LIFCO

26 October 2017

INTERIM REPORT JANUARY – SEPTEMBER 2017

Reporting period January – September

- Net sales increased by 10.5 per cent to SEK 7,241 (6,552) million. Organically, net sales grew by 0.7 per cent
- EBITA* increased by 22.6 per cent to SEK 1,222 (997) million
- The EBITA margin* increased to 16.9 (15.2) per cent
- Earnings before tax grew by 16.0 per cent to SEK 1,031 (889) million
- Net profit for the period grew by 16.8 per cent to SEK 778 (667) million
- Earnings per share increased by 17.0 per cent to SEK 8.40 (7.18)
- Cash flow from operating activities increased by 12.5 per cent to SEK 737 (655) million
- During the period Lifco acquired nine businesses with combined annual sales of around SEK 699 million

Reporting period July – September

- Net sales increased by 11.1 per cent to SEK 2,365 (2,128) million. Organically, net sales grew by 1.2 per cent
- EBITA* increased by 28.0 per cent to SEK 404 (316) million
- The EBITA margin* increased to 17.1 (14.8) per cent
- Earnings before tax grew by 19.9 per cent to SEK 332 (277) million
- Net profit for the period grew by 22.4 per cent to SEK 254 (208) million
- Cash flow from operating activities increased by 29.3 per cent to SEK 299 (230) million

Summary of financial performance

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2017	2016	*change*	2017	2016	*change*		*change*	2016
Net sales	7,241	6,552	10.5%	2,365	2,128	11.1%	9,676	7.7%	8,987
EBITA*	1,222	997	22.6%	404	316	28.0%	1,602	16.4%	1,377
EBITA margin*	16.9%	15.2%	1.7	17.1%	14.8%	2.3	16.6%	1.3	15.3%
Profit before tax	1,031	889	16.0%	332	277	19.9%	1,361	11.7%	1,219
Net profit for the period	778	667	16.8%	254	208	22.4%	1,039	12.1%	927
Earnings per share	8.40	7.18	17.0%	2.73	2.22	23.0%	11.20	12.1%	9.99
Return on capital employed	18.9%	19.1%	-0.2	18.9%	19.1%	-0.2	18.9%	0.2	18.7%
Return on capital employed excl. goodwill	157%	136%	21	157%	136%	21	157%	16	141%

* Before acquisition costs.

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COMMENTS FROM THE CEO

Net sales increased by 10.5 per cent to SEK 7,241 (6,552) million in the first nine months of year, mainly through acquisitions. All three business areas reported robust sales and earnings growth for the interim period. All divisions in all business areas except Forest saw stable growth during the nine-month period. The market environment in the three business areas remained generally favourable.

EBITA before acquisition costs increased by 22.6 per cent to SEK 1,222 (997) million in the nine-month period while the EBITA margin expanded by 1.7 percentage points to 16.9 (15.2) per cent. The improvement in profitability was mainly due to acquisitions and organic growth. Earnings per share for the nine-month period increased by 17.0 per cent to SEK 8.40 (7.18).

Cash flow from operating activities for the nine-month period increased by 12.5 per cent to SEK 737 (655) million.

During the interim period Lifco consolidated nine new businesses with combined annual sales of around SEK 699 million. In the third quarter we announced the acquisition of majority stakes in Hydal of Norway, Scandinavia's leading manufacturer of aluminium cabinets, and Fiberworks of Norway, an equipment provider for the European fibre optic market. We have also acquired Elit of Norway, a wholesale supplier of machinery and equipment for electrical installations and electricity production. The nine consolidated acquisitions will have a positive impact on Lifco's results and financial position in the current year. After the end of the reporting period we have presented the acquisition of two German dental laboratories.

Even after the acquisitions made in 2017 we still have significant financial scope for further acquisitions, as net debt is 2.3 times EBITDA before acquisition costs, well below our target of a net debt of less than three times EBITDA.

Fredrik Karlsson
CEO

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GROUP PERFORMANCE IN JANUARY – SEPTEMBER

Net sales increased by 10.5 per cent to SEK 7,241 (6,552) million, driven by acquisitions, foreign exchange gains and organic growth. Acquisitions contributed 8.2 per cent, foreign exchange gains 1.5 per cent and organic growth 0.7 per cent to the increase in net sales. Nine new businesses were consolidated over the nine-month period: Elit, Fiberworks, Haglöf Sweden, Hultdins, Hydal, Perfect Ceramic Dental, Pro Optix, Silvent and Solesbee's.

EBITA* increased by 22.6 per cent to SEK 1,222 (997) million and the EBITA margin* expanded by 1.7 percentage points to 16.9 (15.2) per cent. EBITA* improved on the back of organic growth, acquisitions and changes in exchange rates. Exchange rate changes added 1.5 percentage points to EBITA*. In the first nine months 33 per cent of EBITA* was generated in EUR, 30 per cent in SEK, 14 per cent in NOK, 7 per cent in DKK, 7 per cent in USD, 3 per cent in GBP and 6 per cent in other currencies.

Net financial items were SEK -32 (-21) million.

Earnings before tax increased by 16.0 per cent to SEK 1,031 (889) million. Net profit grew by 16.8 per cent to SEK 778 (667) million.

Average capital employed excluding goodwill increased by SEK 46 million over the nine-month period, to SEK 1,020 million at 30 September 2017, compared with SEK 974 million at 31 December 2016. EBITA* relative to average capital employed excluding goodwill increased by 16 percentage points in the interim period, to 157 per cent. At 30 September 2016 EBITA* relative to average capital employed excluding goodwill was 136 per cent. The improvement was due chiefly to stronger earnings and good control of capital employed.

The Group's net interest-bearing debt increased by SEK 870 million from 31 December 2016 to SEK 3,888 million at 30 September 2017. Dividend payments during the nine-month period totalled SEK 336 (283) million. The net debt/equity ratio at 30 September 2017 was 0.8 (0.7) and net debt to EBITDA* was 2.3 (2.3) times. At the end of the period 30 per cent of the Group's interest-bearing liabilities were denominated in EUR.

Cash flow from operating activities for the interim period increased by 12.5 per cent to SEK 737 (655) million. Cash flow from investing activities was SEK -1,333 (-1,600) million, which was mainly attributable to acquisitions.

GROUP PERFORMANCE IN THE THIRD QUARTER

Net sales increased by 11.1 per cent to SEK 2,365 (2,128) million, driven mainly by acquisitions. Acquisitions added 10.2 per cent while foreign exchange rate changes had a negative impact of 0.3 per cent. The organic growth rate was 1.2 per cent.

EBITA* increased by 28.0 per cent to SEK 404 (316) million and the EBITA margin* improved by 2.3 percentage points to 17.1 (14.8) per cent. EBITA* improved on the back of acquisitions and organic growth. Changes in exchange rates had a negative impact on EBITA* of 0.5 percentage points. In the third quarter 34 per cent of EBITA* was generated in EUR, 30 per cent in SEK, 15 per cent in NOK, 8 per cent in USD, 6 per cent in DKK, 3 per cent in GBP and 4 per cent in other currencies.

Net financial items were SEK -11 (-3) million.

Earnings before tax increased by 19.9 per cent to SEK 332 (277) million. Net profit increased by 22.4 per cent to SEK 254 (208) million.

Average capital employed excluding goodwill decreased by SEK 13 million to SEK 1,020 million at 30 September 2017, compared with SEK 1,033 million at 30 June 2017. EBITA relative to average capital employed excluding goodwill increased by 11 percentage points compared with 30 June 2017, to 157 per cent.

The Group's net interest-bearing debt increased by SEK 59 million to SEK 3,888 million over the three-month period. The net debt/equity ratio was 0.8 at 30 June 2017 as well as 30 September 2017.

Cash flow from operating activities improved by 29.3 per cent in the third quarter, to SEK 299 (230) million. Cash flow from investing activities was SEK -390 (-594) million, which was mainly attributable to acquisitions.

FINANCIAL PERFORMANCE – BUSINESS AREAS

Dental

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2017	2016	*change*	2017	2016	*change*		*change*	2016
Net sales	2,809	2,576	9.0%	848	804	5.5%	3,823	6.5%	3,590
EBITA*	517	472	9.5%	155	144	7.1%	700	6.8%	655
EBITA margin*	18.4%	18.3%	0.1	18.2%	17.9%	0.3	18.3%	0.1	18.2%

The companies in Lifco's Dental business area are leading suppliers of consumables, equipment and technical service to dentists across Europe and the business area also operates in the US. Lifco sells dental technology to dentists in the Nordic countries and Germany, and develops and sells medical record systems in Denmark and Sweden. The business area also includes a number of manufacturers which produce disinfectants, saliva ejectors, bite registration and dental impression materials, bonding agents and other consumables that are sold to dentists through distributors around the world.

Net sales in Dental increased by 9.0 per cent to SEK 2,809 (2,576) in the first nine months of the year. EBITA* improved by 9.5 per cent to SEK 517 (472) million during the period and the EBITA margin* was 18.4 (18.3) per cent.

The dental market remains generally stable. The results of individual companies in Lifco's dental business may in any individual quarter be influenced by significant fluctuations in exchange rates, calendar effects such as Easter, gained or lost contracts in procurements of consumables by public-sector or major private-sector customers and fluctuations in the delivery of equipment. In the first nine months of the year there were no individual events having a substantial impact on the earnings of the dental group as a whole.

In late June Lifco announced that it had acquired the Chinese dental company Perfect Ceramic Dental (PCD). The company was consolidated in September 2017. PCD is a dental laboratory which generates around 80 per cent of net sales from Lifco's German dental company MDH. After the end of the reporting period Lifco has announced the acquisition of two German dental laboratories. Net sales in 2016 were EUR 1.3 million and there are around 20 employees.

Demolition & Tools

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2017	2016	*change*	2017	2016	*change*		*change*	2016
Net sales	1,627	1,284	26.7%	569	431	32.2%	2,069	19.9%	1,726
EBITA*	409	297	37.8%	148	104	42.4%	510	28.2%	398
EBITA margin*	25.1%	23.1%	2.0	26.0%	24.1%	1.9	24.6%	1.6	23.0%

Demolition & Tools develops, manufactures and sells equipment for the construction and demolition industries. The Group is the world's leading supplier of demolition robots and crane attachments. The Group is also one of the leading global suppliers of excavator attachments. The operations are divided into two divisions, Demolition Robots and Crane & Excavator Attachments, which are roughly equal in terms of sales. As of March 2017, the business area includes Sweden-based Hultdins, a leading manufacturer of tools and attachments for forestry and construction machinery. As of May 2017, Demolition & Tools also includes US-based Solesbee's, a leading provider of attachments for excavators and wheel loaders in the North American market.

Net sales increased by 26.7 per cent in the first nine months of the year, to SEK 1,627 (1,284) million. The market situation was generally good. Among the larger markets, the US, Australia and Germany saw the fastest growth.

EBITA* increased by 37.8 per cent over the interim period to SEK 409 (297) million and the EBITA margin* expanded by 2.0 percentage points to 25.1 (23.1) per cent.

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Systems Solutions

SEK million	NINE MONTHS 2017	NINE MONTHS 2016	change	THIRD QUARTER 2017	THIRD QUARTER 2016	change	Rolling 12 months	change	FULL YEAR 2016
Net sales	2,805	2,692	4.2%	948	893	6.0%	3,784	3.1%	3,671
EBITA*	369	296	24.7%	123	88	40.9%	494	17.4%	421
EBITA margin*	13.2%	11.0%	2.2	13.1%	9.8%	3.3	13.1%	1.6	11.5%

Through its operating units, Systems Solutions operates in industries offering systems solutions. Systems Solutions is divided into five divisions: Construction Materials, Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology and Forest.

Net sales in Systems Solutions increased by 4.2 per cent to SEK 2,805 (2,692) million in the first nine months of 2016. All divisions increased their sales for the nine-period with the exception of Interiors for Service Vehicles, which generated sales in line with last year, and Forest, where sales dropped significantly.

EBITA* increased by 24.7 per cent for the interim period, to SEK 369 (296) million. The Construction Materials, Contract Manufacturing and Environmental Technology divisions improved their earnings for the nine-month period. The EBITA margin* expanded by 2.2 percentage points to 13.2 (11.0) per cent.

Construction Materials reported good sales and earnings growth during the nine-month period thanks to robust organic growth and improved profitability in all areas of operation. In June Lifco announced that it had acquired Sweden-based Pro Optix, which provides fibre optic transceivers and cables, wavelength multiplexers, test and measurement instruments, and communication equipment for the European fibre optic market. Pro Optix was consolidated in July 2017. In July Lifco announced that it had acquired a majority stake in Hydal of Norway, Scandinavia's leading manufacturer of aluminium cabinets for outdoor and indoor use. Hydal generated net sales of around NOK 50 million in 2016 and has 25 employees. Hydal was consolidated in July 2017. In July Lifco announced the acquisition of Fiberworks of Norway, which also provides fibre optic transceivers and cables, wavelength multiplexers, test and measurement instruments, and communication equipment for the European fibre optic market. Fiberworks generated net sales of around NOK 93 million in 2016 and has 14 employees. The company was consolidated in July 2017 and will be working with Lifco's other fibre-optic company, Pro Optix. In July Lifco also announced that it had acquired Elit AS, a Norwegian wholesale supplier of machinery and equipment for electrical installations and electricity production. Elit generated net sales of around NOK 38 million in 2016 and has ten employees. Elit was consolidated in September 2017.

Net sales in the Interiors for Service Vehicles division in the first nine months of the year were slightly lower and profitability declined slightly due to a weaker UK market and increased product development costs.

Contract Manufacturing reported higher net sales and earnings for the nine-month period. The division's customers include world-leading manufacturers of equipment for the pharmaceutical industry as well as manufacturers of railway equipment, which have high quality requirements for delivery flexibility as well as documentation.

Environmental Technology performed well over the nine-month period as sales and profitability both improved. As of June 2017, the division includes Sweden-based Silvent, which specialises in energy optimisation and occupational health and safety, and has unique expertise in the area of compressed air dynamics.

In Forest, sales and earnings fell over the nine-month period, despite the consolidation from February 2017 of Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors, which added to both sales and earnings. The decline in the division is due to continued problems in certain projects and lower sales.

ACQUISITIONS

In the first nine months of 2017 Lifco made the following acquisitions:

Consolidated from month	Acquisition	Business area	Net sales	Employees
February	Haglöf Sweden	Systems Solutions	SEK 60m	43
March	Hultdin System	Demolition & Tools	SEK 152m	66
May	Solesbee's	Demolition & Tools	USD 11m	35
June	Silvent	Systems Solutions	SEK 120m	70
July	Pro Optix	Systems Solutions	SEK 62m	14
July	Hydal	Systems Solutions	NOK 50m	25
July	Fiberworks	Systems Solutions	NOK 93m	14
September	Elit	Systems Solutions	NOK 38m	10
September	Perfect Ceramic Dental	Dental	HKD 24m*	850

Further information on acquisitions is provided on page 16 of the interim report. The figures for net sales and number of employees refer to the estimated annual net sales and the number of employees at the acquisition date.

Taken together, the acquisitions will have a positive impact on Lifco's results and financial position in the current year.

*HKD 24 million refers to external sales, which amounts for approximately 20 per cent of total sales.

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OTHER FINANCIAL INFORMATION

Employees

The average number of employees in the first nine quarters of the year was 3,886 (3,662) and the number of employees at the end of the period was 4,632 (3,663). Acquisitions added 1,127 employees.

Events after the end of the reporting period

After the end of the reporting period Lifco has announced the acquisition of two German dental laboratories, which will be consolidated in the fourth quarter.

Related party transactions

No significant transactions with related parties took place during the period.

Risks and uncertainties

The risk factors which have the biggest impact for Lifco are the competitive situation, structural changes in the market and general level of economic activity. Lifco is also exposed to financial risks, including currency risks, interest rate risks, credit and counterparty risks.

The Parent Company is affected by the above risks and uncertainties through its function as owner of the subsidiaries.

For further information on Lifco's risks and risk management, see the annual report for 2016.

Accounting principles

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. In respect of the Parent Company the report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. The accounting principles have been applied in accordance with those which are presented in the annual report for 2016 and should be read in conjunction with these.

The Group is currently evaluating the effects of those new accounting standards which become effective on 1 January 2018 (IFRS 9 and IFRS 15). Senior management's current assessment is that the standards will not result in any significant differences for the Group.

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DECLARATION OF THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer warrant and declare that this nine-month report gives a true and fair view of the Parent Company's and Group's operations, financial positions and results, and that it describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Enköping, 26 October 2017

Carl Bennet Chairman of the Board	*Gabriel Danielsson* Director	*Ulrika Dellby* Director
Erik Gabrielson Director	*Ulf Grunander* Director	*Anna Hallberg* Director
Annika Espander Jansson Director	*Fredrik Karlsson* President and CEO, Director	*Annika Norlund* Director, employee representative
Johan Stern Vice Chairman	*Axel Wachtmeister* Director	*Hans-Eric Wallin* Director, employee representative

AUDITOR'S REPORT

Lifco AB (publ) reg. no. 556465-3185

Introduction

We have reviewed the condensed interim financial information (interim report) of Lifco AB (publ) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Enköping, 26 October 2017

PricewaterhouseCoopers

Eric Salander	*Tomas Hilmarsson*
Authorized Public Accountant	Authorized Public Accountant
Auditor in Charge	

FINANCIAL CALENDAR

The report for the fourth quarter and year-end report 2017 will be published on 15 February 2018
The annual report for 2017 will be published in week 14 of 2018
The report for the first quarter will be published on 3 May
The report for the second quarter will be published on 18 July
The report for the third quarter will be published on 25 October

ANNUAL GENERAL MEETING 2018

The Annual General Meeting of Lifco AB will be held on Thursday 3 May 2018, at 3 p.m. CET, at Bonnierhuset, Torsgatan 21, Stockholm. Shareholders wishing to raise an issue for discussion at the AGM on 3 May 2018 may do so by submitting their proposal to the Chairman of Lifco by e-mail: ir@lifco.se or by post to: Lifco AB, Attn: Bolagsstämmoärenden, Verkmästaregatan 1, SE-745 85 Enköping. To ensure their inclusion in the notice and thus on the agenda for the AGM, proposals must be received by the Company no later than 1 March 2018.

THE NOMINATION COMMITTEE

Prior to the Annual General Meeting 2018 the Nomination Committee consists of Carl Bennet, Carl Bennet AB, Anna-Karin Celsing, representative of small shareholders, Per Colleen, the Fourth Swedish National Pension Fund (AP4), Hans Hedström, Carnegie Fonder, Marianne Nilsson, Swedbank Robur Fonder and Adam Nyström, Didner & Gerge Fonder. Carl Bennet is chairman of the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination Committee for the 2018 AGM may do so by send an e-mail to ir@lifco.se or writing to: Lifco, Attn: Valberedningen, Verkmästaregatan 1, SE-745 85 Enköping, Sweden.

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FURTHER INFORMATION

Media and investor relations: Åse Lindskog, ir@lifco.se, telephone +46 (0)730 24 48 72

TELECONFERENCE

Media and analysts are welcome to call in to a teleconference, where CEO Fredrik Karlsson, CFO Therése Hoffman and Head of Business Area Dental Per Waldemarson will present the interim report. The presentation is expected to take around 20 minutes, after which participants will be invited to ask questions.

Time: Thursday 26 October, 2 p.m. CET

Link to the presentation:

https://tv.streamfabriken.com/lifco-q3-2017

Call-in numbers:
Sweden: +46 8 566 426 92
UK: +44 203 008 98 03
US +1 855 831 59 45

LIFCO IN BRIEF

Lifco acquires and develops market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows. The Group has three business areas: Dental, Demolition & Tools and Systems Solutions. Lifco is guided by a clear philosophy centred on long-term growth, a focus on profitability and a strongly decentralised organisation. At year-end the Lifco Group consisted of 132 companies in 26 countries. In 2016 Lifco reported EBITA of SEK 1,377 million on net sales of SEK 9.0 billion. The EBITA margin was 15.3 per cent. Read more at www.lifco.se.

This information constitutes information that Lifco AB is required to publish under the EU's Market Abuse Regulation.
The information was submitted for publication through the aforementioned contact person on 26 October 2017, at 11:30 a.m. CET.

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CONDENSED CONSOLIDATED INCOME STATEMENT

SEK million	NINE MONTHS 2017	NINE MONTHS 2016	change	THIRD QUARTER 2017	THIRD QUARTER 2016	change	FULL YEAR 2016
Net sales	7,241	6,552	10.5%	2,365	2,128	11.1%	8,987
Cost of goods sold	-4,215	-3,975	6.0%	-1,368	-1,301	5.1%	-5,405
Gross profit	**3,026**	**2,577**	**17.4%**	**997**	**827**	**20.6%**	**3,582**
Selling expenses	-770	-592	30.2%	-255	-197	29.7%	-831
Administrative expenses	-1,093	-1,007	8.5%	-360	-323	11.9%	-1,412
Development costs	-74	-65	13.3%	-24	-20	16.7%	-88
Other income and expenses	-26	-3	767%	-15	-7	114%	1
Operating profit	**1,063**	**910**	**16.9%**	**343**	**280**	**22.3%**	**1,252**
Net financial items	-32	-21	52.5%	-11	-3	212%	-33
Profit before tax	**1,031**	**889**	**16.0%**	**332**	**277**	**19.9%**	**1,219**
Tax	-253	-222	13.7%	-78	-69	12.5%	-292
Net profit for the period	**778**	**667**	**16.8%**	**254**	**208**	**22.4%**	**927**
Profit attributable to:							
Parent Company shareholders	763	653	17.0%	248	202	23.2%	908
Non-controlling interests	15	14	6.3%	6	6	-	19
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders	8.40	7.18	17.0%	2.73	2.22	23.0%	9.99
EBITA*	1,222	997	22.6%	404	316	28.0%	1,377
Depreciation of tangible assets	83	69	20.5%	30	24	21.3%	94
Amortisation of intangible assets	7	7	4.4%	2	2	1.2%	10
Amortisation of intangible assets arising from acquisitions	140	83	69.3%	52	31	69.9%	121

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	NINE MONTHS 2017	NINE MONTHS 2016	change	THIRD QUARTER 2017	THIRD QUARTER 2016	change	FULL YEAR 2016
Net profit for the period	778	667	16.8%	254	208	22.4%	927
Other comprehensive income							
Items which can later be reclassified to profit or loss:							
Hedge of net investment	50	-5		-1	-21		-23
Translation differences	-90	160		-26	97		159
Tax related to other comprehensive income	-11	0		0	4		4
Total comprehensive income for the period	**727**	**822**	**-11.5%**	**227**	**288**	**-21.0%**	**1,067**
Comprehensive income attributable to:							
Parent Company shareholders	713	804	-11.3%	221	279	-20.7%	1,046
Non-controlling interests	14	18	-20.6%	6	9	-30.6%	21
	727	**822**	**-11.5%**	**227**	**288**	**-21.0%**	**1,067**

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SEGMENT OVERVIEW

Lifco's operations are monitored and evaluated by the CEO and resources are allocated based on information from the three operating segments: Dental, Demolition & Tools and Systems Solutions. The defined quantitative limits have been exceeded only by Dental and Demolition & Tools. One further operating segment, Systems Solutions, is presented. This operating segment consists of a merger of those divisions which have similar economic characteristics and which do not individually meet the defined quantitative limits. These divisions are Construction Materials, Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology and Forest.

NET SALES TO EXTERNAL CUSTOMERS

No sales are made between the segments.

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2017	2016	*change*	2017	2016	*change*		*change*	2016
Dental	2,809	2,576	9.0%	848	804	5.5%	3,823	6.5%	3,590
Demolition & Tools	1,627	1,284	26.7%	569	431	32.2%	2,069	19.9%	1,726
Systems Solutions	2,805	2,692	4.2%	948	893	6.0%	3,784	3.1%	3,671
Group	**7,241**	**6,552**	**10.5%**	**2,365**	**2,128**	**11.1%**	**9,676**	**7.7%**	**8,987**

EBITA

A breakdown of results by segment is made up to and including EBITA. EBITA is reconciled to profit before tax in accordance with the following table:

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2017	2016	*change*	2017	2016	*change*		*change*	2016
Dental	517	472	9.5%	155	144	7.1%	700	6.8%	655
Demolition & Tools	409	297	37.8%	148	104	42.4%	510	28.2%	398
Systems Solutions	369	296	24.7%	123	88	40.9%	494	17.4%	421
Central Group functions	-73	-68	7.2%	-22	-20	9.8%	-102	5.1%	-97
EBITA before acquisition costs	**1,222**	**997**	**22.6%**	**404**	**316**	**28.0%**	**1,602**	**16.4%**	**1,377**
Acquisition costs	-19	-4	344%	-9	-5	99.2%	-19	410%	-4
EBITA	**1,203**	**993**	**21.2%**	**395**	**311**	**27.0%**	**1,583**	**15.4%**	**1,373**
Amortisation of intangible assets arising from acquisitions	-140	-83	69.3%	-52	-31	69.9%	-178	47.3%	-121
Net financial items	-32	-21	52.5%	-11	-3	212%	-44	33.2%	-33
Profit before tax	**1,031**	**889**	**16.0%**	**332**	**277**	**19.9%**	**1,361**	**11.7%**	**1,219**

CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Intangible assets	8,017	6,756	6,824
Tangible fixed assets	530	459	464
Financial assets	113	105	109
Inventories	1,353	1,163	1,155
Accounts receivable - trade	1,276	1,119	1,046
Current receivables	317	354	236
Cash and cash equivalents	237	410	293
Assets held for sale	-	26	-
TOTAL ASSETS	**11,843**	**10,392**	**10,127**
EQUITY AND LIABILITIES			
Equity	5,150	4,516	4,758
Non-current interest-bearing liabilities incl. pension provisions	38	1,121	1,120
Other non-current liabilities and provisions	917	518	597
Current interest-bearing liabilities	4,087	2,600	2,191
Accounts payable - trade	539	528	507
Other current liabilities	1,112	1,109	954
TOTAL EQUITY AND LIABILITIES	**11,843**	**10,392**	**10,127**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Parent Company shareholders

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Opening equity	4,712	3,939	3,939
Comprehensive income for the period	713	804	1,046
Dividend	-318	-273	-273
Closing equity	**5,107**	**4,470**	**4,712**
Equity attributable to:			
Parent Company shareholders	5,107	4,470	4,712
Non-controlling interests	43	46	46
	5,150	**4,516**	**4,758**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	NINE MONTHS 2017	NINE MONTHS 2016	THIRD QUARTER 2017	THIRD QUARTER 2016	FULL YEAR 2016
Operating activities					
Operating profit	1,063	910	343	280	1,252
Non-cash items	235	132	89	44	211
Interest and financial items, net	-32	-21	-11	-3	-33
Tax paid	-297	-232	-81	-67	-295
Cash flow before changes in working capital	969	789	340	254	1,135
Changes in working capital					
Inventories	-119	-60	-34	1	-57
Current receivables	-132	-118	-26	-13	11
Current liabilities	19	44	19	-12	-5
Cash flow from operating activities	**737**	**655**	**299**	**230**	**1,084**
Business acquisitions and sales, net	-1,221	-1,517	-363	-569	-1,608
Net investment in tangible fixed assets	-105	-80	-25	-24	-104
Net investment in intangible assets	-7	-3	-2	-1	-9
Cash flow from investing activities	**-1,333**	**-1,600**	**-390**	**-594**	**-1,721**
Borrowings/repayment of borrowings, net	907	1,174	108	356	710
Dividends paid	-336	-283	-1	-3	-285
Cash flow from financing activities	**571**	**891**	**107**	**353**	**425**
Cash flow for the period	**-25**	**-54**	**16**	**-11**	**-212**
Cash and cash equivalents at beginning of period	293	464	227	429	464
Cash and cash equivalents in businesses held for sale	-	-24	-	-24	-
Translation differences	-31	24	-6	16	41
Cash and cash equivalents at end of period	**237**	**410**	**237**	**410**	**293**

ACQUISITIONS IN 2017

Nine new businesses were consolidated in the first nine months of the year. The acquisitions comprised all shares of Elit, Haglöf Sweden, Hultdin System and Perfect Ceramic Dental as well as majority stakes in Fiberworks, Hydal, Pro Optix, Silvent and Solesbee's.

The purchase price allocation includes the above nine acquisitions. Purchase price allocations are preliminary until one year after the acquisition date.

Expenses of SEK 14 million related to the nine acquisitions are included in administrative expenses in the consolidated income statement for the first nine months of 2017. If the businesses had been consolidated from 1 January 2017 consolidated net sales would have increased by around SEK 257 million. The nine acquisitions would have had a positive impact on earnings if the companies had been consolidated from 1 January 2017.

Acquired net assets

Net assets, SEK million	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	3	827	830
Tangible assets	49	-	49
Inventories, trade and other receivables	246	-27	219
Trade and other payables	-154	-165	-319
Cash and cash equivalents	130	-	130
Net assets	**274**	**635**	**909**
Goodwill	-	610	610
Total net assets	**274**	**1,245**	**1,519**

Effect on cash flow, SEK million	
Consideration	1,519
Consideration not paid	*-174*
Cash and cash equivalents in acquired companies	-130
Consideration paid relating to acquisitions from previous years	6
Total cash flow effect	**1,221**

FINANCIAL INSTRUMENTS

	CARRYING AMOUNT		FAIR VALUE	
SEK million	**30 Sep 2017**	**30 Sep 2016**	**30 Sep 2017**	**30 Sep 2016**
Loans and receivables				
Accounts receivable - trade	1,276	1,119	1,276	1,119
Other non-current financial receivables	5	3	5	3
Cash and cash equivalents	237	410	237	410
Total	**1,518**	**1,532**	**1,518**	**1,532**
Liabilities at fair value through profit or loss				
Other liabilities	225	16	225	16
Other financial liabilities				
Interest-bearing borrowings	4,089	3,672	4,089	3,672
Accounts payable - trade	539	528	539	528
Total	**4,853**	**4,216**	**4,853**	**4,216**

Financial instruments at fair value are classified into different levels depending on how fair value is determined. All financial instruments at fair value in the Lifco Group have been classified as level 3, i.e. non-observable inputs. The fair value of short-term borrowings is equal to the carrying amount, as the discount effect is insignificant. Other liabilities classified as financial instruments refer to mandatory put/call options related to non-controlling interests.

KEY PERFORMANCE INDICATORS

ROLLING TWELVE MONTHS TO	2017 30 SEP	2016 31 DEC	2016 30 SEP
Net sales, SEK million	9,676	8,987	8,673
Change in net sales, %	7.7	13.7	9.8
EBITA*, SEK million	1,602	1,377	1,319
EBITA margin*, %	16.6	15.3	15.2
EBITDA*, SEK million	1,721	1,481	1,420
EBITDA margin, %	17.8	16.5	16.4
Capital employed, SEK million	8,460	7,381	6,922
Capital employed excl. goodwill and other intangible assets, SEK million	1,020	974	969
Return on capital employed, %	18.9	18.7	19.1
Return on capital employed excl. goodwill, %	157	141	136
Return on equity, %	21.0	21.0	21.4
Net interest-bearing debt, SEK million	3,888	3,018	3,295
Net debt/equity ratio	0.8	0.6	0.7
Net debt/EBITDA*	2.3	2.0	2.3
Equity/assets ratio, %	43.5	47.0	43.5
Number of shares, thousand	90,843	90,843	90,843
Average number of employees	3,886	3,524	3,662

CONDENSED PARENT COMPANY INCOME STATEMENT

	NINE MONTHS		THIRD QUARTER		FULL YEAR
SEK million	**2017**	**2016**	**2017**	**2016**	**2016**
Administrative expenses	-91	-79	-28	-24	-113
Other operating income*	-	40	-	-	90
Operating profit	**-91**	**-39**	**-28**	**-24**	**-23**
Net financial items**	635	376	237	-18	544
Profit after financial items	**544**	**337**	**209**	**-42**	**521**
Appropriations	-	-	-	-	-10
Tax	1	28	3	17	9
Net profit for the period	**545**	**365**	**212**	**-25**	**520**

* Preliminary invoicing of Group-wide services.
**Net financial items include received dividends of SEK 548 (407) million in the nine-month period.

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	**30 Sep 2017**	**30 Sep 2016**
ASSETS		
Tangible fixed assets	0	0
Financial assets	4,034	4,243
Current receivables	4,128	2,819
Cash and cash equivalents	32	210
TOTAL ASSETS	**8,194**	**7,272**
EQUITY AND LIABILITIES		
Equity	2,660	2,278
Untaxed reserves	41	32
Non-current interest-bearing liabilities	-	1,088
Current interest-bearing liabilities	4,089	2,573
Current non-interest-bearing liabilities	1,404	1,301
TOTAL EQUITY AND LIABILITIES	**8,194**	**7,272**
Pledged assets	-	-
Contingent liabilities	23	42

LIFCO

OBJECTIVE AND DEFINITIONS

Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBITA before acquisition costs divided by capital employed.
Return on capital employed excluding goodwill and other intangible assets	EBITA acquisition costs divided by capital employed excluding goodwill and other intangible assets.
EBITA	EBITA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated after investments in tangible and intangible assets requiring reinvestment but before investments in intangible assets attributable to acquisitions. Lifco defines earnings before interest, tax and amortisation (EBITA) as operating profit before amortisation and impairment of intangible assets arising from acquisitions. In its financial reports Lifco excludes acquisition costs. This is indicated by an asterisk.
EBITA margin	EBITA divided by net sales.
EBITDA	EBITDA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated before investments in fixed assets. Lifco defines earnings before interest, tax, depreciation and amortisation (EBITDA) as operating profit before depreciation, amortisation and impairment of tangible and intangible assets. In its financial reports Lifco excludes acquisition costs. This is indicated by an asterisk.
EBITDA margin	EBITDA divided by net sales.
Net debt/equity ratio	Net interest-bearing debt divided by equity.
Earnings per share	Profit after tax attributable to Parent Company shareholders divided by average number of outstanding shares.
Net interest-bearing debt	Lifco uses the alternative KPI net interest-bearing debt. Lifco considers that this is a useful additional KPI which allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. Lifco defines the KPI as follows: current and non-current liabilities to credit institutions, bond loans and interest-bearing pension provisions less estimated contingent consideration for acquisitions, and cash and cash equivalents.

Equity/assets ratio	Equity divided by total assets (balance sheet total).
Capital employed	Capital employed is a measure which Lifco uses for calculating the return on capital employed and for measuring how efficient the Group is. Lifco considers that capital employed is useful in helping users of the financial reports to understand how the Group finances itself. Lifco defines capital employed as total assets less cash and cash equivalents, interest-bearing pension provisions and non-interest-bearing liabilities, calculated as the average of the last four quarters.
Capital employed excluding goodwill and other intangible assets	Capital employed excluding goodwill and other intangible assets is a measure which Lifco uses for calculating the return on capital employed and for measuring how efficient the Group is. Lifco considers that capital employed excluding goodwill and other intangible assets is useful in helping users of the financial reports to understand the impact of goodwill and other intangible assets on that capital which requires a return. Lifco defines capital employed excluding goodwill and other intangible assets as total assets less cash and cash equivalents, interest-bearing pension provisions, non-interest-bearing liabilities, goodwill and other intangible assets, calculated as the average of the last four quarters.

LIFCO

RECONCILIATION OF ALTERNATIVE KEY PERFORMANCE INDICATORS

The interim report presents alternative key performance indicators for assessing the Group's performance. The primary alternative KPIs presented in this interim report are EBITA, EBITDA, net debt and capital employed. Definitions of the alternative KPIs are presented on pages 19–20.

EBITA compared with financial statements in accordance with IFRS

SEK million	NINE MONTHS 2017	NINE MONTHS 2016	FULL YEAR 2016
Operating profit	1,063	910	1,252
Amortisation of intangible assets arising from acquisitions	140	83	121
EBITA	**1,203**	**993**	**1,373**
Acquisition costs	19	4	4
EBITA* before acquisition costs	**1,222**	**997**	**1,377**

EBITDA compared with financial statements in accordance with IFRS

SEK million	NINE MONTHS 2017	NINE MONTHS 2016	FULL YEAR 2016
Operating profit	1,063	910	1,252
Depreciation of tangible assets	83	69	94
Amortisation of intangible assets	7	7	10
Amortisation of intangible assets arising from acquisitions	140	83	121
EBITDA	**1,293**	**1,069**	**1,477**
Acquisition costs	19	4	4
EBITDA* before acquisition costs	**1,312**	**1,073**	**1,481**

Net interest-bearing debt compared with financial statements in accordance with IFRS

SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
Non-current interest-bearing liabilities including pension provisions	38	1,121	1,120
Current interest-bearing liabilities	4,087	2,600	2,191
Calculated contingent consideration for acquisitions	-	-16	-
Cash and cash equivalents	-237	-410	-293
Net interest-bearing debt	**3,888**	**3,295**	**3,018**

LIFCO

Capital employed and capital employed excluding goodwill and other intangible assets compared with financial statements in accordance with IFRS

SEK million	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016
Total assets	**11,843**	**11,308**	**10,872**	**10,127**
Cash and cash equivalents	-237	-227	-255	-293
Interest-bearing pension provisions	-36	-35	-34	-37
Non-interest-bearing liabilities	-2,568	-2,329	-2,200	-2,057
Capital employed	**9,002**	**8,717**	**8,383**	**7,740**
Goodwill and other intangible assets	-8,017	-7,656	-7,265	-6,824
Capital employed excluding goodwill and other intangible assets	**985**	**1,061**	**1,118**	**916**

Capital employed and capital employed excluding goodwill and other intangible assets calculated as the average of the last four quarters compared with financial statements in accordance with IFRS

SEK million	Average	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Capital employed	**8,460**	9,002	8,717	8,383	7,740
Capital employed excluding goodwill and other intangible assets	**1,020**	985	1,061	1,118	916
EBITA*	**Total** **1,602**	404	433	385	380
Return on capital employed	**18.9%**				
Return on capital employed excl. goodwill and other intangible assets	**157%**				