

## INTERIM REPORT JANUARY – MARCH 2019

### Reporting period January – March

- Net sales increased by 25.5 per cent to SEK 3,357 (2,674) million. Organically, net sales grew by 12.0 per cent
- EBITA\* increased by 40.4 per cent to SEK 587 (418) million
- The EBITA margin\* increased to 17.5 (15.6) per cent
- Earnings before tax grew by 24.9 per cent to SEK 432 (346) million
- Net profit for the period grew by 25.9 per cent to SEK 326 (259) million
- Earnings per share increased by 24.5% till SEK 3.51 (2.82)
- Cash flow from operating activities increased by 355 per cent to SEK 141 (31) million
- Deputy CEO Per Waldemarson was appointed President and CEO on February 8
- Two businesses were acquired during the period with combined annual sales of about SEK 500 million

### Summary of financial performance

SEK million	FIRST QUARTER			Rolling 12 months		FULL YEAR 2018
	2019	2018	change		change	
Net sales	3,357	2,674	25.5%	12,639	5.7%	11,956
EBITA*	587	418	40.4%	2,337	7.8%	2,168
EBITA margin*	17.5%	15.6%	1.9	18.5%	0.4	18.1%
Profit before tax	432	346	24.9%	1,944	4.6%	1,858
Net profit for the period	326	259	25.9%	1,487	4.7%	1,420
Earnings per share	3.51	2.82	24.5%	15.98	4.5%	15.29
Return on capital employed	21.5%	18.9%	2.6	21.5%	0.5	21.0%
Return on capital employed excl. goodwill	152%	147%	5	152%	-13	165%

\* Before acquisition costs and non-recurring items.

## COMMENTS FROM THE CEO

After having served in senior positions at Lifco for 13 years, I took over as CEO of the company in February. My task is to work together with all our employees in the Group to continue to consistently carry out our strategy, focusing on results, simplicity and decentralisation.

Lifco's overall target is to increase earnings every year through both organic growth and acquisitions. Net sales for the first quarter increased by 25.5 per cent to SEK 3,357 (2,674) million, driven by organic growth, acquisitions and foreign exchange gains. The generally favourable economy was a strong contributing factor to organic growth. It should also be pointed out that comparative figures were affected by negative organic growth in the first quarter of 2018.

EBITA\* increased by 40.4 per cent to SEK 587 (418) million during the quarter and the EBITA margin\* improved by 1.9 percentage points to 17.5 (15.6) per cent. The improvement in profitability was mainly due to organic growth and acquisitions. The comparison is also impacted by Easter falling in April this year and the Demolition & Tools business area reporting a negative profitability trend in the first quarter of last year. Earnings per share increased by 24.5% till SEK 3.51 (2.82) in the first quarter of 2019.

All three business areas reported robust sales and earnings growth, and performance was stable in all divisions. The market generally remained positive for the three business areas during the quarter.

Cash flow increased by 355 per cent to SEK 141 (31) million. Although cash flow improved compared with the year-earlier quarter, we can note that the generally favourable market situation resulted in higher accounts receivable and inventory build-up in many of our businesses.

During the period, Lifco strengthened Demolition & Tools with the addition of two new businesses with combined annual sales of around SEK 500 million. The companies consolidated were Swedish company Indexator Rotator Systems, a world-leading manufacturer of rotators, and the majority of Italian company Hammer, a provider of hydraulic hammers and other demolition tools for excavators. The acquisitions jointly had a positive impact on Lifco's results and financial position during the quarter.

We purchased the majority of UK company UK POS after the end of the quarter. The company is a leading supplier of exhibition and visual display solutions sold directly to end customers in various industries in the UK. The company will be consolidated in the Systems Solutions business area, division Service and Distribution (previously Interiors for Service Vehicles).

Lifco has a solid financial position and interest-bearing net debt amounted to 1.5 times EBITDA\*, which is in line with our target of interest-bearing net debt of a maximum of three times EBITDA\*. This means that Lifco has significant financial scope to make additional acquisitions, while we retain focus on increasing earnings in our existing operations.



Per Waldemarson  
President and CEO

## GROUP PERFORMANCE IN JANUARY – MARCH

Sales increased by 25.5 per cent to SEK 3,357 (2,674) million, driven by organic growth, acquisitions and foreign exchange gains. Organic growth was 12.0 per cent, acquisitions contributed 8.7 per cent while changes in exchange rates had a positive impact of 4.8 per cent. Swedish company Indexator Rotator Systems and the majority of Italian company Hammer were consolidated during the quarter.

EBITA\* increased by 40.4 per cent to SEK 587 (418) million and the EBITA margin\* improved by 1.9 percentage points to 17.5 (15.6) per cent. EBITA\* improved on the back of organic growth, acquisitions and foreign exchange gains. Foreign exchange gains accounted for 5.1% of the increase in EBITA\*. During the year 36 (37) per cent of EBITA\* was generated in EUR, 27 (28) per cent in SEK and 16 (14) per cent in NOK, 8 (7) per cent in DKK, 6 (6) per cent in USD, 2 (2) per cent in GBP and 5 (6) per cent in other currencies.

Net financial items were SEK -13 (-13) million.

Profit before tax grew by 24.9 per cent to SEK 432 (346) million and net profit for the period increased by 25.9 per cent to SEK 326 (259) million. Non-recurring items amounted to SEK 56 (0) million for the quarter related to costs associated with change in management.

Average capital employed excluding goodwill increased by SEK 228 million during the quarter, to SEK 1,540 million at 31 March 2019, compared with SEK 1,312 million at 31 December 2018. EBITA\* relative to average capital employed excluding goodwill was at 165 per cent at year-end and declined to 152 per cent during the quarter.\*

The Group's net debt increased by SEK 1,275 million from 31 December 2018 to SEK 4,960 million at 31 March 2019 of which liabilities related to call/put options and additional considerations for acquisitions totalled SEK 709 (281) million. As of 1 January 2019, net debt is impacted by the lease liability which is a consequence of the implementation of IFRS 16. The lease liability was SEK 447 (-) million at the end of the period.

The net debt/equity ratio at 31 March 2019 was 0.7 (0.7) and net debt/EBITDA\* was 2.0 (2.1) times. At period-end, 34 (32) per cent of the Group's interest-bearing liabilities were denominated in EUR.

Cash flow from operating activities increased by 355 per cent to SEK 141 (31) million during the quarter, mainly due to improved earnings. Cash flow from investing activities was SEK -580 (-107) million, which was mainly attributable to acquisitions.

## FINANCIAL PERFORMANCE – BUSINESS AREAS

### Dental

SEK million	FIRST QUARTER			Rolling 12 months		FULL YEAR 2018
	2019	2018	change		change	
Net sales	1,127	1,010	11.6%	4,302	2.8%	4,185
EBITA*	232	191	21.5%	843	5.1%	802
EBITA margin*	20.6%	18.9%	1.7	19.6%	0.4	19.2%

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 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 fitting products for dentures, disinfectants, saliva ejectors, bite registration and dental impression materials, bonding agents and other consumables that are sold to dentists through distributors around the world. In the last few years, Dental has, through acquisitions and organic growth, increased the performance within manufacturing, dental technology and software faster than within distribution, resulting in a positive impact of the margin development within the business area.

Net sales in Dental increased by 11.6 per cent to SEK 1,127 (1,010) during the first quarter, positively impacted by the late Easter and acquisitions. The late Easter meant that March had more working days than in 2018. This means that Dental will experience a corresponding negative seasonal effect in the second quarter of 2019.

EBITA\* increased by 21.5 per cent to SEK 232 (191) million in the period and the EBITA margin\* improved by 1.7 percentage points to 20.6 (18.9) per cent, partly as a result of the positive effect of Easter falling in April.

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. Both sales and earnings for the quarter were impacted by Easter falling in April.

## Demolition & Tools

SEK million	FIRST QUARTER			Rolling 12 months		FULL YEAR 2018
	2019	2018	change		change	
Net sales	832	597	39.4%	3,055	8.3%	2,820
EBITA*	172	117	47.0%	779	7.6%	724
EBITA margin*	20.7%	19.6%	1.1	25.5%	-0.2	25.7%

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 business area's EBITA margin might fluctuate between quarters due to single, major special orders and changes to the product mix.

Net sales increased by 39.4 per cent to SEK 832 (597) million in the quarter, driven by acquisitions, organic growth and foreign exchange gains. The market situation was generally good. Among the larger markets, the US saw the fastest growth. EBITA\* increased by 47.0 per cent during the period to SEK 172 (117) million and the EBITA margin\* was 20.7 (19.6) per cent. The comparison is impacted by the negative effect on profitability for Demolition & Tools in the first quarter of 2018 from provisions for doubtful debts, changes to the product mix and a weaker USD.

Swedish company Indexator Rotator Systems, which produces and manufactures rotators, mainly for the forest industry, was consolidated in January 2019. The company had net sales of around SEK 300 million in 2018 and has about 140 employees. The majority of Italian company Hammer SRL, which is a provider of hydraulic hammers and other demolition tools for excavators, was consolidated in February 2019. The company generated sales of about EUR 20 million in 2018 and has about 100 employees.

## Systems Solutions

SEK million	FIRST QUARTER			Rolling 12 months		FULL YEAR 2018
	2019	2018	change		change	
Net sales	1,398	1,067	31.0%	5,282	6.7%	4,951
EBITA*	209	138	51.4%	827	9.4%	756
EBITA margin*	14.9%	12.9%	2.0	15.7%	0.4	15.3%

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

Net sales in Systems Solutions increased by 31.0 per cent to SEK 1,398 (1,067) million during the quarter, mainly on the back of organic growth in all divisions. The late Easter has a slightly positive effect on organic growth.

EBITA\* increased by 51.4 per cent to SEK 209 (138) million in the first three months of the year, with improved earnings across all divisions. The EBITA margin\* expanded by 2.0 percentage points to 14.9 (12.9) per cent.

## ACQUISITIONS

Lifco made the following acquisitions in the period:

Consolidated from month	Acquisition	Business area	Net sales	Employees
January	Indexator Rotator Systems	Demolition & Tools	SEK 300m	140
February	Hammer	Demolition & Tools	EUR 20m	100

Further information on the acquisitions is provided on page 15. 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 was 5,137 (4,714) in the first quarter. At the end of the period, the number of employees was 5,219 (4,736). Acquisitions added 240 employees.

### Events after the end of the reporting period

After the end of the period, the acquisition of the majority of UK company UK POS was consolidated in the Systems Solutions business area, Service and Distribution division (formerly Interiors for Service Vehicles). The company is a leading supplier of exhibition and visual display solutions sold directly to end customers in various industries in the UK. UK POS had net sales of around GBP 12 million in 2018 and has just over 60 employees.

### 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 2018 Annual Report.

## Accounting policies

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 policies have been applied in accordance with those which are presented in the 2018 Annual Report and should be read in conjunction with these.

The Group applies IFRS 16 from 1 January 2019, and the implementation of the standard implies that nearly all leases are recognised in the balance sheet of the lessee, as there is no longer any distinction made between operating and finance leases. According to IFRS 16, a tangible asset (the right to use a leased asset) and a financial liability (non-current and current) regarding the obligation to pay lease payments is to be recognised in the balance sheet. In the consolidated income statement, depreciation and interest expense are recognised instead of operating leases, which were recognised in their entirety within operating profit. IFRS 16 will impact the cash flow insofar that leasing payments impact the cash flow from operating activities (e.g. interest and low-value and short-term leases) and cash flow from financing activities (repayment of the lease liability). The Group applies the modified retrospective approach, which entails that right-of-use assets are measured at an amount corresponding to the lease liability on 1 January 2019 (adjusted for prepaid and accrued lease payments). Accordingly, the transition to IFRS 16 does not have any impact the Group's equity. Since the modified retrospective approach has been applied, comparative figures for 2018 have not been recalculated. The Group has chosen to apply the exception and thus not to recognise short-term leases and low-value leases as a part of the right-of-use asset and the lease liability in the balance sheet. Payments attributable to these leases has instead been recognised as a cost straight line over the term of the lease. The remaining lease commitments essentially comprise premises such as office, warehouse and factory premises.

### **Reconciliation of obligations for operating leases and recognised lease liability (SEK million)**

Obligations for operating leases 31 December 2018	600
Discounting effect	-69
Less: short-term leases and low-value leases that are expensed straight-line	-67
Less: corrections/reclassifications	-19
Translation differences	-5
<b>Lease liability recognised 1 January 2019</b>	<b>440</b>

The weighted average marginal interest rate which has been used to calculate the discounting effect is 2.09%. The transition to IFRS 16 has had a positive effect on the Group's operating profit of SEK 2

million, EBITDA\* SEK 36 million and EBITA\* SEK 2 million on 31 March 2019. The financial net is impacted by SEK -2 million. The reported lease liability is SEK 447 million on 31 March 2019.

This report has not been examined by the company's auditors.

## DECLARATION OF THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer warrant and declare that this three-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 April 2019**

*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

*Anders Lorentzson*  
Director, employee  
representative

*Johan Stern*  
Vice Chairman

*Axel Wachtmeister*  
Director

*Per Waldemarson*  
President and CEO

*Peter Wiberg*  
Director,  
employee representative

## FINANCIAL CALENDAR

The report for the second quarter will be published on 18 July

The report for the third quarter will be published on 23 October

The 2019 year-end report will be published on 31 January 2020

## ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Lifco AB will be held on Friday 26 April 2019, at 2 p.m. CEST, at Bonnierhuset, Torsgatan 21, Stockholm.

## FURTHER INFORMATION

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

## TELECONFERENCE

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

Time: Friday, 26 April at 12.00 p.m. CEST

Link to the presentation: <https://tv.streamfabriken.com/lifco-q1-2019>

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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 146 operating companies in 29 countries. In 2018, Lifco reported EBITA of SEK 2,168 million on net sales of SEK 12.0 billion. The EBITA margin was 18.1 per cent. Read more at [www.lifco.se](http://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 April 2019, at 11.00 a.m. CEST.

## CONDENSED CONSOLIDATED INCOME STATEMENT

SEK million	FIRST QUARTER			FULL YEAR 2018
	2019	2018	change	
Net sales	3,357	2,674	25.5%	11,956
Cost of goods sold	-1,981	-1,550	27.8%	-6,838
<b>Gross profit</b>	<b>1,376</b>	<b>1,124</b>	<b>22.4%</b>	<b>5,118</b>
Selling expenses	-377	-310	21.6%	-1,315
Administrative expenses	-506	-409	23.7%	-1,735
Development costs	-40	-37	8.1%	-144
Other income and expenses	-8	-9	-11.1%	-22
<b>Operating profit</b>	<b>445</b>	<b>359</b>	<b>24.0%</b>	<b>1,902</b>
Net financial items	-13	-13	-	-44
<b>Profit before tax</b>	<b>432</b>	<b>346</b>	<b>24.9%</b>	<b>1,858</b>
Tax	-106	-87	21.8%	-438
<b>Net profit for the period</b>	<b>326</b>	<b>259</b>	<b>25.9%</b>	<b>1,420</b>
<b>Profit attributable to:</b>				
Parent Company shareholders	319	256	24.6%	1,389
Non-controlling interests	7	3	133%	31
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders	3.51	2.82	24.5%	15.29
<b>EBITA*</b>	<b>587</b>	<b>418</b>	<b>40.4%</b>	<b>2,168</b>
Depreciation of tangible assets	73	30	143%	127
Amortisation of intangible assets	3	3	-	12
Amortisation of intangible assets arising from acquisitions	74	57	29.8%	253

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	FIRST QUARTER			FULL YEAR 2018
	2019	2018	change	
Net profit for the period	326	259	25.9%	1,420
<b>Other comprehensive income</b>				
<i>Items which can later be reclassified to profit or loss:</i>				
Hedge of net investment	-7	20	-135%	13
Translation differences	159	197	-19.3%	155
Tax related to other comprehensive income	2	-4	-150%	-3
<b>Total comprehensive income for the period</b>	<b>480</b>	<b>472</b>	<b>1.7%</b>	<b>1,585</b>
<b>Comprehensive income attributable to:</b>				
Parent Company shareholders	471	467	0.9%	1,552
Non-controlling interests	9	5	80%	33
	<b>480</b>	<b>472</b>	<b>1.7%</b>	<b>1,585</b>

## 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, Contract Manufacturing, Environmental Technology, Service and Distribution (formerly Interiors for Service Vehicles) and Forest.

### NET SALES TO EXTERNAL CUSTOMERS

No sales are made between the segments.

SEK million	FIRST QUARTER			Rolling 12 months		FULL YEAR 2018
	2019	2018	change	change	change	
Dental	1,127	1,010	11.6%	4,302	2.8%	4,185
Demolition & Tools	832	597	39.4%	3,055	8.3%	2,820
Systems Solutions	1,398	1,067	31.0%	5,282	6.7%	4,951
<b>Group</b>	<b>3,357</b>	<b>2,674</b>	<b>25.5%</b>	<b>12,639</b>	<b>5.7%</b>	<b>11,956</b>

Net sales by type of income:

SEK million	FIRST QUARTER			Rolling 12 months		FULL YEAR 2018
	2019	2018	change	change	change	
Dental products	1,127	1,010	11.6%	4,302	2.8%	4,185
Machinery and Tools	832	597	39.4%	3,055	8.3%	2,820
Construction Materials	297	244	21.7%	1,155	4.8%	1,102
Contract Manufacturing	238	208	14.4%	981	3.2%	951
Environmental Technology	387	315	22.9%	1,535	4.9%	1,463
Service and Distribution	203	136	49.3%	727	10.2%	660
Forest	273	164	66.5%	884	14.1%	775
<b>Group</b>	<b>3,357</b>	<b>2,674</b>	<b>25.5%</b>	<b>12,639</b>	<b>5.7%</b>	<b>11,956</b>

## 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	FIRST QUARTER			Rolling 12 months <i>change</i>	FULL YEAR 2018
	2019	2018	<i>change</i>		
Dental	232	191	21.5%	843	5.1%
Demolition & Tools	172	117	47.0%	779	7.6%
Systems Solutions	209	138	51.4%	827	9.4%
Central Group functions	-26	-28	-7.1%	-112	-1.8%
<b>EBITA before acquisition costs and non-recurring items</b>	<b>587</b>	<b>418</b>	<b>40.4%</b>	<b>2,337</b>	<b>7.8%</b>
Acquisition costs*	-12	-2	500%	-23	76.9%
Non-recurring items	-56	-	-	-56	-
<b>EBITA</b>	<b>519</b>	<b>416</b>	<b>24.8%</b>	<b>2,258</b>	<b>4.8%</b>
Amortisation of intangible assets arising from acquisitions	-74	-57	29.8%	-270	6.7%
Net financial items	-13	-13	-	-44	-
<b>Profit before tax</b>	<b>432</b>	<b>346</b>	<b>24.9%</b>	<b>1,944</b>	<b>4.6%</b>
					<b>1,858</b>

\* Of which, change in call/put options and additional considerations for the current year, SEK -8 (-) million.

## CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>ASSETS</b>			
Intangible assets	9,886	8,606	9,133
Tangible assets	1,246	576	611
Financial assets	181	151	153
Inventories	1,980	1,555	1,710
Accounts receivable	1,751	1,497	1,550
Current receivables	401	274	261
Cash and cash equivalents	348	250	405
<b>TOTAL ASSETS</b>	<b>15,793</b>	<b>12,909</b>	<b>13,823</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,219	6,011	6,748
Non-current interest-bearing liabilities incl. pension provisions	2,314	1,055	1,813
Other non-current liabilities and provisions	1,591	1,072	1,307
Current interest-bearing liabilities	2,285	2,891	1,762
Accounts payable	827	673	632
Other current liabilities	1,557	1,207	1,561
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,793</b>	<b>12,909</b>	<b>13,823</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Attributable to Parent Company shareholders

SEK million	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Opening equity</b>	6,685	5,496	5,496
Comprehensive income for the period	471	467	1,552
Dividend	-	-	-363
<b>Closing equity</b>	<b>7,156</b>	<b>5,963</b>	<b>6,685</b>
<i>Equity attributable to:</i>			
Parent Company shareholders	7,156	5,963	6,685
Non-controlling interests	63	48	63
	<b>7,219</b>	<b>6,011</b>	<b>6,748</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	FIRST QUARTER		FULL YEAR 2018
	2019	2018	
<b>Operating activities</b>			
Operating profit	445	359	1,902
Non-cash items	158	90	391
Interest and financial items, net	-13	-13	-44
Tax paid	-159	-151	-472
<b>Cash flow before changes in working capital</b>	<b>431</b>	<b>285</b>	<b>1,777</b>
<b>Changes in working capital</b>			
Inventories	-183	-155	-260
Current receivables	-138	-198	-214
Current liabilities	31	99	230
<b>Cash flow from operating activities</b>	<b>141</b>	<b>31</b>	<b>1,533</b>
Business acquisitions and sales, net	-515	-66	-500
Net investment in tangible assets	-63	-39	-150
Net investment in intangible assets	-2	-2	-19
<b>Cash flow from investing activities</b>	<b>-580</b>	<b>-107</b>	<b>-669</b>
Borrowings/repayment of borrowings, net	360	1	-416
Dividends paid	-9	-7	-383
<b>Cash flow from financing activities</b>	<b>351</b>	<b>-6</b>	<b>-799</b>
<b>Cash flow for the period</b>	<b>-88</b>	<b>-82</b>	<b>65</b>
Cash and cash equivalents at beginning of period	405	305	305
Translation differences	31	27	35
<b>Cash and cash equivalents at end of period</b>	<b>348</b>	<b>250</b>	<b>405</b>

## ACQUISITIONS IN 2019

Two businesses were consolidated in the first three months of the year. These acquisitions referred to all of the shares in Indexator Rotator Systems and the majority of the shares in Hammer.

The purchase price allocation includes all acquisitions made during the first three months of the year.

Acquisition-related expenses of SEK 4 million are included in administrative expenses in the consolidated income statement for the first three months of the year. If consolidation had taken place on 1 January 2019, the Group's net sales would have been positively impacted by about SEK 9 million and the effect on earnings would have been slightly negative.

### Acquired net assets

Net assets, SEK million	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	9	363	372
Tangible assets	153	-	153
Inventories, accounts receivable and other receivables	266	-27	239
Accounts payable and other liabilities	-270	-83	-353
Cash and cash equivalents	46	-	46
<b>Net assets</b>	<b>204</b>	<b>253</b>	<b>457</b>
Goodwill	-	278	278
<b>Total net assets</b>	<b>204</b>	<b>531</b>	<b>735</b>

### Effect on cash flow, SEK million

Consideration	735
<i>Consideration not paid</i>	-174
Cash and cash equivalents in acquired companies	-46
<b>Total cash flow effect</b>	<b>515</b>

## FINANCIAL INSTRUMENTS

SEK million	31 Mar 2019	31 Mar 2018
<b>Financial assets measured at amortised cost*</b>		
Accounts receivable	1,751	1,497
Other non-current financial receivables	22	6
Cash and cash equivalents	348	250
<b>Total</b>	<b>2,121</b>	<b>1,753</b>
<b>Liabilities at fair value through profit or loss</b>		
Other liabilities**	709	281
<b>Financial liabilities at amortised cost</b>		
Interest-bearing borrowings	4,565	3,913
Accounts payable	827	673
<b>Total</b>	<b>6,101</b>	<b>4,867</b>

\*All financial assets on 31 March 2018 were classified in the category "Loans and receivables."

\*\*Other liabilities classified as financial instruments refer to mandatory call/put options related to non-controlling interests and additional considerations.

The carrying amount is the same as the fair value. 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.

## KEY PERFORMANCE INDICATORS

ROLLING TWELVE MONTHS TO	2019	2018	2018
	31 MAR	31 DEC	31 MAR
Net sales, SEK million	12,639	11,956	10,281
Change in net sales, %	5.7	19.2	2.5
EBITA*, SEK million	2,337	2,168	1,765
EBITA margin*, %	18.5	18.1	17.2
EBITDA*, SEK million	2,519	2,307	1,892
EBITA margin*, %	19.9	19.3	18.4
Capital employed, SEK million	10,861	10,314	9,341
Capital employed excl. goodwill and other intangible assets, SEK million	1,540	1,312	1,199
Return on capital employed, %	21.5	21.0	18.9
Return on capital employed excl. goodwill, %	152	165	147
Return on equity, %	22.5	22.5	20.7
Net debt, SEK million	4,960	3,685	3,977
Net debt/equity ratio	0.7	0.5	0.7
Net debt/EBITDA*	2.0	1.6	2.1
Interest-bearing net debt, SEK million	3,804	3,170	3,696
Interest-bearing net debt/EBITDA*	1.5	1.4	2.0
Equity/assets ratio, %	45.7	48.8	46.6
Number of shares, thousand	90,843	90,843	90,843
Average number of employees	5,137	4,860	4,714

## CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	FIRST QUARTER		FULL YEAR 2018
	2019	2018	
Administrative expenses	-85	-33	-136
Other operating income*	-	-	48
<b>Operating profit</b>	<b>-85</b>	<b>-33</b>	<b>-88</b>
Net financial items**	34	44	602
<b>Profit/loss after financial items</b>	<b>-51</b>	<b>11</b>	<b>514</b>
Appropriations	-	-	56
Tax	16	6	-5
<b>Net profit for the period</b>	<b>-35</b>	<b>17</b>	<b>565</b>

\* Invoicing of Group-wide services.

\*\* Net financial items include SEK 26 (39) million in dividends received during the three-month period.

## CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	31 Mar	31 Mar
	2019	2018
<b>ASSETS</b>		
Tangible assets	0	0
Financial assets	2,591	4,335
Current receivables	6,258	3,817
Cash and cash equivalents	38	29
<b>TOTAL ASSETS</b>	<b>8,887</b>	<b>8,181</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	2,876	2,759
Untaxed reserves	70	70
Provisions	-	1
Non-current interest-bearing liabilities	1,775	1,022
Current interest-bearing liabilities	2,214	2,872
Current non-interest-bearing liabilities	1,952	1,457
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,887</b>	<b>8,181</b>
Pledged assets	-	-
Contingent liabilities	101	135

## DEFINITIONS AND OBJECTIVE

<b>Return on equity</b>	Net profit for the period divided by average equity.
<b>Return on capital employed</b>	EBITA before acquisition costs and non-recurring items divided by capital employed.
<b>Return on capital employed excluding goodwill and other intangible assets</b>	EBITA before acquisition costs and non-recurring items divided by capital employed excluding goodwill and other intangible assets.
<b>EBITA</b>	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 and non-recurring items. This is indicated by an asterisk.
<b>EBITA margin</b>	EBITA divided by net sales.
<b>EBITDA</b>	EBITDA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated before investments in non-current 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 and non-recurring items. This is indicated by an asterisk.
<b>EBITDA margin</b>	EBITDA divided by net sales.
<b>Net debt/equity ratio</b>	Net debt divided by equity.
<b>Net debt<sup>1</sup></b>	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 KPI as follows: current and non-current liabilities to credit institutions, bonds, interest-bearing pension provisions, liabilities related to call/put options and additional considerations

<sup>1</sup> New definition as of 1 January 2019.

relating to acquisitions as well as lease liabilities less cash and cash equivalents.

**Earnings per share**

Profit after tax attributable to Parent Company shareholders, divided by the average number of shares outstanding.

**Interest-bearing net debt**

Lifco uses the alternative KPI interest-bearing 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 KPI as follows: current and non-current liabilities to credit institutions, bonds 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 call/put 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 call/put options and additional considerations relating to acquisitions, goodwill and other intangible assets, calculated as the average of the last four quarters.

## 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 18–19.

### ***EBITA compared with financial statements in accordance with IFRS***

SEK million	THREE MONTHS 2019	THREE MONTHS 2018	FULL YEAR 2018
<b>Operating profit</b>	445	359	1,902
Amortisation of intangible assets arising from acquisitions	74	57	253
<b>EBITA</b>	<b>519</b>	<b>416</b>	<b>2,155</b>
Acquisition costs and non-recurring items	68	2	13
<b>EBITA before acquisition costs and non-recurring items.</b>	<b>587</b>	<b>418</b>	<b>2,168</b>

### ***EBITDA compared with financial statements in accordance with IFRS***

SEK million	THREE MONTHS 2019	THREE MONTHS 2018	FULL YEAR 2018
<b>Operating profit</b>	445	359	1,902
Depreciation of tangible assets	73	30	127
Amortisation of intangible assets	3	3	12
Amortisation of intangible assets arising from acquisitions	74	57	253
<b>EBITDA</b>	<b>595</b>	<b>449</b>	<b>2,294</b>
Acquisition costs and non-recurring items	68	2	13
<b>EBITDA before acquisition costs and non-recurring items.</b>	<b>663</b>	<b>451</b>	<b>2,307</b>

### ***Net debt compared with financial statements in accordance with IFRS<sup>2</sup>***

SEK million	31 Mar 2019	31 Mar 2018	31 Dec 2018
Non-current interest-bearing liabilities including pension provisions	1,887	1,055	1,813
Current interest-bearing liabilities	2,265	2,891	1,762
Cash and cash equivalents	-348	-250	-405
<b>Interest-bearing net debt</b>	<b>3,804</b>	<b>3,696</b>	<b>3,170</b>
Call/put options, additional considerations	709	281	515
Lease liability	447	-	-
<b>Net debt</b>	<b>4,960</b>	<b>3,977</b>	<b>3,685</b>

<sup>2</sup> The key performance indicator was restated in accordance with the adjusted definition of net debt on page 18.

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

SEK million	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Jun 2018
<b>Total assets</b>	<b>15,793</b>	<b>13,823</b>	<b>14,109</b>	<b>13,567</b>
Cash and cash equivalents	-348	-405	-374	-301
Interest-bearing pension provisions	-34	-37	-37	-36
Non-interest-bearing liabilities	-3,266	-2,985	-3,125	-2,899
<b>Capital employed</b>	<b>12,145</b>	<b>10,396</b>	<b>10,573</b>	<b>10,331</b>
Goodwill and other intangible assets	-9,886	-9,133	-9,322	-8,946
<b>Capital employed excluding goodwill and other intangible assets</b>	<b>2,259</b>	<b>1,263</b>	<b>1,251</b>	<b>1,385</b>

***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	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Capital employed	<b>10,861</b>	12,145	10,396	10,573	10,331
Capital employed excluding goodwill and other intangible assets	<b>1,540</b>	2,259	1,263	1,251	1,385
	<b>Total</b>				
EBITA*	<b>2,337</b>	587	670	520	560
<b>Return on capital employed</b>	<b>21.5%</b>				
<b>Return on capital employed excluding goodwill and other intangible assets</b>	<b>152%</b>				