group AB (publ), corp. reg. no. 556541–2094

The Board is responsible for the Corporate Governance Report for 2012 on pages 53–55 and for ensuring that it is compiled in accordance with the Swedish Annual Accounts Act.

As a basis for our opinion that the Corporate GovernanceReport has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Växjö, 11 March 2013
KPMG AB

Michael Johansson
Authorised Public Accountant

Lotta Lunden

Board member since 2005.
Born in 1957. Lives in Stockholm.
Independent board member vis-a-vis the company, the company management and major shareholders in the company.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA. 20 years' experience in retail. Posts include Business Area Manager for IKEA of Sweden and Commercial Director of IKEA Singapore. CEO of Guldfynd/Hallbergs Guld, General Manager of Coop Forum. Partner in Konceptverkstan.

OTHER DIRECTORSHIPS

Bergendahl & Son, Swedol, Statoil Fuel and Retail, Twilfit, Axcel – Swedish Industry Board, MultiQ, JBE, LGT and Frontit.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

3 000 Class B shares.

Jörgen Ekdahl

Board member since 2011.
Born in 1960. Lives in Ljungsarp.
Independent board member vis-a-vis the company, the company management and major shareholders in the company. President and CEO of the industrial group Polstiernan.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA. Financial manager of Svedbergs i Dalstorp AB, Dalstorp, 1990-1999. CEO of Primo Sverige AB, Limmared, 2000-2001. President and CEO of Svedbergs 2002-2010.

OTHER DIRECTORSHIPS

Chairman of Sparbanken Tranemo, chairman of R-MAN Varnamo.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

2 000 Class B shares.

Anders Palsson

Chairman. Board member since 2009.
Born in 1958. Lives in Malmo.
Independent board member vis-a-vis the company, the company management and major shareholders in the company.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA, Lund University.
25 years' experience in international industrial companies. Posts include President/CEO of Hilding Anders, and Divisional Manager of Trelleborg AB and PLM/Rexam. Active in Gambro and the E.on Group (Sydkraft).

OTHER DIRECTORSHIPS

Nibe Industry AB, Trioplast AB, AB, STARCO A/S.

OTHER ASSIGNMENTS

Advisory Director of Investcorp in London.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

4 913 Class B shares.

Yngve Conradsson

Board member since 2005.
Born in 1943. Lives in Alvesta.
Chairman of upholstered furniture company Scapa Inter AB and Beds By Scapa.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Together with Anders Hultman developed furniture company Scapa into the largest bed and upholstered furniture company in the Nordic countries.

OTHER DIRECTORSHIPS

Scapa Capital AB.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

367 570 Class A shares and 1 074 000 Class B shares through ownership of Scapa Capital AB.

Jerry Fredriksson

Board member since 2004.
Born in 1942. Lives in Savsjö.
Shareholder and CEO of the family-owned Canola AB, Rådhuset AB and Bussgruppen Sverige AB. Also CEO of Investment AB Chiffonjén and Lillekullen AB.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Business economist. Has previously worked in the furniture and food industries, in asset management and as an auditor.

OTHER DIRECTORSHIPS

Chairman of KarlssonGruppen AB, IV Produkt Holding AB, Frelind AB, Boel & Jan Holding AB, Facility Systems Sweden AB, Sjobysund AB and Investment AB Vitrinen.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

314 049 Class A shares and 112 000 Class B shares (including shares held indirectly through family companies).

Erika Lagerbielke

Board member since 2006.
Born in 1960. Lives in Stockholm.
Independent board member vis-a-vis the company, the company management and major shareholders in the company. Designer, own company. Professor of design, Linnaeus University.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Industrial design, University College of Arts, Crafts and Design 1979-1983. Designer for Orrefors since 1982. Since 2005 associate professor of glass design, Växjö University/Linnaeus University. Since 2009 own design company Erika Lagerbielke & Co AB, with design, design development and lecturing as main activities.

OTHER DIRECTORSHIPS

Member of the Hald Gate Fund and Intressentföreningen SVID.

OTHER ASSIGNMENTS

Member of the Svensk Form Copyright Panel, National Archives Heraldry Board, Föreningen Nyckelviksskolan, Smålands Akademi and Smålands och Ölands Gastronomiska Akademi

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

0 shares.

In photograph from left: Lotta Lundén, Jörgen Ekdahl, Anders Pålsson, Yngve Conradsson, Jerry Fredriksson, Erika Lagerbielke.

BOARD OF DIRECTORS

Lammhults Design Group.

Anders Rothstein

President and CEO of Lammhults Design Group since 2009. Business Area Manager Public Interiors
Born in 1964. Lives in Viken.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Executive MBA, Lund University. International executive with experience of work in listed companies. European Sales Companies Director, etc. at Saint-Gobain Ecophon AB 1988-2004. President & CEO of Human Care HC AB 2004-2007. Vice President of Inwido AB 2007-2009.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

4 150 Class B shares.

Sven Lindberg

Supply Chain Director Lammhults Design Group since 2010.
Born in 1958. Lives in Hjo.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Engineering degree from Chalmers University of Technology. Has a background as a senior executive in production, purchasing and product development. Factory manager, etc. Nobel Plast AB 1982–1994. Factory manager and production manager at Fagerhults Belysning AB 1994-2003. Technical manager at Daloc AB 2004-2006. Technical manager and Vice President of Inventech Europe AB 2006-2009.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

1 925 Class B shares.

Thomas Jansson

CFO of Lammhults Design Group since 2003 and employed by the Group since 1997.
Born in 1968. Lives in Huskvarna.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA. Has previously worked as an economist at Volvo Articulated Haulers AB 1993-1997 and as CFO of Lammhults Mobel AB 1997-2003.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

1 640 Class B shares.

Lars Bülow

Brand and Design Director Lammhults Design Group and CEO of Lammhults Möbel AB since 2012. Business Area Manager Office & Home Interiors
Born in 1952. Lives in Stockholm.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Architect MSA, Designer MSD. Freelance designer 1980-1992. Founder and CEO of Materia AB 1992–2011. CEO of Materia Group AB (Materia, Skandiform, NC Nordic Care) 2009–2011.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

100 000 Class B shares through company.

In photograph from left: Anders Rothstein, Sven Lindberg, Thomas Jansson, Lars Bülow.

GROUP MANAGEMENT

Lammhults Design Group.

THE SHARE

LAMMHULTS DESIGN GROUP'S 16TH YEAR ON THE STOCK MARKET

Lammhults Design Group's Class B shares have been quoted on the Nordic Small Cap List of the Nasdaq OMX Nordic Exchange since 2 October 2006. During the period 2 October 2006 to 16 June 2008, the share was quoted under the previous company name, Expanda AB, but since 17 June 2008 it has been quoted under Lammhults Design Group, shortened to LAMM B. In the period 25 June 1997 to 1 October 2006, the share was quoted on the "O" List of the Stockholm Stock Exchange, under the previous company name R-vik Industrigrupp AB until 6 June 1999 and thereafter under Expanda AB. At year-end 2012, Lammhults Design Group's share capital amounted to SEK 84 481 040, represented by 1 103 798 Class A shares, each carrying an entitlement to 10 votes, and 7 344 306 Class B shares, each carrying an entitlement to 1 vote.

SHARE PRICE

During 2012, the share price fell by 9% from SEK 22.50 to SEK 20.40. The highest price paid during the year was SEK 25.40 (39.70) and the lowest SEK 15.00 (17.80). Regarding the liquidity of the share in 2012, it was traded on 75% (92) of all trading days, and during the year, the total turnover in the Company's shares was SEK 9 million (38). Market capitalisation at year-end 2012 was SEK 172 million (190).

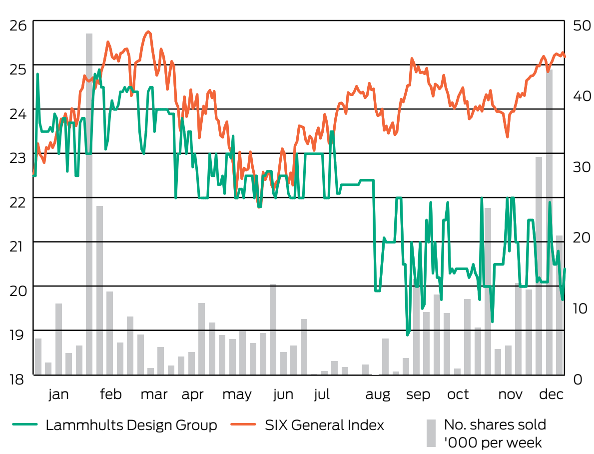
CHANGES IN OWNERSHIP

The number of shareholders at year-end 2012 was 2 416 (2 609), 7% lower than at the preceding year-end. A shift in ownership from private individuals and institutional shareholders in Sweden to other Swedish legal entities and owners based abroad took place during the year. Among the Company's major shareholders, Tage Johansson with company reduced his holding by 1 644 Class B shares, lowering his stake to 104 973 Class A shares and 77 515 Class B shares; Skandia Livförsäkrings AB reduced its holding by 34 705 Class B shares to 777 638 Class B shares; and Odin Förvaltning reduced its holding by 8 048 Class B shares to 759 996 Class B shares.

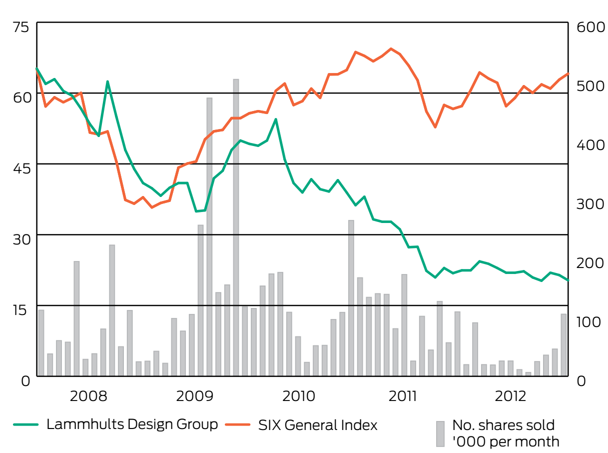
DIVIDEND POLICY AND DIVIDEND

Lammhults Design Group's financial objective over a business cycle is, while maintaining a focus on the Group's long-term capital requirements, that the dividend paid shall correspond to around 40% of profit after tax. For the 2012 financial year, the Board proposes a dividend of SEK 0.50 per share (0.50). The total dividend payment will thus amount to SEK 4.2 million (4.2). The proposed dividend represents a direct yield of 2.5% (2.2).

Price trends and share turnover, 2012



Price trends and share turnover, 2008–2012



PER-SHARE DATA	2008	2009	2010	2011	**2012**
Number of shares at year-end, '000s	8 448	8 448	8 448	8 448	8 448
Warrants, '000s [1]	75	110	35	0	0
Average number of shares, '000s	8 448	8 448	8 448	8 448	8 448
Earnings per share before dilution, SEK	6.24	3.22	1.65	0.72	0.62
Earnings per share before dilution, remaining businesses, SEK	5.95	3.16	1.19	0.53	0.21
Earnings per share after dilution, SEK	6.24	3.22	1.65	0.72	0.62
Earnings per share after dilution, remaining businesses, SEK	5.95	3.16	1.19	0.53	0.21
Cash flow per share, SEK	11.05	3.95	3.53	2.79	2.98
Equity per share before dilution, SEK	46.81	46.76	43.72	43.22	42.46
Equity per share after dilution, SEK	46.81	46.76	43.72	43.22	42.46
Market price at year-end, SEK	41.00	49.30	36.30	22.50	20.40
Dividend per share paid/proposed, SEK	2.50	1.50	1.00	0.50	0.50
P/E ratio	7	15	22	31	34
Market price/equity, %	88	105	83	52	48
Direct yield, SEK	6.1	3.0	2.8	2.2	2.5
Dividend payout ratio, %	40	47	61	69	81

[1] Redemption price of SEK 79.00 for warrants issued in 2008, and redemption price of SEK 50.00 for warrants issued in 2009.

CLASS OF SHARE	Number of shares	Number of votes	Proportion of share capital (%)	Proportion of votes (%)
Class A	1 103 798	11 037 980	13.1	60.0
Class B	7 344 306	7 344 306	86.9	40.0
	8 448 104	**18 382 286**	**100.0**	**100.0**

CHANGES IN SHARE CAPITAL

Year	Transaction	Change in share capital	Total share capital
1997	Incorporation	500 000	500 000
1997	New share issue	80 223 330	80 723 330
1997	New share issue	2 457 710	83 181 040
1999	120 000 warrants for subscription of Class B shares issued		
2001	New share issue	1 300 000	84 481 040
2008	75 000 warrants for subscription of Class B shares issued		
2009	35 000 warrants for subscription of Class B shares issued		

DISTRIBUTION OF SHARES, 31 DECEMBER 2012 Shareholding, no.	Number of shareholders	Proportion of owners, %	Proportion as % of capital	Proportion as % of votes
1 - 500	1 741	72.1	3.9	1.8
501 - 1 000	319	13.2	3.3	1.6
1 001 - 2 000	150	6.2	2.8	1.4
2 001 - 5 000	98	4.1	4.1	2.9
5 001 - 10 000	41	1.7	3.6	2.6
10 001 - 50 000	41	1.7	10.8	5.4
50 001 -	26	1.1	71.5	84.4
Total	2 416	100.0	100.0	100.0

TEN LARGEST SHAREHOLDERS, 31 December 2012 Shareholder	Number Class A shares	Number Class B shares	Proportion of capital, %	Proportion of votes, %
Scapa Capital AB	367 570	1 074 000	17.1	25.8
Canola AB	314 049	112 000	5.0	17.7
Sjöberg, Stig and Ann-Louise	108 318	80 500	2.2	6.3
Johansson, Tage with company	104 973	77 515	2.2	6.1
Skandia Livförsäkrings AB	0	777 638	9.2	4.2
Sandelius, Nils-Gunnar and company	78 600	8 000	1.0	4.3
Odin Förvaltning	0	759 996	9.0	4.1
Länsförsäkringar Småbolagsfond	0	548 134	6.5	3.0
Johan Sjöberg i Stockaryd AB	50 300	20 000	0.8	2.8
Sjöberg, Harriet	37 600	38 050	0.9	2.3
Sub-total, 10 largest shareholders	1 061 410	3 495 833	53.9	76.8
Other	42 388	3 848 473	46.1	23.2
Total	1 103 798	7 344 306	100.0	100.0

SHAREHOLDERS BY CATEGORY, 31 December 2012 Category	Number Class A shares	Number Class B shares	Proportion of capital, %	Proportion of votes, %
Financial companies	0	2 039 642	24.1	11.1
Social insurance funds	0	13 600	0.2	0.1
Stakeholder organisations	0	18 240	0.2	0.1
Other Swedish legal entities	845 488	2 086 318	34.7	57.3
Uncategorised legal entities	0	846 825	10.0	4.3
Owners based abroad	0	271 554	3.2	1.5
Swedish natural persons	258 310	2 125 074	28.2	25.6
Total	1 103 798	7 344 306	100.0	100.0

The total number of shareholders in Lammhults Design Group at year-end was 2 416 (2 609). Owners based abroad represented 3.2% (2.1) of the capital and 1.5% (1.0) of the voting rights. Institutional shareholders, including legal entities based abroad and uncategorised legal entities, represented 35.7% (36.3) of the capital and 16.4% (16.7) of the voting rights. The ten largest shareholders held 53.9% (54.5) of the capital, representing 76.8% (77.0) of the voting rights.

FIVE-YEAR REVIEW

KEY FIGURES	Unit	2008	2009	2010	2011	**2012**
For remaining businesses						
Net sales	SEK m.	788.1	736.0	673.4	651.1	**627.4**
Gross profit	SEK m.	306.7	289.6	249.9	235.7	**220.3**
Gross margin	%	38.9	39.4	37.1	36.2	**35.1**
Operating profit	SEK m.	81.1	50.5	23.0	15.6	**3.8**
Operating margin	%	10.3	6.9	3.4	2.4	**0.6**
Profit after financial items	SEK m.	73.9	45.5	21.3	10.5	**0.1**
Net margin	%	9.4	6.2	3.2	1.6	**0.0**
For the whole Group						
Net sales	SEK m.	901.2	840.8	778.0	753.8	**713.9**
Gross profit	SEK m.	368.5	337.4	303.6	287.7	**264.0**
Gross margin	%	40.9	40.1	39.0	38.2	**37.0**
Operating profit	SEK m.	85.5	44.6	26.7	18.5	**9.6**
Operating margin	%	9.5	5.3	3.4	2.5	**1.3**
Profit after financial items	SEK m.	77.1	38.9	24.2	12.5	**5.4**
Net margin	%	8.6	4.6	3.1	1.7	**0.8**
Total capital	SEK m.	790.5	754.6	744.1	699.9	**553.2**
Capital employed	SEK m.	577.9	581.5	578.0	552.2	**431.5**
Operating capital	SEK m.	505.2	511.3	504.6	505.5	**408.2**
Equity	SEK m.	395.5	395.1	369.3	365.1	**358.7**
Return on total capital	%	12.1	6.0	3.7	2.7	**1.7**
Return on capital employed	%	16.6	8.0	4.7	3.5	**2.1**
Return on operating capital	%	18.1	8.8	5.2	3.7	**2.1**
Return on equity	%	14.2	6.9	3.6	1.6	**1.4**
Debt/equity ratio	mult.	0.46	0.47	0.56	0.51	**0.20**
Risk-bearing capital, share	%	50.5	53.3	51.2	53.8	**66.4**
Interest coverage ratio	mult.	8.0	6.0	8.5	2.7	**2.1**
Equity/assets ratio	%	50.0	52.4	49.6	52.2	**64.9**
Cash flow from operating activities	SEK m.	93.3	33.4	29.8	23.6	**25.2**
Investments	SEK m.	27.6	17.3	7.6	16.9	**12.6**
Average number of employees		400	410	394	400	**376**

Risk-bearing capital, share
Equity and deferred tax, as a percentage of total assets.

Return on equity
Profit for the year, as a percentage of average equity.

Return on operating capital
Operating profit, as a percentage of average operating capital.

Return on capital employed
Profit after financial items plus financial expenses, as a percentage of average capital employed.

Return on total capital
Profit after financial items plus financial expenses, as a percentage of average total capital.

Total assets
The value of all assets.

Gross margin
Gross profit, as a percentage of net sales.

Market price/equity, %
Market price at year-end, divided by equity per share.

Market price at year-end
The latest price paid on the Nasdaq OMX Nordic Exchange for the respective year.

Direct yield
Dividend per share, as a percentage of the market price at year-end.

Equity
The total of restricted and non-restricted equity.

Equity per share
Equity divided by the number of shares at year-end.

Cash-flow per share
Cash flow from current operations, divided by average number of shares.

Inventory turnover
The cost of goods sold, divided by the average inventory.

Net margin
Profit after financial items, as a percentage of net sales.

Net sales
The value of the Group's deliveries, less deliveries between companies in the Group.

Sales per employee
Net sales divided by the average number of employees.

Operating capital
Total assets, less cash and cash equivalents and other interest-bearing assets and less non-interest-bearing liabilities.

P/E ratio
Market price at year end, divided by earnings per share after tax.

Earnings per share after tax
Profit for the year divided by the average number of shares outstanding.

Interest coverage ratio
Profit after financial items plus financial expenses divided by financial expenses.

Operating margin
Operating profit as a percentage of net sales.

Debt/equity ratio
Interest-bearing liabilities divided by equity.

Equity/assets ratio
Equity as a percentage of total assets.

Capital employed
Total assets, less non-interest-bearing liabilities and deferred tax.

Dividend payout ratio
Proposed dividend, as percentage of profit for the year.

FINANCIAL STATEMENTS AND NOTES

FINANCIAL REPORT

NOTES

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and the CEO of Lammhults Design Group AB, corporate registration number 556541–2094, hereby present their annual report and consolidated accounts for the period 1 January 2012–31 December 2012. Lammhults Design Group conducts its business activities in the form of a public limited company (Swedish: aktiebolag). Its registered office is in the Municipality of Växjö, in Kronoberg County. The Company's address is: Box 75, SE-360 30 Lammhult, Sweden.

This is Lammhults Design Group

Serving a global clientele, Lammhults Design Group's business concept is to create positive experiences through modern interiors. Consumer insight, design management and strong brands are the foundations on which the Group's operations are based. We develop products with several of the market's foremost designers. Until the beginning of October 2012, when the Scandinavian Eyewear business area was divested, the Group operated in the following areas: design, development and sale of products for interiors of public environments and homes and offices, as well as design, development and sale of spectacle frames. Following the sale of Scandinavian Eyewear, operations are now organised in two business areas: Office & Home Interiors and Public Interiors.
The Group is made up of the following wholly owned subsidiaries: Lammhults Möbel AB, Abstracta AB with subsidiaries Abstracta Interiors A/S (formerly Borks Patenttavler A/S) and Abstracta Interiör AS, Voice AB, Ire Möbel AB, Lammhults Biblioteksdesign AB, Schulz Speyer Bibliothekstechnik AG with subsidiaries Schulz Benelux BVBA and Harmonie Projects Srl, Lammhults Biblioteksdesign A/S with subsidiaries Lammhults Design Group GmbH (formerly IFBD GmbH) and NBLC Systemen B.V. The Group also includes a number of foreign sales companies and some dormant companies. Lammhults Biblioteksdesign AB has a 50% stake in the joint venture company BS Eurobib AS.

Significant events in 2012

- Borks Patenttavler A/S former production facility was relocated and coordinated with that of Abstracta AB in Lammhult. This leaves in Denmark a company that specialises in sales support for the Danish market.
- Schulz Speyer Bibliothekstechnik AG delivered a library project for Darmstadt, Germany. The project is worth around SEK 10 million
- Lammhults Möbel AB secured an order valued at approximately SEK 15 million from WTO (the World Trade Organization) in Switzerland. The order was for interiors for WTO's new headquarters in Geneva. Interiors to a value of just over SEK 10 million were delivered in 2012, with the remainder scheduled for delivery in the first half of 2013.
- Voice's property just outside Jönköping was sold to reduce tied-up capital and make it available for use. The sale had a positive impact on liquidity amounting to some SEK 44 million and yielded a capital gain of approximately SEK 4 million.
- The business of Lammhults Biblioteksdesign A/S's Spanish subsidiary, Bibliotecas BCI SA, and Schulz Speyer Bibliothekstechnik AG's Austrian subsidiary, Schulz Österreich GmbH, were closed down.
- Lammhults Möbel AB delivered to the Friends Arena in Stockholm 500 units of its Area sofa, 250 Quickly tables, plus Comet chairs and Cooper tables valued at a total value of SEK 4.5 million.
- All shares in Scandinavian Eyewear AB were sold to Marchon Europe, of the Netherlands, part of VSP Global of the USA. The purchase consideration for the shares was approximately SEK 58 million, leading to a capital loss of approximately SEK 3 million. The positive effect of the sale on the Group's cash and cash equivalents in 2012 was approximately SEK 37 million.
- Voice AB's former production facility was relocated and coordinated with that of Abstracta AB in Lammhult. The integration of Borks', Voice's and Abstracta's production units created a larger and more efficient production unit at Lammhult.
- Vilnius University, Lithuania, ordered products from Lammhults Möbel AB valued at SEK 2.8 million and Malmö Police Authority ordered furniture to a value of SEK 3.7 million.
- The Department of Psychiatry, Uppsala, ordered screens from Abstracta AB valued at SEK 3.7 million and Quickly tables and Spira chairs from Lammhults Möbel AB to a value of SEK 1.8 million.

Financial summary for 2012

The Scandinavian Eyewear business area was sold on 3 October 2012. The financial summary therefore consistently refers to the remaining businesses, that is, excludes Scandinavian Eyewear.

The Group's net sales totalled SEK 627.4 million, 4% lower than in the preceding year. At the same exchange rates as in the preceding year, net sales for the year would have been SEK 10.6 million higher. Net sales for Public Interiors fell by 1 percent, while net sales of Office & Home Interiors fell by 5 percent.

The Group's gross margin declined from 36.2% to 35.1%, mainly because of costs involved in harmonising and streamlining the product ranges in Abstracta, Borks and Voice, non-recurring impairment losses of SEK 4 million in the inventories of Office & Home Interiors, and because production overheads were distributed over lower sales volumes in Office & Home Interiors. In addition, tough competition prevailed in many markets, which affected selling prices.

The Group's cost of sales and administration were SEK 1.0 million higher than in the preceding year.

In all, the Group's operating profit was charged with non-recurring and restructuring costs of around SEK 16 million during the

GROUP FINANCIAL HIGHLIGHTS

GROUP	2008	2009	2010	2011	2012
Net sales for remaining businesses, SEK m.	788.1	736.0	673.4	651.1	627.4
Operating profit for remaining businesses, SEK m.	81.1	50.5	23.0	15.6	3.8
Operating margin for remaining businesses, %	10.3	6.9	3.4	2.4	0.6
Capital employed, SEK m.	577.9	581.5	578.0	552.2	431.5
Return on capital employed, %	16.6	8.0	4.7	3.5	2.1
Return on equity, %	14.2	6.9	3.6	1.6	1.4
Equity/assets ratio, %	50.0	52.4	49.6	52.2	64.9
Debt/equity ratio, mult.	0.46	0.47	0.56	0.51	0.20
Investments in property, plant and equipment, SEK m.	27.6	17.3	7.3	16.9	12.6
Average number of employees	400	410	394	400	376
Dividend payout ratio, %	40	47	61	69	81

year. In addition to the above-mentioned impairment losses on inventories, these costs consisted of approximately SEK 9 million for integration of the businesses of Borks and Voice with that of Abstracta, plus costs of approximately SEK 3 million at Public Interiors for the closure of subsidiaries in Spain and Austria and integration of the sales companies in the Netherlands and Belgium. As a result of these streamlining and productivity measures, cost reductions of around SEK 9 million have been implemented for 2013. Operating profit amounted to SEK 3.8 million (15.6), corresponding to an operating margin of 0.6% (2.4). Compared with the preceding year, operating profit improved at Public Interiors, but dipped sharply at Office & Home Interiors as a result of falling net sales and the above-mentioned non-recurring and restructuring costs. The pre-tax profit was SEK 0.1 million (10.5). The profit after tax totalled SEK 1.8 million (4.5). Earnings per share for the Group totalled SEK 0.62 (0.72) before and after dilution, and for the remaining businesses SEK 0.21 (0.53) before and after dilution.

Sale of Voice's property and the Scandinavian Eyewear business area in the second half of 2012 generated a cash flow of just over SEK 80 million. This resulted in further consolidation of the Group's financial position and the equity/assets ratio was 64.9% (52.2) and the debt/equity ratio 0.20 (0.51) on 31 December 2012. Our financial position continues to allow scope for acquisitions without departing from the Group's goals for equity/assets ratio (no less than 35%) and debt/equity ratio (within the range of 0.7–1.0). Cash flow from operating activities in 2012 amounted to SEK 25.2 million (23.6). The improvement arose through an intensified focus on working capital. Cash flow for the year totalled SEK -20.1 million (-26.1). Cash and cash equivalents amounted to SEK 23.3 million (46.6) at year-end. The Group's unused credit facilities including cash and cash equivalents totalled SEK 119.6 million (75.9).

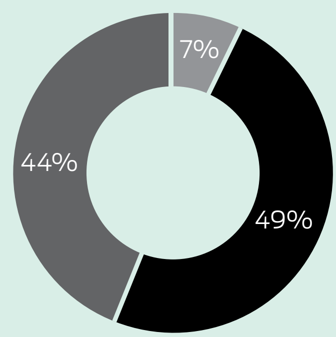
Brand strategy

Four years ago, a decision was taken to introduce a brand-led strategy in order that the Group should move from a holding company type of structure to a more integrated industrial group focusing on interiors. With clearer, more consistent branding, we can achieve sustainable, profitable growth, thereby increasing shareholder value. In recent years, the brand strategy has been refined to maximise impact from the work on branding in the Group. The Lammhults Design Group has acquired its own graphical identity, which creates better clarity both externally, among our customers, and in-house. As a result, our own already strong and well-established brands in interiors – Lammhults, Abstracta, Borks, Voice, Ire, Eurobib Direct, Schulz Speyer and BCI – can retain their individual characteristics, while at the same time benefiting from an endorsement process that tags them "Part of Lammhults Design Group". This underpins the Group's ability to use the various brands in both an individual and a collection-inspired way in order to meet the requirements of individual customers. It also enables us to exploit synergies in purchasing, production, product development, marketing and sales. The brand strategy places the customer at the centre. Insight into customer needs are vital if we are to be able to develop good products and systems. Consistent and credible branding is another important tool by which the Group's future gross margins can be improved.

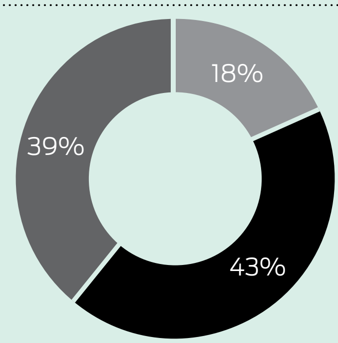
The market in 2012

The general uncertainty in large areas of the world around us continued to affect business in 2012. Restraint in public sector investments in a number of European markets adversely affected sales by Public Interiors. Weak demand in the premium segments of the furniture market for home interiors in Sweden put a brake on sales for the Voice and Ire brands in Office & Home Interiors. Sales of both brands fell by just over 20% over the year. The sales of Lammhults and Abstracta/Borks products that are aimed at public sector buyers remained at last year's level. Demand for furniture and interiors for public environ-

BREAKDOWN OF NET SALES FOR REMAINING BUSINESSES



BREAKDOWN OF NET SALES FOR WHOLE GROUP



PRIVATE CONSUMPTION
BUSINESS SECTOR CONSUMPTION
PUBLIC SECTOR CONSUMPTION

ments in the Nordic market was thus relatively stable during the year. As a result of these changes in the market and the sale of Scandinavian Eyewear, the share of Group sales represented by business consumption rose from 35% to 39%, while the Group's share of sales to the public sector declined from 44% to 43% and sales to the private sector fell from 21% to 18%.

Another factor that affected the Group's operations was the rise in the Swedish krona (SEK), which negatively affected net sales in the amount of nearly SEK 11 million. The share of sales to markets outside Sweden increased by 1% for remaining businesses, till 64%. The order backlog for remaining businesses at year-end was 6% lower than at the preceding year-end, totalling SEK 92.7 million (98.4). The order backlog for the Office & Home Interiors business area was SEK 20.6 million higher than at the preceding year-end, while that of Public Interiors was SEK 26.3 million lower.

MARKET DEVELOPMENTS – BUSINESS AREAS

Office & Home Interiors

The business area develops, markets and sells products for interiors for public and home environments under the brands of Lammhults, Abstracta, Borks, Voice and Ire. At the end of 2011, a decision was taken to coordinate the Lammhults Office and Lammhults Home business areas within a single business area, Office & Home Interiors. Net sales totalled SEK 372.0 million, compared with SEK 393.1 million a year earlier. For the Lammhults and Abstracta/Borks brands, net sales were at the same level as the preceding year, while for Voice and Ire net sales fell by just over 20% in the wake of weak demand for premium-segment furniture for the home. Sales to the Swedish market weakened for all brands other than Abstracta, but remained at last year's level in the other Nordic countries. The gross margin for the business area was lower than in the preceding year. This was mainly because of costs involved in harmonising the product ranges in Abstracta, Borks and Voice, non-recurring impairment losses in inventories of around SEK 4 million and because production overheads were distributed over lower sales volumes.
In addition to the above-mentioned impairment losses in inventories, operating profit was also charged with non-recurring and restructuring costs of around SEK 9 million as a result of the integration of Borks' and Voice's businesses with that of Abstracta. These structural measures will create a larger and more efficient production unit at Lammhult. Voice's sales and marketing resources have already been integrated into Abstracta in order to extend the product offering and also to sell storage furniture to the public sector market. Overall, these measures will create the conditions for improving profitability in future. Operating profit totalled SEK 5.6 million (24.6) and the operating margin was 1.5% (6.3).

Public Interiors

The business area develops and sells interiors and product solutions mainly for public sector consumption, under the Eurobib Direct, BCI and Schulz Speyer brands. At the end of 2011, it was decided to target expanded sales activities beyond libraries to operators mainly active in education and training and in the long term also in the health/social care sector. Net sales totalled SEK 257.5 million, compared with SEK 260.7 million a year earlier. Business was again affected by restraint in public sector investments in a number of European markets. Furthermore, net sales suffered from negative currency effects totalling nearly SEK 9 million, compared to the preceding year. Net sales during the year rose in Germany, the UK, Benelux and France, but fell in Spain, Italy and the Middle East. Despite tough price competition in markets that are important to the business area, such as Germany, France and Italy, our gross margin was higher than in the preceding year. This was mainly because of effective work on the supply chain, and more efficient processes. In 2012, the businesses of the subsidiaries in Spain and Austria were closed down, while the sales companies in the Netherlands and Belgium were integrated. These actions led to non-recurring and restructuring costs of around SEK 3 million, but will deliver cost savings in the future. Selling and administration costs in the business area were approximately SEK 6 million lower than last year, thanks to a number of cost-cutting measures implemented. Operating profit totalled SEK 16.6 million (7.1). The operating margin was calculated at 6.4 percent (2.7).

Parent Company

The Parent Company's activities comprise Group management and certain Group-wide functions. Net sales amounted to SEK 6.2 million (6.2), with a profit of SEK 2.0 million (0.6) after financial items. Intra-Group dividends and Group contributions render year-on-year comparisons difficult. Investments totalled SEK 0.3 million (0.5). Cash and cash equivalents, including unused overdraft facilities, totalled SEK 95.6 million (42.9) on 31 December 2012.

Investments and depreciation

The Group's investments in machinery, equipment, ERP systems and IT, including work in progress, amounted to SEK 12.6 million (16.9) during the year. Total depreciation according to plan for the Group was SEK 12.7 million (15.4) over the year, and for remaining business SEK 11.7 million (14.0).

Development work

Product development, in-house and in partnership with customers, is an important part of the Group's operations. The Group's products are to be characterised by creativity and high design values, drawing on the expertise of designers both in and outside the organisation. The main focus is capital goods and consumer durables for public environments, homes and offices. Product development shall be driven by creativity and design in combination with other essential factors such as production sustainability, functionality, quality, environment and price. The costs associated with this process are not normally sufficient for them to fulfil the criteria for reporting as an asset, but instead are accounted for as administrative expenses in the consolidated income statement; see Note 6. During the year, development costs totalling SEK 0.1 million (1.5) were capitalised.

Risks and uncertainties

The significant risks and uncertainties faced by Lammhults Design Group include business risks in the form of high exposure to certain sectors. The Group is also exposed to financial risks. Chief among them are currency risks relating to fluctuations in exchange rates in conjunction with exports and imports, interest risks in connection with liquidity and debt management, and credit risks in connection with sales. The Group's sales are above all conducted in SEK, EUR, DKK and NOK while purchases are mainly made in SEK, EUR, DKK and USD. In addition, the Group is to a certain degree exposed to commodities risk. The level of financial risk has been mitigated through the sale of Voice's property and Scandinavian Eyewear. Financial risks, risk management and financial policies are described in more detail in Note 26.

Financial goals and future expectations

The financial goals of Lammhults Design Group over a business cycle are as follows:

- Average annual growth of at least 10%.
- An average annual operating margin of at least 8%.
- Return on capital employed of at least 15%.
- An equity/assets ratio of at least 35%.
- A debt/equity ratio in the range of 0.7 and 1.0.
- A dividend payout ratio of approximately 40% of profits after tax, taking into account the Group's long-term capital requirements.

The general uncertainty in large areas of the world around us is continuing to affect our business. Restraint in public sector investments in a number of European markets and weak demand in the premium segments of the furniture market for home interiors in Sweden are affecting sales for Public Interiors and the Voice and Ire brands. The market for furniture and interiors for public environments is more stable, which is favouring the Lammhults and Abstracta/Borks brands. In order to boost growth and profitability in the years ahead, the Board and Management took a decision in October 2011 to streamline operations and focus on profitable growth in furniture and interiors. Expertise and resources have been gathered within two clearly defined business areas, Office & Home Interiors and Public Interiors. The former Lammhults Office and Lammhults Home business areas have been merged into one, Office & Home Interiors. The former business area Lammhults Library has been expanded by widening the focus of sales activities beyond libraries to include operators mainly active in education and training and in the long term also in the health/social care sector. The business area has been renamed Public Interiors. In Public Interiors, the businesses of the subsidiaries in Spain and Austria have been closed down and the sales companies in the Netherlands and Belgium have been integrated. As part of this streamlining programme, Scandinavian Eyewear has been divested. These decisions and the integration of Lammhults Office and Lammhults Home were implemented step by step during 2012, which became a year of measures to streamline and sharpen focus in the business, and deliver efficiency improvements. All-in-all, implementing the programme required an intensive effort during 2012, which at the same time led to profit being charged with structural and non-recurring costs totalling approximately SEK 16 million. As a result of the said streamlining and productivity measures, cost reductions of around SEK 9 million have been implemented for 2013. As a result, the Group has created a more solid base for operations in 2013. The Group's financial position was strengthened during 2012, creating scope for growth, both organic and via acquisitions.

Environmental activities in the Group

While developing, manufacturing and marketing safe products of the highest quality that satisfy the demands of the market, Lammhults Design Group will maintain a close focus on environmental factors. Every company in the Group has established an environmental policy aligned with the Group-wide policy adopted by the Board of Directors. The operations of Abstracta AB, Lammhults Möbel AB, Lammhults Biblioteksdesign AB and Ire Möbel AB have been certified to ISO 14001. In this Annual Report, the Group's work on sustainability issues is summarised and reported for the second time in accordance with the directives of GRI G3 (Global Reporting Initiative). None of the Group's companies is engaged in operations that in themselves may be classified as particularly hazardous to the environment, and as a result no duty of licensing or notification under the Swedish Environmental Code applies.

Human resources

Operations within the Group are as far as possible required to make best use of the skills and experience that have been built up in the Parent Company and business areas. Knowledge transfer with regard to product development, marketing, distribution and export sales, as well as purchases from low-cost countries, form a central element of the Group's strategic focus. Lammhults Design Group endeavours to create safe and healthy work environments, as well as tasks that encourage personal development on the part of the Group's employees. The average number of employees in remaining businesses totalled 346 (357). Of the total number of employees in the Group, 42% (42) were women. The costs of wages, salaries and other remuneration for remaining businesses amounted to SEK 147.8 million (149.5).

Guidelines for remuneration to senior executives

Fees are paid to the Chair and Board members in accordance with resolution of the AGM. In addition, the 2012 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50 thousand to the Chair and SEK 25 thousand to the other two members of each committee. The AGM has adopted the following guidelines for remuneration: Wages, salaries and other conditions of employment for the CEO and other senior executives shall be in line with the market, and competitive, such that competent and skilled personnel can be recruited, motivated and retained. The Group's senior executives who make up the Group Management team, have an agreement on variable remuneration over and above a fixed salary. The size of the variable remuneration is linked to predetermined objectives based on individually set goals, or on the Group's results and cash flows. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. The variable remuneration for the Group Management may total no more than SEK 2.4 million, including social welfare charges, in the succeeding financial year. There should also be scope for long-term share-based or share price-based incentive programmes.

On termination by the Company of an employment contract with the CEO or other senior executive, compensation equivalent to no more than 18 months' remuneration shall be paid. The total compensation shall not exceed the remuneration that would have been paid in an arrangement of a period of notice of six months and severance pay corresponding to an additional maximum of no more than 12 months' fixed salary.

Agreements on pension benefits shall be entered into individually. For the CEO, an annual pension premium amounting to ten times Sweden's "Base Amount" (Swedish: prisbasbelopp) shall be paid. For other senior executives, pension costs shall amount to a maximum of 25 percent of the fixed and variable salary. The terms and conditions of pensions shall be based on defined-contribution pension schemes. The retirement age shall be 65 years.

No significant changes are proposed to the guidelines for remuneration to senior executives at the next AGM.

Corporate governance

The company is governed by the Annual General Meeting, Board of Directors and CEO under the terms of the Swedish Companies Act and the Company's Articles of Association, along with Nasdaq OMX Stockholm's rules for issuers, including the Swedish Code of Corporate Governance. The work of the Board of Directors of Lammhults Design Group is governed by the rules of procedure annually adopted by the statutory Board meeting. Nine Board meetings were held in 2012. The Board has also appointed an Audit Committee and a Remuneration Committee that study and prepare the Board's decisions regarding important issues in the respective areas. For more information on the work of the Board of Directors, corporate governance and the Group's systems of internal control, see the Corporate Governance Report on page 53.

Ownership

The total number of shares outstanding in Lammhults Design Group is 8 448 104, represented by 1 103 798 class A shares, each carrying ten votes, and 7 344 306 class B shares, each carrying one vote. Scapa Capital AB holds shares corresponding to 25.8% of the votes, while Canola AB holds shares representing 17.7% of the votes. According to Chapter 6, Section 2 of the Swedish Annual Reports Act, listed companies must disclose details of certain circumstances that could affect the possibility of the Company being taken over via a public offer to acquire shares in the Company. No such circumstances exist with regard to Lammhults Design Group AB.

Proposed appropriation of profits

The Board of Directors proposes that the profits available for distribution, SEK 134 700 481, be allocated as follows: Dividend to the shareholders: SEK 0.50 per share (0.50). The total dividend payment amounts to SEK 4 224 052 (4 224 052). To be carried forward: SEK 130 476 429.

Annual General Meeting

The Annual General Meeting (AGM) will be held in Lammhult on 25 April. The Board of Directors will propose, as it did last year, that the AGM approve a new share issue, comprising eight hundred thousand Class B shares, to finance future acquisitions.

CONSOLIDATED INCOME STATEMENT

The Scandinavian Eyewear business was sold on 3 October 2012. The business divested is accounted for as one line alone on the Income Statement – Result from business divested, net after tax

Amounts in SEK m.	Note	**2012**	2011
Net sales	2, 3	627.4	651.1
Cost of goods sold		–407.1	–415.4
Gross profit		**220.3**	**235.7**
Other operating income	5	11.3	7.1
Cost of sales		–145.7	–150.5
Administrative expenses		–77.0	–71.2
Other operating costs	6	–5.1	–5.5
Operating profit	3, 7, 8, 9, 14, 28	**3.8**	**15.6**
Finance income		0.8	1.1
Finance costs		–4.5	–6.2
Net finance income/costs	10	**–3.7**	**–5.1**
Profit before tax		**0.1**	**10.5**
Tax	11	1.7	–6.0
Profit for the year from remaining businesses		**1.8**	**4.5**
Operation divested			
Profit/loss from business divested, net after tax	4	3.4	1.6
Profit for the year		**5.2**	**6.1**
Profit for the year attributable to:			
Shareholders in Parent Company		5.1	6.1
Non-controlling interests		0.1	0.0
Earnings per share, SEK (no dilution)	12	**0.62**	**0.72**
Earnings per share from remaining businesses, SEK (no dilution)	12	**0.21**	**0.53**
Proposed dividend per share, SEK	20	**0.50**	**0.50**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m.	Note	**2012**	2011
Profit for the year		**5.2**	**6.1**
Other comprehensive income			
Differences arising from translation of accounts of foreign operations		–7.0	–1.5
Change in fair value of cash flow hedges		–0.3	0.4
Other comprehensive income for the year		**–7.3**	**–1.9**
Comprehensive income for the year		**–2.1**	**–4.2**
Profit for the year attributable to:			
Shareholders in Parent Company		–2.2	–4.2
Non-controlling interests		0.1	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m.	Note	31/12/2012	31/12/2011
ASSETS			
Intangible non-current assets	13	169.7	192.0
Property, plant and equipment	14	106.4	113.2
Financial investments	16	0.2	0.2
Non-current receivables		0.0	0.0
Deferred income tax assets	11	1.9	1.2
Total non-current assets		**278.2**	**306.6**
Inventories	17	103.8	141.2
Taxes recoverable	11	16.8	13.3
Accounts receivable	18	106.3	138.8
Other receivables		15.1	8.2
Prepaid expenses and accrued income		9.7	12.0
Cash and cash equivalents	19	23.3	46.6
Assets held for sale		–	33.2
Total current assets		**275.0**	**393.3**
TOTAL ASSETS		**553.2**	**699.9**
EQUITY	20		
Share capital		84.5	84.5
Other contributed capital		41.2	41.2
Reserves		–16.8	–9.5
Retained earnings including net profit for the year		249.8	248.9
Equity attributable to shareholders in Parent Company		**358.7**	**365.1**
Non-controlling interests		**0.3**	**0.2**
Equity		**359.0**	**365.3**
LIABILITIES			
Non-current interest-bearing liabilities	21, 26	41.6	54.1
Other non-current liabilities		-	0.2
Provisions for pensions	23	2.3	5.4
Other provisions	24	0.4	1.9
Deferred tax liabilities	11	8.0	10.9
Total non-current liabilities		**52.3**	**72.5**
Current interest-bearing liabilities	21, 26	30.8	117.8
Advance payments from customers		1.8	3.5
Trade payables		48.2	62.2
Income tax liabilities	11	2.3	4.5
Other liabilities		27.1	31.6
Accrued expenses and deferred income	25	31.7	27.5
Liabilities attributable to assets held for sale		–	15.0
Total current liabilities		**141.9**	**262.1**
Total liabilities		**194.2**	**334.6**
TOTAL EQUITY AND LIABILITIES		**553.2**	**699.9**

For information on the Group's pledged assets and contingent liabilities, see Note 29.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK m.	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained profit incl. profit for year	**Total**	Non-controlling interests	**Total equity**
	Equity attributable to shareholders in Parent Company							
Opening balance, equity 01/01/2011	84.5	41.2	0.8	–8.4	251.2	**369.3**	0.0	**369.3**
Comprehensive income for the year:								
Profit for the year	0.0	0.0	0.0	0.0	6.1	**6.1**	0.0	**6.1**
Translation differences for the year	0.0	0.0	0.0	–1.3	0.0	**–1.3**	0.0	**–1.3**
Changes in fair value of cash flow hedges for the year	0.0	0.0	–0.4	0.0	0.0	**–0.4**	0.0	**–0.4**
Comprehensive income for the year	**0.0**	**0.0**	**–0.4**	**–1.3**	**6.1**	4.4	**0.0**	4.4
Dividend paid	0.0	0.0	0.0	0.0	–8.4	**–8.4**	0.0	**–8.4**
Changes in ownership interests in subsidiaries:								
Divestment to non-controlling interests, contr. int. retained	0.0	0.0	0.0	–0.2	0.0	**–0.2**	0.2	**0.0**
Closing balance, equity 31/12/2011	**84.5**	**41.2**	**0.4**	**–9.9**	**248.9**	365.1	**0.2**	365.3
Opening balance, equity 01/01/2012	84.5	41.2	0.4	–9.9	248.9	**365.1**	0.2	**365.3**
Comprehensive income for the year:								
Profit for the year	0.0	0.0	0.0	0.0	5.1	**5.1**	0.1	**5.2**
Translation differences for the year	0.0	0.0	0.0	–7.0	0.0	**–7.0**	0.0	**–7.0**
Changes in fair value of cash flow hedges for the year	0.0	0.0	–0.3	0.0	0.0	**–0.3**	0.0	**–0.3**
Comprehensive income for the year	**0.0**	**0.0**	**–0.3**	**–7.0**	**5.1**	–2.2	**0.1**	–2.1
Dividend paid	0.0	0.0	0.0	0.0	–4.2	**–4.2**	0.0	**–4.2**
Closing balance, equity 31/12/2012	**84.5**	**41.2**	**0.1**	**–16.9**	**249.8**	358.7	**0.3**	359.0

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m.	Note	2012	2011
	32		
OPERATING ACTIVITIES			
Profit before tax		5.4	12.5
Adjustment for non-cash items		11.7	13.0
Income tax paid		–10.5	–7.4
Cash flows from operating activities before changes in working capital		**6.6**	**18.1**
Cash flow from changes in working capital			
Changes in inventories[1]		11.2	2.9
Changes in operating receivables[1]		12.0	13.5
Changes in operating liabilities[2]		–4.6	–10.9
Cash flows from operating activities		**25.2**	**23.6**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		–7.5	–11.0
Disposal of property, plant and equipment		44.3	0.0
Purchases of non-current intangible assets		–0.9	–1.5
Divestment of discontinued business, net impact on liquidity		36.7	-
Purchases of subsidiaries, net impact on liquidity		-	–2.7
Disposal of financial assets		0.0	3.6
Cash flows from investing activities		**72.6**	**–11.6**
FINANCING ACTIVITIES			
Divested to non-controlling interests		–	0.1
Loans raised		3.8	5.5
Repayments of loans		–117.5	–35.3
Dividends paid to shareholders in Parent Company		–4.2	–8.4
Cash flows from financing activities		**–117.9**	**–38.1**
Cash flows for the year		–20.1	–26.1
Cash and cash equivalents at beginning of year		46.6	73.4
Translation difference in cash and cash equivalents		–3.2	–0.7
Cash and cash equivalents at year-end		**23.3**	**46.6**

1 Increase (–) / decrease (+)
2 Increase (+) / decrease (–)

PARENT COMPANY INCOME STATEMENT

Amounts in SEK m.	Note	2012	2011
Net sales	2, 3	6.2	6.2
Gross profit		**6.2**	**6.2**
Administrative expenses		–18.3	–16.2
Other operating costs		–0.1	–
Operating profit/loss	7, 8, 14, 28	**–12.2**	**–10.0**
Result from financial items	10		
Profit from participations in Group companies		14.5	11.9
Other interest income		1.6	2.1
Interest expense		–1.9	–3.4
Profit after financial items		**2.0**	**0.6**
Tax	11	4.1	–0.1
Profit for the year		**6.1**	**0.5**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m.	Note	2012	2011
Profit for the year		**6.1**	**0.5**
Other comprehensive income for the year		**–**	**–**
Comprehensive income for the year		**6.1**	**0.5**

PARENT COMPANY BALANCE SHEET

Amounts in SEK m.	Note	31/12/2012	31/12/2011
NON-CURRENT ASSETS			
Property, plant and equipment	14	0.8	0.6
Financial non-current assets			
Participations in Group companies	31	349.8	349.7
Total financial non-current assets		**349.8**	**349.7**
Total non-current assets		**350.6**	**350.3**
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		165.0	171.6
Taxes recoverable		8.4	4.1
Other receivables		0.3	0.1
Prepaid expenses and accrued income		0.7	0.7
Total current receivables		**174.4**	**176.5**
Cash and bank balances	19	2.7	17.3
Total current assets		**177.1**	**193.8**
TOTAL ASSETS		527.7	544.1
EQUITY	20		
Restricted equity			
Share capital (1 103 798 Class A shares each carrying 10 votes and 7 344 306 Class B shares each carrying 1 vote)		84.5	84.5
Statutory reserve		41.2	41.2
Unrestricted equity			
Fair value reserve		–1.1	–1.1
Retained profit		129.7	133.4
Profit for the year		6.1	0.5
Total equity		**260.4**	**258.5**
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	22	–	2.2
Total non-current liabilities		**–**	**2.2**
CURRENT LIABILITIES			
Liabilities to credit institutions	22	24.1	107.0
Trade payables		0.5	0.9
Liabilities to Group companies		236.9	170.8
Other liabilities		1.1	0.3
Accrued expenses and deferred income	25	4.7	4.4
Total current liabilities		**267.3**	**283.4**
TOTAL EQUITY AND LIABILITIES		527.7	544.1

PARENT COMPANY'S PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK m.	Note	**31/12/2012**	31/12/2011
Pledged assets	29	203.6	203.6
Contingent liabilities	29	3.7	3.8

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

	Restricted equity		Unrestricted equity			
Amounts in SEK m.	Share capital	Statutory reserve	Fair value Translation reserve	Retained for year	Profit/loss profit	**Total equity**
Opening balance, equity 01/01/2011	84.5	41.2	–1.1	119.3	22.6	**266.5**
Transfer of profit/loss for preceding year	0.0	0.0	0.0	22.6	–22.6	**0.0**
Comprehensive income for the year						
Profit for the year	0.0	0.0	0.0	0.0	0.5	**0.5**
Other comprehensive income for the year	0.0	0.0	0.0	0.1	0.0	**–0.1**
Comprehensive income for the year	**0.0**	**0.0**	**–0.0**	**–0.1**	**0.5**	**0.4**
Dividend paid	0.0	0.0	0.0	–8.4	0.0	**–8.4**
Closing balance, equity 31/12/2011	**84.5**	**41.2**	**–1.1**	**133.4**	**0.5**	**258.5**
Opening balance, equity 01/01/2012	84.5	41.2	–1.1	133.4	0.5	**258.5**
Transfer of profit/loss for preceding year	0.0	0.0	0.0	0.5	–0.5	**0.0**
Comprehensive income for the year						
Profit for the year	0.0	0.0	0.0	0.0	6.1	**6.1**
Other comprehensive income for the year	0.0	0.0	0.0	0.0	0.0	**0.0**
Comprehensive income for the year	**0.0**	**0.0**	**0.0**	**0.0**	**6.1**	**6.1**
Dividend paid	0.0	0.0	0.0	–4.2	0.0	**–4.2**
Closing balance, equity 31/12/2012	**84.5**	**41.2**	**–1.1**	**129.7**	**6.1**	**260.4**

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK m.	Note	2012	2011
	32		
OPERATING ACTIVITIES			
Profit after financial items		2.0	0.6
Adjustment for non-cash items		–14.4	–11.8
Income tax paid		–0.2	–0.7
Cash flows from operating activities before changes in working capital		**–12.6**	**–11.9**
Cash flow from changes in working capital			
Changes in operating receivables[1)]		–1.7	–21.3
Changes in operating liabilities[2)]		59.8	28.2
Cash flows from operating activities		**45.5**	**–5.0**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		–0.2	–0.5
Purchases of subsidiaries, net impact on liquidity		–0.1	–
Cash flows from investing activities		**–0.3**	**–0.5**
FINANCING ACTIVITIES			
Loans raised		7.5	5.4
Repayments of loans		–92.6	–13.3
Dividend paid		–4.2	–8.4
Dividend received		17.6	–
Group contributions received		24.2	28.5
Group contributions paid		–12.3	–15.7
Cash flows from financing activities		**–59.8**	**–3.5**
Cash flows for the year		**–14.6**	**–9.0**
Cash and cash equivalents at beginning of year		17.3	26.3
Cash and cash equivalents at year-end		**2.7**	**17.3**

1) Increase (–) / decrease (+)
2) Increase (+) / decrease (–)

NOTE 1 – PRINCIPAL ACCOUNTING POLICIES

Amounts in SEK million unless otherwise indicated.

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), as approved by the European Union. In addition, the Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, has been applied.

The Parent Company applies the same accounting policies as the Group, other than in the cases set out below in the section "Parent Company's Accounting Policies". The variances that exist between the policies of the Parent Company and the Group are attributable to limitations in the ability to apply IFRS in the Parent Company that follow from the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act ("Tryggandelagen"), and in certain cases to tax considerations.

The annual accounts and consolidated accounts were approved for issue by the Board of Directors on 11 March 2013. The consolidated income statement, statement of comprehensive income and statement of financial position, together with the Parent Company's income statement, statement of comprehensive income and balance sheet will be presented for adoption by the Annual General Meeting of Shareholders, to be held on 25 April 2013.

PRINCIPLES OF VALUATION APPLIED IN PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are reported at their historic acquisition value, except for certain financial assets and liabilities, which are accounted for at fair value. Financial assets and liabilities that are measured at fair value consist mainly of derivative instruments. Non-current assets and disposal groups that are held for sale are, with certain exceptions, reported at the lower of previous carrying amount and the fair value, less cost of sales.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Parent Company and the Group. The financial statements are thus presented in Swedish kronor. All amounts are rounded off to SEK million, unless otherwise stated.

JUDGEMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with IFRS requires the Company management to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts reported for assets, liabilities, revenues and expenses. The actual outcome may differ from these estimates and judgements. The estimates and assumptions are reviewed on a regular basis. Changes in the estimates are accounted for in the period in which the change takes place if the change affects only that period, or in the period in which the change takes place and future periods, if the change affects both the current period and future periods. Judgements made by the Company's management on application of IFRS that have significant impact on the financial statements and estimates made that may require major adjustments to the financial statements of the following year are described in greater detail in Note 33.

SIGNIFICANT ACCOUNTING POLICIES APPLIED

The accounting policies set out below have, with the exceptions described in greater detail, been applied consistently in all periods presented in the Group's financial statements. The Group's accounting policies have also been applied consistently by the Group's companies. Furthermore, the consolidated income statement and consolidated statement of comprehensive income for the preceding year have been revised to show the situation if the business closed down during the current year had been closed down from the start of the preceding year.

REVISED ACCOUNTING POLICIES

The revised accounting policies applied by the Group with effect from 1 January 2012 are described in the following. The new and revised accounting policies that entered into force in 2012 are not considered to have any effect the Group's accounting.

New and amended IFRSs issued by IASB

– Amendment to IFRS 7 Financial Instruments: Disclosures
– Transfers of financial assets Under the amendment disclosure is required when financial assets are transferred. The disclosure requirements envisaged by the amendment will above all affect finance companies.
– Amendments to IAS 12 Income Taxes, regarding assessment of tax for investment properties The amendment is based on a presumption that the fair-value calculation of investment properties will be realised through sale. According to this approach, deferred tax is normally to based on the tax rate prevailing at the time the property is sold.

NEW IFRS NOT YET IMPLEMENTED

A number of new or revised IFRS will come into effect for the first time in the next few financial years. These have not been adopted early in the preparation of these financial statements. There are no plans for early adoption of new or revised provisions that are for application in future financial years.

It is envisaged that IFRS 9 Financial Instruments will supersede IAS 39 Financial Instruments: Recognition and Measurement no later than from the beginning of 2015. IASB has published the first two parts of what will ultimately constitute IFRS 9. The first part deals with the classification and measurement of financial assets. The categories of financial asset allowed in IAS 39 are replaced by two categories in which the assets are measured at fair value or accumulated acquisition value. Accumulated acquisition value is used for instruments held in a business model whose objective is to collect the contractual cash flows; these must consist of payments of capital amounts and interest on capital amounts on specified dates. Other financial assets are recognised at fair value and the ability to apply the "fair value option" as in IAS 39 is retained. Changes in fair value are to be recognised in the profit or loss, with the exception of changes in value of equity instruments not available for sale and for which the entity has elected to report value changes in other comprehensive income. Value changes in derivatives in hedge accounting are not affected by this aspect of IFRS 9. Until further notice, they are recognised in accordance with IAS 39. In October 2010, IASB also published the parts of IFRS 9 that deal with classification and measurement of financial liabilities. These correspond in most respects to the former rules of IAS 39, other than as regards financial liabilities, which are voluntarily measured at fair value under the "fair value option". In these liabilities, the change in value is apportioned among changes that are attributable to own creditworthiness and changes in the benchmark interest rate, respectively. The Company has not decided whether the new principles will be adopted early or from the beginning of 2015.

The following amended accounting policies for application in future financial years are not expected to have any impact on the Group's financial reporting:

– Amendment to IAS 1 Presentation of Financial Statements
– Amendments to IAS 19, Employee Benefits
– Amendments to IAS 32 Financial Instruments: Classification The amendment clarifies the rules on when offsetting of financial assets and liabilities is allowed.
– Amendments to IFRS 7, Financial Instruments: Disclosures. The amendment states new disclosure requirements regarding the offsetting of financial assets and liabilities.
– IFRS 10 Consolidated Financial Statements
– IFRS 11 Joint Arrangements
– IFRS 12 Disclosure of Interests in Other Entities.
– Amendment of IAS 27 Separate Financial Statements
– Amendment of IAS 28 Investments in Associates and Joint Ventures
– IFRS 13 Measurement at Fair Value
– IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
– Annual Improvements to IFRSs (2009–2011)
– UFR 9 Reporting of Tax on Returns by Pension Funds

CLASSIFICATION ETC.

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within twelve months from the balance sheet date. Where a balance sheet item includes an amount that is expected to be recovered or paid both within or after twelve months from the balance sheet date, the relevant information is provided in a note on the balance sheet item concerned.

OPERATING SEGMENT REPORTING

An operating segment is a part of the Group that conducts activities from which it can generate income and incur costs and for which separate financial information is available. An operating segment's profit or loss is, furthermore, followed up by the Company's topmost executive decision-maker to evaluate the results and to enable resources to be allocated to the operating segment. For more information on how operating segments are to be defined and reported, see Note 3.

PRINCIPLES OF CONSOLIDATION AND BUSINESS COMBINATIONS

Subsidiaries

Subsidiaries are companies over which Lammhults Design Group AB exercises a controlling influence. A controlling influence consists of a direct or indirect right to determine the financial and operational strategies of the company in order to obtain economic benefits. In establishing whether a controlling influence exists, shares with potential voting rights that may be used or converted without delay are taken into account.

Acquisitions on 1 January 2010 or later

Subsidiaries are reported using the acquisition method of accounting. Under this method, the acquisition of a subsidiary is regarded as a transaction through which the group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis establishes the fair value, on the day of acquisition, of identifiable assets acquired and liabilities taken over, as well as the fair value of non-controlling interests. Transaction costs incurred, except for such that relate to the issue of equity instruments or debt instruments, are recognised directly in profit/loss for the year. In business combinations where the consideration transferred, any non-controlling interests and the fair value of an interest previously acquired (in step acquisitions) exceed the fair value of assets acquired and liabilities assumed that are accounted for separately, the difference is recognised as goodwill. When the difference is negative, as in the case of a "low cost acquisition", it is recognised directly in profit/loss for the year. The consideration transferred in connection with the acquisition does not include payments in settlement of earlier business transactions. Such settlements are recognised in the profit/loss. Conditional purchase considerations are recognised at fair value at the time of acquisition. Where the conditional purchase consideration is classified under "equity instruments", it is not revalued and it is settled within equity. Conditional purchase considerations of other types are revalued on each reporting occasion and any change recognised in profit/loss for the year. Where 100% of the subsidiary is not acquired, a non-controlling interest arises. There are two options for accounting for non-controlling interests. These are either to recognise the non-controlling interests' proportionate share of net assets, or to recognise the non-controlling interest at fair value, which means that non-controlling interests represent a share of goodwill. The choice between the options for recognising non-controlling interests may be made on a case-by-case basis. In the case of acquisitions performed in steps, goodwill is determined on the day on which the controlling interest arises. Existing interests are measured at fair value and any changes in value recognised in profit/loss for the year. In the case of disposals where a controlling interest ceases, the remaining interest is measured at fair value and the change in value recognised in profit/loss for the year.

Business combinations between 1 January 2004 and 31 December 2009

In the case of acquisitions made between 1 January 2004 and 31 December 2009, where the acquisition cost exceeds the fair value of assets acquired and liabilities assumed, as well as contingent liabilities recognised separately, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in profit/loss for the year. Transaction costs incurred, except for such that relate to the issue of equity instruments or debt instruments, are included in the acquisition cost.

Business combinations before 1 January 2004 (date of adoption of IFRS)

In the case of acquisitions before 1 January 2004, goodwill is measured, after testing for impairment, at an acquisition cost that corresponds to the carrying amount calculated by the accounting policies formerly applied. The classification and accounting treatment of business combinations made before 1 January 2004 have not been reviewed in accordance with IFRS 3 in preparation of the consolidated opening balance in accordance with IFRS on 1 January 2004. The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which the controlling influence ceases. In cases where the accounting policies of the subsidiary do not comply with the accounting policies for the Group, they have been adapted to the Group's accounting policies. Losses attributable to non-controlling interests are also allocated in cases where non-controlling interests will be negative.

Purchases from non-controlling interests

Purchases from non-controlling interests are treated as transactions within equity, i.e. between the Parent Company's owners (as part of retained profit) and non-controlling interests. As a result, no goodwill arises in these transactions. The change in non-controlling interests is based on their proportionate share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests, where a controlling interest is retained, are treated as transactions within equity, i.e. between the Parent Company's owners and non-controlling interests. Any difference between the consideration received and the non-controlling interests' proportionate share of acquired net assets is recognised as part of retained profit.

Joint ventures

From an accounting viewpoint, joint ventures are companies for which the Group, through a cooperation agreement with one or several parties, jointly exercises a decisive influence over the operational and financial management. Shareholdings in joint ventures are consolidated in the Group's accounts using the proportional method.

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income or costs and unrealised profits or losses arising from intra-Group transactions are eliminated in their entirety during preparation of the consolidated accounts. Unrealised gains arising from transactions with joint ventures are eliminated to an extent that corresponds to the Group's ownership stake in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that no impairment requirement exists.

FOREIGN CURRENCIES

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the day of the transaction. The functional currency is the currency in the primary economic environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the rate of exchange prevailing on the balance sheet date. Any exchange rate differences arising on translation are recognised in profit/loss for the year. Non-monetary assets and liabilities reported at their historical acquisition value are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities reported at fair value are translated to the functional currency at the rate prevailing at the time the fair value of the item was measured.

Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other surplus and deficit values on consolidation, are translated from the respective foreign operation's functional currency to the Group's reporting currency, SEK, at the exchange rate prevailing on balance sheet date. Income and expenses in a foreign operation are translated to SEK at an average exchange rate. Translation differences arising on currency translation for foreign operations are recognised in other comprehensive income and accumulated as a separate component of equity entitled the translation reserve.

Hedging of net investment in a foreign operation

The Group spans activities in several countries. In the consolidated statement of financial position, investments in activities outside Sweden are represented by recognised net assets in subsidiaries. To a certain extent, measures have been taken to reduce currency risks associated with these investments. This has been done by raising loans or signing forward contracts in the same currency as the net investments. At the financial year-end, these loans are accounted for having been translated at the year-end exchange rate, while forward contracts are reported at fair value. The effective part of the period's currency changes relating to hedging instruments is recognised in other comprehensive income and accumulated as a separate component of equity in order to meet and partly or wholly match the translation differences that are recognised for net assets in the foreign operations that have been hedged. The translation differences arising from both net investment and hedging instruments are dissolved and recognised in profit/loss for the year when the foreign operation is disposed of. In cases where the hedging is not effective, the ineffective portion is recognised directly in profit/loss for the year.

INCOME

Sale of goods

Revenue from the sale of goods is recognised in profit/loss for the year when significant risks and benefits associated with the ownership of the goods have been transferred to the buyer. Revenue is not recognised if it is not probable that the economic benefits will pass to the Group. If significant uncertainty prevails concerning payment, associated costs or risk of returns, or if the seller retains an involvement in the day-to-day management generally associated with ownership, revenue is not recognised. Revenue is recognised at the fair value of what is received or expected to be received, less any discounts granted.

LEASING

Operational lease contracts

Expenses for operating lease contracts are recognised in profit/loss for the year on a linear basis over the period of the lease. Incentives received in connection with the signing of a lease contract are recognised in profit/loss for the year as a reduction in the leasing fees on a linear basis over the period of the lease. Variable fees are expensed in the periods in which they arise.

Financial lease contracts

Minimum leasing fees are divided between interest costs and amortisation of outstanding liabilities. Interest costs are distributed over the leasing period so that each accounting period includes an amount corresponding to a fixed interest rate for the liability reported in each period. Variable fees are expensed in the periods in which they arise.

FINANCIAL INCOME AND EXPENSE

Finance income and costs consist of interest income from invested funds (including financial assets available for sale), dividend income, profit from disposal of financial assets available for sale, profit from changes in value in financial assets measured at fair value via profit/loss and profits from hedge instruments recognised in profit/loss for the year. Interest income from financial instruments is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established. Profit from disposal of financial instruments is recognised when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument. Finance costs comprise interest costs for loans, the effect of dissolving of current value estimates for provisions, losses in the change of value of financial assets measured at fair value via profit/loss, impairment of financial assets, and losses on hedge instruments recognised in profit/loss for the year. Exchange rate profits and losses are reported net.

INCOME TAXES

Income taxes are comprised of current tax and deferred tax. Income taxes are reported in profit/loss for the year except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or equity. Current tax is tax that will be paid or received with regard to the current year on the basis of the tax rates established, or in practice established, by the balance sheet date. Current tax also includes any adjustment of current tax attributable to earlier periods.

Deferred tax is calculated using the balance sheet method on the basis of temporary differences between reported and fiscal values of assets and liabilities. Temporary differences are not taken into account in goodwill on consolidation, nor is any difference arising on consolidation or arising in the first accounting for assets and liabilities that are not business combinations and at the time of the transaction do not affect either recognised or taxable income. In addition, temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future are not taken into account either. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated in accordance with the tax rates and tax rules established, or in practice established, by the balance sheet date. Deferred tax assets relating to non-deductible temporary differences and tax loss carry-forwards are reported only to the extent that it is probable that these can be used. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

FINANCIAL INSTRUMENTS

Financial instruments recognised in the statement of financial position include, on the assets side, cash and cash equivalents, loan receivables, trade receivables, financial investments and derivatives. On the liabilities side, financial instruments include trade payables, loan liabilities and derivatives.

Recognition in and derecognition from the statement of financial position

A financial asset or liability is recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Trade receivables are recognised in the statement of financial position when the invoice has been sent. A liability is recognised when the counterparty has performed his obligation and a contractual duty to pay exists, even if an invoice has not yet been received. Trade payables are recognised when an invoice has been received. A financial asset is derecognised from the statement of financial position when the contractual rights are performed, expire or the company no longer has control over them. The same applies to a part of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is fulfilled or otherwise expires. The same applies to a part of a financial liability. A financial asset and a financial liability are offset and recognised as a net amount in the statement of financial position only when a legal right to offset the amounts exists, and there is an intention to settle the items with a net amount or to realise the asset and settle the liability at the same time. Acquisition and sale of financial assets are reported on the transaction date, which is the day on which the company undertakes to acquire or dispose of the asset.

Classification and measurement

Financial instruments that are not derivatives are initially recognised at acquisition value, corresponding to the fair value of the instrument plus transaction costs for all financial instruments other than those in the category of financial asset recognised at fair value via profit/loss, which are recognised at fair value less transaction costs. When first recognised, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This determines how the financial instrument is measured after the first accounting occasion, as described below.

Cash and cash equivalents comprise cash and funds immediately available at banks and similar institutions, as well as current investments with a term of less than three months at the acquisition date which are exposed to an insignificant risk of fluctuations in value.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that are not derivatives, that have defined or definable payments and that are not quoted on an active market. These assets are reported at accumulated acquisition value. The accumulated acquisition value is decided on the basis of the effective interest rate calculated at the time of acquisition. Trade receivables are reported at the amount that is expected to be received, i.e. after a deduction for bad debts. Impairment tests are performed on an ongoing basis using objective criteria for the assets concerned. Where a loss is confirmed, the asset is written down. In the case of a confirmed bad debt loss, there will be strong reasons for assuming that a customer invoice will not be paid, for example bankruptcy or a creditor's arrangement, or when the invoice has long been due for payment and has not been paid despite reminders and debt collection proceedings. However, a provision is made when the loss is anticipated. Criteria that are taken into account when a provision is made may include, for example, non-payment of amounts due or other indications that may point to financial problems on the part of the debtor.

Other financial liabilities

Loans and other financial liabilities, for example trade receivables, are included in this category. These liabilities are reported at accumulated acquisition value.

The categories in which the Group's financial assets and liabilities, respectively, are classified are indicated in the Note entitled Financial risks and financial policies.

Financial guarantees

Under the Group's financial guarantee agreements, the Group has an undertaking to reimburse the holder of any debt instrument in respect of losses the holder incurs if a specified debtor fails to make payment when due, in accordance with the original or amended contractual terms and conditions. Financial guarantee agreements are initially accounted for at fair value, i.e. normally the amount the issuer received in compensation for the guarantee issued. In the subsequent valuation, the liability linked to the financial guarantee is reported at the higher of (i) the amount reported in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, or (ii) the amount originally recognised after deduction – where appropriate – of accumulated accruals, as reported in accordance with IAS 18, Revenue.

DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative instruments have been acquired to obtain financial protection for the risks relating to interest rate and exchange rate exposures to which the Group is subject. Embedded derivatives are recognised separately if they are not closely related to the host contract. Derivatives are measured initially at fair value. As a result, transaction costs are charged to the income for the period. Subsequently, derivative instruments are measured at fair value and value changes reported in the way described below. To meet the requirements for hedge accounting stipulated in IAS 39, there must be a clear link to the hedged item. Moreover, the hedging must effectively protect the hedged item, hedging documentation must be drawn up and the effectiveness of the hedging must be measurable. Gains and losses on hedging arrangements are recognised in profit/loss for the year at the same point in time as gains and losses are reported for the items hedged.

Receivables and liabilities in foreign currencies

Currency forward contracts are used to hedge the currency risk of receivables and liabilities. Hedge accounting is not applied to hedge against currency risk because economic hedging is reflected in the accounts by the fact that both the underlying receivable or liability and the hedging instrument are measured at the exchange rate ruling on the balance sheet date and exchange-rate fluctuations are recognized in profit or loss for the year. Exchange rate changes regarding operationally related receivables and liabilities are recognised in the operating profit or loss, while exchange rate changes relating to financial receivables and liabilities are recognised under finance income/costs net.

Cash flow hedging for uncertainty associated with forecast sales in foreign currency

The currency forwards used to hedge high-probability forecast sales in foreign currencies are recognised in the statement of financial position at fair value. The value changes in the period are recognised in other comprehensive income and the accumulated value changes, as a separate component of equity (the hedging reserve) until the hedged flow affects profit/loss for the year, whereupon the accumulated value changes in the hedging instrument are reclassified to profit/loss for the year at the same time as the hedged item (the sales income) affects profit/loss for the year.

Hedging of fair value in non-financial assets

When a hedging instrument is used to hedge a fair value, the derivative is accounted for at fair value in the statement of financial position and the hedged asset/liability is also accounted for at fair value in respect of the risk being hedged. The change in value of the derivative is recognised in profit/loss for the year along with the change in value of the hedged item. Fair value hedging is used to protect the value of certain non-financial assets and liabilities that appear in the statement of financial position and in hedging of certain binding purchase undertakings with regard to price risk.

Hedging of currency risk in net foreign investments

Investments in foreign investments in foreign subsidiaries (net assets, including goodwill) have to a certain extent been hedged via the raising of foreign currency loans, which on the balance sheet date have been translated at the exchange rate on that date. The period's translation differences in financial instruments used as hedging instruments to protect the value of net investment in a Group company are recognised, to the degree that the hedging is effective, in other comprehensive income and the accumulated changes as a separate component of equity (the translation reserve). The object is to neutralise the translation differences that affect other comprehensive income on consolidation of Group companies.

PROPERTY, PLANT AND EQUIPMENT

Assets owned

Property, plant and equipment are reported in the Group at acquisition value, less accumulated depreciation and possible impairment losses. The acquisition value includes the purchase price and costs directly associated with the asset to bring it into place and to a condition that it may be used in accordance with the objective of the acquisition. Borrowing costs that are directly attributable to the acquisition, construction or production of assets that require a considerable amount of time to complete for their intended use or sale are included in the acquisition value. Accounting policies for impairment losses are set out below.

Property, plant and equipment that consist of parts with different useful lives are handled as separate components.

The carrying amount for an asset classified as property, plant and equipment is derecognised from the statement of financial position on its retirement or disposal, or when no future economic benefits are anticipated from its use or its retirement/disposal. A profit or loss that may arise upon the retirement or sale of an asset is made up of the difference between the selling price and the asset's carrying amount, less directly-related cost of sales. Any such profit or loss is reported as other operating income or expense.

Leased assets

Lease contracts are classified under either financial or operating leases. Financial leasing exists when the financial risks and benefits associated with the ownership are essentially transferred to the lessee. All other leases are classified as operating leases. Assets leased under finance lease contracts are recognised as non-current assets in the statement of financial position and are initially measured as whichever is the lower of the leasing object's fair value and the current value of minimum leasing fees at the start of the agreement term. Commitments to pay future leasing charges have been reported as non-current and current liabilities. The leased assets are depreciated over the useful life of each particular asset, while the lease payments are reported as interest and amortisation of the liabilities.

Assets leased under operating leases are generally not recognised as an asset in the statement of financial position. Furthermore, operating leases do not give rise to a liability.

Subsequent costs

Subsequent costs are added to the cost of the asset only if it is probable that the future economic benefit associated with the asset will accrue to the Company and the cost of the asset can be measured reliably. All other subsequent costs are recognised as expenses in the period when they occur. A subsequent cost is added to the cost of the asset if the payment concerns replacements for identified components, or parts of them. Even if new components are created, the payment is added to the cost of the asset. Any undepreciated carrying amounts for replaced components, or parts of them, are derecognised and expensed in connection with the replacement. Repairs are expensed as incurred.

Borrowing costs

Borrowing costs that are attributable to the construction of "qualifying assets" are capitalised as part of the acquisition cost of the qualifying asset. A qualifying asset is an asset that necessarily requires a considerable amount of time to make ready for use. The main category of borrowing costs to be capitalised is made up of those incurred through loans that are specific to the qualifying asset. The second category of borrowing costs to be capitalised are those incurred through general loans that are not specific to any other qualifying asset.

Principles of amortisation

Straight-line amortisation is applied over the asset's estimated useful life. Land is not depreciated. The Group applies component depreciation, according to which depreciation is based on the estimated useful life of each component.

Estimated useful lives:

Buildings	10–100 years
Land improvements	20 years
Plant and machinery	5–10 years
Equipment, tools, fixtures and fittings	3–10 years

The buildings consist of a number of components with different useful lives. The principal constituents are buildings and land. No depreciation is applied to land, since its useful life is considered to be unlimited. Buildings consist of several components with varying useful lives.

The following main groups of components have been identified and provide the basis for the depreciation of buildings:

Building structure	100 years
Structural additions, interior walls, etc.	50 years
Installations: heating, electricity, water, sanitation, ventilation, etc.	35–50 years
Exterior surfaces: facades, roofing, etc.	10–40 years
Interior surfaces, machinery and equipment, etc.	10–15 years

Depreciation methods applied, residual values and useful lives are reviewed at every year-end.

INTANGIBLE ASSETS

Goodwill

Goodwill is measured at acquisition value less any accumulated impairment. Goodwill is allocated to cash-generating units and is reviewed at least once a year for any impairment. Goodwill that may have arisen at acquisition of associated companies is included in the carrying amount of shares in associated companies.

With respect to goodwill in acquisitions that took place prior to 1 January 2004, the Group has not applied IFRS retroactively during the period of transition to IFRS but has instead taken the carrying amount on that date as the Group's acquisition value, after testing for impairment.

Other intangible assets

Other intangible assets acquired by the Group are recognised at acquisition value less accumulated amortisation and impairment. The costs incurred for internally generated goodwill and internally generated brands are recognised in profit/loss for the year as and when they arise.

Principles of amortisation

Amortisation is recognised in profit/loss for the year on a linear basis over the estimated useful life of each intangible asset, provided the length of such useful lives is not indefinite. The useful lives are reviewed at least once a year. Goodwill and other intangible assets with an indefinite useful life, or that are not yet ready for use, are tested for impairment annually and in addition as soon as indications emerge to suggest that the value of the asset has declined. Intangible assets with finite useful periods are amortised from the time when they are available for use.

The estimated useful lives are as follows:

Brands	10 years
Capitalised development costs	5–10 years

The useful lives are reviewed every year.

INVENTORIES

Inventories are measured at acquisition value or net sale value, whichever is the lower. Provision has been made for the risk of obsolescence.

The acquisition value for inventories is calculated by applying the first-in, first-out (FIFO) method, and takes account of expenses arising at acquisition of the inventory assets and transport of such assets to their current location and condition. In the case of manufactured goods and work in progress, the acquisition value includes a reasonable proportion of indirect costs based on a normal level of capacity. The net sale value is the estimated sale price in current operations, less estimated costs for completion and bringing about a sale.

IMPAIRMENT LOSSES

On every balance sheet date, the Group's recognised assets are reviewed to determine whether there is any impairment requirement. IAS 36 is applied in connection with any impairment of assets other than financial assets, which are reported in accordance with IAS 39, Assets Held for Sale, and Disposal Groups, which are recognised in accordance with IFRS 5, Inventories and Deferred Tax Assets.

Impairment testing for tangible and intangible assets and participations in joint ventures

If there is any indication that an asset is impaired, the recoverable amount of the asset is calculated. In addition, in the case of goodwill and other intangible assets with an indefinable useful life, and intangible assets that are not yet ready for use, the recoverable amount is calculated each year. If it is not possible to determine essentially independent cash flows for a particular asset, and its fair value less cost of sales cannot be used, the assets are classified during testing of impairment at the lowest level where it is possible to identify essentially independent cash flows – a “cash-generating unit”.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the recoverable value. An impairment cost is recognised as an expense in profit/loss for the year. When an impairment loss has been identified for a cash-generating unit, the amount of impairment loss is in the first instance allocated to goodwill. Impairment losses are then applied on a pro rata basis to other assets of the unit.

The recoverable amount is the fair value less cost of sales and value in use, whichever is the higher. In calculating the value in use, future cash flows are discounted using a discount factor reflecting the risk-free interest rate and the risk associated with the particular asset.

Reversal of impairment losses

An impairment of assets within the scope of IAS 36 is reversed if there is both an indication that the impairment requirement no longer exists and there has been a change in the assumptions on which estimation of recoverable value was based. However, an impairment loss for goodwill is never reversed. An impairment is reversed only if the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less a deduction for depreciation where appropriate, if no impairment loss had been applied.

EARNINGS PER SHARE

The calculation of earnings per share is based on the portion of the Group’s net profit for the year attributable to the Parent Company’s shareholders, and on the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, the net profit and the average number of shares is adjusted to take account of dilutive potential ordinary shares, which during the reporting period arise from convertible securities and warrants issued to employees. Dilution from options and warrants affects the number of shares; it arises only when the redemption price is lower than the market price, and rises as the difference between redemption price and market price increases. On 31 December 2012, there were no warrants or convertible debentures outstanding in the Group.

REMUNERATION TO EMPLOYEES

Defined-contribution pension plans

Pension plans in which the Company's commitments are restricted to the fees the Company undertakes to pay are classified as defined-contribution pension plans. In such cases, the size of the employee’s pension is determined by the contributions the Company pays into the plan or to an insurance company, and the return on capital that the contributions produce. The Company's obligations regarding contributions to defined-contribution plans are recognised as an expense in profit/loss for the year as they are earned through services performed by the employee for the Company during a period.

Defined-benefit pension plans

The Group's net obligations regarding defined-benefit pension plans are computed separately for each plan via an estimate of the future remuneration that the employees will have earned through their employment in both the current and previous periods; this remuneration is discounted to a current value and the fair value of any managed assets is deducted.

Commitments for retirement pensions and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a defined-benefit plan shared by several employers. For the 2012 financial year, the Company has not had access to the information required to enable it to account for this plan as a defined-benefit plan. As a result, the pension plan under the ITP (Supplementary Pension for Salaried Employees in Industry and Commerce) scheme, secured through an insurance policy with Alecta, is reported as a defined-contribution plan.

Termination benefits

Costs in connection with termination of employment of staff are recognised only if the Company is clearly committed, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time. When payments are made as an offer to encourage voluntary redundancy, a cost is reported if it is considered likely that the offer will be accepted and the number of employees who will accept the offer can be reliably be estimated.

PROVISIONS

A provision differs from other liabilities in that uncertainty is attached to the time of payment or the size of the amount to settle the provision. A provision is reported in the statement of financial position when there is an existing legal or constructive obligation arising from an event that has occurred and when it is probable that an outflow of financial resources will be required in order to settle such obligation; and a reliable estimate of the amount can be made.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical data on warranties and an analysis of conceivable outcomes relative to the probabilities associated with those outcomes.

Restructuring

A provision for restructuring is recognised when a detailed and formal restructuring plan exists, and when the restructuring has either been started or has been announced publicly. No provision is made for future operating costs.

NON-CURRENT ASSETS HELD FOR SALE

The significance of a non-current asset (or a disposal group) being classified as held for sale is that its carrying amount will be recoverable mainly through being sold and not through being used.

Immediately prior to the classification as being held for sale, the carrying amount of the assets (and all assets and liabilities in a disposal group) shall be determined in accordance with applicable standards. At first classification as being held for sale, non-current assets and disposal groups are recognised at whichever is the lower of carrying amount and fair value, less cost of sales. Under IFRS 5.5, certain assets are exempt from the measurement rules described above.

A gain is recognised for every increase in the fair value, less cost of sales. This gain is limited to an amount that corresponds to all previous impairment losses recorded. Any losses arising from a reduction in value at first classification as being held for sale are recognised in profit/loss for the year. Subsequent value changes, both gains and losses, are also recognised in profit/loss for the year.

A divested business is part of a company's operations that represents an independent line of business, or an important activity in a geographical area, or that is a subsidiary acquired specifically for the purpose of being sold on. A divested business is classified at disposal or earlier point in time when the operation met the criteria for classification as being held for sale.

Income from a divested business after tax is recognised on a separate line in the income statement. When an operation is classified as divested, the content of the income statement for the year shown for comparison is adjusted to show the situation as if the divested business had been divested at the beginning of the year for comparison. The content of the statement of financial position for the current and preceding financial years are not adjusted correspondingly.

CONTINGENT LIABILITIES

A contingent liability is recognised when a possible commitment arises in connection with events that have occurred and where its existence is confirmed only by one or several uncertain future events, or when a commitment exists that is not reported as a liability or provision on the basis that it is unlikely that an outflow of resources will be required.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2, Accounting by Legal Entities, issued by the Swedish Financial Reporting Board (September 2012). The Swedish Financial Reporting Board's statements on listed companies are also applied. Under RFR 2, the Parent Company is required, in preparing the annual accounts for the legal entity, to apply all IFRS and statements approved by the EU, as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking account of the relationship between accounting and taxation. The recommendation states the exceptions and additions to be made from and to IFRS.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES OF THE GROUP AND PARENT COMPANY

The differences between the accounting policies of the Group and the Parent Company are set out below. The accounting policies of the Parent Company described below have been applied consistently in all periods presented in the Parent Company's financial statements.

Revised accounting policies

Unless otherwise indicated below, the accounting policies applied by the Parent Company in 2012 have been amended as described above for the Group.

Classification and presentation format

An income statement and a statement of comprehensive income are presented for both Parent Company and Group. The terms "balance sheet" and "cash flow statement" are used for the Parent Company for the statements that in the Group are entitled "statement of financial position" and "statement of cash flows". The Parent Company's income statement and balance sheet have been prepared in accordance with the schedule specified by the Swedish Annual Accounts Act, while the statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The main differences between the Consolidated and Parent Company's income statements and balance sheets consist of the treatment of finance income and costs, non-current assets and equity.

Subsidiaries

Shares in subsidiaries are recognised in the Group using the purchase method. Shares in subsidiaries are reported in the Parent Company using the acquisition method. As a result, transaction costs are included in the carrying amount for shares in subsidiaries. In the consolidated accounts, transaction costs are recognised immediately in the profit or loss when they arise.

Conditional purchase considerations are measured on the basis of the probability that the purchase consideration will be paid. Any changes in the provision/claim are added to/reduce the acquisition cost. Conditional purchase considerations are recognised in the consolidated accounts at fair value, with any changes in values, via the profit or loss. Low-cost acquisitions that correspond to anticipated losses and costs in the future are settled during the periods in which it is anticipated that the losses and costs will arise. Low-cost acquisitions that arise for other reasons are recognised as a provision to the extent that this does not exceed the fair value of identifiable non-monetary assets. Any portion that exceeds that value is recognised as income immediately. The portion that does not exceed the fair value of acquired identifiable non-monetary assets is recognised on a systematic basis over a period calculated as the remaining weighted average useful life of the identifiable assets to which depreciation may be applied. In the consolidated accounts, low-cost acquisitions are recognised immediately in the profit/loss.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised when the Parent Company has the sole right to decide the size of such dividend, and when the Parent Company has determined the size of the dividend prior to the Parent Company publishing its financial statements.

Net investments

Investments in foreign investments in foreign subsidiaries (net assets, including goodwill) have to a certain extent been hedged by the raising of foreign currency loans and the use of overdraft facilities in foreign currency. At year-end, these loans are reported at the exchange rate on the balance sheet date, other than in the Parent Company's accounts, where the loans are reported at the acquisition exchange rate for loans and overdraft facilities in foreign currencies for the purchase of shares in Group companies.

Leased assets

In the Parent Company, all lease contracts are accounted for in accordance with the rules on operating leases.

Borrowing costs

In the Parent Company, borrowing costs are charged to profit/loss in the period in which they are incurred. No borrowing costs are capitalised in assets.

Income taxes

In the Parent Company, untaxed reserves are recognised in the balance sheet without being separated into equity and deferred tax liabilities, unlike in the consolidated accounts. In the income statement, there is, similarly, no separate reporting of part of the appropriations as deferred tax expense

NOTE 2. REVENUE ANALYSIS

The net sales of SEK 627.4 million (651.1) by the Group's remaining businesses are made up entirely of sales of goods. Net sales by the Parent Company, totalling SEK 6.2 million (6.2), comprise payments from the Group's subsidiaries for administrative services.

NOTE 3. OPERATING SEGMENTS

The Group's activities are divided into operating segments based on which parts of the Company's activities are followed up by its topmost executives in what is known as the "management approach". The Group's activities are organised such that the Group's management follows up the results, return and cash flow generated by the various business areas of the Group. Each operating segment has a business area manager who is responsible for day-to-day operations and who regularly reports the outcome of the operating segment's performance and its needs for resources, to the senior management team. Because Group Management follows up the results of operations, and takes decisions on resource allocation on the basis of the Group's business areas, the business areas represent the Group's operating segments. As a result, the Group's internal accounting system is structured such as to allow the Group Management to follow up the performance and results of all business areas. It is through this system of internal accounting that the Group's segments have been identified, in which the various parts of the organisation have undergone a process aimed at merging segments that are similar. In the process, segments have been merged when they have similar economic characteristics and when their products, production processes, customers and method of distribution are similar, and when they operate in an environment with a similar regulatory structure. The results, assets and liabilities of the operating segments include directly attributable items, as well as items that can be allocated to the segments in a reasonable and reliable manner. The items recognised in the results, assets and liabilities of the operating segments are measured in accordance with the results, assets and liabilities that are followed up by the Company's Group Management. Internal prices charged between the Group's various operating segments are set on the basis of the "arm's length" principle, i.e. between parties that are mutually independent, well-informed and with an interest in ensuring that the transactions are completed. Non-allocated items consist of gains from disposal of financial investments, losses from disposal of financial investments, tax expenses and general administrative expenses. Assets and liabilities that have not been allocated to segments are deferred tax assets and deferred tax liabilities, financial investments and financial liabilities.

BUSINESS AREAS

The Public Interiors business area develops, markets and sells attractive and functional interiors and product solutions primarily for public sector consumption. In late 2011, a decision was taken to broaden operations in the business area. Sales activities are to be expanded, beyond libraries, to include providers in education and health and social care. The business area has been renamed Public Interiors. Operations consist partly of project sales of complete interior systems and partly of aftermarket sales of furniture and consumables. The business area is made up of companies Lammhults Biblioteksdesign AB (Sweden), Lammhults Biblioteksdesign A/S (Denmark) and Schulz Speyer Bibliothekstechnik AG (Germany) and subsidiaries. The business area includes the Eurobib Direct, BCI and Schulz Speyer brands.

At the end of 2011, a decision was taken to merge the former business areas Lammhults Office and Lammhults Home into a single business area, Office & Home Interiors. The integration of Lammhults Office and Lammhults Home was implemented step by step in the course of 2012. The Office & Home Interiors business area develops and markets products for interiors in both public sector and home environments. The business area has three brands focusing on public environments: Lammhults, which offers visually strong, timeless furniture with high design values, and Abstracta and Borks, which market products with high design values for visual communication and screening. The business area has two brands focusing on home environments, namely

Voice, which offers innovative storage solutions, and Ire, comprising upholstered furniture featuring timeless design, clean lines and durable quality. Both Voice and Ire brands are being extended gradually into public environments.

The Scandinavian Eyewear business area developed and marketed high-quality spectacle frames. The business area comprised Scandinavian Eyewear AB and its subsidiary Seven. The business consisted of the Company's own Skaga brand and licensing deals under which collections were developed for other brands. The line of business was sold in October 2012.

The Parent Company, Group-wide functions, dormant companies and eliminations are accounted for under the heading "Group central costs and eliminations".

As a result of the above-mentioned decision, organisation of the Group into operating segments has been changed as of the 2012 financial year.

THE GROUP'S OPERATING SEGMENTS

	Public Interiors		Office & Home Interiors		Scandinavian Eyewear (divested business)		Group-wide costs and eliminations		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Income from external customers	257.4	260.7	370.0	390.4	86.5	102.7	0.0	0.0	713.9	753.8
Income from other segments	0.1	0.0	2.0	2.7	0.0	0.0	–2.1	–2.7	0.0	0.0
Total net sales	**257.5**	**260.7**	**372.0**	**393.1**	**86.5**	**102.7**	**–2.1**	**–2.7**	**713.9**	**753.8**
Less: divested business	0.0	0.0	0.0	0.0	–86.5	–102.7	0.0	0.0	–86.5	–102.7
Net sales for remaining businesses	**257.5**	**260.7**	**372.0**	**393.1**	**0.0**	**0.0**	**–2.1**	**–2.7**	**627.4**	**651.1**
Depreciation	4.3	5.3	7.3	8.6	1.0	1.4	0.1	0.1	12.7	15.4
Operating profit/loss	16.6	7.1	5.6	24.6	8.8	3.0	–21.4	–16.2	96	18.5
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.3
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–5.0	–7.3
Profit before tax									**5.4**	**12.5**
Less: divested business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–5.3	–2.0
Profit before tax for remaining businesses									**0.1**	**10.5**
Assets	225.7	254.1	277.6	325.2	–	76.2	11.2	6.5	514.5	662.0
Non–allocated assets	–	–	–	–	–	–	–	–	38.7	37.9
Total assets									**553.2**	**699.9**
Investments in non-current assets	2.4	2.3	10.3	14.1	0.3	1.5	0.5	0.5	13.5	18.4
Liabilities	36.8	42.9	67.2	59.0	–	23.9	7.3	6.3	111.3	132.1
Non-allocated liabilities	–	–	–	–	–	–	–	–	82.9	202.5
Total liabilities									**194.2**	**334.6**

GEOGRAPHICAL AREAS

The Group's segments are divided into three geographical areas: Sweden, Rest of Europe and Rest of the World. The information presented on segmental income is classified according to the geographical location of our customers. Information on the assets in the respective segments and the investments during the period in property, plant and equipment and in intangible non-current assets is based on geographical areas according to where the assets are located. Net sales by the Group's remaining businesses outside Sweden represent 64% (63) of total net sales.

	Sweden		Rest of Europe		Rest of the World		Group	
Group	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Net sales for remaining businesses per geographical market	226.8	241.1	367.1	376.9	33.5	33.1	627.4	651.1
Non-current assets per geographical market	136.5	156.3	141.7	150.3	0.0	0.0	278.2	306.6
Investments per geographical market	11.8	15.7	1.7	2.7	0.0	0.0	13.5	18.4

NOTE 4. BUSINESS DIVESTED

The Scandinavian Eyewear business area was sold on 3 October 2012. Scandinavian Eyewear was an independent line of business, see Note 3. As a result, the figures presented for comparison in the consolidated income statement have been adjusted to account for the business disposed of separately from the remaining operations. At year-end 2011, the Board and Management decided to streamline the Group's operations and develop profitable growth in furniture and interiors. As part of this streamlining programme, it was decided that Scandinavian Eyewear would in the long term be divested. The purchase consideration paid totalled SEK 58.1 million. A capital loss of SEK 2.9 million was recorded, both before and after tax.

Profit/loss from divested business after tax

Group	Note	**2012**	2011
Profit/loss from operations in divested business			
Income		86.5	103.1
Expenses		–78.3	–101.1
Profit before tax		8.2	2.0
Tax		–1.9	–0.4
Profit after tax		6.3	1.6
Profit/loss on disposal of divested business			
Capital loss on disposal of divested business		–2.9	0.0
Tax attributable to above capital loss		0.0	0.0
Profit/loss from divestment after tax		–2.9	0.0
Profit/loss from divested business after tax		**3.4**	**1.6**
Earnings per share from divested business (no dilution)	12	0.41	0.19

Profit/loss on divested business is in entirety attributable to the Parent Company's shareholders.

Net cash flows from business divested

Cash flow from operating activities	–2.7	–13.1
Cash flow from investing activities	36.4	2.1
Cash flow from financing activities	0.0	2.7
Net cash flows of divested business	**33.7**	**–8.3**

Effect of divestment on individual assets and liabilities in Group

	2012
Intangible non-current assets	18.7
Property, plant and equipment	2.8
Inventories	26.3
Accounts receivable	21.7
Other receivables	4.7
Cash and cash equivalents	4.9
Provisions for pensions	–2.9
Deferred tax liabilities	–0.5
Accounts payable	–9.1
Other liabilities	–10.0
Assets and liabilities divested, net	**56.6**
Purchase price received	58.1
Less: Cash and cash equivalents in the business divested	–4.9
Less: Deposit in escrow account	–9.0
Less: Group liabilities	–7.5
Effect on cash and cash equivalents	**36.7**

NOTE 5. OTHER OPERATING INCOME

Group	**2012**	2011
Gain on sale of property, plant and equipment	4.1	–
Exchange rate gains	6.9	5.7
Gain from unfulfilled condition for purchase consideration	–	1.2
Other operating income	0.3	0.2
	11.3	**7.1**

Of the gain on the sale of property, plant and equipment, the gain on the sale of Voice's property Torsvik, Jönköping, accounted for SEK 3.9 million. The gain from unfulfilled condition for purchase consideration of SEK 0.0 (1.2) million pertains to Harmonie Projects. Based on that company's operating profit for the 01/01/2010–31/12/2011 period, the former owner could have claimed a conditional purchase consideration. Because the company's operating profit was less than EUR 0.3, no conditional purchase consideration was paid.

NOTE 6. OTHER OPERATING COSTS

Group	2012	2011
Exchange rate losses	5.5	5.3
Reversal of order backlog acquired	–	0.4
Other operating costs	–0.4	–0.2
	5.1	**5.5**

Development costs in the amount of SEK 10.6 million (11.9) have been expensed and included in operating expenses as administration costs. Development is conducted to a certain extent in the form of order-based development, which is accounted for in accordance with IAS 2 and is thus paid for by the customer concerned. For further details of capitalised development costs, see Note 13.

Reversal of order backlog acquired, totalling SEK 0.0 million (0.4), pertained in 2011 to the depletion of the market value of order backlog acquired at Harmonie Projects.

NOTE 7. EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Cost of remuneration to employees	2012	2011
Group		
Salaries and remuneration etc.	147.8	149.5
Pension costs	9.4	10.1
Social welfare charges	28.6	29.1
Total, Group	**185.8**	**188.7**

Average number of employees	2012	Of which men, %	2011	Of which men, %
Parent Company				
Sweden	6	67	5	60
Subsidiaries				
Sweden	203	62	194	62
Denmark	65	45	79	47
Germany	36	64	36	67
Other countries	36	54	43	56
Total, subsidiaries	340	58	352	58
Total, Group	**346**	**58**	**357**	**58**

Gender breakdown in senior management teams	31/12/2012 Share women, %	31/12/2011 Share women, %
Parent Company		
Board of Directors	33	33
Other senior executives	0	0
Total, Group		
Boards of Directors	10	15
Other senior executives	26	24

REMUNERATION OF SENIOR EXECUTIVES

Guidelines

The Chair and Members of the Board receive remuneration as determined by resolution of the Annual General Meeting of Shareholders (AGM). In addition, the 2012 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50 thousand to the Chair and SEK 25 thousand to the other two members of each committee. No agreements exist with regard to future pensions or severance pay, either for the Chair of the Board or for other Board Members.

The AGM has adopted the following guidelines on the remuneration of senior executives: Wages, salaries and other conditions of employment for the CEO and other senior executives shall be in line with the market, and competitive, such that competent and skilled personnel can be recruited, motivated and retained. The Group's senior executives who make up the Group Management team, have an agreement on variable remuneration over and above a fixed salary. The size of the variable remuneration is linked to predetermined objectives based on individually set goals, or on the Group's results and cash flows. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. There should also be scope for long-term equity or equity-related incentive programmes.

On termination by the Company of an employment contract with the CEO or other senior executive, compensation equivalent to no more than 18 months' remuneration shall be paid. The total compensation shall not exceed the remuneration that would have been paid in an arrangement of a period of notice of six months and severance pay corresponding to a maximum of no more than 12 months' fixed salary.

Agreements on pension benefits shall be entered into individually. For the President, an annual pension premium amounting to ten times Sweden's "Base Amount" (Swedish: prisbasbelopp) shall be paid. The pension is of the defined-contribution type. No agreement exists regarding early retirement. For other senior executives, pension costs shall amount to a maximum of 25 percent of the fixed and variable salary. The pensions are defined-contribution, and no agreements exist regarding early retirement.

BREAKDOWN OF SALARIES AND OTHER REMUNERATION – PER SENIOR EXECUTIVES/OTHER EMPLOYEES; SOCIAL WELFARE CHARGES, PARENT COMPANY

	2012		2011	
Parent Company	**Senior executives (10 pers.)**	**Other employees (2 pers.)**	Senior executives (9 pers.)	Other employees (2 pers.)
Salaries and other remuneration	6.5	1.4	4.8	1.3
(of which, bonuses etc.)	(0.2)	(–)	(0.2)	(–)
Social welfare charges	3.5	0.7	2.5	0.6
Of which, pension costs	1.5	0.2	1.1	0.2

BREAKDOWN OF SALARIES, OTHER REMUNERATION, PENSION COSTS AND PENSION COMMITMENTS, PER COUNTRY FOR SENIOR EXECUTIVES OF THE GROUP

Group	**2012 Senior executives (43 pers.)**	2011 Senior executives (41 pers.)
Sweden		
Salaries and other remuneration	19.9	16.3
(of which, bonuses etc.)	(0.2)	(0.2)
Pension costs	2.6	2.2
Denmark		
Salaries and other remuneration	6.7	6.9
(of which, bonuses etc.)	(0.1)	(–)
Pension costs	0.2	0.2
Germany		
Salaries and other remuneration	2.9	2.2
(of which, bonuses etc.)	(1.1)	(1.3)
Pension costs	0.1	0.1
Total, Group	**29.5**	**25.4**
(of which, bonuses etc.)	**(1.4)**	**(1.5)**
Pension costs	**2.9**	**2.5**

No pension commitments have been entered into on behalf of senior executives in the Group. “Senior executives” refers to those who are members of the management group of the individual subsidiaries, including presidents and managers who report directly to the President, and Board members.

REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2012

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Fee committee work	**Total**
Board chairman							
Anders Pålsson							
Remuneration from Parent Company	240	–	–	–	–	50	**290**
Board member							
Yngve Conradsson							
Remuneration from Parent Company	120	–	–	–	–	25	**145**
Board member							
Jörgen Ekdahl							
Remuneration from Parent Company	120	–	–	–	–	50	**170**
Board member							
Jerry Fredriksson							
Remuneration from Parent Company	120	–	–	–	–	25	**145**
Board member							
Erika Lagerbielke							
Remuneration from Parent Company	120	–	–	–	–	25	**145**
Board member							
Lotta Lundén							
Remuneration from Parent Company	120	–	–	–	–	25	**145**
Chief Executive Officer							
Anders Rothstein							
Remuneration from Parent Company	2 088	86	–	92	547	–	**2 813**
Other senior executives (3 pers.)	3 345	134	–	249	912	–	4 640
Total	**6 273**	**220**	**–**	**341**	**1 459**	**200**	**8 493**

"Other benefits" refers to company cars. The pension costs are defined-contribution pension plans. The Group does not offer any share-related remuneration.

REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2011

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Fee committee work	Summa
Board chairman							
Torbjörn Björstrand							
Remuneration from Parent Company	60	–	–	–	–	6	**66**
Board member, Board chairman							
Anders Pålsson							
Remuneration from Parent Company	210	–	–	–	–	44	**254**
Board member							
Yngve Conradsson							
Remuneration from Parent Company	120	–	–	–	–	22	**142**
Board member							
Jörgen Ekdahl							
Remuneration from Parent Company	90	–	–	–	–	38	**128**
Board member							
Jerry Fredriksson							
Remuneration from Parent Company	120	–	–	–	–	22	**142**
Board member							
Erika Lagerbielke							
Remuneration from Parent Company	120	–	–	–	–	22	**142**
Board member							
Lotta Lundén							
Remuneration from Parent Company	120	–	–	–	–	22	**142**
Chief Executive Officer							
Anders Rothstein							
Remuneration from Parent Company	2 041	83	–	79	532	–	**2 735**
Other senior executives (2 pers.)	1 746	77	–	181	518	–	**2 522**
Total	**4 627**	**160**	**–**	**260**	**1 050**	**175**	**6 272**

"Other benefits" refers to company cars. The pension costs are defined-contribution pension plans. The Group does not offer any share-related remuneration.

NOTE 8. FEES AND REIMBURSEMENT OF COSTS TO AUDITORS

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
KPMG / Michael Johansson				
Auditing services	1.2	1.5	0.3	0.3
Auditing services other than auditing assignment	0.5	0.0	–	–
Tax advice	0.2	0.4	0.0	0.0
Other services	0.9	0.8	0.8	0.6
Other auditors				
Auditing assignments	0.4	0.4	–	–
Auditing services other than auditing assignment	0.2	0.1	–	–
Tax advice	–	0.0	–	–
Other services	0.0	0.1	–	–

"Auditing assignment" consists of a statutory review of the annual accounts, consolidated financial statements and accounting records, as well as the administration of the Board and President and auditing and other review as arranged or agreed.

This includes other assignments routinely performed by the Company's auditor, together with advice and other support arising through observations made during the audit or the performance of routine duties.

NOTE 9. OPERATING EXPENSES ALLOCATED BY TYPE OF COST

Group	2012	2011
Costs of goods and materials	263.5	293.6
Personnel costs	191.5	190.9
Depreciation	11.7	14.0
Other operating costs	168.3	144.1
	635.0	**642.6**

NOTE 10. NET FINANCE INCOME/COSTS

Group	2012	2011
Interest income on non-impaired loans receivable and trade receivables	0.1	0.1
Interest income on bank balances	0.2	0.6
Exchange rate fluctuations	0.5	0.4
Finance income	**0.8**	**1.1**
Interest expense on defined-benefit pension commitments	–0.1	–0.0
Interest expense on financial liabilities	–4.3	–5.3
Exchange rate fluctuations	0.1	–0.7
Other interest expense	–0.2	–0.2
Finance costs	**–4.5**	**–6.2**
Net finance income/costs	**–3.7**	**–5.1**

	Result from interests in Group companies	
Parent Company	2012	2011
Dividend	17.6	–
Group contributions received	16.1	24.2
Group contributions paid	–19.2	–12.3
	14.5	**11.9**

	Interest income and similar items	
Parent Company	2012	2011
Interest income, Group companies	1.6	2.0
Interest income on bank balances	–	0.1
	1.6	**2.1**

	Interest expense and similar profit/loss items	
Parent Company	2012	2011
Interest expense, Group companies	–0.3	–0.3
Interest expense, financial liabilities	–2.4	–3.2
Exchange rate fluctuations	0.8	0.1
	–1.9	**–3.4**

NOTE 11. INCOME TAXES

RECOGNISED IN THE INCOME STATEMENT

Group	2012	2011
Current tax expense		
Tax expense for the period	–3.8	–7.1
Deferred tax recoverable		
Deferred tax pertaining to temporary differences and tax loss carry-forwards	3.6	0.7
Total recognised tax expense in the Group	**–0.2**	**–6.4**

Of the Group's tax cost for the year, SEK –1.9 million (–0.4) is attributable to business divested, including tax of SEK 0.0 million (0.0) attributable to capital loss. The total recognised tax recoverable (+)/tax cost (–) for the Group's remaining businesses totalled SEK 1.7 million (–6.0).

Parent Company	2012	2011
Current tax expense		
Tax recoverable(+)/tax cost (–) for the period	4.1	–0.1
Total recognised tax recoverable (+)/tax cost (–) in the Parent Company	**4.1**	**–0.1**

RECONCILIATION OF EFFECTIVE TAX

Group	2012	2011
Profit before tax	5.4	12.5
Tax as per current tax rate for the Parent Company	1.4	3.3
Effect of other tax rates for foreign subsidiaries*	0.1	–
Non-deductible costs	1.1	0.2
Non-taxable revenues	–2.5	–0.3
Increase in tax loss carry-forwards without corresponding capitalisation of deferred tax	0.8	3.4
Utilisation of previous non-capitalised tax loss carry-forwards	–0.7	–0.2
Recognised effective tax	**0.2**	**6.4**

* Tax as per current tax rate is calculated as a weighted average of local tax rates for the country concerned.

Of the Group's tax cost for the year, SEK –1.9 million (–0.4) is attributable to business divested, including tax of SEK 0.0 million (0.0) attributable to capital loss. The total recognised tax recoverable (+)/tax cost (–) for the Group's remaining businesses totalled SEK 1.7 million (–6.0).

Parent Company	2012	2011
Profit before tax	2.0	0.6
Tax as per current tax rate for the Parent Company	0.5	0.2
Non-taxable revenue	–4.6	–0.1
Recognised effective tax	**–4.1**	**0.1**

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	2012			2011		
Group	Before tax	Tax	After tax	Before tax	Tax	After tax
Ch. in trans. diff. at translation of foreign businesses	–7.6	0.6	–7.0	–1.8	0.3	–1.5
Changes in fair value of cash flow hedges for the year	–0.4	0.1	–0.3	–0.6	0.2	–0.4
Other compr. income	**–8.0**	**0.7**	**–7.3**	**–2.4**	**0.5**	**–1.9**

RECOGNISED IN STATEMENT OF FINANCIAL POSITION

Deferred tax assets and liabilities

	Deferred tax asset		Deferred tax liability		Net	
Group	**2012**	2011	**2012**	2011	**2012**	2011
Property, plant and equipment	–	–0.8	8.0	10.7	–8.0	–11.5
Intangible assets	0.4	0.4	–0.4	–0.4	0.8	0.8
Inventories	0.1	0.1	–	–	0.1	0.1
Interest-bearing liabilities	–	–	0.4	0.3	–0.4	–0.3
Pension provisions	0.4	0.5	–	–	0.4	0.5
Other provisions	–	0.4	–	–	–	0.4
Tax loss carry-forwards	1.0	0.6	–	0.3	1.0	0.3
Tax assets/liabilities, net	**1.9**	**1.2**	**8.0**	**10.9**	**–6.1**	**–9.7**

The following subsidiaries of Lammhults Biblioteksdesign A/S, Denmark, have uncapitalised tax loss carry-forwards: BC Interieur S.A.R.L., France (totalling SEK 14.9 with an unlimited rolling facility) and Lammhults Design Group GmbH (formerly IFBD GmbH), Germany, (totalling SEK 2.4 million with an unlimited rolling facility).

PARENT COMPANY

The Parent Company does not have any deferred tax assets or any deferred tax liabilities. No deferred taxes attributable to participations in Group and associated companies have been reported.

NOTE 12. EARNINGS PER SHARE

	Before dilution		After dilution	
Amounts in SEK	**2012**	2011	**2012**	2011
Earnings per share from remaining businesses	0.21	0.53	0.21	0.53
Earnings per share from divested business	0.41	0.19	0.41	0.19
Earnings per share for the Group, total	**0.62**	**0.72**	**0.62**	**0.72**

Weighted average of number of shares outstanding: 8 448 thousand (8 448 thousand).

NOTE 13. INTANGIBLE NON-CURRENT ASSETS

	Internally developed intangible assets		Acquired intangible assets			
Group	Development costs	Brands	Tenancies	Goodwill	Other intangible non-current assets	**Total**
Accumulated acquisition values						
Carrying amount 01/01/2011	0.7	0.1	0.5	190.2	0.4	191.9
Reclassifications	1.5	–	–	–	–	1.5
Other investments	–	–0.1	–	–	–	–0.1
Reversal of order backlog acquired	–	–	–	–	–0.4	–0.4
Exchange rate differences for the year	–0.1	–	–	–0.5	0.1	–0.5
Carrying amount 31/12/2011	**2.1**	**0.0**	**0.5**	**189.7**	**0.1**	**192.4**
Carrying amount 01/01/2012	2.1	–	0.5	189.7	0.1	192.4
Other investments	0.1	–	–	0.2	0.7	1.0
Disposals and retirements	–	–	–	–18.7	–	–18.7
Exchange rate differences for the year	–0.1	–	–	–4.1	0.1	–4.1
Carrying amount 31/12/2012	**2.1**	**–**	**0.5**	**167.1**	**0.9**	**170.6**
Accumulated depreciation						
Carrying amount 01/01/2011	–	–	–0.1	–	–	–0.1
Depreciation for the year	–0.3	–	–	–	–	–0.3
Carrying amount, 31/12/2011	**–0.3**	**–**	**–0.1**	**–**	**–**	**–0.4**
Carrying amount 01/01/2012	–0.3	–	–0.1	–	–	–0.4
Depreciation for the year	–0.5	–	–	–	–	–0.5
Carrying amount, 31/12/2012	**–0.8**	**–**	**–0.1**	**–**	**–**	**–0.9**
Carrying amounts						
01/01/2011	0.7	0.1	0.4	190.2	0.4	191.8
31/12/2011	**1.8**	**0.0**	**0.4**	**189.7**	**0.1**	**192.0**
01/01/2012	1.8	0.0	0.4	189.7	0.1	192.0
31/12/2012	**1.3**	**0.0**	**0.4**	**167.1**	**0.9**	**169.7**

All intangible assets, other than goodwill, are amortised. For information on amortisation and depreciation, see Note 1, Accounting Policies.

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS REPORTING GOODWILL

The following cash-generating units report carrying amounts for goodwill in the Group.

	2012	2011
Public Interiors	108.9	112.5
Office & Home Interiors	58.2	53.9
Scandinavian Eyewear	–	23.3
	167.1	**189.7**

METHOD FOR CALCULATION OF RESIDUAL VALUE

The value of the Group's intangible assets is reviewed annually through impairment appraisals. The recovery values of the cash-generating units mentioned above are based on a number of important assumptions, as described below. Assumptions concerning future cash flows over the next five-year period take as their starting-point budgets for 2013, forecasts for 2014 and 2015 budgets based on the Company's financial strategy plans, and the assessments for the following two years made by each company's management. The above-mentioned assumptions refer to trends in sales, costs, operating margins and changes in the financial position of the cash-generating units. The cash flows forecast after the first five years are based on an annual rate of growth of 2%, which is considered to correspond to the long-term rate of growth in the units' markets.

SIGNIFICANT VARIABLES IN CALCULATION OF RESIDUAL VALUES

The following common variables are significant during calculation of the residual values for the cash-generating units.

Sales: The competitiveness of the Company's business, the anticipated trend of the economy for the business sector and private consumers, the general trend of the social economy, investment budgets for public sector and municipal commissioning agencies, interest rates and local market conditions.

Operating margin: The competitiveness of the Company's business, the exploitation of opportunities for synergies in the Group, the supply of competent and committed personnel, collaboration with designers, architects, resellers and agents, the trend of costs for pay and materials.

Discount rate: At Public Interiors, the discount interest rates before tax that were used at year-end 2012 were 13.5% (13.6) for equity financing and 2.5% (2.6) for debt financing. At Office & Home Interiors, the discount interest rates before tax were 12.5% (last year 12.6% for Lammhults Office and 13.6% for Lammhults Home) for equity financing and 2.5% (2.6) for debt financing. WACC (weighted average cost of capital) for Public Interiors was 9.1% (9.2) before tax. At Office & Home Interiors, WACC before tax was 8.5% (last year 8.6% for Lammhults Office and 9.2% for Lammhults Home). The different risk premiums applied for the various business areas are based on the stability of historical profitability. Long-term financing of the working capital for all the above-mentioned units has been estimated at 60% for equity and 40% for loans.

OPERATIONS OF THE BUSINESS AREAS

The Group's operations in Public Interiors were affected by restraint in public sector investments in a number of European markets. In addition, a series of external factors, notably in the media and technology, lessened the importance of traditional libraries. At the same time, a new type of library, in the form of an experience centre, has emerged. Modern libraries are more in the style of a place to meet than before, and with that in mind we have launched a "shop concept" offering attractive and fit-for-purpose solutions to customers. The Group is also benefiting from the growing trend for eco-friendly furniture, since we can offer suitable products via Office & Home Interiors. In late 2011, a decision was taken to broaden operations in the business area. Sales activities are to be expanded beyond libraries, to include providers in education/training and, in the long term, in health and social care as well. At the same time, work on harmonising the product range and improving efficiency in the product supply process in the business is intensifying in order to exploit maximum benefit from opportunities for synergies and to create the conditions for profitable growth. The businesses of the subsidiaries in Spain and Austria have been closed down, while the sales companies in the Netherlands and Belgium have been integrated. These restructuring measures led to the business area being charged with costs of around SEK 3 million in 2012, but at the same time paved the way for substantial cost savings in the future. All these actions have been used as the basis for estimating cash flows in the business area over the next five years.

In 2012, the former Lammhults Office and Lammhults Home business areas were merged into one, Office & Home Interiors. The process was carried out in stages in 2012, with the businesses of first Borks then Voice being integrated into that of Abstracta. These structural measures will create a larger and more efficient production unit at Lammhult. At the same time, Voice's sales and marketing resources were absorbed into Abstracta in order to extend the product offering and also to sell storage furniture to the public sector market. Sales, administration and product development functions were also integrated across the business in order to exploit synergetic benefits. The business area's operating profit for 2012 was charged with non-recurring impairment losses of around SEK 4 million in inventories and with non-recurring and restructuring costs of SEK 9 million arising from the said integration. Thanks to these measures, the future cost base for the business area has been considerably slimmed, and personnel cutbacks implemented will deliver a cost benefit of around SEK 7 million over the whole year in 2013, compared to 2012. The general uncertainty in large areas of the world around us continued to affect business in 2012. Weak demand in the premium segments of the furniture market for home interiors in Sweden put a brake on sales for the Voice and Ire brands. Demand for furniture and interiors for public environments in the Nordic market was relatively stable during the year, favouring the Lammhults, Abstracta and Borks brands. These well-known brands hold strong positions in their domestic markets, and with a closer focus on the core northern European markets, sales are expected to rise over the next few years. Via the Lammhults, Abstracta and Borks brands, we have a long tradition of offering customers modern interiors based on world-class Scandinavian design and quality. Consistent and credible branding, combined with an active focus on purchasing, will create the conditions for improved gross margins, moving forward. Furthermore, as a result of intensive product development activity, several new products will be launched in 2013, laying the foundations for robust volume growth in future. With the measures taken to boost sales and cut costs, there is every prospect for buoyant cash flows over the next few years.

The former Scandinavian Eyewear business area sells spectacle frames for private consumption. As part of the process to streamline the Group, all shares in Scandinavian Eyewear were sold in early October 2012.

SENSITIVITY ANALYSIS FOR PUBLIC INTERIORS

At Public Interiors, the margin is narrower until the estimated recovery value falls below the carrying amount for the unit, than for Office & Home Interiors. Against that background, a sensitivity analysis is presented, below, for Public Interiors. In our basic assumption, the recovery value exceeds the carrying amount by SEK 27.5 million. Significant variables affecting the recovery value are the estimated rate of growth, estimated operating margin and estimated weighted cost of capital for discounted cash flows. The basic assumption has the average rate of growth over the next five-year period as 3.2%, whereas the average operating margin is 8.4% and the weighted cost of capital is 8.9%.

If the estimated rate of growth used to extrapolate cash flows beyond the budget period had been 0.9% lower than in the basic assumption, the accumulated recovery value would be equal to the carrying amount.

If the estimated operating margin used to extrapolate cash flows beyond the budget period had been 0.9% lower than in the basic assumption, the accumulated recovery value would be equal to the carrying amount.

If the estimated weighted cost of capital used for discounted cash flows for Public Interiors had been 0.8% higher than in the basic assumption, the accumulated recovery value would be equal to the carrying amount.

The calculations in the sensitivity analyses are hypothetical and should be regarded as indicating the varying degree of probability in changes in these factors, and that caution should be exercised in interpreting the sensitivity analyses. In the three hypothetical cases above the recovery values appear as values corresponding to the value on consolidation at Public Interiors.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other technical facilities	Equipment tools and installations	Work in progress	**Total**
Acquisition value					
Carrying amount 1 January 2011	182.4	88.1	89.6	1.0	361.1
New acquisitions	–	5.1	12.0	0.5	17.6
Reclassifications	–44.0	–2.1	2.1	–0.7	–44.7
Disposals and retirements	–	–	–0.1	–	–0.1
Exchange rate differences	–0.1	–	–	–	–0.1
Carrying amount, 31 December 2011	**138.3**	**91.1**	**103.6**	**0.8**	**333.8**
Carrying amount 1 January 2012	138.3	91.1	103.6	0.8	333.8
New acquisitions	–	2.6	7.8	2.4	12.8
Reclassifications	–	0.1	–0.1	–	–
Disposals and retirements	–	–18.5	–28.1	–0.3	–46.9
Exchange rate differences for the year	–0.9	–0.1	–0.2	–	–1.2
Carrying amount, 31 December 2012	**137.4**	**75.2**	**83.0**	**2.9**	**298.5**
Depreciation and impairments					
Carrying amount 1 January 2011	–70.1	–72.4	–73.8	–	–216.3
Depreciation for the year	–3.7	–4.0	–7.4	–	–15.1
Reclassifications	10.8	–	–	–	10.8
Carrying amount, 31 December 2011	**–63.0**	**–76.4**	**–81.2**	**–**	**–220.6**
Carrying amount 1 January 2012	–63.0	–76.4	–81.2	–	–220.6
Depreciation for the year	–2.7	–3.6	–5.8	–	–12.1
Disposals and retirements	–	17.0	23.6	–	40.6
Carrying amount, 31 December 2012	**–65.7**	**–63.0**	**–63.4**	**–**	**–192.1**
Carrying amounts					
1 January 2011	112.3	15.7	15.8	1.0	144.8
31 December 2011	**75.3**	**14.7**	**22.4**	**0.8**	**113.2**
1 January 2012	75.3	14.7	22.4	0.8	113.2
31 December 2012	**71.7**	**12.2**	**19.6**	**2.9**	**106.4**

Voice's property in Jönköping was reclassified in 2011 as an asset held for sale. The accumulated acquisition value for the property was SEK 44.0 million. Accumulated depreciation totalled SEK 10.8 million. On 31 December 2011, the carrying amount for the property was therefore SEK 33.2 million. The property was sold in 2012, generating a capital gain of SEK 3.9 million.

Parent Company	Equipment, tools and installations	Work in progress	Total
Acquisition value			
Carrying amount 1 January 2011	0.7	–	0.7
New acquisitions	0.0	0.5	0.5
Carrying amount, 31 December 2011	**0.7**	**0.5**	**1.2**
Carrying amount 1 January 2012	0.7	0.5	1.2
New acquisitions	0.1	0.2	0.3
Carrying amount, 31 December 2012	**0.8**	**0.7**	**1.5**
Depreciation/amortisation			
Carrying amount 1 January 2011	–0.5	–	–0.5
Depreciation for the year	–0.1	–	–0.1
Carrying amount, 31 December 2011	**–0.6**	**–**	**–0.6**
Carrying amount 1 January 2012	–0.6	–	–0.6
Depreciation for the year	–0.1	–	–0.1
Carrying amount, 31 December 2012	**–0.7**	**–**	**–0.7**
Carrying amounts			
1 January 2011	0.2	–	0.2
31 December 2011	**0.1**	**0.5**	**0.6**
1 January 2012	0.1	0.5	0.6
31 December 2012	**0.1**	**0.7**	**0.8**

Depreciation is distributed over the following lines in the income statement.

Group	2012	2011
Cost of goods sold	–7.4	–10.6
Cost of sales	–2.2	–2.6
Administrative expenses	–3.1	–2.2
	–12.7	**–15.4**

Remaining businesses	2012	2011
Cost of goods sold	–6.7	–9.5
Cost of sales	–1.9	–2.4
Administrative expenses	–3.1	–2.1
	–11.7	**–14.0**

Parent Company	2012	2011
Administrative expenses	–0.1	–0.1

FINANCIAL LEASING

Group

Equipment held under financial lease contracts is recognised at a carrying amount of SEK 8.1 million (6.9). The Group leases production and IT equipment under a large number of separate financial lease contracts. Index-linking clauses occur in these lease contracts. The leased assets serve as collateral for the lease liabilities. The lease contracts include restrictions as regards the possibilities of paying dividend, raising new loans and entering into new lease contracts.

NOTE 15. INTERESTS IN JOINT VENTURES

Group	2012	2011
Income	14.7	14.0
Expenses	–14.4	–13.7
Profit	**0.3**	**0.3**
Non-current assets	0.1	0.2
Current assets	4.7	5.2
Total assets	**4.8**	**5.4**
Total non-current liabilities	–	0.2
Current liabilities	2.2	2.8
Total liabilities	**2.2**	**3.0**
Net assets	**2.6**	**2.4**

The Group has a 50% stake in the joint venture company BS Eurobib AS, org. reg. no. 982 754 542. The company's principal operations consist of the sale of library interiors. Its head office is in Oslo, Norway. The carrying amount for this participation is SEK 0.3 million (0.3). The Company's participations in the joint venture company total 200. The shareholding is reported using the proportional method of accounting, as this provides a more accurate picture of the Group's share of the company's operations.

NOTE 16. FINANCIAL INVESTMENTS

Group	31/12/2012	31/12/2011
Accumulated acquisition values		
At beginning of year	0.2	3.9
Sales	-	–3.7
Carrying amount at end of the period	**0.2**	**0.2**

NOTE 17. INVENTORIES

Group	31/12/2012	31/12/2011
Raw materials and consumables	59.0	60.8
Work-in-progress	8.5	17.5
Finished products and goods for resale	36.3	62.9
Carrying amount at end of the period	**103.8**	**141.2**

Cost of goods sold in the Group includes non-recurring impairment losses in inventories totalling SEK 4.2 million (0.0). These were recorded in the Office & Home Interiors business area and were largely attributable to measures taken to streamline the product ranges when the businesses of Borks, Voice and Abstracta were merged.

NOTE 18. TRADE RECEIVABLES

Trade receivables are recognised after taking account of bad debt losses incurred during the year, which totalled SEK 0.4 million (3.9) in the Group. No bad debt losses were incurred by the Parent Company.

NOTE 19. CASH AND CASH EQUIVALENTS

Group	31/12/2012	31/12/2011
Cash and cash equivalents are made up of the following items:		
Cash and bank balances	20.6	29.4
Balance on Group account with Parent Company	2.7	17.2
Total as per Statement of Financial Position and Cash Flow Statement	**23.3**	**46.6**

NOTE 20. EQUITY

DIVIDEND

After the balance sheet date the Board of Directors proposed the following dividend. The dividend will be submitted to the AGM for approval on 25 April 2013.

	2012	2011
Total dividend, SEK m	4.2	4.2
Recognised dividend per share, SEK	0.50	0.50

CAPITAL MANAGEMENT

The Group's financial objective is to maintain a sound capital structure and financial stability, and thereby to retain the confidence of investors, lenders and the market, as well as to serve as a foundation for continued development of its business operations. Against that background, the Group's goals for debt/equity ratio have been set at the range of 0.7–1.0 and for equity/assets ratio at no less than 35%. The outcomes on 31 December 2012 were 0.20 (0.51) for the debt/equity ratio and 64.9% (52.2) for the equity/assets ratio. Sales of Voice's property and the Scandinavian Eyewear business area resulted in a reduction in and release of tied-up capital, creating a more solid financial foundation for the Group. Equity is defined as the sum of shareholders' equity. The Group's equity totalled SEK 359.0 million (365.3) and the Parent Company's equity SEK 260.4 million (258.5).

The Board of Directors' ambition is to maintain a balance between high yield, which can be achieved through higher borrowing, and the benefits and security offered by a sound capital structure. The financial goal of the Group over an economic cycle is to obtain a return of no less than 15 percent on capital employed. In 2012, the return on capital employed was 2.1% (3.5).

The Group's policy is to pay a dividend, taking into account the long-term capital requirement, totalling approximately 40 percent of profit after tax. In view of the Company's strong financial position, the Board of Directors has proposed a dividend of SEK 0.50 per share, corresponding to 81% of profit after tax, to the 2013 AGM. Over the past five years, the total dividend has averaged 60% of profit after tax. The Group will also pay an additional dividend when the capital structure and financing requirements of the business allow. Decisions regarding an additional dividend reflect an ambition to distribute to the shareholders funds that are not deemed necessary for the development of the Group. The Group has paid additional dividends over and above ordinary dividends on two occasions – in 2006 and 2007.

As in the preceding year, the Board of Directors proposes that the AGM should authorise the issue of eight hundred thousand new shares to finance future acquisitions.

No changes took place during the year with regard to the Group's equity management. Neither the Parent Company nor any of the subsidiaries are subject to external equity requirements.

NOTE 21. INTEREST-BEARING LIABILITIES

This note provides information about the Company's contractual conditions regarding interest-bearing liabilities. For further information about the Company's exposure to interest risk and the risk of exchange rate fluctuations, see Note 26.

Group	31/12/2012	31/12/2011
Non-current liabilities		
Bank loans, maturity date 1–5 years from balance sheet date	24.1	34.9
Bank loans, maturity date more than 5 years from the balance sheet date	17.5	19.2
	41.6	**54.1**
Current liabilities		
Bank overdraft facility	19.6	96.8
Current portion of bank loans	11.2	21.0
	30.8	**117.8**
Total interest-bearing liabilities	**72.4**	**171.9**

In addition to the above-mentioned interest-bearing liabilities, last year the Company had liabilities of SEK 15.0 million that were classified as held for sale. Of these, SEK 0.9 million was current, while SEK 3.6 million fell due within 1–5 years of the balance sheet date and SEK 10.5 million fell due more than 5 years after the balance sheet date.

FINANCIAL LEASE LIABILITIES

The Group's liabilities under financial lease contracts total SEK 8.1 million (6.9). Liabilities under financial lease contracts in the Group consist of future leasing charges arising from contracts under financial leasing. Leasing charges that are due within one year are recognised as current liabilities.

NOTE 22. LIABILITIES TO CREDIT INSTITUTIONS

Parent Company	31/12/2012	31/12/2011
Non-current liabilities		
Bank loans, maturity date 1–5 years from balance sheet date	–	2.2
Current liabilities		
Bank overdraft facility	19.6	96.8
Current portion of bank loans	4.5	10.2
	24.1	**107.0**

NOTE 23. PENSIONS

DEFINED-BENEFIT PENSION PLANS

Part of the retirement pension and family pension commitments of Ire Möbel and Scandinavian Eyewear (before that company was divested in October 2012) has been secured through pension provisions on the balance sheet that are insured with FPG/PRI. The plan is a defined-benefit pension scheme and the provision at the end of 2012 amounted to SEK 0.2 million (0.4) and SEK 0.0 million (2.9), respectively. Commitments for retirement pensions and family pensions for other salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a defined-benefit plan backed by several employers. For the 2012 financial year, the Company has not had access to the information required to enable it to account for this plan as a defined-benefit plan. As a result, the pension plan under the ITP (Supplementary Pension for Salaried Employees in Industry and Commerce) scheme, secured through an insurance policy with Alecta, is reported as a defined-contribution plan. The year's charges for pension insurance policies contracted with Alecta amount to SEK 2.5 million (3.9). Surpluses at Alecta may be allocated to policyholders and/or the insured. At the end of 2012, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 129% (113). The collective consolidation ratio is made up of the market value of Alecta's assets as a percentage of the insurance commitments, calculated on the basis of Alecta's actuarial assumptions, which do not correspond to IAS 19.

DEFINED-CONTRIBUTION PENSION PLANS

In Sweden, the Group operates defined-contribution pension plans for its employees; the plans are paid for entirely by the companies concerned. Outside Sweden, defined-contribution pension plans are operated, paid for partly by the subsidiaries and partly by charges paid by the employees. Payment into these plans is made on an ongoing basis as required by the rules applying to the particular plan.

	Group's remaining businesses		Parent Company	
	2012	2011	**2012**	2011
Costs of defined-contribution pension plans	9.4	10.1	1.7	1.3

PENSION COMMITMENTS

BC Interieur SARL, France, is subject to a pension commitment for which the company, under GAAP France, does not make provision. The commitment is activated only if the employees are still with the company at the age of 65 years. According to IFRS, provision is required to be made on the basis of an assessment of the probability that the pension commitment will be activated. The Group has made provision for its pension commitment in the amount of SEK 0.6 million (0.6).

NOTE 24. OTHER PROVISIONS

Group	31/12/2012	31/12/2011
Warranty commitments at Lammhults Möbel AB, Sweden	0.3	0.3
Severance payment at Seven S.R.L., Italy	–	0.2
Marketing contributions at Borks Patenttavler A/S, Denmark	0.1	–
Claims at Borks Patenttavler A/S, Denmark	–	1.4
	0.4	**1.9**

Both warranty commitments of SEK 0.3 million at Lammhults Möbel AB and marketing contributions of SEK 0.1 million are classified as current.

NOTE 25. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/2012	31/12/2011	**31/12/2012**	31/12/2011
Accrued personnel-related costs	19.0	22.8	3.0	2.3
Other items	12.7	4.7	1.7	2.1
	31.7	**27.5**	**4.7**	**4.4**

NOTE 26. FINANCIAL RISKS AND RISK MANAGEMENT

By the nature of its business operations, the Lammhults Design Group is exposed to various kinds of financial risks. Financial risks refer to fluctuations in the Company's results and cash flow as a result of movements in exchange rates and changes in interest rate, refinancing and credit risks. The Group's policies and guidelines for management of financial risks have been prepared by the Board of Directors and constitute a framework for its financial operations. The responsibility for the Group's financial transactions and risks is managed centrally by the Group's management team. The overall objective is to provide cost-efficient financing and to minimise negative impact on the Group's results through market fluctuations.

LIQUIDITY RISKS

Liquidity risk refers to the risk of the Group encountering problems with fulfilling its obligations relating to financial liabilities. The aim is that the Group should be capable of meeting its financial commitments both during upswings and downturns without major unforeseen costs and without risking the Group's reputation. According to a resolution by the Board of Directors, the Group's liquidity margin, in the form of cash and cash equivalents and unused bank overdraft facilities, must represent no less than 10 percent of total assets. At year-end, the liquidity margin was 21.6 percent (10.8). The Group strives to minimise its borrowing requirement by employing excess liquidity in the Group via cash pools set up by the Parent Company's financial control function. Cash pools are operated in the following currencies: SEK, EUR, DKK, USD and NOK. Liquidity risks are managed centrally, on behalf of the entire Group, by the Parent Company's financial control function.

The maturity structure of financial liabilities included in net financial debt is illustrated in the table below. The table shows carrying amounts where anticipated interest payments are not included.

FINANCIAL LIABILITIES

Group	2013	2014	2015	2016	2017	Total
Bank loans	11.2	8.9	8.6	3.4	20.7	**52.8**
Overdraft facilities	19.6	–	–	–	–	**19.6**
Total financial liabilities	**30.8**	**8.9**	**8.6**	**3.4**	**20.7**	**72.4**

CREDIT RISKS

Commercial credit risk covers customers' payment capacity, and is managed by the respective subsidiary through careful monitoring of payment reliability, by following up customers' financial reports and via continuous communication. Customers have their creditworthiness checked through the collection of information about their financial position from various credit agencies. To minimise credit risks, the Group's companies use letters of credit, bank guarantees, credit insurance and advance payments from customers. In the case of major projects, payment flows prior to delivery are hedged. There was no significant concentration of credit exposure on the balance sheet date.

MARKET RISKS

Market risk is defined as the risk that the fair value of, or future cash flows from, a financial instrument may vary as a result of changes in market prices. IFRS classifies market risks into three categories: currency risk, interest risk and other price risks. The principal market risks that affect the Group are interest risks and currency risks.

INTEREST RISKS

Interest risk is the risk that the value of a financial instrument may vary as a result of changes in market interest rates. The Group's net financial items and results are affected by fluctuations in interest rates. The Group is also indirectly affected by the influence of interest rates on the economy in general. The Lammhults Design Group takes the view that short-term fixing of interest rates is compatible with the Group's operations from a risk perspective. On that basis, the majority of the Group's loans are taken up at variable interest rates. Variable rates of interest have also often been lower than long-term rates in recent years, which in turn has had a positive effect on the Group's results. Management of the Group's exposure to interest rates is centralised, i.e. the Group's management is charged with identifying and handling such exposure. The Company's interest-bearing liabilities amounted to SEK 72.4 million (186.9) at year-end. Of these interest-bearing liabilities, SEK 72.4 million (186.0) are at a variable rate of interest and SEK 0.0 million (0.9) a fixed rate. An acquisition loan in EUR to finance the acquisition of Schulz Speyer (conditional purchase consideration) amounted at year-end to SEK 2.2 million (6.7) and is a variable-rate loan. The loan is capped at 5.5 percent and has a minimum rate of 3.4 percent. The Group also has a variable rate EUR loan, to finance a building, amounting to SEK 5.2 million (6.6) at year-end. The loan has an interest rate cap ensuring that the interest on the loan will never exceed 5.0 percent.

CURRENCY RISKS

The risk that fair values and cash flows relating to financial instruments may fluctuate when the value of foreign currencies change is known as currency risk. The Group is exposed to various types of currency risks. The primary exposure concerns purchases and sales in foreign currencies, where the risk may consist partly of fluctuations in the currency of a financial instrument or customer or supplier invoice, and partly of the currency risk in anticipated or contracted payment flows; this is known as transaction exposure. Currency fluctuations also exist in the translation of the assets and liabilities of foreign subsidiaries to the Parent Company's functional currency; this is known as conversion exposure. Another area that is vulnerable to currency risks is that represented by payment flows in loans and investments in foreign currencies.

TRANSACTION EXPOSURE

Invoicing to markets outside Sweden by the Group's remaining businesses amounted to SEK 400.6 million (410.0) during the year. Invoicing in foreign currencies totalled SEK 390.9 million (401.0), as set out below.

INVOICING IN FOREIGN CURRENCIES (TRANSLATED TO SEK)

	2012		2011	
Currency	Amount	%	Amount	%
EUR	211.3	54	240.9	60
DKK	79.3	20	80.0	20
NOK	53.7	14	51.8	13
GBP	30.8	8	24.6	6
Other foreign currencies	15.8	4	3.7	1
Total	**390.9**	**100**	**401.0**	**100**

Purchases in foreign currencies by the Group's remaining businesses totalled SEK 179.4 million (186.7), as set out below.

INVOICING IN FOREIGN CURRENCIES (TRANSLATED TO SEK)

	2012		2011	
Currency	Amount	%	Amount	%
EUR	95.4	53	131.3	70
DKK	44.3	25	29.4	16
USD	14.6	8	12.5	7
NOK	12.7	7	6.7	3
Other foreign currencies	12.4	7	6.8	4
Total	**179.4**	**100**	**186.7**	**100**

The Group's aim is, by use of forward contracts, to limit its currency risks in connection with future payment flows. Using the best possible information regarding future flows, approximately 50 percent of anticipated net flows for the next 12 months are hedged. IAS 39 has been applied since 1 January 2005. The Group classifies the forward contracts that it uses to hedge forecast transactions as cash flow hedges. Changes in the fair value of forward contracts are therefore recognised in equity. At year-end 2012, forward contracts showed a surplus of SEK 0.2 million, compared to a surplus of SEK 0.6 million at the preceding year-end.

TRANSLATION EXPOSURE

In normal circumstances, the Group does not seek protection for its translation exposures in foreign currencies. However, for the acquisitions of the shares outstanding in Lammhults Biblioteksdesign A/S (formerly BCI) in 2002, in Schulz Speyer in 2006 and in Borks Patenttavler in 2010, the Parent Company raised loans in DKK and EUR, respectively, to hedge its currency exposures. The currency difference on these loans for the year amounts to SEK 0.6 m (0.1) and has been taken directly to equity. For more on how translation exposure is treated in the accounts, see Note 1 Accounting policies, Hedging of net investments in a foreign operation.

SENSITIVITY ANALYSES

In order to manage interest and currency risks, the Group's aim is to minimise the effects of short-term fluctuations in the Group's results. In the long term, however, long-term changes in exchange rates and interest rates will impact on the consolidated profit/loss. As per 31 December 2012, it is estimated that a general rise of 1% in interest rates will reduce the Group's profit before tax by approximately SEK 0.5 million (1.4), given the interest-bearing assets and liabilities existing on the balance sheet date. It is estimated that a general rise of 1% of the SEK against other currencies in 2012 reduced the gross profit of the Group's remaining businesses by approximately SEK 2.1 million (2.1) and pre-tax profit by around SEK 1.2 million (1.1). Changes in the value of currency forward contracts are disregarded in this estimate.

NOTE 27. MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

FAIR VALUE

Fair value is the amount at which an asset could be transferred or a liability settled between knowledgeable parties who are independent of each other and who have an interest in the transaction being carried out.

Fair value and recognised value are shown in the statement of financial position below:

Group	**Carrying amount 2012**	**Fair value 2012**	Carrying amount 2011	Fair value 2011
Currency forward contracts (receivables)	0.3	0.3	0.8	0.8
Financial investments	0.2	0.2	0.2	0.2
Accounts receivable	106.3	106.3	138.8	138.8
Other receivables	15.1	15.1	8.2	8.2
Cash and cash equivalents	23.3	23.3	46.6	46.6
Non-current interest-bearing liabilities	41.6	41.6	54.1	54.1
Other non-current liabilities	–	–	0.2	0.2
Current interest-bearing liabilities	30.8	30.8	117.8	117.8
Trade payables	48.2	48.2	62.2	62.2
Other liabilities	27.1	27.1	31.6	31.6
Liabilities attributable to assets held for sale (bank loans)	–	–	15.0	15.0

The fair value of currency forward contracts (receivables) has been determined in accordance with prices quoted in an active market in the same instruments, i.e. is based on quoted prices. The fair value of other financial instruments has been determined on the basis of input data that is not observable in the market.

Parent Company	**Carrying amount 2012**	**Fair value 2012**	Carrying amount 2011	Fair value 2011
Other receivables	0.3	0.3	0.1	0.1
Cash and cash equivalents	2.7	2.7	17.3	17.3
Bank loans	4.5	2.9	12.4	11.4
Bank overdraft facility	19.6	19.6	96.8	96.8
Trade payables	0.5	0.5	0.9	0.9
Other liabilities	1.1	1.1	0.3	0.3

Investments in foreign subsidiaries have to a certain extent been hedged by the raising of foreign currency loans and the use of overdraft facilities in foreign currency. At year-end, these loans are recognised in the Group at the exchange rate prevailing on the balance sheet date, other than in the Parent Company's accounts, where the loans are recognised at the acquisition exchange rate for loans and overdraft facilities in foreign currencies for the purchase of participations in Group companies. The fair value of other financial instruments has been determined on the basis of input data that is not observable in the market.

NOTE 28. OPERATIONAL LEASING

LEASE CONTRACTS WHERE THE COMPANY IS LESSEE

Total of non–cancellable lease payments:

	Group		Parent Company	
	31/12/2012	31/12/2011	**31/12/2012**	31/12/2011
Leasing charges for the year	2.8	5.9	–	–
Within a year	1.8	3.7	–	–
Between one and five years	2.0	8.3	–	–

No non–cancellable lease payments fall due in more than five years. During the 2012 financial year, no lease contracts of major importance to the business were entered into. No sub–letting took place.

NOTE 29. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/2012	31/12/2011	**31/12/2012**	31/12/2011
Pledged assets				
For own liabilities and provisions				
Real estate mortgages	53.8	78.7	–	–
Chattel mortgages	40.0	70.2	–	–
Net assets in subsidiaries	441.0	448.9	–	–
Other securities	10.3	11.1	–	–
Shares in subsidiaries	–	–	203.6	203.6
Total pledged assets	**545.1**	**608.9**	**203.6**	**203.6**

A restrictive clause applies to the shares in the subsidiary Schulz Speyer (SEK 65.4 million), according to which the Group is not permitted to pledge or assign the shares without the bank's consent.

Contingent liabilities				
Sundry surety bonds	3.7	3.8	3.7	3.8
Warranties	1.4	2.2	–	–
Other contingent liabilities	1.7	0.2	–	–
Total contingent liabilities	**6.8**	**6.2**	**3.7**	**3.8**

The Parent Company has also provided general, unconditional and absolute guarantees to lenders Voice AB, whose liability amounts to SEK 0.0 million (21.2), and Lammhults Möbel AB, whose liability amounts to SEK 0.0 million (12.2).

NOTE 30. CLOSELY RELATED PARTIES

SUMMARY OF TRANSACTIONS WITH CLOSELY RELATED PARTIES

Of the Parent Company's total purchases and sales measured in Swedish kronor, SEK 0.4 million (0.3) of the purchases and SEK 6.2 million (6.2) of sales pertain to other companies in the group of which the Company is part. This equates to 2% (2) of the Parent Company's purchases and 100 percent (100) of sales by the Parent Company. The Parent Company has a close relationship with the subsidiaries stated in Note 31 and joint venture companies listed in Note 15. Substantial financial receivables and liabilities exist between the Parent Company and the subsidiaries. On 31 December 2012, the Parent Company's receivables from Group companies totalled SEK 165.0 million (171.6), while its liabilities towards Group companies amounted to SEK 236.9 million (170.8).
No transactions or outstanding balances with the joint venture company exist. Transactions with closely related parties are priced at generally accepted market conditions.

TRANSACTIONS WITH KEY PEOPLE IN SENIOR POSITIONS

The Company's Board Members, with close family members and wholly or partly owned companies, control 44 percent (44) of the voting rights in the Company. Yngve Conradsson controls 25.8 percent (25.8) of the voting rights through an ownership stake in Scapa Capital AB. Jerry Fredriksson controls 17.7 percent (17.7) of the voting rights via an ownership stake in Canola AB.

Former warrant programmes for senior executives of the Group have expired, and on 31 December 2012, there were no warrant programmes outstanding in the Group. For more information on salaries and remuneration to the Board Members and senior executives, see Note 7.

NOTE 31. GROUP COMPANIES

Parent Company	**31/12/2012**	31/12/2011
Accumulated acquisition values		
At beginning and end of year	383.6	383.6
Purchases	0.1	–
Carrying amount 31 December	383.7	383.6
Accumulated impairment losses		
At beginning and end of year	–33.9	–33.9
Carrying amount 31 December	**349.8**	**349.7**

Any impairment losses are recognised in the income statement on the line "Result from participations in Group companies".

SPECIFICATION OF PARENT COMPANY'S AND GROUP'S PARTICIPATIONS IN GROUP COMPANIES

Subsidiary / Co. reg. no. / Reg. office	No. of shares	Holding, %	**31/12/2012 Carrying amount**	31/12/2011 Carrying amount
Lammhults Möbel AB / 556058–2602 / Växjö, Sweden	30 000	100	34.3	34.3
Lammhults Biblioteksdesign AB / 556038–8851 / Lund, Sweden	50 000	100	39.8	39.8
Eurobib NV / 298997 / Schelle, Belgium				
Lammhults Biblioteksdesign A/S / 87 71 97 15 / Holsted, Denmark	50 000	100	73.9	73.9
BC Interieur SARL / 33058132300046 / Paris, France				
Bibliotecas BCI SA / ESA60923596 / Barcelona, Spain				
Thedesignconcept Ltd / 06482850 / Bellshill, Glasgow, United Kingdom				
NBLC Systemen BV / 091930810000 / Ede, Netherlands				
IFBD GmbH / HRB 61159 / Römerberg, Germany				
Schulz Speyer Bibliothekstechnik AG / HRB 2951SP / Speyer, Germany	11 250	100	65.4	65.4
Schulz Benelux BVBA / BE421869331 / Rotselaar, Belgium				
Harmonie Projects Srl / 02653490215 / Merano, Italy				
Voice AB / 556541–0700 / Jönköping, Sweden	10 000	100	40.7	40.7
Ire Möbel AB / 556065–2710 / Tibro, Sweden				
Expanda Invest AB / 556535–2290 / Växjö, Sweden	300 000	100	94.3	94.3
Abstracta AB / 556046–3852 / Växjö, Sweden				
Borks Patenttavler A/S / 20 95 95 09 / Bjert, Denmark				
Abstracta Interiör AS / 934471881 / Oslo, Norway				
Atran AB / 556035–8508 / Falkenberg, Sweden	6 000	100	1.1	1.1
Skaga AB / 556551–6480 / Jönköping, Sweden	1 000	100	0.1	–
Sydostinvest AB / 556210–3498 / Växjö, Sweden	1 000	100	0.2	0.2
			349.8	**349.7**

NOTE 32. SCHEDULES TO STATEMENT OF CASH FLOWS

INTEREST PAID AND DIVIDEND RECEIVED

	Group		Parent Company	
	2012	2011	**2012**	2011
Interest received	0.8	1.3	1.6	2.1
Interest paid	–5.1	–7.3	–1.9	–3.4
Dividend received	–	–	17.6	–

ADJUSTMENT FOR NON-CASH ITEMS

	Group		Parent Company	
	2012	2011	**2012**	2011
Depreciation	12.7	15.4	0.1	0.1
Unrealised exchange rate differences	2.1	0.6	–	–
Profit/loss on sale of non-current assets	–4.4	–	–	–
Profit/loss on sale of subsidiaries	2.9	–	–	–
Provisions for pensions	–0.3	0.1	–	–
Other provisions	–1.3	–3.5	–	–
Reversal of order backlog acquired	–	0.4	–	–
Dividend from Group companies	–	–	–17.6	–
Group contributions received	–	–	–16.1	–24.2
Group contributions paid	–	–	19.2	12.3
	11.7	**13.0**	**–14.4**	**–11.8**

DIVESTMENT OF SUBSIDIARY

	Group		Parent Company	
Divested assets and liabilities	**2012**	2011	**2012**	2011
Intangible non-current assets	18.7	–	–	–
Property, plant and equipment	2.8	–	–	–
Inventories	26.3	–	–	–
Accounts receivable	21.7	–	–	–
Other receivables	4.7	–	–	–
Cash and cash equivalents	4.9	–	–	–
Total assets	**79.1**	**–**	**–**	**–**
Pension provisions	2.9	–	–	–
Deferred tax liabilities	0.5	–	–	–
Trade payables	9.1	–	–	–
Other liabilities	10.0	–	–	–
Total provisions and liabilities	**22.5**	**–**	**–**	**–**
Purchase price received	58.1	–	–	–
Less: Cash and cash equivalents in the business divested	–4.9	–	–	–
Less: Deposit in escrow account	–9.0	–	–	
Less: Group liabilities	–7.5	–	–	–
Effect on cash and cash equivalents	**36.7**	**–**	**–**	**–**

CREDITS NOT USED

	Group		Parent Company	
	2012	2011	**2012**	2011
Total, credits not used	96.3	29.2	92.9	25.7

NOTE 33. IMPORTANT ESTIMATES AND ASSESSMENTS

The Company's management has discussed with the Audit Committee the development, choice and disclosures relating to the Group's major accounting policies and assessments, and their application.

SIGNIFICANT SOURCES OF UNCERTAINTY IN ASSESSMENTS

Impairment tests for goodwill

When computing the recovery value of cash-generating units for the assessment of any impairment loss for goodwill, several assumptions as to future circumstances and estimates of parameters have been made. A summary of these items is set out in Note 13. As may be seen in Note 13, changes in the preconditions for these assumptions and estimates during 2013 could have a significant effect on the value of goodwill.

Income taxes

Extensive assessments are made to determine current and deferred tax liabilities and assets, and in particular the value of deferred tax assets. In this process, the Lammhults Design Group must assess the likelihood of the deferred tax recoverable being offset against future taxable profits. The actual outcome may differ from these assessments, for example, because of a change in the future business climate or amended tax regulations, or because of the eventual result of a tax authority's or a fiscal court's as yet uncompleted examination of tax returns submitted. For more information, see Note 11.

NOTE 34. INFORMATION ON THE PARENT COMPANY

Lammhults Design Group AB is a Swedish company with limited liability (Swedish: aktiebolag). Its registered office is in Växjö, Sweden. The Parent Company's Class B shares are listed on the Nordic Small Cap list of the Nasdaq OMX Nordic Exchange Stockholm. The address of the head office is Lammhults Design Group AB, Box 75, SE-360 30 Lammhult, Sweden. The consolidated accounts for 2012 comprise those of the Parent Company and its subsidiaries, which together are known as the Group. The Group also includes shareholdings in joint venture companies.

CERTIFICATION BY THE BOARD OF DIRECTORS

The Board of Directors and the Chief Executive Officer hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting practice in Sweden and that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards as referred to in Regulation (EC) No. 1606/2002/EC of the European Parliament and of the Council dated 19 July 2002 on the application of international accounting standards. The annual accounts and the consolidated accounts give a true and fair view of the financial position and results of the Parent Company and the Group. The administration report for the Parent Company and the Group provides a true and fair picture of the development of the operations, financial position and performance of the Parent Company and the Group and also describes material risks and uncertainties to which the Parent Company and the other companies in the Group are exposed.

The annual accounts and consolidated accounts were, as indicated above, approved for issue by the Board of Directors and the Chief Executive Officer (CEO) on 11 March 2013. The consolidated income statement and statement of financial position, and the income statement and the balance sheet of the parent company will be presented for adoption by the Annual General Meeting on 25 April 2013.

Lammhult, 11 March 2013

Anders Pålsson
Chairman

Yngve Conradsson
Board member

Jerry Fredriksson
Board member

Erika Lagerbielke
Board member

Lotta Lundén
Board member

Jörgen Ekdahl
Board member

Anders Rothstein
Chief Executive Officer

Our Audit Report was submitted on 11 March 2013
KPMG AB

Michael Johansson
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Shareholders in Lammhults Design Group AB (publ), corp. reg. no. 556541–2094

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

We have conducted an audit of the annual accounts and the consolidated accounts of Lammhults Design Group AB (publ) for the 2012 financial year. The Company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 65–107.

The Board of Directors and the Chief Executive Officer are responsible for the annual accounts and the consolidated accounts.

The Board of Directors and the CEO are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that provide and true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act, as well as for the internal systems of control that the Board of Directors and the CEO deem to be necessary in order to prepare an annual report and consolidated accounts that are free of material misstatement, whether caused by irregularity or error.

Responsibilities of the auditors

Our responsibility is to express an opinion on the annual accounts and the consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. Those standards require that we observe the requirements of professional ethics and that we plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated accounts are free from material misstatement.

An audit includes obtaining, by variety of measures, accounting evidence supporting the amounts and disclosures in the annual accounts and consolidated accounts. The auditor decides which actions should be taken, for example by determining the risks of material misstatements in the annual report and the consolidated accounts, whether caused by irregularity or error. In determining risks in this way, the auditor considers which aspects of internal systems of control are relevant to how the company prepares the annual report and the consolidated accounts to provide a true and fair view, in order to devise audit measures that are fit-for-purpose with regard to the circumstances, but not in order to state an opinion as to the efficacy of the company's internal systems of control. An audit also includes an assessment of the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the CEO in the accounts, as well as an assessment of the overall presentation of the annual report and the consolidated accounts.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

Statement

In our view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 31 December 2012 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act. The annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the group's financial position on 31 December 2012 and of its financial results and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the consolidated income statement and statement of financial position for the group be adopted.

REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

In addition to our audit of the annual report and the consolidated accounts, we have also conducted a review of the proposed treatment of the company's profit or loss and the administration of the affairs of Lammhults Design Group AB (publ) by the Board and the CEO in the 2012 financial year.

Responsibilities of the Board of Directors and CEO

The Board of Directors is responsible for the proposed treatment of the company's profit or loss, and the Board and CEO are responsible for administration under the Swedish Annual Accounts Act.

Responsibilities of the auditors

Our responsibility is to express an opinion with a reasonable degree of assurance as to the proposed treatment of the company's profit or loss and as to the administration based on our review. We conducted our audit in accordance with generally accepted auditing practice in Sweden.

As a basis for our opinion on the Board's proposed arrangements for the company's profit or loss, we have examined the Board's reasoned statement, as well as documents, on a test basis, in support of this statement, in order to be able to determine whether the proposed arrangements are consistent with the Swedish Annual Accounts Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

We believe that the accounting evidence we have obtained provides an adequate and appropriate basis for our opinions.

Statement

We recommend to the Annual General Meeting of shareholders that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Växjö, 11 March 2013
KPMG AB

Michael Johansson
Authorised Public Accountant


From Sweden with love



IRE

LAMMHULTS

ABSTRACTA

Lammhults Design Group at the Stockholm Furniture Fair 2013

Lammhults Design Group.

LAMMHULTS DESIGN GROUP AB
Lammengatan 2, Box 75
360 30 Lammhult
SWEDEN

Phone: +46 472 26 96 70
Fax: +46 472 26 96 73

www.lammhultsdesigngroup.com

OFFICE & HOME INTERIORS

LAMMHULTS MÖBEL AB
Växjövägen 41
360 30 Lammhult
SWEDEN

Phone: +46 472 26 95 00
Fax: +46 472 26 05 70

www.lammhults.se

ABSTRACTA AB
Lammengatan 2
360 30 Lammhult
SWEDEN

Phone: +46 472 26 96 00
Fax: +46 472 26 96 01

www.abstracta.se

IRE MÖBEL AB
Fabriksgatan 5
543 50 Tibro
SWEDEN

Phone: +46 504 191 00
Fax: +46 504 156 75

www.iremobel.se

PUBLIC INTERIORS

LAMMHULTS BIBLIOTEKSDESIGN AB
Åkergränden 7
226 60 Lund
SWEDEN

Phone: +46 46 31 18 00
Fax: +46 46 32 05 29

www.lammhultsbiblioteksdesign.se

LAMMHULTS BIBLIOTEKSDESIGN A/S
Dalbækvej 1
6670 Holsted
DENMARK

Phone: +45 76 78 26 11
Fax: +45 76 78 26 22

www.lammhultsbiblioteksdesign.dk

SCHULZ SPEYER BIBLIOTHEKSTECHNIK AG
Friedrich-Ebert-Strasse 2a
67346 Speyer
GERMANY

Phone: +49 6232 3181 0
Fax: +49 6232 3181 700

www.schulzspeyer.de

DESIGN AND PRODUCTION **GRAND PUBLIC**
PHOTO Daniel Månsson/VOL. Patrik Johäll, Bodil Bergqvist, Mikkel Mortensen, Sam Sylvén, Pelle Wahlgren and others. PRINT Vettertryck AB, Jönköping 2013