LIFCO
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25 October 2018

INTERIM REPORT JANUARY – SEPTEMBER 2018

Reporting period January – September

- Net sales increased by 17.4 per cent to SEK 8,502 (7,241) million. Organically, net sales grew by 5.1 per cent
- EBITA* increased by 22.6 per cent to SEK 1,498 (1,222) million
- The EBITA margin* increased to 17.6 (16.9) per cent
- Earnings before tax grew by 22.2 per cent to SEK 1,260 (1,031) million
- Net profit for the period grew by 24.3 per cent to SEK 967 (778) million
- Earnings per share increased by 24.0 per cent to SEK 10.42 (8.40)
- Cash flow from operating activities increased by 31.8 per cent to SEK 971 (737) million
- During the period, Lifco acquired eight businesses with total annual sales of around SEK 500 million
- After the end of the reporting period, the acquisition of ERC Systems of Sweden will be consolidated

Reporting period July – September

- Net sales increased by 17.8 per cent to SEK 2,787 (2,365) million. Organically, net sales grew by 6.4 per cent
- EBITA* increased by 28.7 per cent to SEK 520 (404) million
- The EBITA margin* increased to 18.7 (17.1) per cent
- Earnings before tax grew by 31.3 per cent to SEK 436 (332) million
- Net profit for the period grew by 28.7 per cent to SEK 327 (254) million
- Cash flow from operating activities increased by 63.2 per cent to SEK 488 (299) million

Summary of financial performance

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2018	2017	*change*	2018	2017	*change*		*change*	2017
Net sales	8,502	7,241	17.4%	2,787	2,365	17.8%	11,291	12.6%	10,030
EBITA*	1,498	1,222	22.6%	520	404	28.7%	2,008	15.9%	1,732
EBITA margin*	17.6%	16.9%	0.7	18.7%	17.1%	1.6	17.8%	0.5	17.3%
Profit before tax	1,260	1,031	22.2%	436	332	31.3%	1,702	15.5%	1,473
Net profit for the period	967	778	24.3%	327	254	28.7%	1,296	17.1%	1,107
Earnings per share	10.42	8.40	24.0%	3.48	2.73	27.5%	13.96	16.9%	11.94
Return on capital employed	20.0%	18.7%	1.3	20.0%	18.7%	1.3	20.0%	0.7	19.3%
Return on capital employed excl. goodwill	161%	140%	21	161%	140%	21	161%	11	150%

* Before acquisition costs.

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COMMENTS FROM THE CEO

In the first nine months of 2018, net sales increased by 17.4 per cent to SEK 8,502 (7,241) million through acquisitions, organic growth and foreign exchange gains. All three business areas reported robust sales and earnings growth for the nine-month period. All divisions in all business areas had a solid development in the first nine months of year on the back of growing sales and improved earnings. The market environment in the three business areas remained generally favourable.

EBITA before acquisition costs increased by 22.6 per cent over the interim period to SEK 1,498 (1,222) million and the EBITA margin expanded by 0.7 percentage points to 17.6 (16.9) per cent. The improvement in profitability was mainly due to acquisitions and organic growth. Earnings per share for the nine-month period increased by 24.0 per cent to SEK 10.42 (8.40).

Cash flow from operating activities for the nine-month period increased by 31.8 per cent to SEK 971 (737) million. We are still experiencing delivery problems in many businesses, which has led to increased inventories. This is, on the other hand, compensated to a large degree by an increased level of advance payments from customers within the divisions Forest and Environmental Technology.

So far this year, Lifco has consolidated eight new businesses with combined annual sales of around SEK 500 million. After the end of the period, Lifco concluded an agreement to acquire ERC Systems of Sweden, a provider of sewer inspection and relining services. The acquisitions will have a positive impact on Lifco’s results and financial position in the current year.

Even after the acquisitions made in 2018, Lifco has ample financial scope for further acquisitions, as net debt stands at 2.0 times EBITDA before acquisition costs, still well below our target of a net debt of up to three times EBITDA.

Fredrik Karlsson
CEO

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GROUP PERFORMANCE IN JANUARY – SEPTEMBER

Net sales increased by 17.4 per cent to SEK 8,502 (7,241) million, driven by acquisitions, organic growth and foreign exchange gains. Acquisitions contributed 9.4 per cent and organic growth 5.1 per cent while changes in exchange rates had a positive impact of 2.9 per cent. In the first nine months of the year, Computer konkret, Dental Direct, Denterbridge, Flörchinger Zahntechnik, Rhein 83, Spocs, Toolpack's Norwegian service vehicle interior business and Wexman were consolidated.

EBITA* increased by 22.6 per cent to SEK 1,498 (1,222) million and the EBITA margin* expanded by 0.7 percentage points to 17.6 (16.9) per cent. EBITA* improved on the back of acquisitions, organic growth and foreign exchange gains. Foreign exchange gains accounted for 3.1 percentage points of the increase in EBITA*. In the first nine months of the year, 36 (33) per cent of EBITA* was generated in EUR, 28 (30) per cent in SEK and 15 (14) per cent in NOK.

Net financial items were SEK -33 (-32) million.

The profit before tax increased by 22.2 per cent to SEK 1,260 (1,031) million and the net profit for the period increased by 24.3 per cent to SEK 967 (778) million. After corporation tax rates were cut in Norway, the UK and Sweden, deferred tax liabilities were restated during the period, which had a positive one-off effect of SEK 22 million.

Average capital employed excluding goodwill increased by SEK 95 million over the nine-month period, to SEK 1,250 million at 30 September 2018, compared with SEK 1,155 million at 31 December 2017. EBITA* relative to average capital employed excluding goodwill increased by 11 percentage points in the interim period, to 161 per cent. At 30 September 2017, EBITA* in relation to average capital employed excluding goodwill was 140 per cent. The improvement was due chiefly to higher earnings.

The Group's net debt increased by SEK 446 million from 31 December 2017 to SEK 4,240 million at 30 September 2018. In the first quarter, Lifco issued SEK 1,750 million in two series of unsecured bonds with maturities of two years. The proceeds of the bond issues were used to refinance existing bank loans and bonds. At the end of the period, liabilities related to call/put options and additional considerations for acquisitions totalled SEK 574 (226) million.

The net debt to equity ratio at 30 September 2018 was 0.7 (0.8) and net debt to EBITDA* was 2.0 (2.4) times. At the end of the period, 29 per cent of the Group's interest-bearing liabilities were denominated in EUR.

Cash flow from operating activities increased to SEK 971 (737) million during the interim period, mainly as a result of stronger earnings. Cash flow from investing activities was SEK -580 (-1,333) million, which was mainly attributable to acquisitions.

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GROUP PERFORMANCE IN THE THIRD QUARTER

Net sales for the three-month period increased by 17.8 per cent to SEK 2,787 (2,365) million, driven by acquisitions, organic growth and foreign exchange gains. Acquisitions contributed 7.9 per cent and organic growth 6.4 per cent while changes in exchange rates had a positive impact of 3.5 per cent.

EBITA* increased by 28.7 per cent to SEK 520 (404) million and the EBITA margin* improved by 1.6 percentage points to 18.7 (17.1) per cent. EBITA* improved on the back of organic growth, acquisitions and foreign exchange gains. Foreign exchange gains accounted for 4.1 percentage points of the increase in EBITA*. In the third quarter, 37 (34) per cent of EBITA* was generated in EUR, 26 (30) per cent in SEK and (13) 15 per cent in NOK.

Net financial items were SEK -10 (-11) million.

Earnings before tax increased by 31.3 per cent to SEK 436 (332) million. Net profit grew by 28.7 per cent to SEK 327 (254) million.

Average capital employed excluding goodwill increased by SEK 10 million to SEK 1,250 million at 30 September 2018, up from SEK 1,240 million at 30 June 2018. EBITA in relation to average capital employed excluding goodwill increased from 153 per cent at 30 June 2018 to 161 per cent at 30 September 2018.

The Group's net debt decreased by SEK 16 million to SEK 4,240 million over the three-month period. At 0.7, the net debt/equity was unchanged compared with 30 June 2018.

Cash flow from operating activities increased by 63.2 per cent to SEK 488 (299) million in the third quarter, mainly as a result of stronger earnings. Cash flow from investing activities was SEK -288 (-390) million, which was mainly attributable to acquisitions.

FINANCIAL PERFORMANCE – BUSINESS AREAS

Dental

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	**2018**	**2017**	*change*	**2018**	**2017**	*change*		*change*	**2017**
Net sales	3,041	2,809	8.3%	975	848	15.0%	4,049	6.1%	3,817
EBITA*	583	517	12.8%	192	155	23.9%	767	9.4%	701
EBITA margin*	19.2%	18.4%	0.8	19.7%	18.2%	1.5	18.9%	0.5	18.4%

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 has operations in the US. Lifco sells dental technology to dentists in the Nordic countries and Germany, and develops and sells medical record systems in Denmark, Sweden and Germany. 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 8.3 per cent to SEK 3,041 (2,809) in the first nine months of the year. EBITA* increased by 12.8 per cent to SEK 583 (517) million during the period and the EBITA margin* expanded by 0.8 percentage points to 19.2 (18.4) 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.

Lifco's majority stake in Computer konkret, a German software provider to dentists and orthodontists, was consolidated as of January 2018. The company generated net sales of around EUR 3.8 million in 2017 and has about 50 employees. Lifco's majority stake in Dental Direct of Norway and its Danish subsidiary 3D Dental, which have around 20 employees and generated combined net sales of around SEK 135 million in 2017, were consolidated with effect from April 2018. Flörchinger Zahntechnik of Germany, which has around 25 employees and generated net sales of EUR 1.7 million in 2017, was consolidated with effect from May 2018. The acquisitions of Denterbridge of France and a majority stake in Rhein 83 of Italy were consolidated from July 2018. The two companies generated net sales of EUR 9 million and EUR 8 million, respectively, in 2017 and have about 20 employees each.

Demolition & Tools

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2018	2017	*change*	2018	2017	*change*		*change*	2017
Net sales	2,032	1,627	24.9%	724	569	27.2%	2,666	17.9%	2,261
EBITA*	496	409	21.3%	191	148	29.1%	685	14.5%	598
EBITA margin*	24.4%	25.1%	-0.7	26.4%	26.0%	0.4	25.7%	-0.8	26.5%

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 of roughly equal size in terms of sales. The business area's EBITA margin might fluctuate between quarters due to single, major special orders.

Net sales increased by 24.9 per cent in the first nine months of the year, to SEK 2,032 (1,627) million. The market situation was generally good. Among the larger markets, France and Germany saw the fastest growth. EBITA* increased by 21.3 per cent over the period to SEK 496 (409) million and the EBITA margin* was 24.4 (25.1) per cent.

Systems Solutions

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2018	2017	*change*	2018	2017	*change*		*change*	2017
Net sales	3,429	2,805	22.2%	1,088	948	14.8%	4,576	15.8%	3,952
EBITA*	500	369	35.5%	161	123	30.9%	668	24.4%	537
EBITA margin*	14.6%	13.2%	1.4	14.8%	13.1%	1.7	14.6%	1.0	13.6%

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 22.2 per cent to SEK 3,429 (2,805) million in the first nine months of the year on the back of a good performance across all divisions.

EBITA* increased by 35.5 per cent for the interim period, to SEK 500 (369) million. All divisions improved their earnings during the period. The EBITA margin* expanded by 1.4 percentage points to 14.6 (13.2) per cent.

Construction Materials reported good sales and earnings growth for the nine-month period as a result of acquisitions and organic growth. ERC Systems of Sweden will be consolidated in the Proline Group from October 2018. The company had net sales of around SEK 20 million in 2017 and has eleven employees.

Interiors for Service Vehicles saw good sales growth in the first nine months with increased profitability. Toolpack's Norwegian service vehicle interiors business, which has around 15 employees and generated net sales of about NOK 40 million in 2017, was consolidated with effect from May 2018.

Contract Manufacturing saw good sales growth in the first nine months and reported increased earnings. Spocs, a Swedish provider of final assembly and testing services for electronic products, was consolidated from March 2018. The company had net sales of around SEK 61 million in 2017 and has 23 employees.

Environmental Technology saw a steady increase in sales and improved its profitability over the nine-month period.

Forest reported good sales and earnings growth for the nine-month period. The projects which created problems in Forest in 2017 have been concluded. This, coupled with strong demand, led to a good performance during the period. Lifco's majority stake in Wexman of Sweden, which makes professional workwear, was consolidated with effect from June 2018. The company generated net sales of around SEK 46 million in 2017 and has twelve employees.

ACQUISITIONS

In the first nine months of 2018, Lifco made the following acquisitions:

Consolidated from month	Acquisition	Business area	Net sales	Employees
January	Computer konkret	Dental	EUR 3.8m	50
March	Spocs	Systems Solutions	SEK 61m	23
April	Dental Direct	Dental	NOK 95m DKK 25m	20
May	Toolpack's Norwegian Service vehicle interiors business	Systems Solutions	NOK 40m	15
May	Flörchinger Zahntechnik	Dental	EUR 1.7m	25
June	Wexman	Systems Solutions	SEK 46m	12
July	Denterbridge	Dental	EUR 9m	20
July	Rhein 83	Dental	EUR 8m	25

Further information on the acquisitions is provided on page 17. The figures for net sales and number of employees refer to 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.

OTHER FINANCIAL INFORMATION

Employees

The average number of employees in the first three quarters of the year was 4,825 (3,886) and the number of employees at the end of the period was 4,903 (4,632). Acquisitions added 190 employees.

Events after the end of the reporting period

In early October, it was announced that Lifco had acquired ERC Systems, a Swedish provider of sewer inspection and relining services. The company will be consolidated from October 2018 in the Proline Group, which is part of the Systems Solutions business area in the Construction Materials division.

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 in its capacity as owner of the subsidiary companies. For further information on Lifco's risks and risk management, see the annual report for 2017.

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 2017 and should be read in conjunction with these.

The Group has evaluated the effects of implementing IFRS 9 Financial Instruments, which became effective on 1 January 2018 and has established that the impact is marginal. No adjustments have therefore been made to the opening balances for 2018. IFRS 15 Revenue from Contracts with Customers became effective on 1 January 2018, and the effects of the standard in Lifco's subsidiaries have been assessed in a project that was initiated in 2016. No material differences compared with the previous standards have been identified, and no adjustments have therefore been made to the opening balances for 2018. IFRS 15 is being applied from 1 January 2018 and the disclosures in the interim report have been adapted in accordance with this new standard. The Group is currently evaluating the effects of introducing the IFRS 16 Leases standard, which will become effective on 1 January 2019. The Group does not currently intend to apply the standard prior to the effective date.

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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, 25 October 2018

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	*Anders Lorentzson* Director, employee representative
Johan Stern Vice Chairman	*Axel Wachtmeister* Director	*Hans-Eric Wallin* Director, employee representative, deputy

AUDITOR'S REVIEW REPORT

Lifco AB (publ) corp. ID no. 556465-3185

Introduction

We have reviewed the summary interim financial information (interim report) for Lifco AB (publ) as at 30 September 2018 and for the nine-month period ending on this date. Responsibility for preparing and presenting this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act rests with the Board of Directors and CEO. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We have performed our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly narrower scope than a full audit conducted in accordance with ISA and generally accepted auditing standards. The review procedures taken in a review do not enable us to obtain a degree of certainty that would make us aware of all important circumstances that would have been identified if an audit had been performed. The conclusion based on a review therefore does not have the same certainty as a conclusion based on an audit.

Conclusion

Based on our review, we have not discovered any circumstances that would give us reason to consider that the interim financial statement has not, in all material respects, been prepared, in respect of the Group, in accordance with IAS 34 and the Annual Accounts Act and, in respect of the Parent Company, with the Annual Accounts Act.

Enköping, 25 October 2018
PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor-in-charge

Tomas Hilmarsson
Authorised Public Accountant

FINANCIAL CALENDAR

The report for the fourth quarter and year-end report 2018 will be published on 6 February 2019
The annual report for 2018 will be published in week 13
The report for the first quarter will be published on 26 April
The report for the second quarter will be published on 18 July
The report for the third quarter will be published on 23 October

ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Lifco AB will be held on Friday 26 April 2019, at 2 p.m. CET, at Bonnierhuset, Torsgatan 21, Stockholm. Shareholders wishing to raise an issue for discussion at the AGM 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, Sweden. 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 8 March 2019.

THE NOMINATION COMMITTEE

Prior to the Annual General Meeting 2019 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 2019 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.

FURTHER INFORMATION

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

TELECONFERENCE

Media and analysts are welcome to call in to a teleconference, where CEO Fredrik Karlsson, CFO Therése Hoffman and Deputy CEO Per Waldemarson will present the interim report. After the presentation, there will be an opportunity to ask questions.

Time: Thursday 25 October, 3 p.m. CET

Link to the presentation:
https://tv.streamfabriken.com/lifco-q3-2018

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LIFCO IN BRIEF

Lifco offers a safe haven for small and medium-sized businesses. Lifco's business concept is to acquire and develop market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows. Lifco is guided by a clear philosophy centred on long-term growth, a focus on profitability and a strongly decentralised organisation. The Group has three business areas: Dental, Demolition & Tools and Systems Solutions. At year-end, the Lifco Group consisted of 138 operating companies in 29 countries. In 2017, Lifco reported EBITA of SEK 1,732 million on net sales of SEK 10.0 billion. The EBITA margin was 17.3 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 25 October 2018, at 11:30 a.m. CET.

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CONDENSED CONSOLIDATED INCOME STATEMENT

	NINE MONTHS			THIRD QUARTER			FULL YEAR
SEK million	**2018**	**2017**	*change*	**2018**	**2017**	*change*	**2017**
Net sales	8,502	7,241	17.4%	2,787	2,365	17.8%	10,030
Cost of goods sold	-4,868	-4,215	15.5%	-1,581	-1,368	15.6%	-5,766
Gross profit	**3,634**	**3,026**	**20.1%**	**1,206**	**998**	**21.0%**	**4,264**
Selling expenses	-953	-770	23.8%	-315	-255	23.5%	-1,095
Administrative expenses	-1,249	-1,093	14.3%	-401	-360	11.4%	-1,525
Development costs	-115	-74	55.4%	-38	-24	58.3%	-105
Other income and expenses	-24	-26	-7.7%	-6	-15	-60.0%	-20
Operating profit	**1,293**	**1,063**	**21.6%**	**446**	**343**	**30.0%**	**1,519**
Net financial items	-33	-32	3.1%	-10	-11	-9.1%	-46
Profit before tax	**1,260**	**1,031**	**22.2%**	**436**	**332**	**31.3%**	**1,473**
Tax	-293	-253	15.8%	-109	-78	39.7%	-366
Net profit for the period	**967**	**778**	**24.3%**	**327**	**254**	**28.7%**	**1,107**
Profit attributable to:							
Parent company shareholders	947	763	24.1%	317	248	27.8%	1,084
Non-controlling interests	20	15	33.3%	10	6	66.7%	23
Earnings per share before and after dilution for the period, attributable to Parent company shareholders	10.42	8.40	24.0%	3.48	2.73	27.5%	11.94
EBITA*	1,498	1,222	22.6%	520	404	28.7%	1,732
Depreciation of tangible assets	93	83	12.0%	33	30	10.0%	112
Amortisation of intangible assets	9	7	28.6%	3	2	50.0%	11
Amortisation of intangible assets arising from acquisitions	186	140	32.9%	67	52	28.8%	196

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NINE MONTHS			THIRD QUARTER			FULL YEAR
SEK million	**2018**	**2017**	*change*	**2018**	**2017**	*change*	**2017**
Net profit for the period	967	778	24.3%	327	254	28.7%	1,107
Other comprehensive income							
Items which can later be reclassified to profit or loss:							
Hedge of net investment	-5	50	-110%	-5	-1	400%	99
Translation differences	242	-90	-369%	-65	-26	150%	-59
Tax related to other comprehensive income	1	-11	-109%	1	-	-	-22
Total comprehensive income for the period	**1,205**	**727**	**65.7%**	**258**	**227**	**13.7%**	**1,125**
Comprehensive income attributable to:							
Parent company shareholders	1,182	713	65.8%	248	221	12.2%	1,102
Non-controlling interests	23	14	64.3%	10	6	66.7%	23
	1,205	**727**	**65.7%**	**258**	**227**	**13.7%**	**1,125**

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	2018	2017	*change*	2018	2017	*change*		*change*	2017
Dental	3,041	2,809	8.3%	975	848	15.0%	4,049	6.1%	3,817
Demolition & Tools	2,032	1,627	24.9%	724	569	27.2%	2,666	17.9%	2,261
Systems Solutions	3,429	2,805	22.2%	1,088	948	14.8%	4,576	15.8%	3,952
Group	**8,502**	**7,241**	**17.4%**	**2,787**	**2,365**	**17.8%**	**11,291**	**12.6%**	**10,030**

Net sales by type of income:

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2018	2017	*change*	2018	2017	*change*		*change*	2017
Dental products	3,041	2,809	8.3%	975	848	15.0%	4,049	6.1%	3,817
Machinery and Tools	2,032	1,627	24.9%	724	569	27.2%	2,666	17.9%	2,261
Construction Materials	790	535	47.7%	256	193	32.6%	1,059	31.7%	804
Interiors for Service Vehicles	449	400	12.3%	155	127	22.0%	602	8.9%	553
Contract Manufacturing	685	656	4.4%	196	206	-4.9%	930	3.2%	901
Environmental Technology	998	797	25.2%	331	265	24.9%	1,325	17.9%	1,124
Forest	507	417	21.6%	150	157	-4.5%	660	15.8%	570
Group	**8,502**	**7,241**	**17.4%**	**2,787**	**2,365**	**17.8%**	**11,291**	**12.6%**	**10,030**

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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:

SEK million	NINE MONTHS 2018	NINE MONTHS 2017	*change*	THIRD QUARTER 2018	THIRD QUARTER 2017	*change*	Rolling 12 months	*change*	FULL YEAR 2017
Dental	583	517	12.8%	192	155	23.9%	767	9.4%	701
Demolition & Tools	496	409	21.3%	191	148	29.1%	685	14.5%	598
Systems Solutions	500	369	35.5%	161	123	30.9%	668	24.4%	537
Central Group functions	-81	-73	11.0%	-24	-22	9.1%	-112	7.7%	-104
EBITA before acquisition costs	**1,498**	**1,222**	**22.6%**	**520**	**404**	**28.7%**	**2,008**	**15.9%**	**1,732**
Acquisition costs*	-19	-19	-	-7	-9	-22.2%	-17	-	-17
EBITA	**1,479**	**1,203**	**22.9%**	**513**	**395**	**29.9%**	**1,991**	**16.1%**	**1,715**
Amortisation of intangible assets arising on acquisition	-186	-140	32.9%	-67	-52	28.8%	-242	23.5%	-196
Net financial items	-33	-32	3.1%	-10	-11	-9.1%	-47	2.2%	-46
Profit before tax	**1,260**	**1,031**	**22.2%**	**436**	**332**	**31.3%**	**1,702**	**15.5%**	**1,473**

* Of which, change in put/call options and additional considerations for the current year, SEK -6 (-5) million.

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CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Intangible assets	9,322	8,017	8,288
Tangible fixed assets	597	530	550
Financial assets	150	113	130
Inventories	1,759	1,353	1,391
Accounts receivable - trade	1,552	1,276	1,274
Current receivables	355	317	254
Cash and cash equivalents	374	237	305
TOTAL ASSETS	**14,109**	**11,843**	**12,192**
EQUITY AND LIABILITIES			
Equity	6,370	5,150	5,546
Non-current interest-bearing liabilities incl. pension provisions	2,859	38	1,033
Other non-current liabilities and provisions	1,351	917	1,025
Current interest-bearing liabilities	1,181	4,087	2,808
Accounts payable - trade	679	539	557
Other current liabilities	1,669	1,112	1,223
TOTAL EQUITY AND LIABILITIES	**14,109**	**11,843**	**12,192**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to parent company shareholders

SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Opening equity	5,496	4,712	4,712
Comprehensive income for the period	1,182	713	1,102
Dividend	-363	-318	-318
Closing equity	**6,315**	**5,107**	**5,496**
Equity attributable to:			
Parent company shareholders	6,315	5,107	5,496
Non-controlling interests	55	43	50
	6,370	**5,150**	**5,546**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	NINE MONTHS 2018	NINE MONTHS 2017	THIRD QUARTER 2018	THIRD QUARTER 2017	FULL YEAR 2017
Operating activities					
Operating profit	1,293	1,063	446	343	1,519
Non-cash items	294	235	104	89	318
Interest and financial items, net	-33	-32	-10	-11	-46
Tax paid	-362	-297	-108	-81	-368
Cash flow before changes in working capital	1,192	969	432	340	1,423
Changes in working capital					
Inventories	-310	-119	-35	-34	-124
Current receivables	-199	-132	39	-26	-85
Current liabilities	288	19	52	19	112
Cash flow from operating activities	**971**	**737**	**488**	**299**	**1,326**
Business acquisitions and sales, net	-472	-1,221	-257	-363	-1,378
Net investment in tangible fixed assets	-103	-105	-29	-25	-137
Net investment in intangible assets	-5	-7	-2	-2	-9
Cash flow from investing activities	**-580**	**-1,333**	**-288**	**-390**	**-1,524**
Borrowings/repayment of borrowings, net	22	907	-115	108	557
Dividends paid	-381	-336	-	-1	-337
Cash flow from financing activities	**-359**	**571**	**-115**	**107**	**220**
Cash flow for the period	**32**	**-25**	**85**	**16**	**22**
Cash and cash equivalents at beginning of period	305	293	301	227	293
Translation differences	37	-31	-12	-6	-10
Cash and cash equivalents at end of period	**374**	**237**	**374**	**237**	**305**

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ACQUISITIONS IN 2018

Eight new businesses were consolidated in the first nine months of the year. The acquisitions comprised all shares of Spocs and Denterbridge as well as majority stakes in Computer konkret, Dental Direct, Rhein 83 and Wexman. Through asset deals, Lifco has also acquired the assets of Toolpack's Norwegian service vehicle interiors business and of Flörchinger Zahntechnik.

The purchase price allocation includes all acquisitions made in the first nine months of the year. Purchase price allocations are preliminary until one year after the acquisition date.

Acquisition-related expenses of SEK 13 million are included in administrative expenses in the consolidated income statement for the first nine months of 2018. If the businesses had been consolidated from 1 January 2018, consolidated net sales would have increased by approximately SEK 177 million. The acquisitions would have had a positive impact on earnings if the companies had been consolidated from 1 January 2018.

Acquired net assets

Net assets, SEK million	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	9	446	455
Tangible assets	20	1	21
Inventories, trade and other receivables	141	-2	139
Trade and other payables	-145	-119	-264
Cash and cash equivalents	142	-	142
Net assets	**167**	**326**	**493**
Goodwill	-	371	371
Total net assets	**167**	**697**	**864**

Effect on cash flow, SEK million	
Consideration	864
Consideration not paid	*-250*
Cash and cash equivalents in acquired companies	-142
Total cash flow effect	**472**

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FINANCIAL INSTRUMENTS

SEK million	CARRYING AMOUNT 30 Sep 2018	CARRYING AMOUNT 30 Sep 2017	FAIR VALUE 30 Sep 2018	FAIR VALUE 30 Sep 2017
Loans and receivables				
Accounts receivable - trade	1,552	1,276	1,552	1,276
Other non-current financial receivables	18	5	18	5
Cash and cash equivalents	374	237	374	237
Total	**1,944**	**1,518**	**1,944**	**1,518**
Liabilities at fair value through profit or loss				
Other liabilities	574	226	574	226
Other financial liabilities				
Interest-bearing borrowings	4,003	4,089	4,003	4,089
Accounts payable - trade	679	539	679	539
Total	**5,256**	**4,854**	**5,256**	**4,854**

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 and additional considerations.

KEY PERFORMANCE INDICATORS

ROLLING TWELVE MONTHS TO	2018 30 SEP	2017 31 DEC	2017 30 SEP
Net sales, SEK million	11,291	10,030	9,676
Change in net sales, %	12.6	11.6	7.7
EBITA*, SEK million	2,008	1,732	1,602
EBITA margin*, %	17.8	17.3	16.6
EBITDA*, SEK million	2,143	1,855	1,721
EBITDA margin*, %	19.0	18.5	17.8
Capital employed, SEK million	10,041	8,962	8,585
Capital employed excl. goodwill and other intangible assets, SEK million	1,250	1,155	1,144
Return on capital employed, %	20.0	19.3	18.7
Return on capital employed excl. goodwill, %	161	150	140
Return on equity, %	21.6	21.5	21.0
Net debt, SEK million	4,240	3,794	4,114
Net debt/equity ratio	0.7	0.7	0.8
Net debt/EBITDA*	2.0	2.0	2.4
Equity/assets ratio, %	45.1	45.5	43.5
Number of shares, thousand	90,843	90,843	90,843
Average number of employees	4,825	4,107	3,886

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CONDENSED PARENT COMPANY INCOME STATEMENT

	NINE MONTHS		THIRD QUARTER		FULL YEAR
SEK million	2018	2017	2018	2017	2017
Administrative expenses	-99	-91	-31	-28	-128
Other operating income*	-	-	-	-	89
Operating profit	**-99**	**-91**	**-31**	**-28**	**-39**
Net financial items**	277	635	246	237	683
Profit after financial items	**178**	**544**	**215**	**209**	**644**
Appropriations	-	-	-	-	-41
Tax	17	1	3	3	-10
Net profit for the period	**195**	**545**	**218**	**212**	**593**

* Invoicing of Group-wide services.
** Net financial items include SEK 269 (548) million in dividends received during the nine-month period.

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	30 Sep 2018	30 Sep 2017
ASSETS		
Tangible fixed assets	0	0
Financial assets	4,408	4,034
Current receivables	3,872	4,128
Cash and cash equivalents	66	32
TOTAL ASSETS	**8,345**	**8,194**
EQUITY AND LIABILITIES		
Equity	2,541	2,660
Untaxed reserves	70	41
Non-current interest-bearing liabilities	2,819	-
Current interest-bearing liabilities	1,169	4,089
Current non-interest-bearing liabilities	1,747	1,404
TOTAL EQUITY AND LIABILITIES	**8,345**	**8,194**
Pledged assets	-	-
Contingent liabilities	99	23

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DEFINITIONS AND OBJECTIVE

Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBIT before acquisition costs divided by capital employed.
Return on capital employed excluding goodwill and other intangible assets	EBITA before 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 debt divided by equity.
Earnings per share	Profit after tax attributable to parent company shareholders divided by average number of outstanding shares.

Net debt*

Lifco uses the alternative KPI net 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 key performance indicator as follows: current and non-current liabilities to credit institutions, bonds, liabilities related to put/call options and additional considerations relating to acquisitions as well as interest-bearing pension provisions less 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 with the exception of liabilities related to put/call options and additional considerations relating to acquisitions, 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 with the exception of liabilities related to put/call options and additional considerations relating to acquisitions, goodwill and other intangible assets, calculated as the average of the last four quarters.

*New definition as of 30 June 2018.

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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 20–21.

EBITA compared with financial statements in accordance with IFRS

SEK million	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Operating profit	1,293	1,063	1,519
Amortisation of intangible assets arising from acquisitions	186	140	196
EBITA	**1,479**	**1,203**	**1,715**
Acquisition costs	19	19	17
EBITA before acquisition costs	**1,498**	**1,222**	**1,732**

EBITDA compared with financial statements in accordance with IFRS

SEK million	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Operating profit	1,293	1,063	1,519
Depreciation of tangible assets	93	83	112
Amortisation of intangible assets	9	7	11
Amortisation of intangible assets arising from acquisitions	186	140	196
EBITDA	**1,581**	**1,293**	**1,838**
Acquisition costs	19	19	17
EBITDA before acquisition costs	**1,600**	**1,312**	**1,855**

Net debt compared with financial statements in accordance with IFRS*

SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
Non-current interest-bearing liabilities including pension provisions	2,859	38	1,033
Current interest-bearing liabilities	1,181	4,087	2,808
Put/call options, additional considerations	574	226	258
Cash and cash equivalents	-374	-237	-305
Net debt	**4,240**	**4,114**	**3,794**

* Key performance indicators have been restated as at 30 June 2018 in accordance with the new definition of net debt on page 21. The comparative periods have also been restated in accordance with the new definition.

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

SEK million	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Total assets	**14,109**	**13,567**	**12,909**	**12,192**
Cash and cash equivalents	-374	-301	-250	-305
Interest-bearing pension provisions	-37	-36	-33	-36
Non-interest-bearing liabilities	-3,125	-2,899	-2,671	-2,547
Capital employed	**10,573**	**10,331**	**9,955**	**9,304**
Goodwill and other intangible assets	-9,322	-8,946	-8,606	-8,288
Capital employed excluding goodwill and other intangible assets	**1,251**	**1,385**	**1,349**	**1,016**

* Key performance indicators have been restated as at 30 June 2018 in accordance with new definitions of capital employed as well as capital employed excluding goodwill and other intangible assets on page 21. The comparative periods have also been restated in accordance with the new definitions.

*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 2018	Q2 2018	Q1 2018	Q4 2017
Capital employed	**10,041**	10,573	10,331	9,955	9,304
Capital employed excluding goodwill and other intangible assets	**1,250**	1,251	1,385	1,349	1,016
	Total				
EBITA before acquisition costs	**2,008**	520	560	418	510
Return on capital employed	**20.0%**				
Return on capital employed excluding goodwill and other intangible assets	**161%**				

* Key performance indicators have been restated as at 30 June 2018 in accordance with new definitions of capital employed as well as capital employed excluding goodwill and other intangible assets on page 21. The comparative periods have also been restated in accordance with the new definitions.