LIFCO
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23 October 2019

INTERIM REPORT JANUARY – SEPTEMBER 2019

Reporting period January – September

- Net sales increased by 18.8 per cent to SEK 10,104 (8,502) million. Organically, net sales grew by 6.8 per cent
- EBITA* increased by 25.0 per cent to SEK 1,872 (1,498) million
- The EBITA margin* expanded by 0.9 of a percentage point to 18.5 (17.6) per cent
- Profit before tax grew by 14.9 per cent to SEK 1,448 (1,260) million
- Net profit for the period grew by 12.3 per cent to SEK 1,086 (967) million
- Earnings per share increased by 12.9 per cent till SEK 11.76 (10.42)
- Cash flow from operating activities increased by 21.3 per cent to SEK 1,178 (971) million
- Five businesses were acquired during the period with total annual sales of about SEK 930 million

Reporting period July – September

- Net sales increased by 15.2 per cent to SEK 3,211 (2,787) million. Organically, net sales grew by 4.9 per cent
- EBITA* increased by 14.6 per cent to SEK 596 (520) million
- The EBITA margin* was 18.6 (18.7) per cent
- Profit before tax grew by 8.5 per cent to SEK 473 (436) million
- Net profit for the period grew by 8.6 per cent to SEK 355 (327) million
- Cash flow from operating activities increased by 35.7 per cent to SEK 662 (488) million
- Anna Hallberg resigned from Lifco's Board after being appointed to the Swedish cabinet as the Minister for Foreign Trade
- Martin Linder appointed Head of the Systems Solutions business area and member of Group management

Summary of financial performance

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2019	2018	*change*	2019	2018	*change*		*change*	2018
Net sales	10,104	8,502	18.8%	3,211	2,787	15.2%	13,558	13.4%	11,956
EBITA*	1,872	1,498	25.0%	596	520	14.6%	2,542	17.3%	2,168
EBITA margin*	18.5%	17.6%	0.9	18.6%	18.7%	-0.1	18.7%	0.6	18.1%
Profit before tax	1,448	1,260	14.9%	473	436	8.5%	2,046	10.1%	1,858
Net profit for the period	1,086	967	12.3%	355	327	8.6%	1,539	8.4%	1,420
Earnings per share	11.76	10.42	12.9%	3.86	3.48	10.9%	16.63	8.8%	15.29
Return on capital employed	20.9%	20.0%	0.9	20.9%	20.0%	0.9	20.9%	-0.1	21.0%
Return on capital employed excl. goodwill	122%	161%	-39	122%	161%	-39	122%	-43	165%

* Before acquisition costs and non-recurring items.

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COMMENTS FROM THE CEO

Lifco's overall target is to increase earnings every year though both organic growth and acquisitions. During the first nine months of the year, sales increased by 18.8 per cent to SEK 10,104 (8,502) million, driven by acquisitions, organic growth, and foreign exchange gains. The generally favourable economy was a strong contributing factor to organic growth.

EBITA* increased by 25.0 per cent to SEK 1,872 (1,498) million during the nine-month period and the EBITA margin* improved by 0.9 of a percentage point to 18.5 (17.6) per cent. The improvement in profitability was mainly due to organic growth and acquisitions. Earnings per share increased by 12.9% till SEK 11.76 (10.42) during the first nine months of the year.

All three business areas reported robust sales and earnings growth and performance was stable in all divisions, except for Forest, for the nine-month period. During the quarter, the Forest division made provisions of about SEK 15 million for restructuring as a result of decreased sales and project setbacks. The market generally remained positive for the three business areas.

Cash flow increased by 21.3 per cent to SEK 1,178 (971) million. Although cash flow improved compared with the year-earlier period, we can note that the generally favourable market situation resulted in higher accounts receivable and inventory build-up in many of our businesses. Cash flow was also negatively impacted by lower customer advances in the first nine months of the year, which was primarily related to fewer new projects in the Forest division.

During the year, Lifco strengthened Demolition & Tools with the addition of two new businesses. 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 Environmental Technology division in the Systems Solutions business area has also been strengthened with two new businesses during the year. We have acquired the majority of the German company Ergopack, which is the leading manufacturer of ergonomic and mobile pallet strapping systems and the Norwegian company Rustibus Worldwide, which is a leading supplier of surface preparation tools and safety equipment for the marine industry. We have also consolidated the majority of UK company UK POS in the Service and Distribution division in the Systems Solutions business area. UK POS is a leading supplier of exhibition and visual display solutions. The acquisitions jointly had a positive impact on Lifco's results and financial position during the nine-month period.

Lifco has a solid financial position and interest-bearing net debt amounted to 1.5 times EBITDA*, which is well 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 – SEPTEMBER

Sales increased by 18.8 per cent to SEK 10,104 (8,502) million, driven by acquisitions, organic growth, and foreign exchange gains. Acquisitions contributed 8.2 per cent, organic growth accounted for 6.8 per cent, while changes in exchange rates had a positive impact of 3.8 per cent. Swedish company Indexator Rotator Systems and the majorities of German company Ergopack, Italian company Hammer, Norwegian company Rustibus Worldwide and UK company UK POS were consolidated during the period.

Due to dividends to minorities Other income and expenses was impacted by SEK -46 (-10) million for revaluations of put options issued in connection with acquisitions.

EBITA* increased by 25.0 per cent to SEK 1,872 (1,498) million and the EBITA margin* improved by 0.9 of a percentage point to 18.5 (17.6) per cent. EBITA* improved on the back of acquisitions, organic growth and foreign exchange gains. Foreign exchange gains accounted for 4.1% of the increase in EBITA*. During the period, 34 (36) per cent of EBITA* was generated in EUR, 27 (28) per cent in SEK and 16 (15) per cent in NOK, 8 (5) per cent in DKK, 6 (7) per cent in USD, 3 (3) per cent in GBP and 6 (6) per cent in other currencies.

Net financial items were SEK -47 (-33) million.

Profit before tax grew by 14.9 per cent to SEK 1,448 (1,260) million and net profit for the period increased by 12.3 per cent to SEK 1,086 (967) million. Non-recurring items amounted to SEK 56 (0) million for the first nine months of the year, pertaining to costs in connection with management change.

Average capital employed excluding goodwill increased by SEK 780 million during the period, to SEK 2,092 million at 30 September 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 122 per cent during the first nine months of the year. The return on capital employed was negatively impacted by lower advance payments from customers compared with the same period in 2018. The implementation of IFRS 16 from 1 January 2019 also had a negative impact on the return since right-of-use assets are included in capital employed.

The Group's net debt increased by SEK 1,996 million from 31 December 2018 to SEK 5,681 million at 30 September 2019, of which liabilities related to call/put options and additional considerations for acquisitions amounted to SEK 861 (574) 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 at the end of the period totalled SEK 488 (-) million. The interest-bearing net debt at 30 September 2019 amounted to SEK 4,332 (3,666) million, which is an increase of SEK 1,162 million since year-end.

The net debt/equity ratio at 30 September 2019 was 0.7 (0.7) and net debt/EBITDA* was 2.0 (2.0) times. The interest-bearing net debt amounted to 1.5 (1.7) times EBITDA*. At period-end, 38 (29) per cent of the Group's interest-bearing liabilities were denominated in EUR.

Cash flow from operating activities increased by 21.3 per cent to SEK 1,178 (971) million in the first nine months of the year, mainly due to higher earnings. Cash flow was negatively affected by higher inventory build-up as well as lower customer advances in the Forest division. Cash flow from investing activities was SEK -1,555 (-580) million, which was mainly attributable to acquisitions.

GROUP PERFORMANCE IN THE THIRD QUARTER

Sales increased by 15.2 per cent to SEK 3,211 (2,787) million in the third quarter, driven by acquisitions, organic growth, and foreign exchange gains. Acquisitions contributed 7.6 per cent, organic growth was 4.9 per cent, while changes in exchange rates had a positive impact of 2.7 per cent.

EBITA* increased by 14.6 per cent to SEK 596 (520) million and the EBITA margin* decreased by 0.1 percentage points to 18.6 (18.7) per cent. EBITA* improved on the back of acquisitions, foreign exchange gains and organic growth. Foreign exchange gains accounted for 3.2% of the increase in EBITA*.

During the third quarter, 32 (37) per cent of EBITA* was generated in EUR, 26 (26) per cent in SEK and 15 (13) per cent in NOK, 8 (4) per cent in DKK, 6 (8) per cent in USD, 4 (3) per cent in GBP and 9 (9) per cent in other currencies.

Net financial items were SEK -15 (-10) million.

Profit before tax grew by 8.5 per cent to SEK 473 (436) million. Net profit for the period grew by 8.6 per cent to SEK 355 (327) million.

Average capital employed excluding goodwill increased by SEK 285 million to SEK 2,092 million at 30 September 2019, compared with SEK 1,807 million at 30 June 2019. EBITA* relative to average capital employed excluding goodwill fell from 136 per cent at 30 June 2019 to 122 percent at 30 September 2019.

The Group’s net debt increased during the quarter by SEK 194 million to SEK 5,681 million. Net debt/equity decreased to 0.7, compared to 0.8 at 30 June 2019.

Cash flow from operating activities increased by 35.7 per cent to SEK 662 (488) million during the third quarter, which was primarily due to lower accounts receivable. Cash flow from investing activities was SEK -610 (-288) million, which was mainly attributable to acquisitions.

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FINANCIAL PERFORMANCE – BUSINESS AREAS

Dental

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2019	2018	*change*	2019	2018	*change*		*change*	2018
Net sales	3,256	3,041	7.1%	1,004	975	3.0%	4,400	5.1%	4,185
EBITA*	668	583	14.6%	203	192	5.7%	887	10.6%	802
EBITA margin*	20.5%	19.2%	1.3	20.2%	19.7%	0.5	20.2%	1.0	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 7.1 per cent to SEK 3,256 (3,041) during the first nine months of the year. EBITA* increased by 14.6 per cent to SEK 668 (583) million during the period and the EBITA margin* improved by 1.3 percentage points to 20.5 (19.2) per cent mainly due to acquisitions.

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 that had a substantial impact on the earnings of the Dental group as a whole.

Demolition & Tools

SEK million	NINE MONTHS 2019	2018	change	THIRD QUARTER 2019	2018	change	Rolling 12 months	change	FULL YEAR 2018
Net sales	2,724	2,032	34.1%	901	724	24.4%	3,512	24.5%	2,820
EBITA*	654	496	31.9%	239	191	25.1%	882	21.8%	724
EBITA margin*	24.0%	24.4%	-0.4	26.5%	26.4%	0.1	25.1%	-0.6	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 34.1 per cent to SEK 2,724 (2,032) million in the first nine months of the year, driven by acquisitions, organic growth and foreign exchange gains. The market situation was generally good. Among the larger markets, France and the US saw the fastest growth in the nine-month period. EBITA* increased by 31.9 per cent during the period to SEK 654 (496) million and the EBITA margin* was 24.0 (24.4) per cent.

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	NINE MONTHS 2019	2018	change	THIRD QUARTER 2019	2018	change	Rolling 12 months	change	FULL YEAR 2018
Net sales	4,124	3,429	20.3%	1,306	1,088	20.0%	5,646	14.0%	4,951
EBITA*	617	500	23.4%	172	161	6.8%	873	15.5%	756
EBITA margin*	15.0%	14.6%	0.4	13.2%	14.8%	-1.6	15.5%	0.2	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 20.3 per cent to SEK 4,124 (3,429) million during the quarter, mainly on the back of organic growth in all divisions except Forest. During the quarter, the Forest division made provisions of about SEK 15 million for restructuring as a result of decreased sales and project setbacks.

The majority of UK company UK POS was consolidated in the Service and Distribution division in April 2019. The company generated sales of about GBP 12 million in 2018 and has about 60 employees.

The Environmental Technology division has been strengthened with two acquisitions. The majority of Norwegian company Rustibus, which had net sales of about NOK 56 million in 2018 and has about 25 employees, was consolidated in July 2019. The majority of German company Ergopack, which had net sales of about EUR 22 million in 2018 and has about 85 employees, was consolidated in August 2019.

EBITA* increased by 23.4 per cent to SEK 617 (500) million in the first nine months of the year, with improved earnings across all divisions except Forest. The EBITA margin* rose by 0.4 percentage points to 15.0 (14.6) per cent.

ACQUISITIONS

Lifco made the following acquisitions in the first nine months of the year:

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
April	UK POS	Systems Solutions	GBP 12m	60
July	Rustibus Worldwide	Systems Solutions	NOK 56m	25
August	Ergopack	Systems Solutions	EUR 22m	85

Further information on the acquisitions is provided on page 18. 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 5,241 (4,825) in the first nine months of the year. At the end of the period, the number of employees was 5,370 (4,903). Acquisitions added 410 employees.

Anna Hallberg resigns as Director of the Lifco Board

On 13 September 2019, Anna Hallberg resigned from Lifco's Board of Directors after being appointed to the Swedish cabinet as the Minister for Foreign Trade. Anna Hallberg was appointed Director of the Lifco Board at the Annual General Meeting in May 2017. She has also been a member of the Audit Committee.

Martin Linder new Head of Systems Solutions and member of Group management

Martin Linder has been appointed Head of the Systems Solutions business area and a new member of Group management. Martin Linder had various management positions at Note between 2003 and 2008 and joined Lifco as Head of the Leab Group in 2008. In 2016, he was appointed Head of the Proline Group. Martin Linder has a Master of Science in Engineering and Ph.D from KTH Royal Institute of Technology. He was born in 1972 and, together with related parties, holds 4,750 Class B shares in Lifco.

Events after the end of the reporting period

No significant events for the Group occurred after the end of the reporting period.

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 means 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 impacts 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 has no impact on the Group's equity. Since the modified retrospective approach was applied, comparative figures for 2018 were not 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 are instead 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
Discount effect	-69
Less: short-term leases and low-value leases	-67
Less: corrections/reclassifications	-19
Translation differences	-5
Lease liability recognised 1 January 2019	**440**

The weighted average incremental borrowing rate used to calculate the discount effect is 2.09 per cent. The transition to IFRS 16 had a positive effect on the Group's operating profit of SEK 8 million, EBITDA* SEK 115 million and EBITA* SEK 8 million on 30 September 2019. Net financial items were impacted by SEK -8 million. The reported lease liability is SEK 488 million on 30 September 2019.

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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, 23 October 2019

Carl Bennet
Chairman of the Board

Ulrika Dellby
Director

Erik Gabrielson
Director

Ulf Grunander
Director

Annika Espander Jansson
Director

Anders Lorentzson
Director, employee representative

Johan Stern
Vice Chairman

Axel Wachtmeister
Director

Per Waldemarson
President and CEO, Director

Peter Wiberg
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 as of 30 September 2019 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. Therefore, the conclusion expressed on the basis of a review does not provide the same level of assurance as a conclusion expressed on the basis of an audit.

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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, 23 October 2019
PricewaterhouseCoopers AB

Eric Salander	Tomas Hilmarsson
Authorised Public Accountant	Authorised Public Accountant
Auditor in Charge	

FINANCIAL CALENDAR

The report for the fourth quarter and the 2019 year-end report will be published on 31 January 2020
The annual report for 2019 will be published in week 13, 2020
The report for the first quarter will be published on 24 April
The report for the second quarter will be published on 17 July
The report for the third quarter will be published on 22 October

ANNUAL GENERAL MEETING 2020

The Annual General Meeting of Lifco AB will be held on Friday 24 April 2020, at 11 a.m. CEST, 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 6 March 2020.

THE NOMINATION COMMITTEE

Prior to the Annual General Meeting 2020 the Nomination Committee consists of Carl Bennet, Carl Bennet AB, Per Colleen, the Fourth Swedish National Pension Fund (AP4), Adam Gerge, Didner & Gerge Fonder, Hans Hedström, Carnegie Fonder, and Marianne Nilsson, Swedbank Robur Fonder. Carl Bennet is Chairman of the Nomination Committee.

Shareholders wishing to submit proposals to the Nomination Committee for the 2020 AGM may do so by sending 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 Per Waldemarson and CFO Therése Hoffman will present the interim report. After the presentation, there will be an opportunity to ask questions.

Time: Wednesday, 23 October at 2:30 p.m. CEST

Link to the presentation: https://tv.streamfabriken.com/lifco-q3-2019

Telephone numbers:
Sweden +46 8 519 993 83
UK +44 3333 00 9035
US +1 833 823 0590

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.

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 23 October 2019, at 11.30 a.m. CEST.

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CONDENSED CONSOLIDATED INCOME STATEMENT

SEK million	NINE MONTHS 2019	NINE MONTHS 2018	change	THIRD QUARTER 2019	THIRD QUARTER 2018	change	FULL YEAR 2018
Net sales	10,104	8,502	18.8%	3,211	2,787	15.2%	11,956
Cost of goods sold	-5,845	-4,868	20.1%	-1,846	-1,581	16.8%	-6,838
Gross profit	**4,259**	**3,634**	**17.2%**	**1,365**	**1,206**	**13.2%**	**5,118**
Selling expenses	-1,160	-953	21.7%	-376	-315	19.4%	-1,315
Administrative expenses	-1,423	-1,249	13.9%	-455	-401	13.5%	-1,735
Development costs	-123	-115	7.0%	-38	-38	-	-144
Other income and expenses	-58	-24	142%	-8	-6	33.3%	-22
Operating profit	**1,495**	**1,293**	**15.6%**	**488**	**446**	**9.4%**	**1,902**
Net financial items	-47	-33	42.4%	-15	-10	50.0%	-44
Profit before tax	**1,448**	**1,260**	**14.9%**	**473**	**436**	**8.5%**	**1,858**
Tax	-362	-293	23.5%	-118	-109	8.3%	-438
Net profit for the period	**1,086**	**967**	**12.3%**	**355**	**327**	**8.6%**	**1,420**
Profit attributable to:							
Parent Company shareholders	1,069	947	12.9%	351	317	10.7%	1,389
Non-controlling interests	17	20	-15.0%	4	10	-60.0%	31
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders	11.76	10.42	12.9%	3.86	3.48	10.9%	15.29
EBITA*	1,872	1,498	25.0%	596	520	14.6%	2,168
Depreciation of tangible assets	233	93	151%	81	33	146%	127
Amortisation of intangible assets	10	9	11.1%	3	3	-	12
Amortisation of intangible assets arising from acquisitions	240	186	29.0%	86	67	28.4%	253

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	NINE MONTHS 2019	NINE MONTHS 2018	change	THIRD QUARTER 2019	THIRD QUARTER 2018	change	FULL YEAR 2018
Net profit for the period	1,086	967	12.3%	355	327	8.6%	1,420
Other comprehensive income							
Items which can later be reclassified to profit or loss: Hedge of net investment	24	-5	-580%	13	-5	-360%	13
Translation differences	309	242	27.7%	91	-65	-240%	155
Tax related to other comprehensive income	-5	1	-600%	-3	1	-400%	-3
Total comprehensive income for the period	**1,414**	**1,205**	**17.3%**	**456**	**258**	**76.7%**	**1,585**
Comprehensive income attributable to:							
Parent Company shareholders	1,394	1,182	17.9%	452	248	82.3%	1,552
Non-controlling interests	20	23	-13.0%	4	10	-60.0%	33
	1,414	**1,205**	**17.3%**	**456**	**258**	**76.7%**	**1,585**

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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, 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.

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2019	2018	*change*	2019	2018	*change*		*change*	2018
Dental	3,256	3,041	7.1%	1,004	975	3.0%	4,400	5.1%	4,185
Demolition & Tools	2,724	2,032	34.1%	901	724	24.4%	3,512	24.5%	2,820
Systems Solutions	4,124	3,429	20.3%	1,306	1,088	20.0%	5,646	14.0%	4,951
Group	**10,104**	**8,502**	**18.8%**	**3,211**	**2,787**	**15.2%**	**13,558**	**13.4%**	**11,956**

Net sales by type of income:

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2019	2018	*change*	2019	2018	*change*		*change*	2018
Dental products	3,256	3,041	7.1%	1,004	975	3.1%	4,400	5.1%	4,185
Machinery and Tools	2,724	2,032	34.1%	901	724	24.4%	3,512	24.5%	2,820
Construction Materials	868	790	9.9%	267	256	4.3%	1,180	7.1%	1,102
Contract Manufacturing	716	685	4.5%	216	196	10.2%	982	3.3%	951
Environmental Technology	1,262	998	26.5%	464	331	40.2%	1,727	18.0%	1,463
Service and Distribution	647	449	44.1%	210	155	35.5%	858	30.0%	660
Forest	631	507	24.5%	149	150	-0.7%	899	16.0%	775
Group	**10,104**	**8,502**	**18.8%**	**3,211**	**2,787**	**15.2%**	**13,558**	**13.4%**	**11,956**

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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:

	NINE MONTHS			THIRD QUARTER			Rolling 12 months		FULL YEAR
SEK million	2019	2018	*change*	2019	2018	*change*		*change*	2018
Dental	668	583	14.6%	203	192	5.7%	887	10.6%	802
Demolition & Tools	654	496	31.9%	239	191	25.1%	882	21.8%	724
Systems Solutions	617	500	23.4%	172	161	6.8%	873	15.5%	756
Central Group functions	-67	-81	-17.3%	-18	-24	-25.0%	-100	-12.3%	-114
EBITA before acquisition costs and non-recurring items	**1,872**	**1,498**	**25.0%**	**596**	**520**	**14.6%**	**2,542**	**17.3%**	**2,168**
Acquisition costs[1]	-81	-19	326%	-22	-7	214%	-75	477%	-13
Non-recurring items[2]	-56	-	-	-	-	-	-56	-	-
EBITA	**1,735**	**1,479**	**17.3%**	**574**	**513**	**11.9%**	**2,411**	**11.9%**	**2,155**
Amortisation of intangible assets arising from acquisitions	-240	-186	29.0%	-86	-67	28.4%	-307	21.3%	-253
Net financial items	-47	-33	42.4%	-15	-10	50.0%	-58	31.8%	-44
Profit before tax	**1,448**	**1,260**	**14.9%**	**473**	**436**	**8.5%**	**2,046**	**10.1%**	**1,858**

[1] Of which, change in call/put options and additional considerations for the current year, SEK -59 (-6) million.

[2] Pertaining to costs in connection with management change.

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CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Intangible assets	10,969	9,322	9,133
Tangible assets	1,358	597	611
Financial assets	196	150	153
Inventories	2,193	1,759	1,710
Accounts receivable	1,722	1,552	1,550
Current receivables	506	355	261
Cash and cash equivalents	456	374	405
TOTAL ASSETS	**17,400**	**14,109**	**13,823**
EQUITY AND LIABILITIES			
Equity	7,717	6,370	6,748
Non-current interest-bearing liabilities incl. pension provisions	597	2,859	1,813
Other non-current liabilities and provisions	1,871	1,351	1,307
Current interest-bearing liabilities	4,679	1,181	1,762
Accounts payable	788	679	632
Other current liabilities	1,748	1,669	1,561
TOTAL EQUITY AND LIABILITIES	**17,400**	**14,109**	**13,823**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Parent Company shareholders

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Opening equity	6,685	5,496	5,496
Comprehensive income for the period	1,394	1,182	1,552
Dividend	-418	-363	-363
Closing equity	**7,661**	**6,315**	**6,685**
Equity attributable to:			
Parent Company shareholders	7,661	6,315	6,685
Non-controlling interests	56	55	63
	7,717	**6,370**	**6,748**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK million	NINE MONTHS 2019	NINE MONTHS 2018	THIRD QUARTER 2019	THIRD QUARTER 2018	FULL YEAR 2018
Operating activities					
Operating profit	1,495	1,293	488	446	1,902
Non-cash items	542	294	181	104	391
Interest and financial items, net	-47	-33	-15	-10	-44
Tax paid	-404	-362	-111	-108	-472
Cash flow before changes in working capital	1,586	1,192	543	432	1,777
Changes in working capital					
Inventories	-332	-310	-19	-35	-260
Current receivables	-61	-199	118	39	-214
Current liabilities	-15	288	20	52	230
Cash flow from operating activities	**1,178**	**971**	**662**	**488**	**1,533**
Business acquisitions and sales, net	-1,359	-472	-544	-257	-500
Net investment in tangible assets	-172	-103	-50	-29	-150
Net investment in intangible assets	-24	-5	-16	-2	-19
Cash flow from investing activities	**-1,555**	**-580**	**-610**	**-288**	**-669**
Borrowings/repayment of borrowings, net	858	22	40	-115	-416
Dividends paid	-487	-381	-	-	-383
Cash flow from financing activities	**371**	**-359**	**40**	**-115**	**-799**
Cash flow for the period	**-6**	**32**	**92**	**85**	**65**
Cash and cash equivalents at beginning of period	405	305	340	301	305
Translation differences	57	37	24	-12	35
Cash and cash equivalents at end of period	**456**	**374**	**456**	**374**	**405**

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ACQUISITIONS IN 2019

Five businesses were consolidated in the first nine months of the year. These acquisitions referred to all of the shares in Indexator Rotator Systems and the majority of the shares in Ergopack, Hammer, Rustibus Worldwide and UK POS.

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

Acquisition-related expenses of SEK 22 million are included in administrative expenses in the consolidated income statement for the first nine 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 251 million and the effect on earnings would have been positive.

Acquired net assets

Net assets, SEK million	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	9	931	940
Tangible assets	187	-	187
Inventories, accounts receivable and other receivables	458	-45	413
Accounts payable and other liabilities	-390	-220	-610
Cash and cash equivalents	158	-	158
Net assets	**422**	**666**	**1,088**
Goodwill	-	722	722
Total net assets	**422**	**1,388**	**1,810**

Effect on cash flow, SEK million	
Consideration	1,810
Consideration not paid	*-365*
Cash and cash equivalents in acquired companies	-158
Paid purchase consideration for acquisitions in prior years	72
Total cash flow effect	**1,359**

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FINANCIAL INSTRUMENTS

SEK million	30 Sep 2019	30 Sep 2018
Financial assets measured at amortised cost[1]		
Accounts receivable	1,722	1,552
Other non-current financial receivables	19	18
Cash and cash equivalents	456	374
Total	**2,197**	**1,944**
Liabilities at fair value through profit or loss		
Other liabilities[2]	861	574
Financial liabilities at amortised cost		
Interest-bearing borrowings	5,237	4,003
Accounts payable	788	679
Total	**6,886**	**5,256**

[1] All financial assets on 30 September 2018 were classified in the category "Loans and receivables."

[2] 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 30 SEPT	2018 31 DEC	2018 30 SEPT
Net sales, SEK million	13,558	11,956	11,291
Change in net sales, %	13.4	19.2	12.6
EBITA*, SEK million	2,542	2,168	2,008
EBITA margin*, %	18.7	18.1	17.8
EBITDA*, SEK million	2,822	2,307	2,143
EBITDA margin*, %	20.8	19.3	19.0
Capital employed, SEK million	12,153	10,314	10,041
Capital employed excl. goodwill and other intangible assets, SEK million	2,092	1,312	1,250
Return on capital employed, %	20.9	21.0	20.0
Return on capital employed excl. goodwill, %	122	165	161
Return on equity, %	21.3	22.5	21.6
Net debt, SEK million	5,681	3,685	4,240
Net debt/equity ratio, times	0.7	0.5	0.7
Net debt/EBITDA*	2.0	1.6	2.0
Interest-bearing net debt, SEK million	4,332	3,170	3,666
Interest-bearing net debt/EBITDA*, times	1.5	1.4	1.7
Equity/assets ratio, %	44.4	48.8	45.1
Number of shares, thousand	90,843	90,843	90,843
Average number of employees	5,241	4,860	4,825

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CONDENSED PARENT COMPANY INCOME STATEMENT

SEK million	NINE MONTHS 2019	NINE MONTHS 2018	THIRD QUARTER 2019	THIRD QUARTER 2018	FULL YEAR 2018
Administrative expenses	-130	-99	-18	-31	-136
Other operating income[1]	0	-	0	-	48
Operating loss	**-130**	**-99**	**-18**	**-31**	**-88**
Net financial items[2]	810	277	45	246	602
Profit after financial items	**680**	**178**	**27**	**215**	**514**
Appropriations	-	-	-	-	56
Tax	16	17	-2	3	-5
Net profit for the period	**696**	**195**	**25**	**218**	**565**

[1] Invoicing of Group-wide services.
[2] Net financial items include SEK 758 (269) million in dividends received during the nine-month period.

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	30 Sep 2019	30 Sep 2018
ASSETS		
Tangible assets	0	0
Financial assets	5,027	4,408
Current receivables	4,859	3,872
Cash and cash equivalents	144	66
TOTAL ASSETS	**10,030**	**8,345**
EQUITY AND LIABILITIES		
Equity	3,189	2,541
Untaxed reserves	70	70
Non-current interest-bearing liabilities	-	2,819
Current interest-bearing liabilities	4,628	1,169
Current non-interest-bearing liabilities	2,143	1,747
TOTAL EQUITY AND LIABILITIES	**10,030**	**8,345**
Pledged assets	-	-
Contingent liabilities	80	99

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DEFINITIONS AND OBJECTIVES

Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBITA before acquisition costs and non-recurring items divided by capital employed.
Return on capital employed excluding goodwill and other intangible assets	EBITA before acquisition costs and non-recurring items 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 and non-recurring items. 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 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.
EBITDA margin	EBITDA divided by net sales.
Net debt/equity ratio	Net debt divided by equity.
Net debt[1]	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

[1] New definition from 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 21–22.

EBITA compared with financial statements in accordance with IFRS

SEK million	NINE MONTHS 2019	NINE MONTHS 2018	FULL YEAR 2018
Operating profit	1,495	1,293	1,902
Amortisation of intangible assets arising from acquisitions	240	186	253
EBITA	**1,735**	**1,479**	**2,155**
Acquisition costs and non-recurring items	137	19	13
EBITA before acquisition costs and non-recurring items	**1,872**	**1,498**	**2,168**

EBITDA compared with financial statements in accordance with IFRS

SEK million	NINE MONTHS 2019	NINE MONTHS 2018	FULL YEAR 2018
Operating profit	1,495	1,293	1,902
Depreciation of tangible assets	233	93	127
Amortisation of intangible assets	10	9	12
Amortisation of intangible assets arising from acquisitions	240	186	253
EBITDA	**1,978**	**1,581**	**2,294**
Acquisition costs and non-recurring items	137	19	13
EBITDA before acquisition costs and non-recurring items	**2,115**	**1,600**	**2,307**

Net debt compared with financial statements in accordance with IFRS

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current interest-bearing liabilities including pension provisions	125	2,859	1,813
Current interest-bearing liabilities	4,663	1,181	1,762
Cash and cash equivalents	-456	-374	-405
Interest-bearing net debt	**4,332**	**3,666**	**3,170**
Call/put options, additional considerations	861	574	515
Lease liability	488	-	-
Net debt	**5,681**	**4,240**	**3,685**

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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 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Total assets	**17,400**	**16,452**	**15,793**	**13,823**
Cash and cash equivalents	-456	-340	-348	-405
Interest-bearing pension provisions	-39	-37	-34	-37
Non-interest-bearing liabilities	-3,545	-3,364	-3,266	-2,985
Capital employed	**13,360**	**12,711**	**12,145**	**10,396**
Goodwill and other intangible assets	-10,969	-10,257	-9,886	-9,133
Capital employed excluding goodwill and other intangible assets	**2,391**	**2,454**	**2,259**	**1,263**

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 2019	Q2 2019	Q1 2019	Q4 2018
Capital employed	**12,153**	13,360	12,711	12,145	10,396
Capital employed excluding goodwill and other intangible assets	**2,092**	2,391	2,454	2,259	1,263
EBITA*	**Total 2,542**	596	689	587	670
Return on capital employed	**20.9%**				
Return on capital employed excluding goodwill and other intangible assets	**122%**				