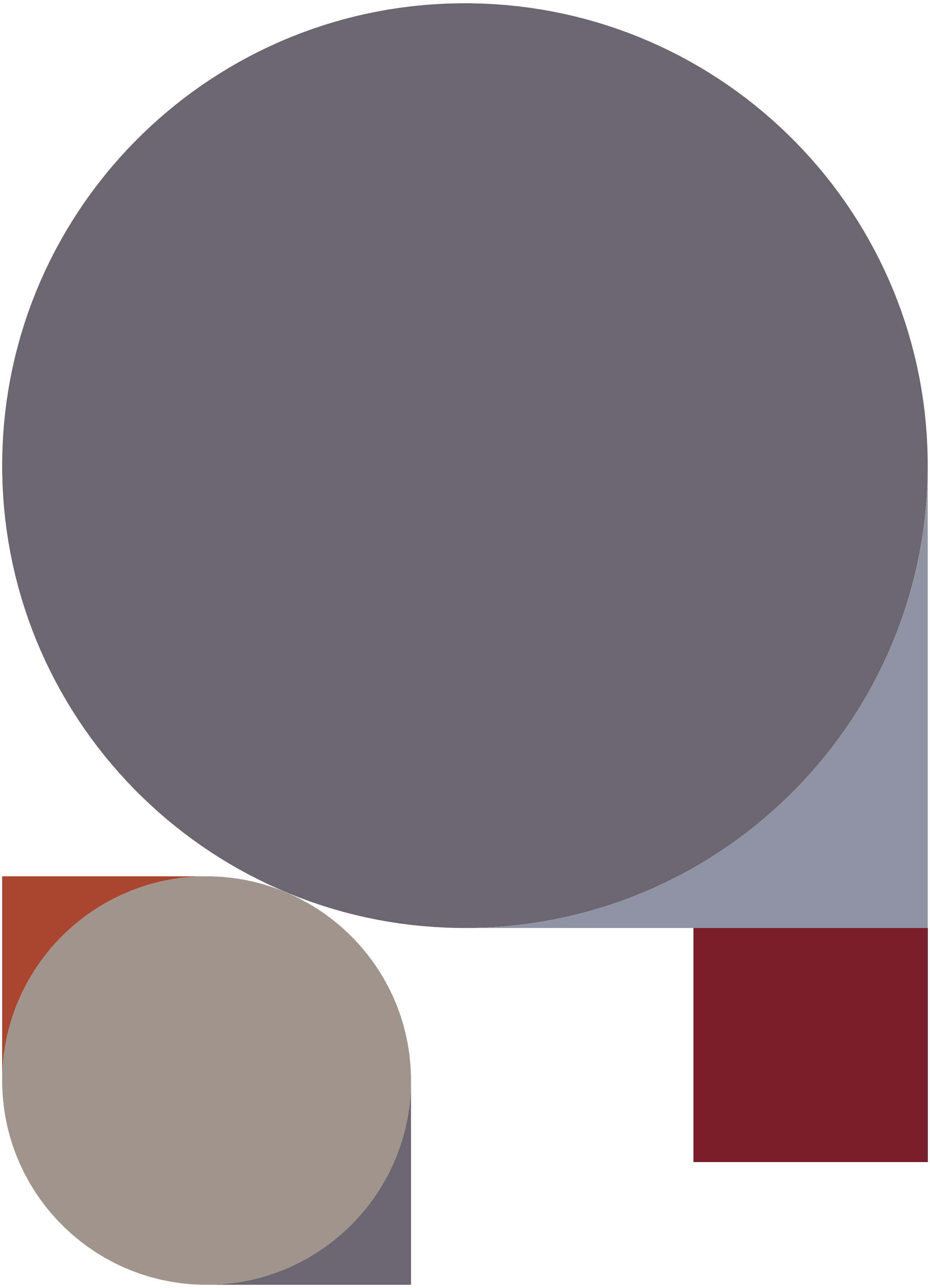


Lammhults Design Group.

ANNUAL REPORT 2016

CONTENTS

THIS ANNUAL REPORT IS ALSO AVAILABLE IN SWEDISH

LAMMHULTS DESIGN GROUP
IS LISTED ON NASDAQ OMX STOCKHOLM.

OFFICE & HOME INTERIORS

What the business area does and how it is organised:

Office & Home Interiors develops, manufactures and markets products for interiors in public and domestic environments. The business area has three brands with high design values, focusing on public environments: Lammhults and Fora Form with visually strong, timeless furniture, and Abstracta, with acoustics products, products for visual communication and storage. The business area has two brands focusing on home interiors, namely Voice, which offers innovative storage solutions, and Ire, producing upholstered furniture featuring timeless design, clean lines and durable quality. Both the Voice and Ire product ranges are in the process of being extended to include public interiors. The business area consists of the companies Lammhults Möbel AB in Lammhult, Ire Möbel AB in Tibro, Fora Form AS in Norway, and Abstracta AB in Lammhult plus subsidiaries.

Customers:

In public environments, the business area primarily works with architects and designers who recommend products to their clients. Resellers form an important part of the sales process. The end customer is usually in the public sector (health and education plus government agencies), or the private sector (companies, offices, hotels and restaurants).

RESULT FOR THE YEAR

Net sales

SEK 572.4 million (489.2)

Operating profit

SEK 38.1 million (34.0)

LARGEST MARKETS

Sweden, Norway, Denmark
Germany and the UK.

BRANDS

LAMMHULTS FORA FORM
abstracta voice ire
RAGNARS morgana

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 environments, mainly libraries. The business area is partly dedicated to selling total interior solutions on a project basis and partly to aftermarket sales of furniture and consumables. The business area is made up of 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.

RESULT FOR THE YEAR

Net sales

SEK 254.0 million (244.8)

Operating profit

SEK 28.2 million (23.8)

LARGEST MARKETS

Germany, France, Sweden,
Denmark and Norway.

BRANDS

BCI Eurobib direct SCHULZ SPEYER

NET SALES	SEK 826.4 MILLION (733.1)
OPERATING PROFIT	SEK 45.1 MILLION (33.8)
OPERATING MARGIN	5.5% (4.6)
RETURN ON CAPITAL EMPLOYED	8.9% (7.9)
EQUITY/ASSETS RATIO	50.9% (61.9)
DEBT/EQUITY RATIO	0.47 (0.22)
DIVIDEND PAYOUT RATIO	51% (53)
AVERAGE NUMBER OF EMPLOYEES	391 (352)

Q1

NET SALES	SEK 170.5 MILLION (179.0)
OPERATING PROFIT	SEK 5.4 MILLION (5.2)

Q2

NET SALES	SEK 200.3 MILLION (194.2)
OPERATING PROFIT	SEK 8.0 MILLION (7.1)

Q3

NET SALES	SEK 205.2 MILLION (161.0)
OPERATING PROFIT	SEK 8.6 MILLION (5.4)

Q4

NET SALES	SEK 250.4 MILLION (198.8)
OPERATING PROFIT	SEK 23.1 MILLION (16.1)

DESIGN GROUP

abstracta

BCI

Eurobib direct

FORA FORM

ire

LAMMHULTS

SCHULZ SPEYER

voice

RAGNARS

morgana

Lammhults Design Group's operations are organised in two business areas, Office & Home Interiors and Public Interiors, which develop, market and sell furniture and interiors for modern solutions. Design management, innovation and strong brands are important pillars of both business areas.

FREDRIK ASPLUND, PRESIDENT AND CEO

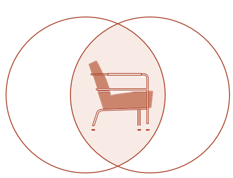
Design as a driving force is about developing modern and timeless interiors that create positive experiences for a global audience. Design as a business strategy is also a way of successfully integrating customer insight, innovation and sustainability. Together with strong brands, this forms the foundation of our entire business.

The Group's operations are divided into two business areas: Office & Home Interiors and Public Interiors. This split naturally ties in with the way the market deals with interiors, while also being a consequence of the way the skills within the Group have been built up over the years. In each business area, our strong brands, with their own specialist expertise, live up to the different demands of the market.

CON III
Design Lars Tornøe

PROJECT-STEERED AND BRAND-FOCUSSED

Lammhults Design Group works essentially on the project-based contract market for interior design and furniture. This is a market in which design with artistry, a capacity to tailor products to the customer and strong brands are key. It is a demanding market when it comes to quality and sustainability. The illustration below shows how the interior design market works and the role that Lammhults Design Group plays.



DIVIDED FURNITURE MARKET

The interior design and furniture market is divided into the consumer and contract market. The former is geared towards private individuals and home interiors. The latter is geared towards corporate and public sector interior design projects. Lammhults Design Group mainly works with the second group.

B2B

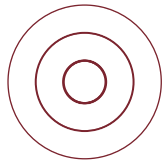
THE CONTRACT MARKET B2B

Interiors for public environments are sold via resellers or interior designers with total responsibility for a project. They work with a large number of producers and brands in every interior design project. The level of design is high and the ranges are small.

B2C

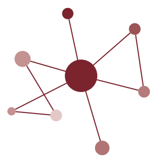
THE CONSUMER MARKET B2C

Private furniture consumption is characterised by volume, standardised products and economies of scale. Sales are through retailers with furniture stores, design retailers and e-commerce.



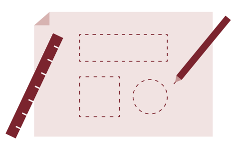
PRODUCER

Producers on the contract market need design artistry and a strong brand to position themselves with end customers, interior designers and resellers.



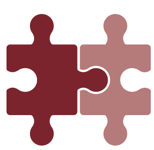
RESELLER

The reseller owns the deal and as a project interior designer has total responsibility towards the end customer. The reseller plans the project with interior designers and suppliers are chosen together with the end customer.



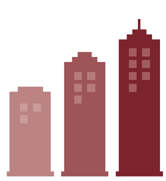
PROJECT

Sales on the contract market are project based. E.g. a new office, a waiting lounge or a library. It may be a newbuild, renovation or a relocation.



RELATIONSHIP MARKETING

To sell on the contract market, the products must be recommended by interior designers and project managers. The market is worked on through meetings at trade fairs, our own showrooms and customer visits.



CONSTRUCTION INDUSTRY SHOWS THE WAY

At macro level the interior design market is shaped by the climate in the construction industry. When a great deal of construction or renovation is in progress, many premises need interiors.

Lammhults Design Group.

SPECIALIST IN THE PRODUCER ROLE

Lammhults Design Group's companies take on a producer role and focus on clear design, innovative product development, strong brands and good relations with resellers, interior designers and end customers.

The exception that proves the rule

Some of the Group's sales, less than five percent, come from the consumer market, mainly through the Ire and Voice brands. Internationally the Public Interiors business area takes on a reseller role running entire interior design projectsfor libraries.

Good market growth, high acquisition activity and major production changes sum up 2016. We have been successful in our sales and demonstrate significant growth in turnover and a higher profit. Lammhults Design Group rests on a stable footing and has a clear ambition to continue to grow – with improved profitability!

FREDRIK ASPLUND, PRESIDENT AND CEO

A WORD FROM THE PRESIDENT

FREDRIK ASPLUND, PRESIDENT AND CEO

PROFITABLE GROWTH

Profitable growth sums up Lammhults Design Group's strategy over the past few years. Growth in 2016 was both organic and through the acquisition of three companies. The acquisitions bring in new assets and strengths and we are also seeing a direct positive impact on sales and profits. Our journey with constanly improved operating margins that we embarked on in 2012 continues and we are approaching our target of eight percent.

THREE ACQUISITIONS MEAN GROWTH

We have acquired the companies Ragnars, Morgana and S-Line. Ragnars is a completely new brand for our portfolio while S-Line was previously entirely incorporated in Abstracta. The acquisition of Morgana was consolidated on 1 January 2017 and will be a separate brand and company under Abstracta. The focus now lies on integrating the new acquisitions within the Group and continuing to seek more interesting companies that suit the Group's portfolio and strategy.

STRONG INNOVATION-DRIVEN BRANDS

To maintain our position as the leading design group on the interior design contract market, we need strong brands with product development at the forefront. During the year the companies launched a number of exciting new products and continued to maintain a high profile at trade fairs and in the media. These are all moves in the right direction that we will continue to strongly focus on.

IMPROVEMENTS FOR GREATER PROFITABILITY

Organic growth of five percent and three acquisitions were a major boost to sales in 2016. In 2016 we worked actively to improve profitability. This work will continue undiminished in 2017 as part of our constant efforts to improve our operating margin. Our target is to reach eight percent and we are well on the way. Over the past few years we have made structural changes for greater efficiency but there is still scope for fine tuning and developing the individual companies. Our companies act relatively independently and are different from each other. It is important to us that they are able to develop creatively along their own lines. However, there are mutual interests and positive synergies to be exploited, especially in purchasing, logistics and production. We have begun work to realise these and will continue to improve efficiency in 2017. The production changes put in place at Lammhults Möbel's plant during the year were important for the future but have been tough for the company. The transition was more demanding in terms of resources than originally assumed but the major work is now behind us. We now have a modern and updated production unit in place.

THE FURNITURE MARKET IS GAINING FROM A GOOD CONSTRUCTION CLIMATE

In a macro perspective, the furniture market grew in 2016, largely thanks to continued positive trends in the construction industry. Sweden, the Group's most important market, continues to grow. It is also gratifying to see that the tide has turned in Norway, where the trend is now on the up. When our main markets overlap in terms of economic climate, this offers long-term stability for our sales.

THE DESIGN GROUP GETTING ITS MESSAGE ACROSS

After my first year as CEO of Lammhults Design Group I feel we have the wind in our sails and my faith in our business model and strategy is stronger than ever. During the year we communicated more actively and increased awareness of the Group and our operations. Lammhults Design Group and our brands are attracting interest.

Looking back on 2016, I can say that as a Group we are well-equipped for continued profitable growth. This is largely thanks to all our committed employees, partners and customers. I would like to say a big thank you to you, to the Board of Directors and all the shareholders who believe in Lammhults Design Group.

FREDRIK ASPLUND, PRESIDENT AND CEO

THE YEAR'S ACQUISITIONS

INCREASED GROWTH AND A BROADER OFFERING

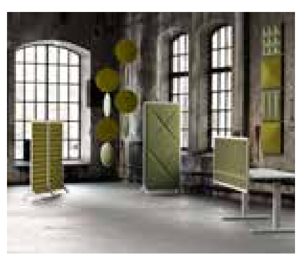
In line with the Group's strategy of growing with profitability, three acquisitions were carried out in 2016: Ragnars, renowned for exciting design solutions, and Morgana and S-Line. The acquired companies will take on different roles in the Group. Ragnars will continue as a company and brand in its own right within Lammhults Design Group. Morgana will be run by Abstracta but will continue to develop as a separate company and brand. S-Line in turn has been integrated with Abstracta and is now part of the company's offering. S-Line's expertise and products give Abstracta greater breadth in its acoustic products offering.

RAGNARS

Ragnars is an exciting addition to the Group's designer offering for public environments. The company has a history of innovative design solutions and a capacity to forge its own path, which the market appreciates.

morgana

Morgana creates opportunities for all offices and public environmnts looking for flexibility. The focus is on producing customised interior solutions and the range includes glass walls, furniture and sound absorbers. Morgana gives Abstracta and the Group a broader interface with the market and resources to meet a growing need for acoustic interiors.



S-LINE OFFICE

S-Line gives Abstracta access to more than 30 years' experience in developing and manufacturing acoustic products, thus broadening its offering even further.

CON II

Design Lars Tornøe

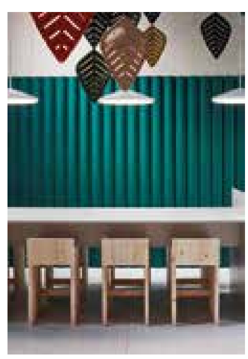
TWO BUSINESS AREAS WITH A FOCUS ON FURNITURE AND INTERIORS

Lammhults Design Group organises its operations in two business areas: Office & Home Interiors and Public Interiors. This division meets the market's needs and increases the force of each offering. At the same time the structure opens up opportunities to benefit from synergies across the Group. Design management, driven product development and strong brands are success factors for both business areas. The following pages provide a brief introduction to each business area and the past year, and a more detailed presentation of the individual companies.

OFFICE & HOME INTERIORS









Office & Home Interiors develops, manufactures and markets products mainly for interiors in public environments but also for domestic environments. The business areas' brands enjoy a strong position and offer high design values.

PUBLIC INTERIORS

BCI Eurobib direct SCHULZ SPEYER











Public Interiors develops, markets and sells attractive and functional interiors and product solutions for public environments, mainly libraries.

OFFICE & HOME INTERIORS

FREDRIK ASPLUND

BUSINESS AREA MANAGER, OFFICE & HOME INTERIORS

DESIGN DRIVE WHEN PUBLIC SPACES ARE UPDATED

In the Office & Home Interiors business area the Group's companies have developed a strong offering and a good reputation in the market for public environments and the premium segment for home interiors. Our brands stand for Scandinavian design with high artistry and reliable quality and service. The trend in office and public environments increases the need for the innovative interior design solutions and acoustic products that the business area provides.

The brand portfolio for public environments contains Abstracta, Fora Form, Lammhults, Morgana, Ragnars, Voice and Ire. The Ire and Voice ranges are primarily geared towards home environments.

FREDRIK ASPLUND,
BUSINESS AREA MANAGER

COMPANIES: Lammhults Möbel AB, Ire Möbel AB, Fora Form AS Ragnars Inredningar AB, Abstracta AB with subsidiaries and the newly acquired Morgana AB.

PROPORTION OF GROUP'S OPERATIONS: 68%

LARGEST MARKETS: Sweden, Norway, Denmark, Germany and the UK.

ARCHAL
Design Johannes Foersom & Peter Hiort-Lorenzen

OFFICE & HOME INTERIORS	2012	2013	2014	2015	**2016**
Net sales, SEKm	372.0	383.5	520.4	489.2	**572.4**
Operating margin, %	1.5	4.5	7.1	7.0	**6.7**
Capital employed, SEKm	150.0	175.9	184.3	180.3	**257.2**
Return on capital employed, %	3.3	10.6	20.5	18.7	**14.8**
Investments, SEKm	10.3	11.1	18.9	24.1	**37.8**
Average number of employees	207	199	242	237	**273.0**

*excluding administration fees to the Parent Company.
The economic results of the business area as above are accounted for in accordance with IFRS.
Morgana will be consolidated as at 1 January 2017 and is not reported in these figures.

ALWAYS MODERN, ALWAYS CLASSIC

The Lammhults range numbers a long line of design classics. Since the start the company has invested in design as a means of creating furniture with a clear character and constantly developing its manufacturing. Today the company delivers eco-aware furniture across the globe. Here CEO Cecilia Hallberg talks about the most important events this year.

PENNE

Design Julia Läufer & Marcus Keichel

CECILIA HALLBERG, CEO

LAMMHULTS FACTFILE

FOUNDED: 1945

IN THE GROUP SINCE: 1997

SALES: SEK 172 million

PRIORITY MARKETS (GEOGRAPHICALLY): Sweden, Norway, Denmark, Germany and the UK.

TARGET GROUP: Architects, project interior design companies and other recommending partners. Those who order interiors for offices and meeting places at private companies and for the public sector.

THREE KEY STRENGTHS: Design, quality and sustainability.

ATTACH

Design Troels Grum-Schwensen

NEW PRODUCT OF THE YEAR?

The Attach series of tables designed by Troels Grum-Schwensen is an ingenious design that with a few simple touches can be modified over time, adapting to different types of room and different needs over the years. The aluminium used is recycled. The design has already won several prizes, including the International Design Award, the European Aluminium Award and Design S.

PROJECT OF THE YEAR?

Being involved in deliveries to Nya Karolinska Solna, Stockholm's new university hospital with high demands in terms of design and sustainability.

MARKET SUCCESS OF THE YEAR?

In a market where the competition is getting tougher all the time with international actors starting to break in, we increased our sales by nine percent and attained an all-time high in Sweden.

CHALLENGE OF THE YEAR?

The major production changes we have put in place with the aim of improving efficiency. The changes have involved renovating the factory, a new flow and completely new working methods, as well as installing a new powder coating facility. At the same time we have started manufacturing Ire's products in Lammhult.

The large number of changes in a short space of time temporarily affected our customer service and capacity to deliver. But we were on the right track by our usual December peak period and managed to deliver to meet customers' needs.

PIONEER IN ACOUSTICS CREATES INSPIRING INTERIORS

Abstracta is a trailblazer in designing good soundscapes for public environments. The combination of acoustic products, inspirational design and innovative meeting solutions meets a growing need in the domestic and export markets. In 2016 Abstracta has been boosted by the acquisition of S-line which is now an integrated part of the company, and Morgana, part of the Group as a brand and a company in its own right under Abstracta. CEO Peter Jiseborn guides us through the events of the year.

NEW PRODUCT OF THE YEAR?
We attracted the most attention for Combo Cross, a suspended sound absorber by fashion and textile designer Pia Wallén. It's an example of how we work in various partnerships to renew and strengthen our design. In commercial terms, it's our silent rooms for the growing trend towards activity-based offices.

PROJECT OF THE YEAR?
The fact that we posted record sales without depending on major projects is a sign of our strength, and I should also mention that we won one major project in the Stockholm area for which we will be delivering acoustic products during 2017.

MARKET SUCCESS OF THE YEAR?
The launch of Softline 30, a thinner and simpler version of the classic Softline 50, which increased sales of both products.

CHALLENGE OF THE YEAR?
Coming in as a new CEO in February and getting the organisation all pulling together. I now feel that I have the backing of the organisation to meet the rapidly growing market for acoustic products.

PETER JISEBORN, CEO

ABSTRACTA FACTFILE

FOUNDED: 1970

IN THE GROUP SINCE: 1999

SALES: SEK 178 million

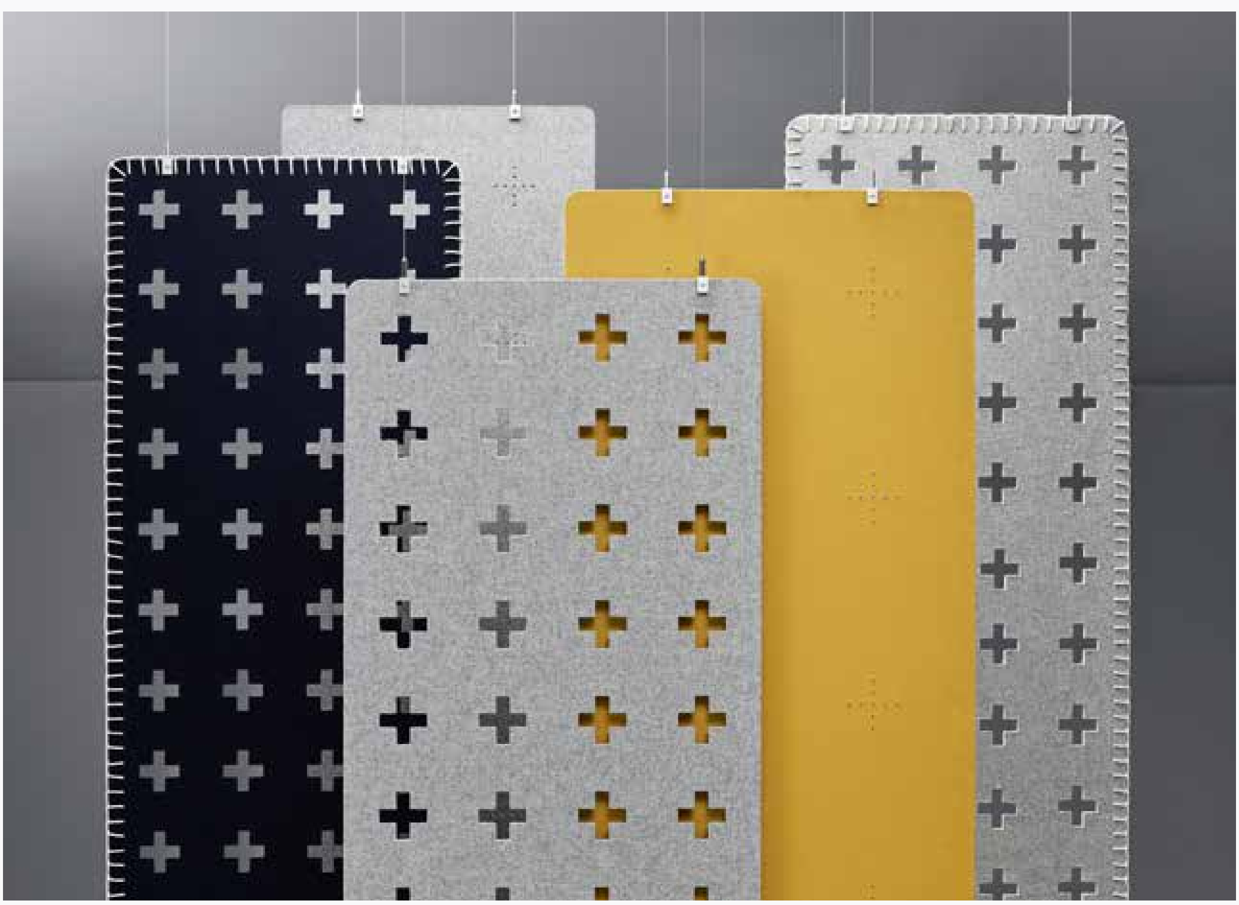
PRIORITY MARKETS (GEOGRAPHICALLY): Scandinavia and neighbouring export markets.

TARGET GROUP: Architects, project interior design companies and other recommending partners. Those who order interiors for offices and meeting places at private companies and for the public sector.

THREE KEY STRENGTHS: Expertise, experience and design.

COMBO CROSS

Design Pia Wallén



FORA FORM

THE MASTER OF MEETING PLACES

With a Scandinavian design tradition and cutting-edge expertise in meeting places Fora Form offers unique, distinctive, value-creating furniture and interiors for offices and public spaces. CEO Ivar Sandnes talks about the high points of the year.

CAMP
Design Anderssen & Voll

IVAR SANDNES, CEO

FORA FORM FACTFILE

FOUNDED: 1929

IN THE GROUP SINCE: 2013

SALES: SEK 162 million

PRIORITY MARKETS (GEOGRAPHICALLY): Norway, Sweden and Japan

TARGET GROUP: Contract market for interior design and furniture, focus on waiting lounges, dining rooms, conference rooms and lecture theatres.

THREE KEY STRENGTHS: Designer furniture, meeting place concepts, strong position.

NEW PRODUCT OF THE YEAR?

The waiting lounge seat Transit, specially designed for Oslo's Gardemoen airport and designed by the renowned design agencies Torsteinsen Design and Dysthe Design. A product with potential for a number of projects and uses.

PROJECT OF THE YEAR?

The new terminal and expansion of Oslo's Gardemoen Airport. A project with ambitious quality requirements for which we developed a completely new product. The project is part of a larger framework agreement that will continue to have ripple effects for years to come. Fora Form also delivered the furniture for the terminal, which opened in 1997, and we are proud that the airport continues to have faith in us.

MARKET SUCCESS OF THE YEAR?

Sales up 16 percent! We have mainly grown in Norway with projects for lecture theatres, cinemas and arts centres to a value of NOK 15 million, in other words a 42 percent increase, including the Gardemoen project. Our five percent growth on the standard range also shows that our products are sought after on the demanding contracts market. In Sweden we are still a relatively small actor but we continued to grow and can report an export share of nine percent.

CHALLENGE OF THE YEAR?

At the start of the year we were affected by the record low activity in the Norwegian oil and offshore industry and had to trim our costs, partly through lay-offs. With a number of positive projects and development in other parts of the market, Fora Form has staved off a market downturn and shows good growth in results in the second half of the year.

Major market swings are always a challenge and I would like to particularly thank our employees who showed great understanding for the situation and did their bit when things turned around.

OFFICE & HOME INTERIORS

RAGNARS

DESIGN AT WORK STRENGTHENS THE BRAND

Ragnars is one of this year's acquisitions. The company's history dates back to the 1950s, but it was not until the early 2000s with the launch of the Ragnars.Work series that the brand truly took shape and gained ground. Besides its range of own-designed furniture, Ragnars also works in various configurations with designers and architects. The company's unique expertise lies in the combination of local allegiance, craftsmanship and the latest technical progress. CEO Johan Ragnar updates us on key events in 2016.

JOHAN RAGNAR, CEO

RAGNARS FACTFILE

FOUNDED: 1978

IN THE GROUP SINCE: 2016

SALES: SEK 56 million since acquisition on 1 June 2016.

PRIORITY MARKETS (GEOGRAPHICALLY): Sweden, Norway, Germany, Denmark, UK and Finland.

TARGET GROUP: Architects, project interior design companies and other recommending partners. Those who order interiors for offices and meeting places at private companies and for the public sector.

THREE KEY STRENGTHS: Design, detailed finish, flexibility.

CHOICES
Design Kari Ihle & Lena Axelsson

NEW PRODUCT OF THE YEAR?
Choices, a new storage range developed for activity-based offices. An ultra-flexible solution where shapes and materials can be combined in unique constellations. The design is the result of collaboration with Metropolis arkitektur & design, Kari Ihle and Lena Axelsson.

PROJECT OF THE YEAR?
Convendum in Stockholm. A five-star office hotel with a celebrity clientele.

MARKET SUCCESS OF THE YEAR?
All the new important contacts and friends we are meeting thanks to becoming part of the Lammhults Design Group.

CHALLENGE OF THE YEAR?
Becoming clearer and more visible.

IRE AND VOICE

FURNITURE THAT LASTS

Through the Ire and Voice brands the company develops, markets and sells seating, tables and storage for aware consumers and for public environments. Sustainability and quality are the watchwords. Dick Thunell is the CEO and here he highlights the most important events in 2016.

LEAN
Design Carl-Henrik Spaak

DICK THUNELL, CEO

IRE AND VOICE FACTFILE

FOUNDED: 1939 (Ire), 1997 (Voice)

IN THE GROUP SINCE: 2008 (Ire), 2001 (Voice)

SALES: SEK 32 million

PRIORITY MARKETS (GEOGRAPHICALLY): Sweden and Norway

TARGET GROUP: The design and interior-conscious consumer. Architects, project interior design companies and other recommending partners. Those who order interiors for offices and meeting places at private companies and for the public sector.

THREE KEY STRENGTHS: Quality, service and the environment.

NEW PRODUCT OF THE YEAR?
The Chorus chair by our new designer Mattias Stenberg reinforces our armchair range and attracts new target groups. Lean, a modern Howard sofa, designed by Carl-Henrik Spaak , is another exciting new product.

We have also followed up on three earlier launches. The Sofo sofa range by Emma Olbers has gained a new addition in the form of an armchair. As for Voice, the Viti range by Stina Sandwall has gained a new sideboard with more compact dimensions. Rolf Fransson's Arctic range has added new options such as worktops in cement or Carrara marble.

PROJECT OF THE YEAR?
The Gothenburg Opera, which chose Ire's Infini. We're thrilled to be able to deliver to such an exciting environment. It's a truly prestigious project.

MARKET SUCCESS OF THE YEAR?
Managing to turn around Voice's negative trend and increasing sales. Largely thanks to upping the focus on our resellers and restructuring the range.

NO 216
Design Jesper Ståhl

CHALLENGE OF THE YEAR?
When the market buzz is overflowing with price, price, price, we're going against the flow. We educate and help our customers (resellers) with arguments and expertise on premium furniture. We believe in taking the long-term view and in quality – furniture that lasts.

PUBLIC INTERIORS

MIKAEL KJELDSEN

BUSINESS AREA MANAGER PUBLIC INTERIORS

INTERIOR SOLUTIONS FOR LIBRARIES IN THE DIGITAL AGE

Libraries is a rapidly developing market. Digitalisation, new forms of multimedia and a changed range of services are affecting libraries, not to mention architecture, interiors and design. The Public Interiors business area has the experience and the expertise that has paved the way for our leading position.

MIKAEL KJELDSEN,
BUSINESS AREA MANAGER

COMPANIES: Lammhults Biblioteksdesign AB, Lammhults Biblioteksdesign A/S and Schulz Speyer Bibliothekstechnik AG with subsidiaries.

PROPORTION OF GROUP'S OPERATIONS: 32%

LARGEST MARKETS: Germany, France, Sweden, Denmark, Norway, Belgium and the UK.

BCI FACTFILE

FOUNDED: 1929

IN THE GROUP SINCE: 2002

SALES: SEK 145 million

PRIORITY MARKETS: Scandinavia, UK, France, Germany, Benelux, Switzerland, the Middle East and North America.

TARGET GROUP: Arts centres, local libraries, school libraries, universities and learning environments.

THREE KEY STRENGTHS: Idea and concept development, solutions tailored to the customer and a broad range of products including delivery and installation.

SCHULZ SPEYER FACTFILE

FOUNDED: 1955

IN THE GROUP SINCE: 2006

SALES: SEK 60 million

PRIORITY MARKETS: Scandinavia, UK, France, Germany, Benelux, Switzerland, the Middle East and North America

TARGET GROUP: Arts centres, local libraries, school libraries, universities and learning environments.

THREE KEY STRENGTHS: Idea and concept development, solutions tailored to the customer and a broad range of products including delivery and installation.

EUROBIB DIRECT FACTFILE

FOUNDED: 1936

IN THE GROUP SINCE: 2000

SALES: SEK 50 million

PRIORITY MARKETS: Scandinavia, UK, France, Germany, Benelux, Switzerland, the Middle East and North America

TARGET GROUP: Arts centres, local libraries, school libraries, universities and learning environments.

THREE KEY STRENGTHS: inspirational range with high quality at a reasonable price, accessibility with a webshop open round the clock.

PUBLIC INTERIORS	2012	2013	2014	2015	**2016**
Net sales, SEKm	257.5	217.3	237.0	244.8	**254.0**
Operating profit, SEKm*	16.6	13.9	20.3	23.8	**28.2**
Operating margin, %	6.4	6.4	8.6	9.7	**11.1**
Capital employed, SEKm	135.8	132.9	130.7	128.6	**181.9**
Return on capital employed, %	11.9	11.0	15.8	18.4	**18.2**
Investments, SEKm	2.4	2.0	3.4	1.9	**2.0**
Average number of employees					

*excluding administration fees to the Parent Company.
The economic results of the business area as above are accounted for in accordance with IFRS.

SPECIALISTS IN THE LIBRARY OF THE FUTURE

MIKAEL KJELDSEN, BUSINESS AREA MANAGER PUBLIC INTERIORS

Public Interiors with the brands BCI, Schulz Speyer and Eurobib Direct is at the centre of events as the library world is changed by digitalisation, multimedia and people seeking experiences and a wider range of services. The business area is one of the foremost experts in the library of the future in Europe. Mikael Kjeldsen heads the companies and highlights the events of the year.

NEW PRODUCT OF THE YEAR?

External partnerships mean we are now able to offer digital solutions to our customers directly. This is a strategically important move given that library users are seeking new experiences and interiors and that furniture is merging with digital and interactive solutions.

Then we have Wildlife, a collection of children's furniture specially designed for libraries and other learning environments. Playful shapes, imaginative functions, sound construction and good material choices come together with care for the users and the environment. The collection is made using wood produced from sustainable forestry. Louise Hederström and Dan Jonsson are behind the design.

PROJECT OF THE YEAR?

The prestigious Alexis de Tocqueville library in Caen-la-Mer which Culture Minister Audrey Azoulay called one of the most beautiful in France. The library not only has eye-catching architecture in the form of a completely open design without pillars, it also has the ambition of meeting the new expectations of visitors on the principle of being "a third home". Our French subsidiary BC Intérieur has delivered all the library furniture and is helping to make the library unique.

MARKET SUCCESS OF THE YEAR?

On the project market, we have had significant success in France where our local team has put in a lot of groundwork and has the wind in its sails thanks to projects like Caen-la-Mer.

Eurobib Direct has continued to enjoy success in Sweden, and in Germany and France too.

CHALLENGE OF THE YEAR?

The German market is characterised by growing competition hand in hand with fewer projects, which has made it a tough year.

ALEXIS DE TOCQUEVILLE LIBRARY, FRANCE

Photo Delfino Sisto Legnani & Marco Cappelletti

YSTAD LIBRARY, SWEDEN

FREDRIK ASPLUND, PRESIDENT AND CEO

SUSTAINABILITY THE CORNERSTONE OF THE GROUP

2016 saw us take our first steps on the way towards the global Sustainable Development Goals that the world's heads of state and heads of government adopted in the 2030 Agenda.

Lammhults Design Group's strategy highlights three of the Agenda's 17 Sustainable Development Goals (SDGs) where we can predominantly make a difference.

- SDG 8 Decent work and economic growth.
- SDG 12 Responsible consumption and production.
- SDG 15 Ecosystems and biodiversity.

In working towards the goals, we have set priorities and worked on four core areas:

- Design to reduce climate impact throughout the lifecycle.
- Design for good resource management when the product is at the end of its life, e.g. through separability, repairability and reuse to support a circular economy.
- Continued relevant product certifications such as Möbelfakta and the Nordic Swan Ecolabel.
- Transport and electricity agreements and energy efficiency savings to reduce environmental impact.

The climate issue is one of the key questions across the globe and Sweden is now on track to adopt a climate law. The current bill states that Sweden is to be CO2 neutral by 2045. In other words, the perspective looks 25 years ahead. One of our products, Campus from Lammhults Möbel, is now celebrating its 25th anniversary and is still going strong. Taking a long-term view when it comes to design and developing products with a long lifetime are examples of how the Group's companies are working proactively on sustainability. Modern and timeless design is an equally valuable asset in sustainability and in sales.

The structural measures put in place this year have seen Ire move its production from Tibro to Lammhult. This reduces the Group's costs and environmental impact, as more can be produced at fewer plants.

The year's acquisitions, S-line, Ragnars and Morgana, are all companies that have entrepreneurship, customer insight, innovation and sustainability as their cornerstones. These are characteristics entirely in line with Lammhults Design Group's business and operations development, especially in the field of sustainability. These are also the characteristics that pave the way for our companies' design processes, as can be seen in the product launches carried out during the year.

Our sustainability report sets out our goals, challenges and results attained.

QUICKLY TABLE & CAMPUS CHAIR

Design Johannes Foersom & Peter Hiort-Lorenzen

SUSTAINABILITY REPORT FOR 2016

Sustainability is well-integrated in the companies' business processes. Policies and Codes of Conduct are approved by the Board and give clear guidelines and set requirements. The steering documents are founded on the guidelines of the UN Global Compact's 10 principles on human rights, labour, the environment and anti-corruption, plus international conventions.

LAMMHULTS DESIGN GROUP'S OVERALL SUSTAINABILITY GOALS

Lammhults Design Group works towards four comprehensive sustainability goals to achieve sustainable business and social development, and ongoing improvement.

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, all the companies worked on their strategic goals, most important initiatives and action plans for long-term sustainable and profitable growth. Strategic plans were adopted by the Board. Sustainability in all its aspects is fundamental. Other fundamental issues are entrepreneurship, customer insight and innovation.

2. **Ensure that we have a socially and environmentally sound and responsible supply chain**
   External audits of procedures and approaches for selecting and monitoring suppliers were carried out during the year in line with current requirements for continuing to hold Möbelfakta approval in some of the companies. The more stringent Möbelfakta criteria on even more systematic working methods boosts work on social responsibility. In total only 2 percent of total purchasing comes from risk countries.

3. **Increase the proportion of sustainable wood raw materials in our products and support sustainable forestry**
   Ensuring that wood is purchased from sustainable forestry (FSC, PEFC certified or equivalent) is a criterion for Möbelfakta and the Nordic Swan Ecolabel. During the year an additional 18 products were labelled and there are now a total of 72 products/ranges with Möbelfakta approval.

4. **Reduce the environmental impact of our products and services**
Designing for long product lifetime, reducing energy consumption, increasing the proportion of renewable raw materials, increasing the proportion of recycled materials and designing products for greater recycling and replaceability are key elements in the companies' development work. The Campus chair now celebrating its 25th anniversary is a good example of sustainability. Fora Form reports the climate footprint of all volume products from 2016 onwards. In the past three years CO_2 emissions from heating and electricity use have been cut by 35 percent.We are continuing to reduce he use of chemicals by complying with Möbelfakta's and the Nordic Swan Ecolabel's criteria.

STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Our most important stakeholder groups are found in and around our value chains. These are shareholders, customers, employees, suppliers and partners, plus society in the form of government agencies, the education sector, the media and the local communities in which we run our operations.

The new Sustainable Development Goals and the 2030 Agenda constitute a global, national and local driving force for sustainable development. As part of its materiality analysis, the Grouphas identified that three of the seventeen Sustain-able Development Goals (SDGs) of the 2030 Agenda are of the utmost importance for the Group and are where we can exert the greatest influence. These are:

- DG 8 (Decent work and economic growth),
- SDG 12 (Responsible consumption and production) and
- SDG 15 (Ecosystems and biodiversity).

For the environmental aspects, the National Environmental Goals adopted by the Swedish Riksdag have been viewed as a stakeholder in conjunction with the materiality analysis. The results of our materiality analysis point out four concrete environmental areas that will be focused on in the coming strategy period.

Concrete areas to be prioritised are:

- Design to reduce climate impact throughout the lifecycle
- Design for good resource management when the product is at the end of its life, e.g. through separability, repairability and reuse to support a circular economy.
- Continued relevant product certifications such as Möbelfakta and the Nordic Swan Ecolabel.
- Transport and electricity agreements and energy efficiency savings to reduce environmental impact.

OUR SOCIAL RESPONSIBILITY

Employees

Customer and employee surveys have been carried out in several of the companies during the year. The remaining companies will run surveys in 2017. These surveys provide good data on and insights into improvement measures that are followed up at company and Group level. Lammhults Design Group values ethics, diversity and equality. We want the make-up of our human resources to reflect the world around us and our customers. The Group's employees in 2016 numbered 391 people, 60 percent men and 40 percent women for the whole Group. Staff turnover at own request has fallen and is equivalent to 5 percent. Total sick leave has fallen slightly during the year, amounting to 4.5 percent.

Suppliers

The Group has operational units in Sweden, Norway, Denmark and Germany. We largely use local suppliers in the respective country. The suppliers supply material, components, semi-manufactured or finished articles. For the Group as a whole, local suppliers accounted for 59 percent of purchasing in terms of value in 2016. Of the Group's external purchasing of materials and components, suppliers in the Nordic countries accounted for 54 percent, the rest of Western Europe for 27 percent, Eastern Europe for 17 percent, while purchasing in Asia (China) amounted to 2 percent. In total 121 suppliers account for 80 percent of direct materials. Factory inspections were carried out at five suppliers in China during the year. Four of these were approved while in one case procedures were deficient. Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers. Möbelfakta's criteria for social responsibility in the supply chain have been tightened up and even more systematic work on surveys, risk analysis and follow-up has been established. During the year these procedures have been scrutinised by an external audit at the companies Lammhults Möbel and Abstracta.

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 conducted 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 in the best interests of the company. A risk analysis of offences against human rights, freedom of association, child labour and forced labour is part of the systematic analysis of risks. For the Group's companies whose own production is in the Nordic countries, and with 98 percent of the supplier base located in Europe, where rights and freedom of association are protected by law, no major risk is considered to exist. Some of the companies have suppliers in China. Here, there is judged to be a risk and therefore monitoring has been carried out on site in 2016.

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.

OUR ENVIRONMENTAL RESPONSIBILITY

The production units in Sweden and Norway are heated using bio-based district heating, and electricity consumption in Sweden, Denmark and Germany is mainly based on electricity from renewable resources (wind and hydro power). The Group's total energy consumption (electricity and heating) increased by 4 percent compared with the previous year. Energy for heating is not corrected in relation to a normal year. Electricity use is not normalised for increases in volume. The Group's organic growth was 5 percent, which contributed towards increased energy use. In total, renewable sources account for 83 percent of the Group's total energy needs in terms of all electricity and heating. The Group's companies increased CO_2emissions from heating and electricity by 10 percent compared with the previous year due to a cold winter and higher sales. Seen over a longer period, however, CO_2 emissions have fallen by 35 percent over the past three years for comparable units. Packaging materials mainly comprise renewable raw materials such as corrugated board and wood. Plastic is also used. The proportion of renewable packaging material was 95 percent in 2016.

Material recycling is the dominant method of waste management, which is important for a sustainable society. Material recycling amounted to 71 percent of total waste during the year.

In order to Möbelfakta-label or Nordic Swan Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry (FSC or PEFC certified or equivalent). The majority of volume products have been Nordic Swan Ecolabelled or approved by Möbelfakta. The number of Möbelfakta-approved products increased during the year by an additional 18 products and now amounts to a total of 72 products/ranges. Work will continue to obtain additional ecolabels such as the Nordic Swan Ecolabel and Möbelfakta in 2017. This applies to new products as well as the existing range.Fora Form reports complete environmental declarations based on lifecycle analyses for all volume products which were completed during the year (there is now a total of 19 reports under ISO14025) available via epd-norge.no. This includes an account of the climate footprint of the respective product throughout its lifetime.

MATERIAL USE & ENERGY CONSUMPTION

CO_2 reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil. CO_2 emissions from transport are not reported, as only a limited number of suppliers are currently able to submit an emissions report. When it comes to transport, we monitor the progress of our carriers in their transition to more environmentally friendly engines (EURO classes).

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS

Abstracta AB (Sweden)	64%
Fora Form AS (Norway)	45%
Ire Möbel AB (Sweden)	91%
Lammhults Möbel AB (Sweden)	74%
Lammhults Biblioteksdesign AB (Sweden)	46%
Lammhults Biblioteksdesign A/S (Denmark)	37%
Schulz Speyer Bibliothekstechnik AG (Germany)	78%
TOTAL	59%

MATERIAL USE & ENERGY CONSUMPTION

MANUFACTURING FACILITIES	ABSTRACTA AB SWEDEN	FORA FORM AS NORWAY	IRE MÖBEL AB SWEDEN	LAMMHULTS MÖBEL AB SWEDEN	LAMMHULTS BIBLIOTEKSDESIGN AB SWEDEN	LAMMHULTS BIBLIOTEKSDESIGN A/S DENMARK	SCHULZ SPEYER BIBLIOTHEKSTECHNIK AG GERMANY	TOTAL 2016	TOTAL 2015	INDEX
PACKAGING MATERIALS										
Corrugated board (kg)	76,187	42,685	6,955	105,988	6,498	3,029	6,793	248,135	297,550	83%
Plastic (kg)	2,170	950	1,005	4,948	1,484	1,569	2,305	14,431	13,594	106%
Wood (kg)	11,550	0	0	0	1,125	17,021	5,151	34,487	42,108	83%
ENERGY										
Oil (kWh)	0	0	0	0	0	0	148,372	148,372	154,056	96%
Natural gas (kWh)	271,564	0	0	0	0	821,898	0	1,093,462	1,039,968	105%
Electricity (kWh)	824,986	441,070	128,955	1,018,844	166,384	150,939	40,196	2,771,374	2,702,316	103%
District heating (kWh)	1,344,380	569,740	355,000	1,471,000	210,844	0	0	3,950,964	3,741,320	106%
CO2 emissions from heating and electricity (kg)	134,131	31,652	146	39,717	6,726	170,280	48,448	431,100	390,288	110%
WASTE										
Hazardous waste (kg)	535	185	315	14,388	0	0	0	15,423	22,758	68%
Landfill (kg)	3,454	0	0	220	0	0	0	3,674	8,872	41%
Recycling (waste for sorting) (kg)	0	0	11,840	4,260	0	0	0	16,100	0	na
Material recycling of steel (kg)	9,519	3,420	8,000	78,790	0	65,469	0	165,198	137,400	120%
Material recycling of aluminium (kg)	7,215	0	0	4,959	0	3,210	0	15,384	5,830	264%
Material recycling of wood (kg)	75,050	16,460	2,420	42,800	4,000	300	8,820	149,850	152,200	98%
Material recycling of plastic (kg)	7,710	0	0	4,160	0	3,300	0	15,170	7,931	191%
Material recycling of corrugated board (kg)	18,410	0	1,960	31,069	2,250	2,840	0	56,529	51,940	109%
Material recycling of paper (kg)	940	14,310	0	540	370	0	7,490	23,650	29,349	81%
Burnable waste (Energy recovery) (kg)	49,695	11,650	12,360	43,610	5,540	6,220	6,860	135,935	188,940	72%
KEY FIGURES										
Proportion of waste for material recycling	69%	74%	34%	72%	54%	92%	70%	71%	64%	112%
Proportion of packaging material that is renewable	98%	98%	87%	96%	84%	93%	84%	95%	96%	99%

ABOUT THE REPORT

The Sustainability Report is inspired by the Global Reporting Initiative's GRI Standards. Economic and social indicators cover the entire Group. The environmental aspects include all the production and distribution units apart from the companies acquired during the year. The sales companies have a marginal impact on the environmental indicators. The acquired companies will be integrated in the reporting in the year following acquisition.

The complete sustainability report and a GRI cross-reference table can be downloaded via the website, **www.lammhultsdesigngroup.com**

COMO

Design Mattias Stenberg

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. Since then, governance in the Group has been based on the Code. 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. This 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 has no deviations from the Code to report in 2016. 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 Chairman and, where appropriate, 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 regarding the function of the AGM, neither due to provisions in the Articles of Association nor, as far as is known to the company, due to shareholder agreements.

RESTRICTIONS AS TO VOTING RIGHTS

The Company's Articles of Association did not stipulate any restrictions as to how many votes each shareholder 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 representing at least a tenth of the number of votes for all shares in the company: Scapa Capital AB (25.8% of the votes) and Canola AB (17.7% of the votes).

ANNUAL GENERAL MEETING 2016

Lammhults Design Group's AGM, held on 28 April 2016 was attended by around 130 shareholders and guests. The shareholders in attendance represented around 74% 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: Peter Conradsson, Maria Edsman, Jörgen Ekdahl, Maria Bergving, and Anders Pålsson. Lars Bülow was elected to the Board as a new member. Anders Pålsson was re-elected as Chair of the Board.
The dividend was set at SEK 1.75 per share.

THE ANNUAL GENERAL MEETING GRANTED THE BOARD AUTHORITY TO DECIDE THAT THE BOARD MAY ISSUE NEW SHARES OR ACQUIRE THE COMPANY'S OWN SHARES

The 2016 Annual General Meeting authorised the Board of Directors, as in the preceding year, to resolve to approve a new share issue, comprising in all no more than 800,000 Class B shares, to finance future acquisitions.

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 functions of the Nomination Committee are 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 2017 AGM consists of the following persons: Yngve Conradsson (Chair, appointed by Scapa Capital AB), Jerry Fredriksson (appointed by Canola AB), Gunnar Sjöberg (authorised representative) and Sune Lundqvist (appointed by Input Interiör AB).

THE ROLE 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 seven ordinary meetings and one extraordinary meeting. The meetings were devoted to financial follow-up of operations, strategic issues, budget discussions, acquisition 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 business 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 eight meetings were held in 2016. 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, Peter Conradsson, has a relationship of dependence with the biggest shareholder, Scapa Capital AB. The other Board Members are independent of the largest shareholders. For further information on the individual Board members, see page 40–41.

REMUNERATION TO THE BOARD OF DIRECTORS

Remuneration to the Board is subject to resolution by the AGM. The 2016 AGM resolved that fees to Board Members for the period up until the next AGM shall amount to SEK 1,085,000 (1,050,000), including SEK 310,000 (300,000) to the Chair of the Board. The other Board Members each receive a fee of SEK 155,000 (150,000). In addition, the AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50,000 to the Chair and SEK 25,000 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 reappointed auditor at the 2016 AGM, with Emil Andersson as the new principal auditor for the period up to 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 principal task of the Audit Committee is to support the Board in its work on 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), Maria Edsman and Lars Bülow. The Chairman of the Audit Committee is responsible for ensuring that the Board as a whole is continuously kept updated on the work of the Committee. In 2016, five minuted meetings were held. Full attendance at the Committee meetings was recorded for all members.

REMUNERATION COMMITTEE

The Remuneration Committee comprised Anders Pålsson (Chair), Peter Conradsson and Maria Bergving. 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 2016, four minuted meetings were held. Full attendance at the Committee meetings was recorded for all members.

CEO AND GROUP MANAGEMENT

The President manages the business in accordance with the rules of procedure adopted for the Board of Directors and the President, 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 2016, Group Management consisted of the CEO, CFO, Supply Chain Director, the Business Area Manager for Office & Home Interiors and the Business Area Manager for Public Interiors. For further information on the individual Board members, see page 43.

Group Management also holds quarterly business reviews with the company managements for each company in the respective business areas. These forums are devoted to financial follow-up, business development and strategic issues.

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 2016, 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 senior executives who make up Group Management 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. Where higher flexible remuneration is possible in acquired companies, these are corrected as soon as legally and financially practicable. Long-term equity-related incentive programmes must also be an option. For further information on salaries and other remuneration, see Note 6.

INTERNAL CONTROLS AND RISK MANAGEMENT

The overall purpose of internal controls is to ensure to a reasonable degree that the Company'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 AB'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 risks and uncertainties 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 primarily managed 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.

Control Activities
The principal aim of control activities is to prevent or to discover at an early stage 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 and their companies 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-routine nature and include several stages where judgement is required. During control activities, it is thus important that an efficient reporting structure should operate, in which the business areas report using standardised reporting forms, and in which important income statement and balance sheet 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 prospective shareholders, an all-round and clear picture of the Group, its operations, strategy and financial development.

Each company has a financial controller who is responsible for maintaining high quality and high delivery precision in the financial reporting. The CFO regularly informs these financial controllers of any changes in Group-wide accounting policies and other relevant issues related 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, 27 March 2017
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 2016 on pages 53—55 and for ensuring that it is compiled in accordance with the Swedish Annual Accounts Act.

We have read the Corporate Governance Report and we consider that this reading and our knowledge of the Company and Group give us a sufficient basis for our opinions. This means that our statutory review of the Corporate Governance Report has a different approach and isof a significantly lesser scope than an audit according to the International Standards on Auditing and accepted auditing standards in Sweden.

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

Växjö, 27 March 2017
KPMG AB

Emil Andersson
Authorised Public Accountant

BOARD OF DIRECTORS

ANDERS PÅLSSON

Chair. Director since 2009.
Born in 1958. Lives in Malmö.
Independent board member vis-a-vis the company and company management and major shareholders in the company.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA, Lund University.
More than 30 years' experience in international industrial companies.
Posts include President/CEO of Hilding Anders, Divisional Manager of Trelleborg AB and PLM/Rexam. Active in Gambro and The E.on Group (Sydkraft).

OTHER DIRECTORSHIPS

Nibe Industrier AB, Midway Holding AB and Trioplast AB. Chair of GARO AB

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

4,913 Class B shares.

PETER CONRADSSON

Director since 2013.
Born in 1976. Lives in Limhamn.
CEO of furniture company Scapa Inter AB since 2010.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MSc in Business and Economics, School of Economics and Management, Lund University.
CEO of Beds by Scapa AB (2008-),
CEO of Scapa Inter AB (2010-).

OTHER DIRECTORSHIPS

Chair of Bokelund RP AB. Director of Scapa Capital AB, Scapa Inter AB and Beds by Scapa AB.
Director of Lammhults Möbel 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 and 18,000 Class B shares, privately owned.

MARIA BERGVING

Board member since 2015.
Born in 1969. Lives in Malmö.
Independent board member vis-a-vis the company and company management and major shareholders in the company.
Vice President Marketing & Communications in the ASSA ABLOY Group 2011-.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Economics, MBA Lund University.
Marketing Manager ABS International 1995–1999.
Marketing Communications Director Cardo Pump 1999-2005.
Senior Vice President Communications & Investor Relations Cardo 2006-2011.
Vice President Sales & Marketing Cardo Flow 2010-2011.
CEO ASSA ABLOY Entrance Systems Export 2011-2014.

OTHER DIRECTORSHIPS

Alumni Board, Lund University School of Economics and Management.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

200 Class B shares.

MARIA EDSMAN

Director since 2013.
Born in 1968. Lives in Bromma.
Independent board member vis-a-vis the company and company management and major shareholders in the company. Sales and operation manager at Akademibokhandeln.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA from the Stockholm School of Economics. Experience from consultancy and leading operational posts, including consultant at McKinsey&Company, Marketing Director at Kodak Nordic, Marketing Director at V&S Wine, CEO of Polarn O. Pyret and CEO of Brothers & Sisters AB.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

480 Class B shares.

JORGEN EKDAHL

Director since 2011.
Born in 1960. Lives in Ljungsarp.
Independent board member vis-a-vis the company and 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 Svedbergs 2002–2010.

OTHER DIRECTORSHIPS

Chairman i ESBE AB, Chairman of Sparbanken Tranemo, Director of Polstierna Industri AB and director of Fora Form AS.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

8,000 Class B shares.

LARS BÜLOW

Director since 2016.
Born in 1952. Lives in Stockholm.
Independent board member vis-a-vis the company, company management and major shareholders in the company. Architect MSA, Designer MSD. Brand, design and management development consultant.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Architecture and design studies University College of Arts, Crafts and Design Stockholm.
Freelance designer 1980-1992.
Founder and CEO Materia 1992-2011.
CEO Materia Group 2004-2011,
CEO Skandiform 2007-2011,
CEO NC Nordic Care 2009-2011.
Brand & Design Director Lammhults Design Group 2012-2015.
CEO Lammhults Möbel AB 2012-2015.

OTHER DIRECTORSHIPS

Sandin & Bülow Design AB.
Retrospective Scandinavia AB.
SVID- Stiftelsen Svensk Industridesign.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

200,600 Class B shares.

SENIOR EXECUTIVES

In photograph from left: Fredrik Asplund, Sven Lindberg , Stefan Liljedahl, Mikael Kjeldsen.

FREDRIK ASPLUND

President and Chief Executive Officer
of Lammhults Design Group since 2015.
Business Area Manager Office
& Home Interiors since 2016.
Born in 1968. Lives in Älmhult.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MSc in Industrial Engineering and Management, Chalmers University of Technology. Many years of international management experience mainly in the furniture and interiors sector.
Consultant for Andersen Consulting (Accenture) 1993–1994.
Business Developer for Kronans Droghandel AB 1995–1997.
Chief Representative IKEA Trading Shanghai 1998–2001.
Product Developer Lighting IKEA of Sweden 2002.
Managing Director IKEA Trading Italy 2003–2005.
Global Business Leader, Home Decoration & Outdoor Furniture IKEA of Sweden 2006-2009.
President and CEO Lekolar Group 2010–2015.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

2,716 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 and other roles at 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

3,427 Class B shares.

STEFAN LILJEDAHL

CFO Lammhults Design Group since 2015.
Born in 1970. Lives in Jönköping.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA Jönköping International Business School
Auditor Ernst & Young AB 1998–2001,
Head of Accounting and Business Control Husqvarna AB 2001–2007, CFO/VP Europe & Asia/Pacific Husqvarna Group 2007–2010,
CFO SP-koncernen 2010–2014,
CFO Fläkt Woods AB 2014–2015.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

760 Class B shares.

MIKAEL KJELDSEN

Business Area Manager of Public Interiors since 2013 and employed in the Group since 1999.
Born in 1965. Lives in Kolding, Denmark

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA. Financial education in the banking sector. Previously worked as an international controller at Wittenborg Gruppen A/S 1991–1997 and as finance manager at Tresu A/S 1997–1999.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

1,050 Class B shares.

THE SHARE

LAMMHULTS DESIGN GROUP'S 20TH 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 as 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 2016, 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 2016, the share price rose by 42% from SEK 40.40 to SEK 57.50. The highest price paid during the year was SEK 59.25 (42.00) and the lowest SEK 36.50 (34.10). Regarding the liquidity of the share in 2016, it was traded on 98% (97) of all trading days, and during the year the total turnover in the Company's shares was SEK 106 million (46). Market capitalisation at year-end 2015/2016 was SEK 486 million (341).

CHANGES IN OWNERSHIP
The number of shareholders at year-end 2016/2017 was 2,878 (2,241).

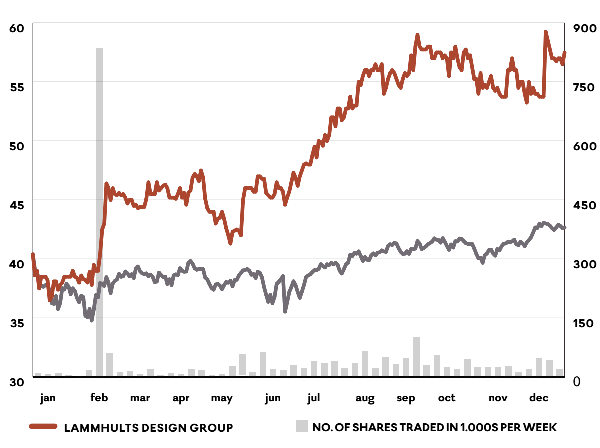
Skandia Mutual Life Insurance Company sold its entire shareholding during the year.

DIVIDEND POLICY AND DIVIDEND
Lammhults Design Group's financial objective 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 2016 financial year, the Board proposes a dividend of SEK 2.00 per share (1.75). The total dividend payment will thus amount to SEK 16.9 million (14.7). The proposed dividend represents a direct yield of 3.5% (4.3).

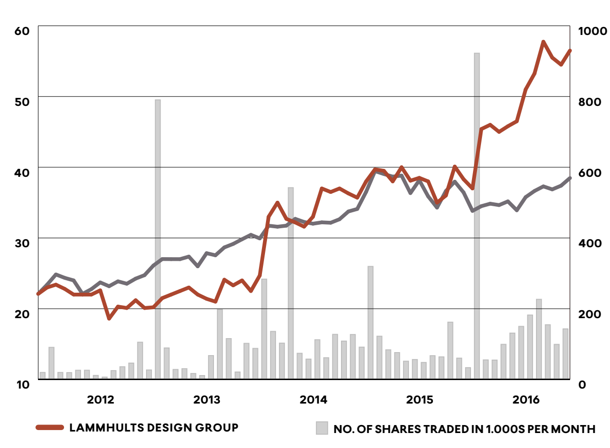
ANALYSES OF LAMMHULTS DESIGN GROUP AND LIQUIDITY GUARANTEE
During the year, analyses of Lammhults Design Group were carried out by Erik Penser Bankaktiebolag, Aktiespararna and Remium AB.

Erik Penser Bankaktiebolag has acted as liquidity guarantor for listed shares in Lammhults Design Group since the beginning of November 2014. The aim is to support the liquidity of the Company's shares and reduce the difference between buying and selling prices in trade in the Company's shares on the Nasdaq OMX Nordic Exchange.

SHARE PRICE AND SHARE TURNOVER 2016



SHARE PRICE AND SHARE TURNOVER, 2012–2016



SHARE DATA	2012	2013	2014	2015	**2016**
Number of shares at year-end, thousands	8,448	8,448	8,448	8,448	**8,448**
Warrants, thousands[1)]	0	0	0	0	**0**
Average number of shares, thousands	8,448	8,448	8,448	8,448	**8,448**
Earnings per share before dilution, SEK	0.62	1.29	2.57	3.29	**3.90**
Earnings per share after dilution, SEK	0.62	1.29	2.57	3.29	**3.90**
Cash flow per share, SEK	2.98	4.54	6.12	5.99	**4.40**
Equity per share before dilution, SEK	42.46	44.00	46.88	47.35	**50.95**
Equity per share after dilution, SEK	42.46	44.00	46.88	47.35	**50.95**
Market price at year-end, SEK	20.40	23.40	36.90	40.40	**57.50**
Paid/proposed dividend per share, SEK	0.50	1.00	1.50	1.75	**2.00**
P/E ratio	34	18	14	12	**15**
Market price/equity, %	48	53	79	85	**113**
Dividend yield, %	2.5	4.3	4.1	4.3	**3.5**
Dividend payout ratio, %	81	78	58	53	**51**

1) Redemption price of SEK 50.00 for warrants issued in 2009

SHARE CLASSES	Number of shares	Number of votes	Share of share cap. (%)	Share of votes (%)
Class A shares	1,103,798	11,037,980	13.1	60.0
Class B shares	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 the 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 were issued		
2001	New share issue	1,300,000	84,481,040
2008	75,000 warrants for subscription of Class B shares were issued		
2009	35,000 warrants for subscription of Class B shares were issued		

DISTRIBUTION OF SHARES 31 DECEMBER 2016 Shareholding, no.	Proportion of owners, %	Proportion of capital, %	Proportion of votes, %
1 – 500	76.6	4.18	1.94
501 – 1,000	11.2	3.22	1.56
1,001 – 5,000	8.7	7.01	4.28
5,001 – 10,000	1.4	3.82	2.65
10,001 – 15,000	0.3	1.24	0.57
15,001 – 20,000	0.5	3.02	1.82
20,001 –	1.4	77.51	87.19
TOTAL	**100.0**	**100.0**	**100.0**

THE TEN BIGGEST SHAREHOLDERS, 31 December 2016 Shareholders	Holding	Proportion of capital, %	Proportion of votes, %
Scapa Capital AB	1,793,570	21.2	27.8
Canola AB	426,349	5.0	20.2
Input Interiör Sweden AB	1,059,158	12.5	5.8
Johansson, Tage with company	112,742	1.3	5.8
Sandelius, Nils-Gunnar with company	86,600	1.0	4.3
Sjöberg, Marie Louise	93,440	1.1	2.7
Sjöberg, Gunnar	78,600	0.9	2.6
Avanza Pension	454,438	5.4	2.5
Sjöberg, Harriet	75,650	0.9	2.3
Krishan, Thomas	307,617	3.6	1.7
Total, 10 biggest shareholders	4,488,164	53.1	75.6
Other	3,959,940	46.9	24.4
TOTAL	**8,448,104**	**100.0**	**100.0**

SHAREHOLDERS BY CATEGORY, 31 December 2016 Category	Number of Class A shares	Number of Class B shares	Proportion of capital, %	Proportion of votes, %
Financial organisations	0	1,073,877	12.7	5.8
Single-interest organisations	0	18,300	0.2	0.1
Other Swedish legal entities	845,488	3,278,165	48.8	63.8
Owners resident abroad	0	453,295	5.4	2.5
Swedish natural persons	258,310	2,520,669	32.9	27.8
TOTAL	**1,103,798**	**7,344,306**	**100.0**	**100.0**

The total number of shareholders in Lammhults Design Group at year-end was 2,878 (2,241). Owners based abroad represented 5.4% (4.7) of the capital and 2.5% (2.2) of the voting rights. Institutional shareholders, including legal entities based abroad and uncategorised legal entities, represented 25.9% (24.2) of the capital and 11.9% (10.9) of the voting rights. The ten largest shareholders held 53.1% (49.7) of the capital, representing 75.6% (73.9) of the voting rights.

FIVE-YEAR REVIEW

KEY FIGURES	Unit	2012	2013	2014	2015	**2016**
Key ratios for entire Group						
Net sales	SEKm	713.9	598.7	756.0	733.1	**826.4**
Gross profit	SEKm	264.0	217.6	273.3	268.1	**293.8**
Gross margin	%	37.0	36.3	36.1	36.6	**35.5**
Operating profit	SEKm	9.6	13.1	33.7	33.8	**45.1**
Operating margin	%	1.3	2.2	4.5	4.6	**5.5**
Profit after financial items	SEKm	5.4	10.9	29.3	33.7	**42.3**
Net margin	%	0.8	1.8	3.9	4.6	**5.2**
Total capital	SEKm	553.2	660.4	662.4	646.8	**845.8**
Capital employed	SEKm	431.5	517.2	496.5	489.3	**632.9**
Operating capital	SEKm	408.2	472.7	468.6	457.2	**604.2**
Equity	SEKm	358.7	371.7	396.1	400.0	**429.8**
Return on total capital	SEKm	1.7	2.6	5.7	6.0	**6.7**
Return on capital employed	SEKm	2.1	3.4	7.4	7.9	**8.9**
Return on operating capital	SEKm	2.1	3.0	7.2	7.3	**8.5**
Return on equity	SEKm	1.4	3.0	5.7	7.0	**7.9**
Debt/equity ratio	multiple	0.20	0.39	0.25	0.22	**0.47**
Risk-bearing capital, share, %	66.4	57.6	61.2	63.5	52.5	
Interest cover	multiple	2.1	3.2	4.6	7.1	**6.6**
Equity/assets ratio	%	64.9	56.3	59.9	61.9	**50.9**
Cash flows from operating activities	SEKm	25.2	38.4	51.7	50.6	**37.2**
Investments	SEKm	12.6	10.6	16.4	20.1	**30.7**
Average number of employees		376	325	353	352	**391**

Proportion of capital that is risk-bearing
Equity and deferred tax as a percentage of total assets.

Return on equity
Profit/loss 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
Value of all assets.

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

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

Share price at year-end
The latest price paid at Nasdaq OMX Nordic Exchange for each year.

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

Equity
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 operating activities, divided by average number of shares.

Inventory turnover rate
Cost of goods sold, divided by average inventory.

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

Net sales
Value of the Group's deliveries, less intra-Group deliveries.

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

Operating capital
Total assets less liquid funds and other interest-bearing assets, less non-interest-bearing liabilities.

P/E ratio
Share 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 a 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 2016 – 31 December 2016.
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-363 03 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, innovation, design management, sustainability and strong brands are the foundations on which the Group's business is based. We develop products with several of the market's foremost designers. The Group operates in the following areas: design, development and sale of products for interiors of public environments, homes and offices. Operations are organised into two business areas: Office & Home Interiors, which develops, makes and markets products for interiors in public and domestic settings, and Public Interiors, which develops, markets and sells interiors and product solutions for public environments. The Group is made up of the following wholly owned companies: Lammhults Möbel AB, Abstracta AB with subsidiary Abstracta Interiör A/S, Voice AB, Ire Möbel AB, Fora Form AS, Morgana AB, Ragnars Inredningar AB, Lammhults Biblioteksdesign AB, Lammhults Biblioteksdesign A/S and Schulz Speyer Bibliothekstechnik AG with subsidiary Schulz Benelux BVBA. The Group also includes a number of foreign sales companies serving Lammhults Biblioteksdesign A/S, and some dormant companies. Lammhults Biblioteksdesign AB has a 50% stake in the joint venture company BS Eurobib AS.

SIGNIFICANT EVENTS IN 2016

- Acquisition of Ragnars was completed in May 2016
- Acquisition of S-Line was completed in June 2016
- Acquisition of Morgana was completed in December 2016
- Major production changes and investments were carried out at Lammhults Möbel's factory to modernise and upgrade the facility.
- Ire's production was relocated to the Lammhults Möbel facility
- Trygve Aasland, CEO of Fora Form, resigned as Business Area Manager at Office & Home Interiors. Fredrik Asplund, Group President & CEO, assumed the role of CEO of Fora Form and Business Area Manager.
- Ivar Sandnes, Fora Form's new CEO, took up his position in October 2016.
- Major projects of importance:
  - In June, Public Interiors secured an order valued at approximately SEK 10 million for the new library in Caen-la-Mer, Calvados, France.
  - In September, Public Interiors won an order valued at around SEK 8.5 million to supply equipment for the new public "De Krook" library in Ghent, Belgium.

FINANCIAL SUMMARY FOR 2016

During the period, the Group's net sales totalled SEK 826.4 million (733.1), 13% higher than in the previous year. Net sales for the Group in the third quarter were 26% higher than in the preceding year, totalling SEK 250.4 million (198.8).

Net sales for the Office & Home Interiors business area gained 17% to SEK 572.4 million (489.2). In the fourth quarter, Abstracta and Fora Form recorded good growth. Lammhults Möbel performed strongly in the Swedish market, while export sales developed more weakly than expected. The Norwegian market in particular showed a major decline over the first half-year. Net sales for Public Interiors rose 4%, mainly through successes in the Danish, French and Belgian markets.
Office & Home Interiors reported a lower margin year-on-year, while Public Interiors increased its gross margin from 38.7% to 40.7%.

The Group's order bookings rose by SEK 69 million year-on-year, to SEK 828.0 million (758.6). At year-end, the Group's order backlog of SEK 146.6 million (126.3) was SEK 20.3 million higher than at the corresponding point in the previous year. The Group's gross margin for full-year 2016 declined relative to the preceding year, to 35.5% (36.6).

Selling and administration costs over the year totalled SEK 252.9 million (234.1). Operating profit totalled SEK 45.1 million (33.8), including a non-recurring charge of SEK 10.0 million relating to structural changes in production.

Profit before tax totalled SEK 42.3 million (33.7) in 2016.

The equity/assets ratio was 50.9% (61.9), and the debt/equity ratio 0.47 (0.22) on 31 December 2016. Cash flow from operating activities amounted to SEK 37.2 million (50.6) in 2016. Cash flow for the year totalled SEK -4.6 million (5.0). Cash and cash equivalents amounted to SEK 26.9 million (32.0) at year-end. The Group's unused credit facilities, including cash and cash equivalents, totalled SEK 56.7 million (121.8). Our financial position continues to allow scope for acquisitions without deviating 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).

BRAND STRATEGY

The idea is that through clearer and more consistent branding, sustainable, profitable growth can be achieved, thereby increasing shareholder value. In recent years, the brand strategy has been refined to maximise impact from the work on branding in the Group. As a result, our already strong and well-established brands in interiors – Lammhults, Fora Form, Abstracta, Voice, Ire, Ragnars, Morgana, Eurobib Direct, Schulz Speyer and BCI – can retain their individual characteristics while benefiting from an endorsement process that denotes them "Part of Lammhults Design Group". This will enable to make better use of synergies in, above all, purchasing and production. The brand strategy places the customer

GROUP FIVE-YEAR REVIEW

GROUP	2012	2013	2014	2015	2016
Net sales for remaining businesses, SEKm	627.4	598.7	756.0	733.1	**826.4**
Operating profit for remaining businesses, SEKm	3.8	13.1	33.7	33.8	**45.1**
Operating margin for remaining businesses, SEKm	0.6	2.2	4.5	4.6	**5.5**
Capital employed, SEKm	431.5	517.2	496.5	489.3	**632.9**
Return on capital employed, %	2.1	3.4	7.4	7.9	**7.9**
Return on equity, %	1.4	3.0	5.7	7.0	**7.0**
Equity/assets ratio, %	64.9	56.3	59.9	61.9	**50.9**
Debt/equity ratio, multiple	0.20	0.39	0.25	0.22	**0.47**
Investments in property, plant and equipment, SEKm	12.6	10.6	16.4	20.1	**30.7**
Average number of employees	376	325	353	352	**391**
Dividend payout ratio, %	81	78	58	53	**51**

at the centre. Insight into customer needs is 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 2016

In general, the market in Sweden is performing well and the Norwegian market is starting to recover.

During 2016, the Norwegian market recovered to some degree compared to 2015 at Fora Form, within Office & Home Interiors. Abstracta reported good growth during the year. Lammhults Möbel reported very good sales in the Swedish market, while export sales were weaker than expected.

Public Interiors had major project successes in France and Belgium and met with strong demand in the Danish market. However, the German market performed more weakly than expected.

MARKET DEVELOPMENTS – BUSINESS AREAS

Office & Home Interiors

The business area develops, markets, makes and sells products for interiors in public and home environments under the Lammhults, Fora Form, Abstracta, Ragnars, Morgana, Voice and Ire brands. Net sales totalled SEK 572.4 million, compared with SEK 489.2 million a year earlier. Operating profit totalled SEK 38.1 million (34.0). The operating margin was 6.6% (7.0). In 2016, the operating margin declined as a result of the structural production changes carried out in the Lammhult Möbel factory.

Public Interiors

The business area develops and sells interiors and product solutions under the Eurobib Direct, BCI and Schulz Speyer brands, primarily for public environments. Net sales totalled SEK 254.0 million, compared with SEK 244.8 million a year earlier. During 2016, the markets in France and Denmark were buoyant and Eurobib Direct performed well. The business area's gross margin improved by around 2%. Operating profit totalled SEK 28.2 million (23.8). The operating margin was 11.1% (9.7).

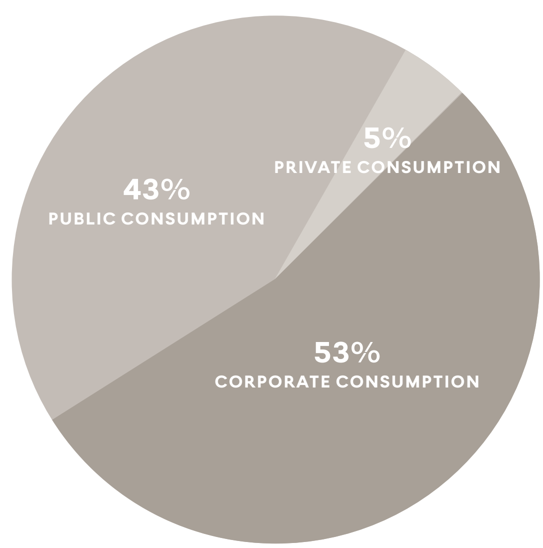
PARENT COMPANY

The Parent Company's business activities consist of Group Management and certain Group-wide functions. Net sales totalled SEK 7.1 million (6.4), and a pre-tax profit of SEK 15.1 million (31.0) was recorded. Investments totalled SEK 4.5 million (2.5). Cash and cash equivalents, including unused overdraft facilities, totalled SEK 53.1 million (89.9) on 31 December 2016.

INVESTMENTS AND DEPRECIATION

The Group's investments in property, plant and equipment during the year amounted to SEK 30.7 million (20.1). Investments in intangible assets totalled SEK 9.1 million (5.9). Total depreciation according to plan during the year was SEK 17.1 million (15.1).

BREAKDOWN OF GROUP'S NET SALES



DEVELOPMENT WORK

Product development, in house and in partnership with customers, is an important part of the Group's operations. The Group's products shall be distinguished by creativity and styling from external designers. 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 administration costs in the consolidated income statement; see Note 5. However, costs of development activities essential to the business will in future years be recognised as an intangible non-current asset if it is probable that the economic benefits associated with the asset will accrue to the Company in the future and the acquisition cost or value of the asset can be measured reliably. During the year, development costs totalling SEK 9.1 million (5.9) 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 these 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 and costs are both conducted primarily in SEK, EUR, NOK and DKK. The Group is also exposed to a certain extent to commodities risk. Financial risks, risk management and financial policies are described in more detail in Note 25.

FINANCIALS GOALS AND EXPECTATIONS GOING FORWARD

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%.
- Debt/equity ratio in the range of 0.7–1.0.
- A dividend payout ratio of approximately 40% of profits after tax taking into account the Group's long-term capital requirements.

The Group's net sales increased by 13% during 2016. Organic growth was approximately 5%. All brands except Lammhults showed positive growth. Our new acquisition, Ragnars, had a good year overall, and Abstracta reported good growth during the year.

For 2017, the Group has several exciting new product launches planned, laying solid foundations for future growth. We see an upward trend in furniture for public environments in Sweden, accompanying the trend of expansion in building and renovation.

In 2016, the operating margin improved, despite the structural production changes carried out in the Lammhult Möbel factory, which resulted in around SEK 10 million being charged against the operating profit. We start 2017 with order bookings that are around 17% higher than in 2016. Continued growth in the market, acquisitions made and the changes to production implemented during the year offer good conditions for profitable growth in 2017.

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 has to keep a close focus on environmental factors. Every company in the Group has adopted an environmental policy aligned with the Group-wide policy adopted by the Board of Directors of the Parent Company. The operations of Abstracta AB, Lammhults Möbel AB, Lammhults Biblioteksdesign AB, Ire Möbel AB, Ragnars Inredningar AB, Fora Form AS and Schulz Speyer Bibliothekstechnik AG have been certified to ISO 14001. This annual report includes a description of the Group's work on sustainability, inspired by the Global Reporting Initiative Standards. Lammhults Möbel AB conducts operations that following investment in a new, more eco-friendly coating line, are no longer subject to a duty of notification under Sweden's Environmental Code and Ordinance concerning environmentally hazardous activities and the protection of public health (1998:899).

None of the Group's other 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 required to the greatest extent possible to make best use of the skills and experience built up in the Parent Company and business areas. Knowledge transfer in product development, marketing, distribution and export sales, as well as purchases from low-cost countries, form a central plank for the Group's strategic development. Lammhults Design Group strives to develop good work environments and to offer types of work that encourage personal development on the part of the Group's employees. The average number of employees in the Group totalled 391 (352). Of the total number of employees in the Group, 40% (43) were women. The costs of wages, salaries and other remuneration for the Group amounted to SEK 175.8 million (164.4).

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

Fees are paid to the Chairman and Board members in accordance with decision of the AGM. In addition, the 2016 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committees 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. On behalf of the management, the AGM has adopted the following guidelines for 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 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. Where higher flexible remuneration is possible in acquired companies, these are corrected as soon as legally and financially practicable. The variable remuneration for the Group Management may total no more than SEK 3.5 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 of an employment contract by the Company with regard to the CEO and other senior executives, compensation shall be paid in an amount corresponding to no more than 18 months' pay. 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 President, a pension premium amounting to 28% of the President's monthly salary is paid annually. For other senior executives, pension costs shall amount to a maximum of 25% of their 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 major changes to the guidelines for remuneration of senior executives are proposed for the period until the next AGM.

CORPORATE GOVERNANCE

The Company is governed by the Annual General Meeting, Board of Directors and CEO under the provisions 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. A total of eight Board meetings were held in 2016. 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 37.

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 10 votes, and 7,344,306 Class B shares, each carrying one vote. Scapa Capital AB holds shares corresponding to 27.8% of the votes, while Canola AB holds shares representing 20.2% 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 in connection with Lammhults Design Group AB.

PROPOSED ALLOCATION OF PROFIT

The Board of Directors proposes that the profits available for distribution and unrestricted equity be allocated as follows: Dividend to the shareholders: SEK 2.00 per share (1.75). The total dividend payment amounts to SEK 16,896,208 (14,784,182). To be carried forward: SEK 154,237,634, of which, fair value reserve SEK -1,143,600.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held in Lammhult on 27 April. The Board of Directors will propose, as it did last year, that the AGM approve authorisation for the Board to authorise a new share issue, comprising 800,000 Class B shares, to finance future acquisitions.

CONSOLIDATED STATEMENT OF INCOME

Amounts in SEKm	Note	2016	2015
REMAINING BUSINESSES			
Net sales	2, 3	826.4	733.1
Cost of goods sold		–532.6	–465.0
GROSS PROFIT		**293.8**	**268.1**
Other operating income	4	7.1	4.5
Cost of sales		–153.1	–141.3
Administrative expenses		–99.8	–92.8
Other operating costs	5	–4.5	–5.7
Outcome from participations in joint ventures	14	1.6	1.0
OPERATING PROFIT	3, 6, 7, 8, 13, 22, 27	**45.1**	**33.8**
Finance income		4.7	5.3
Finance costs		–7.5	–5.4
FINANCE COSTS, NET	9	**–2.8**	**–0.1**
PRE-TAX PROFIT		**42.3**	**33.7**
Income tax	10	–9.3	–5.9
PROFIT FOR THE YEAR		**32.9**	**27.8**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders in Parent Company		32.8	27.8
Non-controlling interests		–0.1	–
EARNINGS PER SHARE, SEK (NO DILUTION)	11	**3.90**	**3.29**

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

Amounts in SEKm	Note	2016	2015
PROFIT FOR THE YEAR		**32.9**	**27.8**
OTHER COMPREHENSIVE INCOME			
ITEMS TRANSFERRED OR TRANSFERRABLE TO PROFIT FOR THE YEAR			
Differences arising from the translation of foreign operations' accounts		14.2	–11.8
Change in Group structure		–2.5	0.0
Change for the year in fair value of cash flow hedges		0.0	0.5
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**11.7**	**–11.3**
COMPREHENSIVE INCOME FOR THE YEAR		**44.6**	**16.5**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders in Parent Company		44.5	16.5
Non-controlling interests		0.1	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEKm	Note	**31/12/2016**	31/12/2015
ASSETS	14		
Intangible non-current assets	12	321.3	233.9
Property, plant and equipment	13	166.6	123.5
Participations in joint ventures	14	5.1	4.5
Financial investments	15	0.3	0.2
Long-term receivables		0.0	0.2
Deferred income tax assets	10	7.0	4.7
TOTAL NON-CURRENT ASSETS		**500.3**	**366.8**
Inventories	16	114.8	99.2
Income tax assets	10	10.6	12.3
Trade receivables	17	171.1	120.9
Other receivables		9.6	5.1
Prepaid expenses and accrued income		12.4	10.5
Cash and cash equivalents	18	27.0	32.0
TOTAL CURRENT ASSETS		**345.5**	**280.0**
TOTAL ASSETS		**845.8**	**646.8**
EQUITY	19		
Share capital		84.5	84.5
Other contributed capital		41.2	41.2
Reserves		0.8	-10.9
Retained earnings including net profit for the year		303.3	285.1
EQUITY ATTRIBUTABLE TO SHAREHOLDERS IN PARENT COMPANY		**429.8**	**400.0**
NON-CONTROLLING INTERESTS		**0.5**	**0.4**
EQUITY		**430.3**	**400.4**
LIABILITIES	14		
Non-current interest-bearing liabilities	20, 25	80.5	37.7
Provisions for pensions	22	1.2	1.1
Other provisions	23	0.6	0.6
Deferred tax liabilities	10	13.5	10.0
TOTAL NON-CURRENT LIABILITIES		**95.8**	**49.4**
Current interest-bearing liabilities	20, 25	122.1	51.1
Advance payments from customers		1.0	4.5
Trade payables		86.6	67.0
Income tax liabilities	10	13.7	7.2
Other liabilities		43.9	29.8
Accrued expenses and deferred income	24	52.4	37.4
TOTAL CURRENT LIABILITIES		**319.7**	**197.0**
TOTAL LIABILITIES		**415.5**	**246.4**
TOTAL EQUITY AND LIABILITIES		**845.8**	**646.8**

See Note 28 for more information on the Group's pledged assets and contingent liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders in Parent Company							
Amounts in SEKm	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained profit incl profit. for the year	**Total**	Non-controlling interests	**Total equity**
Opening balance, equity 01/01/15	**84.5**	**41.2**	**-0.4**	**0.8**	**270.0**	**396.1**	**0.4**	**396.5**
Comprehensive income for the year:								
Profit for the year	0.0	0.0	0.0	0.0	27.8	**27.8**	0.1	**27.9**
Translation differences for the year	0.0	0.0	0.0	–11.8	0.0	**–11.8**	0.0	**–11.8**
Change for the year in fair value of cash flow hedges	0.0	0.0	0.5	0.0	0.0	**0.5**	0.0	**0.5**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**0.0**	**0.5**	**–11.8**	**27.8**	**16.5**	**0.1**	**16.6**
Dividend paid	0.0	0.0	0.0	0.0	–12.7	–12.7	0.0	–12.7
CLOSING BALANCE, EQUITY 31/12/15	**84.5**	**41.2**	**0.1**	**–11.0**	**285.1**	**399.9**	**0.5**	**400.4**
Opening balance, equity 01/01/16	**84.5**	**41.2**	**0.1**	**–11.0**	**285.1**	**399.9**	**0.5**	**400.4**
Comprehensive income for the year:								
Profit for the year	0.0	0.0	0.0	0.0	32.9	**32.9**	0.1	**33.0**
Translation differences for the year	0.0	0.0	0.0	14.2	0.0	**14.2**	0.0	**14.2**
Change in Group structure	0.0	0.0	0.0	–2.5	0.0	**–2.5**	0.0	**–2.5**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**0.0**	**0.0**	**11.7**	**32.9**	**44.6**	**0.1**	**44.7**
Dividend paid	0.0	0.0	0.0	0.0	–14.8	–14.8	0.0	–14.8
CLOSING BALANCE, EQUITY 31/12/16	**84.5**	**41.2**	**0.1**	**0.7**	**303.2**	**429.7**	**0.6**	**430.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEKm	Note	2016	2015
	32		
OPERATING ACTIVITIES			
Pre-tax profit		42.3	33.7
Adjustment for non-cash items		17.8	12.6
Income tax paid		-8.5	-4.1
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**51.6**	**42.2**
Cash flows from changes in working capital			
Changes in inventories[1]		1.2	-0.1
Changes in operating receivables[1]		-29.4	19.8
Changes in operating liabilities[2]		13.8	-11.3
CASH FLOWS FROM OPERATING ACTIVITIES		**37.2**	**50.6**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		-30.7	-20.1
Sales of property, plant and equipment		0.0	0.3
Sales of intangible non-current assets		0.1	0.0
Purchases of non-current intangible assets		-9.1	-5.9
Investments in financial assets		-0.1	–
Acquisitions of subsidiaries, net impact on liquidity	31	-84.8	–
Sale of subsidiaries, net impact on liquidity		0.0	1.8
CASH FLOWS FROM INVESTING ACTIVITIES		**-124.6**	**-23.9**
FINANCING ACTIVITIES			
Loans raised		133.9	18.9
Repayments of loans		-36.3	-27.9
Dividend paid to Parent Company owners		-14.8	-12.7
CASH FLOWS FROM FINANCING ACTIVITIES		**82.8**	**-21.7**
CASH FLOWS FOR THE YEAR		**-4.6**	**5.0**
Cash and cash equivalents at beginning of year		32.0	27.9
Translation difference in cash and cash equivalents		-0.5	-1.0
CASH AND CASH EQUIVALENTS AT YEAR-END		**26.9**	**32.0**

[1] Increase (-) / decrease (+)
[2] Increase (+) / decrease (-)

PARENT COMPANY INCOME STATEMENT

Amounts in SEKm	Note	2016	2015
Net sales	2, 3	7.1	6.4
GROSS PROFIT		**7.1**	**6.4**
Administrative expenses		-21.1	-23.9
OPERATING PROFIT	6, 7, 13, 22, 27	**-14.0**	**-17.5**
Result from financial items	9		
Result from participations in Group companies		11.7	18.6
Other interest income		3.2	5.1
Interest expenses		-5.3	-3.7
PROFIT AFTER FINANCIAL ITEMS		**-4.4**	**2.5**
Appropriations	29	19.5	28.6
PRE-TAX PROFIT		**15.1**	**31.0**
Tax	10	-0.8	-2.7
PROFIT FOR THE YEAR		**14.3**	**28.3**

PARENT COMPANY STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

Amounts in SEKm	Note	2016	2015
PROFIT FOR THE YEAR		**14.3**	**28.3**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		–	–
COMPREHENSIVE INCOME FOR THE YEAR		**14.3**	**28.3**

PARENT COMPANY BALANCE SHEET

Amounts in SEKm	Note	31/12/2016	31/12/2015
NON-CURRENT ASSETS			
Intangible non-current assets	12	0.4	0.6
Property, plant and equipment	13	6.9	2.5
Financial non-current assets			
Participations in Group companies	31	537.3	421.9
Total non-current financial assets		**537.3**	**421.9**
TOTAL NON-CURRENT ASSETS		**544.7**	**425.0**
CURRENT ASSETS			
Current accounts receivable			
Receivables from Group companies		289.5	233.5
Income tax assets		4.6	8.3
Prepaid expenses and accrued income		0.9	0.7
TOTAL CURRENT RECEIVABLES		**295.0**	**242.5**
Cash and bank balances	18	0.0	0.0
TOTAL CURRENT ASSETS		**295.0**	**242.5**
TOTAL ASSETS		**839.7**	**667.5**
EQUITY	19		
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
Profit brought forward		157.9	144.5
Profit for the year		14.3	28.3
TOTAL EQUITY		**296.8**	**297.4**
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	21, 25	46.0	13.3
Other non-current liabilities		7.5	0.0
TOTAL NON-CURRENT LIABILITIES		**53.5**	**13.3**
CURRENT LIABILITIES			
Liabilities to credit institutions	21, 25	115.1	45.3
Trade payables		1.9	1.5
Liabilities to Group companies		366.7	300.9
Current income tax liabilities		0.0	2.7
Other liabilities		0.2	0.7
Accrued expenses and deferred income	24	5.4	5.7
TOTAL CURRENT LIABILITIES		**489.4**	**356.8**
TOTAL EQUITY AND LIABILITIES		**839.7**	**667.5**

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

Amounts in SEKm	Share capital	Statutory reserve	Fair value reserve Translation reserve	Retained Profit	Profit/loss profit	**Total equity**
	Unrestricted equity		Restricted equity			
Opening balance, equity 01/01/15	84.5	41.2	–1.1	129.9	27.3	**281.8**
Transfer of profit/loss for preceding year	0.0	0.0	0.0	27.3	–27.3	**0.0**
Comprehensive income for the year:						
Profit/loss for the year	0.0	0.0	0.0	0.0	28.3	**28.3**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	**0.0**
COMPREHENSIVE INCOME FOR THE YEAR	**0.0**	**0.0**	**0.0**	**157.2**	**28.3**	**28.3**
Dividend paid	0.0	0.0	0.0	–12.7	0.0	**–12.7**
CLOSING BALANCE, EQUITY 31/12/2015	**84.5**	**41.2**	**–1.1**	**144.5**	**28.3**	**297.4**
Opening balance, equity 01/01/16	84.5	41.2	–1.1	144.5	28.3	297.4
Transfer of profit/loss for preceding year	0.0	0.0	0.0	28.3	–28.3	**0.0**
Comprehensive income for the year:						
Profit/loss for the year	0.0	0.0	0.0	0.0	14.3	**14.3**
Other comprehensive income	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**	**14.3**	**14.3**
Dividend paid	0.0	0.0	0.0	–14.8	0.0	**–14.8**
CLOSING BALANCE, EQUITY 31/12/2016	**84.5**	**41.2**	**–1.1**	**157.9**	**14.3**	**296.8**

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEKm	Note	**2016**	2015
	32		
OPERATING ACTIVITIES			
Profit after financial items		–4.4	2.5
Adjustment for non-cash items		–11.6	–18.4
Income tax paid		–0.2	–0.6
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**–16.2**	**–16.5**
Cash flows from changes in working capital			
Changes in operating receivables[1]		–64.3	–27.5
Changes in operating liabilities[2]		64.8	21.2
CASH FLOWS FROM OPERATING ACTIVITIES		**–15.7**	**–22.8**
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	31	–4.4	–2.5
Acquisitions of subsidiaries		–107.9	–
CASH FLOWS FROM INVESTING ACTIVITIES		**–112.3**	**–2.5**
FINANCING ACTIVITIES			
Loans raised		113.3	15.5
Repayments of loans		–10.8	–8.2
Dividend paid		–14.8	–12.7
Dividend received		11.8	10.0
Group contributions received		31.8	25.2
Group contributions paid		–3.3	–4.5
CASH FLOWS FROM FINANCING ACTIVITIES		**128.0**	**25.3**
CASH FLOWS FOR THE YEAR		**0.0**	**0.0**
Cash and cash equivalents at beginning of year		0.0	0.0
CASH AND CASH EQUIVALENTS AT YEAR-END		**0.0**	**0.0**

[1] Increase (–) / decrease (+)

[2] Increase (+) / decrease (–)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Amounts in SEK million unless otherwise indicated.

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as approved by the EU. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1 concerning supplementary accounting rules for Groups 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 arise from 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 tax considerations.

The annual accounts and consolidated accounts were approved for issue by the Board of Directors and CEO on 20 March 2017. The consolidated statement of income and other comprehensive income and statement of financial position, together with the Parent Company's statement of income and comprehensive income and balance sheet will be presented for adoption by the Annual General Meeting of Shareholders, to be held on 27 April 2017.

PRINCIPLES OF VALUATION APPLIED IN PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognised at their historic acquisition value, except for certain financial assets and liabilities, which are measured 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, recognised 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's management to make judgements, estimates and assumptions that affect the application of the accounting policies and the carrying amounts 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 estimates are recognised 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 to all periods presented in the Group's financial statements. Furthermore, the Group's accounting policies have been applied consistently by the Group's companies.

REVISED ACCOUNTING POLICIES

Revised accounting policies arising from new or revised IFRS

No new or revised IFRSs, implemented from 1 January 2016, have affected the Group's financial reporting in any material way.

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 and have not been adopted early in the preparation of these financial statements. There are no plans for early adoption of new or revised standards that are for application in future financial years.

IFRS 15 – Revenue from Contracts with Customers will from the start of 2018 replace existing IFRSs relating to revenue recognition, including IAS 18 – Revenue, IAS 11 – Construction Contracts and IFRIC 13 – Customer Loyalty Programmes. LDG has no plans for early adoption of IFRS 15. IFRS 15 is based on the principle that revenue is recognised when control of a product or service is passed to the customer, which differs from the existing principle based on the transfer of risks and rewards. IFRS 15 introduces new ways of determining how and when revenue is to be recognised, which requires new ways of thinking than for how revenue is recognised today.

An evaluation of how LDG's accounting will be affected when implementation of IFRS 15 begins. The effects in terms of amounts have not yet been estimated. However, based on the evaluation performed to date, the effects are expected to be relatively minor. Areas in which possible effects may arise include certain installations and associated product sales, and major projects.

IFRS 9 Financial Instruments will supersede IAS 39 Financial Instruments: Accounts and Reporting. In IFRS 9, IASB has completed a whole "package" of revisions concerning recognition of financial instruments. The package comprises new criteria for classification and measurement of financial instruments, a forward-looking ("expected loss") model for impairment and a simplified approach to hedge accounting. IFRS 9 will enter into force on 1 January 2018, and early adoption is permitted given that the EU is adopting the standard.

The categories of financial assets allowed in IAS 39 are replaced by three categories in which the assets are measured at amortised cost, fair value via other comprehensive income or fair value via profit/loss. The three-category classification is based on the Company's business model for its various holdings and the characteristics of the cash flows arising from the assets. The fair value option can be applied to debt instruments where this would eliminate or considerably reduce any mismatch in recognition. In the case of equity instruments, the criterion is that measurement shall be made at fair value via profit/loss, with an option instead to recognise changes in value not held for trading in other comprehensive income.

As regards the aspects relating to financial liabilities, the majority correspond to the former rules of IAS 39, other than as regards financial liabilities that 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 new impairment model will require recognition of any expected loss for a year directly at initial recognition, and at any material increase in the credit risk the amount of impairment shall correspond to the credit losses expected to arise over the remaining term. The new rules on hedge accounting represent in part simplifications of tests for efficacy and an increase in what are permitted hedging instruments and hedged items.

Other new and revised IFRSs for application in future financial years, as listed below, are not expected to have any material impact on the Group's financial reporting:

- Revised IAS 7 Statement of Cash Flows
- Revised IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Revised IAS 19 Employee Benefits: Defined-Benefit Plans: Employee Contributions
- Revised IFRS 16 and IAS 41: Agriculture
- Revised IFRS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Revised IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Revised IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- IFRS 15 Revenue from Contracts with Customers. The intention of a new revenue standard is to establish a single, principle-based standard applying to all sectors that supersedes existing standards and statements on revenue. The disclosure requirements have been considerably expanded. IFRS 15 is to be applied to financial years beginning on 1 January 2018 or later. Early adoption is permitted given that the EU has adopted the standard. The EU is expected to approve IFRS 15 in the second quarter of 2016.
- IFRS 16 Leases: A new standard on recognition of leases. In accounting by lessees, the classification into operational and finance leases in IAS 17 is eliminated and replaced by a system in which assets and liabilities relating to all lease contracts are to be recognised on the balance sheet. Exemptions to balance sheet recognition are allowed for lease contracts of minor value and contracts with a term of no more than 12 months. In the income statement depreciation and amortisation are to be recognised separately from interest expenses arising from the lease liability. No major changes are anticipated for lessors, and in fact the rules set forth in IAS 17 are largely retained, except for additional disclosure requirements in IFRS 16 that are to be applied to financial years beginning on 1 January 2019 or later. Early adoption is permitted, provided that IFRS 15 is also applied from the same point in time. It is still unclear when the EU is expected to approve the standard.
- Revised IAS 27: The Equity Method in Separate Financial Statements.
- Revised IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception.
- Revised IAS 1 Presentation of Financial Statements: Disclosure Initiative.
- Annual improvements to IFRS (2010–2012) and (2012–2014)

ALTERNATIVE KPIs

The Company presents certain financial measures in the annual report that are not defined in IFRS. The Company considers that these measures provide valuable complementary information to investors and the Company's management, since they enable trends and the Company's performance to be evaluated. Because not all companies calculate financial measures in the same way, these indicators are not always comparable with measures used by other companies. Consequently, these financial measures should not be regarded as replacements for measures defined in IFRS. This report includes additional information regarding definitions of financial measures. For definitions of the key performance indicators used by Lammhults Design Group AB, see page 47.

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 results are, furthermore, followed up by the Company's most senior executive decision-makers 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 has a controlling interest. A controlling interest exists if Lammhults Design Group AB has influence over the investee, is exposed or has a right to variable returns from its involvement and is able to use its influence over the investment to influence the return. In determining whether a controlling interest exists, consideration is paid to shares with potential voting rights and whether de facto control exists.

Acquisitions on 1 January 2010 or later

Subsidiaries are recognised 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. During the acquisition analysis, the fair value, on the day of acquisition, of identifiable assets acquired and liabilities taken over is determined, as well as that of any holdings 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 any 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 generally recognised in 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 is 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 recognition of non-controlling interests. These are either to recognise the non-controlling interests' proportional 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 a 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 recognised, 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 as per 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 interest 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.

Acquisitions from non-controlling interests

Acquisitions 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 proportional 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' proportional 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 cooperation agreements with one or several parties, has a joint controlling interest, whereby the Group has a right to the net assets, rather than a direct right to assets and an obligation for liabilities. Interests in joint ventures are consolidated in the Group's accounts using the equity method. Only equity earned after acquisition is recognised in the Group's equity. The equity method is applied as of the point in time when the joint controlling interest is obtained and until such time as the joint controlling interest ceases.

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 in 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 denominated 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 financial 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 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 recognised 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 aggregated as a separate component of equity entitled the translation reserve.

Hedging of net investment in a foreign operation

The Group comprises activities in several countries. In the consolidated statement of financial position, investments in operations 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 end of the reporting period, these loans are translated at the rate prevailing at the balance sheet date and the 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 aggregated 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 liquidated and recognised in profit/loss for the year when the foreign operation is sold. 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 rewards 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 there is significant uncertainty 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

Operating lease contracts

Expenses for operating lease contracts are recognised in the profit or 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 fee 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 lease period so that each accounting period includes an amount corresponding to a fixed interest rate for the liability recognised in each period. Variable fees are expensed in the periods in which they arise.

FINANCIAL INCOME AND EXPENSE

Financial income consists of interest income from invested funds and exchange rate gains from translation of financial items. Financial expense consists of interest costs for loans, the net interest rate cost of defined benefit pensions and exchange rate losses on translation of financial items. Interest income and interest expense are recognised using the effective interest method.

INCOME TAXES

Income taxes consist of current tax and deferred tax. Income taxes are recognised in the profit or loss for the year except when the underlying transaction is recognised in other comprehensive income or 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 enacted, or in practice enacted, 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 recognised 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 initial recognition of 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 calculation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated by application of the tax rates and tax rules enacted, or in practice enacted, by the balance sheet date. Deferred tax assets relating to non-deductible temporary differences and tax loss carry-forwards are recognised 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. The liabilities side includes 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. A financial liability is derecognised from the statement of financial position when the contractual obligation is fulfilled or otherwise expires.

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, if such should exist, 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 value of the financial instrument is measured after the first reporting 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 from 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 listed on an active market. These assets are recognised at amortised cost. The amortised cost is decided on the basis of the effective interest rate calculated at the time of acquisition. Trade receivables are recognised in the amounts that are expected to be received, i.e. after deduction of 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. A provision is made when a loss is anticipated. Criteria taken into account when a provision is made may include, for example, non-payment of amounts due or other indications that may indicate 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 amortised cost.

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 stated debtor fails to make payment when due, in accordance with the original or amended contractual terms and conditions. Financial guarantee agreements are initially recognised 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 recognised at whichever is the higher of (i) the amount recognised 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 recognised in accordance with *IAS 18 Revenue*.

DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative instruments have been acquired as a financial hedge for the risks arising from the 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 initially recognised at fair value. Subsequently, derivative instruments are measured at fair value and value changes recognised as described below.

Receivables and liabilities in foreign currencies
Currency forward contracts are used to hedge the currency risk of receivables and liabilities. To protect against currency risk, hedge accounting is not used, since a financial hedging arrangement is reflected in the accounts by recognising both the underlying receivable or liability and the hedging instrument at the exchange rate on the balance sheet date, and the exchange rate fluctuations via profit/loss for the year. Exchange rate changes relating to operations-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 currency risk in net foreign investments
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 recognised in the Group at acquisition value after deduction of accumulated depreciation and any 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 described 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 disposal or retirement of an asset is made up of the difference between the selling price and the asset's carrying amount, less directly related costs to sell. 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 rewards associated with ownership are in all essential respects transferred to the lessee. When this is not the case the lease is classified as an operating lease.

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 present value of minimum leasing fees at the start of the contract term. Commitments to pay future leasing fees are recognised as non-current and current liabilities. The leased assets are depreciated over the useful life of each particular asset, while the lease payments are recognised 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. In addition, 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 benefits 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 a new component is 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.

Depreciation principles

Depreciation is applied on a straight-line basis over the estimated useful life of the particular asset. 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

Buildings consist of a number of components with varying 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 structures	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 r eviewed at every year-end.

INTANGIBLE ASSETS

Goodwill

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

As regards goodwill in acquisitions before 1 January 2004, the Group has not, on adopting IFRS, applied IFRS retroactively; instead the carrying amount on that date will continue to represent the Group's acquisition cost, after being tested for impairment.

Development

Development costs where research results or other knowledge are applied to create new or improved products or processes are recognised as an asset in the statement of financial position, if the product or process is technically and commercially viable and if the Company has sufficient resources to complete the development process and subsequently use or sell the intangible asset. The carrying amount takes all directly attributable expenses into account, including for materials and services, remuneration to employees, registration of a legal right, amortisation of patents and licences and borrowing costs in accordance with IAS 23. Other development costs are recognised in profit/loss for the year as a cost as they are incurred. In the statement of financial position, development costs recognised are shown at acquisition value, less accumulated amortisation and any impairment losses.

Other intangible assets

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

Depreciation principles

Depreciation is recognised in profit/loss for the year 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 a finite useful period are amortised from the time when they are available for use.

The estimated useful lives are as follows:

Brands	10 years
Capitalised development expenditure	3–5 years

INVENTORIES

Inventories are valued at acquisition value or net sales 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 into account 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 normal capacity. The net sale value is the estimated selling price in current operations, less estimated costs for completion and bringing about a sale.

IMPAIRMENT

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

Impairment of property, plant and equipment and intangible assets, and of 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 indeterminable 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 costs to sell cannot be used, the asset is classified during appraisal 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 loss 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 within 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 need for impairment no longer exists and there has been a change in the assumptions on which the calculation of recoverable value was based. However, an impairment loss for goodwill is never reversed. An impairment loss is reversed only if the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less depreciation where appropriate, if no impairment had been applied.

EARNINGS PER SHARE

The calculation of earnings per share is based on the portion of the Group's profit/loss for the year that is 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 are 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 warrants affects the number of shares and occurs only when the redemption price is lower than the market price, becoming greater as the difference between redemption price and market price increases. On 31 December 2016, 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 assets 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 present value and the fair value of any managed assets is deducted.

The obligations in terms of retirement pensions and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement (UFR 10) from the Swedish Financial Reporting Board, this is a defined-benefit plan shared by several employers. For the 2016 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) plan, secured through an insurance policy with Alecta, is reported as a defined-contribution plan.

Termination benefits

A provision in connection with termination of employment of staff is 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 provided in the form of an offer to encourage voluntary redundancy, a cost is recognised 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 and the size of the amount needed to discharge the obligation. 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, when it is probable that an outflow of financial resources will be required in order to settle such obligation, and when 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, and discontinued operations

The significance of a non-current asset (or a disposal group) being classified as being 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 costs to sell. 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 costs to sell. 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 meets the criteria for classification as being held for sale.

Income from a divested business after tax is recognised on a separate line in the statement of income. When an operation is classified as divested, the content of the statement of income 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 structure of the statement of financial position for the current and preceding financial years is 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 recognised as a liability or provision on the basis that it is unlikely that an outflow of resources will be required or it cannot be measured with sufficient reliability.

PARENT COMPANY'S ACCOUNTING POLICIES

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*. 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 adopted by the EU and official statements, as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and with due regard to the relationship between accounting and taxation. The recommendation indicates the exceptions and additions to be made from and to IFRS.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES OF THE GROUP AND THE PARENT COMPANY

The differences between the accounting policies of the Group and the Parent Company are described below. The accounting policies of the Parent Company indicated 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 2016 have been revised as described above for the Group.

Classification and forms of presentation

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 income and other comprehensive income, 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 recognised in the Parent Company using the acquisition cost 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, including 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 fair 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.

Anticipated dividends

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

Net investments

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 recognised at the exchange rate on the balance sheet date, other than in the Parent Company, where the foreign-currency denominated loans and overdraft facilities for the purpose of participations in Group companies are recognised at the acquisition exchange rate.

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 Parent Company income statement, there is, similarly, no separate reporting of part of the appropriations as deferred tax liability.

Group contributions
Group contributions may be recognised either according to the main rule or the alternative rule. In the Parent Company, Group contributions are recognised in accordance with the alternative rule, under which Group contributions are recognised as an appropriation.

NOTE 2. REVENUE ANALYSIS

The net sales of the Group, SEK 826.4 m. (733.1), consist of the sale of goods. Net sales by the Parent Company, totalling SEK 7.1 m. (6.4), consist of 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 most senior executives in what is known as the management approach. The Group's activities are organised such that Group Management follows up the results, returns 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 Group Management. 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 are the Group's operating segments. As a result, the Group's internal accounting system is structured such as to allow Group Management to follow up the performance and results of the 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, 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 environments. Operations consist partly of project sales of complete interior systems and partly of aftermarket 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. The business area includes the Eurobib Direct, BCI and Schulz Speyer brands.

Office & Home Interiors develops, produces and markets products for interiors in public and domestic environments. The business area has three brands with high design values, focusing on public environments: Lammhults and Fora Form with visually strong, timeless furniture, and Abstracta, with acoustics products, products for visual communication and storage, together with new acquisitions Ragnars and Morgana. The business area has two brands focusing on home interiors, namely Voice, which offers innovative storage solutions, and Ire, producing upholstered furniture featuring timeless design, clean lines and durable quality. Both Voice and Ire product ranges are being gradually extended into public environments.

The Parent Company, Group-wide functions, dormant companies and eliminations are accounted for under the heading "Group central costs and eliminations". Group-wide costs for the year include non-recurring items amounting to SEK 0 m. (2.4), relating to the departure of the CEO.

THE GROUP'S OPERATING SEGMENTS

Group	Public Interiors 2016	Public Interiors 2015	Office & Home Interiors 2016	Office & Home Interiors 2015	Group-wide costs and eliminations 2016	Group-wide costs and eliminations 2015	Total 2016	Total 2015
Income from external customers	254.0	244.8	572.4	488.3	0.0	0.0	826.4	733.1
Income from other segments	0.0	0.0	0.0	0.9	0.0	-0.9	0.0	0.0
TOTAL NET SALES	**254.0**	**244.8**	**572.4**	**489.2**	**0.0**	**-0.9**	**826.4**	**733.1**
Depreciation/amortisation	3.6	3.7	13.3	11.2	0.2	0.2	17.1	15.1
Operating profit/loss	28.2	23.8	38.1	34.0	-21.2	-23.9	45.1	33.8
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	4.7	5.3
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	-7.5	-5.4
PRE-TAX PROFIT							**42.3**	**33.7**
Assets	247.4	221.8	535.2	375.9	12.9	12.3	795.6	610.0
Non-allocated assets	–	–	–	–	–	–	50.2	36.8
TOTAL ASSETS							**845.8**	**646.8**
Participations in joint ventures	5.1	4.5	–	–	–	–	5.1	4.5
Investments in non-current assets	1.1	1.9	34.2	24.1	4.5	0.0	39.8	26.0
Liabilities	49.6	45.1	140.9	93.7	123.0	10.6	313.5	149.4
Non-allocated liabilities	–	–	–	–	–	–	102.0	97.0
TOTAL LIABILITIES							**415.5**	**246.4**

GEOGRAPHICAL REGIONS

The Group's segments are divided into three geographical regions: Sweden, Rest of Europe and Rest of the World. The segmental information presented 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 regions according to where the assets are located. Net sales by the Group's businesses outside Sweden represent 63% (68) of total net sales.

Group	Sweden 2016	Sweden 2015	Rest of Europe 2016	Rest of Europe 2015	Rest of the World 2016	Rest of the World 2015	Group 2016	Group 2015
Net sales per geographical market	307.7	235.5	465.8	454.7	52.9	43.0	826.4	733.1
Non-current assets per geographical market	287.9	163.6	212.4	203.2	0.0	0.0	500.3	366.8
Investments per geographical market	35.3	18.1	4.4	7.9	0.0	0.0	39.8	26.5

NOTE 4. OTHER OPERATING INCOME

Group	2016	2015
Exchange rate gains	3.8	3.7
Other operating income	3.3	0.8
	7.1	**4.5**

NOTE 5. OTHER OPERATING COSTS

Group	2016	2015
Exchange rate losses	-3.7	-5.0
Reversals of order backlog acquired	0.0	0.0
Other operating expenses	-0.8	-0.7
	-4.5	**-5.7**

Development costs in the amount of SEK 12.6 million (12.0) 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 12.

NOTE 6. EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Remuneration of employees	2016	2015
GROUP		
Salaries and remuneration etc.	175.8	164.4
Pension costs	11.9	10.4
Social welfare charges	41.5	31.9
TOTAL, GROUP	**229.2**	**206.7**

Average number of employees	2016	Of which men, %	2015	Of which men, %
PARENT COMPANY				
Sweden	6	67	5	80
SUBSIDIARIES				
Sweden	232	66	194	59
Norway	55	53	57	60
Denmark	38	34	39	36
Germany	36	61	34	63
Other countries	24	50	23	57
Total, subsidiaries	385	59	347	57
TOTAL, GROUP	**391**	**60**	**352**	**57**

Gender breakdown in company managements	31/12/2016 Proportion women, %	31/12/2015 Proportion women, %
PARENT COMPANY		
Board of Directors	33	33
Other senior executives	0	0
TOTAL, GROUP		
Boards of Directors	4	9
Other senior executives	24	29

REMUNERATION TO SENIOR EXECUTIVES

Guidelines

The Chairman and the Board members receive remuneration as determined by resolution at the Annual General Meeting of Shareholders (AGM). In addition, the 2016 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 Chairman 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 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. Where higher flexible remuneration is possible in acquired companies, these are corrected as soon as legally and financially practicable. Long-term equity or equity-related incentive programmes must be an option.

On termination of an employment contract by the Company with regard to the CEO and other senior executives, compensation shall be paid in an amount corresponding to no more than 18 months' pay. The total compensation shall not exceed the compensation that would have been paid on the basis of a period of notice of six months and severance pay equal to 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 28% of the CEO's fixed monthly salary shall be paid. The pension is of the defined-contribution type. No agreement exists concerning early retirement. For other senior executives, pension costs shall amount to a maximum of 25% of their fixed and variable salary. The pensions are of the defined-contribution type, and no agreements exist regarding early retirement.

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

Parent Company	2016 Senior executives (9 pers.)	2016 Other employees (3 pers.)	2015 Senior executives (11 pers.)	2015 Other employees (1 pers.)
Salaries and other remuneration	5.8	1.0	8.7	0.7
(of which, bonuses etc.)	(0.3)	(0.0)	(0.2)	(0.0)
Social welfare charges	4.1	1.1	4.7	0.3
of which, pension costs	1.7	0.7	1.5	0.1

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

Group	2016 Senior executives (49 pers.)	2015 Senior executives (54 pers.)
SWEDEN		
Salaries and other remuneration	24.2	24.3
(of which, bonuses etc.)	(3.3)	(1.2)
Pension costs	4.3	3.4
DENMARK		
Salaries and other remuneration	5.7	7.2
(of which, bonuses etc.)	(0.6)	(0.8)
Pension costs	–	–
GERMANY		
Salaries and other remuneration	1.1	1.2
(of which, bonuses etc.)	(0.1)	(0.2)
Pension costs	–	–
NORWAY		
Salaries and other remuneration	6.8	6.9
(of which, bonuses etc.)	(–)	(–)
Pension costs	0.1	–
TOTAL, GROUP	**37.8**	**39.6**
(OF WHICH, BONUSES ETC.)	**(4.0)**	**(2.2)**
PENSION COSTS	**4.4**	**3.4**

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 CEO, and Board members.

REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2016

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Remuneration committee work	Total
BOARD CHAIRMAN							
Anders Pålsson							
Remuneration from Parent Company	308	–	–	–	–	50	**358**
BOARD MEMBER							
Jorgen Ekdahl							
Remuneration from Parent Company	154	–	–	–	–	50	**204**
BOARD MEMBER							
Jerry Fredriksson							
Remuneration from Parent Company	38	–	–	–	–	6	**44**
BOARD MEMBER							
Lars Bülow							
Remuneration from Parent Company	116	–	–	–	–	19	**135**
BOARD MEMBER							
Maria Bergving							
Remuneration from Parent Company	154	–	–	–	–	25	**179**
BOARD MEMBER							
Maria Edsman							
Remuneration from Parent Company	154	–	–	–	–	25	**179**
BOARD MEMBER							
Peter Conradsson							
Remuneration from Parent Company	154	–	–	–	–	25	**179**
CEO							
Anders Rothstein (departing CEO)							
Remuneration from Parent Company	–	–	400	32	222	–	654
Fredrik Asplund	2,400	200	–	95	835	–	3,530
Remuneration from Parent Company	–	–	–	–	–	–	–
Other senior executives (3 pers.)	2,100	105	–	196	939	–	3,340
TOTAL	**5,576**	**305**	**400**	**323**	**1,996**	**200**	**8,801**

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

REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2015

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Remuneration committee work	Total
BOARD CHAIRMAN							
Anders Pålsson							
Remuneration from Parent Company	290	–	–	–	–	50	**340**
BOARD MEMBER							
Jorgen Ekdahl							
Remuneration from Parent Company	145	–	–	–	–	50	**195**
BOARD MEMBER							
Jerry Fredriksson							
Remuneration from Parent Company	145	–	–	–	–	25	**170**
BOARD MEMBER							
Lotta Lundén							
Remuneration from Parent Company	33	–	–	–	–	6	**39**
BOARD MEMBER							
Maria Bergving							
Remuneration from Parent Company	113	–	–	–	–	19	**131**
BOARD MEMBER							
Maria Öqvist							
Remuneration from Parent Company	145	–	–	–	–	25	**170**
BOARD MEMBER							
Peter Conradsson							
Remuneration from Parent Company	145	–	–	–	–	25	**170**
CEO							
Anders Rothstein (departing CEO)							
Remuneration from Parent Company	2,265	67	1,110	103	553	–	4,098
Fredrik Asplund	1,024	43	–	23	315	–	1,405
Other senior executives (3 pers.)	3,056	89	–	226	638	–	4,008
TOTAL	**7,360**	**199**	**1,110**	**352**	**1,505**	**200**	**10,726**

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

NOTE 7. FEES AND EXPENSES OF AUDITORS

	Group		Parent Company	
	2016	2015	**2016**	2015
KPMG / EMIL ANDERSSON				
Auditing services	1.0	0.9	0.3	0.3
Auditing services other than auditing assignment	–	–	–	–
Tax advice	–	0.0	–	0.0
Other services	1.0	1.4	1.0	1.2
OTHER AUDITORS				
Auditing services	0.5	0.4	–	–
Auditing services other than auditing assignment	–	–	–	–
Tax advice	–	–	–	–
Other services	–	0.6	–	–

"Auditing assignments" consist of statutory review of the annual accounts, consolidated financial statements and accounting records and the administration by the Board and CEO, together with auditing and other review as arranged or agreed.

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

NOTE 8. OPERATING EXPENSES ALLOCATED BY TYPE OF COST

Group	**2016**	2015
Costs of goods and materials	351.1	303.8
Personnel costs	232.6	206.5
Depreciation	17.1	15.1
Other operating expenses	189.2	179.4
	790.0	**704.8**

NOTE 9. NET FINANCE INCOME/COSTS

Group	**2016**	2015
Interest income on non-impaired loans receivable and trade receivables	0.2	0.1
Interest income on bank balances	1.0	0.1
Exchange rate fluctuations	3.5	5.1
FINANCE INCOME	**4.7**	**5.3**
Interest expense on financial liabilities recognised at amortised cost	-3.2	-2.0
Exchange rate fluctuations	-4.0	-3.4
Other interest expenses	-0.3	–
FINANCE COSTS	**-7.5**	**-5.4**
NET FINANCE INCOME/COSTS	**-2.8**	**-0.1**

	Result from participations in Group companies	
Parent Company	**2016**	2015
Dividend paid	11.7	18.6
Impairment	0.0	0.0
	11.7	**18.6**

	Interest income and similar items	
Parent Company	**2016**	2015
Interest income, Group companies	0.7	0.6
Interest income on bank balances	–	–
Exchange rate fluctuations	2.5	4.4
	3.2	**5.1**

	Interest expense and similar profit/loss items	
Parent Company	**2016**	2015
Interest expense, Group companies	0.0	0.0
Interest expense, financial liabilities	-2.3	-1.3
Exchange rate fluctuations	-3.0	-2.3
	-5.3	**-3.6**

NOTE 10. INCOME TAXES

Recognised in the income statement

Group	2016	2015
CURRENT TAX EXPENSE		
Tax expense for the year	-6.9	-6.9
DEFERRED TAX EXPENSE/DEFERRED TAX INCOME		
Deferred tax pertaining to temporary differences and tax loss carry-forwards	-2.4	1.0
TOTAL RECOGNISED TAX EXPENSE IN THE GROUP	-9.3	-5.9

Parent Company	2016	2015
Current tax expense (-)/tax income (+)		
Tax expense for the year	-0.1	-2.7
Adjustment of tax attributable to previous years	–	–
	-0.1	-2.7
Deferred tax expense (-)		
Deferred tax as a result of use of previously capitalised tax loss carry-forwards	-0.7	–
	-0.7	
TOTAL RECOGNISED TAX EXPENSE/TAX INCOME IN THE PARENT COMPANY	-0.8	-2.7

RECONCILIATION OF EFFECTIVE TAX

Group	2016	2015
Pre-tax profit	42.3	33.7
Tax as per current tax rate for the Parent Company	-9.3	-7.4
Effect of other tax rates for foreign subsidiaries*	-0.8	-0.4
Non-deductible costs	-2.5	-0.4
Non-taxable revenues	2.6	0.6
Increase in tax loss carry-forwards without corresponding utilisation of deferred tax	–	–
Effect of changes in tax rates	–	–
Utilisation of previous non-capitalised tax loss carry-forwards	0.7	1.7
Tax adjustment of taxable profit	0.0	
RECOGNISED EFFECTIVE TAX	-9.3	-5.9

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

Parent Company	2016	2015
Pre-tax profit	15.1	31.1
Tax as per current tax rate for the Parent Company	-3.3	-6.8
Non-deductible costs	-0.4	–
Non-taxable revenues	2.6	4.1
Utilisation of tax loss carry-forward previously uncapitalised	–	–
Effect of changes in tax rates	–	–
RECOGNISED EFFECTIVE TAX	-0.8	-2.7

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	2016			2015		
Group	Before tax	Tax	After tax	Before tax	Tax	After tax
Trans. diff. for year on translation of foreign operations	14.2	–	–	-11.8	–	–
Change in Group structure	-2.5	–	–	–	–	–
Change during year in fair value of cash flow hedges	–	–	–	0.5	–	–
OTHER COMPREHENSIVE INCOME	11.7	–	–	-11.3	–	–

RECOGNISED IN STATEMENT OF FINANCIAL POSITION

Deferred tax assets and liabilities

	Deferred tax asset		Deferred tax liability		Net	
Group	2016	2015	2016	2015	2016	2015
Property, plant and equipment	–	–	8.0	9.8	-8.0	-9.8
Intangible assets	1.3	0.9	5.5	-0.3	-4.2	1.2
Inventories	0.3	0.2	–	–	0.3	0.2
Interest-bearing liabilities	–	–	–	0.5	–	-0.5
Pension provisions	0.3	0.2	–	–	0.3	0.2
Accrued expenses and deferred income	0.6	0.1	–	–	0.6	0.1
Tax loss carry-forwards	4.5	3.3	–	–	4.5	3.3
TAX ASSETS/ LIABILITIES, NET	7.0	4.7	13.5	10.0	-6.5	-5.3

BC Interieur S.A.R.L., France, a subsidiary of Lammhults Biblioteks-design A/S, Denmark, has uncapitalised tax loss carry-forwards amounting to SEK 11.2 million with unlimited scope for rolling forward. However, on 31 December 2016, the Group capitalised a deferred tax receivable of SEK 3.7 million — after taking French corporation tax (33%) into account — which is the amount that it is anticipated can be offset against future taxable surpluses. Schulz Speyer, Germany, a subsidiary of Lammhults Design Group AB, has uncapitalised tax loss carry-forwards amounting to SEK 3.4 million with unlimited scope for rolling forward. However, on 31 December 2016, the Group capitalised a deferred tax receivable of SEK 0.8 million, after taking account of German corporation tax (25%).

PARENT COMPANY

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

NOTE 11. EARNINGS PER SHARE

	Before dilution		After dilution	
Amounts in SEK	2016	2015	2016	2015
Earnings per share	3.90	3.29	3.90	3.29

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

NOTE 12. INTANGIBLE NON-CURRENT ASSETS

	Internally developed intangible assets	Acquired			
Group	Development expenditure	Tenancies	Goodwill	Other intangible non-current assets	**Total**
Amortised costs					
Carrying amount 01/01/2015	14.8	0.4	230.2	3.1	248.5
Other investments	5.8	–	–	–	5.8
Reversals of order backlog acquired	–	–	–	–	–
Reclassifications	–	–	–	–	–
Exchange rate differences for the year	-0.5	–	-9.2	-0.1	-9.8
CARRYING AMOUNT, 31/12/2015	**20.2**	**0.4**	**221.0**	**3.0**	**244.5**
Carrying amount 01/01/2016	20.2	0.4	221.0	3.0	244.5
Other investments	9.0	0.4	40.2	32.0	81.6
Reversals of order backlog acquired	–	–	–	–	–
Reclassifications	1.2	–	–	–	-1.2
Exchange rate differences for the year	0.6	–	9.9	–	10.5
CARRYING AMOUNT, 31/12/2016	**31.0**	**0.8**	**271.1**	**35.0**	**337.9**
Carrying amount 01/01/2015	-5.9	-0.1	–	-0.6	-6.6
Depreciation for the year	-3.3	–	–	-0.7	-4.0
CARRYING AMOUNT 31/12/2015	**-9.2**	**-0.1**	**–**	**-1.3**	**-10.6**
Carrying amount 01/01/2016	-9.2	-0.1	–	-1.3	-10.6
Depreciation for the year	-5.2	-0.1	–	-0.7	-6.0
CARRYING AMOUNT 31/12/2016	**-14.4**	**-0.2**	**–**	**-2.0**	**-16.6**
Carrying amounts					
Carrying amount, 01/01/2015	8.9	0.3	230.2	2.5	241.9
CARRYING AMOUNT, 31/12/2015	**11.0**	**0.3**	**221.0**	**1.7**	**233.9**
Carrying amount, 01/01/2016	11.0	0.3	221.0	1.7	233.9
CARRYING AMOUNT, 31/12/2016	**16.6**	**0.6**	**271.1**	**33.0**	**321.3**

All intangible assets, other than goodwill, are amortised. Amortisation costs for Intangible assets are recognised on the line Administrative expenses. For more information on depreciation, see Accounting Policies, Note 1.

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS WITH GOODWILL

The following cash-generating units report recognised goodwill values in the Group.

	2016	2015
Public Interiors	119.4	114.7
Office & Home interiors	151.7	106.3
	271.1	**221.0**

METHOD FOR CALCULATION OF RESIDUAL VALUE

The value of the Group's intangible assets is reviewed annually through impairment tests. The recovery values of the cash-generating units mentioned above are based on a number of important assumptions, as described below. The recoverable amount is the value in use. Assumptions concerning future cash flows over the next five-year period take as their starting-point budgets for 2017 and forecasts for 2018 and 2019 based on the Group's financial strategy plans, together with the assessments for the following two years made by the Company's management. The above-mentioned assumptions refer to trends in sales, costs, operating margins and changes in the financial positions of the cash-generating units. The cash flows forecast after the first five years are based on an annual growth rate of 3%, which is considered to correspond to the long-term rate of growth in the units' markets.

SIGNIFICANT VARIABLES IN CALCULATION OF RECOVERABLE AMOUNTS

The following common variables are significant during calculation of the recovery amounts 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 sectorand municipal commissioning agencies, interest rates and local market conditions.

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

Discount interest rate: The discount interest rates, before tax, used at year-end 2016 were 11.8% (11.9) for equity financing and 1.45% (1.9) for debt financing at Public Interiors. At Office & Home Interiors, the discount interest rates before tax were 10.8% (10.9) for equity financing and 1.45% (1.9) for debt financing. WACC (weighted average cost of capital) for Public Interiors was 7.5% (7.7) before tax. At Office & Home Interiors, WACC before tax was 6.9% (7.1). 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

Public Interiors sells in the main to public sector customers in a number of European markets. It also exports to the USA, the Middle East and individual African countries. Exciting changes are still taking place in the libraries market where these institutions are developing into social meeting places for experiences, learning and services, strongly driven by developments in the digital sphere. Public Interiors is well equipped to meet this trend and is a driving force in the evolution of the library of the future, through its ability to offer all-inclusive solutions. The business area's offering is being broadened by providing customers with a larger range of third-party products than before. The salesforce has been reinforced in several markets, which should also contribute to future growth. At the same time, an intensive programme is in progress to harmonise the product range offered under the BCI and Schulz Speyer brands, and to improve efficiency in the product supply process in the business area, in order to benefit from opportunities for synergies and create conditions for profitable growth. Eurobib Direct has become a growing part of the business, providing a digital shopping centre for consumables, interior products and items of furniture for libraries.

Considerable cost reductions have been achieved through disposals of unprofitable companies and relocation of production facilities. Public Interiors no longer operates its own production, engaging only in simple assembly, warehousing and project consolidation.

The well-known Lammhults, Abstracta, Morgana, Ire, Voice, Ragnars and Fora Form brands hold strong positions in their domestic markets. With a close focus on our core northern European markets and a concentration on our export markets, we expect sales to rise over the next few years. Via these 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 have been launched recently and others will be launched in 2017, laying the foundations for robust volume growth in the future. With the measures taken to boost sales and cut costs, there is every prospect for strong cash flows over the next few years.

SENSITIVITY ANALYSIS FOR PUBLIC INTERIORS

At Public Interiors, there is less of a margin before the estimated recovery amount for the unit falls below the carrying amount, than at Office & Home Interiors. Against that background, a sensitivity analysis is presented, below, for Public Interiors. In our base assumption, the recovery amount exceeds the carrying amount by SEK 223.0 million (117.0), indicating that the margin has increased since last year. 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 3.0%, whereas the average operating margin is 9.4% and the weighted cost of capital is 7.5%.

If the estimated rate of growth used to extrapolate cash flows beyond the budget period 2017 had been 10% (10.0) lower than in the basic assumption, but the operating margin remained the same as in the basic assumption, the accumulated recovery amount would be equal to the carrying amount.

If the estimated operating margin used to extrapolate cash flows from the start of the budget period 2017 had been 2.8% (2.8) lower than in the base assumption, the accumulated recovery amount would be equal to the carrying amount.

If the estimated weighted cost of capital used for discounted cash flows for Public Interiors had been 3.0% (3.0) higher than in the base assumption, and had amounted to 10.5% (10.7), the accumulated recovery amount would be equal to the carrying amount.

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

ACQUIRED INTANGIBLE ASSETS

Parent Company	Other technology- / contract-based assets
Amortised costs	
Carrying amount, 01/01/2016	0.9
Other investments	0.0
Reclassifications	0.0
CARRYING AMOUNT, 31/12/2016	**0.9**
Accumulated amortisation	
Carrying amount, 01/01/2016	-0.3
Amortisation for the year	-0.2
CARRYING AMOUNT, 31/12/2016	**-0.5**
CARRYING AMOUNTS	
01/01/2015	0.8
31/12/2015	**0.6**
01/01/2016	0.6
31/12/2016	**0.4**

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other technical facilities	Equipment tools and installations	Work in progress	**Total**
AMORTISED COSTS					
Carrying amount 1 January 2015	141.9	73.1	91.1	3.3	309.7
New acquisitions	9.7	6.4	3.7	2.6	22.4
Reclassifications	–	–	–	-1.7	-1.7
Sales and disposals	–	-0.4	-0.2	–	-0.6
Exchange rate differences	-0.5	-0.7	-0.2	–	-0.6
CARRYING AMOUNT 31 DECEMBER 2015	**151.1**	**78.4**	**94.7**	**3.9**	**328.4**
Carrying amount 1 January 2016	151.1	78.4	94.7	3.9	328.4
New acquisitions	9.5	9.5	4.9	6.8	30.7
Reclassifications	–	1.2	–	–	1.2
Acquisitions via business combinations	14.5	5.7	0.8	–	21.0
Disposals and retirements	–	–	–	–	–
Exchange rate differences	1.0	0.5	–	–	1.5
CARRYING AMOUNT 31 DECEMBER 2016	**176.1**	**95.3**	**100.4**	**10.7**	**382.4**
Accumulated depreciation and impairments					
Carrying amount, 1 January 2015	-71.0	-55.0	-68.0	–	-194.0
Acquired via business combinations	–	–	–	–	–
Depreciation for the year	-2.9	-3.8	-4.2	–	-10.9
Disposals and retirements	–	–	–	–	–
CARRYING AMOUNT 31 DECEMBER 2015	**-73.9**	**-58.8**	**-72.2**	**–**	**-204.9**
Carrying amount 1 January 2016	-73.9	-58.8	-72.2	–	-204.9
Acquired via business combinations	–	–	–	–	–
Depreciation for the year	-2.8	-4.0	-4.3	–	-11.1
Disposals and retirements	–	–	–	–	–
CARRYING AMOUNT 31 DECEMBER 2016	**-76.7**	**-62.8**	**76.5**	**–**	**-216.0**
CARRYING AMOUNTS					
1 January 2015	70.9	18.1	23.4	3.3	115.7
31 DECEMBER 2015	**77.3**	**19.5**	**22.5**	**3.9**	**123.5**
1 January 2016	77.3	19.5	22.5	3.9	123.5
31 DECEMBER 2016	**99.4**	**32.5**	**23.9**	**10.7**	**166.6**

Parent Company	Equipment, tools and installations	Work in progress	Total
Amortised costs			
Carrying amount, 1 January 2015	0.8	–	0.8
New acquisitions	–	2.5	2.5
CARRYING AMOUNT, 31 DECEMBER 2015	0.8	2.5	3.3
Carrying amount, 1 January 2016	0.8	2.5	3.3
New acquisitions	0.1	4.3	4.4
CARRYING AMOUNT, 31 DECEMBER 2016	0.9	6.8	7.7
Accumulated amortisation			
Carrying amount, 1 January 2015	-0.8	–	-0.8
Depreciation for the year	–	–	0.0
CARRYING AMOUNT, 31 DECEMBER 2015	-0.8	0.0	0.8
Carrying amount, 1 January 2016	-0.8	–	0.8
Depreciation for the year	–	–	–
CARRYING AMOUNT 31 DECEMBER 2016	-0.8	–	-0.8
Carrying amounts			
1 January 2015	–	–	–
31 DECEMBER 2015	0.0	2.5	2.5
1 January 2016	0.0	2.5	2.5
31 DECEMBER 2016	0.1	6.8	6.9

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

Group	2016	2015
Cost of goods sold	-8.4	-7.8
Cost of sales	-1.7	-1.8
Administrative expenses	-7.0	-5.5
	-17.1	-15.1

Parent Company	2016	2015
Administrative expenses	-0.2	-0.0

FINANCIAL LEASING

Group

Equipment held under financial lease contracts is recognised at a carrying amount of SEK 9.7 million (8.5). 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 for paying dividend, raising new loans and entering into new lease contracts.

NOTE 14. PARTICIPATIONS IN JOINT VENTURES

The following table summarises financial information on insignificant interests in joint ventures.

Group	31/12/2016	31/12/2015
Carrying amount	5.1	4.5
Group's proportion of:		
Profit from remaining businesses	1.6	1.0
Other comprehensive income	–	–
TOTAL COMPREHENSIVE INCOME	1.6	1.0

NOTE 15. FINANCIAL INVESTMENTS

Group	31/12/2016	31/12/2015
Amortised costs		
CARRYING AMOUNT AT BEGINNING AND END OF PERIOD	0.3	0.2

NOTE 16. INVENTORIES

Group	31/12/2016	31/12/2015
Raw materials and consumables	78.7	67.6
Work in progress	2.9	0.9
Finished products and goods for resale	33.2	30.7
CARRYING AMOUNT AT END OF PERIOD	114.8	99.2

NOTE 17. ACCOUNTS RECEIVABLE

Accounts receivables are recognised after taking account of bad debt losses incurred during the year, which totalled SEK 0.5 million (1.3) in the Group. No bad debt losses were incurred by the Parent Company.

	2016 Carrying amount, non-imp. receiv.	2015 Carrying amount, non-imp. receiv.
Accounts receivable not due	123.2	94.2
Accounts receivable due 0–30 days	38.4	19.2
Accounts receivable due 31–60 days	2.3	2.4
Accounts receivable due 61–90 days	3.2	1.7
Accounts receivable due 91–120 days	3.7	2.6
Accounts receivable due >120 days	0.3	0.7
TOTAL	**171.1**	**120.9**
PROVISION FOR CREDIT LOSSES	**0.5**	**1.3**

NOTE 18. CASH AND CASH EQUIVALENTS

Group	**31/12/2016**	31/12/2015
Cash and cash equivalents are made up of the following items:		
Cash and bank balances	27.0	32.0
Balance on Group account at Parent Company	–	–
TOTAL AS PER STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS	**27.0**	**32.0**

NOTE 19. EQUITY

DIVIDEND

After the balance sheet date the Board of Directors proposed the following dividend. The proposal will be submitted to the AGM for approval on 27 April 2017.

	2016	2015
Total dividend, SEKm	16.9	14.8
Recognised dividend per share, SEK	2.00	1.75

Reserves for accumulated other comprehensive income and non-controlling interests.

GROUP

Translation reserve

The translation reserve includes all exchange rate differences arising in translation of financial reports from foreign operations that have prepared their financial statements in a currency other than the one in which the Group's financial reports are presented. The Parent Company and Group presents their financial statements in Swedish kronor (SEK). The translation reserve also includes currency differences that arise in revaluation of liabilities recognised as hedging instruments for a net investment in a foreign operation.

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet been effected.

PARENT COMPANY

Restricted equity

Restricted equity may not be drawn upon for the purpose of profit sharing.

Revaluation reserve

In the event of property, plant and equipment or a financial non-current asset being revalued, the revaluation amount is allocated to a revaluation reserve.

Statutory reserve

The purpose of the statutory reserve is to retain a portion of the net profit that cannot be used to cover any retained loss. Amounts transferred to the share premium reserve before 1 January 2006 have been transferred to and are part of the statutory reserve.

Unrestricted equity

The following reserves and the profit for the year together represent unrestricted equity, that is, the amount that is available for distribution to shareholders.

Share premium reserve

When shares are issued at a premium, that is, the price paid for the shares is above the quota value, an amount corresponding to the amount received above the quota value is to be transferred to the share premium reserve. As of 1 January 2006, amounts transferred to the share premium reserve are included in unrestricted equity.

Fair value reserve

The Company applies the provisions of the Swedish Annual Accounts Act regarding measurement of financial instruments at fair value in accordance with Section 4, subsections 14 a-e. Amounts are recognised directly in the fair value reserve when the change in value relates to a hedging instrument and the hedge accounting policies applied allow part or all of the change in value to be recognised in equity. Any change in value arising from a change in price of a monetary item forming part of the Company's net investment in a foreign entity is recognised in equity.

Retained earnings

Retained earnings consist of the retained earnings from the preceding year and profit less the share in profit paid out during the year.

CAPITAL MANAGEMENT

The Group's financial objective is to maintain a sound capital structure and financial stability that maintains the confidence of investors, lenders and the market and establishes 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 2016 were 0.47 (0.22) for the debt/equity ratio and 50.9% (61.9) for the equity/assets ratio. The Group's cash flow from operating activities totalled SEK 37.2 million (50.6) in 2016. Equity is defined as the sum of shareholders' equity. The Group's equity totalled SEK 430.3 million (400.4) and the Parent Company's equity SEK 296.8 million (297.4). The Board of Directors' ambition is to maintain a balance between high return, 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% on capital employed. In 2016, the return on capital employed was 8.9% (7.9).

The Group's policy is to pay a dividend, taking into account the long-term capital requirement, totalling approximately 40% of profit after tax. In view of the Company's strong financial position, the Board of Directors has proposed to the 2017 AGM a dividend of SEK 2.00 per share, corresponding to 51.2% of profit after tax. Over the past five years, the total dividend has averaged 65% of profit after tax. The Group will also pay an additional dividend when the capital structure and operational financing requirements allow. Decisions on additional dividend reflect an ambition to distribute to the shareholders funds that are not deemed necessary for the Group's development. 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 within the Group's asset management. Neither the Parent Company nor any of the subsidiaries are subject to external equity requirements.

NOTE 20. 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 2.

Group	**31/12/2016**	31/12/2015
Non-current liabilities		
Bank loans with maturity 1-5 years from balance sheet date	69.4	30.3
Bank loans, maturity date more than 5 years from balance sheet date	11.1	7.4
	80.5	**37.7**
Current liabilities		
Bank overdraft facility	97.0	37.4
Current portion of bank loans	25.1	13.7
	122.1	**51.1**
TOTAL INTEREST-BEARING LIABILITIES	**202.6**	**88.8**

FINANCIAL LEASE LIABILITIES

The Group's liabilities under financial lease contracts total SEK 9.5 million (8.2). Liabilities under financial lease contracts in the Group consist of future lease charges arising from contracts under financial leasing. Lease charges due within one year are recognised as current liabilities.

NOTE 21. LIABILITIES TO CREDIT INSTITUTIONS

Parent Company	**31/12/2016**	31/12/2015
Non-current liabilities		
Bank loans with maturity 1—5 years from balance sheet date	46.0	13.3
Current liabilities		
Bank overdraft facility	96.2	37.5
Current portion of bank loans	18.9	7.8
	115.1	**45.3**

NOTE 22. PENSIONS

DEFINED-BENEFIT PENSION PLANS

Part of Ire Möbel's retirement pension and family pension commitment is 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 31 December 2016 was SEK 0.2 million (0.2). 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 10: "Classification of ITP plans financed through insurance with Alecta") from the Swedish Financial Reporting Board, this is a defined-benefit plan shared by several employers. For the 2016 financial year, the Company has not had access to information to enable it to report its proportional share of the plan's commitments, assets under management and costs. As a result, the Company has been unable to account for it as a defined-benefit plan. Against that background, the ITP 2 Pension Plan that is secured via insurance with Alecta is recognised as a defined-contribution plan. The year's charges for pension insurance policies contracted with Alecta amount to SEK 2.9 million (1.6). The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance commitments, calculated by Alecta's actuarial methods and assumptions, which deviate from IAS 19. Normally, the collective consolidation shall be allowed to vary between 125 and 155%. If Alecta's collective consolidation level falls short of 125% or exceeds 155%, steps are to be taken to enable the consolidation level to be brought back within the normal range. In the case of low consolidation, an option is to increase the price for new, and extending existing, benefits. In the case of high consolidation, an option is to reduce premiums.

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		Parent Company	
	2016	2015	**2016**	2015
Costs of defined-contribution pension plans	10.8	10.4	1.4	1.6

PENSION OBLIGATIONS

BC Interieur SARL, France, is subject to a pension obligation for which the company, under GAAP France, does not make provision. The pension obligation comes into force 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 obligation will come into effect. The Group has made provision for its pension commitment in the amount of SEK 1.2 million (0.7).

NOTE 23. OTHER PROVISIONS

Group	31/12/2016	31/12/2015
Warranty commitments at Lammhults Möbel AB, Sweden	0.3	0.3
Warranty commitments at Fora Form AS, Norway	0.3	0.3
	0.6	**0.6**

Both warranty commitments of SEK 0.3 million (0.3) at Lammhults Möbel AB and warranty commitments of SEK 0.3 million (0.3) at Fora Form are classified as current.

NOTE 24. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Accrued employee-related expenses	33.5	22.4	2.4	3.3
Other items	18.9	15.1	3.0	2.4
	52.4	**37.4**	**5.4**	**5.7**

NOTE 25. FINANCIAL RISKS AND RISK MANAGEMENT

By the nature of its business operations, Lammhults Design Group is exposed to various kinds of financial risks. Financial risks consist of fluctuations in the Company's profits and cash flow as a result of fluctuations in exchange rates and changes in interest rate, refinancing and credit risks. The Group's policies and guidelines for managing 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 Group Management. 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 during both upturns and downturns without major unforeseen costs and without jeopardising 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 correspond to at least 10% of total assets. At year-end, the liquidity margin was 12.9 percent (18.8). 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	2017	2018	2019	2020	2021–	**Total**
Bank loans	21.6	17.4	15.9	15.9	31.3	**102.1**
Bank overdraft facility	100.5	–	–	–	–	**100.5**
TOTAL FINANCIAL LIABILITIES	**122.1**	**17.4**	**15.9**	**15.9**	**31.3**	**202.6**

CREDIT RISKS

Commercial credit risk covers customers' payment capacity, and is managed by the respective subsidiary via careful monitoring of payment reliability, following up customers' financial reports and continuous communication. Customers' creditworthiness is checked by collecting infor-mation 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 financial instruments 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. Lammhults Design Group takes the view that short-term fixing of interest rates is compatible with the Group's operations from a risk perspective. Against that background, the majority of the Group's borrowings in recent years have been at variable interest rates. Variable interest rates have also often been lower than long-term rates in recent years, which has had a positive effect on the Group's profit. Management of the Group's exposure to interest rates is centralised, i.e. Group Management is tasked with identifying and handling such exposure. The Company's interest-bearing liabilities amounted to SEK 202.6 million (88.8) at year-end. All interest-bearing liabilities on 31 December 2016 were at variable interest rates.

CURRENCY RISKS

The risk that fair values and cash flows relating to financial instruments may fluctuate when the value of foreign currencies changes is known as currency risk. The Group is exposed to various types of currency risk. The primary exposure relates to 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 in what 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.

Investments in foreign subsidiaries have to a certain extent been hedged by the raising of foreign currency loans or the use of overdraft facilities in foreign currency. At year-end, these loans are recognised in the Group at the exchange rate on the balance sheet date, except in the Parent Company's accounts, where loans are recognised at the acquisition exchange rate for loans and overdraft facilities in foreign currencies for the purchase of participations in Group companies.

TRANSACTION EXPOSURE

The Group's invoicing to markets outside Sweden amounted to SEK 518.7 million (502.8) during the year. Invoicing in foreign currencies totalled SEK 555.5 million (499.0), as set out below.

INVOICING IN FOREIGN CURRENCIES (TRANSLATED TO SEK)

	2016		2015	
Currency	Amount	%	Amount	%
EUR	231.9	42	195.1	39
NOK	176.8	32	165.7	33
DKK	95.2	17	93.8	19
GBP	34.6	6	32.1	6
Other foreign currencies	16.9	3	12.3	3
TOTAL	**555.5**	**100**	**499.0**	**100**

The Group's purchases in foreign currencies totalled SEK 331.2 million (294.1), as described below.

PURCHASING IN FOREIGN CURRENCIES (TRANSLATED TO SEK)

	2016		2015	
Currency	Amount	%	Amount	%
EUR	196.2	59	147.0	50
DKK	50.5	15	82.1	28
NOK	46.8	14	44.6	15
GBP	19.0	6	14.6	5
Other foreign currencies	18.7	12	5.8	2
TOTAL	**331.2**	**100**	**294.1**	**100**

The Group's aim is, by use of forward contracts, to limit the currency risks to which it is exposed in connection with future payment flows. Based on the best possible information regarding future flows, approximately 50% of anticipated net flows over the next 12 months are to be hedged. IAS 39 has been applied as of 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 2016, forward contracts showed a deficit of SEK 0.2 million, compared to a surplus of SEK 0.5 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 in Lammhults Biblioteksdesign A/S in 2002, in Schulz Speyer Bibliothekstechnik AG in 2006, in Abstracta Interiör A/S in 2010 and in Fora Form AS in 2013, the Parent Company raised loans in DKK, EUR and NOK, respectively, to hedge its currency exposures. The currency differences on these loans for the year total SEK -1.9 m (-2.3) and have been taken directly to equity. For more on how translation exposure is treated in the accounts, see Note 1 Accounting policies, Hedging of currency risk in net foreign investments.

SENSITIVITY ANALYSIS

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 profit/loss. 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 2016, it is estimated that a general rise of 1% in interest rates will reduce the Group's profit before tax by approximately SEK 0.8 million (0.5), 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 2016 will reduce the Group's gross profit by approximately SEK 2.5 m (2.2) and pre-tax profit by around SEK 1.5 m (1.2). Changes in the value of currency forward contracts are disregarded in this estimate.

NOTE 26. MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE AND CLASSIFICATION

Carrying amounts for financial assets and liabilities are classified by valuation category as follows:

Group 31/12/2015	Hedging instruments	Loans and accounts receivable	Other liabilities	**Total**
Financial investments	–	0.2	–	0.2
Accounts receivable	–	120.9	–	120.9
Other receivables	–	5.1	–	5.1
Cash and cash equivalents	–	32	–	32
Currency forward contracts (liabilities)	0.5	–	–	0.5
Non-current interest-bearing liabilities	–	–	37.7	37.7
Current interest-bearing liabilities	–	–	51.1	51.1
Trade payables	–	–	67.0	67.0
Other liabilities	–	–	29.6	29.6

Group 31/12/2016	Hedging instruments	Loans and accounts receivable	Other liabilities	**Total**
Financial investments	–	0.3	–	0.3
Accounts receivable	–	171.1	–	171.1
Other receivables	–	4.8	–	4.8
Cash and cash equivalents	–	26.9	–	26.9
Currency forward contracts (liabilities)	–	–	–	0.0
Non-current interest-bearing liabilities	–	–	80.6	80.6
Current interest-bearing liabilities	–	–	122.1	122.1
Trade payables	–	–	86.6	86.6
Other liabilities	–	–	43.8	43.8

The carrying amounts represent a reasonable approximation of the fair values of the financial instruments. The non-current interest-bearing liabilities are subject to a variable interest rate that accords closely with the one that would be obtained at year-end. Other items are short-term.

Fair values for the currency forward contracts are based on quotations from brokers and are classified at level 2 in the fair value hierarchy. Similar contracts are traded in an active market and the rates reflect actual transactions in comparable instruments.

Parent Company 31/12/2015	Loans and accounts receivable	Other liabilities	**Total**
Cash and cash equivalents	–	–	0
Bank loans	–	7.8	7.8
Bank overdraft facility	–	37.5	37.5
Trade payables	–	1.5	1.5
Other liabilities	–	0.7	0.7

Parent Company 31/12/2016	Loans and accounts receivable	Other liabilities	**Total**
Cash and cash equivalents	0.0	–	0.0
Bank loans	18.9	–	18.9
Bank overdraft facility	96.2	–	96.2
Trade payables	1.9	–	1.9
Other liabilities	0.2	–	0.2

The carrying amounts represent a reasonable approximation of the fair values of the financial instruments. The non-current interest-bearing liabilities are subject to a variable interest rate that accords closely with the one that would be obtained at year-end. Other items are short-term.

NOTE 27. OPERATIONAL LEASING

LEASE CONTRACTS WHERE THE COMPANY IS LESSEE

Total lease payments without right of early termination:

	Group		Parent Company	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Lease charges for the year	7.6	5.5	–	–
Within a year	5.8	4.5	–	–
Between one and five years	6.9	4.7	–	–

No non-cancellable lease payments fall due in more than five years. No lease contracts of significance to operations were entered into during the 2016 financial year. No sub-letting took place.

NOTE 28. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Pledged assets				
For own liabilities and provisions				
Property mortgages	58.0	71.0	–	–
Chattel mortgages	50.4	40.0	–	–
Net assets in subsidiaries	513.8	513.8	–	–
Other securities	0.6	0.9	–	–
Shares in subsidiaries	–	–	202.5	202.5
TOTAL PLEDGED ASSETS	**622.8**	**625.7**	**202.5**	**202.5**
Contingent liabilities				
Sundry surety bonds	3.6	3.6	3.6	3.6
Warranties	4.6	4.2	–	–
Other contingent liabilities	1.6	1.4	–	–
TOTAL CONTINGENT LIABILITIES	**9.8**	**9.2**	**3.6**	**3.6**

The Parent Company has provided general, unconditional and absolute guarantees to borrowers Abstracta AB, whose liability amounts to SEK 17.8 million (23.3), and to Voice AB and Lammhults Möbel AB, whose liabilities total SEK 0.0 million (0.0).

NOTE 29. APPROPRIATIONS

Parent Company	**2016**	2015
Group contributions received	23.7	31.9
Group contributions paid	-4.2	-3.3
TOTAL	**19.5**	**28.6**

NOTE 30. CLOSELY RELATED PARTIES

CLOSE RELATIONSHIPS

The Parent Company has close relationships with its subsidiaries, as detailed in Note 31, and a joint venture as described in Note 14.

SUMMARY OF TRANSACTIONS WITH CLOSELY RELATED PARTIES

Of the Parent Company's total purchases and sales measured in Swedish kronor, SEK 0.5 million (0.6) of the purchases and SEK 7.1 million (6.4) of sales relate to other companies in the Group of which the Company is part. This equates to 1% (1) of the Parent Company's purchases and 100 percent (100) of sales by the Parent Company. Substantial financial receivables and liabilities exist between the Parent Company and the subsidiaries. On 31 December 2016, the Parent Company's receivables from Group companies totalled SEK 289.5 million (233.5), while its liabilities towards Group companies amounted to SEK 366.7 million (300.9). No transactions or outstanding balances exist with the joint venture company. Transactions with closely related parties are priced in accordance with general market conditions.

TRANSACTIONS WITH KEY PEOPLE IN SENIOR POSITIONS

The Company's Board members, along with close family members and wholly- or partly-owned companies, control 28.9% (44) of the votes in the Company. Peter Conradsson controls 27.8% (25.8) of the voting rights through an ownership stake in Scapa Capital AB. Lars Bülow controls 1.1% of the voting rights via Sandin & Bülow Design AB.

For more information on salaries and remuneration to the Board Members and senior executives, see Note 6.

NOTE 31. GROUP COMPANIES

Parent Company	**31/12/2016**	31/12/2015
Amortised costs		
At beginning of the year	456.5	456.5
Purchases	115.4	–
CARRYING AMOUNT, 31 DECEMBER	**571.9**	**456.5**
Accumulated impairment losses		
Opening balance, 1 January	-34.6	-34.6
Impairment losses for the year	–	–
CARRYING AMOUNT, 31 DECEMBER	**-34.6**	**-34.6**
CARRYING AMOUNT, 31 DECEMBER	**537.3**	**421.9**

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, %	**31/12/2016 Carrying amount**	31/12/2015 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
Lammhults Biblioteksdesign A/S / 87 71 97 15 / Holsted, Denmark	50,000	100	73.9	73.9
BC Interieur SARL / 33058132300046 / Paris, France				
Thedesignconcept Ltd / 06482850 / Bellshill, Glasgow, United Kingdom				
Schulz Speyer Bibliothekstechnik AG / HRB 2951SP / Speyer, Germany	11,250	100	65.4	65.4
Schulz Benelux BVBA / BE421869331 / Rotselaar, Belgium				
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				
Abstracta Interiör A/S / 20 95 95 09 / Bjert, Denmark				
Fora Form AS / 986 581 421 / Ørsta, Norway	5,100	100	72.8	72.8
Ragnars Inredningar AB/556478-7074/Forserum, Sweden	2,000	100	68.9	–
Morgana AB/556629-2073/Bodafors, Sweden	5,000	100	46.5	–
Atran AB / 556035-8508 / Falkenberg, Sweden	6,000	100	0.4	0.4
Skaga AB / 556551-6480 / Jönköping, Sweden	1,000	100	0.1	0.1
Sydostinvest AB / 556210-3498 / Växjö, Sweden	1,000	100	0.2	0.2
			537.3	**421.9**

BUSINESS ACQUISITIONS

On 25 May 2016, Lammhults Design Group AB acquired 100% of the shares in Swedish furniture company Ragnars Inredningar AB. The initial purchase consideration was SEK 60.4 m., including a net cash payment of SEK 10.4 m. The acquisition is also subject to a possible additional purchase consideration of no more than SEK 15 m. within three years at the latest.

The acquisition analysis below is provisional.

The acquisition had the following impact on the Group's assets and liabilities:

Ragnars Inredningar AB – net assets at acquisition

Amounts in SEKm	Carrying amount before acquisition	Fair value, adjustment	Fair value recognised in Group
Intangible assets	0.0	16.0	16.0
Property, plant and equipment	13.8	4.0	17.8
Deferred income tax assets	0.0	0.0	0.0
Inventories	12.3	0.0	12.3
Trade receivables and other receivables	13.5	0.0	13.5
Cash and cash equivalents	14.6	0.0	14.6
Interest-bearing liabilities	-6.1	0.0	-6.1
Deferred tax liabilities	-0.2	-6.0	-6.2
Trade payables and other operating liabilities	-11.0	-2.0	-13.0
Net identifiable assets and liabilities	36.9	12.0	48.9
Goodwill on consolidation	–	–	19.0
PAYMENT TRANSFERRED	**–**	**12.0**	**67.9**

On 16 October 2016, Lammhults Design Group AB acquired 100% of the shares in designer furniture company Morgana AB. The initial purchase consideration was SEK 45.9 m., including a net cash payment of SEK 6.9 m.

The acquisition analysis below is provisional.

The acquisition had the following impact on the Group's assets and liabilities:

Morgana AB – net assets at acquisition

Amounts in SEKm	Carrying amount before acquisition	Fair value, adjustment	Fair value recognised in Group
Intangible assets	0.2	16.0	16.2
Property, plant and equipment	3.2	0.0	3.2
Deferred income tax assets	0.0	0.0	0.0
Inventories	4.5	0.0	4.5
Trade receivables and other receivables	13.7	0.0	13.7
Cash and cash equivalents	6.9	0.0	6.9
Interest-bearing liabilities	-5.5	0.0	-5.5
Deferred tax liabilities	0.0	-4.4	-4.4
Trade payables and other operating liabilities	-7.9	-2.0	-9.9
Net identifiable assets and liabilities	15.1	9.6	24.7
Goodwill on consolidation	–	–	21.2
PAYMENT TRANSFERRED	**–**	**9.6**	**45.9**

On 25 October 2016, Lammhults Design Group AB acquired 100% of the shares in Ragnars, based in Forserum. The total purchase consideration was SEK 60.4 m., plus a possible additional purchase consideration of no more than SEK 7.5 m., to be paid within a maximum of three years. Lammhults Design Group also takes possession of Ragnars' net cash of SEK 10.4 m. Acquisition-related expenses totalled SEK 0.9 million, consisting of fees to consultants in connection with due diligence. These expenses are recognised as administrative expenses in the consolidated statement of comprehensive income. In 2016, Ragnars had sales of approximately SEK 83.4 m., with a profit after tax of approximately SEK 6.3 m. The company has 35 employees. Lammhults Design Group is of the view that Ragnars will be an excellent complement to the companies and brands that already exist in the Group, and furthermore that Ragnars is a strong brand, above all in the Swedish market. At the same time, Ragnars will gain access to the Group's sales organisations, enabling it the expand its exports, while other synergies are also available in production and purchasing. Ragnars focuses on well-designed office furniture for the public sector market. The company's main market is Sweden, while major export markets are Norway, Denmark and Germany.

The goodwill amount includes the value of synergies in production, purchasing and shared sales channels. A maximum additional purchase consideration of SEK 7.5 m. may become payable. The additional purchase consideration is conditional on EBIT being achieved on a 3-year basis. Ragnars Inredning's sales since acquisition on 25 May 2016 total SEK 56.0 m. Net profit in the same period was SEK 3.7 m.

On 16 December 2016, Lammhults Design Group AB acquired 100% of the shares in Morgana, based in Bodafors. The total purchase consideration was SEK 45.9 million. Acquisition-related expenses amounted to SEK 0.6 million, consisting of fees to consultants in connection with due diligence. These expenses are recognised as administrative expenses in the consolidated statement of comprehensive income. No agreement as to an additional purchase consideration has been entered into. No sales or net profit are consolidated into the Group's accounts. In 2016, Morgana had sales of approximately SEK 61 m. and a profit of approximately SEK 2.9 m. after tax. The company has 38 employees. Morgana is mainly engaged in the production of glass partitions for the public and office sectors. The company also offers sound absorber products, tables and modular interior products. Morgana is a profitable and well-known furniture company with a very strong position in its core business, glass partitions. Morgana will be an excellent complement to the Group's other companies and strong brands. The goodwill amount includes the value of synergies in production, purchasing and shared sales channels.

NOTE 32. SPECIFICATION OF STATEMENT OF CASH FLOWS

Interest paid and dividend received

	Group		Parent Company	
	2016	2015	**2016**	2015
Interest received	4.7	5.3	3.2	5.1
Interest paid	-7.5	-5.5	-5.3	-3.6
Dividend received	–	–	11.7	18.6

ADJUSTMENT FOR NON-CASH ITEMS

	Group		Parent Company	
	2016	2015	**2016**	2015
Depreciation	17.1	15.1	0.2	0.2
Impairment losses	–	–	–	–
Unrealised exchange differences	1.4	-1.5	–	–
Capital loss on joint ventures	-1.6	-1.0	–	–
Gain/loss on sale of non-current assets	0.1	0.3	–	–
Provisions for pensions	0.1	-0.4	–	–
Dividends from Group companies	–	–	-11.8	-18.6
Other	0.8	–	–	–
	17.9	**12.6**	**-11.6**	**-18.4**

CREDIT LINES NOT USED

	Group		Parent Company	
	2016	2015	**2016**	2015
Total, non-utilised credit lines	56.7	121.8	53.1	89.8

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 significant accounting policies and assessments, and the application of these policies and assessments.

SIGNIFICANT SOURCES OF UNCERTAINTY IN ASSESSMENTS

Impairment tests for goodwill

When computing the recovery amounts for cash-generating units to assess 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 12. As may be seen from Note 12, changes in the preconditions for these assumptions and estimates during 2016 could have a significant effect on the value of goodwill.

Income taxes

Extensive assessments are made to determine current and deferred tax liabilities/assets, and in particular the value of deferred tax assets. In this process, Lammhults Design Group must assess the likelihood of the deferred tax assets being offset against future taxable profits. The actual outcome may differ from these assessments, for example, because of changes in the future business climate or changes in tax regulations, or because of the eventual outcome of a tax authority's or a fiscal court's as yet uncompleted examination of tax returns submitted. For more information, see Note 10.

NOTE 34. INFORMATION ABOUT 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 2016 are for the Parent Company and its subsidiaries, which form 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 Report and the annual accounts give a true and fair view of the financial position and results of the Parent Company and the Group. The Report of the Board of Directors for the Parent Company and Group provides a true and fair overview of the Parent Company's and Group's operations, position and results, as well as describing significant risks and factors of uncertainty to which the Parent Company and the companies included in the Group may be exposed.

The annual accounts and consolidated accounts were, as indicated above, approved for issue by the Board of Directors and the Chief Executive Officer on 27 March 2017. The consolidated statement of income and statement of financial position and the Parent Company's income statement and balance sheet will be presented for adoption by the Annual General Meeting of Shareholders, to be held on 27 April 2017.

Lammhult, 27 March 2017

Anders Pålsson
Chairman

Peter Conradsson
Board member

Maria Bergving
Board member

Maria Edsman
Board member

Jorgen Ekdahl
Board member

Lars Bülow
Board member

Fredrik Asplund
CEO

Our Audit report was submitted on 27 March 2017
KPMG AB

Emil Andersson
Authorised Public Accountant

AUDITORS' 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

Statement

We have conducted an audit of the annual accounts and the consolidated accounts of Lammhults Design Group AB (publ) for the 2016 financial year. The company's annual report and consolidated accounts are included on pages 49–88 of this document.

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 2016 and of its financial performance and its cash flows for the year then ended, in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and provide, in all material respects, a true and fair view of the financial position of the group as of 31 December 2016 and of its financial performance and cash flows for the year, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance report has been drawn up. The statutory administration report and the corporate governance report are consistent with the other parts of the annual report and the consolidated accounts, and the corporate governance report complies with the Annual Accounts Act.

We therefore recommend to the Annual General Meeting that the income statement and balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the group be adopted.

Grounds for statement

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. Our responsibility in this respect is described more fully in the section "Auditor's responsibilities". In accordance with generally accepted accounting practice in Sweden, we are independent of the parent company and the group and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein.

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

Areas of particular importance

Areas of particular importance to our audit are those that, in our professional opinion, were the most important to our audit of the annual report and consolidated accounts for the period concerned. These areas were addressed within the scope of the audit of, and in our statement of opinion on, the annual report and consolidated accounts, but we make no separate comment on the areas concerned.

MEASUREMENT OF GOODWILL AND SHARES IN SUBSIDIARIES IN THE PARENT COMPANY

For detailed information and a description of the area, see Notes 12 and 31, together with the accounting policies on pages 60–67 in the annual report.

Description of the area

As per 31 December 2016, the group recognises goodwill of SEK 271 m., representing 32% of its total assets. Goodwill is required to be subject to at least one impairment test annually, examining both the complexity and major elements of assessments by management. An impairment test must be established for each of the cash-generating units, which in the case of the group are the same as its two business areas.

The parent company recognises shares in subsidiaries, which are subject in the parent company to the same type of testing, using the same technique and input values that are used for goodwill values in the group.

Under current regulations, testing must be performed using a specific technique, in which management has to make assessments of future scenarios as to the internal and external conditions and plans for the business. Examples of such assessments include future cash inflows and outflows, which require for example assumptions as to future market conditions. Another important assumption concerns which discount rate should be used to take into account the fact that future cash inflows are associated with risk and thus are worth less than cash and cash equivalents that are immediately available to the group.

How the area has been addressed in the audit

We have inspected the company's impairment tests in order to determine whether they have been conducted in accordance with the technique prescribed. We have also assessed the reasonableness of the future cash inflows and outflows and the discount rate assumed, by acquainting ourselves with and evaluating management's written documentation and plans. We have also interviewed management and evaluated assessments from earlier years against actual outcomes.

Furthermore, we have involved our internal valuation specialists in the audit team in order thus to ensure the availability of experience and competence in the area, above all with regard to assumptions relating to external markets and competitors.

Another important part of our work has been to evaluate how changes in assumptions may affect the evaluation, in other words the performance and examination of the group's sensitivity analysis. We have also scrutinised the comprehensiveness of the information in the annual report and assessed whether it accords with the assumptions used by the group in its tests for impairment and whether the information is sufficiently detailed to enable an understanding of management's assessments.

INFORMATION OTHER THAN CONTAINED IN THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

This document also contains information other than contained in the annual report and consolidated accounts. This information appears on pages 1–48. The Board of Directors and the Chief Executive Officer are responsible for such other information.

Our statement of opinion regarding the annual report and consolidated accounts does not include this information, and we state no opinion in assurance of this other information.

As part of our audit of the annual report and consolidated accounts, it is our responsibility to read the information identified above and to consider whether that information is materially incompatible with the annual report and consolidated accounts. During this review, we also take into account the knowledge we have otherwise acquired during the audit and make a judgement as to whether the information otherwise contains material misstatements.

If, on the basis of the work performed regarding this information, we conclude that the other information contains any material misstatement, we are under a duty to report it. We have nothing to report in this respect.

Responsibilities of the Board of Directors and Chief Executive Officer (CEO)

The Board of Directors and the CEO are responsible for preparing the annual report and consolidated accounts and for ensuring that they provide a true and fair view in accordance with the Swedish Annual Accounts Act, and, regarding the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal controls that they deem to be necessary to prepare an annual report and consolidated accounts that are free of material misstatements, whether caused by irregularity or error.

In preparation of the annual report and the consolidated accounts, the Board of Directors and the CEO are responsible for assessing the company's ability to continue in business. Where appropriate, they are required to disclose information as to conditions that may affect the company's ability to continue in business and to proceed on the going concern assumption. However, the going concern assumption is not applied if the Board of Directors and the CEO intend to wind up the company, discontinue its business or do not have any realistic prospect of doing either.

The tasks of the Board of Directors' audit committee include overseeing the company's financial reporting, without affecting the responsibilities and tasks of the Board of Directors in other respects.

Responsibilities of the auditors

Our objective is to achieve a reasonable degree of assurance as to whether the annual report and consolidated financial statements as a whole do not contain any material misstatements, whether caused by irregularity or error, and to present an auditor's report including our statement of opinion. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit conducted in accordance with ISA standards and generally accepted accounting practice in Sweden will always reveal a material misstatement if such exists. Misstatements may arise through irregularity or error and are regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions taken by users on the basis of the annual report and consolidated accounts.

As part of an audit in accordance with ISA standards, we use professional judgement and exercise a professionally sceptical approach throughout the audit process. We also:

– Identify and assess the risks of material misstatements in the annual report and consolidated accounts, whether caused by irregularity or error; structure and perform audit processes based partly on such risks; and obtain accounting evidence that is adequate and appropriate to serve as grounds for our opinion. The risk of not detecting a material misstatement arising from irregularity is higher than for one arising from error, since irregularities may include collusion, forgery, deliberate omission, false information or disregard of internal controls.

– Obtain an understanding of the part of the company's internal controls that is relevant to our audit, in order to structure audit processes appropriate to the circumstances, but not in order to state an opinion as to the effectiveness of the internal controls.

– Assess the suitability of the accounting policies applied and of the reasonableness of the estimates by the Board of Directors and the President in the accounts and related disclosures.

– Arrive at a conclusion as to the suitability of the Board of Directors and the CEO applying the going concern assumption in the preparation of the annual report and consolidated accounts. We also arrive at a conclusion, based on the accounting evidence obtained, as to the existence of any material factor of uncertainty relating to events or conditions that may cause substantial doubt as to the company's and the group's ability to continue in business. If we arrive at the conclusion that a material factor of uncertainty exists, we must in our auditor's report draw attention to the disclosures in the annual report and consolidated accounts regarding the material factor of uncertainty or, if such disclosures are insufficient, modify our statement of opinion regarding the annual report and consolidated accounts. Our conclusions are based on the accounting evidence obtained up to the date of the auditor's report. However, future events or circumstances may prevent a company and group from continuing in business.

– Assess the overall presentation, the structure and the content of the annual report and consolidated accounts, including the disclosures, and whether the annual report and the consolidated accounts reflect the underlying transactions and events in a way that presents a true and fair view.

– Obtain adequate and appropriate accounting evidence regarding the financial information on the entities or business activities within the group in order to state an opinion on the consolidated accounts. We are responsible for management, supervision and performance of the audit of the consolidated accounts. We are solely responsible for our opinions.

We must inform the Board of Directors of the planned scope and focus of the audit, for example, and the time at which it is to take place. We must also provide information as to significant observations during the audit, including any inadequacies that we have identified in internal controls. We must further provide the Board of Directors with a statement that we have observed relevant requirements of professional ethics regarding independence, and must make mention of all relationships and other conditions that may reasonably be expected to affect our independence, and as appropriate take suitable countermeasures.

Of the areas of communication with the Board of Directors, we determine which have been the most significant in terms of the audit of the annual report and consolidated accounts, including the most important risks established regarding material misstatements, and which therefore constitute the areas of particular importance to the audit. We describe these areas in the auditor's report, unless laws or other regulations preclude the provision of information on the issue, or when in extremely rare cases we judge that an issue should not be described in the auditor's report on the basis that the negative consequences of doing so may reasonably be expected to be greater than the public interest of such communication.

REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

Statement

In addition to our audit of the annual report and the consolidated accounts, we have also conducted a review of the administration of the affairs of Lammhults Design Group AB (publ) by the Board of Directors and the CEO in the 2016 financial year, and of the proposed appropriation of the company's profit or loss.

We recommend to the annual general meeting that the profit be appropriated in accordance with the proposal in the Report of the Board of Directors and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Grounds for statement

We conducted our audit in accordance with generally accepted auditing practice in Sweden. Our responsibilities in this respect are described in more detail in the section "Responsibilities of the auditor". In accordance with generally accepted accounting practice in Sweden, we are independent of the parent company and the group and have otherwise fulfilled our professional ethical responsibilities in line with the requirements stated therein.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CEO)

The Board of Directors is responsible for the proposal for the appropriation of the company's profit or loss. Our dividend proposal takes into account a judgement as to whether the dividend is defensible in view of the requirements imposed by the nature, scope and risks of the company's and the group's business, with regard to the shareholders' equity, balance-sheet strength, liquidity and general financial condition of the parent company and the group.

The Board of Directors has overall responsibility for the organisation and administration of the company's affairs. This involves, for example, continuously assessing the financial situation of the company and the group, and ensuring that the company's organisation is structured such that the accounting records, management of assets and the company's financial affairs are controlled in a satisfactory fashion.

The CEO is required to manage day-to-day administration in accordance with the Board of Directors' guidelines and instructions and to take such measures as are necessary to ensure that the company's record-keeping is conducted in accordance with the law and that resources are managed in a satisfactory fashion.

RESPONSIBILITIES OF THE AUDITORS

Our objective in terms of our audit of the administration, and therefore our statement of opinion regarding discharge from liability, is to obtain accounting evidence to be able to judge with a reasonable degree of assurance whether any Board member or the President has in any respect:

— taken any action or committed any omission that may result in the company becoming liable for compensation; or

— in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the company's Articles of Association.

Our objective in terms of our audit of the proposal regarding appropriation of the company's profit or loss, and therefore our statement in this respect, is to judge with a reasonable degree of assurance, whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit conducted in accordance with generally accepted accounting practice in Sweden will always detect actions or omissions that may result in the company becoming liable for compensation, or that a proposal for appropriation of the company's profit or loss is compatible with the Swedish Companies Act.

As part of an audit in accordance with generally accepted accounting practice in Sweden, we use professional judgement and exercise a professionally sceptical approach throughout the audit process. Our examination of the administration and the proposal for appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional examinations carried out are based on our professional judgement, with an assessment of risk and materiality. This means that we focus our examination of such actions, areas and conditions that are significant to the business and where deviations and violations would have particular importance in terms of the company's situation. We examine and test decisions taken, supporting documentation, actions taken and other conditions that are relevant to our statement of opinion as to discharge from liability. 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.

Växjö, 27 March 2017
KPMG AB

Emil Andersson
Authorised Public Accountant

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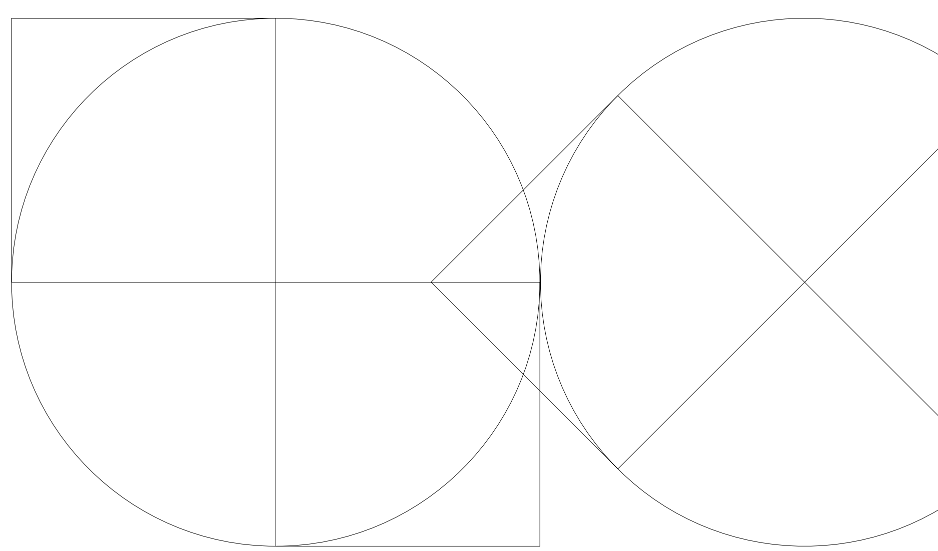

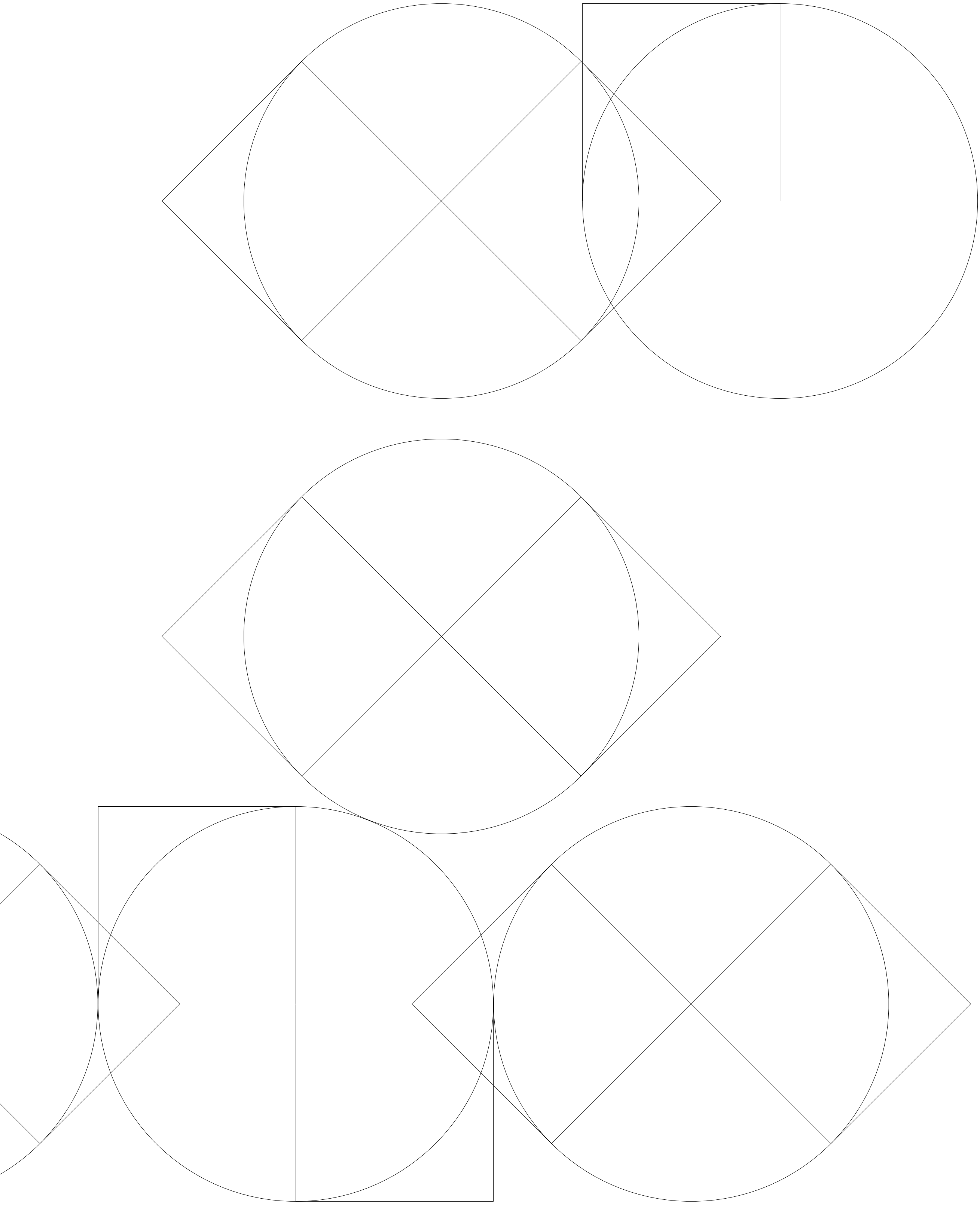

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creates positive experiences
through modern interiors
for a global audience.
Customer insight, innovation,
design management, sustainability
and strong brands are the
cornerstones of our operations.
We develop products
in partnership with some
of the foremost designers
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