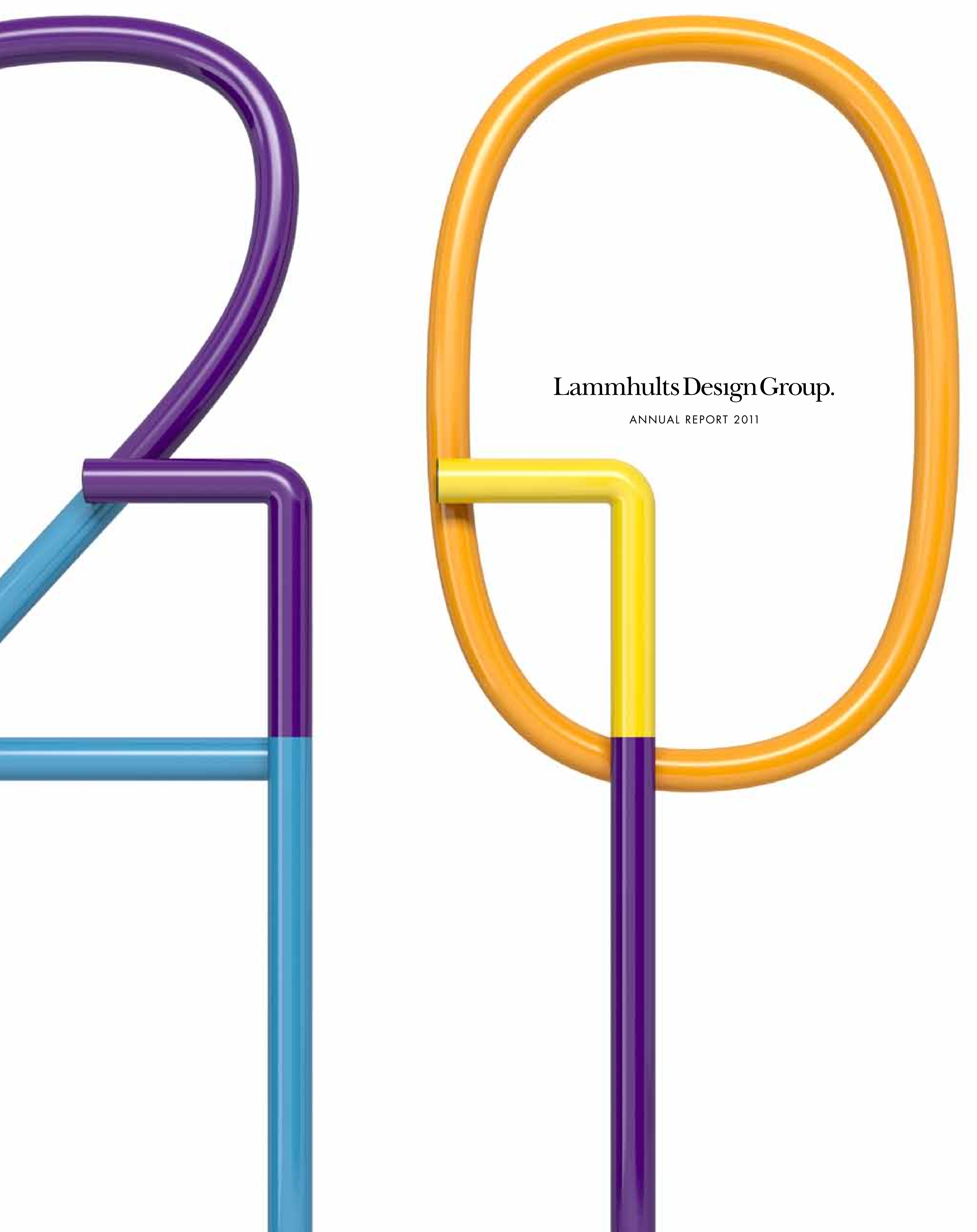


Lammhults Design Group.

ANNUAL REPORT 2011

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.

THIS ANNUAL REPORT IS ALSO AVAILABLE IN SWEDISH

OFFICE & HOME INTERIORS

LAMMHULTS OFFICE

WHAT THE BUSINESS AREA DOES:
Lammhults Office develops and markets products for interiors in public environments. The Lammhults brand covers visually strong, timeless furniture with high design values, while the brands Abstracta and Borks encompass products for visual communication and screening.

CUSTOMERS:
Lammhults Office primarily works with architects and designers who recommend products to their clients. Dealers constitute an important part of the sales process towards the end customer, usually companies and organisations.

STRATEGIC CHANGE:
In October 2011 the decision was made to coordinate the business area with Lammhults Home, which will create income and cost synergies. The new business area will be called Office & Home Interiors

NET PROFIT:

Net sales
SEK 331.9 million (287.8)

Operating profit
SEK 33.7 million (32.8)

PROPORTION OF GROUP'S OPERATIONS:

44%

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

BRANDS:

LAMMHULTS abstracta
BORKS

LAMMHULTS HOME

WHAT THE BUSINESS AREA DOES:
The Lammhults Home business area develops and markets home interior products. With its upholstered furniture and innovative storage solutions, Lammhults Home has one of the strongest product ranges in the home interior market.

CUSTOMERS:
The end customers of the Home business area are primarily private consumers but the products are also sold to public environments, e.g. hotels.

STRATEGIC CHANGE:
In October 2011 the decision was made to coordinate the business area with Lammhults Office. The new business area will be called Office & Home Interiors. The decision is in line with the ambition of gradually developing the range to also encompass corporate environments while simultaneously creating income and cost synergies.

NET PROFIT:

Net sales
SEK 62.4 million (73.4)

Operating loss
SEK -9.1 million (-9.0)

PROPORTION OF GROUP'S OPERATIONS:

8%

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

BRANDS:

voice ire

PUBLIC INTERIORS

LAMMHULTS LIBRARY

WHAT THE BUSINESS AREA DOES:
Lammhults Library develops and markets attractive and functional interiors for libraries, schools and other public meeting places such as educational premises and arts centres. The business area is partly dedicated to selling total interior systems on a project basis and partly to after market sales of furniture and consumables.

CUSTOMERS:
Lammhults Library works closely with architects and interior designers who design and suggest interiors for their end customers. Lammhults Library's end customers are mainly players whose operations are publically funded, e.g. local government or education institutions.

STRATEGIC CHANGE:
In October 2011 the decision was made to broaden the business area's operations. Increased sales initiatives alongside libraries, will be focused towards players in the education, health and care sectors. The business area is changing its name to Public Interiors.

NET PROFIT:

Net sales
SEK 260.7 million (318.2)

Operating profit
SEK 7.1 million (13.8)

PROPORTION OF GROUP'S OPERATIONS:


34%

LARGEST MARKETS:
Germany, France, Sweden, Denmark and Norway.

BRANDS:

BCI Eurobib direct SCHULZ SPEYER

SCANDINAVIAN EYEWEAR

WHAT THE BUSINESS AREA DOES:
Scandinavian Eyewear develops and markets spectacle frames. The business comprises the company's own Skaga brand and licensing deals for developing collections for other brands.

CUSTOMERS:
Scandinavian Eyewear's direct customers are private and chain opticians. The end customers are private consumers.

STRATEGIC CHANGE:
In October 2011 the decision was made to hive off the business area in the long term as part of the Group's streamlining strategy which sees it focusing on profitable growth in furniture and interiors.

NET PROFIT:

Net sales
SEK 102.7 million (104.6)

Operating profit
SEK 3.0 million (3.7)

PROPORTION OF GROUP'S OPERATIONS:


14%

LARGEST MARKETS:
Sweden, Finland, Denmark, USA and Norway.

BRANDS:

skaga OSCAR JACOBSON FACE STOCKHOLM
LEXINGTON EYEWEAR OSCAR MAGNUSON PILGRIM

Where our revenues come from

EXPORT MARKETS

62 %

SWEDEN

38 %

Distribution of revenues

PRIVATE CONSUMPTION

21 %

PUBLIC CONSUMPTION

44 %

CORPORATE CONSUMPTION

35 %

Net sales:	SEK 753.8 million	(778.0)
Operating profit:	SEK 18.5 million	(26.7)
Operating margin:	2.5%	(3.4)
Return on capital employed:	3.5%	(4.7)
Equity/assets ratio:	52.2%	(49.6)
Debt/equity ratio:	0.51	(0.56)
Dividend payout ratio:	69%	(61)
Average number of employees:	400	(394)

THE PAST YEAR

Q1

Net sales

SEK 192.1 m. (196.8)

Operating profit/loss

SEK 2.5 m. (4.5)

At unchanged exchange rates from the preceding year, net sales would have totalled SEK 201.9 million and operating profit SEK 4.2 million.

Lammhults Library secured a library project for Darmstadt, Germany. The project is worth around SEK 10 million and is for delivery in 2012.

PR and trade fair activities were conducted to market the Modern Essentials brand concept under the Lammhults brand and Great Workspaces under the Abstracta brand.

Q2

Net sales

SEK 172.6 m. (187.9)

Operating profit/loss

SEK -2.4 m. (4.3)

Demand was weak during the second quarter, other than at Lammhults Office. As a result, net sales fell by 8%.

Scandinavian Eyewear continued to record sales successes in North America.

In all the Group's business areas, gross margins declined from those in the previous year.

Q3

Net sales

SEK 187.0 m. (185.4)

Operating profit/loss

SEK 10.7 m. (18.1)

Demand remained strong in Lammhults Office, where sales of the Abstracta brand, in particular, increased.

Weak order bookings in southern Europe for Lammhults Library and in Sweden for Scandinavian Eyewear.

Storage furniture No. 5, designed by Jesper Ståhl, was launched by Voice. This flexible storage system with an international style is suited for use in both domestic and public environments.

Q4

Net sales

SEK 202.1 m. (207.9)

Operating profit/loss

SEK 7.7 m. (-0.2)

The Board and Management decided to streamline operations and focus on profitable growth in furniture and interiors. Work began on coordinating Lammhults Office and Lammhults Home into a single business area, Office & Home Interiors, and to extend operations in Lammhults Library to include the education, health and care sectors.

Lammhults Library was chosen to equip the new multimedia library in Montpellier, France. The order was valued at around SEK 7 million and is expected to be delivered in the second quarter of 2012.

Cash flow from operating activities totalled SEK 46.7 million (35.5) in the fourth quarter.

A WORD FROM THE CHAIRMAN – ANDERS PÅLSSON

GROWTH STRATEGY WITH SHARPER FOCUS

FROM FOUR BUSINESS AREAS TO TWO

With the Group's stable financial position as a firm footing, we have the resources we need to realise the growth strategy.

At Lammhults Design Group, in 2010–2011 we have put a great deal of work into fine-tuning and streamlining our strategic focus. We have taken on board the requirements and wishes of our shareholders and during this process placed emphasis on conducting a good dialogue with the stock market and our other key stakeholders.

The Board of Directors and the senior management of Lammhults Design Group have decided to streamline the Group's operations and create profitable growth in furniture and interior design. As a result, our four business areas will now be concentrated into two. Lammhults Office and Lammhults Home will be merged to create Office & Home Interiors. Operations within Lammhults Library will be broadened and the business area will change its name to Public Interiors. The business area Scandinavian Eyewear will be hived off in the longer term.

BACKGROUND: STRATEGIC MARKET ADAPTATION

Up until autumn 2011 the Group worked with a number of companies distributed across four business areas. Now we are focusing on the areas in which we have the greatest potential and which are in line with our interior design profile. One consequence of this is that Scandinavian Eyewear, an exciting element in its own right, no longer fits the logic of the Group and will therefore be hived off.

New media and fast-moving developments in IT are affecting the entire library sector, and in recent years we have seen Lammhults Library's market shrink. The Lammhults Home business area, primarily focused on furniture in the premium segment for private use in the consumer market, faces falling sales.

A GROWTH STRATEGY BASED ON INTERIOR DESIGN AND FURNITURE

Given the changed market scenario and our work on strategy, we have taken the decision to streamline and focus our operations. The aim remains the same: profitable growth. Geographically, we will concentrate the Group's business in Northern Europe, and more clearly define our offering in two larger business areas.

OFFICE & HOME INTERIORS BRINGS NEW OPPORTUNITIES FOR OUR CORE BUSINESS

For many years, Lammhults Design Group has successfully focused on interior design for public spaces. This is a strength which the Group can now draw on with the merger of the business areas Lammhults Office and Lammhults Home to form Office & Home Interiors, a step entirely in line with our ambition to expand our home range and also encompass corporate environments. The Voice and Ire brands, previously part of Lammhults Home, will now be expanded and oriented towards target groups in public settings. Together with the established brands Lammhults, Abstracta and Borks, they will form part of one of the market's strongest brand portfolios.

LIBRARY TO BECOME PUBLIC INTERIORS AND OPEN UP NEW MARKETS

Development in the library market in recent years has been far from satisfactory. A number of outside factors, primarily in the fields of media and technology, have reduced the importance of traditional libraries. At the same time, a new type of library, often a media centre, has evolved. We need to keep pace with these changes. Redefining the business area as Public Interiors sees us taking a broader approach to this market. The public sector is a key market for Lammhults Design Group and we will be widening our focus, with priority areas, including the education, health and care sectors.

FUTURE ACQUISITIONS AND FINANCIAL REALISATION

With the Group's stable financial position as a firm footing, we have the resources we need to realise the growth strategy, in terms of organisation and in terms of additional acquisitions. Future acquisitions will primarily be geared towards the business area Office & Home Interiors.

These measures are expected to gradually have a positive impact on our profits. The new focus and further capital rationalisation will lead to an improved return for our shareholders. The reworked growth strategy will also affect the financial goals and the new goals are presented on page 9.

The work of adapting the organisation to the new strategy will be carried out during 2012. Our watchwords will be profitability and growth as well as design leadership and innovation.

Anders Pålsson
Chairman of the Board, Lammhults Design Group

A WORD FROM THE PRESIDENT

ANDERS ROTHSTEIN, PRESIDENT AND CEO

STREAMLINLING, FOCUS AND IMPROVED EFFICIENCY SPEARHEADED WORK IN 2011. THIS YEAR'S THEME TAKES THE NEXT STEP AS 2012 WILL SEE US PUTTING THE STRATEGY INTO PRACTICE.

Overshadowed by the European debt crisis, 2011 was a challenging year. For us, times were particularly tough in Spain and Italy. At the same time, we have seen several bright spots during the year. Development continued to be good in Sweden and we strengthened our presence in Germany and France.

LONG-TERM INVESTMENTS PAY OFF

In 2011 we continued to roll out the Group's long-term initiatives and brand concepts: Lammhults – Modern Essentials, Abstracta – Great Workspaces, Ire – True to Perfection and BCI – Innovative Library Design. We have played a part in designing the library of the future with a "Shop Concept" tailored to the new era of libraries that are more like meeting places. This is a trend which will increase the need for eco-friendly furniture and which we are helping to match with new project concepts under the Voice and Ire brands. The ".SE" concept is a way of expanding distribution for Scandinavian Eyewear.

All these initiatives are long-term and have the same goal: consolidating and strengthening Lammhults Design Group's position as one of the leading designer furniture groups in the market. This work has provided immediate results in the form of several innovative product launches, design awards and prestigious projects.

SUSTAINABILITY IN LINE WITH GRI

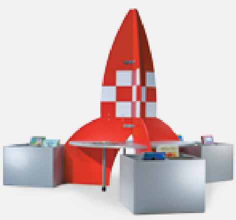
Another long-term focus, which runs through all the work of the Group is our work on sustainability. Sustainability and social responsibility are by no means new for us as for many years we have been working on sustainable products, both visually and in terms of quality. We carefully select our suppliers and require that they are environmentally accredited.

Social responsibility is also incorporated as a natural element of the way we work. Examples include exchanges with schools, running workshops and taking responsibility for our surroundings and our employees.

The decision to concentrate the Group's offering, expertise and resources in two distinct business areas in 2011 further consolidated and sharpened our Group-wide strategy.

SOME OF THE DESIGN AWARDS WON BY LAMMHULTS DESIGN GROUP IN 2011

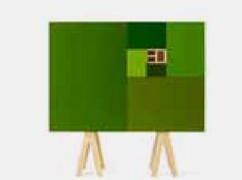
Schulz Speyer, was nominated for "Designpreis Deutschland 2011" for its library furniture for children.



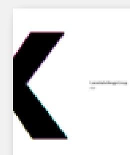
Md magazine's editors declared the Archal range of chairs from Lammhults "Best of 2011" in the category "Office and Contract Chairs"

The renowned Mobi product range from Abstracta received yet another award, winning the "Spark! Design Award", the top prize in the "Spark: Pro Design Competition", for ground-breaking product design.

Residence magazine made Voice No. 216 its "storage solution of the year".



Lammhults Design Group's 2010 annual report won silver in the Swedish Design Awards 2011 in the category "Information Print – Annual report" and came in second place in the Swedish Publishing Award.



SOME OF THE GROUP'S PRODUCTS LAUNCHED IN 2011

Voice:
The sculptural storage furniture No. 216 and No. 5, storage furniture with a playful design and a timeless feel for the modern individual's need for flexibility. Both designed by Jesper Ståhl.

Ire:
Join and Rejoin, an eco-smart and a modular sofa, designed by Emma Olbers.

BCI:
The product ranges 60/30 and ShowIt, two shelving systems for what is popularly called the library of the future. Design: Camilla Larsen and Niklas Dahlman.

Lammhults:
Archal, an innovative range of chairs designed by Peter Hiort-Lorenzen and Johannes Foersom. The Comet range of chairs designed by Gunilla Allard.

Abstracta:
Designer Andrea Ruggiero has added new elements to the Mobi range. The Alumi range has been extended with an innovative, sound absorbing storage unit designed by Nina Jobs.

THE GROUP'S COMPANIES HAVE DELIVERED TO SEVERAL PRESTIGIOUS PROJECTS DURING THE YEAR. THESE ARE SOME OF THEM.

Lund University chose Lammhults' classic Pyramid chair from 1955 for its School of Architecture. Order value SEK 1.5 million.

The Centro Carlos Santamaria library in San Sebastian in Spain was fitted with 17,000 metres of Classic shelving from BCI. The order was worth SEK 8 million and is BCI's largest single order in Spain so far.

In the US NASA bought Abstracta's Mobi and Sketchalot.

Schulz Speyer delivered the Uniflex shelving system for the unique "Media ship" in Wei-terstadt in Germany, a public centre with a library, a café and outdoor reading space.

A nursing home in Bergen bought 91 Visit armchairs from Ire, at an order value of SEK 0.5 million.

These are just some of the parameters we work with – as we have done for many years. For the first time, our 2011 annual report is in line with GRI (Global Reporting Initiative). This sees us firmly setting out our work on these issues and clarifying the goals that we have set ourselves. This kind of transparency is important in all work on sustainability.

KEY FIGURES 2011

In figures we sum up 2011 in net sales of SEK 753.8 million (778.0) and a profit after financial items of SEK 12.5 million (24.2). Had the exchange rate remained unchanged compared with previous years, net sales would have amounted to approximately SEK 780 million and profit after financial items to approximately SEK 16 million.

The Group's financial position remains strong, with an equity/assets ratio of 52.2% (49.6) and a debt/equity ratio of 0.51 (0.56). Figures that create a firm footing for growth – organic as well as through continued acquisitions.

BUSINESS AREA RESTRUCTURING

Within the Group we have long experience of offering our customers modern interiors with Scandinavian design and world-class quality. In 2011, we launched work towards the goal of concentrating the Group's offering and bringing our expertise and resources together in two distinct business areas. The new structure sees us combining the former Lammhults Office and Lammhults Home into the business area Office & Home Interiors, while Lammhults Library will change its name to Public Interiors and be expanded to in-corporate sales and marketing of products solutions for the public sector. As part of this restructuring, in January 2012 work will start to sell Scandinavian Eyewear.

NEW STRUCTURE FOR A CHANGED MARKET

Whether we are looking at the professional or the private sphere, we are encountering growing demand for modern and sustainable office and everyday environments. Our new business area structure will enable us to offer new and existing customers a broader and even more competitive range of furniture and interiors with a focus on design, function and quality.

Combine the words business and leisure and you get bleisure, a portmanteau name for a growing trend in offices, hotels and libraries seeking a more homelike environment. The boundary formerly drawn between home and the workplace or public spaces is less distinct today. The two are merging together, making new demands on the function and design of interiors. This is a trend which ties in well with the expertise and experience of our company in the business and leisure sectors. The new business area Office & Home Interiors will create a platform for taking a leading position in this trend, a step entirely in tune with our ambition to gradually increase the market for our home range under the Voice and Ire brands and also to sell to corporate environments. One concrete example is Voice's launch of No. 5, a flexible storage system for office and home environments.

GROWTH AND MARKET PRESENCE

The business area Office & Home Interiors will predominantly derive its growth from higher sales in Sweden. In addition, there is an opportunity to grow through increased exports to current core markets in northern Europe and in the long term also to selected areas in the BRIC countries (Brazil, Russia, India and China). To further strengthen our position within Lammhults Design Group's geographical area, the intention is to carry out acquisitions within Office & Home Interiors.

STRATEGIC PREPARATION FOR PROFITABLE GROWTH

With the Group's well-known brands, we have a strong market position in our home markets. This means we are excellently placed to prioritise and combine our sales efforts in these markets. Bringing together our expertise in design leadership and innovation and organising the business as two distinct business areas, sees us creating new cost and income synergies. Thanks to strategic streamlining and a clearer focus, I am convinced that Lammhults Design Group will be able to grow profitably into the future.

To conclude, I would like to thank all our employees for their hard work in 2011.

Anders Rothstein
President and CEO, Lammhults Design Group

STRONG BRANDS

We work with a brand-oriented strategy. Our own brands — Lammhults, Abstracta, Borks, Voice, Ire, BCI, Eurobib Direct and Schulz Speyer — are strong and well established, retaining their individual identities while benefiting from an endorsement process that denotes them 'Part of Lammhults Design Group'. This set-up gives us opportunities to work with our brands, both individually and in a collection-inspired manner – all to be able to meet the needs of each individual customer. It also means that we can exploit synergies in purchasing, production, product development and marketing.

EXPORT POTENTIAL

Lammhults Design Group has roots in Sweden but is an international Group. Around 62% of our revenues come from other markets. The Group's companies have long experience of offering our customers modern interiors with Scandinavian design and world-class quality. In the fourth quarter of 2011, it was decided that the Group would streamline its offering and focus on profitable growth in furniture and interiors. Marketing will be focused geographically on northern Europe and in the long-term also on certain areas in the BRIC countries. In Office & Home Interiors, acquisitions will also be carried out with the aim of further strengthening Lammhults Design Group's position within its defined geographical focus.

SYNERGIES

The Group previously consisted of four business areas. With the aim of improving profitability in the future, the decision has been made that expertise and resources are to be combined in two distinct business areas: Office & Home Interiors and Public Interiors. This means that the business areas Lammhults Office and Lammhults Home will be coordinated in Office & Home Interiors. The former business area Lammhults Library will be extended by expanding sales efforts alongside libraries, focused towards players in the education, health and care sectors, and will change its name to Public Interiors. This streamlining process will also see Scandinavian Eyewear hived off in the long term. Gathering the Group's expertise in design leadership and innovation and structuring operations in two business areas will also create new cost and income synergies. The range formerly within Lammhults Home will gradually be extended to also encompass corporate environments. Increasingly closer collaboration will be seen in the Group's supply chain functions to improve product supply efficiency and identify Group-wide synergies.

ROBUST FINANCES

The Group has ambitions for growth. In order to be able to carry through the acquisitions we want at the right time, it is important to maintain robust finances. Lammhults Design Group operates from a stable financial base, which allows us to implement our growth strategy in the Office & Home Interiors business area, both organically and via complementary acquisitions. At year-end 2011, the equity/assets ratio was 52.2% (49.6), and the debt/equity ratio was just 0.51 (0.56). Our financial position therefore continues to allow scope for acquisitions without departing from the Group's financial goals for equity/assets ratio (no less than 35%) and debt/equity ratio (within the range of 0.7–1.0).

GOALS AND GOAL FULFILMENT

In October 2011, the Board resolved to revise the Lammhults Design Group's financial goals over an economic cycle, as follows:

Growth shall be at least 10% per year (formerly 15%)	-3%
Operating margin shall be at least 8% per year (formerly 10%)	2.5%
Return on capital employed shall be at least 15% per year (formerly 20%)	3.5%
Equity/assets ratio shall be at least 35% (unchanged)	52.2%
Debt/equity ratio shall be in the range of 0.7–1.0 (unchanged)	0.51
Dividend payout ratio, taking into account the Group's long-term capital requirements, of approximately 40% of profit after tax (unchanged)	69%

Restraint in public sector investments in a number of European markets, combined with weak demand in the premium segment of the furniture market for home interiors in Sweden, affected sales for Lammhults Library and Lammhults Home. Strengthening of the Swedish krona had a negative impact of just over SEK 26 million on the Group's net sales and just under SEK 4 million on operating profit. The Group's gross margin declined from 39.0% to 38.2%, mainly because production overheads were distributed over lower sales volumes, negative currency effects and pressure on prices affecting procurement projects in Lammhults Library. Total overheads were approximately SEK 3 million less than in the preceding year. This only partly offset the lower level of net sales, and as a result operating margin for the year worked out at 2.5% (3.4). The Group's financial position remains strong, with an equity/assets ratio of 52.2% (49.6) and a debt/equity ratio of 0.51 (0.56) as per 31 December 2011. Our financial position therefore continues to allow scope for acquisitions without departing from the Group's goals for equity/assets ratio and debt/equity ratio. In view of this strong financial position, the Board recommended that the AGM approve dividend of SEK 0.50 (1.00) per share, corresponding to a dividend payout ratio of 69% (61).

ADDIT
Lammhults. Design Anya Sebton. Launched Stockholm Furniture Fair February 2012.

PYRAMID
Lammhults. Original from the 1950s shown in conjunction with the launch of The "Modern Essentials" concept at Fotografiska in February 2011.

HISTORIC DESIGN AN ASSET TO BUILD ON

Say the name Lammhults and you conjure up the image of classic furniture and design icons – regardless of where you are in the world. The company that Edvin Ståhl founded in 1945 under the name Lammhults Mekaniska Verkstad, subsequently Lammhults Möbel AB, has made a historic journey – from its roots in the wilds of the southern Swedish county of Småland and the area's tradition of furniture manufacture to today's international design group.

Lammhults Möbel AB began in earnest to make a name for itself as a design company in the 1960s. The focus on product development and collaboration with pioneering designers paved the way for the successful design management that now guides the work of the entire Group. Within Lammhults Design Group, the original company, Lammhults Möbel AB, has been joined by a number of strong brands active in different areas, but with one thing in common: design as a business concept and driving force.

DEVELOPMENT OF THE GROUP

Lammhults Möbel AB gradually became part of Rörviks-gruppen and subsequently of R-vik Industrigrupp, after it was hived off in 1997. In 1999 R-vik Industrigrupp acquired Expanda AB, which included Abstracta and Skaga, now Scandinavian Eyewear. In the same year, R-vik Industrigrupp changed its name to Expanda and concentrated the business solely on design. In 2008 the Group changed its name from Expanda to Lammhults Design Group to indicate its roots.

A STEP INTO THE INTERIOR DESIGN MARKET OF THE FUTURE

With its two newly defined and redesigned business areas Lammhults Design Group is ready to launch into the future with a strong, focused offering.

2 ARE GREATER THAN 4

The move from four business areas to two gives the Group's individual brands more scope to become even stronger. The consolidation also means a better fit between range and market.

NEW STRUCTURE, GREATER EFFICIENCY

Restructuring to create two business areas is also an opportunity to better exploit the synergies and the expertise of the Group's companies in order to lower costs and release capital.

THE RANGE THE MARKET IS LOOKING FOR

Demand for modern and sustainable workplaces and everyday surroundings is increasing, in professional as well as private contexts. The new structure enables Lammhults Design Group to offer new and existing customers an even broader and more competitive range of furniture and interiors with a focus on design, function and quality.

GEOGRAPHICAL SPREAD

From a geographical perspective, the new growth strategy places the emphasis on developing today's core market of Sweden and the other Nordic countries. In exports the focus is primarily on northern Europe, but also involves targeted initiatives geared towards the fast-growing markets in the Middle East and parts of the BRIC countries.

Lammhults Design Group.

BUSINESS AREA	BUSINESS AREA	BUSINESS AREA
OFFICE & HOME INTERIORS	PUBLIC INTERIORS	SCANDINAVIAN EYEWEAR
SUBSIDIARIES	SUBSIDIARIES	SUBSIDIARIES
Lammhults Möbel AB Abstracta AB Ire AB Voice AB Borks Patenttavler A/S	Lammhults Biblioteksdesign AB (formerly Eurobib AB) Lammhults Biblioteksdesign A/S (formerly BCI A/S) Schulz Speyer Bibliothekstechnik AG	Scandinavian Eyewear AB Seven Srl
BRANDS	BRANDS	BRANDS
Lammhults Abstracta Ire Voice Borks	Eurobib Direct BCI Schulz Speyer	Skaga Efva Attling Oscar Magnuson Pilgrim Oscar Jacobson Lexington FACE Stockholm

OFFICE & HOME INTERIORS

COMMERCIAL AND PROFESSIONAL ENVIRONMENTS ARE COMING HOME AND DOMESTIC INTERIORS ARE GOING TO WORK.

The boundaries between interior design for the workplace and for the home are being erased and Lammhults Design Group is adapting its offering for a new era. The former Lammhults Office and Lammhults Home will now join forces to form the business area Office & Home Interiors. Its operations are divided into three brands:

LAMMHULTS
ABSTRACTA, BORKS AND VOICE
IRE

Read more about the new Office & Home Interiors business area on page 42.

ARCHAL
Lammhults. Design Peter Hiort-Lorenzen & Johannes Foersom

BCI. France. Corbie. Médiathèque de la communauté de communes du Val de Somme

PUBLIC INTERIORS

PREPARING FOR THE LIBRARY OF THE FUTURE, WHILE OPENING THE DOORS TO EDUCATION, HEALTH AND CARE.

“Shop Concept” is our future study for the contemporary library, increasingly becoming a place for meetings and media experiences. A trend which increases the need for effective interiors and the type of eco-friendly furniture that is part of the Group’s offering. The public sector outside the library sector is also a major purchaser of strategic design and eco-friendly furniture. The former Lammhults Library has the expertise and the range that these buyers are looking for and with the shift to Public Interiors, the business area is now setting its sights on a wider market. Operations are divided into two entities:

Projects: interior solutions with the brands BCI and Schulz Speyer.
Aftermarket: accessories and consumables will be sold through the brand Eurobib Direct.

Read more about the new Public Interiors business area on page 50.

Business area: Office & Home Interiors, Abstracta AB and Lammhults Möbel AB

Project: KOKS, Hotel Føroyum, Faroe Islands

Products: Triline Wall, design Anya Sebton. A number of products from Abstracta and Lammhults were delivered for this project.

Architect: Lofti Arkitekter AB

DESIGN AS INVESTMENT

SEVERAL OF THE BIG SUCCESSES IN THE WORLD OF BUSINESS IN RECENT YEARS – FROM THE TECHNOLOGY INDUSTRY TO THE VEHICLE INDUSTRY – POINT IN THE SAME DIRECTION: DESIGN IS AN INVESTMENT THAT PAYS OFF. DESIGN IS A DRIVER AND AN APPROACH THAT AFFECTS EVERYTHING FROM PURE PRODUCT DESIGN TO STRATEGIC COMMUNICATION AND BOARD DECISIONS.

CLEAR INVESTMENT IN DESIGN PRODUCES COMMERCIAL RESULTS. THIS IS A VALID THEORY AND ONE THAT LAMMHULTS DESIGN GROUP CAN VOUCH FOR EVERY DAY. FOR THE ANNUAL REPORT WE HAVE CHOSEN A NUMBER OF ILLUSTRATIVE PROJECTS FROM OUR DIFFERENT BUSINESS AREAS AND MARKETS.

Business area: Public Interiors, BCI/BS Eurobib

Project: Lørenskog library, Oslo, Norway

Product New shelf, design BS Eurobib

Architect: Anders & Flåte

BCI DEVELOPS PRODUCTS FOR LØRENSKOG LIBRARY, NORWAY

THE DREAM SHELF BECAME REALITY DOWN TO THE TINIEST DETAIL

Berit Bjørklind, manager of the library in Lørenskog just outside Oslo, had clear aims in mind for updating the library when she contacted BCI in Norway, BS Eurobib. Berit Bjørklind wanted Lørenskog to learn from bookshops, make the books more easily accessible and inspire more borrowing. Her motto was "Neither the books nor the staff should turn their backs on the customers". BS Eurobib was tasked with creating the dream bookshelf for the new library.

AN IMPROVED TOTAL EXPERIENCE

At first glance the new bookshelves might look like your ordinary traditional bookcase. But appearances can be deceptive. As is the case with many other innovations, it's the small changes and the tiny details that improve the total experience. LED technology and a slight slant create a visual display that gets the books flying off the shelves. First of all, in the new shelves the books are displayed with their covers facing outwards. Secondly, all books from bottom to the top row are clearly displayed and effectively lit.

An LED strip on the bottom of each shelf evenly distributes the light across the entire shelf. Previously there was only a light fitting at the very top, which often left the lower rows in shadow. Today's LED technology is also economical and sustainable.

NATURALLY EYE-CATCHING

The ability to shelve books with the covers facing outwards is down to the way that each shelf has a high back edge and is slightly tilted backwards. The shelves are also fitted with a slightly stepped effect, in other words the bottom-most shelf extends slightly further forward than the top one. It is a solution that you hardly notice but which means that even the books on the bottom row naturally catch the eye.

INNOVATION COMES FROM CHALLENGES

Birgitta Mehre is a designer and product developer at BS Eurobib and one of the driving forces behind the Lørenskog project. She says that it is precisely through these kinds of encounters with clients bold enough to pose challenges that innovations are born. Lørenskog is a prime example. The design of the new shelves is now part of BCI's range and an investment that is starting to see a return.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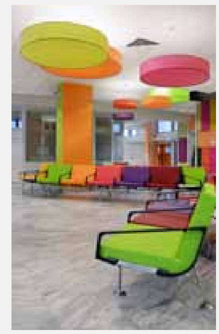
Business area: Office & Home Interiors, Lammhults Möbel AB

Project: Institut Curie, Paris, France

Product A-line, design Anya Sebton

Architect: Pascale Seurin Architects

> We have been able to experiment with colour and shape as well as a sustainable design expression that works in the present and future.
>
> ARCHITECT PASCALE SEURIN



LAMMHULTS A-LINE FOR THE INSTITUT CURIE IN PARIS

THE MODULAR SOFA, PART OF THE MEETING WITH THE PATIENT

Institut Curie is a leading institution in cancer care and research. The current renovations drew on the approach used at the Orsay proton therapy centre, which emphasises the importance of working with colour in the interiors to encourage faster and better rehabilitation. Architect Pascale Seurin is convinced that interior design and colours can aid the treatment provided in the hospital, particularly in encounters with patients. Managers at the clinic have also said that they feel that rehabilitation is faster now than it was before. They have also noticed an increased level of efficiency among staff.

"We want to create a sense of security but also inspire people to look ahead, to have the courage to take on board to deal with what they face on the journey and make the best of it. Lammhults products are well suited to this approach. These are products that offer security and quality combined with inspiration and flexibility. We have been able to experiment with colour and shape as well as a sustainable design expression that works in the present and future," says Pascale Seurin.

A-line's flexible units mean the interior can be changed to suit everything the future may bring.

Business area: Office & Home Interiors, Lammhults Möbel AB

Project: Tórshavn municipality, Faroe Islands

Products: Comet, design Gunilla Allard. Airflake, design Stefan Borselius.

Architect: Kontrast Arkitekter

THE MUNICIPALITY OF TÓRSHAVN ON THE FAROE ISLANDS CHOSE LAMMHULTS FOR ITS NEW RECEPTION

STRATEGIC CHOICE OF FURNITURE FOR AN EFFICIENT RECEPTION

Beauty and seriousness, inviting and innovative, inspiring trust and uplifting – the client had a clear image of the new main reception for Tórshavn municipality right from the start. At the same time, the financial framework was set in stone so they needed to choose their supplier with care.

Kontrast Arkitekter suggested Lammhults as a partner capable of living up to high design requirements and cost efficiency.

The concept for the reception is based on horizontal surfaces in black and vertical ones in white, with accents in green. Most of the furniture comes from Lammhults and the desk itself is made by a carpenter. "Snarskivan" as the desk is known, means the efficient desk and the desk has a prominent role both in terms of the space and for its symbolic value.

The result is a reception that lives up to its name for efficiency and the planners' high demands on aesthetics and cost efficiency.

Business area: Office & Home Interiors, Lammhults Möbel AB

Project: Lammhults Campus for La Maison des Sciences de l'Homme in Dijon, France.

Product: Campus, design Johannes Foersom & Peter Hiort-Lorenzen.

Architect: Nicolas Guillot

LAMMHULTS CAMPUS FOR LA MAISON DES SCIENCES DE L'HOMME IN DIJON, FRANCE

CAMPUS IN HARMONY WITH THE ARCHITECTURE

Nicolas Guillot is the architect behind La Maison des Sciences de l'Homme (the Academy of Human Sciences) in Dijon. He chose Campus for his project at an early stage of the process. It was a product he already knew well.

FINESSE IN CONSTRUCTION AND QUALITY

"Campus was my first choice, mainly due to its shape but also because the chair's proportions are perfectly suited to the architecture of the building. Besides the excellent comfort, the slightly bent back creates a wave movement across the whole room when the chairs are placed next to each other, an effect that is very pleasing to the eye. My other reason for choosing Campus is its surprising lightness which makes it easy to move the furniture around. Nor can I forget the finesse of the construction and quality of the manufacturing – all crucial factors in my choice and arguments that make it easy to convince the customer and users of the chair," says Nicolas Guillot.

Business area: Office & Home Interiors, Lammhults Möbel AB

Project: Dogan Holding, Istanbul, Turkey

Products: In picture A-line, design Anya Sebton. Campus, design Johannes Foersom & Peter Hiort-Lorenzen. Airflake, design Stefan Borselius. A number of products from Lammhults and Abstracta were delivered for the project.

Architect: Nevzat Sayin

Business area: Office & Home Interiors, Lammhults Möbel AB

Project: Vida Arena, Växjö, Sweden.

Products: In picture Mini, design Anya Sebton. Comet, design Gunilla Allard. Campus, design Johannes Foersom & Peter Hiort-Lorenzen. A number of products from Lammhults were delivered for the project.

Architect: Reinholtz & Ronnemark

Business area: Public Interiors, Schulz Speyer

Project: Medienschiff, Weiterstadt, Germany

Products: A number of products and interiors were delivered for the project, including the Uniflex shelving system, designed by Hans Schulz.

Architect: Lengfeld & Wilisch Architekten






Business area: Public Interiors, BCI

Projekt: Médiathèque l'albatros Armentières, Armentières, France

Product: 60/30 shelving system, design BCI

Architect: Béal & Blanckaert

BCI'S SHELVING SYSTEM FOR AN ARCHITECTURAL LANDMARK IN FRANCE

A JOURNEY TO THE LIBRARY OF THE FUTURE

The new media centre in Armentières in northern France was a powerful and positive development for the area around the city's railway station. The building is an architectural landmark for the surrounding area. A trailblazer in the public sphere, it gives just a flavour of what we can expect of library architecture for the 21st century.

The roof is a wave-like shape in shining steel following the lines of perspective and evening out the height differences.

According to the architects, the style tells a story, expressing a formal interpretation without becoming bogged down in theoretical regulations.

Inside you find BCI's 60/30 shelving system with edge panels and top shelves in the model London. Together they create functionality and help to make the media centre a positive and energising place to read and discover new cultural media.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ROLAND-GARROS

Business area: Office & Home Interiors, Ire Möbel AB

Product: Altero, design Carl Henrik Spak

Business area: Office & Home Interiors, Voice AB

Product: No. 5, design Jesper Ståhl

IRE AND VOICE LOOK TO NEW TARGET GROUPS

We are seeing a growing trend in offices, hotels and libraries seeking a more homelike environment. This step is a good fit for the expertise and experience within our companies and is entirely in tune with our ambition to gradually increase the market for our home range in the Voice and Ire brands and also to sell to corporate environments.

THE SHARES

Lammhults Design Group's 15th year on the stock market

Lammhults Design Group's Class B shares have been quoted on Nasdaq OMX Nordic Exchange, Nordic Small Cap, since 2 October 2006. During the period 2 October 2006 to 16 June 2008, the share was quoted under the previous company name, Expanda AB, but since 17 June 2008 it has been quoted under Lammhults Design Group, shortened to LAMM B. In the period 25 June 1997 to 1 October 2006, the share was quoted on the "O" List of the Stockholm Stock Exchange, under the previous company name R-vik Industrigrupp AB until 6 June 1999 and thereafter under Expanda AB. At year-end 2011, 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 2011, the share price fell by 38% from SEK 36.30 to SEK 22.50. The highest price paid during the year was SEK 39.70 (56.00) and the lowest SEK 17.80 (34.90). Regarding the liquidity of the share in 2011, it was traded on 92% (97) of all trading days, and during the year, the total turnover in the Company's shares was SEK 38 million (61). Market capitalisation at year-end 2011 was SEK 190 million (307).

Changes in ownership

The number of shareholders at year-end 2011 was 2 609 (2 791), 7% lower than at the preceding year-end. A shift in ownership from private individuals and institutional shareholders to other Swedish legal entities took place during the year.

As far as the major shareholders are concerned, Canola AB increased its holding during the year by 26 000 Class A shares, bringing its stake to 314 049 Class A shares and 112 000 Class B shares. In addition, Stig and Ann-Louise Sjöberg increased their holding by 718 Class A shares, as a result of which their stake totals 108 318 Class A shares and 80 500 Class B shares. Tage Johansson with company increased his holding by 719 Class A shares, bringing his stake to 104 973 Class A shares and 79 159 Class B shares, while Skandia Livförsäkrings AB reduced its holding by 2 000 Class B shares to 812 343 Class B shares.

Dividend policy and dividend

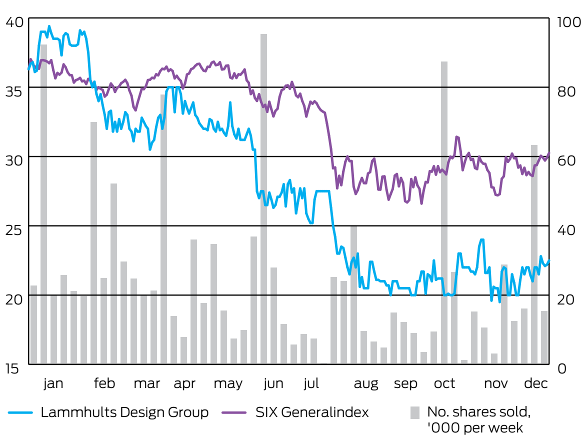
Lammhults Design Group's financial objective over a business cycle is, while maintaining a focus on the Group's long-term capital requirements, that the dividend paid shall correspond to around 40% of profit after tax.

For the 2011 financial year, the Board proposes a dividend of SEK 0.50 per share (1.00). The total dividend payment will thus amount to SEK 4.2 million (8.4). The proposed dividend represents a direct yield of 2.2% (2.8).

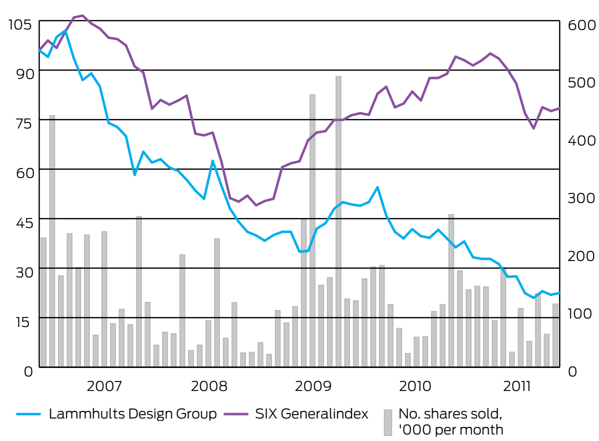
Analyses of Lammhults Design Group

During the year, analyses of Lammhults Design Group were carried out by Peter Näslund at Swedbank Markets. However, no-one is at present conducting analyses of the Group.

Price trends and share sales, 2011



Price trends and share sales, 2007–2011



SHARE DATA

SHARE DATA	2007	2008	2009	2010	2011
Number of shares at year-end, '000s	8 448	8 448	8 448	8 448	8 448
Warrants, '000s 1)	0	75	110	35	0
Average number of shares, '000s	8 448	8 448	8 448	8 448	8 448
Earnings per share before dilution, SEK	4.98	6.24	3.22	1.65	0.72
Earnings per share after dilution, SEK	4.98	6.24	3.22	1.65	0.72
Cash flow per share, SEK	5.94	11.05	3.95	3.53	2.79
Equity per share before dilution, SEK	40.80	46.81	46.76	43.72	43.22
Equity per share after dilution, SEK	40.80	46.81	46.76	43.72	43.22
Market price at year-end, SEK	65.25	41.00	49.30	36.30	22.50
Dividend per share paid/proposed, SEK 2)	3.00	2.50	1.50	1.00	0.50
P/E ratio	13	7	15	22	31
Market price/equity, %	160	88	105	83	52
Direct yield, SEK	4.6	6.1	3.0	2.8	2.2
Dividend payout ratio, %	60	40	47	61	69

1) Redemption price of SEK 79.00 for warrants issued in 2008, and redemption price of SEK 50.00 for warrants issued in 2009. See Note 6 for more information.

2) Regular dividend of SEK 2.50/share and extra dividend of SEK 0.50/share in 2007.

CLASS OF SHARE

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

GROWTH IN SHARE CAPITAL

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

DISTRIBUTION OF SHARES, 31 DECEMBER 2011	Number of shareholders	Proportion of owners, %	Proportion as % of capital	Proportion as % of votes
1 - 500	1 880	72.1	4.2	1.9
501 - 1 000	345	13.2	3.5	1.7
1 001 - 2 000	173	6.6	3.3	1.6
2 001 - 5 000	102	3.9	4.2	3.0
5 001 - 10 000	44	1.7	3.9	2.7
10 001 - 50 000	41	1.6	11.1	5.6
50 001 -	24	0.9	69.8	83.6
Total	**2 609**	**100.0**	**100.0**	**100.0**

TEN LARGEST SHAREHOLDERS, 31 December 2011 Shareholder	Number Class A shares	Number Class B shares	Proportion of capital, %	Proportion of votes, %
Scapa Capital AB	367 570	1 074 000	17.1	25.8
Canola AB	314 049	112 000	5.0	17.7
Sjöberg, Stig and Ann-Louise	108 318	80 500	2.2	6.3
Johansson, Tage and company	104 973	79 159	2.2	6.1
Skandia Livförsäkrings AB	0	812 343	9.6	4.4
Sandelius, Nils-Gunnar and company	78 600	8 000	1.0	4.3
Odin Förvaltning	0	768 044	9.1	4.2
Länsförsäkringar Småbolagsfond	0	548 134	6.5	3.0
Johan Sjöberg i Stockaryd AB	50 300	20 000	0.8	2.8
Sjöberg, Harriet	37 600	38 050	0.9	2.3
Sub-total, 10 largest shareholders	1 061 410	3 540 230	54.5	77.0
Other	42 388	3 804 076	45.5	23.0
Total	**1 103 798**	**7 344 306**	**100.0**	**100.0**

SHAREHOLDERS BY CATEGORY, 31 December 2011 Category	Number Class A shares	Number Class B shares	Proportion of capital, %	Proportion of votes, %
Financial companies	0	2 154 653	25.5	11.7
Social insurance funds	0	13 600	0.2	0.1
Single-interest organisations	0	18 340	0.2	0.1
Other Swedish legal entities	845 488	1 905 780	32.6	56.4
Uncategorised legal entities	0	846 825	10.0	4.6
Owners resident abroad	0	179 274	2.1	1.0
Swedish natural persons	258 310	2 225 834	29.4	26.2
Total	**1 103 798**	**7 344 306**	**100.0**	**100.0**

The total number of shareholders in Lammhults Design Group at year-end was 2 609 (2 791). Owners resident abroad represented 2.1% (2.3) of the capital and 1.0% (1.1) of the voting rights. Institutional shareholders, including legal entities based abroad and uncategorised legal entities, represented 36.3% (37.8) of the capital and 16.7% (17.4) of the voting rights. The ten largest shareholders held 54.5% (53.9) of the capital, representing 77.0% (75.4) of the voting rights.

FIVE-YEAR REVIEW

KEY FIGURES	Unit	2007	2008	2009	2010	**2011**
Net sales	SEK m.	829.2	901.2	840.8	778.0	**753.8**
Gross profit	SEK m.	329.7	368.5	337.4	303.6	**287.7**
Gross margin	%	39.8	40.9	40.1	39.0	**38.2**
Operating profit	SEK m.	73.3	85.5	44.6	26.7	**18.5**
Operating margin	%	8.8	9.5	5.3	3.4	**2.5**
Profit after financial items	SEK m.	63.1	77.1	38.9	24.2	**12.5**
Net margin	%	7.6	8.6	4.6	3.1	**1.7**
Total capital	SEK m.	662.0	790.5	754.6	744.1	**699.9**
Capital employed	SEK m.	483.0	577.9	581.5	578.0	**552.2**
Operating capital	SEK m.	438.6	505.2	511.3	504.6	**505.5**
Equity	SEK m.	344.7	395.5	395.1	369.3	**365.1**
Return on total capital	%	11.1	12.1	6.0	3.7	**2.7**
Return on capital employed	%	15.0	16.6	8.0	4.7	**3.5**
Return on operating capital	%	16.9	18.1	8.8	5.2	**3.7**
Return on equity	%	12.6	14.2	6.9	3.6	**1.6**
Debt/equity ratio	mult.	0.40	0.46	0.47	0.56	**0.51**
Risk-bearing capital, share	%	53.2	50.5	53.3	51.2	**53.8**
Interest coverage ratio	mult.	8.9	8.0	6.0	8.5	**2.7**
Equity/assets ratio	%	52.1	50.0	52.4	49.6	**52.2**
Cash flow from operating activities	SEK m.	50.2	93.3	33.4	29.8	**23.6**
Investments	SEK m.	12.5	27.6	17.3	7.6	**16.9**
Average number of employees		363	400	410	394	**400**

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

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

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

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

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

Total assets
The value of all assets.

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

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

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

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

Equity
The total of restricted and non-restricted equity.

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

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

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

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

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

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

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

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

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

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

Operating margin
Operating profit as a percentage of net sales.

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

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

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

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

SUSTAINABILITY STARTS AS EARLY AS THE DESIGN PROCESS

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.

REJOIN
Ire. Design Emma Olbers. Nordic ecolabelled

We see work on sustainability as a natural way of creating value for customers, consumers, shareholders, employees and other stakeholders. ”

PRESIDENT'S STATEMENT

For us, sustainable development and responsibility are all about creating financial and social value in the form of profitable growth in which social and environmental responsibility are integrated in our operations and throughout our supply chain. Our work on sustainability is a constant process of improvement. We see work on sustainability as a natural way of creating value for customers, consumers, shareholders, employees and other stakeholders.

Our central aim is to continue to create value for generations to come and to work with timeless and sustainable design. Design is the tool, the process and the specific embodiment that is the cornerstone of the sustainability of a product or interior design solution in every respect. Quality, sustainability, innovation, passion and responsibility are key to our choices of form, materials, working methods and processes and are incorporated as early as the design and development stage. Timelessness, lifetime and reuse are fundamental aspects of the design process.

Our mission is to work with furniture and interiors for sustainable work and home environments – for life's professional and social relationships – that encourage and support people's cooperation and interaction.

Developing our work on sustainability is a strategic priority. In the year ahead we will therefore be reviewing and examining our working methods against the international guideline standard for social responsibility – ISO 26000. We want to ensure a closer link between strategic corporate management in our business areas and companies and actual improvements in terms of finances, the environment, people and society. Underlying our work on sustainability we will also develop our dialogue with our stakeholders. We support and work with the UN Global Compact's ten principles based on international conventions and declarations in the areas of human rights, labour law, the environment and anticorruption. As part of our dialogue with our stakeholders, from 2011 onwards we will be measuring, reporting and communicating our work on sustainability in accordance with the Global Reporting Initiative's guidelines (GRI). Our focus is on creating value by prioritising what is important and crucial to our stakeholders.

Anders Rothstein
President and CEO, Lammhults Design Group

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

MANAGEMENT AND STRATEGY

In the past year the Group's overall guidelines for sustainable development and responsibility have been revised and summarised in three steering documents: an Environmental Policy, a Code of Conduct and a Code of Conduct for suppliers. Processes, activities and goals for these guidelines have been drawn up to ensure that sustainability is an integrated and living part of our corporate culture and operations as described below. For example, we have already surveyed risks in our supply chain. We have also launched work among our companies to develop processes for product development, health and safety and the environment.

The starting points in designing our Code of Conduct and overall policy are the guiding standard on social responsibility – ISO 26000 – and the guidelines of the UN Global Compact's 10 principles on human rights, working conditions, the environment and corruption. These are founded on the UN's General Declaration on Human Rights, the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and its 27 principles plus the UN Convention against Corruption.

LAMMHULTS DESIGN GROUP'S VISION FOR SUSTAINABILITY

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

LAMMHULTS DESIGN GROUPS

SUSTAINABILITY GOALS

Lammhults Design Group has drawn up four comprehensive sustainability goals to achieve sustainable business and social development and ongoing improvement.

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

— Communicate and train our employees and partners in our Code of Conduct.

2. Ensure that we have a social and environmental sound and responsible supply chain

— Use suppliers who work systematically on methods to safeguard their social and environmental responsibility in their operations.
— Use suppliers who are certified according to with environmental standard ISO 14001

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

— Increase the proportion of certified wood raw materials and components from certified forestry (FSC or equivalent) in our products. However we must also support and pay particular attention to small-scale forestry which does not have the resources to operate or introduce responsible forestry management or certification systems.

4. Reduce the environmental impact of our products and services

— Increase the number of products that comply with good practice and standards that meet the criteria of "Nya Möbelfakta" and/or the Nordic eco-label, EU-ecolabel or equivalent on sustainability, the environment and social responsibility.

AGE DISTRIBUTION OF EMPLOYEES IN THE GROUP

Age range	< 30	31-40	41-50	51-60	> 61	Total
Number	46	92	118	98	46	400

NUMBER OF EMPLOYEES PER REGION

	Men	Women	Total
Sweden	139	93	232
Denmark	37	42	79
Germany	24	12	36
Other countries	30	23	53
Total	**230**	**170**	**400**

EMPLOYEE TURNOVER IN NO. PER AGE GROUP

Age range	< 30	31-40	41-50	51-60	> 61	Total
Joined	10	8	3	3	0	24
Left	6	9	10	5	7	37

ATTENDANCE AND SICK LEAVE IN SWEDEN, DENMARK AND GERMANY

Time worked	**96.2%**
Sick leave < 14 days	**1.9%**
Sick leave > 14 days	**1.9%**

EMPLOYEE TURNOVER BY GENDER AND REGION

	Men	Women	Total	%
Sweden	16	6	22	9%
Denmark	3	5	8	10%
Germany	1	1	2	6%
Other countries	5	0	5	9%
	25	**12**	**37**	**9%**

OUR SOCIAL RESPONSIBILITY

Our stakeholders

Lammhults Design Group's work on sustainability is characterised by a stakeholder-oriented approach in which ongoing dialogue with our stakeholders is key. In 2012 we will deepen our dialogue with stakeholders, making it more systematic in order to gain a better understanding of our stakeholders' requirements and expectations and to strengthen our relationship.

The starting point for this work will be the standard for social responsibility – ISO 26000, its method and its seven core subjects: organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Employees

Lammhults Design Group values ethics, diversity and gender equality and seeks to ensure that the composition of our human resources reflects the world around us and our customers. The Group employs a total of 400 people in 13 countries. 230 of these employees are men and 170 women. The age distribution is well-balanced with a good mix of younger and older employees.

Employee turnover by gender, region and age is shown in the tables above. In 2011 the hours worked amounted to 96.2% of total working hours and sick leave was evenly distributed between short-term and long-term sick leave.

The Group's core business is based on our employees, their expertise and their ability to develop products and solutions for good and stimulating environments for work, learning, meetings and socialising. We seek to practice what we preach. Consequently we want to continue to develop good workplaces and environments characterised by commitment and participation and offer a good and stimulating work environment. Developing leadership and employeeship are central. Regular performance reviews are an important tool fundamental to the development of every employee.

As part of quality assuring our efforts in the field of the work environment, in 2011 our two companies Lammhults Möbel AB and Abstracta AB have worked to introduce the health and safety standard SIS-OHSAS 18001 with the aim of achieving accreditation during 2012.

Suppliers

The Group carries out its own manufacturing in Sweden, Denmark and Germany. We largely use local suppliers. In this context, local suppliers refers to suppliers in the respective country.

For the Group as a whole, local suppliers account for 71% of purchasing in terms of value. In 2011 we revised our Code of Conduct and the requirements we set for suppliers. The Code of Conduct and a self-assessment questionnaire will be sent out to our suppliers during 2012.

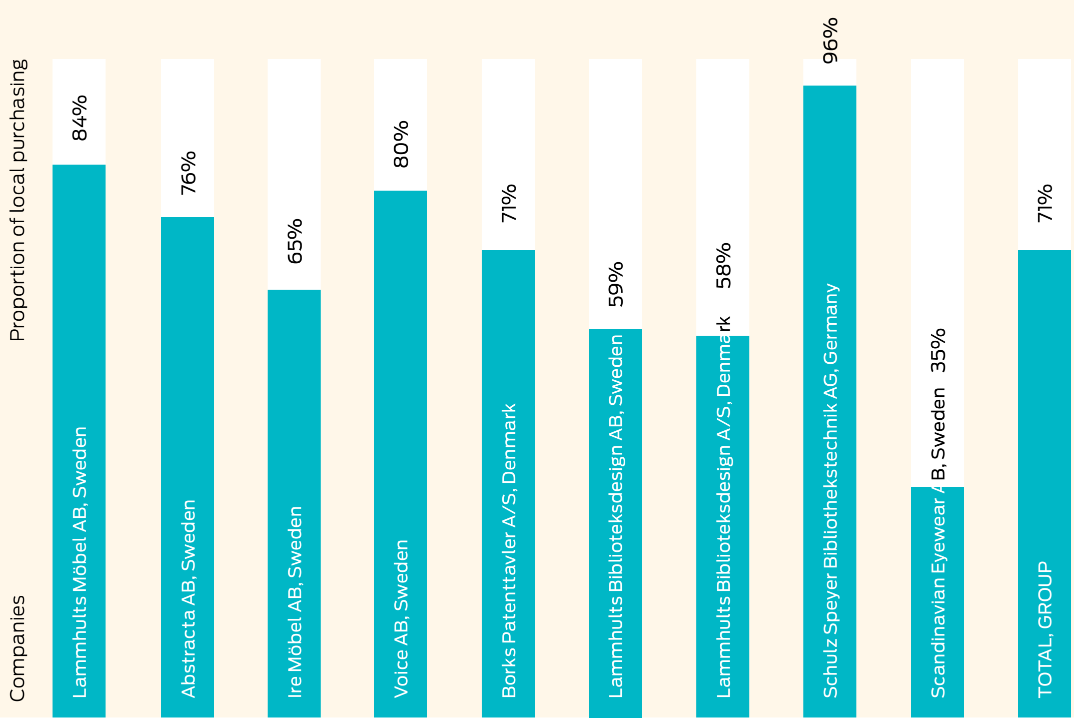
Our choice of suppliers primarily depends on expertise, quality, delivery time, cost, and ethical, social and environmental aspects. Lammhults Design Group will draw up an overall policy and methods for how the company should choose and evaluate their suppliers.

Lammhults Design Group has also surveyed the risks in the supply chain in terms of social and ethical aspects. We make regular visits to our suppliers in an endeavour to develop close and long-term collaboration with them. Major suppliers with risks are visited regularly by external partners for audits and development work. Implementing the revised Code of Conduct internally and across our suppliers is a priority goal for 2012.

Anticorruption and human rights

Risk analyses of breach of the company's Code of Conduct regarding bribery and offences against legislation and regulations have 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 risk analysis process ensures that the revised Code of Conduct has been understood and taken on board by senior executives. A risk analysis of offences against human rights, freedom of association, child labour and forced labour has also been carried out. For the Group's own companies whose production is in Sweden, Denmark and Germany, where rights and freedom of association are protected by law, there is judged to be no risk. Some of the companies have suppliers in Asia. Here there is judged to be a risk and measures have already been put in place. Major suppliers in Asia are visited frequently in order to educate our suppliers. The Code of Conduct and its requirements are communicated and are to be monitored. The risk is therefore judged to be low for the suppliers with whom we work. Ongoing monitoring work will continue in 2012 with the selected suppliers with whom we work.

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS 2011



DISTRIBUTION OF ECONOMIC VALUE PER SHAREHOLDER

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

GENERATED AND DISTRIBUTED ECONOMIC VALUE	2011
Economic value generated directly	
Income	753.8
Total economic value generated directly	753.8
Economic value distributed	**753.8**
Operating expenses, of which the major share to our suppliers	520.3
Salaries, social welfare charges and remuneration to employees	215.0
Payments to financiers, net	6.0
Payments to the public sector in the form of taxes	7.1
Total, economic value distributed	**748.4**
Net, economic value	5.4
Dividend to owners	4.2
Retained in operations	1.2

OUR SOCIAL ENGAGEMENT

Several of the companies have established partnerships with schools and educational institutions for study visits, work experience and dissertations. Lammhults Möbel has long worked with design colleges and universities. Another example is Scandinavian Eyewear, which has close links with Jönköping International Business School and runs an established exchange with student opticians from Optikerskolan in Kalmar and Stockholm. Collaboration has also been established with the industrial technology programme (modelling and design) at the upper secondary school Bäckadalsgymnasiet in Jönköping. These partnerships are of great value and have an impact on our business and future development. We want to continue to develop our interaction with schools and higher education.

OUR ENVIRONMENTAL RESPONSIBILITY

During the year Lammhults Möbel and Abstracta drew up an integrated management system that complies with the requirements of ISO9001 and ISO14001. Audits were carried out and certificates granted. The foundations have been laid for continued target-driven improvements.

By being the first to gain the Nordic ecolabel in line with the new, higher criteria for furniture (Nordic ecolabel 4.0), Ire Möbel is showing the way with the Rejoin sofa by Emma Olbers. Rejoin is also accredited under the Nya Möbelfakta certification system for furniture.

Voice has produced its No. 5 storage system, which has Nya Möbelfakta accreditation. The packaging materials and raw materials in coatings and adhesives are shown in the table on page 39. As can be seen from the table, corrugated board (which is based on renewable raw materials) is the dominant packaging material. In 2011 Lammhults Biblioteksdesign AS carried out a project to reduce packaging. The result is a significant reduction, with 40% fewer product items and a 33% fall in material consumption. The cut is equivalent to over 10 tonnes of corrugated board per year plus more than five tonnes of wood per year.

Abstracta ran a materials optimisation project in 2011. An audit of aluminium bars for the Plentywall system has resulted in a reduction equivalent to 1.3 tonnes of aluminium per year. Optimising glass writing boards for Alumi Combi has reduced the amount of glass by almost one tonne for the same annual volume.

The companies' energy use is shown in the table on page 39. All the units in Sweden are heated using district heating, which is an eco-friendly option. The units in Denmark and Germany are heated using fossil fuels (gas and oil respectively). In total, district heating accounts for 70% of the Group's heating requirement. Co-ordinated green electricity procurement has been carried out for the units in Sweden. Lammhults Möbel and Ire Möbel used electricity from renewable sources in 2011. The other units in Sweden will be signed up to the green electricity agreement from 2012 onwards. This initiative will lower the Group's CO_2 emissions by approximately 325 tonnes in 2012. A priority target in 2012 is to continue initiatives to reduce consumption of energy and materials.

The table on page 39 reports the CO_2 emissions from the use of energy for heating and operation. CO_2 emissions from transport are not reported as only a limited number of suppliers are currently able to submit an emissions report. CO_2 reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil. The table on page 39 shows the total water consumption of Lammhults companies. Water is used to a very limited extent in the manufacturing processes, and for this reason the volume per company reflects the number of employees.

Waste is reported in the table on page 39. The table shows that material recycling is the dominant method of waste management, which is important for a sustainable society.

MATERIAL USE

Manufacturing facilities	Lammhults Möbel AB Sweden	Voice AB Sweden	Ire Möbel AB Sweden	Borks Patenttav-ler A/S Denmark	Lammhults Biblioteksdesign AB Sweden	Lammhults Biblioteksdesign A/S Denmark	Schulz Speyer Bibliothekstechnikl AG Germany	Scandinavian Eye-wear AB Sweden	Total 2011
PACKAGING MATERIALS									
Corrugated board (kg)	147 487	55 470	11 377	7 780	7 100	41 000	2 200	5 033	277 447
Plastic (kg)	7 846	420	3 810	19 389	-	-	1 900	246	33 611
Wood (kg)	5 559	29 625	-	25 984	-	25 000	-	-	86 168
OTHER RAW MATERIALS									
Powder coating (kg)	2 338	-	-	-	-	21 000	-	-	23 338
Liquid coating (kg)	3 561	-	-	-	-	-	-	-	3 561
Glue (kg)	5 633	62	2 356	17 557	-	-	-	-	25 608
ENERGY CONSUMPTION									
Oil (kWh)	-	-	-	-	-	-	110 580	-	110 580
Natural gas (kWh)	-	-	-	369 952	-	1 544 081	-	-	1 914 033
Electricity (kWh)	1 555 991	426 141	285 612	229 898	306 000	593 325	76 808	262 193	3 735 968
District heating (kWh)	3 085 449	413 400	619 300	-	263 000	-	-	175 651	4 556 800
Water consumption (m^3)	1 022	477	326	249	380	455	261	232	3 402
CO_2 reporting from heating and electricity (kg)	80 222	175 659	1 991	182 732	108 966	589 459	66 481	97 876	1 303 386
WASTE									
Hazardous waste (kg)	16 311	-	23	-	-	-	-	-	16 334
Landfill (kg)	15 340	-	-	17 770	-	-	-	-	33 110
Material recycling of steel (kg)	27 580	629	-	-	8 760	124 000	-	-	160 969
Material recycling of aluminium (kg)	-	-	-	4 080	-	-	-	-	4 080
Material recycling of wood (kg)	77 800	51 660	-	-	-	-	4 690	-	134 150
Material recycling of plastic (kg)	6 500	4 855	1 120	3 060	-	-	-	-	15 535
Material recycling of corrugated board (kg)	33 800	6 140	2 160	8 985	-	3 300	-	7 690	62 075
Material recycling of paper (kg)	3 810	870	480	-	-	-	9 029	650	14 839
Burnable waste (Energy recovery) (kg)	45 430	17 280	12 340	60 280	19 610	15 600	10 400	9 130	190 070

ABOUT THE REPORT

Lammhults Design Group's sustainability report for 2011 has been drawn up in line with the guidelines of the international reporting standard GRI (Global Reporting Initiative) version 3.1 at level C. A GRI cross-reference table is provided as an annex to the report. This is only available in electronic form and can be downloaded from **www.lammhultsdesigngroup.com**

COMBINING BUSINESS AREAS WILL STRENGTHEN OUR BRANDS

LAMMHULTS DESIGN GROUP IS RESTRUCTURING ITS FORMER FOUR BUSINESS AREAS AND HEADS INTO THE FUTURE WITH TWO STRONG AND DISTINCT BUSINESS AREAS. FROM 2012 ONWARDS, OPERATIONS WILL BE DIVIDED INTO OFFICE & HOME INTERIORS AND PUBLIC INTERIORS. THE NEW STRUCTURE PROVIDES A SHARPER FOCUS AND SPOTLIGHTS THE STRENGTHS OF THE INDIVIDUAL BRANDS.

ON THE FOLLOWING PAGES, LARS BÜLOW, BUSINESS AREA MANAGER FOR OFFICE & HOME INTERIORS, AND ANDERS ROTHSTEIN, BUSINESS AREA MANAGER FOR PUBLIC INTERIORS, TALK ABOUT THEIR STRATEGIC PLANS. THE CEOS OF OUR SUBSIDIARIES ALSO REPORT ON THE OPERATIONS AND VISIONS OF THEIR RESPECTIVE BRANDS.

OFFICE & HOME INTERIORS

LAMMHULTS

voice

ire

abstracta

BORKS

PUBLIC INTERIORS

BCI

Eurobib direct

SCHULZ SPEYER

LARS BÜLOW
BUSINESS AREA MANAGER OFFICE & HOME INTERIORS
BRAND & DESIGN DIRECTOR LAMMHULTS DESIGN GROUP

DESIGN MANAGEMENT WITH LONG-TERM PROFITABILITY GOALS

Furniture and interior design is becoming increasingly important for comfort and wellbeing in the home and in the workplace. Interest in design is on the up, with furniture increasingly becoming a way of expressing your personality or strengthening a company's identity. This is all to the good for Lammhults Design Group which has long identified design as an important success factor. ”

BUSINESS AND LEISURE THINKING ON THE SAME LINES

In recent years we have seen a clear trend in which many offices, hotels and libraries are seeking to create a more home-like atmosphere. The formerly extremely clear boundary between the private and the public spheres has been erased. We are seeing what can be termed "bleisure" (a combination of business and leisure), which will open up new business opportunities for the interior design sector, while also making new demands when it comes to functionality, quality and feel. The companies that form Lammhults Design Group have sound expertise and experience from both private and public settings. We are now bringing this knowledge together in the new business area Office & Home Interiors. This gives Lammhults Design Group's brands a unique opportunity to strengthen their leading role in the market.

STRONG BRANDS REINFORCE EACH OTHER

Lammhults, Abstracta and Borks are positioned in the professional environment, while Ire and Voice focus on quality furniture for the home. Our ambition in the Office & Home Interiors business area is to raise the profile of Lammhults and Abstracta for private consumers and extend the Voice and Ire ranges to also incorporate business environments. A long-term strategy that we believe is entirely in step with trends in the market and users' expectations.

IN SHAPE FOR CONTINUED GROWTH

The focus of the business area for 2012 is on profitable growth, both in terms of organisation and through acquisitions. We will develop sales and cost synergies and strengthen our presence in export markets. We implement consistent Design Management with clear brand platforms and long-term range strategies for all our companies.

Lars Bülow
Business Area Manager Office & Home Interiors
Brand & Design Director

LAMMHULTS

CEO ÅKE JANSSON

OFFICE & HOME INTERIORS

MODERN ESSENTIALS

Lammhults is a historic brand founded on the principles of modernism. The company's emphasis is placed on quality and aesthetics and the concrete offering comprises chairs, tables and groups of seating primarily for public spaces. Lammhults has a long tradition of manufacturing products with a clear design that are honest towards their materials and have a clear modernist heritage, with its links to the development of industrialism. Aesthetics, simplicity and sustainability in every respect are incredibly important. This is an attitude summed up in the Modern Essentials concept, successfully launched at the Stockholm and Milan Furniture Fairs.

S70-5 Design Lindau & Lindekrantz

CEO Åke Jansson presents the company's position ahead of 2012.

WHICH MARKETS ARE THE MOST IMPORTANT FOR LAMMHULTS MÖBEL?

Sweden, the Nordic countries and northern Europe are our main markets but we have sales on every continent. Significant volumes find their way to the US, Asia and the Middle East. Work in our export markets is primarily through agents and in some cases we have our own local staff on the spot. Work in smaller markets is run directly from Lammhult.

HOW IS YOUR MARKET STRUCTURED?

The market is primarily driven by architects who steer the choice of products through the requirements they lay down. Dealers are responsible for distribution and their services simplify and streamline the flow of products out to the user. This means that our most important target groups are architects and distributors, but we also have a direct relationship with a number of significant end customers.

WHAT WAS THE MOST IMPORTANT THING THAT HAPPENED IN 2011?

The decision to divide the company into Lammhults Möbel AB and Abstracta AB.

WHAT NEW PRODUCTS WERE LAUNCHED?

The Archal chair by designers Hiort-Lorenzen and Foersom, the Volo armchair by Andreas Störiko, and the Dexter stool by Andreas Farkas.

WHAT HAS MACROECONOMIC DEVELOPMENT LOOKED LIKE IN 2011?

It has been a very special year for the global economy. Initially it looked as though the economy was recovering and returning to normal, but the latter part of the year has been characterised by the Euro crisis. Sweden is the only market to remain relatively unaffected, while many countries in Europe completely shut down during the year. Great uncertainty has characterised – and continues to characterise Europe, primarily in the polarisation between southern and northern Europe.

WHAT DOES THE FUTURE LOOK LIKE FOR LAMMHULTS MÖBEL?

On the product side, Archal will be the single most important product family in 2012. Renewal of the segment was just as necessary as it was welcome, and the product has made huge strides in terms of aesthetics and technology. In general the market potential is good and on our export markets, where we only have a small market share, the potential is enormous. In Sweden and the Nordic countries where we already have a significant market share, we are seeing new opportunities for growth. The fact that public interest in design, furniture and interiors is constantly high is also a plus for the company. The public market, we have noted, differs somewhat from the private market in that it sets great store by quality, aesthetics and particularly ability to deliver. An incredibly important competitive advantage is the ability to adapt colours and fabrics to customers' requirements without extending delivery times.


DEXTER
Design Andreas Farkas

abstracta

voice

BORKS

CEO THOMAS SAMUELSSON

OFFICE & HOME INTERIORS

GREAT WORKSPACES

Abstracta has positioned itself as an innovator, strong on design, for workplace interiors. The company designs and manufactures products for a good and creative work environment and delivers to offices, meeting rooms and public spaces. Its offering is characterised by expertise in the work environment, particularly the sound environment, and simple and functional design.

MEET Design Tengbom Arkitekter

CEO Thomas Samuelsson outlines developments in 2011 and the potential for 2012.

ON WHICH MARKETS IS ABSTRACTA ACTIVE?

Scandinavia is our domestic market and we also have our own sales companies there. On the export market we can be found in Germany, the Benelux countries and France. In these markets we operate through representatives.

HOW DO YOU ACT IN THE MARKET?

We sell our products by actively marketing to architects, interior designers and local intermediaries.

WHAT EVENTS FROM 2011 WOULD YOU LIKE TO HIGHLIGHT?

The integration of our Danish subsidiary Borks Patenttavler A/S was a crucial step in further strengthening our position in Scandinavia. Joining forces with Voice in the business area has also had a positive impact in broadening our offering to professional clients.

HAS ABSTRACTA LAUNCHED ANY NEW PRODUCTS IN 2011?

Yes, we are constantly developing our range and presented several products in the innovative workplaces segment as well as acoustics and screens.

WHAT GROWTH RATE HAS THE COMPANY ACHIEVED IN 2011?

With growth on the majority of our markets, Abstracta has developed well during the year. In total the increase was twelve percent.

WHAT DOES THE FUTURE LOOK LIKE FOR ABSTRACTA?

Positive. We continue to have great potential for development in the Nordic countries and we are increasing our presence accordingly, primarily in the Danish and Finnish markets. The strong growth in the UK, France and the Benelux companies is also holding up. Our acoustics products are cutting- edge and we are seeing increased demand as many companies have problems with high noise levels. We adapt our products to the new flexible way of working and see this as a strategic sales opportunity. Our combination of function and exciting design is attracting great interest at a time where many customers are looking to position their own brands through products with a strong identity and design.

MODERN STORAGE FOR HOMES AND PUBLIC SPACES

ARCTIC
Design Rolf Fransson

OVERTIME
Design Stina Sandwall

Voice is the successful interaction of timeless design and functionality. With a sense of playfulness and a feel for design, Voice creates furniture that works just as well in the home as it does in public settings. This holds true in Sweden and the Nordic countries as well as the rest of the world. Sales are achieved primarily through active contact with furniture stores and intermediaries. A focus on architects has also increased interest from offices and hotels. Up until now, sales have been concentrated in Sweden, Finland and Germany, but the collaboration with other companies within Office & Home Interiors means that the brand is now spreading to more markets, primarily in the Nordic Countries and Europe.

In 2011 Voice launched a completely new innovative storage system, No. 5 by designer Jesper Ståhl. In commercial terms, the most important decision was the move to position the brand for homes and public spaces. Arctic and the new No. 5 are the product ranges offering the greatest sales potential for 2012. In addition, new products are currently in development ahead of an anticipated launch in the autumn.

ire®

CEO OLA SÖDERPALM

OFFICE & HOME INTERIORS

TRUE TO PERFECTION

Timeless and long-lasting are the values that characterise Ire furniture, whose design transcends short-term trends. High-quality materials partnered with removable and replaceable elements produces furniture that stands the test of time and can be renewed throughout its lifetime. Cost-effective and eco-friendly. Ire has perfection as its brand philosophy and the upholstered furniture range has a clear place in the premium segment. Several of the models comprise modular ranges offering major flexibility. Ire's furniture is primarily geared towards the urban home, but has features that are equally suitable for public spaces.

TRIX Design Mårten Cyrén

CEO Ola Söderpalm talks about the company's strategy, market and potential.

IN WHICH MARKETS IS IRE ACTIVE AND HOW DO YOU MARKET TO YOUR TARGET GROUPS?

Our most important markets are the Nordic and Benelux countries. In Sweden and Norway we have our own representation, while in the other countries we are represented by independent agents. Furniture for the home has been our dominant market and we focus on a design-aware target group with an urban lifestyle. From having primarily looked to consumers aged 40+, 2012 will see us focusing on reaching a younger target group. In 2012 we will also be continuing to focus on public settings with hotels and shipping as strategic areas.

WHAT EVENTS FROM 2011 WOULD YOU LIKE TO HIGHLIGHT?

Primarily our work on the environment. In 2010 we gained environmental certification under ISO 14001 and thinking green is now central to all our product development. One of our new sofa models, Rejoin by designer Emma Olbers, for example has Nordic ecolabel certification. We have also hired Emma as collection manager to further strengthen Ire's eco profile. She has previously worked on similar issues at Ikea and Indiska.

WHICH PRODUCTS WERE LAUNCHED DURING 2011?

The modular sofa ranges Join and Rejoin by Emma Olbers. Carl Henrik Spak has designed the Snug sofa range which will be developed further in 2012. He has also designed a series of over-upholstered stools that we're calling Drops. Then we have Åtta, which is a combined piece of furniture for sitting or reclining designed by Jun Furukawa and the Trix set of tables by Mårten Cyrén.

HOW DID THE COMPANY AND THE MARKET DEVELOP FINANCIALLY IN 2011?

Very poorly, unfortunately, I have to say. Increases in incoming orders stood at two percent. Due to a poor order book at the start of the year and a weak finish to the year where the usual Christmas upturn failed to materialise, we suffered an invoicing loss of approximately six percent.

WHAT DOES THE FUTURE LOOK LIKE FOR IRE?

In market terms, the Nordic markets, headed by Sweden and Norway offer the greatest potential. On the product side, we can see that our eco profile has been a successful investment. With greater environmental awareness, we are seeing a trend towards lower consumption and people's purchases needing to be justified by sustainable arguments and the least possible environmental impact. As part of this trend, there is a greater emphasis on the importance of production taking place close to the market. Many customers see furniture and interior design as a way of expressing their personality. Their choice of furniture is part of their own wellbeing and there is a huge range of expression. Interior design doesn't follow any predetermined template. It's liberating and permissive. On the Swedish market we estimate that customers will now prioritise non-fitted interiors after a period in which major resources have gone into renovation linked to the tax break for renovation and maintenance.

OFFICE & HOME INTERIORS	2007	2008	2009	2010	2011
Net sales, SEK m.	396.1	439.7	376.6	361.1	**393.2**
Operating profit, SEK m.*	42.7	50.1	29.3	23.8	**24.6**
Operating margin, %	10.8	11.4	7.8	6.6	**6.3**
Capital employed, SEK m.	172.9	205.1	188.0	219.3	**201.6**
Return on capital employed, %	25.4	27.1	15.1	11.8	**11.9**
Investments, SEK m.	6.9	20.6	9.7	4.6	**14.0**
Average number of employees	175	198	187	183	**210**

* excl. administration charges paid to Parent Company.
The economic results of the business area as above are accounted for in accordance with IFRS. Figures for 2007-2008 were recalculated to reflect the requirements of IFRS, as against the general recommendations of the Swedish Accounting Standards Board, for presentation in the 2009 Annual Report.

LAMMHULTS OFFICE	2007	2008	2009	2010	2011
Net sales, SEK m.	313.4	352.9	283.3	287.8	**331.9**
Operating profit, SEK m.*	34.4	46.6	25.6	32.8	**33.7**
Operating margin, %	11.0	13.2	9.0	11.4	**10.2**
Capital employed, SEK m.	136.7	147.6	128.6	166.6	**155.3**
Return on capital employed, %	25.5	32.8	18.7	22.4	**21.1**
Investments, SEK m.	5.8	5.0	1.8	2.4	**10.4**
Average number of employees	142	154	135	135	**166**

LAMMHULTS HOME	2007	2008	2009	2010	2011
Net sales, SEK m.	82.7	86.8	93.3	73.4	**62.4**
Operating profit, SEK m.*	8.4	3.5	3.7	-9.0	**-9.1**
Operating margin, %	10.1	4.0	4.0	-12.3	**-14.5**
Capital employed, SEK m.	36.2	57.5	59.4	52.8	**46.4**
Return on capital employed, %	22.7	7.8	6.5	-16.0	**-18.2**
Investments, SEK m.	1.1	15.6	7.8	2.2	**3.6**
Average number of employees	33	44	52	48	**44**

* excl. administration charges paid to Parent Company.
The economic results of the business areas as above are accounted for in accordance with IFRS. Figures for 2007-2008 were recalculated to reflect the requirements of IFRS, as against the general recommendations of the Swedish Accounting Standards Board, for presentation in the 2009 Annual Report.

ANDERS ROTHSTEIN
BUSINESS AREA MANAGER PUBLIC INTERIORS
PRESIDENT AND CEO, LAMMHULTS DESIGN GROUP.

A BROADER SCOPE IN THE PUBLIC SECTOR WILL PRODUCE PROFIT-ABLE GROWTH

For a long time, the main focus of the business area has been on creative, attractive and functional interiors for libraries, schools and other public meeting places. However, we are seeing that the tide is turning for traditional libraries, and other types of meeting places are growing up to replace them, such as cultural centres and media centres. People are meeting in public spaces more than ever before but it is happening in new forums. We are taking this into account in producing new products and interior design solutions. ”

THE BUSINESS AREA IS GROWING WITH A NEW NAME

To ensure profitable growth, we need to broaden our scope and identify additional opportunities in the public sector. With the expertise we have within the Group, we are now taking the next step in this business area and extending our operations in the public sector to also encompass priority areas such as the education, health and care sectors. The business area, previously called Lammhults Library, will work more clearly on sales and marketing of product solutions to the public sector and will change its name to Public Interiors. With a broader market focus and a more efficient supply of products, this business area will be well placed to achieve profitable growth.

THE GROUP'S EXPERTISE CREATES SHORTCUTS

Expansion in the business area will primarily take place through organic growth in current geographical markets and through the increased sales initiatives outlined above for bodies in the education, care and health sectors. Lammhults Design Group has sound expertise and experience in these areas and we will be able to exchange a great deal of knowledge, expertise and products with the Group's other business area, Office & Home Interiors.

DOUBLE FOCUS STRENGTHENS OUR OFFERING

The business area will have two entities: projects, which offers the brands BCI and Schulz Speyer, and aftermarket, which offers accessories and consumables through the Eurobib Direct brand.

Anders Rothstein
Business Area Manager Public Interiors
President and CEO

Lammhults Biblioteksdesign AB
Lammhults Biblioteksdesign A/S

CEO MIKAEL KJELDSEN

PUBLIC INTERIORS

BCI AND SCHULZ SPEYER

DESIGN SOLUTIONS FOR MEETINGS, PEOPLE AND INFORMATION

With the brands BCI and Schulz Speyer, the business area reaches the Scandinavian and the international market with its interior design solutions for libraries. It has its own sales companies in Scandinavia, the UK, France, Germany, the Benelux countries, Italy and Spain, while the focus in the Middle East is through agents. The target group is all types of libraries: school libraries, university libraries, public libraries and corporate libraries. Architects are also an important target group. The offering is based on long-term experience of the industry, commitment and in-depth expertise. The products and services are also characterised by high quality, functionality and attractive design. Expansion of the business area will see the brand's expertise and products reaching a broader target group in the public sector.

Design Schulz Speyer

Mikael Kjeldsen gives his view of the past year and the strategic choices for the future.

WHAT IMPORTANT EVENTS WOULD YOU LIKE TO HIGHLIGHT FROM 2011?

The main thing I would like to highlight is the launch of our new shelving that better displays what libraries physically have to offer. And then we have carried out a number of exciting projects worldwide. These include products for Copenhagen's new Culture House, the Tel Aviv Art Museum and a citizen's centre in Red Deer, Canada.

HOW HAS THE YEAR GONE FINANCIALLY?

We've seen a general downturn in sales which must be viewed in the light of public sector cost-cutting across Europe, particularly in southern Europe. The restructuring carried out in late 2010 has also reduced our overheads.

WHAT DOES THE FUTURE LOOK LIKE IN YOUR MARKET?

Geographically, we see great potential in the Middle East and in the French market where we have boosted our sales organisation. On the product side, our storage furniture continues to be a key part of the range, but the development of libraries towards fewer physical media products and more services such as study centres, citizens' services and cafés mean new demands in terms of interiors and functionality. We are working hard to match this trend with a strong product range. The new libraries are more than places to borrow books, they are meeting places and experience centres which need to attract people and be pleasant places for people to spend time. This makes interiors and furniture an increasingly important element.

EUROBIB DIRECT TAKES CARE OF AFTER-MARKET SERVICE

In Eurobib Direct, the business area has a tailored aftersales concept with consumables and display materials as well as stand-alone furniture. These are products which libraries consume on an ongoing basis and which Eurobib Direct can supply to short delivery times. As the business area expands, the company is now setting its sights on additional target groups. The range will be modified and new distribution channels investigated. The most important market is Scandinavia, where the company operates directly. The export markets are tackled via subsidiaries and dealers. Apart from lower sales in the Swedish market and the southern European markets, 2011 was in general a positive year.

2011 saw new storage shelves introduced as a catalogue product and Eurobib Direct will be continuing to develop and update existing products into 2012. A modern, customer-oriented online shop will also be launched. The company sees great potential in the Nordic education market and has produced a brochure directly targeted to this new segment. Geographically opportunities have been identified in the British and German markets, and additional resources will be put in place to set up wholly-owned companies in these markets.

CULTURE HOUSE, COPENHAGEN
BCI. Architect: cobe architects + transform

PUBLIC INTERIORS	2007	2008	2009	2010	2011
Net sales, SEK m.	315.5	353.5	365.0	318.2	**260.7**
Operating profit, SEK m.*	32.7	45.3	35.7	13.8	**7.1**
Operating margin, %	10.4	12.8	9.8	4.3	**2.7**
Capital employed, SEK m.	141.7	189.0	196.6	157.6	**153.9**
Return on capital employed, %	24.8	28.7	19.4	8.0	**5.2**
Investments, SEK m.	3.4	5.0	7.1	3.0	**2.3**
Average number of employees	140	150	158	162	**141**

* excl. administration charges paid to Parent Company.

The economic results of the business area as above are accounted for in accordance with IFRS. Figures for 2007-2008 were recalculated to reflect the requirements of IFRS, as against the general recommendations of the Swedish Accounting Standards Board, for presentation in the 2009 Annual Report.

skaga

OSCAR JACOBSON

OSCAR MAGNUSON

FACE STOCKHOLM

LEXINGTON EYEWEAR

PILGRIM

CEO JOAKIM BROBÄCK

SCANDINAVIAN EYEWEAR

A SCANDINAVIAN DESIGN TRADITION WITH AN EYE FOR FRAMES AND BRANDS

The Scandinavian Eyewear business area develops and markets spectacle frames with high design value and a clear Scandinavian feel. It includes the company Scandinavian Eyewear and the Italian subsidiary Seven. The brand portfolio contains own brands Skaga, Birka, Cirkus and .SE plus licensed manufacturing for the brands Efva Attling, Face Stockholm, Oscar Jacobson, Pilgrim, Lexington and Oscar Magnuson. All the brands enjoy high consumer recognition and each of them has their own clear position in the market. Since it started in 1948, Scandinavian Eyewear has been dedicated to one single thing: designing and developing spectacle frames. The company offers its customers products with high design value, high quality and functionality and strong and genuine brands. Its offering is supported by modern IT infrastructure, logistics and a first-class customer and delivery service. In appearance and trends, as much as in fit and functionality, the products epitomise the Scandinavian design tradition. The products consistently maintain high quality whether measured on sustainability, user-friendliness or tactile feel.

NORA Skaga. Design Gustav Kristensson

Joakim Brobäck is CEO of Scandinavian Eyewear and is responsible for the business area. Here he gives his view of how business and the market have developed in 2011 and the outlook ahead.

WHAT DOES THE COMPANY'S MARKETING SIDE LOOK LIKE IN THE DOMESTIC VERSUS THE EXPORT MARKET?

Sweden accounts for approximately 50% of our turnover and is also our biggest and most important market. If we include our Nordic neighbours, the Nordic countries make up 80% of total sales. On top of that we have exports to the US, Canada, UK, Poland and the Netherlands. 2012 will also see us entering the Russian market. At home we divide our sales into independent opticians who are visited by our sales staff and the big chains that we contact centrally. In the Nordic countries we have our own in-house sales representatives or, as in Denmark, agents who are entirely linked to us. We reach our export markets via agents and distributors. When we sell through agents, it is Scandinavian Eyewear who owns the business relationship, while the distributors themselves manage deliveries and commercial contacts. The difference between the domestic market and exports is the degree of control we have over sales; more control at home, and less internationally. Consequently, the markets also differ in terms of sales costs and risk. Our Italian subsidiary Seven Srl enables us to reach the major European chains with frames for Private Brands. This is a pure BTB process where sales and deliveries take place centrally and in large volumes on a few occasions.

HOW WOULD YOU DEFINE YOUR TARGET GROUPS?

As a supplier specialised in spectacle frames, we mainly work with opticians. The optician in turn has the contact with the end customer who demands the combination of frames and vision corrective lenses plus an eye test, expertise that the optician has. In the optician sector we work with purchasers to improve the location of our products in store. Sales assistants, with their capacity to influence the choices of end customers are also an important group for our marketing. Today spectacles are just as much a consumer product for the design and trend conscious as a purely visual aid. For this reason, we need to build our brands with the end customer in mind too. Work that largely takes place in store.

WHAT EVENTS FROM 2011 WOULD YOU LIKE TO HIGHLIGHT?

We have established a presence on new markets and created new collaborations in existing markets, primarily in Russia, the Czech Republic, Austria and Switzerland. We have set up a new sales office in the US. On the licensing side we have entered into an agreement to launch Lexington in Finland's largest retail chain Instrumentarium and for Face Stockholm with Synsam in Sweden. We have successfully launched the ".SE" collection produced for a lower price range. And we have opened a new showroom at our head office in Jönköping.

HOW DID YOU DO FINANCIALLY IN 2011?

Both net sales and operating profit were roughly the same level as the previous year. The gross margin declined slightly, which was compensated for by lower overheads.

WHAT DOES THE FUTURE LOOK LIKE?

With a the product portfolio that contains more brands than before, we need to increase our shelf space in store – at the expense of the competition. We want all our products to remain steady, in volumes as well as expression, we're prepared to go the extra mile to make sure that our flagship Skaga retains its strong market position.

In the immediate future it is in the export market that we have the greatest potential to grow. The focus is on North America, Russia and Eastern Europe and Continental Europe. By investing in new brands and seeking out new channels, we judge that we also have every opportunity to increase turnover in the Nordic countries.

In a broader perspective we are seeing spectacles become more and more of a fashion accessory, resulting in people buying more pairs and changing them more frequently. Lots of people want to change their eyewear to suit the occasion. A pair for work, a pair for when you get home and a third pair for parties. The development of vision corrective glass is also forging ahead with products for driving, VDU work, sport, watching TV, etc. A growing market also means greater price awareness on the part of customers.

TODAY SPECTACLES ARE MUCH MORE THAN JUST A VISUAL AID, WHAT TRENDS CAN YOU TELL US ABOUT?

There are two main trends we have to keep our eye on: sustainability and individualism. In sustainability we're seeing timeless, classic designs. Clean lines with a focus on genuine materials. The decorative elements are minimalist, while the colours are daring. A perfectly tailored fit is essential and the craftsmanship must shine through. Expressing individuality in your frames is a growing trend with plenty of variations – feminine cat-shaped frames, small round classics, large cool pilots, oversized acetates and thin floating decorations – which all make it easy to add personal style to your facial appearance. More than ever before, frames are a powerful accessory to match the rest of your style.

KITTEN
Efva Attling. Design Efva Attling

SCANDINAVIAN EYEWEAR	2007	2008	2009	2010	2011
Net sales, SEK m.	122.3	113.2	104.8	104.6	**102.7**
Operating profit, SEK m.*	15.9	4.4	-5.9	3.7	**3.0**
Operating margin, %	13.0	3.8	-5.6	3.5	**2.9**
Capital employed, SEK m.	36.5	30.1	27.7	28.4	**28.8**
Return on capital employed, %	38.3	14.4	-19.4	13.7	**10.9**
Investments, SEK m.	1.8	1.8	0.8	0.5	**1.5**
Average number of employees	46	49	46	44	**43**

* excl. administration charges paid to Parent Company.

The economic results of the business area as above are accounted for in accordance with IFRS. Figures for 2007-2008 were recalculated to reflect the requirements of IFRS, as against the general recommendations of the Swedish Accounting Standards Board, for presentation in the 2009 Annual Report.

COMET
Lammhults. Design Gunilla Allard

Corporate Governance Report

Governance and application of the Code

Lammhults Design Group AB is a Swedish company with limited liability (Swedish: aktiebolag). Its registered office is in Växjö, Sweden. The Company is governed via the Annual General Meeting of Shareholders (AGM), the Board of Directors and the CEO in accordance with the Swedish Companies Act and the Company's Articles of Association, as well as Nasdaq OMX Stockholm's Regulations for Issuers, including the Swedish Code of Corporate Governance (the Code). Effective 1 July 2008, a revised code of corporate governance includes all companies that are quoted on the OMX or NGM Exchanges. Governance in the Group has been based on the Code since then. The aim of the Code is to establish conditions favouring an active and responsible ownership role. It is one component 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 2011 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 shoulder can cast at an annual general meeting.

Particular provisions in the Articles of Association

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

Direct or indirect shareholdings

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

Annual General Meeting of 2011

Lammhults Design Group's AGM, held on 28 April 2011 was attended by around 80 shareholders and guests. The shareholders in attendance represented approximately 80 percent of the total number of voting rights in the Company. In addition to voting on the customary resolutions, the meeting re-elected the following Board Members: Yngve Conradsson, Jerry Fredriksson, Erika Lagerbielke, Lotta Lundén and Anders Pålsson. Jörgen Ekdahl was elected as a new Member of the Board. Anders Pålsson was elected as new Chairman of the Board. The AGM also voted to authorise the Board to approve the issue of a total of 800 000 new Class B shares in the Company. Dividend was set at SEK 1.00 per share.

The functions of the Nomination Committee

The AGM resolved that the Chairman of the Board should, no later than at the end of the third quarter every year, call a meeting with the four largest shareholders in terms of equity stake and/or voting rights in the Company. These parties will then each appoint one member, who should not be a Member of the Board, of the Nomination Committee. The function of the Nomination Committee is to propose to the AGM the number of Board Members, the Chairman of the Board, other Board Members and the remuneration of the Board and the auditors. The Nomination Committee also proposes the auditors in the years in which an election shall take place. The Nomination Committee for the 2012 AGM consists of the following persons: Anders Hultman (Chairman, appointed by Scapa Capital), Jimmy Bengtsson (appointed by Skandia Life Assurance Company), Göran Johansson (authorised representative) Lars Johansson (appointed by Canola 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 five ordinary meetings and two extraordinary meetings in addition to the statutory meeting. The meetings were devoted to financial follow-up of operations, strategic issues, budget discussions, acquisition and disposal issues, recruitment issues and external financial information. The CEO and the CFO take part in the meetings of the Board in a reporting capacity.

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

Board of Directors - attendance and evaluation

A total of eight meetings were held in 2011, five after the AGM. The attendance at these meetings was as follows: Torbjörn Björstrand (3), Yngve Conradsson (8), Jörgen Ekdahl (5), Jerry Fredriksson (8), Erika Lagerbielke (8), Lotta Lundén (8) and Anders Pålsson (8). The Board Chairman 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 Chairman 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 Chairman of the Board has been Anders Pålsson. All Board Members are independent of the Company and the Company's management. One of the Board Members, Yngve Conradsson, has a relationship of dependence with Scapa Capital AB, the biggest shareholder in Lammhults Design Group AB, while another, Jerry Fredriksson, has a relationship of dependence with, Canola AB, which ranks second in terms of voting rights. The other four Board Members are independent of the biggest shareholders. For further information on the individual Board Members, see page 61.

Remuneration to Board of Directors

Remuneration to the Board is subject to resolution by the AGM. The 2011 AGM resolved that fees to the Board Members for the period up to the next AGM shall amount to SEK 840 thousand (840), including SEK 240 thousand (240) to the Chairman of the Board. The other Board Members each receive a fee of SEK 120 thousand (120). In addition, the AGM resolved that remuneration for functions performed within the Audit and Remuneration Committee shall be paid in the amount of SEK 50 thousand to the Chairman and SEK 25 thousand to the other two members of each committee.

Auditing

According to the Articles of Association, the Company shall have one or two auditors or one or two auditing firms. The Company's auditors are elected by the AGM for a period of four years. The current period commenced in April 2008 and will expire in conjunction with the 2012 AGM. The auditing firm KPMG Bohlins AB was appointed auditor at the 2008 AGM, with Michael Johansson being appointed as principal auditor. 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 2011 AGM, the Audit Committee was composed of Anders Pålsson (Chairman), Erika Lagerbielke and Lotta Lundén. After the meeting, Anders Pålsson was replaced by Jörgen Ekdahl as Chairman. The chairman 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 2011, four minuted meetings were held and the Audit Committee met on one further occasion in connection with procurement of auditing services prior to the 2012 AGM. All members recorded full attendance at the Committee meetings.

Remuneration Committee

Up to the 2011 AGM, the Remuneration Committee comprised Torbjörn Björstrand (Chairman), Yngve Conradsson and Jerry Fredriksson. At the statutory Board meeting in 2011, Anders Pålsson was elected as Chairman, to replace Torbjörn Björstrand. The Committee submits proposals to the Board regarding the CEO's employment conditions, including benefits. The remuneration of other senior executives is determined by the Board on the basis of proposals from the CEO. The CEO is required to inform the Remuneration Committee annually in advance of remuneration proposed for management personnel accountable directly to the CEO. In 2011, four minuted meetings were held. All members recorded full attendance at the Committee meetings.

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.

Up to year-end 2011, inclusive, Group Management comprised the CEO, the four Business Area Managers of Lammhults Office, Lammhults Library, Lammhults Home and Scandinavian Eyewear, the CFO and the Supply Chain Manager. Since then, Group Management has consisted of the CEO, CFO, Supply Chain Manager and Brand & Design Director. For further information on the individual members, see page 63.

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 2011, the AGM resolved that remuneration paid by the Company should be in line with the market, and competitive, such that the Company is able to recruit, motivate and retain competent and skilled personnel. The Group's senior executives who make up the Group Management team, have an agreement on variable remuneration over and above a fixed salary. The size of the variable remuneration is linked to predetermined objectives based on individually set goals and the Group's results, or the results of the particular business area. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. There should also be scope for long-term equity or equity-related incentive programmes. For further information on salaries and other remuneration, see Note 6.

Internal Controls and Risk Management

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

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

Control Environment

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

Risk Assessment

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

Control Activities

The principal aim of control activities is to prevent or at an early stage to discover errors in the financial reporting so that they can be addressed and remedied. Routines and activities have been designed to deal with and remedy significant risks associated with the financial reporting. The CEO and CFO monitor the business areas by regular meetings - business reviews - with the management of the particular company regarding its operations, financial position and results, as well as its key financial and operational ratios. The Board analyses *inter alia* monthly business reports, in which the CEO and CFO report on the past period and comment on the financial position and results of the Group and the particular business area. This enables significant variations and deviations to be monitored, minimising the risks of error in the financial reporting. The processes of end-of-period and annual accounting involve risks of error in the financial reporting. These routines are of a less-than-repetitive nature and include several stages where judgement is required. During control activities, it is thus important that an efficient reporting structure should be in operation, 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. CFO regularly informs these financial controllers of any changes in Groupwide 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, 12 March 2012
Board of Directors

Auditor's 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 2011 on pages 57–59 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 gives 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, 12 March 2012
KPMG AB

Michael Johansson
Authorised Public Accountant

Lammhults Design Group.

BOARD

Jörgen Ekdahl

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

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

MBA. Financial manager of Svedbergs, 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.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

2 000 Class B shares.

Erika Lagerbielke

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

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

OTHER DIRECTORSHIPS

Chairman of the Swedish Society of Crafts & Design. Board member of the Hald Gate Fund.

OTHER ASSIGNMENTS

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

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

0 shares

Anders Pålsson

Chairman. Board member since 2009.
Born in 1958. Lives in Malmö.
Independent board member vis-a-vis the company, 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 ASSIGNMENTS

Board member of Nibe Industrier AB, Trioplast AB, STARCO A/S.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

4 913 Class B shares.

Jerry Fredriksson

Board member since 2004.
Born in 1942. Lives in Sävsjö.
Owner and President of Canola AB and Rådhuset AB. Also President of Investment AB Chiffonjén, Bussgruppen Sverige AB 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 AB, Facility Systems Sweden 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 companies).

Lotta Lundén

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

Member of the board of Bergendahls Food, Bergendahls Fashion, Swedol, Statoil Fuel and Retail, Twilfit, Axcel – Swedish Industrial Board, MultiQ, JBE.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

3 000 Class B shares.

Yngve Conradsson

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

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

OTHER DIRECTORSHIPS

Scapa Capital AB.

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

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

In picture: Jörgen Ekdahl, Erika Lagerbielke, Anders Pålsson, Jerry Fredriksson, Lotta Lundén, Yngve Conradsson

Lammhults Design Group.

GROUP MANAGEMENT

Thomas Jansson

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

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

820 Class B shares

Sven Lindberg

Supply Chain Manager at Lammhults Design Group since 2010 and employed in the Group since 2010.
Born in 1958.

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

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

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

1 275 Class B shares.

Anders Rothstein

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

EDUCATIONAL QUALIFICATIONS AND PROFESSIONAL EXPERIENCE

Executive MBA, Lund University. International executive with experience of work in listed companies. Background includes a post as President & CEO of Human Care HC AB and most recently
Vice President of Inwido AB (Ratosgruppen).

SHAREHOLDING IN LAMMHULTS DESIGN GROUP AB

2 500 Class B shares.

Lars Bülow

Brand and Design Director Lammhults Design Group since 2012. Business Area Manager Office & Home Interiors Born in 1952.

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

85 000 Class B shares through company.

In picture: Thomas Jansson, Sven Lindberg, Anders Rothstein, Lars Bülow

FINANCIAL REPORT

NOTES

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and the CEO of Lammhults Design Group AB, corporate registration number 556541-2094, hereby present their annual report and consolidated accounts for the period 1 January 2011–31 December 2011. 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 two areas: design, development and sale of products for interiors of public environments, homes and offices, as well as design, development and sale of spectacle frames. Up to 28 October 2011, operations were organised in four business areas: Lammhults Office, Lammhults Library, Lammhults Home and Scandinavian Eyewear. The Group is made up of the following wholly owned subsidiaries: Lammhults Möbel AB, with subsidiary Borks Patenttavler A/S; Lammhults Biblioteksdesign AB, Schulz Speyer Bibliothekstechnik AG, with subsidiaries Schulz Benelux BVBA and Harmonie Projects Srl; Lammhults Biblioteksdesign A/S with subsidiaries Institut für Bibliotheks-Design GmbH (IFDB) and NBLC Systemen B.V.; Voice AB (formerly Lammhults Home AB) with subsidiary Ire Möbel AB; and Scandinavian Eyewear AB with subsidiary Seven Srl. The Group also includes a number of foreign sales companies and dormant companies.

Significant events in 2011

- Schulz Speyer Bibliothekstechnik AG secured a library project for Darmstadt, Germany. The project is worth around SEK 10 million and is for delivery in 2012.
- Lammhults Biblioteksdesign A/S won an order from Qatar, worth around SEK 6 million, which was delivered in 2011. It was also awarded an order for the new multimedia library in Montpellier, France, valued at approximately SEK 7 million and for delivery in 2012.
- The University of Lund ordered 800 Pyramid chairs (Lammhults' classic 1955 design) from Lammhults Möbel AB for an order value of SEK 1.5 million.
- Borks Patenttavler A/S delivered 350 VIP blackboards to the NNIT project in Copenhagen, Denmark, an order worth around SEK 1.0 million.
- Ire Möbel AB delivered two orders to ships on the Stena Line. Total order value was approximately SEK 2 million.
- Scandinavian Eyewear continued to record sales successes in North America and towards year-end launched spectacle frames under the "FACE Stockholm" brand.
- The Board and Management took a decision to streamline operations and focus on profitable growth in furniture and interiors. Work is starting on coordination of the Lammhults Office and Lammhults Home business areas into a single business area, Office & Home Interiors, and to extend operations in Lammhults Library to include the education, health and social care sectors. It was also decided that in the long term Scandinavian Eyewear should be divested.

Significant events after year-end

The Board intends to implement restructuring measures in order to streamline operations and focus on profitable growth. Against that background, negotiations were opened in early February 2012 on the closure of the Borks Patenttavler A/S factory in Kolding, Denmark. During the first half of 2012, Borks' current production is being relocated to and gradually coordinated with Abstracta AB at Lammhult. This will create a larger and more efficient production unit at Lammhult, and will leave in Denmark a company specialising in support for the Danish market. Borks has 33 employees and redundancies will affect 26 employees. The net saving from this restructuring measure in 2012 is estimated at around SEK 4 million.

Financial summary for 2011

The Group's net sales totalled SEK 753.8 million, 3% lower than in the preceding year. Borks Patenttavler, which was acquired at the end of last year, contributed with growth of 5%. The rise in value of the Swedish krona had a negative impact of just over SEK 26 million on net sales for the year. At unchanged exchange rates from 2010, net sales would have been on a par with those of the preceding year.

The gross margin deteriorated relative to the year before, from 39.0% to 38.2%. The decline in the gross margin was mainly because production overheads were spread over lower sales volumes; other factors included negative currency effects and pressure on prices affecting procurement projects in Lammhults Library.

The Group's cost of sales and administrative expenses were SEK 3.2 million lower than in the preceding year. Cost of sales and administrative expenses fell as a result of currency effects (SEK 10.3 million) and cost savings (SEK 4.3 million), but rose as a result of the acquisition of Borks Patenttavler (SEK 11.4 million). Results in the fourth quarter of the preceding year were charged with costs of around SEK 2 million in connection with personnel redundancies. Operating profit amounted to SEK 18.5 million (26.7), corresponding to an operating margin of 2.5% (3.4). Compared to the preceding year, the most notable decline in profitability was recorded in the Library business area, as a result of lower net sales. Changes in exchange rates had negative impact of just under SEK 4 million on the Group's operating profit, compared with the preceding year. The profit after financial items was SEK 12.5 million (24.2). The profit after tax totalled SEK 6.1 million (13.9). This generated earnings per share of SEK 0.72 (1.65).

The Group's financial position remains strong. The equity/assets ratio was 52.2% (49.6) at year-end, and the debt/equity ratio was 0.51 (0.56). Our financial position therefore continues to allow scope for acquisitions without deviation from the Group's goals for equity/assets ratio (no less than 35%) and debt/equity ratio (range of 0.7–1.0). Cash flows from operating activities amounted to SEK 23.6 million (29.8) in 2011 and cash flow for the year to SEK -26.1 million (3.9). Cash and cash equivalents amounted to SEK 46.6 million (73.4) at year-end. The Group's unused credit facilities including cash and cash equivalents totalled SEK 75.9 million (104.9).

Brand strategy

When the decision to introduce a brand-led strategy was taken in 2008, the intention was that the Group should move from a holding company type of structure to a more integrated industrial group focusing on interiors and spectacle frames. With clearer branding, we are better able to achieve sustainable, profitable growth, thereby increasing shareholder value. In the past three years, the brand strategy has been refined to maximise impact from the work on branding in the Group. The Lammhults Design Group has adopted its own graphical identity, which creates clarity both externally, among our customers, and in-house. As a result, our already strong and well-established brands – Lammhults, Abstracta, Borks, Voice, Ire, Skaga, 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 a collection-inspired way. At the same time, work continues on maximising synergies in purchasing, production, marketing and sales.

The market in 2011

Restraint in public sector investments in a number of European markets affected Lammhults Library and Lammhults Home. The major deficits in the public finances of countries such as Spain and Italy led to postponement or cancellation of library projects. Weak demand in the premium segments of the furniture market for home interiors in Sweden put a brake on sales for Lammhults Home. On the other hand, demand for furniture and interiors for public environments in Sweden's domestic market was stable during the year, which worked in Lammhults Office's favour. As a result of these changes in the market, the share of Group sales represented by business consumption rose from 30% to 35%, while the Group's share of sales to the public sector declined from 48% to 44% and sales to the private sector fell from 22% to 21%.

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 just over SEK 26 million. Sales to markets outside Sweden declined from 65% till 62% during the year. The lower sales at Lammhults Library, which focuses mainly on export markets, is the principal factor in the lower share of sales attributable to exports. Order bookings at year-end were 1% higher than at the preceding year-end, totalling SEK 104.1 million (103.4). Order bookings for the Library business area were higher than at year-end 2010, but were lower for the Office business area.

MARKET DEVELOPMENTS – BUSINESS AREAS

Lammhults Office

The business area develops, markets and sells interiors for public environments under the brands of Lammhults, Abstracta and Borks. In November 2010, the business area expanded via Lammhults Möbel AB's acquisition of Borks Patenttavler A/S, a leading supplier of writing boards in Denmark. Net sales totalled SEK 331.9 million, compared with SEK 287.7 million a year earlier. The increase in net sales was attributable mainly to the acquisition of Borks Patenttavler, but other net sales also rose, by 3%. Sales in the Swedish market developed healthily during the year, with an increase of 5%. On the other hand sales to Norway, the most important export market, fell by 8%. Nevertheless, a recovery was recorded in the Norwegian market in the fourth quarter. The gross margin was slightly lower than in the preceding year, as result of negative currency effects, a negative product mix and the annualised effect of incorporation of Borks Patenttavler into the business area. The operating profit totalled SEK 33.7 million (32.8) and the operating margin was 10.2% (11.4).

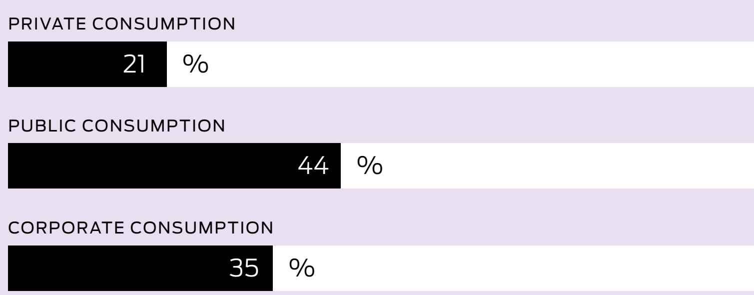
Lammhults Library

The business area develops and sells library interiors for public sector consumption under the Eurobib Direct, BCI and Schulz Speyer brands. Net sales totalled SEK 260.7 million, compared with SEK 318.2 million a year earlier. Business was again affected by restraint in public sector investments in a number of European markets. Furthermore, net sales were affected by negative currency effects totalling just over SEK 12 million, compared to the preceding year. Order bookings for the business area at year-end were 7% higher than at the preceding year-end as a result of the major library projects secured in Germany and France. The gross margin declined slightly, compared with the figure for the previous year. This was partly because production overheads were spread over lower sales volumes, but another factor was pressure on prices affecting procurement projects in many markets. Personnel cutbacks implemented only partly offset the

GROUP FINANCIAL HIGHLIGHTS

GROUP	2007	2008	2009	2010	2011
Net sales, SEK m.	829.2	901.2	840.8	778.0	753.8
Operating profit, SEK m.	73.3	85.5	44.6	26.7	18.5
Operating margin, %	8.8	9.5	5.3	3.4	2.5
Capital employed, SEK m.	483.0	577.9	581.5	578.0	552.2
Return on capital employed, %	15.0	16.6	8.0	4.7	3.5
Return on equity, %	12.6	14.2	6.9	3.6	1.6
Equity/assets ratio, %	52.1	50.0	52.4	49.6	52.2
Debt/equity ratio, mult.	0.40	0.46	0.47	0.56	0.51
Investments in property, plant and equipment, SEK m.	12.5	27.6	17.3	7.3	16.9
Average number of employees	363	400	410	394	400
Dividend payout ratio, %	60	40	47	61	69

Breakdown of net sales



reduction in net sales. As a result, operating profit totalled SEK 7.1 million (13.8) and the operating margin was 2.7% (4.3).

Lammhults Home

The Lammhults Home business area develops and markets home interiors products – storage furniture under the Voice brand and upholstered furniture under the Ire brand. Net sales totalled SEK 62.4 million, compared with SEK 73.4 million a year earlier. Of net sales the year, storage furniture accounted for SEK 32.5 million (41.6) and upholstered furniture SEK 29.9 million (31.8). Demand in the domestic market was weak throughout the year. However, intensified market development in Norway and Finland started to bear fruit in the form of higher sales in these markets. The gross margin improved somewhat in the fourth quarter and over the year as a whole matched the level of the preceding year. An operating loss of SEK -9.1 million (-9.0) was recorded, and cost-saving measures only partially compensated for the fall in net sales. In order to improve profitability, operations in the business area will be coordinated with those of the Office business area. Another ambition is gradually to expand the product range of the Home business area to include business environments; for example, the No. 5 range was launched in the autumn, a flexible storage system for both office and home environments.

Scandinavian Eyewear

The business area designs, develops and sells spectacle frames under the Skaga, Efva Attling, Oscar Magnuson, Pilgrim, Lexington, Oscar Jacobson and FACE Stockholm brands. Net sales totalled SEK 102.7 million, compared with SEK 104.6 million a year earlier. Sales in the Swedish market were buoyant in the fourth quarter, contributing to an increase of 1% for the year as a whole. In the most important markets for the business area, sales rose during the year in North America, Norway and Eastern Europe, but fell in Finland and Denmark. Of new brands launched recently, Pilgrim has posted the biggest sales successes. In November, the company started selling spectacle frames under the FACE Stockholm brand. The gross margin declined slightly, compared with the figure for the previous year. The operating profit totalled SEK 3.0 million (3.7) and the operating margin was 2.9% (3.5).

Parent Company

The Parent Company's business activities embrace Group management and certain Group-wide functions. Net sales amounted to SEK 6.2 million (6.0), with a profit of SEK 0.6 million (23.7) after financial items. Intra-Group dividends and Group contributions render year-on-year comparisons difficult. Investments totalled SEK 0.5 million (0.0). Cash and cash equivalents, including unused overdraft facilities, totalled SEK 42.9 million (46.8) on 31 December 2011.

Investments and depreciation

The Group's investments in ERP systems, IT and production equipment, including work in progress, amounted to SEK 16.9 million (7.0) during the year; investments in land and buildings totalled SEK 0.0 million (0.3). Total depreciation according to plan during the year was SEK 15.4 million (14.5).

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, and policy is that product development is driven by design, in combination with other essential factors such as production sustainability, functionality, quality, environment and price. The costs associated with this process are not normally sufficient for them to fulfil the criteria for reporting as an asset, but instead are accounted for as administration expenses in the consolidated income statement; see Note 5. During the year, development costs totalling SEK 1.5 million (0.3) 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 are above all conducted in SEK, EUR, DKK and NOK while purchases are mainly made in SEK, EUR, USD 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

In October 2011, the Board resolved to revise the Lammhults Design Group's financial goals over an economic cycle, as follows:

- Growth shall be at least 10% per year (formerly 15%).
- Operating margin shall be at least 8% per year (formerly 10%).
- Return on capital employed shall be at least 15% (formerly 20%).
- The equity/assets ratio shall be at least 35% (unchanged).
- The debt/equity ratio shall be in the range of 0.7 and 1.0 (unchanged).
- The dividend payout ratio shall be approximately 40% of profit after tax (unchanged), taking into account the Group's long-term capital requirements.

Restraint in public sector investments in a number of European markets, combined with weak demand in the premium segments of the furniture market for home interiors in Sweden, affected sales for Lammhults Library and Lammhults Home. Strengthening of the Swedish krona had a negative impact of just over SEK 26 million on the Group's net sales and just under SEK 4 million on operating profit. However, the Group's financial position is strong, which creates scope for growth, both organic and via acquisitions. In order to boost growth and profitability in the years ahead, the Board and Management took a decision in October 2011 to streamline operations and focus on profitable growth in furniture and interiors. The Group will streamline its product offering and focus market development geographically within Northern Europe, as well as long term in certain parts of the BRIC countries. Expertise and resources will be gathered within two clearly defined business areas, Office & Home Interiors and Public Interiors. As a result, the current business areas Lammhults Office and Lammhults Home will be coordinated with in a single business area, Office & Home Interiors. The former Lammhults Library business area is to be developed by expanding sales activities, beyond libraries and to include providers in education, health and social care. The business area will be renamed Public Interiors. As part of this streamlining programme, Scandinavian Eyewear will in the long term be divested. These decisions were implemented in late 2011, and Lammhults Office and Lammhults Home will be integrated gradually during the first half of 2012.

Environmental activities in the Group

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

Human resources

Operations within the Group are as far as possible required to make best use of the skills and experience that have been built up in the Parent Company and business areas. Knowledge transfer with regard to product development, marketing, distribution and export sales, as well as purchases from low-cost countries, form a central element of the Group's strategic focus. Lammhults Design Group endeavours to create safe and healthy work environments, as well as tasks that encourage personal development on the part of the Group's employees. At year-end, the average number of employees was 400 (394). Of the total number of employees in the Group, 42% (42) were women. The costs of wages, salaries and other remuneration amounted to SEK 168.8 million (165.3).

Guidelines for remuneration to senior executives

The Chairman and Members of the Board receive remuneration as determined by resolution at the Annual General Meeting of Shareholders (AGM). In addition, the 2011 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committees shall be paid in the amount of SEK 50 thousand to the Chairman 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 and the Group's results, or the results of the particular business area. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. The variable remuneration for the Group Management may total no more than SEK 2.4 million including social welfare charges in the next 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 eight meetings were held in 2011. 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 57.

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 may affect the possibility of the Company being taken over via a public offer to acquire shares in the Company. No such circumstances exist with regard to Lammhults Design Group AB.

Proposed appropriation of profits

The Board of Directors proposes that the profits available for distribution, SEK 132 817 800, be allocated as follows: Dividend to the shareholders: SEK 0.50 per share (1.00). The total dividend payment amounts to SEK 4 224 052 (8 448 104). To be carried forward: SEK 128 593 748.

Annual General Meeting

The Annual General Meeting (AGM) will be held in Lammhult on 26 April. The Board of Directors will propose, as it did last year, that the AGM approve a new share issue, comprising eight hundred thousand Class B shares, to finance future acquisitions.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK m.	Note	2011	2010
Net sales	2, 3	753.8	778.0
Cost of goods sold		–466.1	–474.4
Gross profit		**287.7**	**303.6**
Other operating income	4	7.4	7.5
Cost of sales		–177.3	–181.8
Administrative expenses		–93.8	–92.5
Other operating costs	5	–5.5	–10.1
Operating profit	**3, 6, 7, 8, 14, 29**	**18.5**	**26.7**
Finance income		1.3	0.8
Finance costs		–7.3	–3.3
Net finance income/costs	9	**–6.0**	**–2.5**
Profit before tax		**12.5**	**24.2**
Tax	10	–6.4	–10.3
Profit for the year		**6.1**	**13.9**
Profit for the year attributable to:			
Shareholders in Parent Company		6.1	13.9
Non-controlling interests		0.0	0.0
Earnings per share, SEK (no dilution)	11	**0.72**	**1.65**
Proposed dividend per share, SEK	21	**0.50**	**1.00**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m.	Note	2011	2010
Profit for the year		**6.1**	**13.9**
Other comprehensive income			
Differences arising from translation of accounts of foreign operations		–1.5	–28.0
Change in fair value of cash flow hedges		–0.4	1.0
Other comprehensive income for the year		**–1.9**	**–27.0**
Comprehensive income for the year		**4.2**	**–13.1**
Profit for the year attributable to:			
Shareholders in Parent Company		4.2	–13.1
Non-controlling interests		0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK m.	Note	31/12/2011	31/12/2010
ASSETS			
Intangible non-current assets	12, 13	192.0	191.8
Property, plant and equipment	14	113.2	144.8
Financial investments	16	0.2	3.9
Non-current receivables		0.0	0.0
Deferred income tax assets	10	1.2	1.2
Total non-current assets		**306.6**	**341.7**
Inventories	17	141.2	144.1
Taxes recoverable	10	13.3	12.5
Accounts receivable	18	138.8	147.3
Other receivables		8.2	11.5
Prepaid expenses and accrued income		12.0	13.6
Cash and cash equivalents	19	46.6	73.4
Assets held for sale	20	33.2	–
Total current assets		**393.3**	**402.4**
TOTAL ASSETS		699.9	744.1
EQUITY	21		
Share capital		84.5	84.5
Other contributed capital		41.2	41.2
Reserves		–9.5	–7.6
Retained earnings including net profit for the year		248.9	251.2
Equity attributable to shareholders in Parent Company		**365.1**	**369.3**
Non-controlling interests		**0.2**	–
Equity		**365.3**	**369.3**
LIABILITIES			
Non-current interest-bearing liabilities	22, 27	54.1	88.8
Other non-current liabilities		0.2	0.2
Provisions for pensions	24	5.4	5.3
Other provisions	25	1.9	5.4
Deferred tax liabilities	10	10.9	11.5
Total non-current liabilities		**72.5**	**111.2**
Current interest-bearing liabilities	22, 27	117.8	119.8
Advance payments from customers		3.5	4.0
Trade payables		62.2	61.4
Income tax liabilities	10	4.5	3.8
Other liabilities		31.6	41.4
Accrued expenses and deferred income	26	27.5	33.2
Liabilities attributable to assets held for sale	20	15.0	–
Total current liabilities		**262.1**	**263.6**
Other liabilities		**334.6**	**374.8**
TOTAL EQUITY AND LIABILITIES		699.9	744.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders in Parent Company							
Amounts in SEK m.	Share capital	Other contributed capital	Hedging reserve	Translation reserve	Retained profit incl. profit for year	**Total**	Non-controlling interests	**Total equity**
Opening balance, equity 01/01/2010	84.5	41.2	-0.2	19.6	250.0	**395.1**	0.0	**395.1**
Comprehensive income for the year:								
Profit for the year	0.0	0.0	0.0	0.0	13.9	**13.9**	0.0	**13.9**
Translation differences for the year	0.0	0.0	0.0	–28.0	0.0	**–28.0**	0.0	**–28.0**
Changes in fair value of cash flow hedges for the year	0.0	0.0	1.0	–0.0	0.0	**–1.0**	0.0	**–1.0**
Comprehensive income for the year	**0.0**	**0.0**	**1.0**	**–28.0**	**13.9**	**–13.1**	**0.0**	**–13.1**
Dividend paid	0.0	0.0	0.0	0.0	–12.7	**–12.7**	0.0	**–12.7**
Closing balance, equity 31/12/2010	**84.5**	**41.2**	**0.8**	**–8.4**	**251.2**	**369.3**	**0.0**	**369.3**
Opening balance, equity 01/01/2011	84.5	41.2	0.8	–8.4	251.2	**369.3**	0.0	**369.3**
Comprehensive income for the year:								
Profit for the year	0.0	0.0	0.0	0.0	6.1	**6.1**	0.0	**6.1**
Translation differences, for the year	0.0	0.0	0.0	–1.3	0.0	**–1.3**	0.0	**–1.3**
Changes in fair value of cash flow hedges, for the year	0.0	0.0	–0.4	0.0	0.0	**–0.4**	0.0	**–0.4**
Comprehensive income for the year	**0.0**	**0.0**	**–0.4**	**–1.3**	**6.1**	**4.4**	**0.0**	**4.4**
Dividend paid	0.0	0.0	0.0	0.0	–8.4	**–8.4**	0.0	–8,4
Changes in ownership interests in subsidiaries:								
Sale to non-controlling interests, controlling interest retained	0.0	0.0	0.0	–0.2	0.0	**–0.2**	0.2	0.0
Closing balance, equity 31/12/2011	**84.5**	**41.2**	**0.4**	**–9.9**	**248.9**	**365.1**	**0.2**	**365.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK m.	Note	2011	2010
	33		
OPERATING ACTIVITIES			
Profit before tax		12.5	24.2
Adjustment for non-cash items		13.0	7.4
Income tax paid		–7.4	–16.1
Cash flows from operating activities before changes in working capital		**18.1**	**15.5**
Cash flow from changes in working capital			
Changes in inventories[1]		2.9	12.4
Changes in operating receivables[1]		13.5	19.1
Changes in operating liabilities[2]		–10.9	–17.2
Cash flows from operating activities		**23.6**	**29.8**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		–11.0	–7.3
Disposal of property, plant and equipment		0.0	1.0
Purchases of non-current intangible assets		–1.5	–0.5
Purchases of subsidiaries, net impact on liquidity		–2.7	–22.8
Purchases of financial assets		-	–0.3
Disposal of financial assets		3.6	-
Cash flows from investing activities		**–11.6**	**–29.9**
FINANCING ACTIVITIES			
Premiums received for subscription warrants		0.1	-
Loans raised		5.5	64.0
Repayments of loans		–35.3	–47.3
Dividend paid		–8.4	–12.7
Cash flows from financing activities		**–38.1**	**4.0**
Cash flows for the year		–26.1	3.9
Cash and cash equivalents at beginning of year		73.4	70.2
Translation difference in cash and cash equivalents		–0.7	–0.7
Cash and cash equivalents at year-end		**46.6**	**73.4**

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

PARENT COMPANY INCOME STATEMENT

Amounts in SEK m.	Note	2011	2010
Net sales	2, 3	6.2	6.0
Gross profit		**6.2**	**6.0**
Administrative expenses		–16.2	–14.5
Operating profit	6, 7, 14, 29	**–10.0**	**–8.5**
Result from financial items	9		
Profit from participations in Group companies		11.9	31.9
Other interest income		2.1	1.3
Interest expense		–3.4	–1.0
Profit after finance items		**0.6**	**23.7**
Tax	10	–0,1	–1.1
Profit for the year		**0.5**	**22.6**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m.	Note	2011	2010
Profit for the year		**0.5**	**22.6**
Other comprehensive income for the year		-	-
Comprehensive income for the year		**0.5**	**22.6**

PARENT COMPANY BALANCE SHEET

Amounts in SEK m.	Note	31/12/2011	31/12/2010
NON-CURRENT ASSETS			
Property, plant and equipment	14	0.6	0.2
Financial non-current assets			
Participations in Group companies	32	349.7	349.7
Total financial non-current assets		**349.7**	**349.7**
Total non-current assets		**350.3**	**349.9**
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		171.6	154.9
Taxes recoverable		4.1	3.4
Other receivables		0.1	0.1
Prepaid expenses and accrued income		0.7	0.6
Total current receivables		**176.5**	**159.0**
Cash and bank balances	19	17.3	26.3
Total current assets		**193.8**	**185.3**
TOTAL ASSETS		**544.1**	**535.2**
EQUITY	21		
Restricted equity			
Share capital (1 103 798 Class A shares each carrying 10 votes and 7 344 306 Class B shares each carrying 1 vote)		84.5	84.5
Statutory reserve		41.2	41.2
Unrestricted equity			
Fair value reserve		–1.1	–1.1
Retained profit		133.4	119.3
Profit for the year		0.5	22.6
Total equity		**258.5**	**266.5**
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	23	2.2	12.4
Total non-current liabilities		**2.2**	**12.4**
CURRENT LIABILITIES			
Liabilities to credit institutions	23	107.0	104.8
Trade payables		0.9	0.7
Liabilities to Group companies		170.8	146.7
Other liabilities		0.3	0.1
Accrued expenses and deferred income	26	4.4	4.0
Total current liabilities		**283.4**	**256.3**
TOTAL EQUITY AND LIABILITIES		**544.1**	**535.2**

PARENT COMPANY'S PLEDGED ASSETS AND CONTINGENT LIABILITIES

Amounts in SEK m.	Note	**31/12/2011**	31/12/2010
Pledged assets	30	203.6	203.6
Contingent liabilities	30	3.8	3.6

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

	Restricted equity		Unrestricted equity			
Amounts in SEK m.	Share capital	Statutory reserve	Fair value reserve Translation reserve	Retained profit/loss for year	Profit/loss profit	**Total equity**
Opening balance, equity 01/01/2010	84.5	41.2	–1.1	141.1	–9.1	**256.6**
Transfer of profit/loss for preceding year	0.0	0.0	0.0	–9.1	9.1	**0.0**
Comprehensive income for the year						
Profit for the year	0.0	0.0	0.0	0.0	22.6	**22.6**
Other comprehensive income for the year	0.0	0.0	0.0	0.0	0.0	**0.0**
Comprehensive income for the year	**0.0**	**0.0**	**0.0**	**0.0**	**22.6**	**22.6**
Dividend paid	0.0	0.0	0.0	–12.7	0.0	**–12.7**
Closing balance, equity 31/12/2010	**84.5**	**41.2**	**–1.1**	**119.3**	**22.6**	**266.5**
Opening balance, equity 01/01/2011	84.5	41.2	–1.1	119.3	–22.6	**266.5**
Transfer of profit/loss for preceding year	0.0	0.0	0.0	22.6	–22.6	**0.0**
Comprehensive income for the year						
Profit for the year	0.0	0.0	0.0	0.0	0.5	**0.5**
Other comprehensive income for the year	0.0	0.0	0.0	–0.1	0.0	**–0.1**
Comprehensive income for the year	**0.0**	**0.0**	**0.0**	**–0.1**	**0.5**	**0.4**
Dividend paid	0.0	0.0	0.0	–8.4	0.0	**–8.4**
Closing balance, equity 31/12/2011	**84.5**	**41.2**	**–1.1**	**133.4**	**0.5**	**258.5**

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK m.	Note	2011	2010
	33		
OPERATING ACTIVITIES			
Profit after finance items		0.6	23.7
Adjustment for non-cash items		–11.8	–29.7
Income tax paid		–0.7	–12.2
Cash flows from operating activities before changes in working capital		**–11.9**	**–18.2**
Cash flow from changes in working capital			
Changes in operating receivables[1]		–21.3	–12.5
Changes in operating liabilities[2]		28.2	13.5
Cash flows from operating activities		**–5.0**	**–17.2**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		–0.5	-
Disposal of property, plant and equipment		-	0.1
Cash flows from investing activities		**–0.5**	**0.1**
FINANCING ACTIVITIES			
Loans raised		5.4	48.6
Repayments of loans		–13.3	–38.8
Dividend paid		–8.4	–12.7
Dividend received		-	19.1
Group contributions received		28.5	25.0
Group contributions paid		–15.7	–7.7
Cash flows from financing activities		**–3.5**	**33.5**
Cash flows for the year		**–9.0**	**16.4**
Cash and cash equivalents at beginning of year		26.3	9.9
Cash and cash equivalents at year-end		**17.3**	**26.3**

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

NOTE 1. 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 12 March 2012. The consolidated income statement, statement of comprehensive income and statement of financial position, together with the Parent Company's income statement, statement of comprehensive income and balance sheet will be presented for adoption by the Annual General Meeting of Shareholders, to be held on 26 April 2012.

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. Furthermore, the Group's accounting policies have been applied consistently by the Group's companies.

REVISED ACCOUNTING POLICIES

The revised accounting policies applied by the Group with effect from 1 January 2011 are described in the following. The new and revised accounting policies that entered into force in 2011 are not considered to have any effect the Group's accounting.

– IAS 24 Related Party Disclosures above all with regard to disclosure for government-related entities, but also with regard to the definition of related parties
– Amendments to IAS 32 Financial Instruments: Classification of new share issues
– Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, with regard to prepayments intended to cover minimum funding requirements
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
– Annual improvements to IFRS that are not yet applicable, published in May 2010

NEW IFRS NOT YET IMPLEMENTED

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

It is envisaged that IFRS 9 Financial Instruments will supersede IAS 39 Financial Instruments: Recognition and Measurement no later than from the beginning of 2015. IASB has published the first two parts that together will make up IFRS 9. The first part deals with the classification and measurement of financial assets. The categories of financial assets 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 in

IAS 39, other than as regards financial liabilities, which are voluntarily measured at fair value under the “fair value option”. In these liabilities, the change in value is apportioned among changes that are attributable to own creditworthiness and changes in the benchmark interest rate, respectively. The Company has not decided whether the new principles will be adopted early or from the beginning of 2015.

The following amended accounting policies for application in future financial years are not expected to have any impact on the Group’s financial reporting:
– Amendments to IAS 1 Presentation of Financial Statements
– Amendments to IAS 12 Income Taxes, regarding assessment of tax for investment properties
– Amendments to IAS 19, Employee Benefits
– Amendments to IFRS 7, Financial Instruments: Information on new disclosure requirements for transferred financial assets
– IFRS 10 Consolidated Financial Statements
– IFRS 11 Joint arrangements
– IFRS 12 Disclosure of Interest in Other Entities
– Amendment of IAS 27 Separate Financial Statements
– Amendment of IAS 28 Investments in Associates and Joint Ventures
– IFRS 13 Fair Value Measurement

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 after more than 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-makers to evaluate the results and to enable resources to be allocated to the operating segment.

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 considered.

Acquisitions on 1 January 2010 or later

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

Business combinations between 1 January 2004 and 31 December 2009

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

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

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

Sale 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 CURRENCY

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 financial environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the rate of exchange prevailing on 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 to SEK 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 fee on a linear basis over the period of the lease. Variable fees are expensed in the periods in which they arise.

Financial lease contracts

Minimum leasing fees are divided between interest costs and amortisation of outstanding liabilities. Interest costs are distributed over the 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.

FINANCE INCOME AND COSTS

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

INCOME TAXES

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

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

FINANCIAL INSTRUMENTS

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

Recognition in and derecognition from the statement of financial position

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

Classification and measurement

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

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

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that are not derivatives, that have defined or definable payments and that are not 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. In the case of a confirmed bad debt loss, there will be strong reasons for assuming that a customer invoice will not be paid, for example bankruptcy or a creditor's arrangement, or when the invoice has long been due for payment and has not been paid despite reminders and debt collection proceedings. However, a provision is made when the loss is anticipated. Criteria that are taken into account when a provision is made may include, for example, non-payment of amounts due or other indications that may point to financial problems on the part of the debtor.

Other financial liabilities

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

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

Financial guarantees

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

Receivables and liabilities in foreign currencies

Currency forward contracts are used to hedge the currency risk of receivables and liabilities. 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 in the statement of financial position at fair value. The value changes in the period are recognised in other comprehensive income and the accumulated value changes, as a separate component of equity (the hedging reserve) until the hedged flow affects profit/loss for the year, whereupon the accumulated value changes in the hedging instrument are reclassified to profit/loss for the year at the same time as the hedged item (the sales income) affects profit/loss for the year.

Cash flow hedging for interest rate risk

Interest swaps are used to hedge against the uncertainty in very high-probability forecast interest-rate flows relating to loans at variable interest rates. These interest rate swaps are measured at fair value in the statement of financial position. The interest coupon component is recognised on an ongoing basis in profit/loss for the year as a constituent of the interest expense. Any other value change in interest rate swaps is recognised in other comprehensive income and is included in the hedging reserve until the hedged item affects profit/loss for the year and for as long as the criteria for hedge accounting and effectiveness are satisfied. Any profit or loss that is attributable to the ineffective portion is recognised in profit/loss for the year.

Hedging of fair value in non-financial assets

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

Hedging of fair value of interest rate risk

Interest rate swaps are used as hedging instruments to secure protection against the risk of any change in fair value in the Company's own borrowing at fixed interest rates. In the accounts, fair-value hedging is then used and the hedged item is translated at fair value with regard to the risk hedged (the risk-free interest rate) and changes in value are recognised in the profit and loss for the year in the same way as for the hedging instrument.

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

Borrowing costs

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

Principles of depreciation

Depreciation is applied on a straight-line basis over the estimated useful life of the particular asset. Land is not depreciated. The Group applies component depreciation, according to which depreciation is based on the estimated useful life of each component.

Estimated useful lives:

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

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.

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 depreciation

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

Brands	10 years
Capitalised development costs	5-10 years.

The useful lives are reviewed every year.

INVENTORIES

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

IMPAIRMENT LOSSES

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

Impairment test 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 e xists 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 reported, 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 2011, there were no warrants or convertible debentures outstanding in the Group.

REMUNERATION TO EMPLOYEES

Defined-contribution pension plans

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

Defined-benefit pension plans

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

Commitments for retirement pensions and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a defined-benefit plan shared by several employers. For the 2011 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

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

Immediately prior to the classification as being held for sale, the carrying amount of the assets (and all assets and liabilities in a disposal group) shall be determined in accordance with applicable standards. At first classification as being held for sale, non-current assets and disposal groups are recognised at whichever is the lower of carrying amount and fair value, less 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.

CONTINGENT LIABILITIES

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2, Accounting by Legal Entities, issued by the Swedish Financial Reporting Board (September 2011). 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 2011 have been amended as described above for the Group.

The Swedish Financial Reporting Board has withdrawn UFR 2 Group Contributions and Shareholder Contributions and amended RFR 2 with regard to accounting for group contributions. As a result, the Parent Company has amended its accounting policy on accounting for group contributions. From the beginning of 2011, the Parent Company reports group contributions received and paid on the line Result from participations in Group companies. Figures for 2010, presented for comparison, have been restated to reflect the new policies. In the past, Group contributions were recognised direct in equity, in accordance with UFR 2 Group Contributions and Shareholder Contributions. The change affected profit for the period in the amount of SEK 8.8 million (9.5).

Classification and presentation format

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

Subsidiaries

Shares in subsidiaries are recognised in the Group using the purchase method. Shares in subsidiaries are reported in the Parent Company using the acquisition method. As a result, transaction costs are included in the carrying amount for shares in subsidiaries. In the consolidated accounts, transaction costs are recognised immediately in the profit or loss when they arise. Conditional purchase considerations are measured on the basis of the probability that the purchase consideration will be paid. Any changes in the provision/claim are added to/reduce the acquisition cost. Conditional purchase considerations are recognised in the consolidated accounts at fair value, with any changes in values, via the profit or loss.

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

Anticipated dividends

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

Net investments

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

Leased assets

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

Borrowing costs

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

Income taxes

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

Group contributions and shareholder contributions for legal entities

The accounting policies on Group contributions have been amended following the Swedish Financial Reporting Board's withdrawal of UFR 2, Group Contributions and Shareholder Contributions. From the beginning of 2011, the Parent Company reports Group contributions received and paid on the line Result from participations in Group companies.

NOTE 2. REVENUE ANALYSIS

The entire Group's net sales of SEK 753.8 million (778.0) are made up entirely of sales of goods. Net sales by the Parent Company, totalling SEK 6.2 million (6.0), comprise payments from the Group's subsidiaries for administrative services.

NOTE 3. OPERATING SEGMENTS

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

BUSINESS AREAS

The Lammhults Library business area develops and markets attractive and functional interiors for libraries, schools and other public meeting places, such as educational premises and arts centres. 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 Lammhults Office business area develops and markets products for interiors in public environments. The business area has three brands: Lammhults, which offers visually strong, timeless furniture with high design values, Abstracta and Borks, which market products for visual communication and screening.

The Lammhults Home business area develops and markets home interiors products. The business area has two brands: Voice for flat-pack furniture such as storage units and desks, and Ire for upholstered furniture such as sofas and armchairs.

The Scandinavian Eyewear business area develops and markets high-quality spectacle frames. The business area comprises Scandinavian Eyewear AB with subsidiary Seven. The business comprises the company's own Skaga brand and licensing deals under which collections are developed for other brands.

Other operations include Groupwide functions.

In the fourth quarter 2011, the Board decided that the Group would streamline operations and focus on profitable growth in furniture and interiors. Expertise and resources will be gathered within two clearly defined business areas, Office & Home Interiors and Public Interiors. As a result, the current business areas Lammhults Office and Lammhults Home will be coordinated within a single business area, Office & Home Interiors. Lammhults Office and Lammhults Home will be integrated gradually during the first half of 2012. The former Lammhults Library business area is to be developed by expanding sales activities beyond libraries also to target providers in education and health and social care. The business area will be renamed Public Interiors. As part of this streamlining programme, Scandinavian Eyewear will in the long term be divested. Against this background, reporting in 2012 will be conducted in accordance with division into business areas described above.

THE GROUP'S OPERATING SEGMENTS

Group	Lammhults Library 2011	Lammhults Library 2010	Lammhults Office 2011	Lammhults Office 2010	Lammhults Home 2011	Lammhults Home 2010	Scandinavian Eyewear 2011	Scandinavian Eyewear 2010	Other operation(s) 2011	Other operation(s) 2010	Eliminations 2011	Eliminations 2010	Total 2011	Total 2010
Income from external customers	260.7	318.2	328.1	281.9	62.3	73.3	102.7	104.6	0.0	0.0	0.0	0.0	753.8	778.0
Income from other segments	0.0	0.0	3.8	5.8	0.1	0.1	0.0	0.0	6.2	6.0	–10.1	–11.9	0.0	0.0
Total income	**260.7**	**318.2**	**331.9**	**287.7**	**62.4**	**73.4**	**102.7**	**104.6**	**6.2**	**6.0**	**–10.1**	**–11.9**	**753.8**	**778.0**
Depreciation	5.3	5.9	6.1	4.9	2.5	1.8	1.4	1.8	0.1	0.1	0.0	0.0	15.4	14.5
Operating profit/loss	7.1	13.8	33.7	32.8	–9.1	–9.0	3.0	3.7	–16.2	–14.6	0.0	0.0	18.5	26.7
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.8
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–7.3	–3.3
Profit before tax													**12.5**	**24.2**
Assets	254.1	269.7	223.5	220.2	101.7	105.2	76.2	81.0	6.5	5.8	0.0	0.0	662.0	681.9
Non-allocated assets	–	–	–	–	–	–	–	–	–	–	–	–	37.9	62.2
Total assets													**699.9**	**744.1**
Investments in non-current assets	2.3	3.0	10.5	2.4	3.6	2.2	1.5	0.6	0.5	0.0	–	–	18.4	8.2
Liabilities	42.9	52.7	48.1	42.6	10.9	14.0	23.9	33.9	6.3	5.8	–	–	132.1	149.0
Non-allocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	202.4	225.8
Total liabilities													**334.5**	**374.8**

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 outside Sweden represent 62% (65) of total net sales.

Group	Sweden 2011	Sweden 2010	Rest of Europe 2011	Rest of Europe 2010	Rest of the World 2011	Rest of the World 2010	Group 2011	Group 2010
Net sales per geographical market	288.7	273.4	422.8	462.8	42.3	41.8	753.8	778.0
Non-current assets per geographical market	156.3	182.9	150.3	158.8	0.0	0.0	306.6	341.7
Investments per geographical market	15.6	5.0	2.7	3.2	0.0	0.0	18.3	8.2

NOTE 4. OTHER OPERATING INCOME

Group	2011	2010
Exchange rate gains	6.0	6.6
Gain from unfulfilled condition for purchase consideration	1.2	–
Other operating income	0.2	0.9
	7.4	**7.5**

Gain from unfulfilled condition for purchase consideration of SEK 1.2 (0.0) million pertains to Harmonie Projects. Based on that company's operating profit for the 01/01/2010–31/12/2011 period, the former owner could have claimed a conditional purchase consideration. Because the company's operating profit was less than EUR 0.3, no conditional purchase consideration was paid.

NOTE 5. OTHER OPERATING COSTS

Group	2011	2010
Exchange rate losses	5.3	8.2
Reversals of acquired order bookings	0.4	0.9
Other operating costs	–0.2	1.0
	5.5	**10.1**

Development costs in the amount of SEK 20.4 million (20.4) have been expensed and included in operating expenses as administrative expenses. Development is conducted to a certain extent in the form of order-based development, which is accounted for in accordance with IAS 2 and is thus paid for by the customer concerned. For further details of capitalised development costs, see Note 13.

Reversals of order bookings acquired, totalling SEK 0.4 million (0.9), pertained in both 2010 and 2011 to the depletion of the market value of order bookings acquired at Harmonie Projects.

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

Cost of remuneration to employees	2011	2010
Group		
Salaries and remuneration etc.	168.8	165.3
Pension costs	12.6	12.0
Social welfare charges	33.6	33.8
Total, Group	**215.0**	**211.1**

Average number of employees	2011	Of whom men, %	2010	Of whom men, %
Parent Company				
Sweden	5	60	5	60
Subsidiaries				
Sweden	227	60	234	61
Denmark	79	47	58	51
Germany	36	67	39	64
Other countries	53	57	58	50
Total, subsidiaries	395	57	389	58
Total, Group	**400**	**58**	**394**	**58**

Gender breakdown in company managements	31/12/2011 Share women, %	31/12/2010 Share women, %
Parent Company		
Board of Directors	33	33
Other senior executives	0	0
Total, Group		
Boards of Directors	13	10
Other senior executives	26	25

REMUNERATION OF SENIOR EXECUTIVES

Guidelines

The Chairman and Members of the Board receive remuneration as determined by resolution at the Annual General Meeting of Shareholders (AGM). In addition, the 2011 AGM resolved that remuneration for functions performed within the Audit and Remuneration Committees shall be paid in the amount of SEK 50 thousand to the Chairman and SEK 25 thousand to the other two members of each committee. No agreements exist with regard to future pensions or severance pay, either for the Chairman of the Board or for other Board Members.

The AGM has adopted the following guidelines on the remuneration of senior executives: Wages, salaries and other conditions of employment for the CEO and other senior executives shall be such that skilled personnel can be recruited, motivated and retained. The Group's senior executives who make up Group Management have agreements 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 and the Group's results, or the results of the particular business area. The variable remuneration for senior executives may total no more than four monthly salary payments per annum. There should also be scope for long-term equity or equity-related incentive programmes.

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

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

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

	2011		2010	
Parent Company	**Senior executives (9 pers.)**	**Other employees (2 pers.)**	Senior executives (9 pers.)	Other employees (2 pers.)
Salaries and other remuneration	4.8	1.3	4.6	0.9
(of which, bonuses etc.)	(0.2)	(–)	(–)	(–)
Social welfare charges	2.5	0.6	2.5	0.4
Of which, pension costs	1.1	0.2	1.0	0.1

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

Group	**2011 Senior executives (49 pers.)**	2010 Senior executives (48 pers.)
Sweden		
Salaries and other remuneration	21.0	22.0
(of which, bonuses etc.)	(0.3)	(0.7)
Pension costs	3.1	3.4
Denmark		
Salaries and other remuneration	6.9	8.3
(of which, bonuses etc.)	(-)	(-)
Pension costs	0.2	0.3
Germany		
Salaries and other remuneration	2.2	3.4
(of which, bonuses etc.)	(1.3)	(1.7)
Pension costs	0.1	0.3
Total, Group	**30.1**	**33.7**
(of which, bonuses etc.)	**(1.6)**	**(2.4)**
Pension costs	**3.4**	**4.0**

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, 2011

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

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

INCENTIVE PROGRAMME FOR SENIOR EXECUTIVES

On 29 April 2009, the Company issued 35,000 warrants for the period 2009/2011. Each warrant entitled the holder to subscribe one new Class B share in the Company in the period from 31 March 2011 to 31 May 2011, inclusive.

The subscription price was set at an amount corresponding to 118% of the volume-weighted average price paid for Class B shares in the Company on the Nasdaq OMX Nordic Exchange in Stockholm in the period from 6 May 2009 to 19 May 2009, inclusive.

Three senior executives in the Group each acquired 10,000 warrants, while one senior executive acquired 5,000 warrants. The warrants were offered on commercial terms at a price computed on the basis of a market value estimated for the warrants using the Black & Scholes valuation model and calculated by the independent valuation institution Öhrlings PricewaterhouseCoopers. The offer price was set at SEK 4.42 per warrant, representing a total acquisition price of SEK 44,200 and SEK 22,100 per executive, respectively, as described above. The redemption price for the warrants is SEK 50.00. No options were exercised to subscribe new Class B shares in the period from 31 March 2011 to 31 May 2011, inclusive.

REMUNERATION OF SENIOR EXECUTIVES

Remuneration and other benefits, Parent Company, 2010

SEK th.	Basic salary, Board fee	Variable remuneration	Severance pay	Other benefits	Pension cost	Fee, comm. work	**Total**
Board Chairman							
Torbjörn Björstrand							
Remuneration from Parent Company	240	–	–	–	–	19	**259**
Board member							
Yngve Conradsson							
Remuneration from Parent Company	120	–	–	–	–	9	**129**
Board member							
Jerry Fredriksson							
Remuneration from Parent Company	120	–	–	–	–	9	**129**
Board member							
Erika Lagerbielke							
Remuneration from Parent Company	120	–	–	–	–	9	**129**
Board member							
Lotta Lundén							
Remuneration from Parent Company	120	–	–	–	–	9	**129**
Board member							
Anders Pålsson							
Remuneration from Parent Company	120	–	–	–	–	19	**139**
CEO							
Anders Rothstein							
Remuneration from Parent Company	1 971	–	–	85	527	–	**2 583**
Other senior executives (2 pers.	1 704	–	–	144	461	–	**2 309**
Total	**4 515**	**-**	**-**	**229**	**988**	**75**	**5 807**

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

NOTE 7. FEES AND REIMBURSEMENT OF COSTS TO AUDITORS

	Group		Parent Company	
	2011	2010	**2011**	2010
KPMG / Michael Johansson				
Auditing services	1.7	1.5	0.3	0.3
Auditing services other than auditing assignments	0.0	0.0	–	–
Tax advice	0.4	0.5	0.0	0.0
Other services	0.8	0.7	0.6	0.5
Other auditors				
Auditing assignments	0.5	0.4	–	–
Auditing services other than auditing assignments	0.1	0.4	–	–
Tax advice	0.0	–	–	–
Other services	0.1	0.1	–	–

Auditing assignments consists of the audit of the annual report, annual accounts and administration of the Board and President, other assignments routinely performed by auditors, and advice and other support required through observations made during the audit or performance of routine duties.

NOTE 8. OPERATING EXPENSES ALLOCATED BY TYPE OF COST

Group	**2011**	2010
Costs of goods and materials	322.7	336.8
Personnel costs	218.8	212.8
Depreciation	15.4	14.5
Other operating costs	185.8	194.7
	742.7	**758.8**

NOTE 9. NET FINANCE INCOME/COSTS

Group	**2011**	2010
Interest income on non-impaired loans receivable and trade receivables	0.1	0.1
Interest income on bank balances	0.8	0.5
Interest income on trade payables	0.0	0.2
Exchange rate fluctuations	0.4	0.0
Finance income	**1.3**	**0.8**
Interest expense on defined benefit pension commitments	–0.1	–0.1
Interest expense on financial liabilities	–6.0	–4.0
Exchange rate fluctuations	–0.7	1.1
Other interest expense	–0.5	–0.3
Finance costs	**–7.3**	**–3.3**
Net finance income/costs	**–6.0**	**–2.5**

	Result from participations in Group companies	
Parent Company	**2011**	2010
Dividend	–	19.1
Group contributions received	24.2	28.5
Group contributions paid	–12.3	–15.7
	11.9	**31.9**

	Interest income and similar items	
Parent Company	**2011**	2010
Interest income, Group companies	2.0	1.2
Interest income on bank balances	0.1	0.1
	2.1	**1.3**

	Interest expense and similar profit/loss items	
Parent Company	**2011**	2010
Interest expense, Group companies	–0.3	–0.1
Interest expense, financial liabilities	–3.2	–2.3
Exchange rate fluctuations	0.1	1.4
	–3.4	**–1.0**

NOTE 10. INCOME TAXES

REPORTED IN THE INCOME STATEMENT

Group	2011	2010
Current tax expense		
Tax expense for the period	–7.1	–5.9
Adjustment of tax attributable to previous years	-	–0.1
	–7.1	–6.0
Deferred tax expense		
Deferred tax, temporary differences and loss carry-forwards	0.7	–4.3
Total reported tax expense in the Group	**–6.4**	**–10.3**

Parent Company	2011	2010
Current tax expense		
Tax expense for the period	–0.1	–1.1
Total reported tax expense in the Parent Company	**–0.1**	**–1.1**

RECONCILIATION OF EFFECTIVE TAX

Group	2011	2010
Profit before tax	12.5	24.2
Tax as per current tax rate for the Parent Company	3.3	6.4
Effect of other tax rates for foreign subsidiaries*	-	0.1
Non-deductible costs	0.2	0.7
Non-taxable revenues	–0.3	–0.3
Increase in tax loss carry-forwards without corresponding capitalisation of deferred tax	3.4	3.4
Utilisation of previous non-capitalised tax loss carry-forwards	–0.2	–0.1
Tax attributable to previous years	-	0.1
Recognised effective tax	**6.4**	**10.3**

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

Parent Company	2011	2010
Profit before tax	0.6	23.7
Tax as per current tax rate for the Parent Company	0.2	6.2
Non-taxable revenues	–0.1	–5.1
Recognised effective tax	**0.1**	**1.1**

TAX ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

	2011			2010		
Group	Before tax	Tax	After tax	Before tax	Tax	After tax
Trans. diff. for year on translation of foreign operations	–1.8	0.3	–1.5	–28.6	0.6	–28.0
Change in fair value of cash flow hedges	–0.6	0.2	–0.4	1.3	–0.3	–1.0
Other comprehensive income for the year	**–2.4**	**0.5**	**–1.9**	**–27.3**	**0.3**	**–27.0**

RECOGNISED IN STATEMENT OF FINANCIAL POSITION

Deferred tax assets and liabilities

	Deferred tax asset		Deferred tax liability		Net	
Group	**2011**	2010	**2011**	2010	**2011**	2010
Property, plant and equipment	–0.8	–0.9	10.7	10.9	–11.5	–11.8
Intangible assets	0.4	0.4	–0.4	–0.3	0.8	0.7
Inventories	0.1	0.1	-	-	0.1	0.1
Interest-bearing liabilities	-	-	0.3	0.3	–0.3	–0.3
Pension provisions	0.5	0.6	-	-	0.5	0.6
Other provisions	0.4	0.4	-	-	0.4	0.4
Tax loss carry-forwards	0.6	0.6	0.3	0.6	0.3	-
Tax assets/liabilities, net	**1.2**	**1.2**	**10.9**	**11.5**	**–9.7**	**–10.3**

The following subsidiaries of Lammhults Biblioteksdesign A/S, Denmark have uncapitalised tax loss carry-forwards: BC Interieur S.A.R.L., France, (totalling SEK 9.2 m, with unlimited rolling facility), Bibliotecas BCI SA, Spain (totalling SEK 3.3 million, with 15-year rolling facility), IFBD GmbH, Germany (totalling SEK 1.8 million with unlimited rolling facility) and NBLC Systemen, Netherlands (totalling SEK 1.4 million with 9-year rolling facility).

Scandinavian Eyewear AS, Norway, a subsidiary of Scandinavian Eyewear AB, Sweden, has uncapitalised tax loss carry-forwards of SEK 5.7 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 11. EARNINGS PER SHARE

Earnings per share	2011	2010
Profit for the period	6.1	13.9
Weighted number of ordinary shares outstanding	8.4	8.4
Earnings per share before and after dilution	**0.72**	**1.65**

NOTE 12. ACQUISITION OF BUSINESS OPERATIONS

HARMONIE PROJECTS

On 21 January 2010, Schulz Speyer Bibliothekstechnik AG acquired the library operation of Harmonie Projects Srl, establishing a new company for this business. The fixed purchase consideration was SEK 4.5 million and was paid in cash. In addition, a conditional purchase consideration, estimated at SEK 1.2 m, was to be payable in certain circumstances. Harmonie Projects is Schulz Speyer's reseller in Italy. The company's business concept is to sell library systems, plus complementary specialist products from local suppliers. The acquisition secured our market leading position in the library market in Italy. The former main owner and President of Harmonie Projects is continuing to work at the new company, which has five permanent employees and is based at Merano, Italy.

IMPACT OF THE ACQUISITION OF HARMONIE PROJECTS IN 2010-2011

In 2011, the library business of Harmonie Project reported sales of SEK 13.5 million (18.9). During the year, the subsidiary charged SEK 2.9 million (0.7) to the Group's operating profit and SEK 2.4 million (0.5) to the Group's profit after tax. A bad debt loss of SEK 1.3 million (0.0) impacted negatively on profits in 2011. The business was affected by the economic instability in Italy caused by deficits in the public finances. On the basis of Harmonie Projects' operating profit for the 01/01/2010–31/12/2011 period, the former owner was to be able to claim a conditional purchase consideration. At an operating profit of less than EUR 0.3 million, no conditional purchase consideration was to be paid. At an operating profit of EUR 0.3 million, a conditional purchase consideration of EUR 0.120 million was to be paid. At an operating profit in the range of EUR 0.3 million – EUR 1.2 million, an extra purchase consideration amounting to 50% of the operating profit above EUR 0.3 million was to be payable. At an operating profit in in excess of EUR 1.2 million, an extra purchase consideration amounting to 30% of the operating profit above EUR 1.2 million was to be payable. Because the operating profit for the 01/01/2010–31/12/2011 period was negative, no conditional purchase consideration was paid.

The library sector is in a phase of rapid expansion and a number of trends are identifiable. Libraries are being centralised and are becoming larger. New libraries have become status symbols and high design values and architectural ambitions are very often in play when new libraries are built. Libraries are being transformed from places where people borrow books into locations where people meet and mingle for relatively long periods of time. The business will be developed in the future by expanding sales activities beyond libraries to target providers in education and health and social care. Increasingly close cooperation within the Group's supply chain functions is establishing more efficient product supply. This is creating the scope for competitive selling prices and as a result potentially larger sales volumes in the future. These market trends and activities in progress indicate healthy growth for the Company. As a result, there is unlikely to be any particularly pressing need to adjust the value of goodwill over the next few financial years.

The value of goodwill includes the value of an expanded distribution network in the library sector in Italy, greater sales potential via market-leading positions in public-sector procurement and the expertise of the personnel in the library sector. Apart from goodwill, the intangible asset identified at acquisition was order bookings, for which the market value was calculated at SEK 1.4 million at that point in time.

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

HARMONIE PROJECTS – NET ASSETS AT TIME OF ACQUISITION:

	Carrying amount Harmonie Projects before acquisition	Fair value adjustment	Fair value carried by Group
Intangible assets	0.0	1.4	1.4
Inventories	0.3		0.3
Pension provisions	–0.4	-	–0.4
Other operating liabilities	–0.2		–0.2
Deferred tax liability	-	–0.4	–0.4
Net identifiable assets and liabilities	–0.3	1.0	0.7
Goodwill on consolidation			5.0
Estimated total purchase consideration, cash			5.7
Estimated conditional purchase consideration			–1.2
Payment transferred			**4.5**

BORKS PATENTTAVLER

On 19 November 2010, Lammhults Möbel AB acquired 100% of the shares in Borks Patenttavler A/S. The total purchase consideration, SEK 13.9 m, was paid in cash. Borks Patenttavler is a leading supplier of blackboards in Denmark. The products are manufactured in the company's own factory and are sold in Denmark, the rest of Europe and the USA. The acquisition strengthens the Group's market position in the Nordic region. Alongside the Abstracta brand, the acquisition of the Borks brand boosts the Group's offering in the product area and creates potential synergies in, for example, purchasing, production and sales. In recent years, the company has reported sales of around SEK 50 million and at the time of acquisition had 36 employees. It is based at Kolding, Denmark. Borks' operations consist of developing, manufacturing and marketing writing board systems for equipping conference, assembly and educational premises, where functionality, quality and design are of paramount importance.

IMPACT OF THE ACQUISITION OF BORKS PATENTTAVLER IN 2010–2011

In 2011, the subsidiary affected the Group's results in the following amounts: net sales SEK 42.6 million (2.5), operating profit SEK -0.9 million (-1.2) and profit after tax SEK -1.0 million (-1.1).

The Danish market has been weak in recent years, but we anticipate a gradual improvement over the next few years. By exploiting the potential for synergies with other Group companies and developing new, competitive products, we can create the conditions to enable the company to develop in a positive direction. In February 2012, negotiations were opened regarding the closure of the factory at Kolding. During the first half of 2012, the company's current production is being relocated to and gradually coordinated with Abstracta AB at Lammhult. This will create a larger and more efficient production unit at Lammhult and will leave in Denmark a company specialising in support for the Danish business. Borks has 33 employees and redundancies will affect 26 employees. The net saving from this restructuring measure in 2012 is estimated at around SEK 4 million. As a result, there is unlikely to be any particularly pressing need to adjust the value of goodwill over the next few financial years.

The goodwill value includes synergies in, above all, purchasing, production and sales, as well as in the skills of the employees.

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

BORKS PATENTTAVLER – NET ASSETS AT TIME OF ACQUISITION:

	Carrying amount Borks Patenttavler before acquisition	Fair value adjustment	Fair value carried by Group
Property, plant and equipment	12.2	3.8	16.0
Deferred income tax assets	0.0	0.2	0.2
Inventories	9.0	–0.5	8.5
Trade receivables and other receivables	6.1	-	6.1
Cash and cash equivalents	0.1	-	0.1
Interest-bearing liabilities	–13.3	-	–13.3
Trade payables and other operating liabilities	–8.7	–1.4	–10.1
Deferred tax liability	–0.4	-	–0.4
Net identifiable assets and liabilities	5.0	2.1	7.1
Goodwill on consolidation			6.8
Payment transferred			**13.9**

Acquisition-related expenses in 2010 totalled SEK 0.4 million, comprising fees to consultants in connection with due diligence. These expenses have been recognised as administrative expenses in the consolidated statement of comprehensive income.

If Borks Patenttavler had formed part of the Group throughout 2010, the Group's net sales would have amounted to SEK 819.1 million, operating profit SEK 25.5 million and profit for the year SEK 12.5 million.

NOTE 13. INTANGIBLE ASSETS

	Internally developed intangible assets		Acquired intangible assets			
Group	Development costs	Brands	Tenancies	Goodwill	Other intangible non-current assets	**Total**
Accumulated acquisition values						
Carrying amount 01/01/2010	0.4	0.1	0.4	194.2	–	195.1
Business combinations	–	–	–	11.2	1.4	12.6
Other investments	0.3	–	0.2	–	–	0.5
Reversals of order bookings acquired	–	–	–	–	–0.9	–0.9
Exchange rate differences for the year	–	–	–0.1	–15.2	–0.1	–15.4
Carrying amount 31/12/2010	**0.7**	**0.1**	**0.5**	**190.2**	**0.4**	**191.9**
Carrying amount 01/01/2011	0.7	0.1	0.5	190.2	0.4	191.9
Business combinations	–	–	–	–	–	–
Reclassifications	1.5	–	–	–	–	1.5
Other investments	–	–0.1	–	–	–	–0.1
Reversals of order bookings acquired	–	–	–	–	–0.4	–0.4
Exchange rate differences for the year	–0.1	–	–	–0.5	0.1	–0.5
Carrying amount 31/12/2011	**2.1**	**0.0**	**0.5**	**189.7**	**0.1**	**192.4**
Accumulated depreciation						
Carrying amount, 01/01/2010	–	–	–	–	–	–
Depreciation for the year	–	–	–0.1	–	–	–0.1
Carrying amount 31/12/2010	**-**	**-**	**–0.1**	**-**	**-**	**–0.1**
Carrying amount 01/01/2011	–	–	–0.1	–	–	–0.1
Depreciation for the year	–0.3	–	–	–	–	–0.3
Carrying amount, 31/12/2011	–0.3	**-**	**–0.1**	**-**	**-**	**–0.4**
Carrying amounts						
01/01/2010	0.4	0.1	0.4	194.2	–	195.1
31/12/2010	**0.7**	**0.1**	**0.4**	**190.2**	**0.4**	**191.8**
01/01/2011	0.7	0.1	0.4	190.2	0.4	191.8
31/12/2011	**1.8**	**0.0**	**0.4**	**189.7**	**0.1**	**192.0**

All intangible assets, other than goodwill, are amortised. For information on 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.

	2011	2010
Lammhults Library	112.5	113.0
Lammhults Home	28.9	28.9
Lammhults Office	25.0	25.0
Scandinavian Eyewear	23.3	23.3
	189.7	**190.2**

The value of the Group's intangible assets is reviewed annually through impairment appraisals. The recovery values of the cash-generating units above are based on a number of important assumptions, as described below. Assumptions concerning future cash flows over the next five-year period take as their starting-point budgets for 2012, forecasts for 2013 and 2014 budgets based on the Company's financial strategy plans and the assessments for the following two years made by each company's management. The above-mentioned assumptions refer to trends in sales, costs and changes in the financial position of the cash-generating units.

Developments in the library market in recent years have been far from satisfactory. The Group's library interiors companies in Lammhults Library have been 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, have diminished the importance of traditional libraries. At the same time, a new type of library, with multimedia facilities, has emerged. Modern libraries are more in the style of a place to meet than before, and against that background we have launched a "shop concept" to offer 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 our Lammhults, Ire and Voice brands. In 2011, a decision was taken to develop operations in the business area and rename it Public Interiors. Sales activities will be expanded beyond libraries to target providers in education and health and social care. 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 derive maximum benefit from opportunities for synergies and to create the conditions for profitable growth. These actions form the basis of estimates of cash flows over the next five years.

In Lammhults Home, sales under the Voice and Ire brands have in the past mostly been to private customers, while a small proportion has gone to corporate customers. The two companies together hold a strong position in the sector comprising home interiors and public environments, such as hotels. Voice has a strong product offering in flatpack furniture, while Ire has a similarly strong position in upholstered furniture including sofas and armchairs. Together, the companies offer a range of products with a unique style and design. However, profitability has deteriorated over the past two years as a result of a weak market for furniture and home interiors in the premium segments, and a lack of hotel projects. On the other hand, intensified market development in Norway and Finland has started to bear fruit in the form of higher sales in these markets. In order to improve profitability in the future, operations in the business area will be coordinated with those of the Lammhults Office business area. Expertise and resources will be gathered within one business area, Office & Home Interiors. Another ambition is gradually to expand the product range of Lammhults Home to include business environments; for example, the No. 5 range was launched in the autumn, a flexible storage system for both office and home environments. Along with the established Lammhults, Abstracta and Borks brands, Voice and Ire will form one of the strongest brand portfolios in the market. Together, these activities will create the conditions to improve the growth of cash flows in the future.

Because the major share of Lammhults Office sales is made to companies, the business is sensitive to the economic cycle, and there is considerable dependence on growth in the North American market. Following a sharp deterioration in the economy in 2009, leading to major cost cutbacks mainly in the form of personnel reductions, demand in the past two years has stabilised. Via the Lammhults, Abstracta and Borks brands, we have a long tradition of offering customers modern interiors based on world-class Scandinavian design and quality. Over the past year, the roll-out of brand concepts Modern Essentials (Lammhults) and Great Workspaces (Abstracta) continued. These well-known brands hold strong positions in their domestic markets, and with a closer focus on the domestic and North European markets sales are expected to increase over the next few years. Coordination with the Lammhults Home business areas will create synergies on both income and cost sides and the prospects for cash flows to remain strong in the years immediately ahead are good.

Scandinavian Eyewear sells spectacle frames for private consumption. With good design, highly efficient marketing and sales and better delivery reliability than its competitors, the company is creating the potential for strong profitability. Continued initiatives in these areas, combined with the roll-out of the highly successful Scandinavian business model to other markets, are creating the conditions for strong growth in the company's cash flows. During the past two years, a successful restructuring programme was completed. In combination with proactive initiatives, this has created conditions for improved profitability in the years ahead. The brand portfolio has been expanded through licensing agreements signed with three Scandinavian brands, Lexington, Pilgrim and Oscar Jacobson, sales of which brands began with full effect from the start of the second half of 2010. In late 2011, the company started selling spectacle frames under the "FACE Stockholm" brand. Together with market ventures in both North America and Central and Southern Europe, these activities have created conditions to boost cash flows in the future.

The cash flows forecast after the first five years are based on an annual rate of growth of 2%, which is considered to correspond to the long-term rate of growth in the units' markets. The discount interest rates before tax used at year-end 2011 are 13.6% (15.3) for equity financing and 2.6% (4.3) for debt financing for Lammhults Library and Lammhults Home. In the case of Scandinavian Eyewear, the discount interest rates before tax are 14.6% (16.3) for equity financing and 2.6% (4.3) for debt financing. At Lammhults Office, the discount interest rates before tax are 12.6% (14.3) for equity financing and 2.6% (4.3) for debt financing. 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. The Company's management takes the view that no reasonably anticipated changes in the important assumptions will result in the estimated recovery values for the units falling below their carrying amounts. At Lammhults Home, there is a narrower margin until the estimated recovery value falls below the carrying amount for the unit that in other business areas. In the first half of 2012, the operations of the business area will gradually be coordinated with Lammhults Office, the business area in the Group with the widest margin until the estimated recovery value falls below the carrying amount for the unit. On that basis, the Company's management takes the view that no reasonably anticipated changes in the important assumptions will result in the estimated overall recovery value for Office & Home Interiors falling below its overall carrying amount.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other technical facilities	Equipment tools and installations	Work in in progress	**Total**
Accumulated acquisition values					
Carrying amount 1 January 2010	170.1	86.0	85.0	2.4	343.5
Acquired via business combinations	14.8	0.6	0.6	–	16.0
New acquisitions	0.3	2.3	5.9	1.0	9.5
Reclassifications	–	0.1	–0.1	–2.2	–2.2
Disposals and retirements	–	–0.3	–1.0	–	–1.3
Exchange rate differences	–2.8	–0.6	–0.8	–0.2	–4.4
Carrying amount, 31 December 2010	**182.4**	**88.1**	**89.6**	**1.0**	**361.1**
Carrying amount 1 January 2011	182.4	88.1	89.6	1.0	361.1
New acquisitions	–	5.1	12.0	0.5	17.6
Reclassifications	–44.0	–2.1	2.1	–0.7	–44.7
Disposals and retirements	–	–	–0.1	–	–0.1
Exchange rate differences	–0.1	–	–	–	–0.1
Carrying amount, 31 December 2011	**138.3**	**91.1**	**103.6**	**0.8**	**333.8**
Accumulated depreciation and impairments					
Carrying amount 1 January 2010	–65.8	–68.5	–68.6	–	–202.9
Depreciation for the year	–4.3	–4.2	–5.9	–	–14.4
Disposals and retirements	–	0.3	0.7	–	1.0
Carrying amount, 31 December 2010	**–70.1**	**–72.4**	**–73.8**	**–**	**–216.3**
Carrying amount 1 January 2011	–70.1	–72.4	–73.8	–	–216.3
Depreciation for the year	–3.7	–4.0	–7.4	–	–15.1
Reclassifications	10.8	–	–	–	10.8
Carrying amount, 31 December 2011	**–63.0**	**–76.4**	**–81.2**	**–**	**–220.6**
Carrying amounts					
1 January 2010	104.3	17.5	16.4	2.4	140.6
31 December 2010	**112.3**	**15.7**	**15.8**	**1.0**	**144.8**
1 January 2011	112.3	15.7	15.8	1.0	144.8
31 December 2011	**75.3**	**14.7**	**22.4**	**0.8**	**113.2**

Voice’s property in Jönköping has been reclassified as an asset held for sale. The accumulated acquisition value for the property is SEK 40.4 million. Accumulated depreciation totals SEK 7.2 million. On 31 December 2011, the carrying amount for the property was therefore SEK 33.2 million.

Parent Company	Equipment, tools and installations	Work in progress	Total
Accumulated acquisition values			
Carrying amount 1 January 2010	1.0	-	1.0
New acquisitions	–0.3	-	–0.3
Carrying amount, 31 December 2010	**0.7**	**-**	**0.7**
Carrying amount 1 January 2011	0.7	-	0.7
New acquisitions	0.0	0.5	0.5
Carrying amount, 31 December 2011	**0.7**	**0.5**	**1.2**
Accumulated depreciation			
Carrying amount 1 January 2010	–0.6	-	–0.6
Depreciation for the year	–0.1	-	–0.1
Disposals and retirements	0.2	-	0.2
Carrying amount, 31 December 2010	**–0.5**	**-**	**–0.5**
Carrying amount 1 January 2011	–0.5	-	–0.5
Depreciation for the year	–0.1	-	–0.1
Carrying amount, 31 December 2011	**–0.6**	**-**	**–0.6**
Carrying amounts			
1 January 2010	0.4	-	0.4
31 December 2010	**0.2**	**-**	**0.2**
1 January 2011	0.2	-	0.2
31 December 2011	**0.1**	**0.5**	**0.6**

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

Group	2011	2010
Cost of goods sold	–10.6	–11.4
Cost of sales	–2.6	–1.2
Administrative expenses	–2.2	–1.9
	–15.4	**–14.5**

Parent Company	2011	2010
Administrative expenses	–0.1	–0.2

FINANCIAL LEASING

Group

Equipment held under financial lease contracts is accounted for at a carrying amount of SEK 6.9 million (4.6). The Group leases production and IT equipment under a large number of separate financial lease contracts. Index-linking clauses occur in these lease contracts. The leased assets serve as collateral for the lease liabilities. The lease contracts include restrictions as regards the possibilities of paying dividend, raising new loans and entering into new lease contracts.

NOTE 15. PARTICIPATIONS IN JOINT VENTURES

Group	2011	2010
Income	14.0	15.9
Expenses	–13.7	–15.6
Profit	**0.3**	**0.3**
Non-current assets	0.2	0.2
Current assets	5.2	4.5
Total assets	**5.4**	**4.7**
Non-current liabilities	0.2	0.2
Current liabilities	2.8	2.2
Total liabilities	**3.0**	**2.4**
Net assets	**2.4**	**2.3**

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

NOTE 16. FINANCIAL INVESTMENTS

Group	31/12/2011	31/12/2010
Accumulated acquisition values		
At beginning of year	3.9	4.1
Purchases	-	0.3
Sales	–3.7	-
Exchange rate differences	-	–0.5
Carrying amount at end of the period	**0.2**	**3.9**

NOTE 17. INVENTORIES

Group	31/12/2011	31/12/2010
Raw materials and consumables	60.8	52.3
Work-in-progress	17.5	16.8
Finished products and goods for resale	62.9	75.0
Carrying amount at end of the period	**141.2**	**144.1**

NOTE 18. TRADE RECEIVABLES

Trade receivables are recognised after taking account of bad debt losses incurred during the year, which totalled SEK 3.9 million (1.9) in the Group. No bad debt losses were incurred by the Parent Company.

NOTE 19. CASH AND CASH EQUIVALENTS

Group	31/12/2011	31/12/2010
Cash and cash equivalents are made up of the following items:		
Cash and bank balances	29.4	47.2
Balance on Group account with Parent Company	17.2	26.2
Total as per Statement of Financial Position and Cash Flow Statement	**46.6**	**73.4**

NOTE 20. ASSETS HELD FOR SALE

ASSETS HELD FOR SALE

In order to reduce tied-up capital and release capital for future acquisitions, the Group intends to sell Voice's property at Torsvik, Jönköping. The property has been on the market since mid-October 2011. DTZ has been appointed as agent to handle the sale of the property. The Company's management considers it highly likely that the property will be sold within 12 months from the end of the financial year; the property is in good condition, the areas in it are well laid out and is also located in an attractive area.

The accumulated acquisition value for the property is SEK 44.0 million. Accumulated depreciation totals SEK 10.8 million. On 31 December 2011, the carrying amount for the property was therefore SEK 33.2 million. The property is subject to bank loans totalling SEK 15.0 million, of which the current portion is SEK 0.9 million and the long-term portion SEK 14.1 million. The property is accounted for within the Lammhults Home operating segment.

ASSETS CLASSIFIED AS HELD FOR SALE

Group	2011
Disposal group for sale	
Property, plant and equipment	33.2

LIABILITIES CLASSIFIED AS HELD FOR SALE

Group	2011
Disposal group for sale	
Non-current interest-bearing liabilities	14.1
Current interest-bearing liabilities	0.9
	15.0

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 26 April 2012.

	2011	2010
Total dividend, SEK m	4.2	8.4
Recognised dividend per share	0.50	1.00

EQUITY MANAGEMENT

The Group's financial objective is to maintain a good capital structure and financial stability, and thereby to retain the confidence of investors, lenders and the market, as well as to form 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 31/12/2011 were 0.51 (0.56) for the debt/equity ratio and 52.2% (49.6) for the equity/assets ratio. Equity is defined as the sum of shareholders' equity. The Group's equity totalled SEK 365.3 million (369.3) and the Parent Company's equity SEK 258.5 million (266.5).

The Board of Directors' ambition is to maintain a balance between high yield, which can be achieved through higher borrowing, and the benefits and security offered by a sound capital structure. The financial goals of the Group over an economic cycle are to obtain a return of no less than 15 percent on capital employed. In 2011, the return on capital employed was 3.5% (4.7).

The Group's policy is to pay a dividend, taking into account the long-term capital requirement, totalling approximately 40 percent of profit after tax. In view of the Company's strong financial position, the Board of Directors has proposed a dividend of SEK 0.50 per share, corresponding to 69% of profit after tax, to the 2012 AGM. Over the past five years, the total dividend has averaged 55% of profit after tax. The Group will also pay an additional dividend when the capital structure and operational financing requirements 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 26.

Group	31/12/2011	31/12/2010
Non-current liabilities		
Bank loans with maturity 1-5 years from balance sheet date	34.9	56.4
Bank loans with maturity date more than 5 years from the balance sheet date	19.2	32.4
	54.1	**88.8**
Current liabilities		
Bank overdraft facility	96.8	99.7
Current portion of bank loans	21.0	20.1
	117.8	**119.8**
Total interest-bearing liabilities	**171.9**	**208.6**

In addition to the above-mentioned interest-bearing liabilities, the Company has liabilities of SEK 15.0 million (0.0) that are classified as held for sale. Of these, SEK 0.9 million is current, while SEK 3.6 million falls due within 1-5 years of the balance sheet date and SEK 10.5 million falls due more than 5 years after the balance sheet date.

FINANCIAL LEASE LIABILITIES

The Group's liabilities under financial lease contracts total SEK 6.9 million (4.6). 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	31/12/2011	31/12/2010
Non-current liabilities		
Bank loans with maturity 1–5 years from balance sheet date	2.2	12.4
Current liabilities		
Bank overdraft facility	96.8	91.5
Current portion of bank loans	10.2	13.3
	107.0	**104.8**

NOTE 24. PENSIONS

DEFINED-BENEFIT PENSION PLANS

Part of Scandinavian Eyewear's and Ire Möbel's retirement pension and family pension commitments have been secured through pension provisions on the balance sheet that are insured with FPG/PRI. The plan is a defined-benefit pension scheme and the provision at the end of 2011 amounted to SEK 2.9 million (2.6) and SEK 0.4 million (0.4), respectively. Commitments for retirement pensions and family pensions for other salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a defined-benefit plan shared by several employers. For the 2011 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 3.9 million (3.9). Surpluses at Alecta may be allocated to policy holders and/or the insured. At the end of 2011, Alecta's surplus, expressed as the collective consolidation ratio, amounted to 113% (146). 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		Parent Company	
	2011	2010	**2011**	2010
Costs of defined-contribution pension plans	12.6	12.0	1.3	1.1

PENSION COMMITMENTS

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

NOTE 25. OTHER PROVISIONS

Group	31/12/2011	31/12/2010
Warranty commitments at Lammhults Möbel AB, Sweden	0.3	0.3
Severance payment at Seven S.R.L., Italy	0.2	3.7
Claims at Borks Patenttavler A/S, Denmark	1.4	1.4
	1.9	**5.4**

Of the severance payment at Seven S.R.L., Italy, SEK 3.5 million was claimed in 2011. The remaining provision, SEK 0.2 million, is a long-term commitment.

Other provisions, which are current, amount in total to SEK 1.7 million and are unchanged from 31/12/2010.

NOTE 26. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
Accrued personnel-related costs	22.8	22.8	2.3	2.2
Other items	4.7	10.4	2.1	1.8
	27.5	**33.2**	**4.4**	**4.0**

NOTE 27. FINANCIAL RISKS AND FINANCIAL POLICIES

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 fluctuations 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 äby 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 downswings 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 10.8 percent (14.1). 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	2012	2013	2014	2015	2016–	Total
Bank loans	21.0	14.2	8.2	6.3	25.4	**75.1**
Bank overdraft facilities	96.8	–	–	–	–	**96.8**
Total financial liabilities	**117.8**	**14.2**	**8.2**	**6.3**	**25.4**	**171.9**

CREDIT RISKS

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

MARKET RISKS

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

INTEREST RISKS

Interest risk is the risk that the value of a financial instrument may vary as a result of changes in market interest rates. The Group's net financial items and results are affected by fluctuations in interest rates. The Group is also indirectly affected by the influence of interest rates on the economy in general. The Lammhults Design Group takes the view that short-term fixing of interest rates is compatible with the Group's operations from a risk perspective. On that basis, the majority of the Group's loans are taken up at variable interest rates. Variable rates of interest have also often been lower than long-term rates in recent years, which in turn has had a positive effect on the Group's results. Management of the Group's exposure to interest rates is centralised, i.e. the Group's management is charged with identifying and handling such exposure. The Company's interest-bearing liabilities amounted to SEK 186.9 million (208.6) at year-end. Of these interest-bearing liabilities, SEK 186.0 million (207.1) have a variable rate of interest and SEK 0.9 million (1.5) a fixed rate. An acquisition loan in EUR to finance the acquisition of Schulz Speyer (conditional purchase consideration) amounted at year-end to SEK 6.7 million (11.2) and is a variable-rate loan. The loan is capped at 5.5 percent and has a minimum rate of 3.4 percent. The Group also has a variable rate EUR loan, to finance a building, amounting to SEK 6.6 million (7.9) at year-end. The loan has an interest rate cap ensuring that the interest on the loan will never exceed 5.0 percent.

CURRENCY RISKS

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

TRANSACTION EXPOSURE

The Group's invoicing to markets outside Sweden amounted to SEK 465.1 million (504.6) during the year. Invoicing in foreign currencies totalled SEK 456.0 million (467.2), as set out below.

INVOICING IN FOREIGN CURRENCIES (TRANSLATED TO SEK)

	2011		2010	
Currency	Amount	%	Amount	%
EUR	264.9	58	277.9	60
DKK	89.4	20	79.8	17
NOK	59.7	13	62.6	13
USD	12.7	3	12.0	3
Other foreign currencies	29.3	6	34.9	7
Total	**456.0**	**100**	**467.2**	**100**

The Group's purchases in foreign currencies totalled SEK 236.1 million (235.4), as set out below.

PURCHASES IN FOREIGN CURRENCIES (TRANSLATED TO SEK)

	2011		2010	
Currency	Amount	%	Amount	%
EUR	148.5	63	140.6	60
USD	38.0	16	39.3	16
DKK	31.3	13	29.8	13
NOK	10.3	5	17.0	7
Other foreign currencies	8.0	3	8.7	4
Total	**236.1**	**100**	**235.4**	**100**

The Group's aim is, by use of forward contracts, to limit the currency risks to which it is exposed in connection with future payment flows. 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 as of 1 January 2005. The Group classifies the forward contracts that it uses to hedge forecast transactions as cash flow hedges. Changes in the fair value of forward contracts are therefore recognised in equity. At year-end 2011, forward contracts showed a surplus of SEK 0.6 million, compared to a surplus of SEK 1.0 million at the preceding year-end.

TRANSLATION EXPOSURE

In normal circumstances, the Group does not seek protection for its translation exposures in foreign currencies. However, for the acquisitions of the shares outstanding in Lammhults Biblioteksdesign (formerly BCI) in 2002, in Schulz Speyer in 2006 and in Borks Patenttavler, the Group raised loans in DKK and EUR, respectively, to hedge its currency exposures. The currency difference on these loans for the year amounts to SEK 0.1 million (6.0) 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 currency risk in net foreign investments.

SENSITIVITY ANALYSIS

In order to manage interest and currency risks, the Group’s aim is to minimise the effects of short-term fluctuations in the Group’s 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 2011, it is estimated that a general rise of 1% in interest rates will reduce the Group's profit before tax by approximately SEK 1.4 million (1.4), given the interest-bearing assets and liabilities existing on the balance sheet date. It is estimated that a general rise of 1% of the SEK against other currencies in 2011 reduced the Group's gross profit by approximately SEK 2.2 million (2.3) and pre-tax profit by around SEK 1.1 million (1.2). Changes in the value of currency forward contracts are disregarded in this estimate.

NOTE 28. MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

FAIR VALUE

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

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

Group	**Carrying amount 2011**	**Fair value 2011**	Carrying amount 2010	Fair value 2010
Currency forward contracts (receivables)	0.8	0.8	1.3	1.3
Financial investments	0.2	0.2	3.9	3.9
Accounts receivable	138.8	138.8	147.3	147.3
Other receivables	8.2	8.2	11.5	11.5
Cash and cash equivalents	46.6	46.6	73.4	73.4
Non-current interest-bearing liabilities	54.1	54.1	88.8	88.8
Other non-current liabilities	0.2	0.2	0.2	0.2
Current interest-bearing liabilities	117.8	117.8	119.8	119.8
Trade payables	62.2	62.2	61.4	61.4
Other liabilities	31.6	31.6	41.4	41.4
Liabilities attributable to assets held for sale (bank loans)	15.0	15.0	-	-

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

Parent Company	**Carrying amount 2011**	**Fair value 2011**	Carrying amount 2010	Fair value 2010
Other receivables	0.1	0.1	0.1	0.1
Cash and cash equivalents	17.3	17.3	26.3	26.3
Bank loans	12.4	11.4	25.7	24.8
Bank overdraft facility	96.8	96.8	91.5	91.5
Trade payables	0.9	0.9	0.7	0.7
Other liabilities	0.3	0.3	0.1	0.1

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

NOTE 29. OPERATIONAL LEASING

LEASE CONTRACTS WHERE THE COMPANY IS LESSEE.

Total of non-cancellable lease payments:

	Group		Parent Company	
	31/12/2011	31/12/2010	**31/11/2010**	31/12/2010
Leasing charges for the year	5.9	5.1	–	–
Within a year	3.7	4.1	–	–
Between one and five years	8.3	5.8	–	–

No non-cancellable lease payments fall due in more than five years. During the 2011 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	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
Pledged assets				
For own liabilities and provisions				
Real estate mortgages	78.7	71.9	–	–
Chattel mortgages	70.2	70.2	–	–
Net assets in subsidiaries	448.9	446.5	–	–
Other securities	11.1	2.4	–	–
Shares in subsidiaries	–	–	203.6	203.6
Total pledged assets	**608.9**	**591.0**	**203.6**	**203.6**

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

Contingent liabilities				
Sundry surety bonds	3.8	3.6	3.8	3.6
Warranties	2.2	1.7	–	–
Other contingent liabilities	0.2	0.2	–	–
Total contingent liabilities	**6.2**	**5.5**	**3.8**	**3.6**

Scandinavian Eyewear AB provides the major share of funding for the Scandinavian Eyewear AS subsidiary. The company has supplied a guarantee to the subsidiary's other creditors to the effect that they will be paid before the parent company.
The Parent Company has also provided a general, unconditional and absolute guarantee to the lender Voice AB (liability: SEK 21.2 million) and Lammhults Möbel AB (liability: SEK 12.2 million). The subsidiary Lammhults Möbel AB has provided a general, unconditional and absolute guarantee to Borks Patenttavler A/S.

NOTE 31. CLOSELY RELATED PARTIES

SUMMARY OF TRANSACTIONS WITH CLOSELY RELATED PARTIES

Of the Parent Company's total purchases and sales measured in SEK, 2 percent (4) of the purchases and 100 percent (100) of sales pertain to other companies within the overall group of which the Company is part. The Parent Company has a close relationship with the subsidiaries stated in Note 32 and joint venture companies listed in Note 15. Substantial financial receivables and liabilities exist between the Parent Company and the subsidiaries. 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 (42) of the voting rights in the Company. Yngve Conradsson controls 25.8 percent (25.8) of the voting rights through an ownership stake in Scapa Capital AB and Jerry Fredriksson controls 17.7 percent (16.3) 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 2011, 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 6.

NOTE 32. GROUP COMPANIES

Parent Company	**31/12/2011**	31/12/2010
Accumulated acquisition values		
At beginning and end of year	383.6	383.6
Accumulated impairment losses		
At beginning and end of year	–33.9	–33.9
Carrying amount 31 December	**349.7**	**349.7**

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

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

Subsidiary / Co. reg. no. / Reg. office	No. of shares	Holding, %	31/12/2011 Carrying amount	31/12/2010 Carrying amount
Lammhults Möbel AB / 556058-2602 / Växjö	30 000	100	34.3	34.3
Borks Patenttavler A/S / 20 95 95 09 / Bjert, Denmark				
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				
Thedesignconcept Ltd / 06482850 / Bellshill, Glasgow, United Kingdom				
NBLC Systemen BV / 091930810000 / Ede, Netherlands				
IFBD GmbH / HRB 61159 / Römerberg, Germany				
Schulz Speyer Bibliothekstechnik AG / HRB 2951SP / Speyer, Germany	11 250	100	65.4	65.4
Schulz Benelux BVBA / BE421869331 / Rotselaar, Belgium				
Schulz Österreich GmbH / FN 329275d / Vienna, Austria				
Harmonie Projects Srl / 02653490215 / Merano, Italy				
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 AS / 934471881 / Oslo, Norway				
Scandinavian Eyewear AB / 556052-8514 / Jönköping				
Scandinavian Eyewear OY / 0827233-4 / Helsinki, Finland				
Scandinavian Eyewear AS / 982 186 625 / Oslo, Norway				
Scandinavian Eyewear LLC / 83-0513661 / Lakewood Colorado, USA				
Seven Srl / TV-0217751 / Pederobba, Italy				
Atran AB / 556035-8508 / Falkenberg	6 000	100	1.1	1.1
Sydostinvest AB / 556210-3498 / Växjö	1 000	100	0.2	0.2
			349.7	**349.7**

NOTE 33. SPECIFICATION OF STATEMENT OF CASH FLOWS

INTEREST PAID AND DIVIDEND RECEIVED

	Group		Parent Company	
	2011	2010	**2011**	2010
Interest received	1.3	0.8	2.1	1.3
Interest paid	–7.3	–3.4	–3.4	–1.1
Dividend received	-	-	-	19.1

ADJUSTMENT FOR NON-CASH ITEMS

	Group		Parent Company	
	2011	2010	**2011**	2010
Depreciation	15.4	14.5	0.1	0.1
Unrealised exchange rate differences	0.6	–7.1	-	2.1
Profit/loss on sale of non-current assets	-	–0.2	-	-
Provisions for pensions	0.1	0.4	-	-
Other provisions	–3.5	–0.2	-	-
Reversals of order bookings acquired	0.4	-	-	-
Dividend from Group companies	-	-	-	–19.1
Group contributions received	-	-	–24.2	–28.5
Group contributions paid	-	-	12.3	15.7
	13.0	**7.4**	**–11.8**	**–29.7**

ACQUISITION OF SUBSIDIARIES

	Group		Parent Company	
	2011	2010	**2011**	2010
Assets and liabilities acquired				
Intangible non-current assets	-	13.2	-	-
Property, plant and equipment	-	16.0	-	-
Deferred income tax assets	-	0.2	-	-
Inventories	-	8.8	-	-
Operating receivables	-	6.1	-	-
Cash and cash equivalents	-	0.1	-	-
Total assets	**-**	**44.4**	**-**	**-**
Pension provisions	-	0.4	-	-
Interest-bearing liabilities	-	13.3	-	-
Deferred tax liabilities	-	0.8	-	-
Current operating liabilities	-	10.3	-	-
Total provisions and liabilities	**-**	**24.8**	**-**	**-**
Purchase consideration:				
Purchase consideration paid	-	–24.1	-	-
Less: Estimated conditional purchase consideration	-	1.2	-	-
Less: Cash and cash equivalents in the operation acquired	-	0.1	-	-
Effect on cash and cash equivalents	**-**	**–22.8**	**-**	**-**

CREDITS NOT USED

	Group		Parent Company	
	2011	2010	**2011**	2010
Total, credits not used	29.2	31.5	25.7	20.5

NOTE 34. EVENTS AFTER THE BALANCE SHEET DATE

The Board intends to implement restructuring measures in order to streamline operations and focus on profitable growth. Against the background, negotiations were opened in early February 2012 on the closure of the Borks Patenttavler A/S factory in Kolding, Denmark. During the first half of 2012, Borks' current production is being relocated to and gradually coordinated with Abstracta AB at Lammhult. This will create a larger and more efficient production unit at Lammhult, and will leave in Denmark a company specialising in support for the Danish market. Borks has 33 employees and redundancies will affect 26 employees. The net saving from this restructuring measure in 2012 is estimated at around SEK 4 million.

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 13. As may be seen in Note 13, changes in the preconditions for these assumptions and estimates during 2012 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 10.

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 2011 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 CEO certify that the annual accounts have been prepared in accordance with generally accepted accounting practices in Sweden, and that the consolidated accounts have been prepared in accordance with the international standards referred to in the European Parliament and the Council's (EU) Directive No. 1 1606/2002 of 19 July 2002 on the application of International Accounting Standards. The annual accounts and the consolidated accounts provide a true and fair view of the Group's and Parent Company's position and results. The Report of the Board of Directors for the Group and Parent Company provides a true and fair overview of the Group's and Parent Company's operations, position and results, as well as significant risks and factors of uncertainty to which the Parent Company and the companies included in the Group may be exposed.

The annual accounts and consolidated accounts were, as indicated above, approved for issue by the Board of Directors on 12 March 2012.

Lammhult, 12 March 2012

Anders Pålsson
Chairman

Yngve Conradsson
Board member

Jerry Fredriksson
Board member

Erika Lagerbielke
Board member

Lotta Lundén
Board member

Jörgen Ekdahl
Board member

Anders Rothstein
CEO

Our Audit Report was submitted on 12 March 2012.
KPMG AB

Michael Johansson
Authorised Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Lammhults Design Group AB (publ) for the 2011 financial year. The Company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 65–107.

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

The Board of Directors and the CEO are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated accounts that provide and true and fair view in accordance with international financial reporting standards, as adopted by the EU, and the Swedish Annual Accounts Act, as well as for the internal systems of control that the Board of Directors and 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 the 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 in order 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 2011 and of its financial results and cash flows for the year in accordance with the Swedish Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Group's financial position on 31 December 2011 and of its results and cash flows in accordance with international financial reporting standards, as adopted by the EU, and the Swedish Annual Accounts Act. A corporate governance report has been drawn up. The statutory administration report and the corporate governance report are consistent with the other parts of the annual 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 reviewed 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 2011 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 treatment of 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 treatment is consistent with the Swedish Annual Accounts Act.
As a basis for our opinion concerning discharge from liability, we examined, in addition to our audit of the annual accounts and the consolidated accounts, 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 obtained provides an adequate and appropriate basis for our opinions.

Statement

We recommend to the Annual General Meeting of shareholders that the profit be treated 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, 12 March 2012
KPMG AB

Michael Johansson
Authorised Public Accountant

Lammhults Design Group
at the Stockholm Furniture Fair 2012


Lammhults


Relaunched classic S70-4


Classic of the future – Addit


BCI/Eurobib Direct


President and CEO Anders Rothstein with designer Gunilla Allard

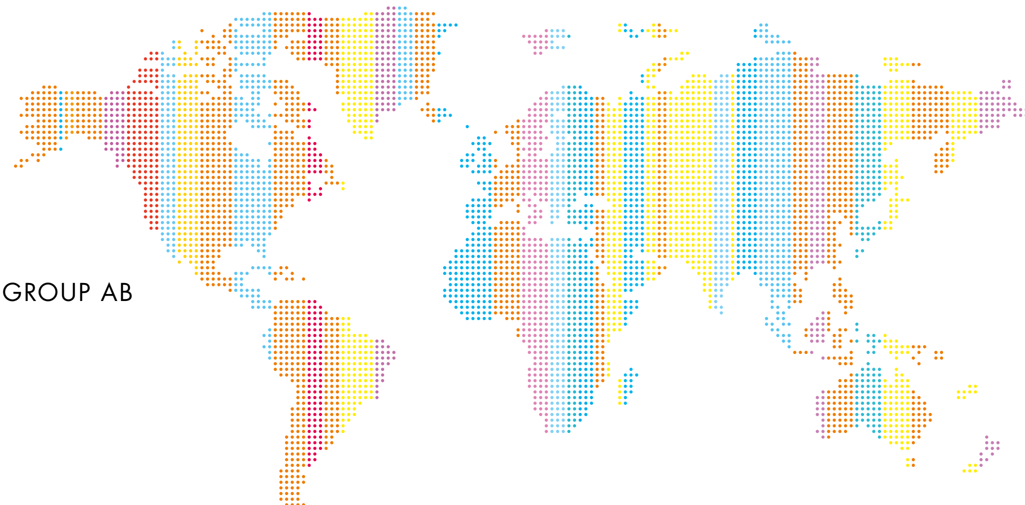
Abstracta

Voice

Abstracta press conference

Designer Jesper Ståhl presents No. 216

Ire



LAMMHULTS DESIGN GROUP AB

Lammengatan 2, Box 75
360 30 Lammhult
Sweden

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

www.lammhultsdesigngroup.com

OFFICE & HOME INTERIORS

LAMMHULTS MÖBEL AB
Växjövägen 41
360 30 Lammhult
SWEDEN

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

www.lammhults.se

ABSTRACTA AB
Lammengatan 2
360 30 Lammhult
SWEDEN

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

www.abstracta.se

BORKS PATENTTAVLER A/S
Skartved Vestervej 1
6091 Bjert
DENMARK

Phone: +45 75 52 40 00
Fax: +45 75 53 04 21

www.borks.dk

VOICE AB
Betavägen 17
556 52 Jönköping
SWEDEN

Phone: +46 36 31 83 00
Fax: +46 36 31 83 05

www.voice.eu

IRE MÖBEL AB
Fabriksgatan 5
543 50 Tibro
SWEDEN

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

www.iremobel.se

PUBLIC INTERIORS

LAMMHULTS BIBLIOTEKSDESIGN AB
Åkergränden 7
226 60 Lund
SWEDEN

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

www.lammhultsbiblioteksdesign.se

LAMMHULTS BIBLIOTEKSDESIGN A/S
Dalbækvej 1
6670 Holsted
DENMARK

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

www.lammhultsbiblioteksdesign.dk

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

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

www.schulzspeyer.de

HARMONIE PROJECT GMBH-SRL
Via Armonia 24
39012 Meran/Merano (BZ)
ITALY

Phone: +39 473 21 24 24
Fax: +39 473 21 24 48

www.harmonie.it

SCANDINAVIAN EYEWEAR

SCANDINAVIAN EYEWEAR AB
Soldattorpsgatan 3
554 74 Jönköping
SWEDEN

Phone: +46 36 30 53 00
Fax: +46 36 30 53 10

www.scandinavianeyewear.se

SEVEN SRL
Via Cal Lusent 61
31040 Pederobba (Tv)
ITALY

← See our pictures from the Stockholm Furniture Fair 2012

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