



Lammhults Design Group.

ANNUAL REPORT 2013

## LAMMHULTS DESIGN GROUP IN BRIEF

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

LAMMHULTS DESIGN GROUP  
IS LISTED ON NASDAQ OMX STOCKHOLM.

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## THE PAST YEAR

NET SALES FOR REMAINING BUSINESSES:	SEK 607.7 million	(627.4)
OPERATING PROFIT FOR REMAINING BUSINESSES:	SEK 13.3 million	(3.8)
OPERATING MARGIN FOR REMAINING BUSINESSES:	2.2%	(0.6)
RETURN ON CAPITAL EMPLOYED:	3.4%	(2.1)
EQUITY/ASSETS RATIO:	55.9%	(64.9)
DEBT/EQUITY RATIO:	0.39	(0.20)
DIVIDEND PAYOUT RATIO:	78%	(81)
AVERAGE NUMBER OF EMPLOYEES:	329	(376)

## REMAINING BUSINESSES PER QUARTER

### NET SALES

SEK 151.6 million  
(161.9)

### NET SALES

SEK 135.7 million  
(152.3)

### NET SALES

SEK 117.8 million  
(143.9)

### NET SALES

SEK 202.6 million  
(169.3)

### OPERATING PROFIT

SEK 2.3 million  
(-3.1)

### OPERATING PROFIT

SEK 1.4 million  
(-1.7)

### OPERATING PROFIT

SEK 0.3 million  
(7.0)

### OPERATING PROFIT

SEK 9.3 million  
(1.5)

## COMMENTS

Office & Home Interiors' net sales rose, thanks to a number of major projects delivered by Lammhults and Abstracta in the Swedish market. Public Interiors' net sales fell due to a major project in Germany which was not repeated.

Improved gross margins for Office & Home Interiors and Public Interiors.

The completed integrations of Abstracta's, Borks' and Voice's operations and the completed liquidations of Public Interiors' operations in Spain and Austria cut overheads by approximately SEK 9 million compared with the previous year.

Harmonie Projects Srl, Public Interiors' Italian subsidiary was sold in April.

Improved operating profit for Office & Home Interiors and Public Interiors despite lower net sales.

Sales and administration costs fell by approximately SEK 10 million compared with the preceding year, due to the restructuring carried out.

The Group's order bookings declined by 17% due to a 29% fall in order bookings for Office & Home Interiors. This was partly because of generally weak demand in the Swedish public interiors market, but also reflects the fact that last year Lammhults secured a one-off order worth around SEK 15 million.

Although the gross margin was adversely affected by production overheads being distributed over lower sales volumes, it improved to 36,3% compared with 33,7% the preceding year.

The Group's cash flow from operating activities increased to SEK 7.8 million (-9.2) during the quarter thanks to an increase in working capital.

All the shares in the Norwegian designer furniture company Fora Form were acquired in October. The purchase price for the shares totalled approximately SEK 71 million. Through the acquisition, the Group strengthened its position in the important Norwegian designer furniture market and gained further access to products for its new segments of school and education. At the same time Fora Form gained access to the Group's sales organization in order to enable it to expand in exporting.

The Group's order bookings rose 24%, and net sales increased by 20%. The Group's order backlog at year-end was 50% higher than at the preceding year-end.

The Group's cash flow from operating activities increased to SEK 37.3 million (30.1) in the quarter. The improved cash flow arose partly through more efficient inventory management.

Q1

Q2

Q3

Q4

## OFFICE & HOME INTERIORS

### WHAT THE BUSINESS AREA DOES AND HOW IT IS ORGANISED:

Office & Home Interiors develops and markets products for interiors in public and domestic settings. The business area has three brands with high design values focusing on public interiors: Lammhults and Fora Form with visually strong, timeless furniture, and Abstracta, with products for acoustics, 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. Dealers constitute an important part of the sales process towards end customers, who are usually companies and organisations. In home environments, customers are private individuals and sales are mainly through furniture stores.

### RESULT FOR THE YEAR:

Net sales

SEK 383.5 million (372.0)

Operating profit

SEK 17.2 million (5.6)

### LARGEST MARKETS:

Sweden, Norway, Denmark, Germany and the UK.

### BRANDS:

**LAMMHULTS**

**FORA FORM**

**abstracta** **voice** **ire**

## 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. The business area has previously primarily been focused on libraries. In 2011, a decision was taken to broaden the business area's operations. Alongside libraries, expanded sales initiatives are focused on operators primarily in education and training, and in the long term also in the health/social care sector. 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 comprises the companies Lammhults Biblioteksdesign AB (Sweden), Lammhults Biblioteksdesign A/S (Denmark) and Schulz Speyer Bibliothekstechnik AG (Germany) and subsidiaries.

### CUSTOMERS:

Public Interiors works in close cooperation with architects and interior designers who design and propose interiors for their customers.

Public Interiors' end customers are mainly players whose operations are publicly funded, e.g. local government.

### RESULT FOR THE YEAR:

Net sales

SEK 226.3 million (257.5)

Operating profit

SEK 14.1 million (16.6)

### LARGEST MARKETS:

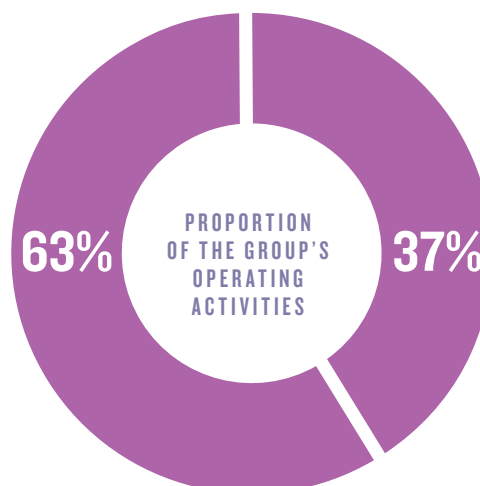
Germany, France, Denmark, Norway and Sweden.

### BRANDS:

**BCI**

**Eurobib  
direct**

**SCHULZ  
SPEYER**





# IN FINE FORM FOR THE FUTURE

## A WORD FROM THE PRESIDENT

ANDERS ROTHSTEIN, PRESIDENT AND CEO

The focus for 2013 was on structural measures, following up on the changes put in place in 2012 as well as carrying out further initiatives. In addition, a number of growth-oriented action plans have taken shape.

## The key details of our growth-based action plans are summed up below:

### MORE SALES RESOURCES

The Group has entered 2014 with a sales force totalling 100 people: 64 in Scandinavia, 30 in northern Europe and 6 in other export countries, so paving the way for what is set to become one of the hardest-hitting sales forces in the industry.

### STRONGER MARKETING DEPARTMENT

In 2013 we strengthened the position of our respective brands and reinforced and developed the organisation on the marketing side. We enter 2014 with a marketing organisation 13 people strong.

### PRODUCT DEVELOPMENT A PRIORITY

A historically strong area for us – and one we are continuing to focus on. Within the Group 19 people work on product development together with our external designers.

### FOCUS ON PROFITABLE SALES – ACTION PLAN FOR GROWTH (SALES 3.0)

Important and challenging work lies ahead of us with an updated sales and marketing concept that starts with the products and ends with the brand. The motto we work to is “from being the recommended option to being the obvious choice”. It builds on offering solutions in combination with knowledge of the end user, instead of solely selling products. We are working at full strength to train our sales and marketing resources and have already completed several successful projects.

### ACQUISITION OF FORA FORM

An acquisition entirely in line with our strategic plan and our financial goals. The addition of Fora Form strengthens the Group's presence in one of our core geographical markets.

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#### CONTINUED FOCUS

The important work of putting in place the structural measures decided on to streamline, focus and improve the efficiency of operations continued in 2013. I would particularly like to highlight the sale of our Italian subsidiary and the steel component production facility in Holsted, Denmark. The latter has been moved to an external supplier in Poland. Both activities concern the Public Interiors business area.

#### SECURING THE IMPACT OF THE STRUCTURAL MEASURES

The Group implemented a number of structural measures in 2012. In 2013 we ensured that the planned improvements in results were realised.

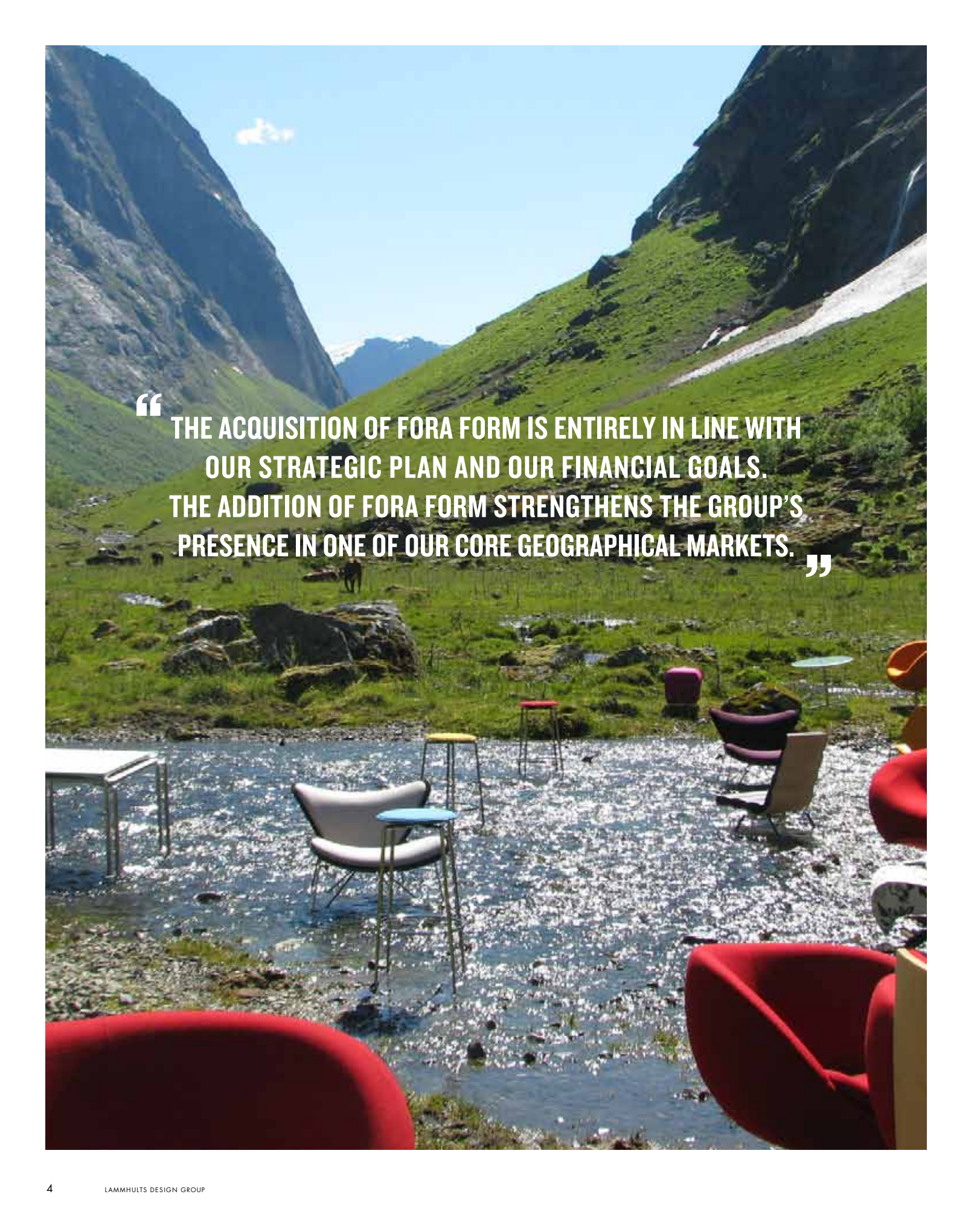
One of the most extensive structural measures in 2012, after splitting Lammhults and Abstracta in organisational terms in order to make them stronger individually, was the merger of Borks and Voice with Abstracta. This

work was the focus of much of 2012, and is expected to pay off in major cost synergies from 2013 onwards. It can be said that as well as a more efficient and clearer organisational structure, and a shared product range, cost savings in 2013 for all structural measures within the Group amounted to just over SEK 24 million. Lammhults has also shown positive development following the split, really demonstrating increased drive and enthusiasm as an independent company.

#### GROWTH-BASED ACTION PLANS

The Group's overall focus is profitable growth. In concrete terms this is seen in investments in sales, marketing and product development, intensive work to develop our long-term sales and marketing concept, and the acquisition of the Norwegian company Fora Form in the fourth quarter of the year. If we were to sum up this vital work, we could say we are under starter's orders for profitable growth!





**“ THE ACQUISITION OF FORA FORM IS ENTIRELY IN LINE WITH OUR STRATEGIC PLAN AND OUR FINANCIAL GOALS. THE ADDITION OF FORA FORM STRENGTHENS THE GROUP'S PRESENCE IN ONE OF OUR CORE GEOGRAPHICAL MARKETS. ”**



#### **FORA FORM – A NORWEGIAN MARKET LEADER**

When it comes to chairs, seats and tables for meeting environments, Fora Form is ranked in first place in the Norwegian market. With its wide range, the company perfectly meets individual needs and values.

Intelligence, creativity and enthusiasm are Fora Form's key core values. They drive all the company's work and steer the product development process, as can clearly be seen in the inspiring products that encourage creativity.

In recent years Fora Form has focused its strategy, putting additional investment into product development, which has paid off in the form of excellent growth and a modern product portfolio. Today Fora Form is one of the most profitable furniture manufacturers in Norway.

#### **POTENTIAL IN NORWAY**

The Group's other companies (apart from Fora Form) turned over just over NOK 60 million in the Norwegian market in 2013 and together with Fora Form's sales for the whole of 2013 in the Norwegian market in 2013 (NOK 120 million of a total NOK 142 million) achieve a pro forma turnover of just over NOK 180 million.

This gives Lammhults Design Group a market-leading position in the design furniture for meeting places segment. In our assessment, the value of the segment amounts to a total of NOK 700 million a year.

#### **SUSTAINABILITY 2013**

Sustainability and environmental considerations play a central role in all our companies, and have done so for many years. For the past three years we have also been reporting our sustainable development initiatives in line with the guidelines of the Global Reporting Initiative (GRI), an international standard that gives us an opportunity to monitor and compare our own initiatives. This provides us with the information we need to continue to improve. In 2013, the improvements we have made in terms of ensuring that wood raw materials come from sustainable and legal forestry can particularly be highlighted. Lammhults is now at a level of 75 percent for wood raw materials coming from FSC/PEFC-certified forestry.

#### **KEY FIGURES 2013**

Net sales totalled SEK 607.7 million (627.4) in 2013, with an operating profit of SEK 13.3 million (3.8). Order bookings for 2013 amounted to SEK 617.9 million (639.1), and it was very pleasing to see the figures for the fourth quarter reach an impressive SEK 219.6 million (176.7).

The Group's financial position remains strong, even after the acquisition of Fora Form. At the end of the year the equity/assets ratio was 55.9% (64.9), and the debt/equity ratio was 0.39 (0.20).

In these generally uncertain times, a strong balance sheet is reassuring while simultaneously leaving us well placed to continue to invest in profitable growth in priority areas and markets.

#### **TO CONCLUDE**

I would like to thank all our employees for their hard work in what has been a tough year in many ways in 2013. I would also like to take the opportunity to wish our new employees at Fora Form a warm welcome to the Group. Together we will deliver ever-improving results for our shareholders.

We are now putting all our efforts into a successful 2014.



**ANDERS ROTHSTEIN**  
**PRESIDENT AND CEO**  
**LAMMHULTS DESIGN GROUP**

# KEY EVENTS DURING THE YEAR

## SOME OF THE GROUP'S PRODUCTS LAUNCHED IN 2013



Voice launched the **TRE** shelf, designer Nina Jobs, the **OVERTIME** pedestal, designer Stina Sandwall and the **216 SIDEBORD**, designer Jesper Ståhl.

The whiteboard system **MOOW**, designed by Stefan Borselius, and the acoustic product **PLAID**, designed by Form Us With Love, were launched by Abstracta.



At the Stockholm Furniture Fair, Ire launched the **ARMILLA** sofa, designed by Emma Olbers, and the **COLLAR** easy chair bed, designed by Jesper Ståhl.

At the Stockholm Furniture Fair, Lammhults launched the **CAMPUS SLED BASE**, the **SPIRA STARBASE** and the **QUICKLY T** designed by Johannes Foersom & Peter Hiort-Lorenzen, **COMET SPORT** and the **RIO** chair designed by Gunilla Allard, and **AREA HIGH** and the **ADD** table, designed by Anya Seaton.

Sigtunahöjden Hotell & Konferens ordered **SPIRA**, **QUICKLY**, **MILLIBAR**, **COMET**, **ADDIT** and **ADD** from Lammhults to a value of SEK 2 million.

The technology company Orange in Poland ordered **AIRFLAKE** from Abstracta to a value of SEK 1.4 million.

Lammhults delivered the products **SPIRA**, **ARCHAL**, **FUNK** and **ATLAS** to Karolinska University Hospital in Solna to a value of SEK 3.2 million.

Ire delivered **JOIN** sofas to the Norwegian office furnishing business Bergen Kontorscenter to a value of SEK 0.9 million and to Skanska's new head office to a value of SEK 1.8 million (deliveries in 2013 and 2014).

## A NUMBER OF HIGH-PROFILE PROJECTS THAT THE GROUP'S COMPANIES HAVE DELIVERED DURING THE YEAR

A number of special solutions were delivered by Public Interiors during the year, including to **HOLTE BIBLIOTEK** in Denmark, the Library of the **BAUHAUS FOUNDATION**, Dessau, Germany, and the **UNIVERSITY AND STATE LIBRARY**, Darmstadt, Germany.



Fora Form delivered sliding sections of seats/chairs in a culture project worth SEK 4.0 million to **SÖRMARKA FLERBRUKSHALL**.

Lammhults Biblioteksdesign A/S delivered 60/30 shelves from the BCI range to a value of SEK 3.7 million to the **UNIVERSITY OF SYDDANSK DENMARK**.

## OTHER EVENTS

Lammhults' CEO **LARS BÜLOW** was declared "Furniture personality of the year 2013" by Möbeldagen.

The **ARCHAL** chair and armchair were approved for Nordic Ecolabel certification and eight other products were approved by Möbelfakta.



The **OVERTIME** desk, designed by Stina Sandwall for Voice, was picked as the favourite of Plaza magazine.

Elle Interiör magazine declared the **REJOIN** sofa, designed by Emma Olbers, its piece of furniture of the year.



Abstracta's acoustic furniture **SOFTLINE** was approved by Möbelfakta.



## FINANCIAL ROOM TO GROW

The Group continues to aim for growth and needs to be on a sound financial footing to make acquisitions when the right opportunity arises. At year-end 2013/2014, the equity/assets ratio was 55.9% (64.9), and the debt/equity ratio was 0.39 (0.20). There is financial scope for our businesses to grow according to plan, both organically and through additional complementary acquisitions without exceeding the Group's equity/assets goal of at least 35 percent and a debt/equity ratio in the range of 0.7–1.0.

Sales of Scandinavian Eyewear and one property in the previous year generated a positive cash flow of just over SEK 80 million, reducing and releasing tied-up capital. This also enabled the acquisition of Fora Form in October 2013. The purchase consideration was approximately SEK 71 million. At the same time, cash flows for the year from operating activities amounted to approximately SEK 38 million, which sees the Group retain its strong financial position even after the acquisition.

## OUR STRATEGIC STRENGTHS

Lammhults Design Group is sticking to its strategy of profitable growth. Stable finances, strong brands, export potential and synergy opportunities are strengths that will see us reach our goal.

As part of the strategy of streamlining and focusing the Group on profitable growth in furniture and interiors, it was decided that the business area Scandinavian Eyewear would be divested in the long term. In October 2012 all the shares in Scandinavian Eyewear were sold for a purchase price of approximately SEK 58 million.

## GROWTH IN EXPORT MARKETS



**FORA FORM**  
Senso. Design Andersen & Voll.

Lammhults Design Group has roots in Sweden but is an international Group. Around 64 percent of our revenues came from markets other than Sweden in 2013.

Three years ago the Group decided to streamline its offering and focus on profitable growth in furniture and interiors. Marketing was targeted geographically on Northern Europe.

The Group's largest export markets are currently Norway, Germany, Denmark, France and the UK. We see greater potential in developing sales in these markets than in building up sales in new markets outside Northern Europe. In Office & Home Interiors, the ambition is also to carry out acquisitions with the aim of further strengthening Lammhults Design Group's position within its defined geographical focus.

## VALUABLE BRANDS BOOST SHAREHOLDER VALUE

Lammhults Design Group has a brand-oriented strategy. We are an integrated industrial group with a focus on interior design. Clear, consistent branding is key to achieving sustainable, profitable growth, thereby increasing shareholder value. The brand strategy places the customer at the centre. Insight into customer needs today and in the future is vital if we are to be able to develop good products and solutions, which are simultaneously essential if our businesses are to succeed. Consistent and credible branding is also another important tool by which the Group's future gross margins can be improved.

To achieve maximum impact, in recent years the Group has fine-tuned its brand strategy. Lammhults Design Group has adopted its own graphic identity, which has created clarity for external and internal target groups. Our strong and well-established brands in interiors retain their individual characteristics, while at the same time benefiting from an endorsement process that tags them "Part of Lammhults Design Group". This means that we can work with our brands individually but also in a collection-inspired way, all to meet the needs of individual customers for total solutions.

## RESTRUCTURING PRODUCES SYNERGIES

To improve future profitability, in 2011 the Group decided to gather expertise and resources in two clear business areas – Office & Home Interiors and Public Interiors – instead of the previous four.

The new organisation and concentrating expertise in design leadership and innovation have resulted in cost and income synergies. To create more efficient product supply and identify additional synergies within the Group, increasingly closer collaboration will be seen in the Group's supply chain functions.

In 2012 the operations of Borks and Voice were integrated with those of Abstracta. The production units in Kolding and Jönköping were moved and coordinated with Abstracta's production in Lammhult. Purchasing, administration, product development and marketing were integrated to exploit synergies between the businesses. These restructuring efforts were a charge on the Group's results in the preceding year, but paved the way for lower costs in the years ahead. Reductions in costs were clearly seen in 2013, where overheads in Office & Home Interiors fell by approximately SEK 15 million as a result of the integration.

The Voice and Ire product ranges are in the process of being extended to include public interiors. The acquisition of Fora Form sees the Group strengthening its position in the important Norwegian designer furniture market while gaining access to products for its new school and education segment. At the same time, Fora Form gains access to the Group's sales organisation in order to enable it to expand in exporting.



**ABSTRACTA**  
Stitch. Design Stefan Borselius.

The acquisition also creates additional potential supply chain synergies, helping to improve profitability in the future.

The former business area Lammhults Library has gradually been expanded. Sales activities have been extended and targeted, alongside libraries, to operators mainly active in education and training. As a consequence of its focus on a broader market, the business area's name has changed to Public Interiors. The different operations within the business area have been integrated further in recent years in areas such as purchasing, developing the range, finances, IT and marketing.



# GOALS AND GOAL FULFILMENT

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

AVERAGE ANNUAL GROWTH OF AT LEAST 10%	-3.1% FOR REMAINING BUSINESSES
AN ANNUAL OPERATING MARGIN OF AT LEAST 8%	2.2% FOR REMAINING BUSINESSES
AN ANNUAL RETURN ON CAPITAL EMPLOYED OF AT LEAST 15%	3.4%
AN EQUITY/ASSETS RATIO OF AT LEAST 35%	55.9%
A DEBT/EQUITY RATIO IN THE RANGE 0.7–1.0	0.39
A DIVIDEND PAYOUT RATIO OF APPROXIMATELY 40% OF PROFITS AFTER TAX TAKING INTO ACCOUNT THE GROUP'S LONG-TERM CAPITAL REQUIREMENTS	78%

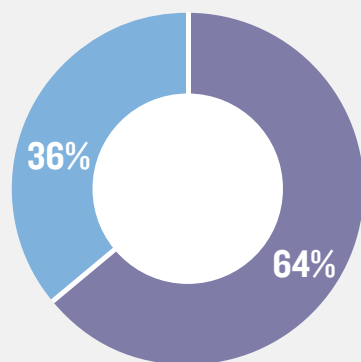
*The Scandinavian Eyewear business area was sold on 3 October 2012. The comments in the following therefore refer in all cases to the remaining businesses, that is, operations excluding Scandinavian Eyewear.*

The general uncertainty in much of the world around us continued to affect business in 2013. Restraint in public sector investments in a number of European markets adversely affected sales by Public Interiors, where sales fell by 12%. The business area's lower sales were also due to a drop in sales by Schulz Speyer in the German market, and the disposal and closure of subsidiaries in Southern Europe. Office & Home Interiors increased sales by 3% thanks to Fora Form, which was acquired in early October 2013, reporting sales of around SEK 50 million in the fourth quarter of the year. Ire succeeded in increasing sales during the year through success in the Swedish and Norwegian markets for public environments. For the other brands in Office & Home Interiors

(Lammhults, Abstracta and Voice) sales fell during the year. This was attributable primarily to weak demand in the Swedish public environments market during the third quarter, and the fact that Lammhults delivered a major one-off project in the previous year. Weak demand in the premium segment of the furniture market for domestic environments in Sweden affected sales of the Voice and Ire brands, hence the strategy of gradually developing these ranges to increasingly also cover public environments remains key. Strengthening of the Swedish krona had a negative impact of just over SEK 9 million on the Group's net sales.

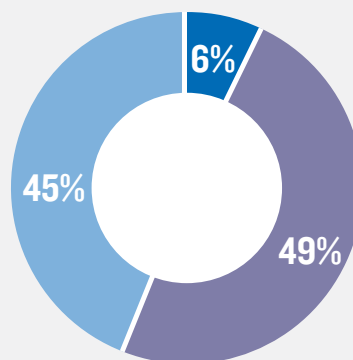
The Group's gross margin improved from 35.1% to 36.6% despite the adverse effect of production overheads being distributed over lower sales volumes. The restructuring measures implemented last year lowered the Group's costs of goods sold, which helped to boost the gross margin. In the previous year the gross margin was affected partly by

#### WHERE THE GROUP'S REVENUES COME FROM



SWEDEN ●  
EXPORT MARKETS ●

#### THE GROUP'S REVENUES WERE DISTRIBUTED AS FOLLOWS



PRIVATE CONSUMPTION ●  
CORPORATE CONSUMPTION ●  
PUBLIC CONSUMPTION ●

the costs of harmonising and streamlining the Abstracta, Borks and Voice product ranges, and partly through non-recurring impairment charges of around SEK 4 million on inventories at Office & Home Interiors.

Total overheads were approximately SEK 13 million less than in the preceding year. Excluding Fora Form, overheads fell by approximately SEK 24 million in 2013. The lower overheads were largely attributable to the completed closures/divestments of Public Interiors' operations in Spain, Austria and Italy, plus the completed integrations of Abstracta's, Borks' and Voice's operations in Office & Home Interiors. Non-recurring overheads totalled approximately SEK 4 million in 2013, compared with approximately SEK 8 million in the preceding year. One property was sold in the third quarter last year, yielding a capital gain of SEK 4 million for the Group. The operating profit totalled SEK 13.3 million (3.8) and the operating margin was 2.2% (0.6).

The sale of the Voice property and of the business area Scandinavian Eyewear in the second half of 2012 generated a positive cash flow of just over SEK 80 million, reducing and releasing tied-up capital. This also enabled the acquisition of Fora Form in October 2013. The Group's cash flow from operating activities totalled SEK 37.7 million (25.2) during the year, helping to maintain the Group's strong financial position even following the above acquisition. The equity/assets ratio was 55.9% (64.9), and the debt/equity ratio was 0.39 (0.20) as at 31 December 2013. The financial position therefore continues to allow scope for acquisitions without departing from the Group's financial goals for equity/assets ratio and debt/equity ratio. In view of this strong financial position, the Board recommended that the AGM approve a dividend of SEK 1.00 (0.50) per share, corresponding to a dividend payout ratio of 78% (81).



# DESIGN SHOWS THE WAY TO ATTRACTIVE TOTAL SOLUTIONS



Design has a special place within Lammhults Design Group. There is a rich tradition of outstanding design partnerships and design has uniquely become a tool used as much in the management teams as it is in product development. The Group's companies feature a wide range of expertise. We have been to visit some of the people turning design into competitive edge.

**ARCHAL CHAIR & FUNK TABLE**  
Lammhults. Design Johannes Foersom & Peter Hiort-Lorenzen.



Turn away from the buzz of the popular area around Nyhavn in Copenhagen, packed with restaurants, and you will find a narrow, picturesque building nestled in a quiet side street.

## A BRAVE DECISION PAVED THE WAY OUT INTO EUROPE

Look through the window and you'll see rows of furniture. Small models, prototypes and familiar classics. This is where design duo Johannes Foersom & Peter Hiort-Lorenzen have their studio. They have been working with Lammhults for 25 years and are the team behind several of the company's major success stories.

**We step in and make our way up** a slightly sloping staircase. At one of the drawing boards Johannes Foersom is waiting to tell us how design becomes a driver of a company's business strategy.

Along the walls are miniatures of the agency's collection of pieces. One of the chairs with a special place in history is Campus for Lammhults.

"It was back in the late 1980s, and Lammhults came to us with a challenge. Can you design a chair for the export market? It needs to be cheap, stackable, connectable and attract an international audience," Johannes explains.

It took two years of work, and a multitude of sketches and models, before the design duo found the right balance between economy and aesthetics.

"Even then, we still hadn't quite got right down to the level of production costs that the calculations demanded, but Lammhults' management took a brave decision. They believed in our design and had a clear strategy that in the long-term, larger volumes would make it profitable."

Looking at the evidence, it is clear how right they were. Campus has sold in huge volumes and is still stylish decades later. It created trust in Lammhults in the international market and served as a Trojan horse for the brand.

"Campus shows how closely design and business development go together. A designer will never be better than the ambitions of the company's management. It's about teamwork."





▲ Campus. Siemens Forum, Vienna.

▼ Johannes Foersom in the design duo's studio in Copenhagen.



**“ I’VE NOTICED THAT WE OFTEN  
END UP ADVISING ON QUALITY  
BECAUSE WE KNOW THE PRODUCTION  
PROCESS AND HAVE A VISION OF  
THE FINAL RESULT AND THE USER’S  
EXPECTATIONS. ”**

**JOHANNES FOERSOM**



“THE FACT IS THAT WE GET MANY OF OUR COMMISSIONS PRECISELY BECAUSE OF OUR EXPERTISE IN DESIGN AND IN SEEING THE WHOLE PICTURE.”

KIRSTEN BRANDT JØRGENSEN

A few kilometres north of central Copenhagen, the Group's library specialist BCI has just moved into new premises. Camilla Larsen and Kirsten Brandt Jørgensen are interior designers and have been there every step of the way as BCI's concept has shifted more towards design services and total solutions.

**“It's entirely in line** with what customers are looking for. Having an interior designer on board provides a great deal of added value, something more and more customers are coming to realise. The fact is that we get many of our commissions precisely because of our expertise in design and in seeing the whole picture,” says Kirsten.

Interior designers at BCI are involved in new projects right from the start. They carry out function analysis and help the customer and the company's own sales staff to see the bigger picture.

“We often think an extra step ahead and see needs from a different angle. Everything starts with a good plan and then we work step by step on the focus the library wants to

have and the needs of its users,” says Camilla.

Camilla, Kirsten and the other interior designers at BCI have an advisory role. As well as their design expertise, they have experience with libraries across the world.

“This was exactly what we wanted, we just didn't know it before,” is a common reaction when we present a proposal,” laughs Kirsten.

A consistent focus on the total concept increases trust in the brand and shows what can be done.

“The solution always starts out from the customer and 10 to 20 percent of every project is specially developed,” says Camilla.



▲ Camilla and Kirsten with drawings and sketches for a new project.





## ACOUSTIC CHALLENGES IN A HISTORIC BUILDING

The former warehouse of the tobacco monopoly in Gullbergsvass in Gothenburg harbour is known as the Pagoda. The name comes from the curving, East Asian-style copper roof. The property owner worked with architects Semrén & Månsson to develop the building, which had stood empty for some time, in 2012. The renovation won the Per & Alma Olsson award for the best building in Gothenburg the same year. One of the new tenants in this imposing building with plenty of natural light is the Swedish Agency for Marine and Water Management.

**“The idea of the property owner was to create** open, light and modern offices while retaining the assets of the historic setting. The space is designed as open plan offices divided by hard surfaces such as stone floors, glass walls and bare, high stone walls, which make particular demands in terms of sound absorption,” says Helena Schmidt of the Swedish Agency for Marine and Water Management.

### SCREEN WALLS THAT MEET THE DEMANDS OF OPEN PLAN

To address the noise issues, the agency worked with an independent acoustics consultant. The proposed measures to improve the acoustics included sound absorbing interior design solutions and additional ceiling tiles with

sound absorption at particularly affected points. Much of the solution uses Abstracta’s acoustic products.

“We chose Abstracta’s Airflake, hanging freely in the open plan space, as a room divider and against the large glass surfaces. It lets in plenty of light and absorbs sound too, Airflake reduces reflections in the glass without blocking too much out. It is most useful as an absorber and as soundproofing in front of a glass partition or a wall,” says Helena Schmidt.

### AESTHETIC DETAIL, ACOUSTIC FUNCTION

The Soneo sound-absorbing wall panel has been used in the open plan office space and in the café. A colourful solution, it reduces reflected sound and prevents disturbing neighbouring workstations. The workstations have also been equipped with the Alumi table screen for good acoustics and screening.

“Working with Abstracta went very smoothly during the construction phase. And now we’ve been working in the space for a while, I can say that I’m very satisfied with the characteristics of the products,” Helena Schmidt concludes.



ABSTRACTA  
Airflake. Design Stefan Borselius.

**Frode Sporsheim has worked for Fora Form for 35 years** and is now sales manager. After holding a number of different posts in the company, he knows the business better than anyone else. We met up with Frode to talk about the importance of design for market success.

**LET'S START FROM THE BEGINNING: HOW DID FORA FORM BECOME A DESIGN COMPANY?**

My mentor, Inge Langlo, was extremely committed to design and laid the foundations for a design philosophy in the company. In brief, it's about always having a professional designer behind every Fora Form product. Since then, the company has worked actively to seek out new designers, new ideas and new techniques. If we find an exciting designer who would suit Fora Form, we make sure we can find a joint project. We carry out a close dialogue with art colleges in Oslo and Bergen. We give talks and get to know new talent.

**THE DESIGN PHILOSOPHY PROVIDES A LOT OF NEW INPUT AND ENERGY. HOW DOES THE DESIGN WORK FOLLOW UP ON THAT?**

It's hard to put our design philosophy into words; it's such a natural part of the way we work. But our job is to deliver furniture for meetings and the products have to fit that remit. The design must also have a Scandinavian feel, maintain a high level of quality and add something new. Recruiting designers is just the start. The big part of the job is getting the idea into production.

**WHAT DOES THAT PROCESS LOOK LIKE, FROM IDEA TO PRODUCTION?**

It's a bit like getting through the eye of a needle, but we have three ways of going about it. The first is where a designer comes to us with a suggestion. The second way is when we commission a designer to complete a particular task. The third approach is filling gaps in the range. Here we produce a detailed list of requirements and often invite several designers to compete for the job.

**WHAT DOES DESIGN MEAN FOR FORA FORM'S BUSINESS?**

It's crucial. New, innovative products are the only route to success in our industry. In the past ten years we've also become much better at identifying which products will be profitable. This means we can update the range and maintain control of profitability. As part of this way of working, we have raised our requirements in terms of profitability and efficiency, which has had a major impact on the positive trends we've seen in recent years.

**NOW YOU ARE PART OF LAMMHULTS DESIGN GROUP, WHAT SORT OF EXPECTATIONS DO YOU HAVE FOR THE FUTURE?**

Big ones, obviously. Lammhults Design Group opens up completely new potential in the export market. In the immediate future, we will be exhibiting with Abstracta at Orgatec in Cologne. At home in Norway we believe in stability and continued focus on product development. We have lots of exciting new products coming through to launch at the Furniture Fair in 2015. One of Fora Form's specialist areas is auditorium furniture, interiors for lecture theatres, theatres and similar. Here we are seeing that we can expand our reach into Sweden too, and we have already signed our first order.

*Fora Form has been part of Lammhults Design Group since autumn 2013. The company was founded in 1929, has 70 employees and turned over NOK 142 million in 2013.*

“WE CARRY OUT A CLOSE DIALOGUE WITH ART COLLEGES IN OSLO AND BERGEN. WE GIVE TALKS AND GET TO KNOW NEW TALENT.”

MISTO  
Fora Form. Design Olav Eldøy.

FRODE SPORSHEIM



# DESIGN WITH AMBITION

Fora Form's roots in Norway date back to the 1920s. Over the years the company has consciously focused on design and has several award-winning classics on its roll of honour. This focus has made the company the market leader in Norway for furniture for meetings.





**“DESIGN IS ABOUT THE USER BEING  
AT THE HEART OF THE PROCESS,  
WHILE SIMULTANEOUSLY  
ADAPTING THE PRODUCTS  
TO PRODUCTION.”**

EMMA OLBERS

## GOOD DESIGN STARTS AND ENDS WITH THE USER

Tibro is the furniture centre of Västergötland. There are furniture manufacturers everywhere you look, a strong tradition and a focus on quality. One of the producers is Ire, also a member of Lammhults Design Group.

**With Sweden's first Nordic Ecolabelled sofa** following the new guidelines, Ire has demonstrated that it takes the environment extremely seriously. Rejoin, as the sofa is called, is designed by Emma Olbers, who also helps to steer Ire's work on sustainability. She grew up in the countryside, in Lerum outside Gothenburg, and became interested in green issues at a young age.

We find her on the factory floor in Tibro, in the middle of oiling the frame of an armchair which will be launched at the Stockholm Furniture Fair. How does she view her job as a designer?

"Design is about the user being at the heart of the process, while simultaneously adapting the products to

production. You also have to create something that can withstand the wear and tear of the gaze, as someone once put it," says Emma.

In other words the design has an important role in co-ordinating different interests and adding a new dimension to the business strategy. The designer is the consumer's representative in the development process and that also guides environmental work.

"When I incorporate the environmental perspective in the design process, it's mostly about seeing things through the consumer's eyes. Transparency is a watchword. Making the product and the process behind it visible. It's then that as a consumer, you can make the right choice."



IRE  
Rejoin. Design Emma Olbers.



With its avenues of lime trees, Christiansfeld in Denmark is a beautiful old town with a big personality. When the town's school was expanded to be combined with the public library, the move made particular demands in terms of the design.

**Artist Peter Holst Henckel** is behind the interior decor in stairwells and corridors. He seeks to express the town in his art. This was also the starting point for the interior design solution created by BCI. One example is the lime leaf, which recurs in carpets and other decorative details.

The library is also what is known as a "more open" library. Thanks to smart self-service counters, the library can stay open even when it is not staffed. These kinds of libraries are becoming increasingly common across the Nordic countries and make particular demands of the interior design.

#### FROM WISH LIST TO FINISHED SOLUTION

Iben Østergaard works at Christiansfeld Library and has been involved in the project. She is very pleased with the collaboration with BCI.

"We were particularly pleased to have the chance to see visualisations of the things we had asked for while the project was in progress. As a school library and a public library, we have high demands in terms of the interior being able to meet the needs of different users.

The interior designers at BCI have really been creative and came up with great-looking functional solutions to meet concrete requirements. The key feature is the way we can quickly and easily change and adapt the interior to different situations," Iben Østergaard explains.

Christiansfeld has gained an inviting library that meets the needs of the school and local residents.

"The fact that the unique features of the town of Christiansfeld have left their mark on the interior is an extra bonus," says Iben Østergaard.

The result is a modern library with a generous amount of space. The benches and seating are integrated into the shelves, allowing school students to sit and study undisturbed. There are also small workstations dotted around. Here design and function go hand-in-hand in a solution that bears out the town's personality.





## LOCALLY PRODUCED CRUCIAL IN SKANSKA'S NEW HEAD OFFICE

In autumn 2013 Skanska moved into its new head office, Entré Lindhagen on Kungsholmen in Stockholm.

Sustainability is a clear issue for the future for Skanska and the environment has been a focus throughout the construction process.

**The office is aiming to meet** the highest level of the international environmental certification system LEED – Platinum. The choice of interior is guided by the same high environmental standards. To achieve platinum level, Skanska needed a partner that attains high environmental performance and also manufactures locally.

“Our office conveys our brand. This means it’s important that the values Skanska stands for are reflected in our interior design choices. The furniture we have chosen is of high quality and has a long lifetime. These are also important values from a sustainability point of view. We chose Ire because they were able to meet these requirements in a professional manner. While the work was in progress we had an ongoing dialogue in which Ire showed great understanding for our needs and was very flexible in meeting them despite the short deadline,” says Maria Lomholt, Skanska’s Head of Brand Communications.

## DESIGNED FOR ACTIVITY

It’s not just on the environmental side that Skanska’s new head office is a trailblazer. The company has introduced activity-based working methods. This is a change for the staff which means nobody has a permanent desk. Instead people move around the building depending on the work they are doing.

The office has a modern design which reflects the brand and is adapted to the new way of working. Staff have been very positive about the new open spaces and the new office that invites dialogue and facilitates unexpected meetings.

“Ire’s Join sofa model works very well in this setting as it offers so much flexibility. And its simple Scandinavian design means it perfectly suits the landscape,” says Maria Lomholt.



▲ IRE. Join. Design Emma Olbers.





On 9 January 2013 a severe fire devastated Sigtunahöjdens Hotell & Konferens. Ten months on, the owner Sigtuna Meetings was able to fling open the doors of a rebuilt and newly renovated facility.

"Sigtunahöjden was rebuilt at top speed after a devastating fire. This was only possible thanks to the insurance company Trygg Hansa, the construction company Oljibe, the architect practice Anders Holmberg arkitekter and Sigtuna municipality. Another crucial issue was finding suppliers capable of delivering durable furniture to an extremely tight schedule," says Lotta Boman, CEO of the conference venue Sigtunahöjdens Hotell & Konferens.

Lammhults Möbel understood the situation and worked with Sigtunahöjden and the interior designer to decide which

pieces of furniture would suit the new conference premises.

#### CLASSIC STYLE COMBINED WITH SPECIAL SOLUTIONS

The solution is mostly about adaptability. Partly project oriented, in line with requirements. Partly in terms of the profile, to match the environment. The sizes of the tables were modified and the veneer was matched to skirting boards and door frames. With their classic style, the standard chairs melted into the setting. Having just one type of chair makes the space look clean and tidy. It also makes it easy to move the chairs around without disturbing the look.

"Although the schedule was tight, there were no problems whatsoever and all the furniture was delivered as promised. This was vital to Sigtunahöjden being able to reopen as promised in early November. We have no doubts about recommending Lammhults' furniture to colleagues in the industry and the next time we are ordering furniture, we will be delighted to use Lammhults again," Lotta Boman concludes.



# THE IMPORTANCE OF DESIGN IS GROWING

**Back to Copenhagen** and the design studio in Nyhavn. We have learned that design, in interaction with a well thought out business strategy, can open up a completely new market for a company.

With their consumer insight, ability to turn ideas into products, and understanding of industrial production, designers play a key role when companies such as Lammhults and BCI are developing their offering from products to solutions.

The designer has an impact on environmental performance and turns products into concepts that sell.

## WITH HIS 30 YEARS IN THE INDUSTRY JOHANNES FOERSOM PUTS DEVELOPMENTS INTO PERSPECTIVE

“Back then we used the word “formgivning” in Swedish, which literally means “giving shape”. Our work was more



▲ LAMMHULTS. Grade. Design Johannes Foersom & Peter Hiort-Lorenzen.

practical, with the focus purely on the shape. Today we use the term “design” and the profession has become broader and more linked to marketing and sales departments. A tool for commercial success.

When asked what the job of the designer is, Johannes answers that it ought to be to improve people's lives. In practice this happens by developing a company's business, but the two are not mutually exclusive.

“With their bird's eye view, the designer can come in and provide new insight and suggestions for improvements. These might be things that can be done to improve efficiency and quality on the production side. The design also plays a crucial role in developing new products. We help the company to be better in their market. The companies that focus on design gain an even stronger identity. That is important.”

The need for design expertise can be seen in more and more contexts. The interaction between the designer and the manufacturing process and the production technology is crucial to quality and to success.

“I've noticed that we often end up advising on quality because we know the production process and have a vision of the final result and the user's expectations,” Johannes adds.

The importance of brand development and marketing has also increased, becoming more complex. Design and product development must be coordinated with marketing. More and more people are involved in producing a new product and the designer is often the one who sees the whole picture and has the authority to bring the whole project together.

## FROM PRODUCTS TO HOLISTIC SOLUTIONS

Emma Olbers sees the ability to create an offering as one of the most important jobs of a designer. And it is about much more than simply giving a product a shape. It's about creating a whole that coordinates different products and incorporates values such as the environment, quality and function.

Design is an important common factor for the companies in Lammhults Design Group. When Johannes Foersom, Kirsten Brandt Jørgensen, Camilla Larsen and Emma Olbers talk about their roles as part of the team, it's clear how much active work on design has meant for the companies' development. A chair opened up an international market for Lammhults. A sofa has given Ire a leading position in sustainable furniture. With a team of interior designers, BCI is building libraries across the world.

Now the Group is taking the next step in its development, becoming a supplier of total solutions. This is a challenge that the designers are eager to take on.



# SUSTAINABILITY REPORT

## 2013



### PRESIDENT'S STATEMENT

ANDERS ROTHSTEIN  
PRESIDENT AND CEO

Solid values are more important today than ever before. They put us on a sound footing for long-term value creation in a globalised and fast-changing world.

Boundaries between countries are changing through free trade agreements and open markets for goods and services. Boundaries between continents, time zones and different cultures are being erased by the digital revolution. Historical boundaries between companies, communities and the environment are increasingly disappearing. A new holistic approach is therefore necessary for long-term value creation. The viewpoints, opinions and actions of different stakeholders affect and are affected by our company's products, operations and value chains.

It is positive to be able to see that customers and professionals who recommend products to their clients are increasingly making higher demands in terms of sustainability, which have a knock-on effect on the entire value chain. Public procurement regulations are being developed within the EU which will make it even easier than before to make demands on social and environmental criteria. The Swedish Environmental Management Council and equivalent bodies within the EU have well-developed social and environmental responsibility criteria for furniture and interiors. The industry has carried out long-term and extensive work with Möbelfakta and procurement guidelines have been well received and are used to an increasing degree. All in all, this facilitates competition on equal terms and is one of the drivers for sustainable development.

One long-term trend is a greater focus on a life-cycle approach. The tools for this are being developed and international standards are currently in place for life-cycle analysis and calculations of carbon footprint. The internationally recognised ranking system LEED has been revised during the year and

RIO

Lammhults. Design Gunilla Allard. MÖBELFAKTA

the new version, V4, also values a life-cycle perspective to a greater extent.

Making working environments flexible and easy to adapt to changing needs is

part of sustainable development. This is a central driver in our business development and our partnerships with leading designers in developing the products of tomorrow with innovative solutions and considered choices of materials.

Our goal continues to be to develop furniture and interiors for sustainable work and home environments for life's professional and social relationships, which encourage and support people's cooperation and interaction.

The Group's strategies, Code of Conduct, policies and goals are important cornerstones of the process, in which business development and sustainable development are integrated elements. In 2013 we can note that our long-term work on sustainability also won orders, with Ire Möbel's order from Skanska as just one example.

The Group's companies work to create value for shareholders, customers, employees, suppliers and other stakeholders. One important driver in the Group's work on sustainability is awareness of the importance of good working environments in combination with durability, responsibility and resource efficiency.

Sustainability reports in the years ahead will be developed further based on GRI V4, finalised in 2013. We will be reporting our focus, goals and outcomes to involve and invite dialogue with all our stakeholders. Like ripples in the water, our actions have a wider impact and we work in a dynamic relationship with our stakeholders for continued long-term value creation that makes a difference.

#### LAMMHULTS DESIGN GROUP'S VISION FOR SUSTAINABILITY

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

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

#### GOVERNANCE AND STRATEGY

The Group's governance is predominantly steered by the Codes of Conduct and policies which have applied since 2011. These documents will be revised in 2014. The steering documents are founded on the guidelines of the 10 principles of the UN's Global Compact on human rights, labour, the environment and anti-corruption, plus the guiding standard ISO 26000. Our Code of Conduct rests on the UN's Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and its 27 principles, and the UN Convention against Corruption.

We want to ensure a clear link between strategic corporate management of our business areas and companies and actual improvements in terms of finances, the environment, people and society. Direct responsibility for the environment, the working environment and ethics is taken locally by each company. To develop work on sustainability and increase the transfer of knowledge and learning between the companies, a strategic Sustainability Council has been set up within the Group. All the Group's companies in Sweden currently meet the requirement of being certified under the environmental management system ISO 14001. The management systems at Lammhults Möbel and Abstracta are certified and approved under ISO 9001, ISO 14001 and OHSAS 18001.

#### STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Our most important stakeholder groups are identified 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 Group's companies are members of industry organisations in the countries in which we run our production. In Sweden, TMF, the national trade and employers' association of the wood processing and furniture industry, carries out extensive work on the environment and sustainability. TMF runs Möbelfakta, an established and updated reference and labelling system for furniture that sets ambitious criteria in terms of function, lifetime, environmental considerations and social responsibility. The environmental criteria reflect high external standards and are based on the guidance of the Swedish Environmental Management Council (SEMCo), with the technical requirements based on the international product standards (CEN and ISO) and social responsibility based on the UN Global Compact.



VISIT

Ire. Design Carl-Henrik Spak.

MÖBELFAKTA



**One essential driver in the Group's work on sustainability is awareness of the importance of good working environments in combination with durability, responsibility and resource efficiency.**

The Group is represented on the technical committee that heads the development of Möbelfakta.

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

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



- *Ethical behaviour*
- *Respect for the rule of law*
- *Respect for international standards and expectations*
- *Respect and consideration for the requirements and expectations of stakeholders*
- *Responsibility*
- *Transparency*
- *The precautionary principle*
- *Respect for human rights*



SOFTLINE  
Abstracta.

# SUSTAINABILITY GOALS

Lammhults Design Group works towards four comprehensive sustainability goals to achieve sustainable business and social development, and on-going 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

Our Code of Conduct rests on the UN Global Compact and its ten principles. During the year internal training and workshops on our Code of Conduct continued. The management systems in the companies are developed and followed up through internal audits, external audits and checks in line with their plans. The

CEOs also have to certify that the Code of Conduct is implemented and that systematic work is being carried out in conjunction with Möbelfakta declarations. To further strengthen our responsibility and to develop our work on sustainability, Lammhults Design Group has signed up to the Global Compact.

## 2.

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

We do this by using suppliers who work systematically on methods to safeguard their social and environmental responsibility in their operations. Extensive work on surveying and classifying suppliers has been carried out. Lammhults and Abstracta are now able to report that over 50 percent of their major suppliers have management systems under ISO 14001. The Group's

supplier base in Asia (China, Hong Kong and Taiwan) accounted for 3 percent of purchasing in 2013. In 2013 work began to phase out some suppliers in China due to deficiencies in traceability, checks and controls. External social responsibility audits of selected suppliers will be carried out in 2014.

## 3.

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

In order to Möbelfakta-label or Nordic Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry. This was already introduced as a Group criterion when developing new products. A survey and documentation to ensure traceability have been carried out. The survey shows that a large proportion (>50 percent) of the

Group's wood raw materials comes from FSC/PEFC-certified forestry. The proportion of wood used by Lammhults Möbel which is FSC/PEFC certified now exceeds 75 percent. A considerable amount of the processing of wood raw materials is carried out by the Group's suppliers, which accounts for difficulties in exactly quantifying the proportion.

## 4.

### Reduce the environmental impact of our products and services

One of our measures is to increase the number of products documented as compliant with the criteria and standards of Möbelfakta and/or the Nordic Ecolabel or equivalent sustainability, environmental and social responsibility criteria. Lammhults has continued its work and during the year has Möbelfakta-labelled a further eight products. Work continues on Nordic Ecolabelling of additional selected products. In 2013 Abstracta worked to pave the way for Möbelfakta labelling of its volume products. In early 2014 it was announced

that the Softline acoustic screen from Abstracta is now approved by Möbelfakta. Ire Möbelfakta-labelled its Visit armchair range in 2013. All the production units in Sweden are heated using bio-based district heating and electricity consumption in Sweden is entirely based on hydroelectric power. The Group's companies in Sweden have cut greenhouse gas emissions from energy and heating by approximately 7 percent in terms of CO<sub>2</sub> equivalents compared with the previous year.

#### EMPLOYEE TURNOVER, NO. PER AGE GROUP\*

		AGE GROUP					TOTAL
		< 30	31-40	41-50	51-60	> 61	
2013	Joined	4	2	5	3	0	14
	Left	8	7	3	10	11	39
2012	Joined	8	11	9	4	5	37
	Left	10	17	28	16	14	85

#### AGE DISTRIBUTION OF EMPLOYEES IN THE GROUP\*

		AGE GROUP					TOTAL
		< 30	31-40	41-50	51-60	> 61	
2013	No.	48	62	106	83	30	329
2012	No.	51	68	101	90	36	346

#### NUMBER OF EMPLOYEES PER REGION\*

2013	MEN	WOMEN	TOTAL	2012	MEN	WOMEN	TOTAL
Sweden	122	77	199	Sweden	130	79	209
Denmark	18	30	48	Denmark	29	36	65
Germany	23	15	38	Germany	23	13	36
Other countries	22	22	44	Other countries	20	16	36
<b>TOTAL</b>	<b>185</b>	<b>144</b>	<b>329</b>	<b>TOTAL</b>	<b>202</b>	<b>144</b>	<b>346</b>

#### ATTENDANCE AND SICK LEAVE IN SWEDEN, NORWAY, DENMARK AND GERMANY\*

	2013	2012
Hours worked	95.8%	96.5%
Sick leave < 14 days	2.1%	2.2%
Sick leave > 14 days	2.1%	1.3%

#### EMPLOYEE TURNOVER, NO. BY GENDER AND REGION\*

	2013					2012			
	MEN	WOMEN	TOTAL	TURNOVER %		MEN	WOMEN	TOTAL	TURNOVER %
Sweden	18	3	21	11%		31	11	42	20%
Denmark	2	5	7	15%		19	12	31	48%
Germany	1	3	4	11%		2	0	2	6%
Other countries	4	3	7	16%		7	3	10	28%
	25 (64%)	14 (34%)	39	12%		59 (69%)	26 (31%)	85	25%

\* ALL DATA FOR 2012 REFER TO REMAINING OPERATIONS, I.E. EXCLUDING SCANDINAVIAN EYEWEAR WHICH WAS SOLD IN OCTOBER 2012.

## OUR SOCIAL RESPONSIBILITY

### OUR STAKEHOLDERS

The stakeholder perspective characterises Lammhults Design Group's work on sustainability, which is carried out in an on-going dialogue with our stakeholders. In 2013 customer surveys were carried out according to plan and action plans have been drawn up. The intention is to carry out customer surveys and staff surveys in 2014.

### EMPLOYEES

The skills of our employees and their ability to develop and manufacture products and solutions for good and stimulating environments for work, learning, meetings and interaction are at the heart of the Group's operations. Consequently, we strive to create good workplaces and a stimulating working environment characterised by commitment and involvement. Developing leadership and employeeship is crucial. One important tool is regular performance reviews which form a basis for the development of every individual employee. In 2013 more than 90 percent of employees participated in at least one performance review.

Organisational development is in progress within the companies. During the year forms and working methods have been developed to encourage greater participation, involvement and commitment among employees. Lammhults Möbel, which during 2012 launched systematic work on improvement groups on the production side, was able to report good results for job satisfaction as well as productivity. Goals and goal fulfilment have continued to improve during the year. Key figures are reported on an on-going basis.

Lammhults Design Group values ethics, diversity and equality. We want the composition of our human resources to reflect the world around us and our customers. The Group's remaining businesses have 372 employees, 56 percent men and 44 percent women for the whole Group, including Fora Form. Staff turnover at own request corresponds to a turnover of 10 percent. Total sick leave has fallen slightly during the year, amounting to 4.2 percent. Gender distribution, age distribution, staff turnover and sick leave are shown in the table above.



## SUPPLIERS

The Group carries out its own manufacturing in Sweden, Denmark and Germany, and now also in Norway. We largely use local suppliers in the respective country. For the Group as a whole, local suppliers accounted for 71 percent of purchasing in terms of value in 2013. Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers.

Our requirements for suppliers are summarised in the Code of Conduct for suppliers, which was revised in 2011. This is communicated to our suppliers and a survey of our supplier base was carried out in 2012. Suppliers were asked to reply to self-evaluation questions on the environment, the work environment, social responsibility and quality. The supplier evaluation was supplemented by factory visits.

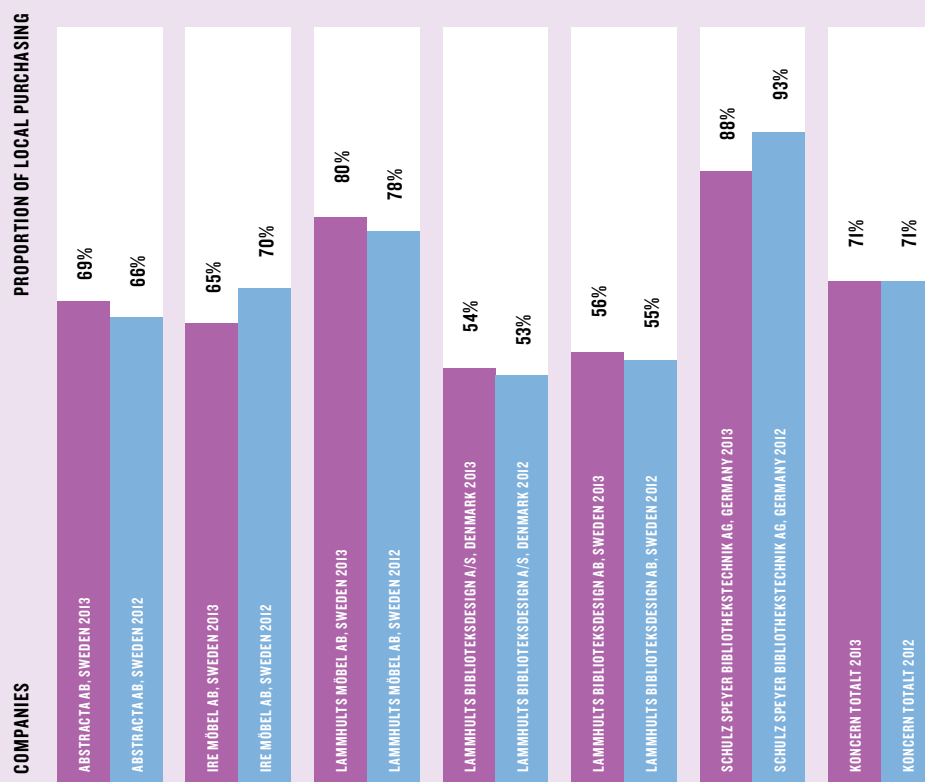
Our suppliers in China are judged to pose the greatest risk of breach of the Code of Conduct. Of the total purchase value, purchasing in China accounted for 3 percent. Two suppliers in China are now being phased out due to deficiencies in traceability, inspections and controls. External audits of selected suppliers are planned for 2014. Lammhults and Abstracta report that 50 percent of their major suppliers have management systems under ISO 14001.

## ANTI-CORRUPTION AND HUMAN RIGHTS

Risk analyses of breach of the company's Code of Conduct regarding bribery and offences against legislation and regulations have previously been carried out for all the companies in the Group. This risk analysis also covers risk of inappropriate gifts or other favours provided for personal gain or to benefit another party and not for the best of the company. The Group's Code of Conduct will be revised in 2014, at which time the work on anti-corruption will also be examined. It should be noted that efforts have been launched to produce an international anti-bribery management system (ISO 37001).

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

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS



### DISTRIBUTION OF ECONOMIC VALUE PER STAKEHOLDER

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

\* ALL DATA FOR 2012 REFER TO REMAINING OPERATIONS, I.E. EXCLUDING SCANDINAVIAN EYEWEAR WHICH WAS DIVESTED IN OCTOBER 2012.

### CREATED AND DISTRIBUTED ECONOMIC VALUE\*

ECONOMIC VALUE GENERATED DIRECTLY	2013	2012
Revenue	607.7	627.4
<b>TOTAL ECONOMIC VALUE GENERATED DIRECTLY</b>	<b>607.7</b>	<b>627.4</b>
Economic value distributed		
Operating expenses, of which the		
major share to our suppliers	417.7	437.8
Salaries and remuneration to employees	150.3	157.2
Payments to financiers, net	2.2	3.7
Social welfare charges to the public sector	26.4	28.6
Payments to the public sector in the form of taxes	1.0	1.9
<b>Total, economic value distributed</b>	<b>597.6</b>	<b>629.2</b>
<b>NET, ECONOMIC VALUE</b>	<b>10.1</b>	<b>-1.8</b>
Dividend to owners	8.4	4.2
<b>RETAINED IN THE BUSINESSES</b>	<b>1.7</b>	<b>-6.0</b>

## 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

Our work is characterised by constant improvements. During the year Lammhults Biblioteksdesign and Lammhults Möbel have continued to work on Nordic Ecolabelling, the results of which will be seen in 2014.

The companies' energy use is shown in the table on page 33. All the units in Sweden are heated using district heating based on biofuel, which is an eco-friendly option. The units in Denmark and Germany are heated using fossil fuels (gas and oil respectively). In total, district heating accounts for 63 percent of the heating requirement of the Group as a whole. Comparing consumption for heating from one year to the next requires a correction with what are termed "degree days" to standardise consumption in relation to a normal year. In Lammhult, where the Group has considerable operations, 2013 was a slightly milder year than normal with degree days equivalent to 94 percent, while 2012 was close to a normal year with degree days equivalent to 98 percent.

Electricity consumption in the Group has been cut by

approximately 15 percent compared with 2012. The reduction is mainly linked to structural measures introduced, with more production concentrated in Lammhult.

CO2 emissions remain largely unchanged for the Group. This is reported in the table on page 33. CO2 emissions from transports are not reported as only a limited number of suppliers are currently able to submit an emissions report. The carriers who drive for the Group have a vehicle fleet that largely comprises environmental emission class Euro-5 engines, which have lower emissions and a lower fuel cost. The CO2 reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil.

The packaging materials and raw materials in coatings and adhesives are shown in the table on page 33. The report shows that corrugated board and wood (based on renewable raw materials) dominate as packaging materials and account for approximately 89 percent of all packaging materials.

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

Waste is reported in the table on page 33. The table shows that material recycling is the dominant method of waste management, which is important for a sustainable society. 69 percent of total waste has been able to be recycled through material recycling.

# MATERIAL USE & ENERGY CONSUMPTION\*

\* ALL DATA FOR BOTH 2012 AND 2013 REFER TO REMAINING BUSINESSES.

MANUFACTURING FACILITIES	LAMMHULTS MÖBEL AB SWEDEN	ABSTRACTA AB SWEDEN (INCLUDING SUBSIDIARIES)	IRE MÖBEL AB SWEDEN	LAMMHULTS BIBLIOTEKSDSIGN AB SWEDEN	LAMMHULTS BIBLIOTEKSDSIGN A/S DENMARK	SCHULZ SPEYER BIBLIOTHEKSTECHNIK AG GERMANY	TOTAL 2013	TOTAL 2012	INDEX**
<b>PACKAGING MATERIALS</b>									
Corrugated board (kg)	90,726	77,018	8,486	10,284	17,068	4,840	208,422	219,813	95%
Plastic (kg)	4,466	1,415	2,246	1,204	19,771	945	30,047	31,993	94%
Wood (kg)	1,879	8,163	0	0	18,956	394	29,392	45,356	65%
<b>OTHER RAW MATERIALS</b>									
Powder coating (kg)	2,192	0	0	0	23,660	0	25,852	20,394	127%
Liquid coating (kg)	2,555	0	0	0	0	0	2,555	3,116	82%
Glue (kg)	2,946	6,316	1,276	0	0	0	10,538	26,990	39%
Water consumption (m3)	616	822	329	217	528	270	2,782	3,075	90%
<b>ENERGY</b>									
Oil (kWh)	0	0	0	0	0	252,890	252,890	215,920	117%
Natural gas (kWh)	0	393,800	0	0	1,683,000	0	2,076,800	1,770,692	117%
Electricity (kWh)	827,450	966,665	265,746	280,439	434,000	83,496	2,857,796	3,363,379	85%
District heating (kWh)	1,326,040	1,658,870	639,570	281,000	0	0	3,905,480	4,092,394	95%
CO2 emissions from heating and electricity (kg)	35,803	183,998	227	4,762	541,882	95,441	862,113	875,014	99%
<b>WASTE</b>									
Hazardous waste (kg)	8,324	1,593	0	0	0	0	9,917	13,796	72%
Landfill (kg)	0	40,150	0	0	0	0	40,150	30,434	132%
Material recycling of steel (kg)	27,130	6,700	0	20,140	118,433	0	172,403	142,011	121%
Material recycling of aluminium (kg)	1,180	7,760	0	0	0	0	8,940	9,490	94%
Material recycling of wood (kg)	27,260	78,980	0	4,960	0	12,040	123,240	136,530	90%
Material recycling of plastic (kg)	2,520	3,110	530	0	0	0	6,160	6,910	89%
Material recycling of corrugated board (kg)	23,480	26,610	2,040	4,150	3,900	0	60,180	70,265	86%
Material recycling of paper (kg)	1,420	1,440	380	1,248	0	8,470	12,958	22,923	57%
Burnable waste (energy recovery) (kg)	21,580	62,550	10,540	10,645	10,710	8,050	124,075	197,056	63%

\* THE INDEX REFERS TO TOTAL RESULTS FOR 2013 COMPARED WITH THE PREVIOUS YEAR FOR EQUIVALENT OPERATIONS.

## ABOUT THE REPORT

Our annual report on our work is made in line with the Global Reporting Initiative (GRI) guidelines G3.1 level C. Economic and social indicators cover the whole Group. The environmental aspects include all the production and distribution units. The sales companies have a marginal impact on the environmental indicators. The report for 2013 does not include Fora Form AS which was acquired in October 2013. The environmental impact of sub-contractors' factories is not covered by the report. Work has been launched with the aim of switching to reporting in line with the new version GRI V4. A GRI cross-reference table is provided as an annex to the report, available only in electronic form on the website [www.lammhultsdesigngroup.com](http://www.lammhultsdesigngroup.com)

**abstracta**

**FORA FORM**

**ire®**

**LAMMHULTS**

**voice®**

 **BCI**

**Eurobib**  
direct

**SCHULZ**  
DESS

## TWO CLEAR BUSINESS AREAS STRENGTHEN GRIP ON THE MARKET

Lammhults Design Group's focus is on interiors and design. To be clear towards the market, operations are divided into two business areas: Office & Home Interiors and Public Interiors. In each area we work with strong brands and a sales strategy focused on total solutions. Here the people in charge of each business area and the subordinate companies present what they do.



# OFFICE & HOME INTERIORS PUBLIC INTERIORS





abstracta

FORA FORM

ire®

LAMMHULTS

voice®

OFFICE & HOME INTERIORS

# CHANGED FURNITURE NEEDS OPEN UP MAJOR OPPORTUNITIES

ANDERS ROTHSTEIN

BUSINESS AREA MANAGER OFFICE & HOME INTERIORS

PRESIDENT AND CEO, LAMMHULTS DESIGN GROUP



▲ LAMMHULTS. Cinema. Design Gunilla Allard. Hishult Art Gallery.



The Office & Home Interiors business area had an eventful 2013. A new acquisition, a new sales focus and structural measures securely in place are just some of the activities that have characterised the past year.

#### NEW ACQUISITION IN NORWAY INCREASES MARKET SHARE

In the last quarter of the year, Lammhults Design Group acquired the Norwegian company Fora Form. The company has a leading position in design and meeting furniture in its home market and is a strategic addition to the business area.

The acquisition of Fora Form is entirely in line with the Group's strategic plan and financial goals. The addition of Fora Form to the portfolio strengthens our presence in one of our core geographical markets. The Norwegian designer furniture company also gives us access to an inspiring range of products for our new segments of school and education, as well as health and social care.

#### IRE AND VOICE ARE FORGING AHEAD AND BROADENING THEIR RANGE

The Ire and Voice brands have a strong position in the home interiors market. During the year we have invested in broadening their offering on the Contract side. One concrete result is Ire's first major project order, in which Skanska chose their sofas for the company's new head office in Stockholm, a choice largely founded on Ire's design, quality and sustainability profile.

#### PLANNED COST SAVINGS ASSURED

The major structural work of integrating Voice and Borks with Abstracta, initiated and largely completed in 2012, continued in 2013. This year we were able to see the planned cost savings resulting from the measures.

#### SALES 3.0 FOR THE MODERN MEETING PLACE

The modern meeting place is changing. New needs are creating new opportunities and new ways of furnishing spaces. This is a trend that we are meeting with long-term and far-reaching product development.

In parallel with expanding the range, we are changing the way we sell. This too is to meet changing needs. We are focusing our sales work on total solutions combined with knowledge of the end user. We call this approach Sales 3.0 and it has already paid off, as shown by the example of Ire and Skanska.

The trend is continuing and we are on the right track.

#### OFFICE & HOME INTERIORS

	2009	2010	2011	2012	2013
Net sales, SEK million	376.6	361.1	393.1	372.0	383.5
Operating profit, SEK million *	29.3	23.8	24.6	5.6	17.2
Operating margin, %	7.8	6.6	6.3	1.5	4.5
Capital employed, SEK million	188.0	219.3	201.6	150.0	175.9
Return on capital employed, %	15.1	11.8	11.9	3.3	10.6
Investments, SEK million	9.7	4.6	14.0	10.3	11.1
Average number of employees	187	183	210	207	199

\* excluding administration fees to the Parent Company.

The economic results of the business areas as above are accounted for in accordance with IFRS.

## LAMMHULTS

The Lammhults furniture company is a design company steeped in tradition. Over the years we have created a number of modern classics together with some of Scandinavia's foremost designers. Design influences all our processes, to meet customer needs and improve production efficiency.

Lammhults Möbel's main market is the Nordic countries. The most important growth markets are in Europe. The primary target group is architects, with consumers interested in art and design a growing area.

CEO LARS BÜLOW



## MODERN ESSENTIALS



CAJAL SOFA & CHICAGO TABLE  
Design Gunilla Allard.



**ADDIT STOOL**  
Design Anya Sebton.

In 2013 Lammhults has been working a great deal on the inside. The sales organisation is stronger and the whole company has been streamlined for profitable growth. Here the company's CEO Lars Bülow talks about the initiatives taken in 2013 and why design is the future for Lammhults.

**TOTAL SOLUTIONS ARE KEY TO THE WHOLE GROUP, HOW IS THAT EXPRESSED IN YOUR BUSINESS?**

Mainly in a desire to widen our offering to customers. With forward-looking product development, clear product families and a door open to collaboration with our siblings in the Group, we are working to meet our customers' increasingly dynamic furniture needs.

**WHAT ROLE DOES THE COMPANY'S DESIGN EXPERTISE PLAY?**

It's a direct success factor. Design has been crucial to Lammhults' strong position since day one and drives our growth opportunities forward. The Lammhults brand is built on innovative design that stands the test of time. Relevant innovations that give us authenticity and a competitive identity.

**LAMMHULTS HAS A HISTORY OF PRODUCTS THAT HAVE BECOME DESIGN ICONS, HOW ARE YOU WORKING ON THE NEXT GENERATION?**

We have a creative development team with six members of staff. Together with some of Scandinavia's foremost designers we develop innovations in terms of craftsmanship and machine technology. Success is about teamwork and a long-term approach. That's true within the organisation itself and in relation to our partners. Good long-term planning and constantly monitoring changes in society and new furniture needs also helps us to get it right.

**WHAT WAS MOST IMPORTANT IN 2013?**

First and foremost, our internal work on goals and structure. We now have a really sustainable recipe for profitable

growth. It includes clear communication, efficient product supply and strengthened sales across the entire market.

In terms of products, we added to some of our commercially strong product families to broaden the range. In parallel with this we worked on completely new product concepts to be launched in 2014-2015.

In commercial terms we continued to take market share in Sweden and defended our position in our primary export markets. The weak demand we encountered after the summer turned around with a vengeance towards the end of the year.

**WHAT DOES THE FUTURE LOOK LIKE?**

With great confidence. We had a good year and made important changes in our organisation. Our long-term range strategy and our long-lasting design partnerships put us on a sound footing for growth,

**WHERE DO YOU SEE THE GREATEST POTENTIAL FOR THE COMPANY?**

Geographically, we have identified a number of growth markets in Europe. On the product side, we are seeing how new ways of organising the workplace are changing furnishing patterns. Demands for aesthetic and functional innovations are creating a market for our solutions. Modern meeting furniture offers great potential.



## OFFICE & HOME INTERIORS

### abstracta voice®

CEO MIKAEL NILSSON

Abstracta's main market is Scandinavia and we have our own showroom and sales offices in Sweden, Denmark and Norway. Sales are run by our own sales representatives and by agents. In the export market outside Scandinavia we work with selected agents.

Our solid knowledge has seen us take a leading position in the growing market for acoustic solutions. The Voice brand, which stands for classic storage with a twist, is part of our offering.



## DESIGN FOR INSPIRING OFFICE ENVIRONMENTS





ALUMI ALKOV  
Abstracta. Design Nina Jobs.

Abstracta has 40 years' experience of creating functioning and inspiring environments that make daily life easier, in the office and in the home. With its areas of expertise in acoustics, meetings and storage, Abstracta meets the requirements of the modern office for flexibility, inspiration and functionality.

Mikael Nilsson has been CEO of Abstracta since October 2013 and sees major opportunities in the brand's focus on solutions for the workplace and its focus on design.

#### HOW IMPORTANT ARE TOTAL SOLUTIONS FOR THE WORKPLACE?

Extremely important. A functional workplace is about more than individual pieces of furniture. This is why we work with a conscious design. In dialogue with our customers we develop an attractive combination of design, environment and function, creating a good working environment.

To maintain the standard of our total solutions, we have a broad product portfolio focused on sustainable acoustic solutions, flexible meeting environments and exciting storage solutions.

#### WHAT DOES THE FOCUS ON CONSCIOUS DESIGN MEAN IN TERMS OF THE WAY THE COMPANY WORKS?

Ultimately it's a question of trust and we are constantly working to improve our design skills. For example, we work with several designers and architects who are leaders in their fields. Work on design is also a driver of product development, both in terms of improving the existing range and in new product concepts. Consciously focusing on design has also improved the accuracy of our business and future intelligence.

#### WHAT EVENTS FROM 2013 WOULD YOU LIKE TO HIGHLIGHT?

The way we have broadened and refined our range through a number of product launches, such as the Plaid screen wall designed by Form Us With Love for Abstracta

and Overtime by Stina Sandwall for Voice, which has grown to become a whole family with new colours and sizes, plus a pedestal too.

Attending leading meeting places for design such as the Stockholm Furniture Fair and Clerkenwell in London are important opportunities to meet customers and create good partnerships. These are brand-building arenas where we have also displayed our latest products. We have also completed and distributed our Acoustics Guide, training material that further strengthens our leading position in designer acoustic products.

#### WHAT DOES THE FUTURE LOOK LIKE?

Interest in good acoustics, flexible meetings and smart storage continues to increase, which is naturally a green light for us. We will continue to focus on creative meeting environments where acoustics plays a vital role. Internally we have launched several projects to improve our efficiency and to deliver better. We are working on all fronts to remain a leading player in our niche.

#### SUSTAINABLE PROFITABILITY IS A GOAL FOR THE GROUP, HOW ARE YOU WORKING TOWARDS THAT?

It is a goal we are working towards throughout the value chain. From better cost control to product development in harmony with our customers' needs. This is work that makes our products value for money. Another element is the design strategy we have successfully implemented. This includes working to attract leading designers and strengthening our partnerships with suppliers keen to develop with us.

## OFFICE & HOME INTERIORS

### FORA FORM

Fora Form's main market is Norway, where the company has a strong position. The company exports a specially produced chair for a Japanese health company, sales of which have increased in recent years. Other exports are to neighbouring countries and Germany.

CEO TRYGGVE AASLAND



The acquisition of Fora Form brings the Group important expertise in design for meeting places and significant sales in Norway. Here CEO Trygve Aasland tells us more about the Norwegian market and Fora Form's role.

## WHEREVER PEOPLE MEET





**POPCORN**  
Design Sven Ivar Dysthe.

Fora Form is clear about its vision: Offering unique furniture in Scandinavian design that creates an image and value for customers. The furniture collections are developed taking a holistic approach to meeting places to create a consistent and functional solution for meetings, socialising and dining. The design strategy is focused on creating value for customers and strengthening their profile.

**IN NORWAY FORA FORM IS THE LEADER IN THE CATEGORY FURNITURE FOR MEETING PLACES, HOW IS THE MARKET STRUCTURED?**

Our main market is divided into a contract market and a culture market (primarily auditoria). The contract market is linked to new construction and reconstruction work by companies and has enjoyed successful growth in recent years, hand in hand with an increase in market share. Developments in the culture market are more project based and dependent on public investment in cultural buildings. In Norway, the trend in recent years has been positive, with a number of combined sporting and cultural arenas.

**YOU HAVE TAKEN THE STRATEGIC DECISION TO FOCUS ON PRODUCT DEVELOPMENT, WHAT DOES THAT MEAN?**

We work extremely actively on our product development. This work rests on a thoroughly thought through product philosophy, adapted to on-going market analyses. It is linked to our product portfolio and the planned life cycle of our products in order to be smoothly able to phase products in and out. This ensures that we maintain continuity in the range and keep it up to date.

**DO YOU THINK ABOUT TOTAL SOLUTIONS?**

Of course, we always base our thinking on the meeting place itself and its needs. Recently we have also seen increased demand for product families. Customers want to see a whole picture with a consistent style across different spaces. A consequence of that trend is that we make several versions of the same product. From a simple basic chair to a more advanced frame and an upholstered seat.

**WHAT WAS DEVELOPMENT LIKE IN 2013?**

We saw the largest amount of growth in our "Culture" business area, where the launch of BeSeated grabbed the market's attention. Despite the long lead times in the segment, we delivered several orders during the year. In our "Standard" segment, sales increased in the banking and finance sector as well as oil and offshore. Otherwise, 2013 was an intensive year with a number of product launches. To celebrate the 60th anniversary of Norwegian designer Sven Ivar Dysthe as a designer, Fora Form re-created several of his products. These include the Prisma and Popcorn chairs that Dysthe designed for the art centre Hennie Onstad Kunstcenter outside Oslo in 1968. We also introduced the Senso sofa system, the Cup sofa table and the range of chairs Between Us.

**WHAT WILL HAPPEN IN 2014?**

The economic climate in Norway remains positive. There is a great deal of construction and renovation work going on and we are prepared with committed staff and new products. We are also expecting to see the successful trend in the culture sector this year continue, primarily through the BeSeated chair and the Senso sofa, which have both been well received by the market.

There is potential to develop in the Norwegian market, but future growth is primarily expected to come from exports. We will therefore be making several investments in that direction.

**HOW DOES FORA FORM WORK ON SUSTAINABILITY?**

Achieving the environmental targets we have set out is crucial to our business plan.



## OFFICE & HOME INTERIORS

**ire**<sup>®</sup>

CEO TOR FJAESTAD

Ire's furniture is developed and designed for quality-aware customers – consumers interested in design as well as professional architects and purchasers for hotels, companies and the public sector.

Sweden and Norway are Ire's main markets. The market is divided into Retail and Contract. Ire is traditionally strong in Retail and step by step has built the brand to be equally strong on the Contract side. In the export market, Ire is primarily marketed through independent agents.



## TRUE TO PERFECTION



INFINI GRANDE  
Design Carl-Henrik Spak.



**JOIN**  
Design Emma Olbers.

With perfection as its watchword, Ire has seized a strong position in the premium segment for upholstered designer furniture. Ire is also a pioneer in sustainability with several Nordic Ecolabelled products in the range.

2013 was an educational year for Ire. The company continued to develop products to strengthen its offering to Contract customers. CEO Tor Fjaestad talks about what this involved.

#### **HOW IS IRE WORKING ON TOTAL SOLUTIONS?**

For us, it's largely about special solutions. Our customers demand flexibility and tailored solutions. It might be a specially designed frame for an existing sofa or a unique combination of different elements in the range. In these cases, design expertise is crucial to finding the right solution for the customer which will also work in the production process.

#### **HOW IS THE HOLISTIC APPROACH BORNE OUT IN PRODUCT DEVELOPMENT?**

It's relatively difficult to succeed with solitary products, which is why in the majority of cases we think in terms of families. An armchair should come in different sizes and versions, for example, everything from a lounge chair to a bar stool. In many cases there is also a need to incorporate hard products such as tables to create a solution that will sell. It is important to identify the environment in which the products will be used so as to get a holistic view.

#### **WHAT DO YOU REMEMBER MOST ABOUT 2013?**

In terms of sales, the year got off to a slow start, but after a successful summer campaign and an upswing during the autumn, we saw a positive increase.

One important reason for the turnaround is our focus on the Contract market with two major projects during the year. The Kronstand district psychiatric centre in Norway

and Skanska's new head office in Stockholm.

Our focus on sustainability design has also attracted attention. Elle Interiör chose our first Nordic Ecolabelled product, the Rejoin sofa as their Product of the Year. During the year we also launched our second Nordic Ecolabelled product, the Visit armchair. Other new products for the year were Armilla, a sofa by Emma Olbers, the Collar armchair bed by Jesper Ståhl and the Luggage pouffes by Ellinor Eriksson.

#### **WHAT DOES THE FUTURE LOOK LIKE FOR IRE?**

Positive! We have had a good reception on the contract market, where we have established greater presence and are involved in exhibitions with several dealers.

On the product side, our new armchairs offer great potential. They expand the range, particularly in the Contract segment and give architects and interior designers a more complete collection to work with.

For the consumer segment a new entry-level sofa is being launched which we think will be a big seller.

#### **WHAT ISSUES WILL BE CRUCIAL FOR SUSTAINABLE PROFITABILITY?**

The success of our focus on the contract market, increasing our volumes. But there are also vital external factors. The economic turnaround needs to hold steady, and the discount culture that has prevailed in the industry during the economic crisis needs to wear off. Internally we will be continuing to focus on design, sustainability and efficient logistics.

## PUBLIC INTERIORS

KNOWLEDGE PARTNER  
WITH TOTAL SOLUTIONS

MIKAEL KJELDSSEN

BUSINESS AREA MANAGER PUBLIC INTERIORS



▲ Tangenten Library. Nesodden, Norway.



## In the Public Interiors business area, 2013 has largely been about clarifying and reinforcing our offering as a Total Solution Provider.

Simultaneously, we are developing our range for libraries under the brands BCI, Schulz Speyer and Eurobib Direct. We have delivered on several exciting projects during the year.

### TOTAL SOLUTION PROVIDER

When we see how our customers' needs are developing and where demand is biggest, it is clear that the focus on being a knowledge partner with total solutions was the right one.

We call this "Total Solution Provider". This is a way of highlighting our expertise in interior design for libraries and other meeting and information environments in public spaces. Planning a modern library is about optimising flows, division into zones and themes in relation to different user groups and finally, about profiling the building as an attractive library. The design solutions that come from this must create a functional and aesthetic framework for the work of the library and its goals. Areas in which we have built up expertise for many years and are now working to highlight more clearly.

### PROJECTS IN 2013

We delivered a number of exciting projects around the world during the year. Regrettably, space does not allow us to mention all of them, but here are a couple that I would like to particularly highlight.

Dessau in Germany is the seat of the legendary Bauhaus design movement. After 20 years with a temporary library, a permanent solution has now been completed. The spaces are classified as historic monuments and we had to be careful when working on the interior design. The Foundation's collections are now housed on our shelves.

In Copenhagen the Central Library, 100 years old, has been renovated. In producing the interior, we worked with designers as well as IT suppliers. The result is a properly up-to-date library solution in which good design goes hand in hand with digital solutions.

With refined materials for our total offering and many interesting projects on the list, we are looking forward to 2014 and further success.

PUBLIC INTERIORS	2009	2010	2011	2012	2013
Net sales, SEK million	365.0	318.2	260.7	257.5	226.3
Operating profit, SEK million *	35.7	13.8	7.1	16.6	14.1
Operating margin, %	9.8	4.3	2.7	6.4	6.2
Capital employed, SEK million	196.6	157.6	153.9	135.8	134.1
Return on capital employed, %	19.4	8.0	5.2	11.9	11.0
Investments, SEK million	7.1	3.0	2.3	2.4	2.0
Average number of employees	158	162	141	133	124

\* excluding administration fees to the Parent Company.

The economic results of the business areas as above are accounted for in accordance with IFRS.



## PUBLIC INTERIORS



CEO MIKAEL KJELDSSEN



BCI, Schulz Speyer and Eurobib Direct are represented with subsidiaries in Denmark, Sweden, Norway, Belgium and the UK, and in the two largest markets, France and Germany. Through a network of distributors, the company also has significant exports to the rest of Europe, the Middle East and the US.

## INNOVATIVE LIBRARY DESIGN



▲ The Bauhaus Foundation Library. Dessau, Germany.





Design expertise and an understanding of the libraries of the future combined with flexible products, have made BCI and Schulz Speyer two internationally recognised interior design partners for cultural centres, meeting places and libraries.

For library specialists BCI and Schulz Speyer total solutions have been the key to success for several years now. In 2013 the offering was taken an additional step in this direction. CEO Mikael Kjeldsen explains in more detail.

**BCI AND SCHULZ SPEYER HAVE MADE A STRATEGIC CHOICE OF BEING A TOTAL SOLUTION PROVIDER, WHAT DOES THAT MEAN?**

It's about matching our services and products to our customers' reality. We run projects all the way from idea to installation. What we offer as a Total Solution Provider is lifestyle-adapted design solutions. Even after installation, we have an ongoing relationship with our customers through Eurobib Direct's aftermarket concept.

This way of working makes major demands in terms of customer insight. Part of the analysis is available resources and key markets. Another aspect is insight into the wider economic and social context of the project.

**WHAT IS THE NEXT STEP IN DEVELOPING TOTAL SOLUTIONS?**

The choice to market total solutions is a driver in its own right. The more we talk about our expertise as Total Solution Providers, the more opportunities open up. Our own products are always the foundation of our total offering, then we add on services and matching design products from other suppliers.

Our library range is under constant development and in 2014 the focus will be on best practice. We are also constantly developing our sales process to strengthen our focus on total solutions. Since 2013 we have also had

an Interior Design Guide for libraries. Important tools to keep the sales staff focussed and up to date on the latest trends.

In the past year we have also put a great deal of energy into highlighting the services we offer, especially our interior design expertise.

**WHICH PROJECTS FROM 2013 WOULD YOU CHOOSE TO ILLUSTRATE YOUR STRENGTHS AS A TOTAL SOLUTION PROVIDER?**

There are lots of them but we are proud of being involved in the interior of the new Bauhaus library in Dessau, Germany – a truly classic centre of design. Copenhagen's central library is another eye-catching project. Then we have Holte Public Library in Denmark, with its rounded shelves and specially painted art works. The library for Darmstadt University of Technology in Germany with its impressive architecture and tailored special interior is also worth a mention. It's a research library and a public library for locals in Southern Hessen.

**HOW ARE YOU WORKING TO ACHIEVE SUSTAINABLE PROFITABILITY?**

As our work to be a Total Solution Provider shows, we are an attractive and expert partner who delivers complete solutions. We have the expertise to raise the issues facing the industry in the future and help our customers to make the right choices, for today and tomorrow. In 2013 we Nordic Ecolabelled one of our top-selling shelves and additional products are on the cards.



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# CORPORATE GOVERNANCE REPORT

## GOVERNANCE AND APPLICATION OF THE CODE

Lammhults Design Group AB is a Swedish company with limited liability. Its registered office is in Växjö, Sweden. The Company is governed via the Annual General Meeting of Shareholders (AGM), the Board of Directors and the CEO in accordance with the Swedish Companies Act and the Company's Articles of Association, as well as Nasdaq OMX Stockholm's Regulations for Issuers, including the Swedish Code of Corporate Governance (the Code). Effective 1 July 2008, a revised code of corporate governance includes all companies that are quoted on the OMX or NGM Exchanges. Governance in the Group has been based on the Code since then. The aim of the Code is to establish conditions favouring an active and responsible ownership role. It is one part of self-regulation in the Swedish business sector. The Code is based on the principle of comply or explain, which means that it is not a crime to deviate from one or more rules in the Code provided that a justification exists and is explained. Lammhults Design Group does not have any deviations from the Code in 2013 to account for. The Corporate Governance Report has been examined by the Company's auditor.

## FUNCTIONS OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Shareholders' influence in the Company is exercised at the Annual General Meeting (AGM), which is the Company's highest decision-making body. At the AGM, shareholders vote on resolutions, for example, on adoption of the annual accounts and the consolidated financial statements, filing of the Company's results, discharging the Members of the Board and the CEO from liability, election of the Board and 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 as regards the conduct of the Annual General Meeting, neither on the basis of provisions in the

Articles of Association nor, as far as is known to the Company, any shareholders' agreement.

## RESTRICTIONS AS TO VOTING RIGHTS

The Company's Articles of Association did not stipulate any restrictions as to how many votes each 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, which shareholding represents no less than one tenth of the voting rights for all shares outstanding in the Company. Scapa Capital AB (25.8% of the votes) and Canola AB (17.7% of the votes).

## ANNUAL GENERAL MEETING 2013

Lammhults Design Group's AGM, held on 25 April 2013 was attended by around 60 shareholders and guests. The shareholders in attendance represented approximately 70 percent of the total number of voting rights in the Company. In addition to voting on the customary resolutions, the meeting re-elected the following Board Members: Jörgen Ek Dahl, Jerry Fredriksson, Lotta Lundén and Anders Pålsson. Peter Conradsson and Maria Öqvist were elected as new Board Members. Anders Pålsson was re-elected as Chair of the Board. The AGM also voted to authorise the Board to approve the issue of a total of no more than 800,000 new Class B shares in the Company. The dividend was set at SEK 0.50 per share.

## THE ANNUAL GENERAL MEETING GRANTED THE BOARD AUTHORITY TO DECIDE THAT THE BOARD MAY ISSUE NEW SHARES OR ACQUIRE OWN SHARES.

The Annual General Meeting in 2013 authorised the Board of Directors, as in the preceding year, to pass a decision on a new share issue, comprising eight hundred thousand 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 2014 AGM consists of the following persons: Yngve Conradsson (Chair, appointed by Scapa Capital AB), Lars Johansson (appointed by Canola AB), Gunnar Sjöberg (authorised representative) and Sven Zetterqvist (appointed by Skandia Livförsäkrings 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 six ordinary meetings in addition to the statutory meeting. The meetings were devoted to financial follow-up of operations, strategic issues, budget discussions, acquisition and disposal issues, recruitment issues and external financial information.



The CEO and the CFO take part in the meetings of the Board in a reporting capacity.

The Board meetings were prepared by the CEO and the CFO. The CEO provided the Board Members with written reports and supporting documentation at least five 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 seven meetings were held in 2013, five after the AGM. The attendance at these meetings was as follows: Peter Conradsson (5), Yngve Conradsson (2), Jörgen Ekdahl (7), Jerry Fredriksson (7), Erika Lagerbielke (2), Lotta Lundén (7), Anders Pålsson (7) and Maria Öqvist (5). All members recorded full attendance at the Committee meetings. The Chair of the Board ensures that the work of the Board is evaluated once a year. In addition, the Board evaluates the work of the CEO. On the basis of the results, measures are being taken on an ongoing basis by the Chair and Management to improve the quality of work by the Board.

#### **COMPOSITION OF THE BOARD**

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

#### **REMUNERATION TO THE BOARD OF DIRECTORS**

Remuneration to the Board is subject to resolution by the AGM. The 2013 AGM resolved that fees to Board Members

for the period up until the next AGM shall amount to SEK 840,000 (840,000), including SEK 240,000 (240,000) to the Chair of the Board. The other Board Members each receive a fee of SEK 120,000 (120,000). 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 re-appointed auditor at the 2013 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 main task of the Audit Committee is to support the Board in its work of quality assurance in the Company's financial reporting. The Committee meets the Company's auditor regularly to keep informed of the risks (both commercial risks and risks of errors in the financial reporting) that have emerged in the course of auditing. The Committee also discusses important accounting issues affecting the Group. Up to the end of the 2013 AGM, the Audit Committee was composed of Jörgen Ekdahl (Chair), Erika Lagerbielke and Lotta Lundén. Following the AGM Maria Öqvist replaced Erika Lagerbielke. The Chair of the Audit Committee is responsible for ensuring that the Board as a whole is kept continuously updated on the work of the Committee. In 2013, four minuted meetings were held. Full attendance at the Committee meetings was recorded for all members.

#### **REMUNERATION COMMITTEE**

Up to the 2013 AGM, the Remuneration Committee comprised Anders Pålsson (Chair), Yngve Conradsson and Jerry Fredriksson. Following the AGM, Peter Conradsson replaced Yngve Conradsson. The Committee submits proposals to the Board regarding the President'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 2013, three minuted meetings were held. Full attendance at the Committee meetings was recorded for all members.

#### **CEO AND GROUP MANAGEMENT**

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

Throughout 2013, Group Management consisted of the CEO, CFO, Supply Chain Director and Brand & Design Director, and since October 2013, the Business Area Manager for Public Interiors. For further information on the individual Board members, see page 58.

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

#### **REMUNERATION TO CEO AND GROUP MANAGEMENT**

Guidelines on salaries, bonuses and other remuneration to the Company's senior executives are for resolution by the AGM. For 2013, 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 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 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 it is legally and financially possible. Long-term equity or equity-related incentive programmes must be an option. For further information on salaries and other remuneration, see Note 8.

## INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

## CONTROL ENVIRONMENT

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

## RISK ASSESSMENT

On the basis of regular discussions and meetings within the organisation, Lammhults Design Group's management identifies, analyses and decides on the way risks of errors in the financial reporting are to be managed. The Board addresses the outcome of the Company's risk assessment and risk management process in order to ensure that it encompasses every important area, and determines policy and, where required, the actions necessary. The Group's significant risk and uncertainty factors include business risks in the form of high exposure to certain sectors, and financial risks. Financial risks, such as currency, interest rate, finance and liquidity risks, are 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 at an early stage to discover errors in the financial reporting so that

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

## INFORMATION AND COMMUNICATION

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

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

## FOLLOW-UP

The Board's follow-up of internal controls for the financial reporting is conducted partly in the form of reports from the Audit Committee and partly through the annual follow-up of parts of the system of internal controls by the Company's external auditors within the framework of the statutory audit. The external auditors report the outcome of

their examination to the Audit Committee and Group Management. Important observations are also communicated directly to the Board. The Company's principal auditor attends at least one Board meeting a year and reviews the auditing for the year.

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

## STATEMENT ON INTERNAL CONTROLS

Nothing has emerged to indicate that the system of internal controls is not operating in the manner intended. Consequently, the Board has decided not to set up an internal audit function. The decision will be reviewed annually. The Corporate Governance Report has been examined by the Company's auditor.

Lammhult, 17 March 2014  
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 2013 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 is of 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, 17 March 2014  
KPMG AB



Emil Andersson  
Authorised Public Accountant



In photograph from left: Peter Conradsson, Anders Pålsson, Lotta Lundén, Jerry Fredriksson, Maria Öqvist, Jörgen Ekdahl.

# BOARD OF DIRECTORS

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Lammhults Design Group.

## PETER CONRADSSON

Board member 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

Chairman of Bokelund RP AB. Scapa Capital AB, Scapa Inter AB and Beds by Scapa 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.

## ANDERS PÅLSSON

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

### OTHER DIRECTORSHIPS

Nibe Industrier AB, Midway Holding AB and Trioplast AB.

### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

4,913 Class B shares.

## LOTTA LUNDÉN

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

### EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

### OTHER DIRECTORSHIPS

Bergendahl & Son, Swedol, LGT, Twilfit and Karl-Adam Bonnier Stiftelse.

### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

3,000 Class B shares.

## JERRY FREDRIKSSON

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

### EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

### OTHER DIRECTORSHIPS

Chairman of KarlssonGruppen AB, IV Produkt Holding AB, Frelind AB, Boel & Jan Holding AB, J.P.H. International AB, Sjöbysund AB and Investment AB Vitrinen.

### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

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

## MARIA ÖQVIST

Board member since 2013.  
Born in 1968. Lives in Bromma.  
Independent Board member vis-a-vis the company and company management; major shareholder in the company.

### 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

0 shares.

## JÖRGEN EKDAHL

Board member 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 of Svedbergs 2002-2010.

### OTHER DIRECTORSHIPS

Chairman of Sparbanken Tranemo, chairman of R-MAN Värnamo, chairman of JG Metall AB and board member of Fora Form AS.

### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

2,000 Class B shares.





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

# GROUP MANAGEMENT

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Lammhults Design Group.



#### 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.

#### SVEN LINDBERG

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

##### EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Engineering degree from Chalmers University of Technology. Has a background as a senior executive in production, purchasing and product development. Factory manager, etc. 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

2,100 Class B shares.

#### THOMAS JANSSON

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

##### EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

##### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

1,640 Class B shares.

#### LARS BÜLOW

Brand and Design Director Lammhults Design Group and CEO of Lammhults Möbel AB since 2012. Born in 1952. Lives in Stockholm.

##### EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

##### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

150,600 Class B shares through company.

#### ANDERS ROTHSTEIN

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

##### EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

##### SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

4,150 Class B shares.

# THE SHARE

## LAMMHULTS DESIGN GROUP'S 17TH 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 as of 17 June 2008 it has been quoted under Lammhults Design Group, shortened to LAMM B. In the period 25 June 1997 to 1 October 2006, the share was quoted on the "O" List of the Stockholm Stock Exchange, under the previous company name R-vik Industrigrupp AB until 6 June 1999 and thereafter under Expanda AB. At year-end 2013, 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 2013, the share price rose by 15% from SEK 20.40 to SEK 23.40. The highest price paid during the year was SEK 27.80 (25.40) and the lowest SEK 20.00 (15.00). Regarding the liquidity of the share in 2013, it was traded on 82% (75) of all trading days, and during the year, the total turnover in the Company's shares was SEK 33 million (9). Market capitalisation at year-end 2013 was SEK 198 million (172).

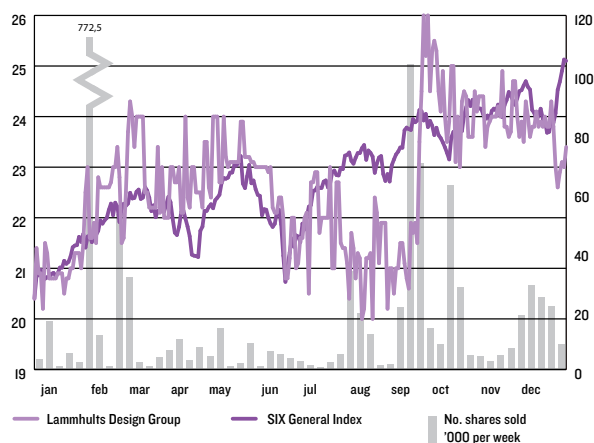
## CHANGES IN OWNERSHIP

The number of shareholders at year-end 2013 was 2,256 (2,416), 7% lower than at the preceding year-end. A shift in ownership from institutional shareholders to other Swedish legal entities took place during the year. Among the company's major shareholders, Input Interiör Sweden AB increased its holding during the year by 900,342 Class B shares, bringing its stake to 1,059,158 Class B shares, Odin Förvaltning sold its 759,996 Class B shares, Länsförsäkringar Småbolagsfond reduced its holding by 113,520 Class B shares, making its holding 434,614 Class B shares, and that Tage Johansson and company reduced its holding by 74,915 Class B shares, as a result of which its stake totals 104,973 Class A shares and 2,600 Class B shares.

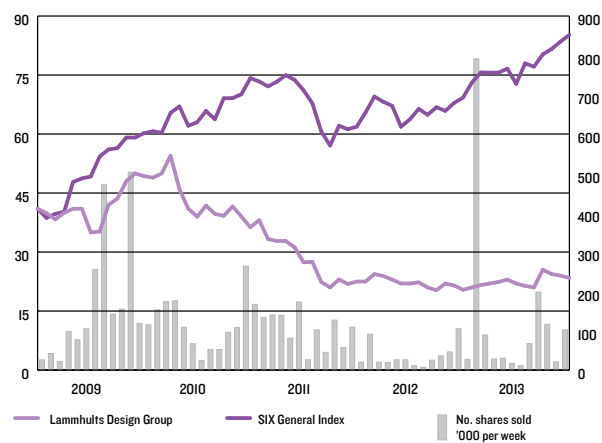
## DIVIDEND POLICY AND DIVIDEND

Lammhults Design Group's financial objective over a business cycle is, while maintaining a focus on the Group's long-term capital requirements, that the dividend paid shall correspond to around 40% of profit after tax. For the 2013 financial year, the Board proposes a dividend of SEK 1.00 per share (0.50). The total dividend payment will thus amount to SEK 8.4 million (4.2). The proposed dividend represents a direct yield of 4.3% (2.5).

Price trends and share turnover, 2013



Price trends and share turnover, 2009-2013



SHARE DATA	2009	2010	2011	2012	2013
Number of shares at year-end, '000s	8,448	8,448	8,448	8,448	8,448
Warrants, '000s I)	110	35	0	0	0
Average number of shares, '000s	8,448	8,448	8,448	8,448	8,448
Earnings per share before dilution, SEK	3.22	1.65	0.72	0.62	1.29
Earnings per share before dilution, remaining businesses, SEK	3.16	1.19	0.53	0.21	1.29
Earnings per share after dilution, SEK	3.22	1.65	0.72	0.62	1.29
Earnings per share after dilution, remaining businesses, SEK	3.16	1.19	0.53	0.21	1.29
Cash flow per share, SEK	3.95	3.53	2.79	2.98	4.46
Equity per share before dilution, SEK	46.76	43.72	43.22	42.46	43.97
Equity per share after dilution, SEK	46.76	43.72	43.22	42.46	43.97
Market price at year-end, SEK	49.30	36.30	22.50	20.40	23.40
Dividend per share paid/proposed, SEK	1.50	1.00	0.50	0.50	1.00
P/E ratio	15	22	31	34	18
Share price/equity, %	105	83	52	48	53
Dividend yield, %	3.0	2.8	2.2	2.5	4.3
Dividend payout ratio, %	47	61	69	81	78

I) Redemption price of SEK 79.00 for warrants issued in 2008, and redemption price of SEK 50.00 for warrants issued in 2009.

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

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

**DISTRIBUTION OF SHARES, 31 DECEMBER 2013**

Shareholding, no.	Number of shareholders	Proportion of owners, %	Proportion as % of capital	Proportion as % of votes
1 - 500	1,629	72.2	3.6	1.7
501 - 1,000	290	12.9	3.0	1.5
1,001 - 2,000	139	6.2	2.6	1.3
2,001 - 5,000	96	4.3	4.1	2.9
5,001 - 10,000	39	1.7	3.4	2.5
10,001 - 50,000	37	1.6	9.8	7.0
50,001 -	26	1.2	73.6	83.3
<b>TOTAL</b>	<b>2,256</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**TEN LARGEST SHAREHOLDERS, 31 December 2013**

Shareholder	Number Class A shares	Number Class B shares	Proportion as % of capital	Proportion as % of votes
Scapa Capital AB	367,570	1,074,000	17.1	25.8
Canola AB	314,049	112,000	5.0	17.7
Sjöberg, Stig and Ann-Louise	108,318	80,500	2.2	6.3
Input Interiör Sweden AB	0	1,059,158	12.5	5.8
Johansson, Tage and company	104,973	2,600	1.3	5.7
Sandelius, Nils-Gunnar with company	78,600	8,000	1.0	4.3
Skandia Livförsäkrings AB	0	777,638	9.2	4.2
Johan Sjöberg i Stockaryd AB	50,300	20,000	0.8	2.8
Länsförsäkringar Småbolagsfond	0	434,614	5.1	2.4
Sjöberg, Harriet	37,600	38,050	0.9	2.3
Sub-total, 10 largest shareholders	1,061,410	3,606,560	55.3	77.4
Other	42,388	3,737,746	44.7	22.6
<b>TOTAL</b>	<b>1,103,798</b>	<b>7,344,306</b>	<b>100.0</b>	<b>100.0</b>

**SHAREHOLDERS BY CATEGORY, 31 December 2013**

Category	Number Class A shares	Number Class B shares	Proportion as % of capital	Proportion as % of votes
Financial companies	0	2,021,696	23.9	11.0
Stakeholder organisations	0	17,740	0.2	0.1
Other Swedish legal entities	845,488	2,932,576	44.7	61.9
Uncategorised legal entities	0	400	0.0	0.0
Owners based abroad	0	292,440	3.5	1.6
Swedish natural persons	258,310	2,079,454	27.7	25.4
<b>TOTAL</b>	<b>1,103,798</b>	<b>7,344,306</b>	<b>100.0</b>	<b>100.0</b>

The total number of shareholders in Lammhults Design Group at year-end was 2,256 (2,416). Owners based abroad represented 3.5% (3.2) of the capital and 1.6% (1.5) of the voting rights. Institutional shareholders, including legal entities based abroad and uncategorised legal entities, represented 26.9% (35.7) of the capital and 12.4% (16.4) of the voting rights. The ten largest shareholders held 55.3% (53.9) of the capital, representing 77.4% (76.8) of the voting rights.

# FIVE-YEAR REVIEW

KEY RATIOS	Unit	2009	2010	2011	2012	2013
<i>Key ratios for remaining businesses</i>						
Net sales	SEK m.	736.0	673.4	651.1	627.4	607.7
Gross profit	SEK m.	289.6	249.9	235.7	220.3	222.7
Gross margin	%	39.4	37.1	36.2	35.1	36.6
Operating profit	SEK m.	50.5	23.0	15.6	3.8	13.3
Operating margin	%	6.9	3.4	2.4	0.6	2.2
Profit after financial items	SEK m.	45.5	21.3	10.5	0.1	11.1
Net margin	%	6.2	3.2	1.6	0.0	1.8
<i>Key ratios for the entire Group</i>						
Net sales	SEK m.	840.8	778.0	753.8	713.9	607.7
Gross profit	SEK m.	337.4	303.6	287.7	264.0	222.7
Gross margin	%	40.1	39.0	38.2	37.0	36.6
Operating profit	SEK m.	44.6	26.7	18.5	9.6	13.3
Operating margin	%	5.3	3.4	2.5	1.3	2.2
Profit after financial items	SEK m.	38.9	24.2	12.5	5.4	11.1
Net margin	%	4.6	3.1	1.7	0.8	1.8
Total capital	SEK m.	754.6	744.1	699.9	553.2	665.5
Capital employed	SEK m.	581.5	578.0	552.2	431.5	516.9
Operating capital	SEK m.	511.3	504.6	505.5	408.2	470.8
Equity	SEK m.	395.1	369.3	365.1	358.7	371.5
Return on total capital	%	6.0	3.7	2.7	1.7	2.6
Return on capital employed	%	8.0	4.7	3.5	2.1	3.4
Return on operating capital	%	8.8	5.2	3.7	2.1	3.0
Return on equity	%	6.9	3.6	1.6	1.4	3.0
Debt/equity ratio	mult.	0.47	0.56	0.51	0.20	0.39
Share of risk-bearing capital	%	53.3	51.2	53.8	66.4	57.1
Interest coverage ratio	mult.	6.0	8.5	2.7	2.1	3.2
Equity/assets ratio	%	52.4	49.6	52.2	64.9	55.9
Cash flow from operating activities	SEK m.	33.4	29.8	23.6	25.2	37.7
Investments	SEK m.	17.3	7.6	16.9	12.6	10.6
Average number of employees		410	394	400	376	329

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

**Cash-flow per share**  
Cash flow from operating activities, divided by average number of shares.

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

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

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

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

**Equity**  
Total of restricted and non-restricted equity.

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

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

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

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

**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.

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

**Operating margin**  
Operating profit as a percentage of net sales.

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

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

**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 total capital**  
Profit after financial items plus financial expenses as a percentage of average total capital.

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

**Share of risk-bearing capital**  
Equity and deferred tax as a percentage of total assets.

**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.

**Total assets**  
Value of all assets.



# FINANCIAL STATEMENTS AND NOTES

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# 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 2013-31 December 2013.

Lammhults Design Group conducts its business activities in the form of a public limited company (Swedish: aktiebolag). Its registered office is in the Municipality of Växjö, in Kronoberg County. The Company's address is: Box 75, SE-360 30 Lammhult, Sweden.

## THIS IS LAMMHULTS DESIGN GROUP

Serving a global clientele, Lammhults Design Group's business concept is to create positive experiences through modern interiors. Consumer insight, design management and strong brands are the foundations on which the Group's operations are based. We develop products with several of the market's foremost designers. 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 and markets products for interiors in public and domestic settings, and Public Interiors, which develops, markets and sells interiors and product solutions for the public sector. The Group is made up of the following wholly owned subsidiaries: Lammhults Möbel AB, Abstracta AB with subsidiaries Abstracta Interiors A/S (formerly Borks Patenttavler A/S) and Abstracta Interiör AS, Voice AB, Ire Möbel AB, Fora Form AS, Lammhults Biblioteksdesign AB, Lammhults Biblioteksdesign A/S and Schulz Speyer Bibliothekstechnik AG with sub-

sidary 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 2013

- Lammhults Möbel AB and Abstracta AB supplied chairs, tables and screens to Psykiatrins Hus, Uppsala, to a total value of SEK 5.5 million.
- A university in Saudi Arabia ordered Uniflex shelving systems valued at SEK 4.1 million from Schulz Speyer Bibliothekstechnik AG.
- Lammhults Möbel AB supplied furniture to the Karolinska University Hospital, Solna, to a value of SEK 3.2 million.
- Schulz Speyer Bibliothekstechnik AG delivered its total concept to a library in Potsdam, Germany, to a value of SEK 3.4 million.
- Schulz Speyer Bibliothekstechnik AG divested its Italian subsidiary Harmonie Projects Srl.
- All the shares in the Norwegian designer furniture company Fora Form were acquired. The total purchase consideration, SEK 71.1 million, was paid in cash. In 2012, the company had sales totalling approximately NOK 125 million and an operating profit of around NOK 12 million. Fora Form has just under 70 employees. During 2013, both net sales and operating profit showed improvement.
- Lammhults Biblioteksdesign A/S delivered an order for 60/30 shelving valued at SEK 3.7 million to the University of Syddansk in Denmark.

- Fora Form AS supplied retractable seating as part of a cultural project valued at SEK 4.0 million for Sørmarka Multipurpose Arena.
- Skanska ordered Join, by Ire Möbel AB, to a value of SEK 1.8 million. The major share of the order was delivered in late 2013 and a smaller volume will be supplied in early 2014.

## FINANCIAL SUMMARY FOR 2013

*The Scandinavian Eyewear business area was sold in October 2012. Consequently, all figures provided for comparison in the financial summary refer to the remaining businesses, that is to say, exclude Scandinavian Eyewear.*

The Group's net sales totalled SEK 607.7 million, 3% lower than in the preceding year. At the same exchange rates as in the preceding year, net sales for the year would have been SEK 8.5 million higher. Fora Form, which was acquired in early October 2013 and is part of Office & Home Interiors, reported sales of around SEK 50 million in the fourth quarter. Net sales for Office & Home Interiors rose 3% over the year. In Public Interiors, net sales declined by 12%, mainly because of lower sales in the German market and lower sales in Spain and Italy, where subsidiaries were closed down and sold, respectively.

The Group's gross margin improved from 35.1% to 36.6%, despite the adverse effect of production overheads being distributed over lower sales volumes. The restructuring measures implemented last year lowered the Group's costs of goods sold, which helped to improve the gross margin. The gross margin in 2012 was affected partly by costs for harmonising

## GROUP FINANCIAL HIGHLIGHTS

GROUP	2009	2010	2011	2012	2013
Net sales for remaining businesses, SEK m.	736.0	673.4	651.1	627.4	607.7
Operating profit for remaining businesses, SEK m.	50.5	23.0	15.6	3.8	13.3
Operating margin for remaining businesses, %	6.9	3.4	2.4	0.6	2.2
Capital employed, SEK m.	581.5	578.0	552.2	431.5	516.9
Return on capital employed, %	8.0	4.7	3.5	2.1	3.4
Return on equity, %	6.9	3.6	1.6	1.4	3.0
Equity/assets ratio, %	52.4	49.6	52.2	64.9	55.9
Debt/equity ratio, mult.	0.47	0.56	0.51	0.20	0.39
Investments in property, plant and equipment, SEK m.	17.3	7.3	16.9	12.6	10.6
Average number of employees	410	394	400	376	329
Dividend payout ratio, %	47	61	69	81	78

and streamlining the Abstracta, Borks and Voice product ranges, and partly by non-recurring impairment charges of around SEK 4 million at Office & Home Interiors.

The Group's sales and administration costs totalled SEK 209.5 million (222.7), including non-recurring costs of SEK 4 million, which were down from approximately SEK 8 million last year. Sales and administration overheads were lower than in the previous year as a result of the completed closures/divestments of Public Interiors' operations in Spain, Austria and Italy, plus the completed integrations of Abstracta's, Borks' and Voice's operations in Office & Home Interiors. Excluding Fora Form, the Group's sales and administration costs were SEK 24.4 million lower than last year.

In all, the Group's operating profit was charged with non-recurring and restructuring costs of around SEK 5 million (16) during the year. Operating profit in the preceding year also included a capital gain of SEK 3.9 million from the sale of a property. Operating profit totalled SEK 13.3 million (3.8), corresponding to an operating margin of 2.2% (0.6). Compared with the preceding year, the operating profit at Office & Home Interiors improved, but was down slightly at Public Interiors as a result of lower net sales. Pre-tax profit was SEK 11.1 million (0.1). Profit after tax totalled SEK 10.9 million (1.8). Earnings per share for the Group totalled SEK 1.29 (0.62) before and after dilution, and for the remaining businesses SEK 1.29 (0.21) before and after dilution.

The equity/assets ratio was 55.9% (64.9),

and the debt/equity ratio 0.39% (0.20) on 31 December 2013. The sales of Voice's property and the Scandinavian Eyewear business area (together generating a cash flow of more than SEK 80 million) in the second half of 2012 strengthened the Group's financial position and made the purchase of Fora Form possible in October 2013. The cash flow from operating activities totalled SEK 37.7 million (25.2) in 2013. More efficient inventory management contributed to the improved cash flow. Cash flow for the year totalled SEK 21.7 million (-20.1). Cash and cash equivalents amounted to SEK 46.1 million (23.3) at year-end. The Group's unused credit facilities including cash and cash equivalents totalled SEK 114.1 million (119.6). 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

Five years ago, a decision was taken to introduce a brand-based strategy in order that the Group should progress from a holding company type of structure to a more integrated industrial group focusing on interiors. 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 brand-based work in the Group. The Lammhults Design Group has acquired its own graphical

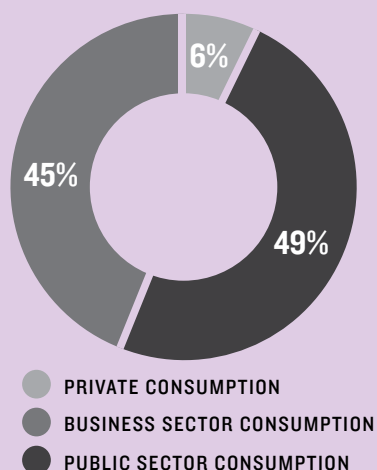
identity, which creates better clarity both externally, among our customers, and in-house. As a result, our own already strong and well-established brands in interiors – Lammhults, Fora Form, Abstracta, Voice, Ire, Eurobib Direct, Schulz Speyer and BCI – can retain their individual characteristics, while at the same time benefiting from an endorsement process that tags them “part of Lammhults Design Group”. This underpins the Group's ability to use the various brands in both an individual and a collection-inspired way in order to meet the requirements of individual customers. It also enables us to exploit synergies in purchasing, production, marketing and sales. The brand strategy places the customer at the centre. Insight into customer needs are vital if we are to be able to develop good products and systems. Consistent and credible branding is another important tool by which the Group's future gross margins can be improved.

### THE MARKET IN 2013

The general uncertainty in large areas of the world around us continued to affect business in 2013. Restraint in public sector investments in a number of European markets adversely affected sales by Public Interiors, where a decline of 12% was recorded. Other factors lowering sales for the business area were a fall in sales to the German market and disposal and closure of subsidiaries in southern Europe. Sales by Office & Home Interiors increased by 3%, thanks to sales of around SEK 50 million by Fora Form in the fourth quarter. Fora Form was acquired in early October 2013. Ire also succeeded in lifting sales during the year through successes in the Swedish and Norwegian public interiors market. Sales for other brands in Office & Home Interiors – Lammhults, Abstracta and Voice – fell during the year. This was mainly due to weak demand in the Swedish public interiors market in the third quarter and to the fact that Lammhults had delivered a major one-off transaction in the preceding year. Weak demand in the premium segments of the furniture market for home interiors in Sweden slowed sales for the Voice and Ire brands in Office & Home Interiors. Against that background, our strategy of progressively developing these product ranges increasingly

to also include public interiors remains in place. As a result of these changes in the market and the acquisition of Fora Form, the share of Group sales represented by business consumption rose from 44% to 45%, while the Group's share of sales to the public sector was unchanged at 49% and sales to the private sector fell from 7% to 6%.

**BREAKDOWN OF NET SALES FOR REMAINING BUSINESSES**



Another factor that affected the Group's operations was the rise in the Swedish krona (SEK), which negatively affected net sales in the amount of around SEK 9 million. The share of sales to markets outside Sweden was unchanged for remaining businesses, at 64%. At year-end, the Group's order backlog was 50% higher than at the preceding year-end, amounting to SEK 139.4 million (92.7). Of the total, Fora Form's order backlog accounted for approximately SEK 36 million. The order backlog for the Office & Home Interiors business area was 59% higher than at the preceding year-end, while that of Public Interiors was 40% higher than at the same point in time.

#### MARKET DEVELOPMENTS – BUSINESS AREAS

##### Office & Home Interiors

The business area develops, markets and sells products for interiors for public and home environments under the brands of

Lammhults, Fora Form, Abstracta, Voice and Ire. Net sales totalled SEK 383.5 million, compared with SEK 372.0 million a year earlier. Fora Form, which was acquired in early October 2013, reported sales of around SEK 50 million in the fourth quarter. Ire increased net sales during the year, while those for Lammhults, Abstracta and Voice declined. This was mainly because of weak demand in the Swedish public interiors market in the third quarter and because Lammhults had delivered a major one-off transaction in the preceding year. The gross margin for the business area was somewhat higher than in the preceding year, even discounting non-recurring costs in the preceding year for harmonising and streamlining the Abstracta, Borks and Voice product ranges and non-recurring impairment charges of around SEK 4 million. The improvement was achieved mainly thanks to a reduction in payroll and property costs resulting from the completed integration of the Abstracta, Borks and Voice businesses, but also because of efficiency gains in other operations. Sales and administration costs over the full year were just over SEK 15 million lower than in the preceding year, due to the above-mentioned integrations. Operating profit totalled SEK 17.2 million (5.6). The operating margin was calculated at 4.5 percent (1.5).

##### 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. At the end of 2011, a decision was taken to broaden the business area's operations. Expanded sales activities are being extended beyond libraries to operators in education and training. In the second half of the year, production at Holsted, Denmark, was closed down and relocated to suppliers in Poland. Net sales totalled SEK 226.3 million, compared with SEK 257.5 million a year earlier. The decline in net sales was mainly due to the fact that Schulz Speyer lost sales in the German market and that sales were also lower to Spain and Italy, where subsidiaries were closed down and divested, respectively. Net sales to Belgium and the UK also declined during the year, while on the other hand net sales to the

Nordic region, France and the Middle East rose. After-market sales totalled approximately SEK 39 million, 3% higher than in the preceding year, following a strong end to the year. The gross margin was level with last year's, despite the fact that production overheads were spread over lower sales volumes. The completed closures/sales of the businesses in Spain, Austria and Italy enabled sales and administration costs to be cut by approximately SEK 12 million, compared with last year. Operating profit totalled SEK 14.1 million (16.6). The operating margin was calculated at 6.2 percent (6.4).

##### PARENT COMPANY

The Parent Company's business activities embrace Group management and certain Group-wide functions. Net sales amounted to SEK 5.6 million (6.2), with a profit before tax of SEK 5.1 million (2.0). Investments totalled SEK 0.2 million (0.6). Cash and cash equivalents, including unused overdraft facilities, totalled SEK 70.4 million (95.6) on 31 December 2013.

##### INVESTMENTS AND DEPRECIATION

The Group's investments in machinery, equipment, ERP systems and IT, including work in progress, totalled SEK 10.2 million (12.6) during the year. Investments in buildings and land totalled SEK 0.4 million (0.0). Total depreciation according to plan during the year was SEK 12.3 million (11.7).

##### DEVELOPMENT WORK

Product development, in-house and in partnership with customers, is an important part of the Group's operations. The Group's products are to be characterised by creativity and high design values, drawing on the expertise of designers both in and outside the organisation. The main focus is capital goods and consumer durables for public environments, homes and offices. Product development is to be driven by creativity and design allied to other vital factors such as production sustainability, functionality, quality, environment and price. The costs associated with this process are not normally sufficient for them to fulfil the criteria for reporting as an asset, but instead are accounted for as administrative expenses in the consolidated income statement; see Note 7. However,

costs of development activities that are 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 1.3 million (0.1) 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 a number of 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 in the main in SEK, EUR, NOK and DKK. In addition, the Group is to a certain degree exposed to commodities risk. Financial risks, risk management and financial policies are described in more detail in Note 27.

#### **FINANCIAL GOALS AND FUTURE EXPECTATIONS**

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

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

The general uncertainty in large areas of the world around us has continued to affect our business. Restraint in public sector investments in a number of European markets affected sales by Public Interiors. Weak demand in the premium segments of the furniture market for home interiors in Sweden slowed sales for the Voice and Ire brands. The markets for furniture and interiors for public environments in Northern Europe have been more stable,

other than in the year's third quarter. This has primarily favoured the Lammhults, Fora Form and Abstracta brands. In order to boost growth and profitability in the years ahead, it was decided in October 2011 to streamline the Group's operations and focus on profitable growth in furniture and interiors. Expertise and resources were gathered within two clearly defined business areas, Office & Home Interiors and Public Interiors. The former Lammhults Office and Lammhults Home business areas were merged into one, Office & Home Interiors. The operations of Abstracta, Borks and Voice were integrated to cut costs. The former Lammhults Library business area was expanded by developing sales activities beyond libraries to include providers in education and training. It was then renamed Public Interiors. In Public Interiors, the businesses of the subsidiaries in Spain and Austria were closed down, while the sales companies in the Netherlands and Belgium were integrated and the subsidiary in Italy closed down. In the second half of 2013, production at Holsted, Denmark, was closed down and relocated to suppliers in Poland. In parallel with these restructuring measures, the sales organisations have been strengthened in both Office & Home Interiors and Public Interiors to establish the conditions for higher future sales. This intensive programme, implemented during 2012 and 2013, has overall established a more solid platform for the Group over the next few years. Our financial position remains strong, even following the acquisition of Fora Form, creating scope for growth, both organic and via acquisitions.

#### **ENVIRONMENTAL ACTIVITIES IN THE GROUP**

While developing, manufacturing and marketing safe products of the highest quality that satisfy the demands of the market, Lammhults Design Group is to maintain a close focus on environmental factors. Every company in the Group has established an environmental policy aligned with the Group-wide policy adopted by the Board of Directors. The operations of Abstracta AB, Lammhults Möbel AB, Lammhults Biblioteksdesign AB and Ire Möbel AB have been certified to ISO 14001. In this Annual Report, the Group's work on sustainability issues is summar-

ised and reported for the third time in accordance with the directives of GRI G3 (Global Reporting Initiative). Lammhults Möbel AB conducts operations subject to a duty of notification under the Swedish Environmental Code, the Ordinance concerning environmentally hazardous activities and the protection of public health (1998:899). Environmental impact consists mainly of waste from degreasing baths (closed systems) and emissions of solvents from coating lines. 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 as far as possible required to make best use of the skills and experience that have been built up in the Parent Company and business areas. Knowledge transfer with regard to product development, marketing, distribution and export sales, as well as purchases from low-cost countries, are a central element of the Group's strategic focus. Lammhults Design Group endeavours to create safe and healthy work environments, as well as tasks that encourage personal development on the part of the Group's employees. The average number of employees in the Group totalled 329 (376) and for remaining businesses 329 (346). Of the total number of employees in the Group, 43% (42) were women. The costs of wages, salaries and other remuneration for the Group's remaining businesses amounted to SEK 141.1 million (147.8).

#### **GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES**

Fees are paid to the Chair and Board members in accordance with resolution of the AGM. In addition, the 2013 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50 thousand to the Chair and SEK 25 thousand to the other two members of each committee. The AGM has adopted the following guidelines for remuneration: Wages, salaries and other conditions of employment for the CEO and



other senior executives shall be in line with the market, and competitive, such that competent and skilled personnel can be recruited, motivated and retained. The Group's senior executives who make up the Group Management team, have an agreement on variable remuneration over and above a fixed salary. The size of the variable remuneration is linked to predetermined objectives based on individually set goals, or on the Group's results and cash flows. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. To the extent that higher variable remuneration is allowable in companies acquired, such remuneration is adjusted as soon as legally and financially practical. The variable remuneration for the Group Management may total no more than SEK 3.0 million, including social welfare charges, in the subsequent financial year. There should also be scope for long-term share-based or share price-based incentive programmes.

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

Agreements on pension benefits shall be entered into individually. For the CEO, an annual pension premium amounting to ten times Sweden's "Base Amount" (Swedish: prisbasbelopp) shall be paid.

For other senior executives, pension costs shall amount to a maximum of 25 percent of the fixed and variable salary. The terms and conditions of pensions shall be based on defined-contribution pension schemes. The retirement age shall be 65 years.

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

#### **CORPORATE GOVERNANCE**

The company is governed by the Annual General Meeting, Board of Directors and CEO under the terms of the Swedish Companies Act and 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 seven Board meetings were held in 2013. The Board has also appointed an Audit Committee and a Remuneration Committee that study and prepare the Board's decisions regarding important issues in the respective areas. For more information on the work of the Board of Directors, corporate governance and the Group's systems of internal control, see the Corporate Governance Report on page 53.

#### **OWNERSHIP**

The total number of shares outstanding in Lammhults Design Group is 8,448,104, represented by 1,103,798 class A shares, each carrying ten votes, and 7,344,306 class B shares, each carrying one vote. Scapa Capital AB holds shares corresponding to 25.8% of the votes, while Canola AB

holds shares representing 17.7% of the votes. According to Chapter 6, Section 2 of the Swedish Annual Reports Act, listed companies must disclose details of certain circumstances that could affect the possibility of the Company being taken over via a public offer to acquire shares in the Company. No such circumstances exist with regard to Lammhults Design Group AB.

#### **PROPOSED APPROPRIATION OF PROFITS**

The Board of Directors proposes that the profits available for distribution and unrestricted equity be allocated as follows: Dividend to the shareholders: SEK 1.00 per share (0.50). The total dividend payment amounts to SEK 8,448,104 (4,224,052). To be carried forward: SEK 128,681,837, of which SEK -1,143,600 kronor the fair value reserve.

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting (AGM) will be held in Lammhult on 29 April. The Board of Directors will propose, as it did last year, that the AGM approve authorisation for the Board to carry out a new share issue, comprising eight hundred thousand Class B shares, to finance future acquisitions.

## CONSOLIDATED STATEMENT OF INCOME

The Scandinavian Eyewear business was sold on 3 October 2012. The divested business is accounted for solely as one line in the Statement of Income – Profit from divested business, net of tax.

Amounts in SEK m.	Note	2013	2012
<b>REMAINING BUSINESSES</b>			
Net sales	2, 3	607.7	627.4
Cost of goods sold		-385.0	-407.1
<b>GROSS PROFIT</b>		<b>222.7</b>	<b>220.3</b>
Other operating income	6	5.5	11.3
Cost of sales		-133.2	-145.7
Administrative expenses		-76.3	-77.0
Other operating costs	7	-5.4	-5.1
<b>OPERATING PROFIT</b>	<b>3, 8, 9, 10, 15, 24, 29</b>	<b>13.3</b>	<b>3.8</b>
Finance income		2.8	0.8
Finance costs		-5.0	-4.5
<b>NET FINANCE INCOME</b>	<b>11</b>	<b>-2.2</b>	<b>-3.7</b>
<b>PROFIT BEFORE TAX</b>		<b>11.1</b>	<b>0.1</b>
Tax	12	-0.2	1.7
<b>PROFIT FOR THE YEAR FROM REMAINING BUSINESSES</b>		<b>10.9</b>	<b>1.8</b>
<b>OPERATION DIVESTED</b>			
Profit/loss from business divested, net after tax	4	-	3.4
<b>PROFIT FOR THE YEAR</b>		<b>10.9</b>	<b>5.2</b>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Shareholders in Parent Company		10.9	5.1
Non-controlling interests		0.0	0.1
<b>EARNINGS PER SHARE, SEK (NO DILUTION)</b>	<b>13</b>	<b>1.29</b>	<b>0.62</b>
<b>EARNINGS PER SHARE FROM REMAINING BUSINESSES, SEK (NO DILUTION)</b>	<b>13</b>	<b>1.29</b>	<b>0.21</b>

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

Amounts in SEK m.	Note	2013	2012
<b>PROFIT FOR THE YEAR</b>		<b>10.9</b>	<b>5.2</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Differences arising from translation of accounts of foreign operations		6.2	-7.0
Changes in fair value of cash flow hedges, for the year		-0.1	-0.3
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6.1</b>	<b>-7.3</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>17.0</b>	<b>-2.1</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>			
Shareholders in Parent Company		17.0	-2.2
Non-controlling interests		0.0	0.1

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m.	Note	31/12/2013	31/12/2012
<b>ASSETS</b>	<b>5, 16, 30</b>		
Intangible non-current assets	14	233.0	169.7
Property, plant and equipment	15	110.2	106.4
Financial investments	17	0.2	0.2
Non-current receivables		0.0	0.0
Deferred income tax assets	12	2.8	1.9
<b>TOTAL NON-CURRENT ASSETS</b>		<b>346.2</b>	<b>278.2</b>
Inventories	18	100.3	103.8
Taxes recoverable	12	16.8	16.8
Accounts receivable	19	135.9	106.3
Other receivables		12.2	15.1
Prepaid expenses and accrued income		8.0	9.7
Cash and cash equivalents	20	46.1	23.3
<b>Total current assets</b>		<b>319.3</b>	<b>275.0</b>
<b>TOTAL ASSETS</b>		<b>665.5</b>	<b>553.2</b>
<b>EQUITY</b>	<b>21</b>		
Share capital		84.5	84.5
Other contributed capital		41.2	41.2
Reserves		-10.7	-16.8
Retained earnings including net profit for the year		256.5	249.8
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS IN PARENT COMPANY</b>		<b>371.5</b>	<b>358.7</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>0.3</b>	<b>0.3</b>
<b>EQUITY</b>		<b>371.8</b>	<b>359.0</b>
<b>LIABILITIES</b>	<b>5, 16, 30</b>		
Non-current interest-bearing liabilities	22, 27	68.9	41.6
Provisions for pensions	24	1.6	2.3
Other provisions	25	0.6	0.4
Deferred tax liabilities	12	8.1	8.0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>79.2</b>	<b>52.3</b>
Current interest-bearing liabilities	22, 27	76.3	30.8
Advance payments from customers		10.1	1.8
Trade payables		57.5	48.2
Income tax liabilities	12	5.4	2.3
Other liabilities		31.7	27.1
Accrued expenses and deferred income	26	33.5	31.7
<b>Total current liabilities</b>		<b>214.5</b>	<b>141.9</b>
<b>Total liabilities</b>		<b>293.7</b>	<b>194.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>665.5</b>	<b>553.2</b>

For information on the Group's pledged assets and contingent liabilities, see Note 30.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK m.	Equity attributable to shareholders in Parent Company					Total	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained profit incl. profit for year			
Opening balance, equity 01/01/2012	84.5	41.2	0.4	-9.9	248.9	365.1	0.2	365.3
<b>Comprehensive income for the year:</b>								
Profit for the year	0.0	0.0	0.0	0.0	5.1	5.1	0.1	5.2
Translation differences for the year	0.0	0.0	0.0	-7.0	0.0	-7.0	0.0	-7.0
Year's changes in fair value of cash flow hedges	0.0	0.0	-0.3	0.0	0.0	-0.3	0.0	-0.3
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.3</b>	<b>-7.0</b>	<b>5.1</b>	<b>-2.2</b>	<b>0.1</b>	<b>-2.1</b>
Dividend paid	0.0	0.0	0.0	0.0	-4.2	-4.2	0.0	-4.2
<b>CLOSING BALANCE, EQUITY 31/12/2012</b>	<b>84.5</b>	<b>41.2</b>	<b>0.1</b>	<b>-16.9</b>	<b>249.8</b>	<b>358.7</b>	<b>0.3</b>	<b>359.0</b>
Opening balance, equity 01/01/2013	84.5	41.2	0.1	-16.9	249.8	358.7	0.3	359.0
<b>Comprehensive income for the year:</b>								
Profit for the year	0.0	0.0	0.0	0.0	10.9	10.9	0.0	10.9
<b>Other comprehensive income for the year:</b>								
Translation differences, for the year	0.0	0.0	0.0	6.2	0.0	6.2	0.0	6.2
Year's changes in fair value of cash flow hedges	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>6.2</b>	<b>10.9</b>	<b>17.0</b>	<b>0.0</b>	<b>17.0</b>
Dividend paid	0.0	0.0	0.0	0.0	-4.2	-4.2	0.0	-4.2
<b>CLOSING BALANCE, EQUITY 31/12/2013</b>	<b>84.5</b>	<b>41.2</b>	<b>0.0</b>	<b>-10.7</b>	<b>256.5</b>	<b>371.5</b>	<b>0.3</b>	<b>371.8</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m.	Note	2013	2012
	34		
<b>OPERATING ACTIVITIES</b>			
Profit before tax		11.1	5.4
Adjustment for non-cash items		12.3	11.7
Income tax paid		1.5	-10.5
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>		<b>24.9</b>	<b>6.6</b>
<i>Cash flow from changes in working capital</i>			
Changes in inventories <sup>1</sup>		17.1	11.2
Changes in operating receivables <sup>1</sup>		-9.4	12.0
Changes in operating liabilities <sup>2</sup>		5.1	-4.6
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>37.7</b>	<b>25.2</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		-8.3	-7.5
Disposal of property, plant and equipment		0.3	44.3
Purchases of non-current intangible assets		-2.7	-0.9
Sales of non-current intangible assets		0.2	0.0
Divestment of discontinued business, net impact on liquidity		6.7	36.7
Purchases of subsidiaries, net impact on liquidity		-70.1	-
Sale of subsidiaries, net impact on liquidity		-0.5	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-74.4</b>	<b>72.6</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		82.1	3.8
Repayments of loans		-19.5	-117.5
Dividends paid to shareholders in Parent Company		-4.2	-4.2
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>58.4</b>	<b>-117.9</b>
<b>CASH FLOWS FOR THE YEAR</b>		<b>21.7</b>	<b>-20.1</b>
Cash and cash equivalents at beginning of year		23.3	46.6
Translation difference in cash and cash equivalents		1.1	-3.2
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>46.1</b>	<b>23.3</b>

<sup>1</sup> Increase (-) / decrease (+)

<sup>2</sup> Increase (+) / decrease (-)



## PARENT COMPANY INCOME STATEMENT

Amounts in SEK m.	Note	2013	2012
Net sales	2, 3	5.6	6.2
<b>GROSS PROFIT</b>		<b>5.6</b>	<b>6.2</b>
Administrative expenses		-18.0	-18.3
Other operating costs		-	-0.1
<b>OPERATING PROFIT/LOSS</b>	8, 9, 15, 24, 29	<b>-12.4</b>	<b>-12.2</b>
<i>Result from financial items</i>	II		
Profit from participations in Group companies		6.5	17.6
Other interest income		2.4	1.6
Interest expense		-3.0	-1.9
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>-6.5</b>	<b>5.1</b>
Appropriations	3I	11.6	-3.1
<b>PROFIT BEFORE TAX</b>		<b>5.1</b>	<b>2.0</b>
Income tax	12	1.6	4.1
<b>PROFIT FOR THE YEAR</b>		<b>6.7</b>	<b>6.1</b>

## PARENT COMPANY STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

Amounts in SEK m.	Note	2013	2012
<b>PROFIT FOR THE YEAR</b>		<b>6.7</b>	<b>6.1</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6.7</b>	<b>6.1</b>

## PARENT COMPANY BALANCE SHEET

Amounts in SEK m.	Note	31/12/2013	31/12/2012
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	0.8	0.8
<i>Financial non-current assets</i>			
Participations in Group companies	33	422.6	349.8
<b>Total financial non-current assets</b>		<b>422.6</b>	<b>349.8</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>423.4</b>	<b>350.6</b>
<b>CURRENT ASSETS</b>			
<i>Current receivables</i>			
Receivables from Group companies		195.2	165.0
Taxes recoverable		9.9	8.4
Other receivables		0.4	0.3
Prepaid expenses and accrued income		0.7	0.7
<b>TOTAL CURRENT RECEIVABLES</b>		<b>206.2</b>	<b>174.4</b>
Cash and bank balances	20	16.6	2.7
<b>Total current assets</b>		<b>22.8</b>	<b>177.1</b>
<b>TOTAL ASSETS</b>		<b>646.2</b>	<b>527.7</b>
<b>EQUITY</b>	21		
<i>Restricted equity</i>			
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
<i>Unrestricted equity</i>			
Fair value reserve		-1.1	-1.1
Retained profit		131.6	129.7
Profit for the year		6.7	6.1
<b>TOTAL EQUITY</b>		<b>262.9</b>	<b>260.4</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities to credit institutions	23, 27	31.3	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>31.3</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>			
Liabilities to credit institutions	23, 27	66.7	24.1
Trade payables		2.0	0.5
Liabilities to Group companies		278.8	236.9
Other liabilities		0.3	1.1
Accrued expenses and deferred income	26	4.2	4.7
<b>Total current liabilities</b>		<b>352.0</b>	<b>267.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>646.2</b>	<b>527.7</b>

## PLEDGED ASSETS AND CONTINGENT LIABILITIES PARENT COMPANY

Amounts in SEK m.	Note	31/12/2013	31/12/2012
Pledged assets	30	202.5	203.6
Contingent liabilities	30	3.5	3.7

## STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

Amounts in SEK m.	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve Translation reserve	Retained for year	Profit/loss profit	
Opening balance, equity 01/01/2012	84.5	41.2	-1.1	133.4	0.5	258.5
Transfer of profit/loss for preceding year	0.0	0.0	0.0	0.5	-0.5	0.0
Comprehensive income for the year:						
Profit for the year	0.0	0.0	0.0	0.0	6.1	6.1
Other comprehensive income for the year	0.0	0.0	0.0	0.0	0.0	0.0
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.1</b>	<b>6.1</b>
Dividend paid	0.0	0.0	0.0	-4.2	0.0	-4.2
<b>CLOSING BALANCE, EQUITY 31/12/2012</b>	<b>84.5</b>	<b>41.2</b>	<b>-1.1</b>	<b>129.7</b>	<b>6.1</b>	<b>260.4</b>
Opening balance, equity 01/01/2013	84.5	41.2	-1.1	129.7	6.1	260.4
Transfer of profit/loss for preceding year	0.0	0.0	0.0	6.1	-6.1	0.0
Comprehensive income for the year:						
Profit for the year	0.0	0.0	0.0	0.0	6.7	6.7
Other comprehensive income for the year	0.0	0.0	0.0	0.0	0.0	0.0
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.7</b>	<b>6.7</b>
Dividend paid	0.0	0.0	0.0	-4.2	0.0	-4.2
<b>CLOSING BALANCE, EQUITY 31/12/13</b>	<b>84.5</b>	<b>41.2</b>	<b>-1.1</b>	<b>131.6</b>	<b>6.7</b>	<b>262.9</b>

# PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK m.	Note	2013	2012
	34		
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		-6.5	5.1
Adjustment for non-cash items		-6.4	-17.5
Income tax paid		0.0	-0.2
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>BEFORE CHANGES IN WORKING CAPITAL</b>		-12.9	-12.6
<i>Cash flow from changes in working capital</i>			
Changes in operating receivables <sup>1</sup>		-25.8	-1.7
Changes in operating liabilities <sup>2</sup>		52.5	59.8
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		13.8	45.5
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		-0.2	-0.2
Purchases of subsidiaries, net impact on liquidity		-72.8	-0.1
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		-73.0	-0.3
<b>FINANCING ACTIVITIES</b>			
Loans raised		82.1	7.5
Repayments of loans		-8.2	-92.6
Dividend paid		-4.2	-4.2
Dividend received		6.5	17.6
Group contributions received		16.1	24.2
Group contributions paid		-19.2	-12.3
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		73.1	-59.8
<b>CASH FLOWS FOR THE YEAR</b>		13.9	-14.6
Cash and cash equivalents at beginning of year		2.7	17.3
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		16.6	2.7

<sup>1</sup> Increase (-) / decrease (+)

<sup>2</sup> Increase (+) / decrease (-)

## NOTE 1. PRINCIPAL ACCOUNTING POLICIES

Amounts in SEK million unless otherwise indicated.

### COMPLIANCE WITH STANDARDS AND LEGISLATION

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

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

The annual accounts and consolidated accounts were approved for issue by the Board of Directors on 17 March 2014. The consolidated statement of income, statement of income and other comprehensive income and statement of financial position, together with the Parent Company's income statement, statement of income and other comprehensive income and balance sheet will be presented for adoption by the Annual General Meeting of Shareholders, to be held on 29 April 2014.

### PRINCIPLES OF VALUATION APPLIED IN PREPARATION OF THE FINANCIAL STATEMENTS

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

### FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

### JUDGEMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with IFRS requires the Company management to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts reported for assets, liabilities, revenues and expenses. The actual outcome may differ from these estimates and judgements. The estimates and assumptions are reviewed on a regular basis. Changes in the estimates are accounted for in the period in which the change takes place if the change affects only that period, or in the period in which the change takes place and

future periods, if the change affects both the current period and future periods. Judgements made by the Company's management on application of IFRS that have significant impact on the financial statements and estimates made that may require major adjustments to the financial statements of the following year are described in greater detail in Note 35.

### SIGNIFICANT ACCOUNTING POLICIES APPLIED

The accounting policies set out below have, with the exceptions described in greater detail, been applied consistently in all periods presented in the Group's financial statements. The Group's accounting policies have also been applied consistently by the Group's companies.

### REVISED ACCOUNTING POLICIES

The revised accounting policies applied by the Group with effect from 1 January 2013 are described in the following. Other amendments of IFRS implemented from the beginning of 2013 have not affected the Group's financial reporting in any material way:

Amendment to IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income). Under the amendment, items under the heading of "Other comprehensive income" are divided into two categories, items transferred or are transferrable to profit for the year and items not transferrable to profit for the year. Items transferred or transferrable to profit for the period include, for example, translation differences and gains/losses on cash flow hedges. Items that are not transferrable consist of revaluations of defined-benefit pension plans and revaluations in accordance with the revaluation model for intangible assets and property, plant and equipment. Figures for comparison are presented in accordance with the new structure.

Amendment to IFRS 7 Financial Instruments: Disclosures. The amendment states new disclosure requirements regarding the offsetting of financial assets and liabilities.

IFRS 13 Measurement at Fair Value. A new universal standard for measurement of fair value and improved disclosure requirements.

Annual improvements of IFRSs (2009-2011) – Clarifications of and amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

### EARLY ADOPTION OF ACCOUNTING POLICIES

Early adoption of amendment to IAS 36 Impairment of Assets. The amendment, referring to the recovery value of non-financial assets, removes the requirement to disclose information on estimated recovery value per (group of) cash-generating unit(s) incorporating a considerable element of goodwill.

### NEW IFRS NOT YET ADOPTED

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

It is envisaged that IFRS 9 Financial Instruments will supersede IAS 39 Financial Instruments: Accounts and reporting. No date has yet been established for mandatory first adoption. IASB has published the first two parts of what will ultimately constitute IFRS 9. The first part deals with the classification and measurement of financial assets. The categories of financial asset allowed in IAS 39 are replaced by two categories in which the assets are measured at fair value or accumulated acquisition value. Accumulated acquisition value is used for instruments held in a business model whose objective is to collect the contractual cash flows; these must consist of payments of capital amounts and interest on capital amounts on specified dates. Other financial assets are recognised at fair value and the ability to apply the “fair value option” as in IAS 39 is retained. Changes in fair value are to be recognised in the profit or loss, with the exception of changes in value of equity instruments not available for sale and for which the entity has elected to report value changes in other comprehensive income. Value changes in derivatives in hedge accounting are not affected by this aspect of IFRS 9. Until further notice, they are recognised in accordance with IAS 39. In October 2010, IASB also published the parts of IFRS 9 that deal with classification and measurement of financial liabilities. These correspond in most respects to the former rules of IAS 39, other than as regards financial liabilities, which are voluntarily measured at fair value under the “fair value option”. In these liabilities, the change in value is apportioned among changes that are attributable to own creditworthiness and changes in the benchmark interest rate, respectively. As of today, no date has yet been established by which IFRS 9 must first be adopted. IASB indicates that the earliest date for adoption will be 1 January 2017.

Because as of 1 January 2014 a joint venture cannot be accounted for using the proportional method of accounting and only by the equity method, the amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – in particular IFRS 11 Joint Arrangements – will affect the way the Group accounts for joint ventures.

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

- Amendment to IAS 32 Financial Instruments: Classification  
The amendment consists of clarification of the rules on when offsetting of financial assets and liabilities is allowed.
- Amendment of IAS 27 Separate Financial Statements
- Amendment of IAS 28 Investments in Associates and Joint Ventures
- Amendment to IAS 36 Impairment of Assets. Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS 39 Financial Instruments. Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies
- Transitional guidelines
- Investment Entities (amendments to IFRS 10, IFRS 12, IAS 27)

#### **CLASSIFICATION ETC.**

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid after more

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

#### **OPERATING SEGMENT REPORTING**

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

#### **PRINCIPLES OF CONSOLIDATION AND BUSINESS COMBINATIONS**

##### **Subsidiaries**

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

##### **Acquisitions on 1 January 2010 or later**

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 between 1 January 2004 and 31 December 2009**

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

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

In the case of acquisitions before 1 January 2004, goodwill is measured, after testing for impairment, at an acquisition cost that corresponds to the carrying amount calculated by the accounting policies formerly applied. The classification and accounting treatment of business combinations made before 1 January 2004 have not been reviewed in accordance with IFRS 3 in preparation of the consolidated opening balance in accordance with IFRS on 1 January 2004.



The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which the controlling influence ceases. In cases where the accounting policies of the subsidiary do not comply with the accounting policies for the Group, they have been adapted to the Group's accounting policies. Losses attributable to non-controlling interests are also allocated in cases where non-controlling interests will be negative.

#### **Purchases from non-controlling interests**

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

#### **Sales to non-controlling interests**

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

#### **JOINT VENTURES**

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

#### **TRANSACTIONS ELIMINATED ON CONSOLIDATION**

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

#### **FOREIGN CURRENCIES**

##### **Transactions in foreign currencies**

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

#### **Financial statements of foreign operations**

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

#### **Hedging of net investment in a foreign operation**

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

#### **INCOME**

##### **Sale of goods**

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

#### **LEASING**

##### **Operational lease contracts**

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

##### **Financial lease contracts**

Minimum leasing fees are divided between interest costs and amortisation of outstanding liabilities. Interest costs are distributed over the leasing period so that each accounting period includes an

amount corresponding to a fixed interest rate for the liability reported in each period. Variable fees are expensed in the periods in which they arise.

#### **FINANCIAL INCOME AND EXPENSE**

Financial income consists of interest income from invested funds and exchange rate gains from translation of financial items. Financial expense comprises 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 is recognised using the effective interest method.

#### **INCOME TAXES**

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

#### **FINANCIAL INSTRUMENTS**

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

##### **Recognition in and derecognition from the statement of financial position**

A financial asset or liability is recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Trade receivables are recognised in the statement of financial position when the invoice has been sent. A liability is recognised when the counterparty has performed his obligation and a contractual duty to pay exists, even if an invoice has not yet been received. Trade payables are

recognised when an invoice has been received. A financial asset is derecognised from the statement of financial position when the contractual rights are performed, expire or the company no longer has control over them. 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 financial instrument is measured after the first accounting occasion, as described below.

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

##### **Loan receivables and trade receivables**

Loan receivables and trade receivables are financial assets that are not derivatives, that have defined or definable payments and that are not listed on an active market. These assets are reported at accumulated acquisition value. The accumulated acquisition value is decided on the basis of the effective interest rate calculated at the time of acquisition. Trade receivables are reported at the amount that is expected to be received, i.e. after a deduction for bad debts. Impairment tests are performed on an ongoing basis using objective criteria for the assets concerned. Where a loss is confirmed, the asset is written down. A provision is made when a loss is anticipated. Criteria that are taken into account when a provision is made may include, for example, non-payment of amounts due or other indications that may point to financial problems on the part of the debtor.

##### **Other financial liabilities**

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

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

##### **Financial guarantees**

Under the Group's financial guarantee agreements, the Group has an undertaking to reimburse the holder of any debt instrument in respect of losses the holder incurs if a specified debtor fails to make payment when due, in accordance with the original or amended contractual terms and conditions. Financial guarantee agreements are initially accounted for at fair value, i.e. normally the amount the issuer received in compensation for the guarantee issued. In the subsequent valuation, the liability linked to the

financial guarantee is reported at the higher of (i) the amount reported in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets*, or (ii) the amount originally reported after deduction – where appropriate – of accumulated accruals, as reported in accordance with IAS 18, *Revenue*.

#### **DERIVATIVES AND HEDGE ACCOUNTING**

The Group's derivative instruments have been acquired to obtain financial protection for the risks relating to 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 accounted for at fair value. Subsequently, derivative instruments are measured at fair value and value changes reported in the way 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 applied, since a financial hedging arrangement is reflected in the accounts in that both the underlying receivable or liability and the hedging instrument are recognised at the exchange rate on the balance sheet date and the exchange rate fluctuations are recognised via profit/loss for the year. Exchange rate changes regarding operationally related receivables and liabilities are recognised in the operating profit or loss, while exchange rate changes relating to financial receivables and liabilities are recognised under finance income/costs net.

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

The currency forwards used to hedge high-probability forecast sales in foreign currencies are recognised at fair value in the statement of financial position. 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 reported in the Group at acquisition value, less accumulated depreciation and possible impairment losses. The acquisition value includes the purchase

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

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

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

##### **Leased assets**

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

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

##### **Subsequent costs**

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

##### **Principles of amortisation**

Straight-line amortisation is applied 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

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

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

Building 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 reviewed at every year-end.

## INTANGIBLE ASSETS

### Goodwill

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

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

### Development

Development costs where research results or other knowledge is 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 incorporates all directly attributable expenses, for example 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 when they are incurred. In the statement of financial position, recognised development costs are shown at acquisition value, less minus 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 impairment. The costs incurred for internally generated goodwill and internally generated brands are recognised in profit/loss for the year as and when they arise.

### Principles of amortisation

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

The estimated useful lives are as follows:

Brands	10 years
Capitalised development costs	3-5 years

The useful lives are reviewed every year.

## INVENTORIES

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

## IMPAIRMENT LOSSES

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

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

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

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds the recoverable value.

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

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

#### **Reversal of impairment losses**

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

#### **EARNINGS PER SHARE**

The calculation of earnings per share is based on the portion of the Group's net profit for the year attributable to the Parent Company's shareholders, and on the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, the net profit and the average number of shares is adjusted to take account of dilutive potential ordinary shares, which during the reporting period arise from convertible securities and warrants issued to employees. Dilution from options and warrants affects the number of shares; it arises only when the redemption price is lower than the market price, and rises as the difference between redemption price and market price increases. On 31 December 2013, there were no warrants or convertible debentures outstanding in the Group.

#### **REMUNERATION TO EMPLOYEES**

##### **Defined-contribution pension plans**

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

##### **Defined-benefit pension plans**

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

Commitments for retirement pensions and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a defined-benefit plan to which several employers subscribe. For the 2013 financial year, the Company has not had access to the information required to enable it to account for this plan as a defined-benefit plan. As a result, the pension plan under the ITP (Supplementary Pension for Salaried Employees in Industry and Commerce) scheme, secured through an insurance policy with Alecta, is reported as a defined-contribution plan.

#### **Termination benefits**

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

#### **PROVISIONS**

A provision differs from other liabilities in that uncertainty is attached to the time of payment 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 and when it is probable that an outflow of financial resources will be required in order to settle such obligation; and a reliable estimate of the amount can be made.

#### **Warranties**

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

#### **Restructuring**

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

#### **NON-CURRENT ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS**

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

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



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

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

Income from a divested business after tax is recognised on a separate line in the 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 content of the statement of financial position for the current and preceding financial years are not adjusted correspondingly.

#### **CONTINGENT LIABILITIES**

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

#### **PARENT COMPANY'S ACCOUNTING PRINCIPLES**

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

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

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

##### **Revised accounting policies**

Unless otherwise indicated below, the accounting policies applied by the Parent Company in 2013 have been amended as described above for the Group.

According to RFR 2, IAS 18 p 3 and RFR 2 IAS 27 p 2, group contributions are to be recognised in accordance with either 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.

#### **Classification and presentation format**

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

Conditional purchase considerations are measured on the basis of the probability that the purchase consideration will be paid. Any changes in the provision/claim are added to/reduce the acquisition cost. Conditional purchase considerations are recognised in the consolidated accounts at fair value, with any changes in values, via the profit or loss.

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

#### **Anticipated dividends**

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

**Net investments**

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

**Leased assets**

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

**Borrowing costs**

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

**Income taxes**

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

**NOTE 2. REVENUE ANALYSIS**

The net sales of SEK 607.7 million (627.4) by the Group's remaining businesses consist entirely of sales of goods. Net sales by the Parent Company, totalling SEK 5.6 million (6.2), comprise payments from the Group's subsidiaries for administrative services.

**NOTE 3. OPERATING SEGMENTS**

The Group's activities are divided into operating segments based on which parts of the Company's activities are followed up by its top-most executives in what is known as the "management approach". The Group's activities are organised such that the Group's management follows up the results, return and cash flow generated by the various business areas of the Group. Each operating segment has a business area manager who is responsible for day-to-day operations and who regularly reports the outcome of the operating segment's performance and its needs for resources, to the senior management team. Because Group Management follows up the results of operations, and takes decisions on resource allocation on the basis of the Group's business areas, the business areas represent the Group's operating segments. As a result, the Group's internal accounting system is structured such as to allow the Group Management to follow up the performance and results of 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 and when their products, production processes, customers and method of distribution are similar, and when they operate in an environment with a similar regulatory structure.

The results, assets and liabilities of the operating segments include directly attributable items, as well as items that can be allocated to the segments in a reasonable and reliable manner. The items recognised in the results, assets and liabilities of the operating segments are measured in accordance with the results, assets and liabilities that are followed up by the Company's Group Management. Internal prices charged between the Group's various operating segments are set on the basis of the "arm's length" principle, i.e. between parties that are mutually independent, well-informed and with an interest in ensuring that the transactions are completed. Non-allocated items consist of gains from disposal of financial investments, losses from disposal of financial investments, tax expenses and general administrative expenses. Assets and liabilities that have not been allocated to segments are deferred tax assets and deferred tax liabilities, financial investments and financial liabilities.

**BUSINESS AREAS**

The Public Interiors business area develops, markets and sells attractive and functional interiors and product solutions primarily for public environments. At the end of 2011, a decision was taken to broaden the business area's operations. Expanded sales activities are being directed beyond libraries to operators mainly active in education and training, and in the long term also in the health/social care sector. Operations consist partly of project sales of complete interior systems and partly of aftermarket sales of furniture and consumables. The business area is made up of companies Lammhults Biblioteksdesign AB (Sweden), Lammhults Biblioteksdesign A/S (Denmark) and Schulz Speyer Bibliothekstechnik AG (Germany) and subsidiaries. The business area includes the Eurobib Direct, BCI and Schulz Speyer brands.

The Office & Home Interiors business area develops and markets products for interiors in both public sector and home environments. The business area has three brands focusing on public interiors, Lammhults and Fora Form, which offer visually strong, timeless furniture with high design values, and Abstracta, which markets products with high design values for visual communication and screening. 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 brands are being extended gradually into public environments.

The Scandinavian Eyewear business area developed and marketed high-quality spectacle frames. The line of business was sold in October 2012.

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

## THE GROUP'S OPERATING SEGMENTS

Group	Public Interiors		Office & Home Interiors		Scandinavian Eyewear (divested business)		Group-wide costs and eliminations		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Income from external customers	226.3	257.4	381.4	370.0	0.0	86.5	0.0	0.0	607.7	713.9
Income from other segments	0.0	0.1	2.1	2.0	0.0	0.0	-2.1	-2.1	0.0	0.0
<b>TOTAL NET SALES</b>	<b>226.3</b>	<b>257.5</b>	<b>383.5</b>	<b>372.0</b>	<b>0.0</b>	<b>86.5</b>	<b>-2.1</b>	<b>-2.1</b>	<b>607.7</b>	<b>713.9</b>
Less: divested business	0.0	0.0	0.0	0.0	0.0	-86.5	0.0	0.0	-0.0	-86.5
<b>NET SALES FOR REMAINING BUSINESSES</b>	<b>226.3</b>	<b>257.5</b>	<b>383.5</b>	<b>372.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.1</b>	<b>-2.1</b>	<b>607.7</b>	<b>627.4</b>
Depreciation/amortisation	4.0	4.3	8.2	7.3	0.0	1.0	0.1	0.1	12.3	12.7
Operating profit/loss	14.1	16.6	17.2	5.6	0.0	8.8	-18.0	-21.4	13.3	9.6
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.8
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.0	-5.0
<b>PROFIT BEFORE TAX</b>									<b>11.1</b>	<b>5.4</b>
Less: divested business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.3
<b>PROFIT BEFORE TAX FOR REMAINING BUSINESSES</b>								<b>11.1</b>	<b>11.1</b>	<b>0.1</b>
Assets	218.5	225.7	381.0	277.6	-	-	12.0	11.2	611.5	514.5
Non-allocated assets	-	-	-	-	-	-	-	-	54.0	38.7
<b>TOTAL ASSETS</b>									<b>665.5</b>	<b>553.2</b>
Investments in non-current assets	2.0	2.4	11.1	10.3	0.0	0.3	0.2	0.5	13.3	13.5
Liabilities	39.7	36.8	87.3	67.2	-	-	6.5	7.3	133.5	111.3
Non-allocated liabilities	-	-	-	-	-	-	-	-	160.2	82.9
<b>TOTAL LIABILITIES</b>									<b>293.7</b>	<b>194.2</b>

## GEOGRAPHICAL AREAS

The Group's segments are divided into three geographical areas: Sweden, Rest of Europe and Rest of the World. The information presented on segmental income is classified according to the geographical location of our customers. Information on the assets in the respective segments and the investments during the period

in property, plant and equipment and in intangible non-current assets is based on geographical areas according to where the assets are located. Net sales by the Group's remaining businesses outside Sweden represent 64% (64) of total net sales.

Group	Sweden		Rest of Europe		Rest of the World		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales for remaining businesses per geographical market	215.8	226.8	360.3	367.1	31.6	33.5	607.7	627.4
Non-current assets per geographical market	142.7	136.5	203.5	141.7	0.0	0.0	346.2	278.2
Investments per geographical market	10.0	11.8	3.3	1.7	0.0	0.0	13.3	13.5

## NOTE 4. BUSINESS DIVESTED

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

### PROFIT/LOSS FROM DIVESTED BUSINESS AFTER TAX

Group	Note	2013	2012
Profit/loss from operations in the divested business			
Income		-	86.5
Costs		-	-78.3
<b>PROFIT BEFORE TAX</b>		-	8.2
Tax		-	-1.9
<b>PROFIT AFTER TAX</b>		-	6.3

### PROFIT/LOSS ON DISPOSAL OF DIVESTED BUSINESS

Capital loss on disposal of divested business	-	-2.9
Tax attributable to above capital loss	-	0.0
<b>Profit/loss from divestment after tax</b>	-	-2.9

### PROFIT/LOSS FROM DIVESTED BUSINESS AFTER TAX

	-	3.4
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Earnings per share from divested business (no dilution)	12	0.00	0.41
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Profit/loss on divested business is wholly attributable to the Parent Company's shareholders.

### NET CASH FLOWS FROM BUSINESS DIVESTED

Cash flows from operating activities	-	-2.7
Cash flows from investing activities	-	36.4
Cash flows from financing activities	-	0.0
<b>NET CASH FLOWS FROM BUSINESS DIVESTED</b>	-	33.7

## EFFECT OF DIVESTMENT ON INDIVIDUAL ASSETS AND LIABILITIES IN GROUP

	2012
Intangible non-current assets	18.7
Property, plant and equipment	2.8
Inventories	26.3
Accounts receivable	21.7
Other receivables	4.7
Cash and cash equivalents	4.9
Provisions for pensions	-2.9
Deferred tax liabilities	-0.5
Trade payables	-9.1
Other liabilities	-10.0
<b>ASSETS AND LIABILITIES DIVESTED, NET</b>	<b>56.6</b>

Purchase price received	58.1
Less: Cash and cash equivalents in the business divested	-4.9
Less: Deposit in escrow account	-9.0
Less: Group liabilities	-7.5

### EFFECT ON CASH AND CASH EQUIVALENTS

	36.7
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On 15 April 2013, Schulz Speyer Bibliothekstechnik AG, a wholly owned subsidiary of Lammhults Design Group AB, divested its Italian subsidiary Harmonie Projects Srl. The company employed five people.

## EFFECT OF DIVESTMENT ON INDIVIDUAL ASSETS AND LIABILITIES IN GROUP

	2013
Property, plant and equipment	0.2
Inventories	0.3
Accounts receivable	2.4
Other receivables	0.4
Cash and cash equivalents	0.5
Provisions for pensions	-0.6
Trade payables	-0.3
Other liabilities	-2.9
<b>ASSETS AND LIABILITIES DIVESTED, NET</b>	<b>0.0</b>

Purchase price received	0.0
Less: Cash and cash equivalents in the business divested	-0.5

### EFFECT ON CASH AND CASH EQUIVALENTS

	-0.5
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## NOTE 5. ACQUISITION OF BUSINESS

On 10 October 2013, Lammhults Design Group AB acquired 100% of the shares in designer furniture company Fora Form AS, based in Ørsta, Norway. The total purchase consideration, SEK 71.1 million, was paid in cash. At the time of acquisition, Fora Form had net interest-bearing liabilities calculated at NOK 7.7 million. In 2012, the company had sales totalling approximately NOK 125 million and an operating profit of around NOK 12 million. Fora Form has just under 70 employees. During 2013, both sales and operating profit showed improvement. The company holds a leading position in Norway's designer furniture market for public interiors, with just over 80% of the sales in Norway. Fora Form offers three distinctive and individual product lines that are targeted at different segments. These are Standard (furniture for public interiors, mainly meeting places, accounting for about 70% of sales), Culture (seating and chairs for auditoria, accounting for around 20% of sales) and Health/Social Care (sub-contract manufacture of products for the Japanese market, accounting for some 10% of sales). The acquisition strengthens the Group's position in the important Norwegian designer furniture market and provides further access to products for its new segments of school and education, as well as health and social care. At the same time, Fora Form gains access to the Group's sales organizations, enabling it to expand in exporting.

After the date of acquisition, Fora Form was incorporated into Lammhults Design Group, with income totalling SEK 50.5 million, an operating profit of SEK 5.6 million and a profit after tax of SEK 3.9 million. If Fora Form had been part of the Group from the beginning of the financial year, the company would have contributed SEK 156.3 million to Group income, SEK 15.8 million to operating profit and SEK 11.0 million to profit after tax.

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

### FORA FORM - NET ASSETS AT TIME OF ACQUISITION

	Carrying amount before acquisition	Fair value adjustment	Fair value recognized in Group
Intangible assets	5.1	1.9	7.0
Property, plant and equipment	5.0	-	5.0
Deferred income tax assets	0.9	0.2	1.1
Inventories	15.5	-1.6	13.9
Trade and other receivables	25.2	-	25.2
Cash and cash equivalents	1.0	-	1.0
Interest-bearing liabilities	-8.7	-	-8.7
Trade payables and other operating liabilities	-25.7	-1.1	-26.8
Net identifiable assets and liabilities	18.3	-0.6	17.7
Goodwill on consolidation			53.4
<b>PAYMENT TRANSFERRED - CASH</b>			<b>71.1</b>

The acquisition has been accounted for on a provisional basis. Auditing of carrying amounts at the time of acquisition and assessment of any adjustments to reflect fair value have not been finalised. The assets and liabilities under review consist of inventories, trade receivables and other receivables, together with trade payables and other operating liabilities.

The goodwill amount includes the value of an expanded distribution network for furniture for public environments in Norway; synergetic gains in the form of greater opportunities for sales, both via a market leading position in Norway and the use of the Lammhults Design Group's sales organisations for exports of Fora Form's products; more efficient purchasing; and the personnel's expertise in sales, marketing, design, product development and knowledge relating to development of the customer segment.

In addition to goodwill, the intangible asset identified is the order backlog, for which the market value has been calculated at SEK 1.9 million at acquisition.

Acquisition-related expenses totalled SEK 1.6 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.

## NOTE 6. OTHER OPERATING INCOME

Group	2013	2012
Gain on sale of non-current assets	0.0	4.1
Exchange rate gains	4.4	6.9
Other operating income	1.1	0.3
	<b>5.5</b>	<b>11.3</b>

Of the gain on the sale of property, plant and equipment, the sale of Voice's property Torsvik, Jönköping, accounted for SEK 0.0 million (3.9).



## NOTE 7. OTHER OPERATING COSTS

Group	2013	2012
Exchange rate losses	3.5	5.5
Reversal of order backlog acquired	1.3	-
Other operating costs	0.6	-0.4
	5.4	5.1

Development costs in the amount of SEK 10.5 million (10.6) 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 14.

Reversal of order backlog acquired, totalling SEK 1.3 million (0.0), consists of the depletion of the market value of order backlog acquired at Fora Form.

## NOTE 8. EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Cost of remuneration to employees	2013	2012
<b>GROUP</b>		
Salaries and remuneration etc.	141.1	147.8
Pension costs	9.2	9.4
Social welfare charges	26.4	28.6
<b>TOTAL, GROUP</b>	<b>176.7</b>	<b>185.8</b>

Average number of employees	2013	Of whom, men, %	2012	Of whom, men, %
<b>PARENT COMPANY</b>				
<b>SWEDEN</b>	<b>6</b>	<b>67</b>	<b>6</b>	<b>67</b>
<b>SUBSIDIARIES</b>				
Sweden	193	61	203	62
Denmark	48	38	65	45
Germany	39	67	36	64
Norway	20	46	4	25
Other countries	23	52	32	58
Total, subsidiaries	323	57	340	58
<b>TOTAL, GROUP</b>	<b>329</b>	<b>57</b>	<b>346</b>	<b>58</b>

	31/12/2013 Of whom, women, %	31/12/2012 Of whom, women, %
<b>Gender breakdown in company management</b>		
<b>PARENT COMPANY</b>		
Board of Directors	33	33
Other senior executives	0	0
<b>TOTAL, GROUP</b>		
Boards of Directors	11	10
Other senior executives	21	26

## REMUNERATION OF SENIOR EXECUTIVES

### Guidelines

The Chair and Members of the Board receive remuneration as determined by resolution of the Annual General Meeting of Shareholders (AGM). In addition, the 2013 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50 thousand to the Chair and SEK 25 thousand to the other two members of each committee. No agreements exist with regard to future pensions or severance pay, either for the Chair of the Board or for other Board Members.

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

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

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

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

	2013		2012	
	Senior executives (10 pers.)	Other employees (2 pers.)	Senior executives (10 pers.)	Other employees (2 pers.)
Parent Company				
Salaries and other remuneration	6.2	1.2	6.5	1.4
(of which, bonuses etc.)	(-)	(-)	(0.2)	(-)
Social welfare charges	3.5	0.6	3.5	0.7
Of which, pension costs	1.5	0.2	1.5	0.2

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

	2013 Senior executives (44 pers.)	2012 Senior executives (43 pers.)
Group		
<b>SWEDEN</b>		
Salaries and other remuneration	18.5	19.9
(of which, bonuses etc.)	(0.2)	(0.2)
Pension costs	2.5	2.6
<b>DENMARK</b>		
Salaries and other remuneration	5.1	6.7
(of which, bonuses etc.)	(0.4)	(0.1)
Pension costs	-	0.2
<b>GERMANY</b>		
Salaries and other remuneration	2.8	2.9
(of which, bonuses etc.)	(0.1)	(1.1)
Pension costs	-	0.1
<b>NORWAY</b>		
Salaries and other remuneration	1.6	-
(of which, bonuses etc.)	(0.1)	(-)
Pension costs	-	-
<b>TOTAL, GROUP</b>	<b>28.0</b>	<b>29.5</b>
<b>(OF WHICH, BONUSES ETC.)</b>	<b>(0.8)</b>	<b>(1.4)</b>
<b>PENSION COSTS</b>	<b>2.5</b>	<b>2.9</b>

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

## REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2013

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Fee, comm. work	Total
<b>CHAIR</b>							
Anders Pålsson							
Remuneration from Parent Company	240	-	-	-	-	50	290
<b>BOARD MEMBER</b>							
Yngve Conradsson							
Remuneration from Parent Company	30	-	-	-	-	6	36
<b>BOARD MEMBER</b>							
Jörgen Ekdahl							
Remuneration from Parent Company	120	-	-	-	-	50	170
<b>BOARD MEMBER</b>							
Jerry Fredriksson							
Remuneration from Parent Company	120	-	-	-	-	25	145
<b>BOARD MEMBER</b>							
Erika Lagerbielke							
Remuneration from Parent Company	30	-	-	-	-	6	36
<b>BOARD MEMBER</b>							
Lotta Lundén							
Remuneration from Parent Company	120	-	-	-	-	25	145
<b>BOARD MEMBER</b>							
Maria Öqvist							
Remuneration from Parent Company	90	-	-	-	-	19	109
<b>BOARD MEMBER</b>							
Peter Conradsson							
Remuneration from Parent Company	90	-	-	-	-	19	109
<b>CHIEF EXECUTIVE OFFICER</b>							
Anders Rothstein							
Remuneration from Parent Company	2,103	-	-	103	553	-	2,759
<b>Other senior executives (3 pers.)</b>							
	3,287	-	-	314	964	-	4,565
<b>TOTAL</b>	<b>6,230</b>	<b>0</b>	<b>0</b>	<b>417</b>	<b>1,517</b>	<b>200</b>	<b>8,364</b>

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

## REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2012

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Fee, comm. work	Total
<b>CHAIR</b>							
Anders Pålsson							
Remuneration from Parent Company	240	-	-	-	-	50	290
<b>BOARD MEMBER</b>							
Yngve Conradsson							
Remuneration from Parent Company	120	-	-	-	-	25	145
<b>BOARD MEMBER</b>							
Jörgen Ekdahl							
Remuneration from Parent Company	120	-	-	-	-	50	170
<b>BOARD MEMBER</b>							
Jerry Fredriksson							
Remuneration from Parent Company	120	-	-	-	-	25	145
<b>BOARD MEMBER</b>							
Erika Lagerbielke							
Remuneration from Parent Company	120	-	-	-	-	25	145
<b>BOARD MEMBER</b>							
Lotta Lundén							
Remuneration from Parent Company	120	-	-	-	-	25	145
<b>CHIEF EXECUTIVE OFFICER</b>							
Anders Rothstein							
Remuneration from Parent Company	2,088	86	-	92	547	-	2,813
<b>Other senior executives (3 pers.)</b>							
	3,345	134	-	249	912	-	4,640
<b>TOTAL</b>	<b>6,273</b>	<b>220</b>	<b>-</b>	<b>341</b>	<b>1,459</b>	<b>200</b>	<b>8,493</b>

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

## NOTE 9. FEES AND REIMBURSEMENT OF COSTS TO AUDITORS

	Group		Parent Company	
	2013	2012	2013	2012
<b>KPMG / EMIL ANDERSSON (MICHAEL JOHANSSON)</b>				
Auditing services	1.2	1.2	0.3	0.3
Auditing services other than auditing assignments	0.4	0.5	-	-
Tax advice	0.1	0.2	0.0	0.0
Other services	1.1	0.9	1.0	0.8
<b>OTHER AUDITORS</b>				
Auditing assignments	0.2	0.4	-	-
Auditing services other than auditing assignments	0.2	0.2	-	-
Tax advice	-	-	-	-
Other services	0.0	0.0	-	-

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

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

## NOTE 10. OPERATING EXPENSES ALLOCATED BY TYPE OF COST

Group	2013	2012
Costs of goods and materials	242.9	263.5
Personnel costs	180.8	191.5
Depreciation	12.3	11.7
Other operating costs	163.9	168.3
	<b>599.9</b>	<b>635.0</b>

## NOTE 11. NET FINANCE INCOME/COSTS

Group	2013	2012
Interest income on non-impaired loans receivable and trade receivables	0.1	0.1
Interest income on bank balances	0.9	0.2
Exchange rate fluctuations	1.8	0.5
<b>FINANCE INCOME</b>	<b>2.8</b>	<b>0.8</b>
Interest expense on defined-benefit pension commitments	-	-0.1
Interest expense on financial liabilities recognised at accumulated acquisition value	-3.2	-4.3
Exchange rate fluctuations	-1.4	0.1
Other interest expense	-0.4	-0.2
<b>FINANCE COSTS</b>	<b>-5.0</b>	<b>-4.5</b>
<b>NET FINANCE INCOME/COSTS</b>	<b>-2.2</b>	<b>-3.7</b>

	Result from participations in Group companies	
Parent Company	2013	2012
Dividend	6.5	17.6

	Interest income and similar items	
Parent Company	2013	2012
Interest income, Group companies	0.6	1.6
Interest income on bank balances	1.8	-
	<b>2.4</b>	<b>1.6</b>

	Interest expense and similar profit/loss items	
Parent Company	2013	2012
Interest expense, Group companies	-0.2	-0.3
Interest expense, financial liabilities	-1.4	-2.4
Exchange rate fluctuations	-1.4	0.8
	<b>-3.0</b>	<b>-1.9</b>



## NOTE 12. INCOME TAXES

### RECOGNISED IN THE INCOME STATEMENT

Group	2013	2012
<b>CURRENT TAX EXPENSE</b>		
Tax expense for the year	-1.0	-3.8
<b>DEFERRED TAX RECOVERABLE</b>		
Deferred tax – temporary differences and loss carry-forwards	0.8	3.6
<b>TOTAL RECOGNISED TAX EXPENSE IN THE GROUP</b>	<b>-0.2</b>	<b>-0.2</b>

Of the Group's tax cost for the year, SEK 0.0 million (-1.9) is attributable to business divested, including tax of SEK 0.0 million (0.0) attributable to capital loss. The total recognised tax recoverable (+)/tax cost (-) for the Group's remaining businesses totalled SEK -0.2 million (1.7).

Parent Company	2013	2012
<b>Current tax expense</b>		
Tax income for the year	0.4	4.1
Adjustment of tax attributable to previous years	1.2	-
<b>TOTAL RECOGNISED TAX INCOME IN THE PARENT COMPANY</b>	<b>1.6</b>	<b>4.1</b>

### RECONCILIATION OF EFFECTIVE TAX

Group	2013	2012
Profit before tax	11.1	5.4
Tax as per current tax rate for the Parent Company	2.4	1.4
Effect of other tax rates for foreign subsidiaries*	0.3	0.1
Non-deductible costs	0.1	1.1
Non-taxable revenue	-	-2.5
Increase in tax loss carry-forwards without corresponding capitalisation of deferred tax	-	0.8
Utilisation of previous non-capitalised tax loss carry-forwards	-1.8	-0.7
Tax adjustment of taxable profit	-0.8	-
<b>RECOGNISED EFFECTIVE TAX</b>	<b>0.2</b>	<b>0.2</b>

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

Parent Company	2013	2012
Profit before tax	5.1	2.0
Tax as per current tax rate for the Parent Company	1.1	0.5
Non-taxable revenue	-1.5	-4.6
Tax attributable to previous years	-1.2	-
<b>RECOGNISED EFFECTIVE TAX</b>	<b>-1.6</b>	<b>-4.1</b>

### TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	2013		2012	
Group	Before tax	Tax	Before tax	After tax
Trans. diff. for year on translation of foreign operations	5.9	0.3	-7.6	0.6
Changes in fair value of cash flow hedges for the year	-0.1	-	-0.1	-0.3
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>5.8</b>	<b>0.3</b>	<b>-8.0</b>	<b>-7.3</b>

### RECOGNISED IN STATEMENT OF FINANCIAL POSITION

Deferred tax assets and liabilities

	Deferred tax asset		Deferred tax liability		Net	
Group	2013	2012	2013	2012	2013	2012
Property, plant and equipment	-	-	8.3	8.0	-8.3	-8.0
Intangible assets	0.9	0.4	-0.4	-0.4	1.3	0.8
Inventories	0.6	0.1	-	-	0.6	0.1
Interest-bearing liabilities	-	-	0.2	0.4	-0.2	-0.4
Pension provisions	0.4	0.4	-	-	0.4	0.4
Accrued expenses and deferred income	0.3	-	-	-	0.3	-
Tax loss carry-forwards	0.6	1.0	-	-	0.6	1.0
<b>TAX ASSETS/LIABILITIES, NET</b>	<b>2.8</b>	<b>1.9</b>	<b>8.1</b>	<b>8.0</b>	<b>-5.3</b>	<b>-6.1</b>

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 15.2 million with an unlimited rolling facility.

### PARENT COMPANY

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

## NOTE 13. EARNINGS PER SHARE

	Before dilution		After dilution	
Amounts in SEK	2013	2012	2013	2012
Earnings per share from remaining businesses	1.29	0.21	1.29	0.21
Earnings per share from business divested	-	0.41	-	0.41
<b>EARNINGS PER SHARE FOR THE GROUP, TOTAL</b>	<b>1.29</b>	<b>0.62</b>	<b>1.29</b>	<b>0.62</b>

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

## NOTE 14. INTANGIBLE NON-CURRENT ASSETS

	Internally developed intangible assets		Acquired intangible assets			
Group	Development costs	Brands	Tenancies	Goodwill	Other intangible assets	Total
<i>Accumulated acquisition values</i>						
Carrying amount 01/01/2012	2.1	-	0.5	189.7	0.1	192.4
Other investments	0.1	-	-	0.2	0.7	1.0
Disposals and retirements	-	-	-	-18.7	-	-18.7
Exchange rate differences for the year	-0.1	-	-	-4.1	0.1	-4.1
<b>CARRYING AMOUNT 31/12/2012</b>	<b>2.1</b>	<b>-</b>	<b>0.5</b>	<b>167.1</b>	<b>0.9</b>	<b>170.6</b>
Carrying amount 01/01/2013	2.1	-	0.5	167.1	0.9	170.6
Business combinations	7.7	-	-	53.4	1.9	63.0
Other investments	1.3	-	0.1	-	1.3	2.7
Disposals and retirements	-0.9	-	-0.3	-	-0.2	-1.4
Reversals of order bookings acquired	-	-	-	-	-1.3	-1.3
Exchange rate differences for the year	-0.1	-	-	3.2	-0.1	3.0
<b>CARRYING AMOUNT 31/12/2013</b>	<b>10.1</b>	<b>-</b>	<b>0.3</b>	<b>223.7</b>	<b>2.5</b>	<b>236.6</b>
<i>Accumulated depreciation</i>						
Carrying amount 01/01/2012	-0.3	-	-0.1	-	-	-0.4
Depreciation for the year	-0.5	-	-	-	-	-0.5
<b>CARRYING AMOUNT, 31/12/2012</b>	<b>-0.8</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>-</b>	<b>-0.9</b>
Carrying amount 01/01/2013	-0.8	-	-0.1	-	-	-0.9
Business combinations	-2.6	-	-	-	-	-2.6
Disposals and retirements	0.9	-	-	-	-	0.9
Depreciation for the year	-0.9	-	-	-	-0.1	-1.0
<b>CARRYING AMOUNT 31/12/2013</b>	<b>-3.4</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>-0.1</b>	<b>-3.6</b>
<i>Carrying amounts</i>						
01/01/2012	1.8	0.0	0.4	189.7	0.1	192.0
31/12/2012	1.3	0.0	0.4	167.1	0.9	169.7
01/01/2013	1.3	0.0	0.4	167.1	0.9	169.7
31/12/2013	6.7	0.0	0.2	223.7	2.4	233.0

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

### IMPAIRMENT TESTS FOR CASH-GENERATING UNITS REPORTING GOODWILL

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

	2013	2012
Public Interiors	112.5	108.9
Office & Home Interiors	111.2	58.2
	<b>223.7</b>	<b>167.1</b>

### METHOD FOR CALCULATION OF RESIDUAL VALUE

The value of the Group's intangible assets is reviewed annually through impairment appraisals. The recovery values of the cash-generating units mentioned above are based on a number of important assumptions, as described below. 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 2014 and forecasts for 2015 and 2016 based on the Company'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 2%, which is considered to correspond to the long-term rate of growth in the units' markets.

### SIGNIFICANT VARIABLES IN CALCULATION OF RESIDUAL VALUES

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

*Sales:* The competitiveness of the Company's business, the anti-

cipated trend of the economy for the business sector and private consumers, the general trend of the social economy, investment budgets for public sector and municipal commissioning agencies, interest rates and local market conditions.

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

**Discount interest rate:** At Public Interiors, the discount interest rates before tax that were used at year-end 2013 were 14.5% (13.5) for equity financing and 3.5% (2.5) for debt financing. At Office & Home Interiors, the discount interest rates before tax are 13.5% (12.5) for equity financing and 3.5% (2.5) for debt financing. WACC (weighted average cost of capital) for Public Interiors was 10.1% (9.1) before tax. At Office & Home Interiors, WACC before tax was 9.5% (8.5). The different risk premiums applied for the various business areas are based on the stability of historical profitability. Long-term financing of the working capital for all the above-mentioned units has been estimated at 60% for equity and 40% for loans.

#### OPERATIONS OF THE BUSINESS AREAS

The Group's operations in Public Interiors were affected by restraint in public sector investments in a number of European markets. In addition, a series of external factors, notably in the media and technology, lessened the importance of traditional libraries. At the same time, a new type of library, in the form of an experience centre, has emerged. Modern libraries are more in the style of a place to meet than before, and with that in mind we have launched a "shop concept" offering attractive and fit-for-purpose solutions to customers. The Group is also benefiting from the growing trend for eco-friendly furniture, since we can offer suitable products via Office & Home Interiors. At the end of 2011, a decision was taken to broaden the business area's operations. Expanded sales activities are being directed beyond libraries to operators active in education and training, and in the long term also in the health/social care sector. The business area's offering is being widened 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, work on harmonising the product range and improving efficiency in the product supply process in the business is intensifying in order to exploit maximum benefit from opportunities for synergies and to create the conditions for profitable growth. The businesses of the subsidiaries in Spain and Austria have been closed down and the subsidiary in Italy sold. In the second half of 2013, production at Holsted, Denmark, was closed down and transferred to suppliers in Poland. These restructuring measures led to the business area being charged with costs in 2013, but at the same time paved the way for substantial cost savings in the future. All these actions have been used as the basis for estimating cash flows in the business area over the next five years.

In the preceding year, the former Lammhults Office and Lamm-

hults Home business areas were merged into one, Office & Home Interiors. This was carried out in stages in 2012, with the businesses of first Borks then Voice being integrated into that of Abstracta. These structural measures created a larger and more efficient production unit at Lammhult. At the same time, Voice's sales and marketing resources were integrated into Abstracta in order to extend the product offering and also to sell storage furniture to the public sector market. Sales, administration and product development functions were also integrated across the business in order to exploit synergetic benefits. Thanks to these measures, the future cost base for the business area was lowered substantially. In 2013, sales and administration costs were reduced by approximately SEK 15 million compared with the preceding year, through these integration measures. The general uncertainty in large areas of the world around us continued to affect business in 2013. Sales declined during the year, largely because of weak demand in the Swedish public interiors market in the third quarter. Weak demand in the premium segments of the furniture market for home interiors in Sweden slowed sales for the Voice and Ire brands in the business area. Against that background, our strategy of progressively developing these product ranges to increasingly feature public interiors remains in place. Demand for furniture and interiors for public environments in the Nordic market was thus relatively stable during the year, other than in the third quarter. The Norwegian designer furniture company Fora Form was acquired in October 2013. The company's profitability fits comfortably within the Group's financial goals. Through the acquisition, the Group strengthened its position in the important Norwegian designer furniture market and gained access to products for its new segments of education and training. At the same time Fora Form gained access to the Group's sales organisations, enabling it to expand in exporting. The well-known Lammhults, Abstracta and Fora Form brands hold strong positions in their domestic markets. With a closer focus on the core northern European markets, an expanded salesforce and a new export manager, sales are expected 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, in the future. Furthermore, as a result of intensive product development activity, several new products have been launched recently and others will be launched in 2014, laying the foundations for robust volume growth going forward. 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, the margin is narrower until the estimated recovery value falls below the carrying amount for the unit, than for Office & Home Interiors. Against that background, a sensitivity analysis is presented, below, for Public Interiors. In our basic assumption, the recovery value exceeds the carrying amount by SEK 35.4 million (27.5), 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 5.6%, whereas the average operating margin is 9.0% and the weighted cost of capital is 9.8%. If the estimated rate of growth used to extrapolate cash flows beyond the budget period 2014 had been 2.0% (0.9) lower than in the basic assumption, but the operating margin remained the same as in the basic assumption, the accumulated recovery value would be equal to the carrying amount.

If the estimated operating margin used to extrapolate cash flows from the budget period 2014, inclusive, had been 1.2% (0.9) lower than in the basic assumption, the accumulated recovery value would be equal to the carrying amount.

If the estimated weighted cost of capital used for discounted cash flows for Public Interiors had been 1.6% (0.8) higher than in the basic assumption, amounting to 11.4% (9.7), the accumulated recovery value would be equal to the carrying amount.

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

## NOTE 15. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other technical facilities	Equipment tools and installations	Work in progress	Total
<b>ACQUISITION VALUE</b>					
Carrying amount 1 January 2012	138.3	91.1	103.6	0.8	333.8
New acquisitions	-	2.6	7.8	2.4	12.8
Reclassifications	-	0.1	-0.1	-	-
Disposals and retirements	-	-18.5	-28.1	-0.3	-46.9
Exchange rate differences for the year	-0.9	-0.1	-0.2	-	-1.2
<b>CARRYING AMOUNT, 31 DECEMBER 2012</b>	<b>137.4</b>	<b>75.2</b>	<b>83.0</b>	<b>2.9</b>	<b>298.5</b>
Carrying amount 1 January 2013	137.4	75.2	83.0	2.9	298.5
Acquired via business combinations	-	21.4	4.9	-	26.3
New acquisitions	0.4	2.5	7.7	-	10.6
Disposals and retirements	-	-4.5	-7.4	-	-11.9
Exchange rate differences	1.3	-	0.2	-	1.5
<b>CARRYING AMOUNT, 31 DECEMBER 2013</b>	<b>139.1</b>	<b>94.6</b>	<b>88.4</b>	<b>2.9</b>	<b>325.0</b>
<b>DEPRECIATION AND IMPAIRMENTS</b>					
Carrying amount 1 January 2012	-63.0	-76.4	-81.2	-	-220.6
Depreciation for the year	-2.7	-3.6	-5.8	-	-12.1
Disposals and retirements	-	17.0	23.6	-	40.6
<b>CARRYING AMOUNT, 31 DECEMBER 2012</b>	<b>-65.7</b>	<b>-63.0</b>	<b>-63.4</b>	<b>-</b>	<b>-192.1</b>
Carrying amount 1 January 2013	-65.7	-63.0	-63.4	-	-192.1
Acquired via business acquisitions	-	-17.4	-4.0	-	-21.4
Depreciation for the year	-2.6	-3.5	-5.3	-	-11.4
Disposals and retirements	-	4.5	5.6	-	10.1
<b>CARRYING AMOUNT, 31 DECEMBER 2013</b>	<b>-68.3</b>	<b>-79.4</b>	<b>-67.1</b>	<b>-</b>	<b>-214.8</b>
<b>CARRYING AMOUNTS</b>					
1 January 2012	75.3	14.7	22.4	0.8	113.2
<b>31 DECEMBER 2012</b>	<b>71.7</b>	<b>12.2</b>	<b>19.6</b>	<b>2.9</b>	<b>106.4</b>
1 January 2013	71.7	12.2	19.6	2.9	106.4
<b>31 DECEMBER 2013</b>	<b>70.8</b>	<b>15.2</b>	<b>21.3</b>	<b>2.9</b>	<b>110.2</b>

The property, plant and equipment acquired via business combinations refers to Fora Form, which was acquired in October 2013.

Parent Company	Equipment, tools and installations	Work in progress	Total
<b>Acquisition value</b>			
Carrying amount 1 January 2012	0.7	0.5	1.2
New acquisitions	0.1	0.2	0.3
<b>CARRYING AMOUNT, 31 DECEMBER 2012</b>	<b>0.8</b>	<b>0.7</b>	<b>1.5</b>
Carrying amount 1 January 2013	0.8	0.7	1.5
New acquisitions	-	0.1	0.1
<b>CARRYING AMOUNT, 31 DECEMBER 2013</b>	<b>0.8</b>	<b>0.8</b>	<b>1.6</b>
<b>Depreciation/amortisation</b>			
Carrying amount 1 January 2012	-0.6	-	-0.6
Depreciation for the year	-0.1	-	-0.1
<b>CARRYING AMOUNT, 31 DECEMBER 2012</b>	<b>-0.7</b>	<b>-</b>	<b>-0.7</b>
Carrying amount 1 January 2013	-0.7	-	-0.7
Depreciation for the year	-0.1	-	-0.1
<b>CARRYING AMOUNT, 31 DECEMBER 2013</b>	<b>-0.8</b>	<b>-</b>	<b>-0.8</b>
<b>Carrying amounts</b>			
1 January 2012	0.1	0.5	0.6
<b>31 DECEMBER 2012</b>	<b>0.1</b>	<b>0.7</b>	<b>0.8</b>
1 January 2013	0.1	0.7	0.8
<b>31 DECEMBER 2013</b>	<b>0.0</b>	<b>0.8</b>	<b>0.8</b>

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

Group	2013	2012
Cost of goods sold	-6.3	-7.4
Cost of sales	-1.7	-2.2
Administrative expenses	-4.3	-3.1
	<b>-12.3</b>	<b>-12.7</b>

Remaining businesses	2013	2012
Cost of goods sold	-6.3	-6.7
Cost of sales	-1.7	-1.9
Administrative expenses	-4.3	-3.1
	<b>-12.3</b>	<b>-11.7</b>

Parent Company	2013	2012
Administrative expenses	-0.1	-0.1

#### FINANCIAL LEASING

##### Group

Equipment held under financial lease contracts is recognised at a carrying amount of SEK 7.4 million (8.1). The Group leases production and IT equipment under a large number of separate financial lease contracts. Index-linking clauses occur in these lease contracts. The leased assets serve as collateral for the lease liabilities. The lease contracts include restrictions as regards the possibilities of paying dividend, raising new loans and entering into new lease contracts.

#### NOTE 16. PARTICIPATIONS IN JOINT VENTURES

Group	2013	2012
Income	17.1	14.7
Expenses	-16.7	-14.4
<b>PROFIT</b>	<b>0.4</b>	<b>0.3</b>
Non-current assets	0.1	0.1
Current assets	8.0	4.7
<b>TOTAL ASSETS</b>	<b>8.1</b>	<b>4.8</b>
Current liabilities	5.2	2.2
<b>Total liabilities</b>	<b>5.2</b>	<b>2.2</b>
<b>NET ASSETS</b>	<b>2.9</b>	<b>2.6</b>

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

#### NOTE 17. FINANCIAL INVESTMENTS

Group	31/12/2013	31/12/2012
<i>Accumulated acquisition values</i>		
<b>CARRYING AMOUNT AT BEGINNING AND END OF THE PERIOD</b>	<b>0.2</b>	<b>0.2</b>

#### NOTE 18. INVENTORIES

Group	31/12/2013	31/12/2012
Raw materials and consumables	59.7	59.0
Work-in-progress	7.9	8.5
Finished products and goods for resale	32.7	36.3
<b>CARRYING AMOUNT AT END OF THE PERIOD</b>	<b>100.3</b>	<b>103.8</b>

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



## NOTE 19. ACCOUNTS RECEIVABLE

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

## NOTE 20. CASH AND CASH EQUIVALENTS

Group	31/12/2013	31/12/2012
<i>Cash and cash equivalents are made up of the following items:</i>		
Cash and bank balances	16.6	20.6
Balance on Group account with Parent Company	29.5	2.7
<b>TOTAL AS PER STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT</b>	<b>46.1</b>	<b>23.3</b>

## NOTE 21. EQUITY

### DIVIDEND

After the balance sheet date the Board of Directors proposed the following dividend. The dividend will be submitted to the AGM for approval on 29 April 2014.

	2013	2012
Total dividend, SEK m.	8.4	4.2
Recognised dividend per share, SEK	1.00	0.50

### CAPITAL MANAGEMENT

The Group's financial objective is to maintain a sound capital structure and financial stability, and thereby to retain the confidence of investors, lenders and the market, as well as to serve as a foundation for continued development of its business operations. Against that background, the Group's goals for debt/equity ratio have been set at the range of 0.7–1.0 and for equity/assets ratio at no less than 35%. The outcomes on 31 December 2012 were 0.39 (0.20) for the debt/equity ratio and 55.9% (64.9) for the equity/assets ratio. The sales of Voice's property and the Scandinavian Eyewear business area in the second half of 2012 reduced and released tied-up capital, which made the purchase of Fora Form possible in October 2013. The Group's cash flow from operating activities amounted to SEK 37.7 million (25.2) in 2013, helping to sustain the Group's robust financial position, even after the above-mentioned acquisitions. Equity is defined as the sum of shareholders' equity. The Group's equity totalled SEK 371.8 million (359.0) and the Parent Company's equity SEK 262.9 million (260.4).

The Board of Directors' ambition is to maintain a balance between high yield, which can be achieved through higher borrowing, and the benefits and security offered by a sound capital structure. The financial goal of the Group over an economic cycle is to obtain a return of no less than 15 percent on capital employed. In 2013, the return on capital employed was 3.4% (2.1).

The Group's policy is to pay a dividend, taking into account the long-term capital requirement, totalling approximately 40 percent of profit after tax. In view of the Company's strong financial position, the Board of Directors has proposed a dividend of SEK 1.00 per share, corresponding to 78% of profit after tax, to the 2014 AGM. Over the past five years, the total dividend has averaged 67% of profit after tax. The Group will also pay an additional dividend when the capital structure and financing requirements of the business allow. Decisions regarding an additional dividend reflect an ambition to distribute to the shareholders funds that are not deemed necessary for the development of the Group. The Group has paid additional dividends over and above ordinary dividends on two occasions – in 2006 and 2007.

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

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

## NOTE 22. 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 27.

Group	31/12/2013	31/12/2012
<b>Non-current liabilities</b>		
Bank loans, maturity date 1-5 years		
from balance sheet date	55.0	24.1
Bank loans, maturity date more than 5 years		
from balance sheet date	13.9	17.5
	<b>68.9</b>	<b>41.6</b>
<b>Current liabilities</b>		
Bank overdraft facility	58.7	19.6
Current portion of bank loans	17.6	11.2
	<b>76.3</b>	<b>30.8</b>
<b>TOTAL INTEREST-BEARING LIABILITIES</b>	<b>145.2</b>	<b>72.4</b>

### FINANCIAL LEASE LIABILITIES

The Group's liabilities under financial lease contracts total SEK 7.4 million (8.1). Liabilities under financial lease contracts in the Group consist of future leasing charges arising from contracts under financial leasing. Leasing charges that are due within one year are recognised as current liabilities.

## NOTE 23. LIABILITIES TO CREDIT INSTITUTIONS

Parent Company	31/12/2013	31/12/2012
<b>Non-current liabilities</b>		
Bank loans, maturity date 1–5 years from balance sheet date	31.3	-
<b>Current liabilities</b>		
Bank overdraft facility	58.7	19.6
Current portion of bank loans	8.0	4.5
	<b>66.7</b>	<b>24.1</b>

## NOTE 24. PENSIONS

### DEFINED-BENEFIT PENSION PLANS

Part of Scandinavian Eyewear's and 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 2013 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 3) from the Swedish Financial Reporting Board, this is a defined-benefit plan, to which several employers subscribe. For the 2013 financial year, the Company has not had access to the information required to enable it to account for this plan as a defined-benefit plan. As a result, the pension plan under the ITP (Supplementary Pension for Salaried Employees in Industry and Commerce) scheme, secured through an insurance policy with Alecta, is reported as a defined-contribution plan. The year's charges for pension insurance policies contracted with Alecta amount to SEK 2.3 million (2.5). Surpluses at Alecta may be allocated to policyholders and/or the insured. At the end of 2013, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 148% (129). The collective consolidation ratio is made up of the market value of Alecta's assets as a percentage of the insurance commitments, calculated on the basis of Alecta's actuarial assumptions, which do not correspond to IAS 19.

### DEFINED-CONTRIBUTION PENSION PLANS

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

	Group's remaining businesses		Parent Company	
	2013	2012	2013	2012
Costs of defined-contribution pension plans	9.2	9.4	1.7	1.7

### PENSION COMMITMENTS

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

## NOTE 25. OTHER PROVISIONS

Group	31/12/2013	31/12/2012
Warranty commitments at Lammhults Möbel AB, Sweden	0.3	0.3
Warranty commitments at Fora Form AS, Norway	0.3	-
Marketing contribution at Borks Patenttavler A/S, Denmark	-	0.1
	<b>0.6</b>	<b>0.4</b>

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

## NOTE 26. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Accrued personnel-related costs	21.6	19.0	1.7	3.0
Other items	11.9	12.7	2.5	1.7
	<b>33.5</b>	<b>31.7</b>	<b>4.2</b>	<b>4.7</b>

## NOTE 27. FINANCIAL RISKS AND RISK MANAGEMENT

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

### LIQUIDITY RISKS

Liquidity risk refers to the risk of the Group encountering problems with fulfilling its obligations relating to financial liabilities. The aim is that the Group should be capable of meeting its financial commitments both during upswings and downturns without major unforeseen costs and without risking the Group's reputation. According to a resolution by the Board of Directors, the Group's liquidity margin, in the form of cash and cash equivalents and unused bank overdraft facilities, must represent no less than 10 percent of total assets. At year-end, the liquidity margin was 17.2 percent (21.6). 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	2014	2015	2016	2017	2018–	Total
Bank loans	17.6	17.6	13.8	12.7	24.8	86.5
Bank overdraft facilities	58.7	-	-	-	-	58.7
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>76.3</b>	<b>17.6</b>	<b>13.8</b>	<b>12.7</b>	<b>24.8</b>	<b>145.2</b>

### CREDIT RISKS

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

### MARKET RISKS

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

### INTEREST RISKS

Interest risk is the risk that the value of a financial instrument may vary as a result of changes in market interest rates. The Group's net financial items and results are affected by fluctuations in interest rates. The Group is also indirectly affected by the influence of interest rates on the economy in general. The Lammhults Design Group takes the view that short-term fixing of interest rates is compatible with the Group's operations from a risk perspective. Against that background, the majority of the Group's borrowings in recent years have been at variable interest rates. In recent years, variable rates of interest have also often been lower than long-term rates, which in turn has had a positive effect on the Group's results. Management of the Group's exposure to interest rates is centralised, i.e. the Group's management is charged with identifying and handling such exposure. The Company's interest-bearing liabilities amounted to SEK 145.2 million (72.4) at year-end. All interest-bearing liabilities at 31 December 2013 were at variable interest rates. The Group also has a variable rate EUR loan to finance a building. The loan amounted to SEK 4.2 million (5.2) at year-end and has an interest rate cap ensuring that the interest on the loan will never exceed 5.0 percent.

### CURRENCY RISKS

The risk that fair values and cash flows relating to financial instruments may fluctuate when the value of foreign currencies change is known as currency risk. The Group is exposed to various types of currency risk. The primary exposure concerns purchases and sales in foreign currencies, where the risk may consist partly of fluctuations in the currency of a financial instrument or customer or supplier invoice, and partly of the currency risk in anticipated or contracted payment flows; this is known as transaction exposure. Currency fluctuations also exist in the translation of the assets and liabilities of foreign subsidiaries to the Parent Company's functional currency 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 and the use of overdraft facilities in foreign currency. At year-end, these loans are recognised in the Group at the exchange rate prevailing on the balance sheet date, other than in the Parent Company's accounts, where the loans are recognised at the acquisition exchange rate for loans and overdraft facilities in foreign currencies for the purchase of participations in Group companies.

### TRANSACTION EXPOSURE

Invoicing to markets outside Sweden by the Group's remaining businesses amounted to SEK 391.9 million (400.6) during the year. Invoicing in foreign currencies totalled SEK 379.1 million (390.9), as set out below.

**INVOICING IN FOREIGN CURRENCIES (TRANSLATED TO SEK)**

Currency	2013		2012	
	Amount	%	Amount	%
EUR	173.5	46	211.3	54
NOK	95.3	25	53.7	14
DKK	81.0	21	79.3	20
GBP	22.2	6	30.8	8
Other foreign currencies	7.1	2	15.8	4
<b>TOTAL</b>	<b>379.1</b>	<b>100</b>	<b>390.9</b>	<b>100</b>

Purchases in foreign currencies by the Group's remaining businesses totalled SEK 166.9 million (179.4), as set out below.

**PURCHASES IN FOREIGN CURRENCIES (TRANSLATED TO SEK)**

Currency	2013		2012	
	Amount	%	Amount	%
EUR	98.6	59	95.4	53
DKK	38.3	23	44.3	25
NOK	15.4	9	12.7	7
USD	7.7	5	14.6	8
Other foreign currencies	6.9	4	12.4	7
<b>TOTAL</b>	<b>166.9</b>	<b>100</b>	<b>179.4</b>	<b>100</b>

The Group's aim is, by use of forward contracts, to limit its currency risks in connection with future payment flows. Using the best possible information regarding future flows, approximately 50 percent of anticipated net flows for the next 12 months are hedged. IAS 39 has been applied since 1 January 2005. The Group classifies the forward contracts that it uses to hedge forecast transactions as cash flow hedges. Changes in the fair value of forward contracts are therefore recognised in equity. At year-end 2013, forward contracts showed a surplus of SEK 0.1 million, compared to a surplus of SEK 0.2 million at the preceding year-end.

**TRANSLATION EXPOSURE**

In normal circumstances, the Group does not seek protection for its translation exposures in foreign currencies. However, for the acquisitions of the shares outstanding in Lammhults Biblioteks-design A/S in 2002, in Schulz Speyer AG in 2006, in Abstracta Interiör A/S (formerly Borks) 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 difference on these loans for the year amounts to SEK -0.5 million (0.6) and has been taken directly to equity. For more on how translation exposure is treated in the accounts, see Note 1 Accounting policies, Hedging of net investments in a foreign operation.

**SENSITIVITY ANALYSES**

In order to manage interest and currency risks, the Group's aim is to minimise the effects of short-term fluctuations in the Group's results. In the long term, however, lasting changes in exchange rates and interest rates will impact on the consolidated profit/loss. As per 31 December 2013, it is estimated that a general rise of 1% in interest rates will reduce the Group's profit before tax by approximately SEK 1.0 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 2013 reduced the gross profit of the Group's remaining businesses by approximately SEK 2.1 million (2.1) and pre-tax profit by around SEK 1.2 million (1.2). Changes in the value of currency forward contracts are disregarded in this estimate.

## NOTE 28. CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Group	Hedging instruments	Loans and accounts receivable	Other liabilities	Total
<b>2013-12-31</b>				
Currency forward contracts (receivables)	0.1	-	-	0.1
Financial investments	-	0.2	-	0.2
Accounts receivable	-	135.9	-	135.9
Other receivables	-	12.2	-	12.2
Cash and cash equivalents	-	46.1	-	46.1
Non-current interest-bearing liabilities	-	-	68.9	68.9
Current interest-bearing liabilities	-	-	76.3	76.3
Trade payables	-	-	57.5	57.5
Other liabilities	-	-	31.7	31.7
<b>2012-12-31</b>				
Currency forward contracts (receivables)	0.3	-	-	0.3
Financial investments	-	0.2	-	0.2
Accounts receivable	-	106.3	-	106.3
Other receivables	-	15.1	-	15.1
Cash and cash equivalents	-	23.3	-	23.3
Non-current interest-bearing liabilities	-	-	41.6	41.6
Current interest-bearing liabilities	-	-	30.8	30.8
Trade payables	-	-	48.2	48.2
Other liabilities	-	-	27.1	27.1

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	Loans and accounts receivable	Other liabilities	Total
<b>31/12/2013</b>			
Other receivables	0.4	-	0.4
Cash and cash equivalents	16.6	-	16.6

Bank loans	-	8.0	8.0
Bank overdraft facility	-	58.7	58.7
Trade payables	-	2.0	2.0
Other liabilities	-	0.3	0.3

Parent Company	Loans and accounts receivable	Other liabilities	Total
<b>31/12/2012</b>			
Other receivables	0.3	-	0.3
Cash and cash equivalents	2.7	-	2.7

Bank loans	-	4.5	4.5
Bank overdraft facility	-	19.6	19.6
Trade payables	-	0.5	0.5
Other liabilities	-	1.1	1.1

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 29. OPERATIONAL LEASING

### LEASE CONTRACTS WHERE THE COMPANY IS LESSEE

Total of non-cancellable lease payments:

	Group		Parent Company	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Leasing charges for the year	4.2	2.8	-	-
Within a year	2.1	1.8	-	-
Between one and five years	2.4	2.0	-	-

No non-cancellable lease payments fall due in more than five years. During the 2013 financial year, no lease contracts of major importance to the business were entered into. No sub-letting took place.



## NOTE 30. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
<b>Pledged assets</b>				
<i>For own liabilities and provisions</i>				
Real estate mortgages	70.5	53.8	-	-
Chattel mortgages	40.0	40.0	-	-
Net assets in subsidiaries	527.0	441.0	-	-
Other securities	1.6	10.3	-	-
Shares in subsidiaries	-	-	202.5	203.6
<b>TOTAL PLEDGED ASSETS</b>	<b>639.1</b>	<b>545.1</b>	<b>202.5</b>	<b>203.6</b>
<b>Contingent liabilities</b>				
Sundry surety bonds	3.5	3.7	3.5	3.7
Warranties	5.3	1.4	-	-
Other contingent liabilities	1.7	1.7	-	-
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>10.5</b>	<b>6.8</b>	<b>3.5</b>	<b>3.7</b>

The Parent Company has also provided general, unconditional and absolute guarantees to borrowers Abstracta AB, whose liability amounts to SEK 28.2 million, and for Voice AB and Lammhults Möbel AB, whose liability amounts to SEK 0.0 million.

## NOTE 31. APPROPRIATIONS

Parent Company	2013	2012
Group contributions received	20.5	16.1
Group contributions paid	-8.9	-19.2
<b>TOTAL</b>	<b>11.6</b>	<b>-3.1</b>

## NOTE 32. CLOSELY RELATED PARTIES

### CLOSE RELATIONSHIPS

The Parent Company has a close relationship with its subsidiaries as detailed in Note 32 and a joint venture as described in Note 16.

### SUMMARY OF TRANSACTIONS WITH CLOSELY RELATED PARTIES

Of the Parent Company's total purchases and sales measured in Swedish kronor, SEK 0.4 million (0.4) of the purchases and SEK 5.6 million (6.2) of sales pertain to other companies in the group of which the Company is part. This equates to 2% (2) of the Parent Company's purchases and 100 percent (100) of sales by the Parent Company. Substantial financial receivables and liabilities exist between the Parent Company and the subsidiaries. On 31 December 2013, the Parent Company's receivables from Group companies totalled SEK 195.2 million (165.0), while its liabilities towards Group companies amounted to SEK 278.9 million (236.9). No transactions or outstanding balances with the joint venture company exist. Transactions with closely related parties are priced at generally accepted market conditions.

### TRANSACTIONS WITH KEY PEOPLE IN SENIOR POSITIONS

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

Former warrant programmes for senior executives of the Group have expired, and on 31 December 2013, there were no warrant programmes outstanding in the Group. For more information on salaries and remuneration to the Board Members and senior executives, see Note 8.

## NOTE 33. GROUP COMPANIES

Parent Company	31/12/2013	31/12/2012
<b>Accumulated acquisition values</b>		
At beginning of year	383.7	383.6
Purchases	72.8	0.1
<b>CARRYING AMOUNT 31 DECEMBER</b>	<b>456.5</b>	<b>383.7</b>
<b>Accumulated impairment losses</b>		
At beginning and end of year	-33.9	-33.9
<b>CARRYING AMOUNT 31 DECEMBER</b>	<b>422.6</b>	<b>349.8</b>

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, %	31/12/2013	31/12/2012
			Carrying amount	Carrying amount
Lammhults Möbel AB / 556058-2602 / Växjö	30,000	100	34.3	34.3
Lammhults Biblioteksdesign AB / 556038-8851 / Lund	50,000	100	39.8	39.8
Eurobib NV / 298997 / Schelle, Belgium				
Lammhults Biblioteksdesign A/S / 87 71 97 15 / Holsted, Denmark	50,000	100	73.9	73.9
BC Interieur SARL / 33058132300046 / Paris, France				
Bibliotecas BCI SA / ESA60923596 / Barcelona, Spain				
The designconcept 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				
Eurobib Direct GmbH / HRB 61159 / Römerberg, Germany				
Voice AB / 556541-0700 / Jönköping	10,000	100	40.7	40.7
Ire Möbel AB / 556065-2710 / Tibro				
Expanda Invest AB / 556535-2290 / Växjö	300,000	100	94.3	94.3
Abstracta AB / 556046-3852 / Växjö				
Abstracta Interiör A/S / 20 95 95 09 / Bjert, Denmark				
Fora Form AS / 986 581 421 / Ørsta, Norway	5,100	100	72.7	-
Abstracta Interiör AS / 934471881 / Oslo, Norway	2,000	100	0.1	-
Atran AB / 556035-8508 / Falkenberg	6,000	100	1.1	1.1
Skaga AB / 556551-6480 / Jönköping	1,000	100	0.1	0.1
Sydostinvest AB / 556210-3498 / Växjö	1,000	100	0.2	0.2
			<b>422.6</b>	<b>349.8</b>

## NOTE 34. SPECIFICATION OF STATEMENT OF CASH FLOWS

### INTEREST PAID AND DIVIDEND RECEIVED

	Group		Parent Company	
	2013	2012	2013	2012
Interest received	2.8	0.8	2.4	1.6
Interest paid	-5.0	-5.1	-3.0	-1.9
Dividend received	-	-	6.5	17.6

### ADJUSTMENT FOR NON-CASH ITEMS

	Group		Parent Company	
	2013	2012	2013	2012
Depreciation	12.3	12.7	0.1	0.1
Unrealised exchange rate differences	-0.2	2.1	-	-
Capital gain/loss on sale of non-current assets	0.7	-4.4	-	-
Capital gain/loss on sale of subsidiaries	-	2.9	-	-
Provisions for pensions	-0.6	-0.3	-	-
Other provisions	0.1	-1.3	-	-
Dividend from Group companies	-	-	-6.5	-17.6
	12.3	11.7	-6.4	-17.5

### ACQUISITION OF SUBSIDIARIES

	Group		Parent Company	
	2013	2012	2013	2012
<i>Assets and liabilities acquired</i>				
Intangible non-current assets	7.0	-	7.0	-
Property, plant and equipment	5.0	-	5.0	-
Non-current financial assets	-	-	0.1	-
Deferred income tax assets	1.1	-	1.1	-
Inventories	13.9	-	13.9	-
Current receivables	25.2	-	25.2	-
Cash and cash equivalents	1.0	-	1.0	-
<b>TOTAL ASSETS</b>	<b>53.2</b>	<b>-</b>	<b>53.3</b>	<b>-</b>
Provisions for pensions	0.6	-	0.6	-
Interest-bearing liabilities	8.7	-	8.7	-
Operating liabilities	26.2	-	26.2	-
<b>TOTAL PROVISIONS AND LIABILITIES</b>	<b>35.5</b>	<b>-</b>	<b>35.5</b>	<b>-</b>
<b>Purchase consideration:</b>				
Purchase consideration paid	-71.1	-	-71.2	-
Less: Cash and cash equivalents in the business acquired	1.0	-	-	-
Less: Acquisition-related expenses	-	-	-1.6	-
<b>EFFECT ON CASH AND CASH EQUIVALENTS</b>	<b>-70.1</b>	<b>-</b>	<b>-72.8</b>	<b>-</b>

### DIVESTMENT OF SUBSIDIARY

	Group		Parent Company	
	2013	2012	2013	2012
<i>Assets and liabilities divested</i>				
Intangible non-current assets	-	18.7	-	-
Property, plant and equipment	0.2	2.8	-	-
Inventories	0.3	26.3	-	-
Accounts receivable	2.4	21.7	-	-
Other receivables	0.4	4.7	-	-
Cash and cash equivalents	0.5	4.9	-	-
<b>TOTAL ASSETS</b>	<b>3.8</b>	<b>79.1</b>	<b>-</b>	<b>-</b>
Provisions for pensions	0.6	2.9	-	-
Deferred tax liabilities	-	0.5	-	-
Trade payables	0.3	9.1	-	-
Other liabilities	2.9	10.0	-	-
<b>TOTAL PROVISIONS AND LIABILITIES</b>	<b>3.8</b>	<b>22.5</b>	<b>-</b>	<b>-</b>
Purchase price received	0.0	58.1	-	-
Less: Cash and cash equivalents in the business divested	-0.5	-4.9	-	-
Less: Deposit in escrow account	-	-9.0	-	-
Less: Group liabilities	-	-7.5	-	-
<b>EFFECT ON CASH AND CASH EQUIVALENTS</b>	<b>-0.5</b>	<b>36.7</b>	<b>-</b>	<b>-</b>

### CREDITS NOT USED

	Group		Parent Company	
	2013	2012	2013	2012
Total, credits not used	68.0	96.3	53.9	92.9

## NOTE 35. IMPORTANT ESTIMATES AND ASSESSMENTS

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

### SIGNIFICANT SOURCES OF UNCERTAINTY IN ASSESSMENTS

#### Impairment tests for goodwill

When computing the recovery value of cash-generating units for the assessment of any impairment loss for goodwill, several assumptions as to future circumstances and estimates of parameters have been made. A summary of these items is set out in Note 14. As may be seen in Note 14, changes in the preconditions for these assumptions and estimates during 2014 could have a significant effect on the value of goodwill. However, the view is taken that no significant risk exists for any major adjustment of goodwill during the forthcoming year.

### INCOME TAXES

Extensive assessments are made to determine current and deferred tax liabilities and assets, and in particular the value of deferred tax assets. In this process, the Lammhults Design Group must assess the

likelihood of the deferred tax recoverable being offset against future taxable profits. The actual outcome may differ from these assessments, for example, because of a change in the future business climate or amended tax regulations, or because of the eventual result of a tax authority's or a fiscal court's as yet uncompleted examination of tax returns submitted. For more information, see Note 12.

#### NOTE 36. INFORMATION ON THE PARENT COMPANY

Lammhults Design Group AB is a Swedish company with limited liability (Swedish: aktiebolag). Its registered office is in Växjö, Sweden. The Parent Company's Class B shares are listed on the Nordic Small Cap list of the Nasdaq OMX Nordic Exchange Stockholm. The address of the head office is Lammhults Design Group AB, Box 75, SE-360 30 Lammhult, Sweden. The consolidated accounts for 2013 comprise those of the Parent Company and its subsidiaries, which together are known as the Group. The Group also includes shareholdings in joint venture companies.

#### CERTIFICATION BY THE BOARD OF DIRECTORS

The Board of Directors and the Chief Executive Officer hereby declare that the annual accounts have been prepared in accordance

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

The annual accounts and consolidated accounts were, as indicated above, approved for issue by the Board of Directors on 17 March 2014. The consolidated statement of income, consolidated statement of comprehensive income and consolidated 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 29 April 2014.

Lammhult, 17 March 2014



Anders Pålsson  
Chairman



Peter Conradsson  
Board member



Jorgen Ekdahl  
Board member



Jerry Fredriksson  
Board member



Lotta Lundén  
Board member



Maria Öqvist  
Board member



Anders Rothstein  
Chief Executive Officer

Our Audit Report was submitted on 17 March 2014  
KPMG AB



Emil Andersson  
Authorised Public Accountant

# AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN LAMMHULTS DESIGN GROUP AB (PUBL), CORP. REG. NO. 556541-2094

## REPORT ON THE ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

We have conducted an audit of the annual accounts and the consolidated accounts of Lammhults Design Group AB (publ) for the 2013 financial year. The Company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 65–107.

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

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

### Responsibilities of the auditors

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

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

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

### Statement

In our view, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position on 31 December 2013 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act.

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the group's financial position on 31 December 2013 and of its financial results and cash flows for the year in accordance with

International Financial Reporting Standards, as adopted by the EU, and the Swedish Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

## REPORT ON OTHER REQUIREMENTS UNDER LEGISLATION AND OTHER REGULATIONS

In addition to our audit of the annual report and the consolidated accounts, we have also conducted a review of the proposed treatment of the company's profit or loss and the administration of the affairs of Lammhults Design Group AB (publ) by the Board and the CEO in the 2013 financial year.

### Responsibilities of the Board of Directors and CEO

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

### Responsibilities of the auditors

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

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

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

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

### Statement

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

Växjö, 17 March 2014  
KPMG AB



Emil Andersson  
Authorised Public Accountant

## Lammhults Design Group at the Stockholm Furniture Fair 2014







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LAMMHULTS



ABSTRACTA



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