LIFCO
A SAFE HAVEN FOR YOUR BUSINESS

31 January 2020

YEAR-END REPORT 2019

Reporting period January – December

- Net sales increased by 15.8 per cent to SEK 13,845 (11,956) million. Organically, net sales grew by 4.2 per cent
- EBITA* increased by 16.4 per cent to SEK 2,523 (2,168) million
- The EBITA margin* expanded by 0.1 of a percentage point to 18.2 (18.1) per cent
- Profit before tax grew by 7.4 per cent to SEK 1,996 (1,858) million
- Net profit for the period grew by 7.6 per cent to SEK 1,528 (1,420) million
- Earnings per share increased by 8.4 per cent till SEK 16.57 (15.29)
- Cash flow from operating activities increased by 29.8 per cent to SEK 1,990 (1,533) million
- During the year, Lifco acquired six businesses with total annual sales of about SEK 1,277 million
- Dividend per share is proposed with SEK 5.25 (4.60) SEK per share, corresponding to SEK 477 (418) million

Reporting period October – December

- Net sales increased by 8.3 per cent to SEK 3,741 (3,454) million. Organically, net sales declined by 2.3 per cent
- EBITA* decreased by 2.8 per cent to SEK 651 (670) million
- The EBITA margin* declined by 2.0 percentage points to 17.4 (19.4) per cent
- Profit before tax declined by 8.4 per cent to SEK 548 (598) million
- Net profit for the period decreased by 2.4 per cent to SEK 442 (453) million
- Cash flow from operating activities increased by 44.5 per cent to SEK 812 (562) million

Summary of financial performance

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	2019	2018	*change*	2019	2018	*change*
Net sales	13,845	11,956	15.8%	3,741	3,454	8.3%
EBITA*	2,523	2,168	16.4%	651	670	-2.8%
EBITA margin*	18.2%	18.1%	0.1	17.4%	19.4%	-2.0
Profit before tax	1,996	1,858	7.4%	548	598	-8.4%
Net profit for the period	1,528	1,420	7.6%	442	453	-2.4%
Earnings per share	16.57	15.29	8.4%	4.81	4.87	-1.2%
Return on capital employed	19.5%	21.0%	-1.5	19.5%	21.0%	-1.5
Return on capital employed excl. goodwill	108%	165%	-57	108%	165%	-57

* 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 through both organic growth and acquisitions. Sales increased by 15.8 per cent to SEK 13,845 (11,956) million in 2019, driven by acquisitions, organic growth, and foreign exchange gains. The generally favourable economy was a strong contributing factor to organic growth.

EBITA* increased by 16.4 per cent to SEK 2,523 (2,168) million during the year and the EBITA margin* amounted to 18.2 (18.1) per cent. The improvement in profitability was mainly due to acquisitions, foreign exchange gains and organic growth. Earnings per share increased by 8.4 per cent to SEK 16.57 (15.29).

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

Overall, the fourth quarter was stable for the Dental business area even though the distribution companies reported a weaker quarter. Demolition & Tools faced a more uncertain and weaker market in the quarter and, at the same time, lack of deliveries of highly profitable special orders. This led to reduced organic sales and lower profitability due to an unfavourable product mix. The market for Systems Solutions was healthy overall during the quarter, except in the Forest division which had another weak quarter.

Cash flow from operating activities increased by 44.5 per cent in the quarter to SEK 812 (562) million. Cash flow from operating activities for the full year increased by 29.8 per cent to SEK 1,990 (1,533) million.

In 2019, Lifco consolidated six new businesses with total annual sales of around SEK 1,277 million. The acquisitions have had all together a positive impact on Lifco's results and financial position during the year. After year-end we acquired three companies in the Dental business area: Danish company Rönvig Dental Manufacturing A/S, which is a niche manufacturer of dental products; Workplace Safety (Plum) as a leading niche manufacturer of eyewash, plasters and first aid stations; and Dental Grupa, a Croatian distributor of dental products. We have also acquired the Italian company Cramaro Tarpaulin Systems, a niche manufacturer of tarpaulin systems to protect materials for industrial and agricultural vehicles, consolidated in business area Systems Solutions.

Lifco has a solid financial position and interest-bearing net debt amounted to 1.4 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 – DECEMBER

Sales increased by 15.8 per cent to SEK 13,845 (11,956) million, driven by acquisitions, organic growth, and foreign exchange gains. Acquisitions contributed 8.2 per cent, organic growth accounted for 4.2 per cent, while foreign exchange gains had a positive impact of 3.4 per cent. Swedish company Indexator Rotator Systems and the majorities of UK company Brian James Trailers, Italian company Hammer, German company ErgoPack, Norwegian company Rustibus Worldwide and UK company UK POS were consolidated during the year.

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 16.4 per cent to SEK 2,523 (2,168) million and the EBITA margin* improved by 0.1 of a percentage point to 18.2 (18.1) per cent. EBITA* improved on the back of acquisitions, foreign exchange gains and organic growth. Foreign exchange gains accounted for 3.1% of the increase in EBITA*. During the year 35 (37) per cent of EBITA* was generated in EUR, 28 (28) per cent in SEK and 15 (15) per cent in NOK, 6 (6) per cent in USD, 8 (6) per cent in DKK, 3 (2) per cent in GBP and 5 (6) per cent in other currencies.

Net financial items were SEK -63 (-44) million.

Profit before tax grew by 7.4 per cent to SEK 1,996 (1,858) million and net profit for the period increased by 7.6 per cent to SEK 1,528 (1,420) million. Non-recurring items amounted to SEK 56 (0) million for the year, pertaining to costs in connection with management change.

Average capital employed excluding goodwill increased by SEK 1,033 million during the year, to SEK 2,345 million at 31 December 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 31 December 2018 and declined to 108 per cent during the year. The return on capital employed was negatively impacted by lower advance payments from customers compared with 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 1,867 million from 31 December 2018 to SEK 5,552 million at 31 December 2019, of which liabilities related to call/put options and additional considerations for acquisitions amounted to SEK 916 (515) 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 year totalled SEK 596 (-) million. The interest-bearing net debt at 31 December 2019 amounted to SEK 4,040 (3,170) million, which is an increase of SEK 870 million during the year.

In November, Lifco established an MTN program with a loan framework of SEK three billion, making it possible to issue bonds in the Swedish market. In the same month, Lifco issued SEK one billion in unsecured bonds with a two-year maturity within the framework for the MTN programme. The proceeds of the bond issue were used to refinance existing bank loans and bonds.

The net debt/equity ratio at 31 December 2019 was 0.7 (0.5) and net debt/EBITDA* was 1.9 (1.6) times. The interest-bearing net debt amounted to 1.4 (1.4) times EBITDA*. At year-end, 35 (29) per cent of the Group's interest-bearing liabilities were denominated in EUR.

Cash flow from operating activities increased with 29.8 per cent to SEK 1,990 (1,533) million during the year, mainly as a result of stronger earnings. Cash flow was negatively affected primarily by higher inventory build-up as well as lower customer advances in the Forest division. Cash flow from investing activities was SEK -2,056 (-669) million, which was mainly attributable to acquisitions.

GROUP PERFORMANCE IN THE FOURTH QUARTER

Sales increased by 8.3 per cent to SEK 3,741 (3,454) million in the fourth quarter, driven by acquisitions and foreign exchange gains. Acquisitions contributed 8.1 per cent and foreign exchange gains had a positive impact of 2.5 per cent. Organic growth amounted to -2.3 per cent.

EBITA* decreased by 2.8 per cent to SEK 651 (670) million and the EBITA margin* decreased by 2.0 percentage points to 17.4 (19.4) per cent. EBITA* improved on the back of acquisitions and foreign exchange gains. Foreign exchange gains accounted for 1.1% of the increase in EBITA*. In the fourth quarter, 36 (38) per cent of EBITA* was generated in EUR, 32 (29) per cent in SEK and 13 (15) per cent in NOK, 10 (7) per cent in DKK, 5 (5) per cent in USD, 2 (2) per cent in GBP and 2 (4) per cent in other currencies.

Net financial items were SEK -16 (-11) million.

Profit before tax declined by 8.4 per cent to SEK 548 (598) million. Net profit for the period decreased by 2.4 per cent to SEK 442 (453) million.

Average capital employed excluding goodwill increased by SEK 253 million, to SEK 2,345 million at 31 December 2019, compared with SEK 2,092 million at 30 September 2019. EBITA in relation to average capital employed excluding goodwill decreased from 122 per cent at 30 September 2019 to 108 per cent at 31 December 2019.

The Group's net debt decreased by SEK 130 million to SEK 5,552 million in the quarter. Net debt/equity was unchanged at 0.7 as per 31 December 2019 compared with 30 September 2019.

Cash flow from operating activities increased by 44.5 per cent to SEK 812 (562) million in the fourth quarter, mainly as a result of decreased inventory and accounts receivables. Cash flow from investing activities was SEK -501 (-89) million, which was mainly attributable to acquisitions.

FINANCIAL PERFORMANCE – BUSINESS AREAS

Dental

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	2019	2018	*change*	2019	2018	*change*
Net sales	4,393	4,185	5.0%	1,137	1,144	-0.6%
EBITA*	874	802	9.0%	206	219	-5.9%
EBITA margin*	19.9	19.2%	0.7	18.1	19.1%	-1.0

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 5.0 per cent to SEK 4,393 (4,185) during the year. EBITA* increased by 9.0 per cent to SEK 874 (802) million during the period and the EBITA margin* improved by 0.7 percentage points to 19.9 (19.2) per cent. Overall, the fourth quarter was stable for the Dental business area even though the distribution companies reported a weaker quarter.

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 fourth quarter, there were no individual events having a substantial impact on the earnings of the Dental group as a whole.

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Demolition & Tools

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	2019	2018	*change*	2019	2018	*change*
Net sales	3,610	2,820	28.0%	886	788	12.4%
EBITA*	834	724	15.2%	180	228	-21.1%
EBITA margin*	23.1	25.7%	-2.6	20.3%	28.9%	-8.6

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 28.0 per cent to SEK 3,610 (2,820) million during the year, driven by acquisitions, foreign exchange gains and organic growth. The market situation was generally good. Among the larger markets, France and the US saw the strongest growth in the year. EBITA* increased by 15.2 per cent during the year to SEK 834 (724) million and the EBITA margin* was 23.1 (25.7) per cent. During the fourth quarter, Demolition & Tools faced a more uncertain and weaker market and, at the same time, lack of deliveries of highly profitable special orders. This led to reduced organic sales and lower profitability due to an unfavourable product mix.

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

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Systems Solutions

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	2019	2018	*change*	2019	2018	*change*
Net sales	5,842	4,951	18.0%	1,718	1,522	12.9%
EBITA*	909	756	20.2%	292	256	14.1%
EBITA margin*	15.6%	15.3%	0.3	17.0%	16.8%	0.2

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, and Forest.

Net sales in Systems Solutions increased by 18.0 per cent to SEK 5,842 (4,951) million during the year, mainly on the back of organic growth in all divisions except Forest. Growth in Forest division remained weak during the fourth quarter and the Service and Distribution division reported weak organic growth.

The divisions Environmental Technology as well as Service and Distribution have been strengthened with two acquisitions each. The majority of Norwegian company Rustibus Worldwide, which had net sales of about NOK 56 million in 2018 and has about 25 employees, was consolidated in the Environmental Technology division as of 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 as of August 2019.

The majority of UK company UK POS, which in 2018 had net sales of about GBP 12 million and around 60 employees, was consolidated in the Service and Distribution division as of April 2019. The majority of UK company Brian James Trailers, which in 2018 had net sales of about GBP 26 million and about 160 employees, was consolidated as of December.

EBITA* increased by 20.2 per cent to SEK 909 (756) million in 2019, with improved earnings across all divisions except Forest. The EBITA margin* rose by 0.3 percentage points to 15.6 (15.3) per cent.

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ACQUISITIONS

During 2019, Lifco made the following acquisitions:

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
December	Brian James Trailers	Systems Solutions	GBP 26m	160

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 had a positive impact on Lifco's results and financial position in 2019.

OTHER FINANCIAL INFORMATION

Employees

The average number of employees during the year was 5,255 (4,860) and the number of employees at year-end was 5,443 (4,926). Acquisitions added 570 employees.

Events after the end of the reporting period

On 10 January 2020 the acquisition of Danish company Rönvig Dental Manufacturing A/S was announced. The company is a niche manufacturer of dental products. In 2018, Rönvig had net sales of around DKK 30 million. The company is based in Daugaard, Denmark and has 17 employees. The operation will be consolidated in the Dental business area.

On 15 January 2020, the acquisition of Kiilto Clean A/S's Workplace Safety division was announced. The business is a leading niche manufacturer of eyewash, plasters and first aid stations. The products are sold under the brand name Plum and in 2019 generated net sales of around DKK 79 million. The company is based in Assens, Denmark and Cuxhaven, Germany and has ten employees. The operations will be consolidated in the Dental business area.

On 24 January 2020, the acquisition of the majority of Croatian company Dental Grupa was announced. The company is a leading distributor of equipment and consumables to dentists in Croatia. Dental Grupa generated sales of about HRK 66 million in 2019 and has about 40 employees. The operations will be consolidated in the Dental business area.

On 27 January 2020, the acquisition of the majority of the Italian company Cramaro Tarpaulin Systems was announced. The company is a niche manufacturer of tarpaulin systems to protect materials for industrial and agricultural vehicles. Cramaro Tarpaulin Systems reported net sales of about EUR 27 million in 2019 and has around 90 employees. The company will be consolidated in Business Area Systems Solutions, division Service and Distribution

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Proposed dividend

The Board of Directors and Chief Executive Officer propose that the Annual General Meeting authorise the payment of a dividend of SEK 5.25 (4.60) per share for 2019, representing a total distribution of SEK 476.9 million (417.9). This is equal to 31.7 (30.1) per cent of the net profit for the year attributable to shareholders of Lifco AB, which is consistent with Lifco's dividend policy. The proposed record date is 28 April. Euroclear Sweden expects to be able to send the dividend to the shareholders on 4 May, subject to the resolution of the Annual General Meeting.

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 12 million, EBITDA* SEK 156 million and EBITA* SEK 12 million on 31 December 2019. Net financial items were impacted by SEK -12 million. The reported lease liability is SEK 596 million on 31 December 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 year-end 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, 31 January 2020

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

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FINANCIAL CALENDAR

The annual report for 2019 will be published in the week beginning 23 March 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, 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 AB, Attn: Valberedningen, 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 year-end report. After the presentation, there will be an opportunity to ask questions.

Time: Friday, 31 January at 2.30 p.m. CEST
Link to the presentation: https://tv.streamfabriken.com/lifco-q4-2019
Telephone numbers:
Sweden +46 8 505 583 69
UK +44 3333 00 92 69
US +1 646 722 4956

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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 the end of 2019, the Lifco Group consisted of 164 operating companies in 30 countries. In 2019, Lifco reported EBITA of SEK 2,523 million on net sales of SEK 13.9 billion. The EBITA margin was 18.2 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 31 January 2020, at 11.30 a.m. CET.

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CONDENSED CONSOLIDATED INCOME STATEMENT

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	**2019**	**2018**	***change***	**2019**	**2018**	***change***
Net sales	13,845	11,956	15.8%	3,741	3,454	8.3%
Cost of goods sold	-8,033	-6,838	17.5%	-2,188	-1,970	11.1%
Gross profit	**5,812**	**5,118**	**13.6%**	**1,553**	**1,484**	**4.6%**
Selling expenses	-1,600	-1,315	21.7%	-440	-362	21.5%
Administrative expenses	-1,928	-1,735	11.1%	-505	-486	3.9%
Development costs	-171	-144	18.8%	-48	-29	65.5%
Other income and expenses	-54	-22	145%	4	2	100%
Operating profit	**2,059**	**1,902**	**8.3%**	**564**	**609**	**-7.4%**
Net financial items	-63	-44	43.2%	-16	-11	45.5%
Profit before tax	**1,996**	**1,858**	**7.4%**	**548**	**598**	**-8.4%**
Tax	-468	-438	6.8%	-106	-145	-26.9%
Net profit for the period	**1,528**	**1,420**	**7.6%**	**442**	**453**	**-2.4%**
Profit attributable to:						
Parent Company shareholders	1,505	1,389	8.5%	436	442	-1.4%
Non-controlling interests	23	31	-25.8%	6	11	-45.5%
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders	16.57	15.29	8.4%	4.81	4.87	-1.2%
EBITA*	2,523	2,168	16.4%	651	670	-2.8%
Depreciation of tangible assets	311	127	145%	78	34	129%
Amortisation of intangible assets	15	12	25.0%	5	3	66.7%
Amortisation of intangible assets arising from acquisitions	329	253	30.0%	89	67	32.8%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	**2019**	**2018**	***change***	**2019**	**2018**	***change***
Net profit for the period	1,528	1,420	7.6%	442	453	-2.4%
Other comprehensive income						
Items which can later be reclassified to profit or loss:						
Hedge of net investment	6	13	-53.8%	-18	18	-200%
Translation differences	140	155	-9.7%	-169	-87	94.3%
Tax related to other comprehensive income	-1	-3	-66.7%	4	-4	-200%
Total comprehensive income for the period	**1,673**	**1,585**	**5.6%**	**259**	**380**	**-31.8%**
Comprehensive income attributable to:						
Parent Company shareholders	1,648	1,552	6.2%	254	370	-31.4%
Non-controlling interests	25	33	-24.2%	5	10	-50.0%
	1,673	**1,585**	**5.6%**	**259**	**380**	**-31.8%**

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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.

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	**2019**	**2018**	***change***	**2019**	**2018**	***change***
Dental	4,393	4,185	5.0%	1,137	1,144	-0.6%
Demolition & Tools	3,610	2,820	28.0%	886	788	12.4%
Systems Solutions	5,842	4,951	18.0%	1,718	1,522	12.9%
Group	**13,845**	**11,956**	**15.8%**	**3,741**	**3,454**	**8.3%**

Net sales by type of income:

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	**2019**	**2018**	***change***	**2019**	**2018**	***change***
Dental products	4,393	4,185	5.0%	1,137	1,144	-0.6%
Tools and Machinery	3,610	2,820	28.0%	886	788	12.4%
Construction Materials	1,192	1,102	8.2%	324	312	3.8%
Contract Manufacturing	1,055	951	10.9%	339	266	27.4%
Environmental Technology	1,855	1,463	26.8%	593	465	27.5%
Service and Distribution	882	660	33.6%	235	211	11.4%
Forest	858	775	10.7%	227	268	-15.3%
Group	**13,845**	**11,956**	**15.8%**	**3,741**	**3,454**	**8.3%**

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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:

	TWELVE MONTHS			FOURTH QUARTER		
SEK million	2019	2018	*change*	2019	2018	*change*
Dental	874	802	9.0%	206	219	-5.9%
Demolition & Tools	834	724	15.2%	180	228	-21.1%
Systems Solutions	909	756	20.2%	292	256	14.1%
Central Group functions	-94	-114	-17.5%	-27	-33	-18.2%
EBITA before acquisition costs	**2,523**	**2,168**	**16.4%**	**651**	**670**	**-2.8%**
Acquisition costs[1]	-79	-13	508%	2	6	-66.7%
Non-recurring items[2]	-56	-	-	-	-	-
EBITA	**2,388**	**2,155**	**10.8%**	**653**	**676**	**-3.4%**
Amortisation of intangible assets arising from acquisitions	-329	-253	30.0%	-89	-67	32.8%
Net financial items	-63	-44	43.2%	-16	-11	45.5%
Profit before tax	**1,996**	**1,858**	**7.4%**	**548**	**598**	**-8.4%**

[1] Of which, change in call/put options and additional considerations for the current year, SEK -50 (1) million.
[2] Pertaining to costs in connection with management change.

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CONDENSED CONSOLIDATED BALANCE SHEET

SEK million	31 Dec 2019	31 Dec 2018
ASSETS		
Intangible assets	11,209	9,133
Tangible assets	1,503	611
Financial assets	182	153
Inventories	1,997	1,710
Accounts receivable	1,584	1,550
Current receivables	374	261
Cash and cash equivalents	729	405
TOTAL ASSETS	**17,578**	**13,823**
EQUITY AND LIABILITIES		
Equity	7,972	6,748
Non-current interest-bearing liabilities incl. pension provisions	1,674	1,813
Other non-current liabilities and provisions	1,986	1,307
Current interest-bearing liabilities	3,691	1,762
Accounts payable	680	632
Other current liabilities	1,575	1,561
TOTAL EQUITY AND LIABILITIES	**17,578**	**13,823**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Parent Company shareholders

SEK million	31 Dec 2019	31 Dec 2018
Opening equity	6,685	5,496
Comprehensive income for the period	1,648	1,552
Dividend	-418	-363
Closing equity	**7,915**	**6,685**
Equity attributable to:		
Parent Company shareholders	7,915	6,685
Non-controlling interests	57	63
	7,972	**6,748**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	TWELVE MONTHS		FOURTH QUARTER	
SEK million	2019	2018	2019	2018
Operating activities				
Operating profit	2,059	1,902	564	609
Non-cash items	705	391	163	97
Interest and financial items, net	-63	-44	-16	-11
Tax paid	-571	-472	-167	-110
Cash flow before changes in working capital	2,130	1,777	544	585
Changes in working capital				
Inventories	-94	-260	238	50
Current receivables	137	-214	198	-15
Current liabilities	-183	230	-168	-58
Cash flow from operating activities	**1,990**	**1,533**	**812**	**562**
Business acquisitions and sales, net	-1,781	-500	-422	-28
Net investment in tangible assets	-243	-150	-71	-47
Net investment in intangible assets	-32	-19	-8	-14
Cash flow from investing activities	**-2,056**	**-669**	**-501**	**-89**
Borrowings/repayment of borrowings, net	863	-416	5	-438
Dividends paid	-490	-383	-3	-2
Cash flow from financing activities	**373**	**-799**	**2**	**-440**
Cash flow for the period	**307**	**65**	**313**	**33**
Cash and cash equivalents at beginning of period	405	305	456	374
Translation differences	17	35	-40	-2
Cash and cash equivalents at end of period	**729**	**405**	**729**	**405**

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ACQUISITIONS IN 2019

Six new businesses were consolidated during the year. These acquisitions referred to all of the shares in Indexator Rotator Systems and the majority of the shares in Brian James Trailers, ErgoPack, Rustibus Worldwide and UK POS.

The purchase price allocation includes all acquisitions made during 2019. Purchase price allocations are preliminary until one year after the acquisition date.

Acquisition-related expenses of SEK 29 million are included in administrative expenses in the consolidated income statement for 2019. The acquired businesses have, since their dates of consolidation, contributed SEK 815 million to the Group's net sales, and SEK 178 million to EBITA. If the businesses had been consolidated from 1 January 2019, consolidated net sales would have increased by an additional SEK 535 million and EBITA by an additional SEK 109 million.

Acquired net assets

Net assets, SEK million	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	11	1,241	1,252
Tangible assets	208	-	208
Inventories, accounts receivable and other receivables	535	-45	490
Accounts payable and other liabilities	-465	-281	-746
Cash and cash equivalents	166	-	166
Net assets	**455**	**915**	**1,370**
Goodwill	-	957	957
Total net assets	**455**	**1,872**	**2,327**

Effect on cash flow, SEK million	
Consideration	2,327
Consideration not paid	*-452*
Cash and cash equivalents in acquired companies	-166
Paid purchase consideration for acquisitions in prior years	72
Total cash flow effect	**1,781**

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FINANCIAL INSTRUMENTS

SEK million	31 Dec 2019	31 Dec 2018
Financial assets measured at amortised cost[1]		
Accounts receivable	1,584	1,550
Other non-current financial receivables	9	17
Cash and cash equivalents	729	405
Total	**2,322**	**1,972**
Liabilities at fair value through profit or loss		
Other liabilities[2]	916	515
Financial liabilities at amortised cost		
Interest-bearing borrowings	5,325	3,538
Accounts payable	680	632
Total	**6,921**	**4,685**

[1] All financial assets on 31 December 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.

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 call/put options related to non-controlling interests and additional considerations.

KEY PERFORMANCE INDICATORS

ROLLING TWELVE MONTHS TO	2019 31 DEC	2018 31 DEC
Net sales, SEK million	13,845	11,956
Change in net sales, %	15.8	19.2
EBITA*, SEK million	2,523	2,168
EBITA margin*, %	18.2	18.1
EBITDA*, SEK million	2,849	2,307
EBITDA margin*, %	20.6	19.3
Capital employed, SEK million	12,925	10,314
Capital employed excl. goodwill and other intangible assets, SEK million	2,345	1,312
Return on capital employed, %	19.5	21.0
Return on capital employed excl. goodwill, %	108	165
Return on equity, %	20.3	22.5
Net debt, SEK million	5,552	3,685
Net debt/equity ratio, times	0.7	0.5
Net debt/EBITDA*	1.9	1.6
Interest-bearing net debt, SEK million	4,040	3,170
Interest-bearing net debt/EBITDA*, times	1.4	1.4
Equity/assets ratio, %	45.4	48.8
Number of shares, thousand	90,843	90,843
Average number of employees	5,255	4,860

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CONDENSED PARENT COMPANY INCOME STATEMENT

	TWELVE MONTHS		FOURTH QUARTER	
SEK million	**2019**	**2018**	**2019**	**2018**
Administrative expenses	-162	-136	-32	-37
Other operating income[1]	139	48	139	48
Operating profit/loss	**-23**	**-88**	**107**	**11**
Net financial items[2]	837	602	27	325
Profit after financial items	**814**	**514**	**134**	**336**
Appropriations	-30	56	-30	56
Tax	-6	-5	-22	-22
Net profit for the period	**778**	**565**	**82**	**370**

[1] Invoicing of Group-wide services.
[2] Net financial items include SEK 758 (560) million in dividends received during the twelve-month period.

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million	**31 Dec 2019**	**31 Dec 2018**
ASSETS		
Tangible assets	0	0
Financial assets	4,872	3,927
Current receivables	5,226	4,523
Cash and cash equivalents	379	143
TOTAL ASSETS	**10,477**	**8,593**
EQUITY AND LIABILITIES		
Equity	3,271	2,911
Untaxed reserves	72	69
Provisions	-	-
Non-current interest-bearing liabilities	1,004	1,765
Current interest-bearing liabilities	3,670	1,755
Current non-interest-bearing liabilities	2,460	2,093
TOTAL EQUITY AND LIABILITIES	**10,477**	**8,593**
Pledged assets	-	-
Contingent liabilities	46	98

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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

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	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.

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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 21–22.

EBITA compared with financial statements in accordance with IFRS

SEK million	FULL YEAR 2019	FULL YEAR 2018
Operating profit	2,059	1,902
Amortisation of intangible assets arising from acquisitions	329	253
EBITA	**2,388**	**2,155**
Acquisition costs and non-recurring items	135	13
EBITA before acquisition costs and non-recurring items	**2,523**	**2,168**

EBITDA compared with financial statements in accordance with IFRS

SEK million	FULL YEAR 2019	FULL YEAR 2018
Operating profit	2,059	1,902
Depreciation of tangible assets	311	127
Amortisation of intangible assets	15	12
Amortisation of intangible assets arising from acquisitions	329	253
EBITDA	**2,714**	**2,294**
Acquisition costs and non-recurring items	135	13
EBITDA before acquisition costs and non-recurring items	**2,849**	**2,307**

Net debt compared with financial statements in accordance with IFRS

SEK million	31 Dec 2019	31 Dec 2018
Non-current interest-bearing liabilities including pension provisions	1,093	1,813
Current interest-bearing liabilities	3,676	1,762
Cash and cash equivalents	-729	-405
Interest-bearing net debt	**4,040**	**3,170**
Call/put options, additional considerations	916	515
Lease liability	596	-
Net debt	**5,552**	**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	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Total assets	**17,578**	**17,400**	**16,452**	**15,793**
Cash and cash equivalents	-729	-456	-340	-348
Interest-bearing pension provisions	-40	-39	-37	-34
Non-interest-bearing liabilities	-3,325	-3,545	-3,364	-3,266
Capital employed	**13,484**	**13,360**	**12,711**	**12,145**
Goodwill and other intangible assets	-11,209	-10,969	-10,257	-9,886
Capital employed excluding goodwill and other intangible assets	**2,275**	**2,391**	**2,454**	**2,259**

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	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Capital employed	**12,925**	13,484	13,360	12,711	12,145
Capital employed excluding goodwill and other intangible assets	**2,345**	2,275	2,391	2,454	2,259
EBITA*	**Total 2,523**	651	596	689	587
Return on capital employed	**19.5%**				
Return on capital employed excluding goodwill and other intangible assets	**108%**				