

LIFCO

A SAFE HAVEN FOR YOUR BUSINESS

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HIGHLIGHTS OF 2018

NET SALES +19.2%

SEK 11,956 (10,030) million. Organic growth 6.4%

EBITA* +25.2%

SEK 2,168 (1,732) million

PROFIT BEFORE TAX +26.1%

SEK 1,858 (1,473) million

NET PROFIT FOR THE YEAR +28.3%

SEK 1,420 (1,107) million

EARNINGS PER SHARE +28.1%

SEK 15.29 (11.94)

PROPOSED DIVIDEND PER SHARE SEK 4.60

Represents a total distribution of SEK 418 million

KEY PERFORMANCE INDICATORS

	2018	2017
Net sales, SEK million	11,956	10,030
Net sales, adjusted for foreign exchange effects and acquisitions, SEK million	10,677	9,176
EBITA*, SEK million	2,168	1,732
EBITA margin*, %	18.1	17.3
Earnings per share after tax, SEK	15.29	11.94
Number of shares, thousand	90,843	90,843
Capital employed, SEK million	10,314	8,962
Capital employed excluding goodwill and other intangible assets, SEK million	1,312	1,155
Return on capital employed, %	21.0	19.3
Return on capital employed excluding goodwill and other intangible assets, %	165	150
Net debt, SEK million	3,685	3,794
Net debt/equity ratio	0.5	0.7
Net debt/EBITDA*	1.6	2.0
Net interest-bearing debt, SEK million	3,170	3,536
Net interest-bearing debt/EBITDA*	1.4	1.9
Equity/assets ratio, %	48.8	45.5
Equity per share, SEK	73.6	60.5

EBITA* = operating profit before amortisation of intangible assets arising on acquisition and acquisition costs.

EBITDA* = operating profit before depreciation, amortisation and acquisition costs.

LIFCO IN BRIEF

We offer a safe haven for small and medium-sized businesses. We acquire and develop market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows.

THREE BUSINESS AREAS:



Dental



Demolition & Tools



Systems Solutions



EMPLOYEES

4,926



COUNTRIES

29



COMPANIES

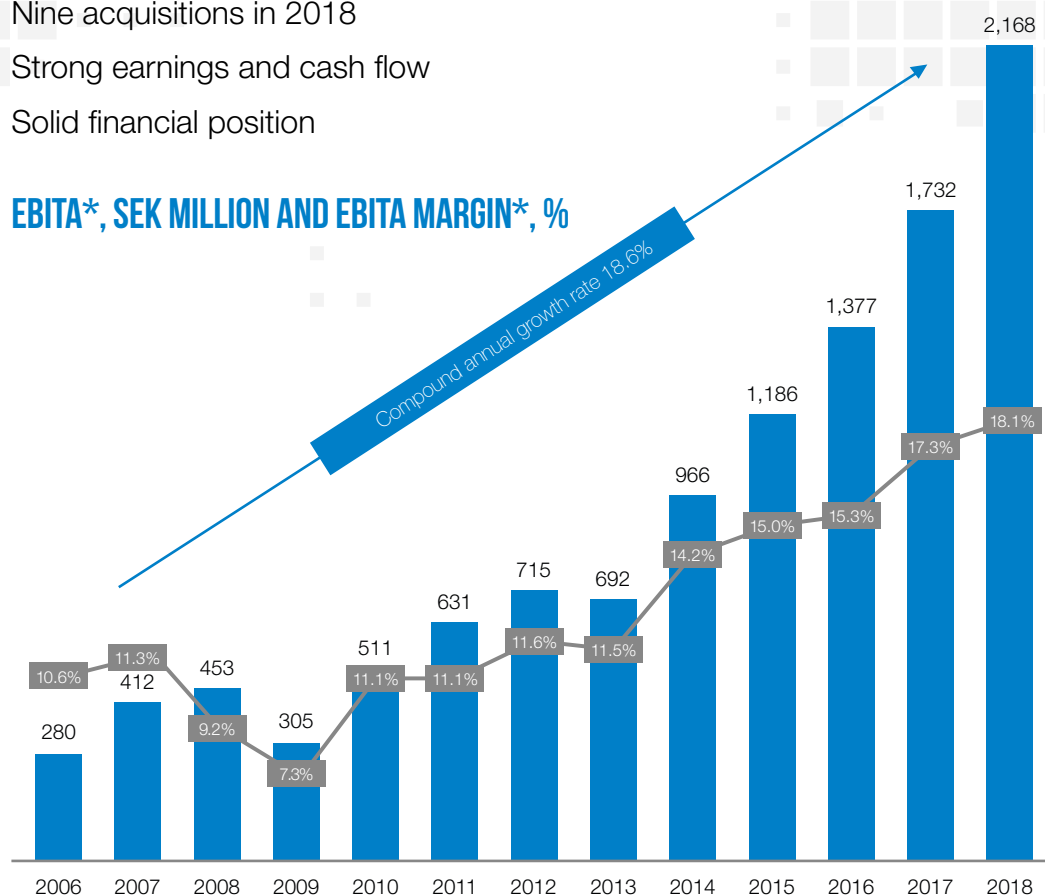
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Nine acquisitions in 2018

Strong earnings and cash flow

Solid financial position

EBITA*, SEK MILLION AND EBITA MARGIN*, %



Chief executive's review

A CLEAR VALUE-CREATING STRATEGY

After working in various leading positions at Lifco for 13 years, I took over as chief executive of Lifco in February 2019. The basis for Lifco's historical performance is a clear business strategy that is centred on earnings, simplicity and decentralisation. This strategy has been pursued successfully and consistently under Fredrik Karlsson's leadership for over 20 years. My task is to work with all our skilled employees in the Group to continue to nurture our strong business culture and deliver sustainable long-term earnings growth and good cash flows.

EARNINGS, SIMPLICITY AND DECENTRALISATION

Lifco's primary goal is to increase its earnings every year. We have achieved this through organic growth as well as acquisitions. In 2018, EBITA* increased by 25.2 per cent to SEK 2,168 million, with acquisitions adding around 11 per cent and organic growth and foreign exchange effects contributing about 14 per cent. The good economic climate was a strong contributing factor behind our organic growth in 2018. By comparison, Lifco's average annual EBITA* growth including acquisitions over the period 2006–2018 was 18.6 per cent.

Last year, Lifco acquired nine businesses and in the year before that thirteen. To ensure sustainable earnings growth, the Group takes a long-term approach to the companies it acquires. We look for companies that are profitable and have achieved stable growth over an extended period of time. Ideally, we like to buy companies that are market leaders in their niche and not overly dependent on individual suppliers and customers. We are happy for the existing management to remain active in the company, as they are the ones who know the market and the business.

We are strongly decentralised, and the companies enjoy a high degree of independence. Our goal is for decisions to be made by the local management teams in the companies where the business is conducted. An important way of ensuring decentralisation in practice is to minimise central functions and resources.

A SAFE HAVEN

Lifco has a unique advantage in that the Group offers a safe haven for small and medium-sized businesses. When we acquire companies, we do not target to divest the businesses in the future. Nor do we strive to realise synergies and have never relocated operations. The idea is that the companies should continue to operate as they did before becoming a part of the Lifco Group and thereby deliver steady earnings growth. Our approach to ownership is perpetual, which enables the subsidiaries to combine in a natural way a focus on earnings and cash flow with investments aimed at developing new products and increasing their selling power.

Lifco's decentralised business model, which allows for a high degree of autonomy in the subsidiaries, is a key factor when we negotiate with potential acquisition candidates. In many of the acquisitions that have been made in recent years, Lifco's clear and simple corporate culture – a culture that has proved its worth over time – has been crucial in persuading the entrepreneur to sell their life's work to Lifco.

SUSTAINABLE BUSINESS

It is essential to the success of our decentralised business model that the Group has a clear and shared view of how to run a sustainable business.

We have compiled our ethical principles in a common Code of Conduct for the Group that covers our 4,900 employees in 29 countries. Our Code of Conduct covers the company's

relationships with employees, customers, suppliers, society and the environment as well as shareholders. To be able to deliver with the highest quality and service level in its niche over the long term, a company needs to run its business in a sustainable manner. This means, for example, that the employees need to be offered good terms and that the company's suppliers need to meet the criteria for sustainable business. Lifco's management regularly monitors compliance with the Code of Conduct and takes immediate action in case of any deviations.

In December 2016, Lifco signed up to the UN's sustainability initiative, Global Compact, to show our support for internationally accepted business ethical standards and our long-term commitment to sustainability issues. As a member, we have undertaken actively to implement the Global Compact's ten principles for sustainable development in the areas of human rights, labour standards, environment and anti-corruption.



Per Waldemarson
President and CEO

STRONG CASH FLOW

A constant focus area for us is the Group's cash flow and changes in capital employed in our businesses. Cash flow from operating activities increased by 15.6 per cent in 2018, to SEK 1,533 million.

The long-term objective is to ensure stable dividend growth while maintaining a payout ratio of 30–50 per cent of earnings after tax. For 2018, the Board of Directors proposes a dividend of SEK 4.60 per share, which is an increase of 15.0 per cent on 2017 and equates to 30.1 per cent of earnings after tax.

MARKET-LEADING NICHE COMPANIES

The Lifco Group encompasses many successful businesses and strong brands. Our Dental business area, which sells consumables, equipment and technical service to dentists, has long had a strong position in distribution to dentists in northern Europe. Our Demolition & Tools business area includes Brokk, a world-leading manufacturer of demolition robots, and Kinshofer, a leading supplier of crane and excavator attachments. Systems Solutions includes for example market leader Silvent, which has unique expertise in compressed air dynamics, and Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors.

Today Lifco is a global group with operations in three continents. Over the period 2006–2018, Lifco made 63 acquisitions and built a strong European presence as well as significant positions in North America and Asia.

A FINANCIALLY STRONG GROUP

Financially, Lifco still has significant scope for further acquisitions. Our target is to maintain net-interest bearing debt* in a range of 2–3 times EBITDA*. At year-end, net debt stood at 1.6 times EBITDA* before acquisition costs, which gives us ample space to continue to grow through acquisitions when the right opportunities present themselves.

The most important factor for Lifco is our employees. Today, we have 4,926 employees in 29 countries. Many of our employees have worked for a long time in our subsidiaries and their accumulated experience is Lifco's most important success factor. I would also like to take this opportunity to thank all our employees for their valuable contributions in 2018.

Directors' Report

BUSINESS CONCEPT AND GOALS

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. The company's strength lies in its ability to offer a safe haven for small and medium-sized businesses. Lifco is guided by a clear philosophy centred on long-term growth, a focus on profitability and a strongly decentralised organisation.

FINANCIAL TARGETS AND DIVIDEND POLICY

Lifco's primary goal is to generate sustainable earnings growth. The Group and subsidiaries' goal is to ensure that organic EBITA* growth exceeds GDP growth in the relevant geographic markets over the course of a business cycle. Additional growth should be achieved through acquisitions.

Efficient use of capacity is another important goal for Lifco. Return on capital employed excluding goodwill and other intangible assets should exceed 50 per cent for the last twelve-month period. The net-interest bearing debt* should be in the range of 2–3 times EBITDA*.

The long-term objective is to ensure stable dividend growth while maintaining a payout ratio of 30–50 per cent of after-tax earnings.

A DECENTRALISED ORGANISATION

Lifco consists of 146 subsidiary companies, which are organised in about 30 operating units. The operating units operate in eight divisions, which in turn form part of the three business areas: Dental, Demolition & Tools and Systems Solutions.

This decentralised organisation is one of the cornerstones of Lifco's governance philosophy. The individual subsidiaries are given a large degree of freedom, which encourages a strong entrepreneurial spirit. As the subsidiaries are managed independently, each company is able to retain its specific culture. They can also continue to employ the methods that are used in the industries and markets in which they operate.

A strong entrepreneurial spirit is one explanation for the Lifco Group's ability to retain key individuals in the companies which it acquires. In many cases, the key individuals are attracted by Lifco's decentralised structure, which allows them to maintain a high degree of independence also after the acquisition.

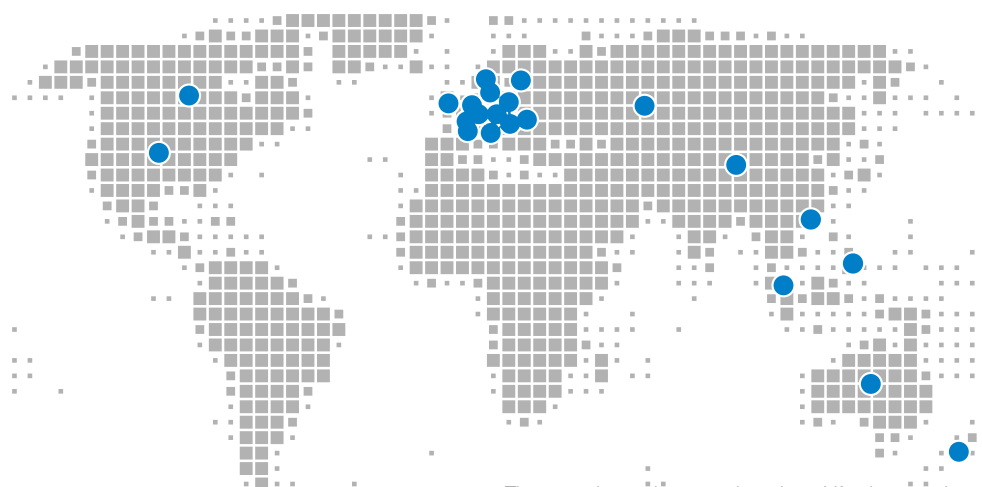
MINIMAL BUREAUCRACY

Lifco has developed a model for developing its subsidiaries. The model is based on Lifco's philosophy, which is centred on earnings, decentralisation and a long-term approach. It is the fruit of many years' experience of building businesses. In simplified terms, the model can be described as follows:

- Motivated and dedicated heads of subsidiaries
- Minimal bureaucracy and simple processes
- A focus on customers with the potential to generate sustainable earnings growth
- An efficient cost structure with a focus on value-creating functions
- Monthly monitoring of the subsidiaries' income statements and balance sheets with a focus on EBITA, changes in capital employed and cash flow

A CLEAR ACQUISITION STRATEGY

Expansion through acquisitions is a key element of Lifco's business concept. The Group acquires companies that can form new divisions as well as companies that add to and ex-



The map shows the countries where Lifco has employees.

EMPLOYEES
4,926

COUNTRIES
29

COMPANIES
146

LIFCO'S ACQUISITION PROCESS

IDENTIFY TAKEOVER CANDIDATES	ANALYSIS	POST-ACQUISITION ACTION PLAN
Takeover candidates are identified through various networks, mainly through the subsidiaries. In many cases, Lifco is contacted directly by the seller. Lifco is also regularly contacted by professional corporate dealmakers.	<p>Lifco looks at the company's position of strength in the value chain by engaging in discussions with suppliers, customers, industry experts and other parties.</p> <p>Lifco also assesses whether the Group is a suitable owner and what Lifco could contribute to the target company.</p> <p>Lifco analyses the company's financial statements and contracts.</p> <p>Lifco also studies the company's culture and work methods.</p>	<p>While acquired companies have a high degree of independence, Lifco conducts a review aimed at improving operational efficiency. Normally, the following actions are taken:</p> <ul style="list-style-type: none"> • New remuneration and reporting system • New Board of Directors • Increased financial awareness with a focus on working capital and controlled financing of growth opportunities • A short- and long-term strategic agenda

pand its existing divisions. An acquisition must either generate profitable growth and good cash flows or meet a strategic objective. The risk taken by Lifco must also be limited. Takeover candidates must meet the following criteria:

- Stable business
- Leading in its niche
- An attractive position in the value chain without being dependent on specific suppliers or customers
- Limited or no exposure to technological risk
- Documented profitability
- Conduct a sustainable business

Lifco may decide to make an acquisition even if the five first criteria have not been met if the company offers attractive strategic or financial opportunities. Lifco does not acquire companies which are considered to violate the UN Global Compact's principles on human rights, labour standards, environment and anti-corruption. Nor does Lifco acquire companies which manufacture or sell weapons, tobacco, fossil fuels or uranium.

A HIGH ETHICAL STANDARD AND SUSTAINABILITY

Lifco's focus is to create prerequisites for a sustainable value creation in the subsidiaries. A fundamental requirement for the decentralised structure is that the subsidiaries operate in accordance with Lifco's ethical principles. The ethical principles are set forth in the Code of Conduct, which all subsidiaries are required to follow. Compliance with the code is monitored regularly by senior management.

The Code of Conduct also includes Lifco's core values: respect for others, openness and pragmatism.

FINANCIAL RESULTS

2018 was another year of solid growth for Lifco. Net sales and earnings improved, mainly through acquisitions and organic growth. Nine acquired businesses were consolidated.

Net sales increased 19.2 per cent to SEK 11,956 (10,030) million, driven by acquisitions, organic growth and foreign exchange gains. Acquisitions contributed 8.6 per cent and organic growth 6.4 per cent while changes in exchange rates had a positive impact of 4.2 per cent.

EBITA* increased 25.2 per cent to SEK 2,168 (1,732) million and the EBITA margin* expanded by 0.8 percentage points to 18.1 (17.3) per cent. EBITA* improved on the back of acquisitions, organic growth and foreign exchange gains. Foreign exchange gains added 3.9 per cent to EBITA*. In 2018, 37 (33) per cent of EBITA* was generated in EUR, 28 (31) per cent in SEK, 15 (14) per cent in NOK, 6 (8) per cent in USD, 6 (5) per cent in DKK, 2 (3) per cent in GBP and 6 (6) per cent in other currencies.

Investments in intangible and tangible fixed assets totalled SEK 181 (153) million.

Net financial items were SEK -44 (-46) million.

Earnings before tax grew 26.1 per cent to SEK 1,858 (1,473) million. Items related to the acquired businesses that were consolidated during the year had a negative impact of SEK 14 (18) million on earnings for 2018.

Net profit for the year grew 28.3 per cent to SEK 1,420 (1,107) million and earnings per share increased by 28.1 per cent to SEK 15.29 (11.94).

After corporation tax rates were cut in Norway, the UK and Sweden, deferred tax assets and tax liabilities were restated, which had a positive one-off effect SEK 23 million. The Group's tax expense was SEK 438 (366) million, which represents 23.6 (24.8) per cent of earnings before tax. Tax paid was SEK 472 (368) million, which equates to 25.4 (25.0) per cent of earnings before tax.

Inventories were SEK 1,710 (1,391) million and accounts receivable SEK 1,550 (1,274) million. Average capital employed excluding goodwill increased over the year to SEK 1,312 (1,155) million while EBITA* in relation to average capital employed excluding goodwill was 165 (150) per cent at year-end. The improvement was due chiefly to higher earnings.

Goodwill and other intangible assets totalled SEK 9,133 (8,288) million at year-end.

The Group's net debt decreased by SEK 109 million in 2018, to SEK 3,685 (3,794) million. In the first quarter of the year, Lifco issued SEK 1,750 million in two series of unsecured bonds with a tenor of two years. The proceeds of the bond issues were used to refinance existing bank loans and bonds. At the end of the year, liabilities related to call/put options and additional considerations for acquisitions totalled SEK 515 (258) million.

The net debt ratio was 0.5 (0.7) at year-end. At the same date, 29 per cent of the Group's interest-bearing liabilities were denominated in EUR. Equity was SEK 6,748 (5,546) million and the equity/assets ratio 48.8 (45.5) per cent.

Cash flow from operating activities increased by 15.6 per cent to SEK 1,533 (1,326) million. The continued strong cash flow was primarily due to improved earnings. Cash flow from investing activities was SEK -669 (-1,524) million, which was mainly attributable to acquisitions. Cash flow was also affected by a total dividend payment of SEK 383 (337) million.

DIVIDEND

The Board of Directors and Chief Executive Officer propose that the Annual General Meeting authorise the payment of a dividend of SEK 4.60 per share for the financial year 2018, representing a total distribution of SEK 418 million. This is equal to 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.

Under the dividend policy, the long-term objective is to ensure stable dividend growth while maintaining a payout ratio of 30–50 per cent of after-tax earnings. Dividends should be based on the company's earnings performance, taking account of future development opportunities and the company's financial position.

PRODUCT DEVELOPMENT

Innovation and product development are key success factors, especially in Demolition & Tools and Systems Solutions. Innovation and product development enable Lifco to strengthen its customer offering and establish sustainable organic growth. Acquisitions of businesses complement the Group's internal product development. Developments in the market are monitored continuously by all subsidiaries and a large number of potential projects are evaluated each year. In 2018, product development costs totalled SEK 144 (105) million.

ACQUISITIONS AFTER THE END OF THE YEAR

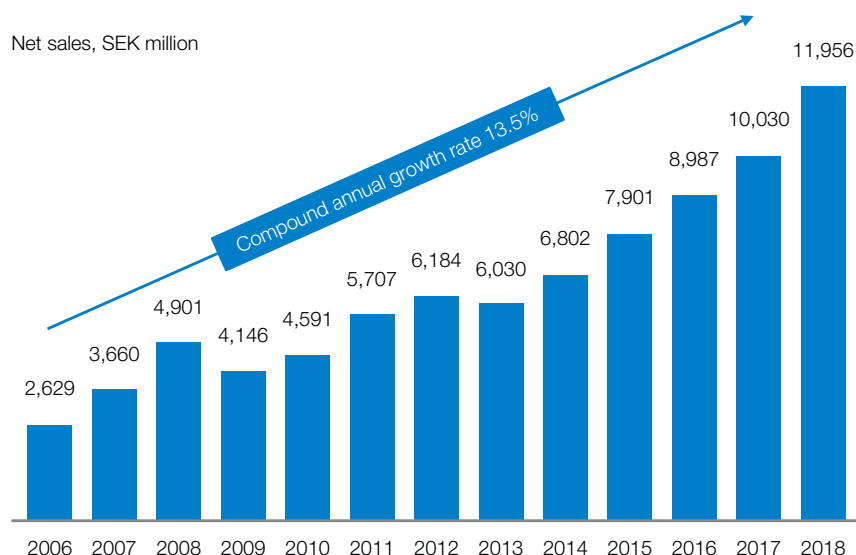
On 3 January 2019, it was announced that Lifco had acquired Indexator Rotator Systems of Sweden, which develops and manufactures rotators, mainly for the forest industry. The company generated net sales of around SEK 300 million in 2018 and has around 140 employees. Indexator Rotator Systems will be consolidated in the Demolition & Tools business area.

On 23 January, it was announced that Lifco has acquired Hammer of Italy, which delivers hydraulic breakers and other demolition equipment for excavators. The company generated net sales of around EUR 20 million in 2018 and has around 100 employees. Hammer will be consolidated in the Demolition & Tools business area.

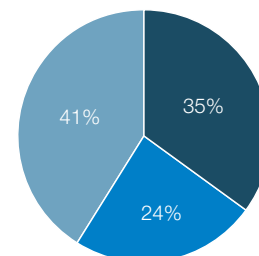
FINANCIAL RESULTS

MSEK	2014	2015	2016	2017	2018
Net sales	6,802	7,901	8,987	10,030	11,956
EBITA*	966	1,186	1,377	1,732	2,168
EBITA margin*	14.2%	15.0%	15.3%	17.3%	18.1%
Earnings per share, SEK	6.17	8.91	9.99	11.94	15.29

Net sales, SEK million

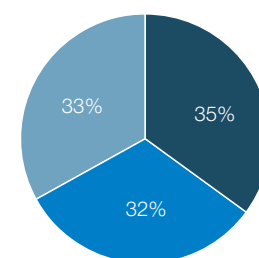


NET SALES BY BUSINESS AREA



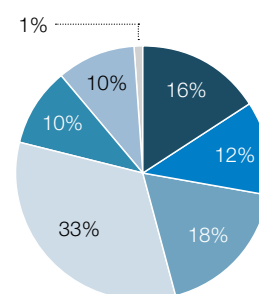
- Dental
- Demolition & Tools
- Systems Solutions

EBITA* BY BUSINESS AREA



- Dental
- Demolition & Tools
- Systems Solutions

NET SALES BY GEOGRAPHIC MARKET



- Sweden
- Norway
- Germany
- Rest of Europe
- North America
- Asia & Australia
- Rest of world

SUSTAINABILITY

Lifco strives to operate in a way that makes a positive and sustainable contribution to society. The company achieves this by acquiring and developing market-leading niche companies with the potential to deliver sustainable growth and good cash flows. The company's main sustainability impact, and thus also its opportunities and risks, is in the operations of the subsidiaries. The company's focus is on creating the conditions for sustainable value creation in the subsidiaries.

To strengthen the subsidiaries and provide clear governance across a broad range of activities, the Group is governed by financial targets, principles and values. A key part of this approach is to create an organisation that is better able to respond to rapid changes in society and enable the subsidiaries to be innovative in the way they face up to the challenges of the present while helping to shape sustainable solutions for tomorrow.

ACQUISITIONS

Acquisitions are a key element of Lifco's business model and are driven by a clear philosophy based on long-term ownership. On pages 8–9, the requirements on the takeover candidates are described. One of the requirements is the need to be running a sustainable business. This is ensured through an in-house-developed due diligence process that is based on the UN Global Compact and its principles. Work on developing this process will continue in 2019.

The due diligence process is designed to ensure that Lifco does not acquire companies which are considered to violate the UN Global Compact's principles on human rights, labour standards, environment and anti-corruption. This means, for example, that they must not be involved in human rights abuses, serious environmental damage or corruption. Nor does Lifco acquire companies which manufacture or sell weapons, tobacco, fossil fuels or uranium.

CODE OF CONDUCT

Lifco's subsidiaries have a high degree of autonomy, and Lifco strives for minimal bureaucracy and simple processes. A fundamental requirement for this decentralised structure is that the subsidiaries operate in accordance with Lifco's ethical principles. The ethical principles are set forth in Lifco's Code of Conduct, which all subsidiaries are required to follow and which covers the companies' relationships with employees, customers, suppliers, society and shareholders. All new employees in the Lifco Group must be informed about the Code of Conduct within one month of taking up their employment.

Lifco's Code of Conduct is based on the following international principles: the Universal Declaration of Human Rights, the United Nations Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multi-national Enterprises. The Code of Conduct also includes Lifco's core values: respect for others, openness and pragmatism. Lifco has signed the UN's sustainability initiative, Global Compact, which means that the Group has undertaken actively to implement the Global Compact's ten principles for sustainable development in the four areas of human rights, labour standards, environment and anti-corruption. Lifco's policies on the four areas are presented below.

HUMAN RIGHTS

Lifco shall inform its suppliers of the company's values and business principles. Lifco shall not engage in business relationships with suppliers that violate the applicable legislation, fail to uphold fundamental human rights and neglect environmental issues.

LABOUR STANDARDS

All Lifco employees shall have the right to freedom of association and Lifco shall respect the right of all trade union members to negotiate collectively. Employees shall be recruited and promoted exclusively on the basis of their work qualifications and without regard to ethnicity, religion, age, national origin, sex, sexual preference, political belief, trade union membership, marital status or disability that does not prevent the performance of the duties involved. Lifco does not tolerate any form of harassment or violence at the workplace. Forced labour and/or child labour are strictly forbidden in all operations of the company. Products from suppliers, their subcontractors or business partners that use child labour must not be accepted.

ENVIRONMENT

Lifco has undertaken to prevent or minimise and mitigate any harmful effects of the company's operations or products on the environment. Lifco does, however, have subsidiaries which operate in areas where the environmental impact can sometimes be significant. To manage this challenge, Lifco works towards long-term goals, which enables the businesses to respond to changes in their operating environment. One example relates to the marine environment, where Lifco's subsidiary Auto-Maskin is working on improving the efficiency of its diesel engines. The engines run on fossil fuel but are adapted for a transition to non-fossil fuels, which allows customers to make sustainable long-term investments while also extending the life of the products. Lifco strives continually to reduce the environmental impact of the company's products throughout their lifecycles.

Systems Solutions – Helping our customers take control of their value chains

Eldan Recycling is a global leader in the manufacture of equipment for profitable recycling and modern waste management that has customers worldwide. The company has more than 100 highly qualified and experienced employees, many of whom have worked for Eldan for 20–40 years. Their combined experience is a key factor behind Eldan's unique flexibility and service. We have identified the ability to retain employees and experience in the company as a key success factor.

Eldan offers standard solutions for recycling of tyres, cables, electronics (WEEE), aluminium, refrigerators, household waste, magnesium and other waste. Yet the company is not limited to these areas, but also has solutions for recycling materials such as wind turbine blades, mattresses and casino tokens.

The idea behind Eldan's business is to help its customers take control of their value chains and avoid unnecessary transports, especially long-distance transports to countries where it is harder to control the environmental impact and working conditions.

ANTI-CORRUPTION

Gifts, entertainment, remuneration and personal benefits may only be offered to outside parties if they are of small value and consistent with current practice. No gifts, entertainment or personal benefits may be offered if they conflict with applicable laws or current practice. Gifts which do not meet these criteria must be reported to management, which will decide what action to take. None of Lifco's employees should seek to obtain or accept gifts or benefits which can be assumed to affect their business decisions. Such gifts must be reported to the company's management, which will decide how to handle the issue.

RISKS AND RISK MANAGEMENT

In 2017, Lifco conducted a survey of sustainability risks in its subsidiaries' operations and value chains. The survey, which was based on Lifco's Code of Conduct and the Global Compact principles, covered 22 groups of companies which together account for around 90 per cent of Lifco's sales. Due to the subsidiaries' differing business models and activities, the risk that Lifco as a group will be negatively affected is limited.

RISKS AT THE SUPPLIER LEVEL

Some of Lifco's subsidiaries engage suppliers which operate in markets where there is a risk of human rights abuses and inadequate concern for the environment. The suppliers are informed about Lifco's Code of Conduct on an ongoing basis and the majority of the subsidiaries concerned conduct audits of their suppliers to identify any deviations.

CORRUPTION

In some of Lifco's subsidiaries there is a risk of corruption and fraud, especially in vulnerable markets. It is a requirement that all new employees be informed about Lifco's Code of Conduct. Some subsidiaries have implemented additional procedures to further reduce the risk.

EMPLOYEES

Competent and committed employees are a critical resource for the subsidiaries' continued success and competitiveness. The subsidiaries take a targeted approach to improving their work environment and invest in training activities to retain and develop their employees.

ENVIRONMENT

In certain industries there is a demand for more environmentally friendly products while other industries may be affected by stricter environmental legislation. The subsidiaries concerned are investing in research and development to meet future requirements from customers as well as legislators. The handling of chemicals can pose risks to employees, local communities and the environment. The subsidiaries concerned carry out risk assessments and train their employees in how to handle chemicals. Lifco has 13 subsidiaries with environmental management systems certified under the ISO 14001:2015 standard.

Demolition & Tools – Improving health, safety and the environment

The Brokk Group is a world-leading manufacturer of remote-controlled demolition robots, radiation-protected camera systems and other products. The group consists of a number of market-leading product companies as well as a number of sales companies around the world with a combined workforce of around 300.

Brokk's remote-controlled demolition robots help to improve health and safety at thousands of construction sites, steelworks, mines, tunnels and other work sites around the world. As the machines are remote-controlled, the people operating them can always remain at a safe distance from where heavy work is carried out, for example where there is a risk of collapse, or where there are risks arising from heat, radioactive radiation or high concentrations of dust particles. In many cases, Brokk's compact machines do the work that would otherwise be done with heavy hand-held tools, which have historically caused serious vibration injuries to the users. The majority of the machines supplied by Brokk are powered by electricity, which is good for the environment as well as improving health and safety at the work site.

Brokk machines are also used in clearing-up operations after disasters. They helped to clear Ground Zero in New York City after the terrorist attacks in 2001 and were used at Fukushima after the nuclear disaster caused by the devastating tsunami in 2011.

MONITORING

Compliance with Lifco's Code of Conduct is monitored by each subsidiary through audits, discussions with suppliers and by other means. Any deviations are reported to Lifco's senior management. Monitoring of the Code of Conduct is integrated with the quarterly reports submitted by the subsidiaries to Lifco to ensure that these issues are given priority and reported correctly. If a deviation is identified, Lifco's senior management will contact the chief executive of the company concerned, who will be tasked with producing an action plan and reporting on progress to Lifco's Board of Directors. Two deviations from the Code of Conduct were reported in 2018. One subsidiary had not informed its employees of the Code of Conduct in accordance with the Group's instructions, as the Code of Conduct had not been translated within one month of the acquisition. The translation will be completed in early 2019, and the Code of Conduct will then be implemented in the operations and integrated into employment contracts. The other deviation related to the behaviour of an individual employee and resulted in a dismissal as well as preventive training for relevant roles.

EMPLOYEES

At 31 December 2018, Lifco had 4,926 (4,758) employees. The average number of employees during the year was 4,860 (4,107). Acquisitions added 201 (1,224) employees in 2018.

MANAGEMENT SYSTEMS

A key ingredient in the Group's continuous improvement work is the use of management systems. Lifco encourages its subsidiaries to operate on the basis of principles for management systems and places a strong emphasis on ensuring that the subsidiaries' own circumstances determine the level of implementation to avoid creating a static and slow-moving organisation. In 2018, 13 subsidiaries were certified under the ISO 14001:2015 environmental management standard, 35 were certified under the ISO 9001:2015 quality management standard, five were certified under OHSAS 18001 and one company is certified under ISO 50001:2011. See page 80 for a full list of certifications.

ENVIRONMENTAL PERMITS

The subsidiary companies Lövånger Elektronik AB, Modul-System HH AB, Rapid Granulator AB, Texor AB and Zetterströms Rostfria AB are engaged in environmentally hazardous activities pursuant to the Swedish Environmental Code, which means that they are regulated by the environment committee at the relevant local authority.

Dental – A more attractive workplace

Lifco strives continuously to find opportunities to strengthen its market position, and acquisitions are an important part of the business model. In September 2017, Lifco acquired the Chinese dental company Perfect Ceramic Dental (PCD). PCD is a dental laboratory which performs dental work. The company is headquartered in Shenzhen, China and has around 750 employees.

At the time of the acquisition, PCD had a relatively high staff turnover. Average annual staff turnover was 4.9 per cent, and around Chinese New Year the company repeatedly lost 20 per cent of its workforce. This occurred because many employees found new employers during the New Year holiday period. The company therefore had to devote significant resources to skills development, and high staff turnover was identified early on as an area for improvement in Lifco's due diligence process. A lower staff turnover benefits both the employees and the business, as the skills remain in the company.

Since the acquisition, Lifco's management team has taken a number of initiatives to improve the attractiveness of the workplace. Lifco has, for example, revised and refined remuneration policies, including bonus schemes and social benefits. Employees now receive additional days of leave as well as access to home finance and childcare. In addition, team leaders are offered courses in English to improve their language skills. Lifco and PCD have also improved the work environment by replacing the factory's air conditioning system.

Since Lifco acquired the company, annual staff turnover has decreased to 3.9 per cent. During the first Chinese New Year after the acquisition, staff turnover was 12 per cent and the following year it dropped to 7 per cent, which is a decrease of 13 percentage points since before the acquisition.



WEXMAN WORKWEAR ///

BUSINESS AREA DENTAL



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 denture attachments, disinfectants, saliva ejectors, bite registration and dental impression materials, bonding agents and other consumables that are sold to dentists through distributors around the world.

A STABLE, NON-CYCLICAL MARKET

Dental care is a significant market, accounting for around 0.5 per cent of GDP in Lifco's main markets. The European market for dental care is stable and relatively non-cyclical and has historically grown modestly.

A dental clinic needs a large number of products, ranging from consumables such as tissues and gloves to advanced technical equipment such as X-ray machines and dental chairs. Lifco fills an important role in the dental market by bringing together a large number of suppliers in what is otherwise a fragmented market.

The market for dental care products can be divided into consumables, equipment and technical service, and dental technology. Consumables account for around 70 per cent of total sales. Demand for consumables is non-cyclical and is characterised by small but frequent orders, which requires a high level of delivery reliability and a broad product range. Demand for equipment is relatively stable and depends mainly on the age of the installed equipment, the length of the replacement cycle and the number of dental clinics.

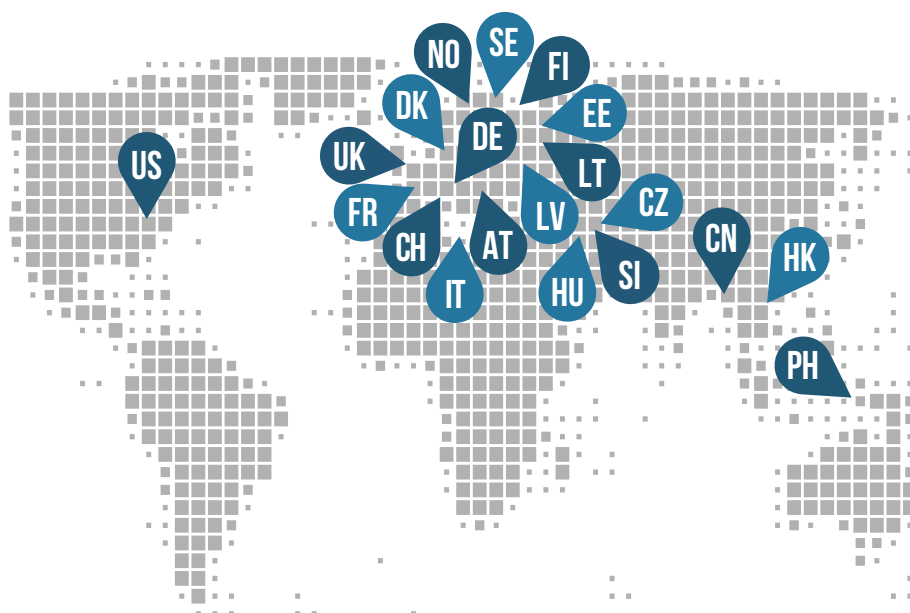
SHARED WAREHOUSES

Although Lifco's subsidiaries mostly operate independently of each other, they collaborate to some extent on goods purchases. Lifco has three central warehouses for consumable goods, located in Enköping in Sweden, outside Aarhus in Denmark and in Bidingen, Germany. The Enköping warehouse offers around 44,000 products, the Danish warehouse 18,000 and the German warehouse 58,000. Lifco as a whole offers products from about 500 suppliers. A part of the range consists of own brands, which mainly comprise less complex products. Own brands account for around ten per cent of net sales in the subsidiaries. Lifco is working actively to increase the share of own brands.

In dental technology, Lifco operates mainly in Germany but also in the Nordic countries. Lifco provides most of the products, including crowns and bridges, which are made in China, the Philippines and Turkey. This enables Lifco to achieve cost advantages over local dental laboratories. Lifco handles the central parts of the process, such as dental prosthesis design and contacts with dentists. This ensures a high level of quality and proximity to the customers.

ONLINE SALES

Consumables are sold through three main channels: the subsidiaries' sales forces, catalogue sales and online. Between 25 and 75 per cent of sales are made online depending on the market and subsidiary. The remaining orders are mainly made by telephone.



The map shows countries with employees in the Dental business area.



ACQUISITIONS IN 2018

In 2018, five acquired businesses were consolidated: a majority shareholding in Computer konkret, which develops, sells and supports software for German dentists and orthodontists; the majority of the shares of Dental Direct in Norway and its Danish subsidiary 3D Dental ApS, which are distributors to dentists; the German dental laboratory Flörchinger Zahntechnik and the French dental company Denterbridge; and a majority stake in Rhein83, an Italian company which develops and produces dental accessories and attachments that are used to attach full dentures to dental implants as well as other products.

EARNINGS IN 2018

Dental's net sales grew 9.6 per cent to SEK 4,185 (3,817) million in 2018. EBITA* increased 14.4 per cent to SEK 802 (701) million and the EBITA margin* improved to 19.2 (18.4) per cent.

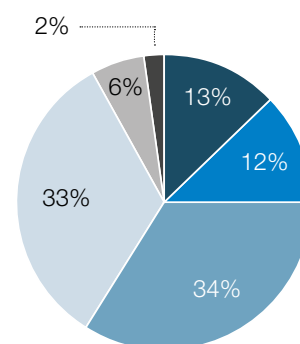
The dental market remains generally stable. The results of individual companies in Lifco's Dental business may in any individual quarter be influenced by significant fluctuations in exchange rates, calendar effects such as Easter, gained or lost contracts in procurements of consumables by public-sector or major private-sector customers and fluctuations in the delivery of equipment. In 2018, there were no individual events which had a substantial impact on the earnings of the dental group as a whole in any individual quarter.

In recent years, Dental has through acquisitions and organic growth increased its earnings in manufacturing, dental technology and software faster than in distribution, which has had a positive impact on margin growth in the business area.

FINANCIAL RESULTS

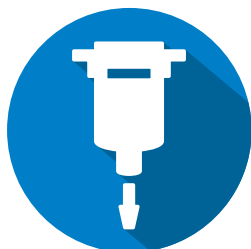
SEK MILLION	2018	CHANGE	2017	CHANGE	2016
Net sales	4,185	9.6%	3,817	6.3%	3,590
EBITA*	802	14.4%	701	7.0%	655
EBITA margin*	19.2%	0.8	18.4%	0.2	18.2%

NET SALES BY GEOGRAPHIC MARKET



- Sweden
- Norway
- Germany
- Rest of Europe
- North America
- Asia and Australia

BUSINESS AREA DEMOLITION & TOOLS



Demolition & Tools develops, manufactures and sells equipment for the construction and demolition industries. Lifco is the world's leading supplier of demolition robots and crane attachments. The company is also one of the leading global suppliers of excavator attachments.

The operations are divided into two divisions: Demolition Robots and Crane & Excavator Attachments. Demolition Robots accounts for 40 per cent of the business area's net sales and Crane & Excavator Attachments for 60 per cent.

DEMOLITION ROBOTS

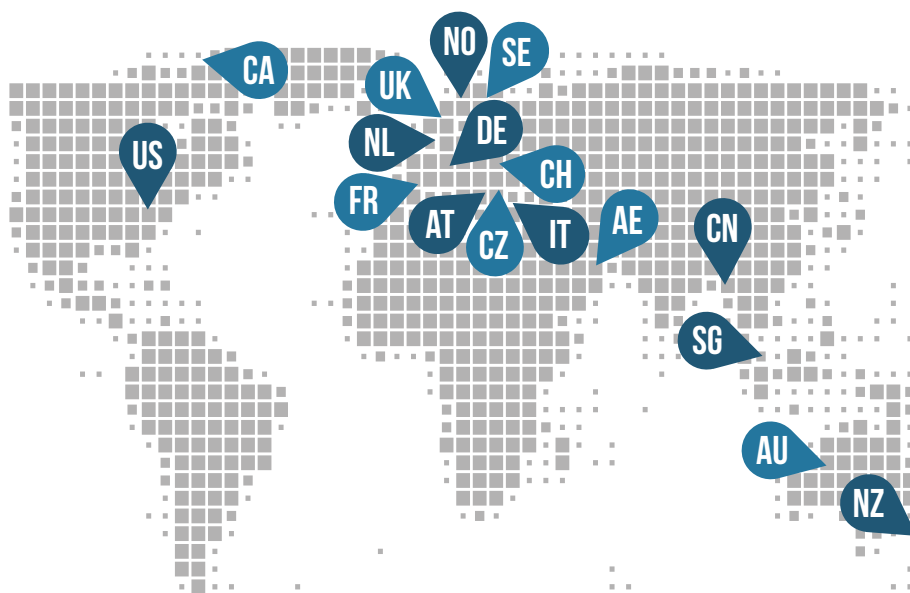
Lifco's remote-controlled demolition robots are sold under the Brokk brand. The machines are easy to manoeuvre and can be deployed without time-consuming preparations. They can also handle hot and stressful environments. The arms have a long reach, and a wide range of attachments increase the machines' flexibility and applications. In addition to demolition, Brokk's machines are also used for renovation of cement kilns and removal of linings. As the machines can be remote-controlled, they are suitable for use in elevated-risk environments such as nuclear power plants and for handling contaminated materials.

The company's main market is the global construction and demolition industry. Its sales follow the trend in the global market for construction machinery. The demolition robots are sold directly to the end customers or to selected distributors and agents. The components are produced by contract manufacturers and the products are assembled in Sweden. The company also has some production in Germany.

CRANE AND EXCAVATOR ATTACHMENTS

Lifco's crane and excavator attachments are sold under the Kinshofer, Demarec, Hultdins, Solesbee's, Doherty, RF-System and Auger Torque brands. The attachments make it possible to use the same crane or excavator for different purposes. Typical applications include construction and earthworks, snow clearing, demolition, pipe and cable laying, forestry work, scrap handling and railway works.

Sales of crane and excavator attachments largely follow global machinery sales. As purchasing an attachment from Lifco is a smaller investment for the customer than buying a new machine, the market is less cyclical than the market for construction machinery. Crane attachments are sold directly to the crane manufacturers while excavator attachments are sold mainly through resellers. The products are sold under Lifco's brand or under the crane and excavator manufacturers' own brands.



The map shows countries with employees in the Demolition & Tools business area



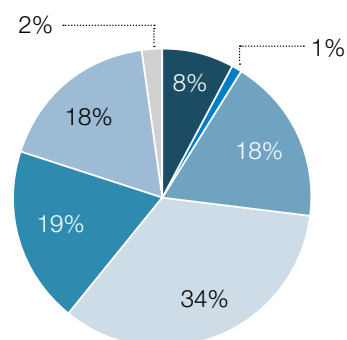
EARNINGS IN 2018

Net sales increased 24.7 per cent in 2018, to SEK 2,820 (2,261) million. The market environment was generally good. Among the larger markets, France and Germany saw the fastest growth. EBITA* increased 21.1 per cent during the year, to SEK 724 (598) million, resulting in an EBITA margin* of 25.7 (26.5) per cent.

FINANCIAL RESULTS

SEK MILLION	2018	CHANGE	2017	CHANGE	2016
Net sales	2,820	24.7%	2,261	31.0%	1,726
EBITA*	724	21.1%	598	50.3%	398
EBITA margin*	25.7%	-0.8	26.5%	3.5	23.0%

NET SALES BY GEOGRAPHIC MARKET



- Sweden
- Norway
- Germany
- Rest of Europe
- North America
- Asia and Australia
- Rest of world

BUSINESS AREA SYSTEMS SOLUTIONS



The Systems Solutions business area comprises companies which offer systems solutions. Systems Solutions has five divisions: Construction Materials, Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology and Forest. The divisions are leading players in their geographic markets. Four acquired businesses were consolidated during the year.

CONSTRUCTION MATERIALS

The Construction Materials division includes Pro Optix of Sweden and Fiberworks of Norway, which offer fibre optic transceivers and cables and communication equipment for the European fibre optic market, as well as Hydal of Norway, which produces aluminium cabinets. Norway is also home to Elit, a wholesale supplier of machinery and equipment for electrical installations and electricity production, and Blinken, which sells measurement instruments for land surveyors and the construction industry. The Norwegian companies Cenika, a supplier of low-voltage electrical equipment, and Nordesign, a supplier of LED lighting, are also part of the division.

The existing operations of Proline were strengthened through the acquisition of ERC Systems of Sweden.

Construction Materials reported good sales and earnings growth in 2018 driven by acquisitions and organic growth.

INTERIORS FOR SERVICE VEHICLES

Lifco makes interior modules for vans and light commercial vehicles, including tool storage and other modules. The interior modules are made from a special type of steel which combines durability with low weight. The solutions can be used in practically all European-made light commercial vehicles. The division operates under the Modul-System and Tevo brands. The largest customers are in the energy and construction sectors.

In 2018, Lifco acquired the car interiors business of Toolpack of Norway, which made Modul-System the leading player in the Norwegian market.

Interiors for Service Vehicles saw strong sales growth in 2018, with increased profitability.

CONTRACT MANUFACTURING

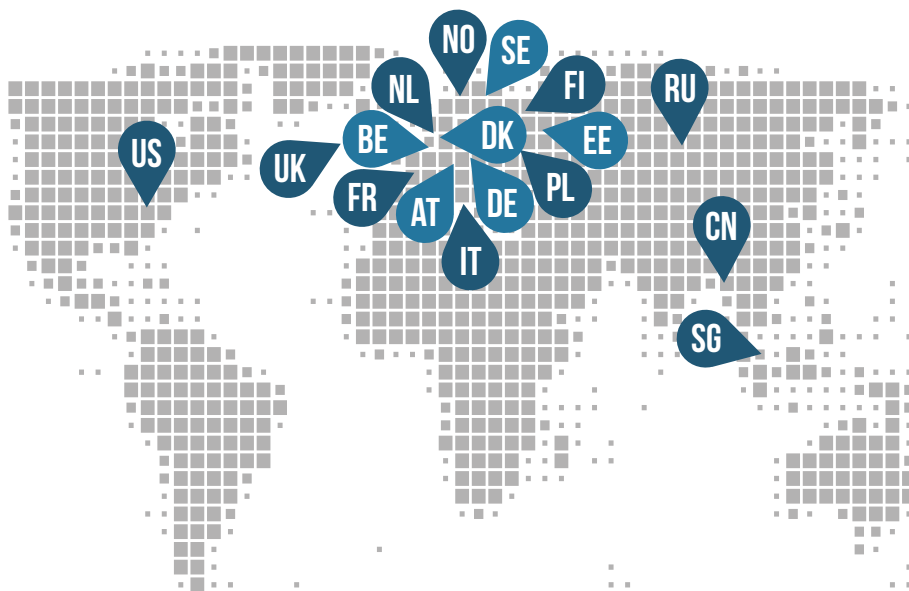
Under the Leab, Texor, Wintech and Zetterströms Rostfria brands, Lifco offers contract manufacturing of products that are used in a wide range of industries, including manufacturing and medical technology. The companies focus on products with high standards of quality and delivery service and where the manufacture of the product is a key part of the value chain. The customers include world-leading manufacturers of equipment for the pharmaceutical industry and makers of railway equipment.

In 2018, Lifco acquired Gothenburg-based Spocs, a provider of final assembly and testing services for electronic products.

Contract Manufacturing saw strong sales growth in 2018 while earnings remained unchanged compared with 2017.

ENVIRONMENTAL TECHNOLOGY

Under the Eldan Recycling, Rapid Granulator and TMC/Nessco brands, Lifco manufactures and sells machinery which helps to improve the environment, such as recycling machinery for tyres, cables, refrigerators, aluminium products and plastics as well as energy-efficient compressors. Silvent, a leading manufacturer of safety air guns for industrial applications and air nozzles, is also part of the division.



The map shows countries with employees in the Systems Solutions business area.



Environmental Technology saw a steady increase in sales and improved its profitability over the year.

FOREST

Lifco offers sawmill equipment under the Heinola and Hekotek brands. The companies have operations in the Baltic states, Finland, Russia, Norway and Sweden. Together, they offer a large part of the equipment required at a sawmill, such as timber and wood handling equipment, drying equipment and sawing lines. The product range also includes equipment for pellet plants. Sales are often made in project form and normally take several years from initial discussion to first delivery. The business also provides service and spare parts but new equipment accounts for a majority of sales.

The division also includes Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors.

In 2018, Lifco acquired a majority stake in Wexman, a Swedish maker of professional workwear.

Forest reported good sales and earnings growth in 2018. The projects which created problems in Forest in 2017 have now been concluded. This, coupled with strong demand, led to a strong performance during the year.

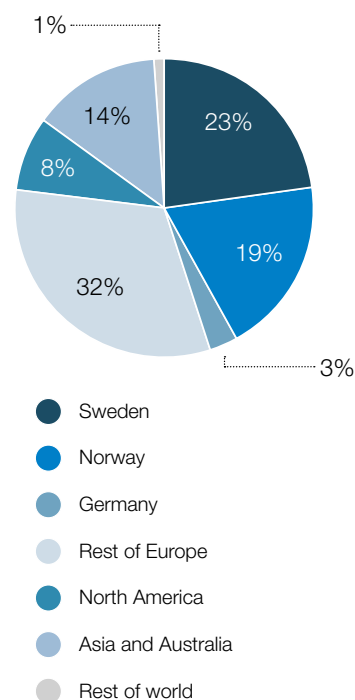
EARNINGS IN 2018

Net sales grew 25.3 per cent in 2018, to SEK 4,951 (3,952) million, and EBITA* increased 40.8 per cent to SEK 756 (537) million. The EBITA margin* improved by 1.7 percentage points to 15.3 (13.6) per cent.

FINANCIAL RESULTS

SEK MILLION	2018	CHANGE	2017	CHANGE	2016
Net sales	4,951	25.3%	3,952	7.7%	3,671
EBITA*	756	40.8%	537	27.6%	421
EBITA margin*	15.3%	1.7	13.6%	2.1	11.5%

NET SALES BY GEOGRAPHIC MARKET







RHEIN83

SHARE INFORMATION

Lifco's B shares have been listed on the main list of Nasdaq Stockholm since 21 November 2014. The stock is included in the Nasdaq OMX Nordic Large Cap index. At 31 December 2018, the number of shareholders was 7,794. The share of foreign-owned shares at year-end was 13.2 per cent. The company trades under the stock ticker LIFCO B.

SHARE PERFORMANCE AND LIQUIDITY

Lifco's share price at year-end was SEK 327.50, which translates to a market capitalisation of SEK 29.75 billion. This is an increase of 15.15 per cent since year-end 2017. Nasdaq Stockholm, as measured by the OMXS PI index, declined 7.67 per cent in 2018.

The highest price paid in 2018 was SEK 421.00 on 19 November and the lowest price paid was SEK 283.00 on 2 January.

Lifco's IPO price was SEK 93. From the initial public offering to the end of 2018, the share price has increased by 252.15 per cent. Nasdaq Stockholm, as measured by the OMXS PI index, gained 14.57 per cent over the same period.

In 2018, 15,893,372 (18,143,455) shares were traded. The daily average was 63,573 (72,285) shares. 62.3 (60.7) per cent of the shares were traded on Nasdaq Stockholm.

SHARE CAPITAL

At the end of 2018, Lifco had a share capital of SEK 18,168,652, represented by 90,843,260 shares. All shares have equal rights to dividends. Each A share carries ten votes and each B share one vote. The number of A shares is 6,075,970 and the number of B shares 84,767,290.

DIVIDEND POLICY

Lifco's Board of Directors has adopted a dividend policy under which dividends are paid based on the company's earnings performance, taking account of future development opportunities and the company's financial position. The long-term objective is to ensure stable dividend growth while maintaining a payout ratio of 30–50 per cent of earnings after tax.

SHAREHOLDER INFORMATION

Financial information about Lifco is available on the company's website. Questions can also be sent directly to Lifco. Annual reports, interim reports and other information can be ordered from Lifco's head office, on the website, by e-mail or by telephone.

Website: www.lifco.se E-mail: ir@lifco.se
Telephone: +46 72 717 59 33

SHAREHOLDER VALUE

The management of the Lifco Group works continuously to develop and improve the financial information provided to give current and future owners a good basis on which to obtain a true and fair view of the company. This includes participating in meetings with analysts, investors and the media.

ANALYSTS FOLLOWING LIFCO

Johan Nilsson Wall, ABG Sundal Collier
Robert Redin, Carnegie
Carolina Elvind, Danske Bank
Erik Elander/Daniel Lindkvist, Handelsbanken
Christian Hellman, Nordea
Johan Dahl, SEB

STOCK MARKET HISTORY

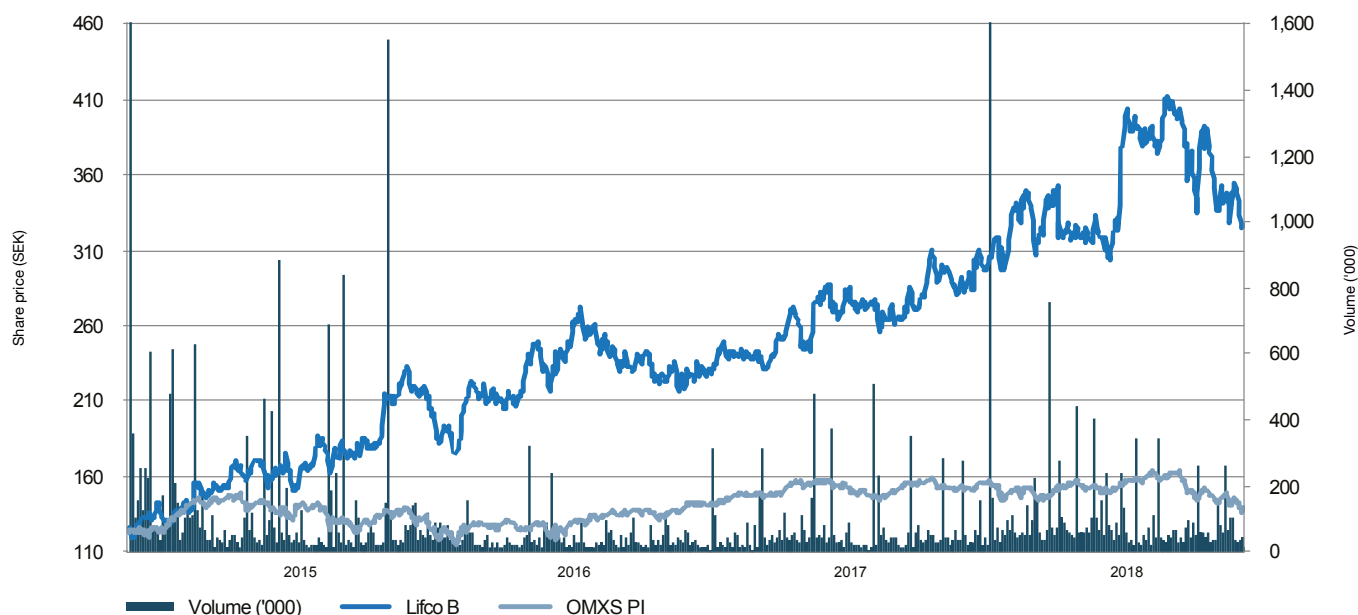
In 1998, Lifco was distributed to the shareholders of Getinge Industrier and listed on the Stockholm Stock Exchange. In 2000, Carl Bennet AB acquired Lifco through a public offer and Lifco was delisted. In the following year, the operations of the company were refocused on its core business areas. Lifco gained its current form in 2006 after acquiring its sister company Sorb Industri, which had been taken private by Carl Bennet AB in 1999.

DISTRIBUTION OF SHARE CAPITAL			
	SERIES A	SERIES B	TOTAL
Shares, no.	6,075,970	84,767,290	90,843,260
Votes, no.	60,759,700	84,767,290	145,526,990
Capital, %	7	93	100
Votes, %	42	58	100

TEN LARGEST COUNTRIES, 31 DECEMBER 2018					
	NO. OF SHARES	CAPITAL, %	VOTES, %	NO. OF OWNERS	SHARE OF OWNERS, %
Sweden	78,883,343	86.8	91.8	7,477	95.9
USA	5,043,901	5.6	3.5	22	0.3
Norway	3,003,002	3.3	2.1	36	0.5
Canada	777,717	0.9	0.5	6	0.1
Denmark	755,129	0.8	0.5	97	1.2
Luxembourg	217,165	0.2	0.1	5	0.1
Germany	135,230	0.2	0.1	14	0.2
Finland	99,370	0.1	0.1	25	0.3
Switzerland	95,704	0.1	0.1	16	0.2
France	92,523	0.1	0.1	9	0.1
Other countries	116,992	0.1	0.1	87	1.1
Anonymous ownership	1,623,184	1.8	1.1	-	-
Total	90,843,260	100.0	100.0	7,794	100.0

Source: Modular Finance

SHARE PERFORMANCE OF LIFCO B FROM THE IPO TO 31 DECEMBER 2018



LIFCO'S 15 LARGEST SHAREHOLDERS, 31 DECEMBER 2018

	A SHARES	B SHARES	CAPITAL, %	VOTES, %
Carl Bennet AB	6,075,970	39,437,290	50.1	68.9
Fourth Swedish National Pension Fund (AP4)		6,933,163	7.6	4.8
Didner & Gerge Fonder		4,839,139	5.3	3.3
Swedbank Robur Fonder		4,486,058	4.9	3.1
Carnegie Fonder		3,750,000	4.1	2.6
Handelsbanken Fonder		2,778,000	3.1	1.9
Capital Group		2,061,815	2.3	1.4
Odin Fonder		1,755,639	1.9	1.2
Vanguard		1,188,999	1.3	0.8
Norges Bank		1,181,602	1.3	0.8
Nordstjernen		796,340	0.9	0.5
Fidelity Investments (FMR)		768,002	0.8	0.5
Spiltan Fonder		752,872	0.8	0.5
SEB Fonder		699,875	0.8	0.5
Livsförsäkrings-aktiebolaget Skandia		565,631	0.6	0.4
Other shareholders		12,772,865	14.2	8.8
Total	6,075,970	84,767,290	100.0	100.0

Source: Modular Finance.

The table shows the largest identified shareholders in terms of capital in order of number of votes. Some significant shareholders may have their shares registered in the name of a nominee and are therefore included in other shareholders.

OWNERSHIP STRUCTURE, 31 DECEMBER 2018

NUMBER	SHARES	NO. OF OWNERS	SHARE OF OWNERS, %
1	500	7,066	90.7
501	1,000	315	4.0
1,001	10,000	295	3.8
10,001	20,000	32	0.4
20,001	50,000	32	0.4
50,001	100,000	12	0.2
100,001	500,000	25	0.3
500,001	1,000,000	7	0.1
1,000,001	2,000,000	4	0.1
2,000,001	5,000,000	4	0.1
5,000,001	20,000,000	1	0.0
20,000,001	-	1	0.0
Total		7,794	100.0

Source: Modular Finance.

DATA PER SHARE	2018	2017	2016
Earnings per share after tax	15.29	11.94	9.99
Share price last trading day in December	327.50	284.40	233.20
Cash flow	16.90	14.60	11.93
Dividend (proposed for 2018)	4.60	4.00	3.50
Dividend growth, %	15.0	14.3	16.7
Yield, %	1.4	1.4	1.5
P/E ratio	21.4	23.8	23.3
Payout ratio, %	30.1	33.5	35
Equity	73.6	60.5	51.9
Number of shares, 31 December, million	90.8	90.8	90.8

ACQUISITIONS

In 2018, Lifco made nine acquisitions in its Dental and Systems Solutions business areas. The acquisitions have brought complementary or new products to Lifco and expanded the Group's market presence. The businesses acquired by Lifco in 2018 had combined net sales of approximately SEK 580 million and brought approximately 200 new employees to the Group. The individual acquisitions did not have a significant impact on Lifco's results and financial position in 2018.

ACQUISITIONS IN DENTAL

Five acquisitions were made in Dental:

A majority shareholding in Computer konkret of Germany, which develops, sells and supports software used by German dentists and orthodontists.

The majority of the shares of Dental Direct in Norway and its Danish subsidiary 3D Dental ApS, which are distributors to dentists.

The German dental laboratory Flörchinger Zahntechnik.

The French dental company Denterbridge.

A majority stake in Rhein83, an Italian company which develops and produces dental accessories and attachments that are used to attach full dentures to dental implants as well as other products.

ACQUISITIONS IN SYSTEMS SOLUTIONS

Four acquisitions were made in Systems Solutions:

Spocs, which provides final assembly and testing services for electronic products. The company is based in Gothenburg, Sweden and is part of the Contract Manufacturing division.

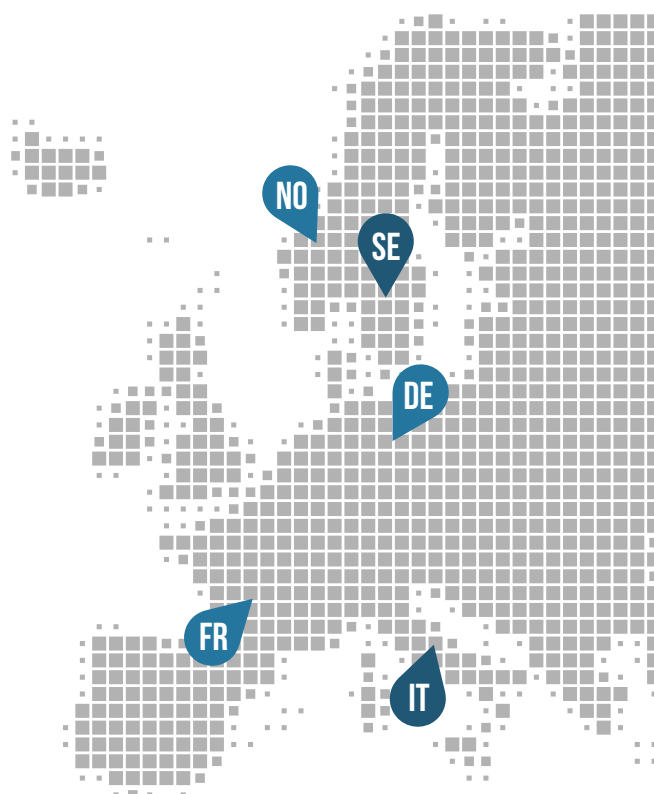
Toolpack's Norwegian car interiors business, which is included in the Interiors for Service Vehicles division.

A majority stake in Wexman, which makes professional workwear. The company is based in Tidaholm, Sweden and is part of the Forest division.

ERC Systems, a provider of sewer inspection and relining services. ERC Systems is based in Norrköping, Sweden and is part of the Construction Materials division.

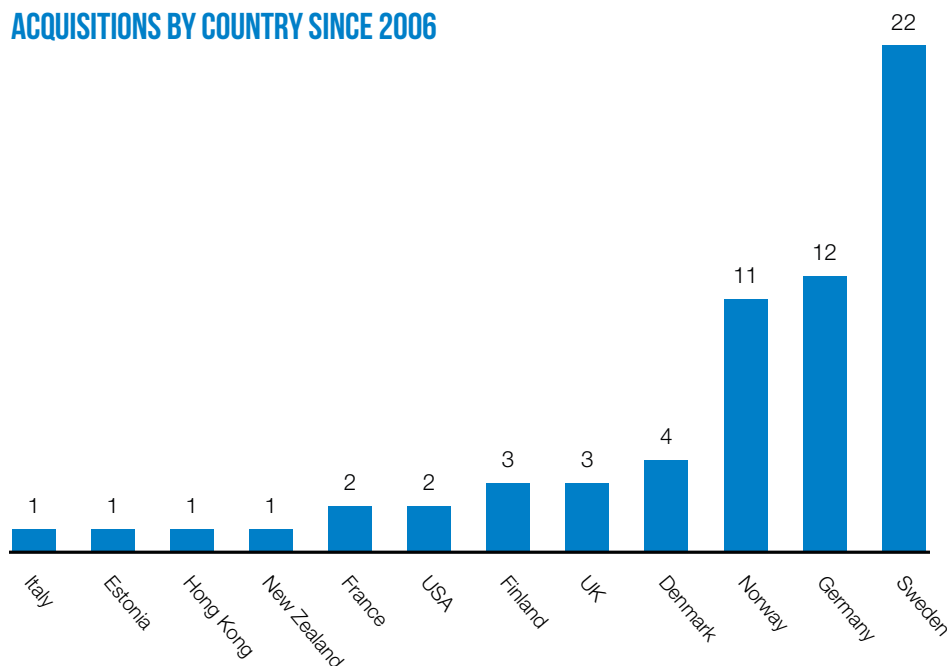
PREVIOUS ACQUISITIONS

Over the period 2006–2018, Lifco made 63 acquisitions. A list of all acquisitions is provided on pages 78–79.

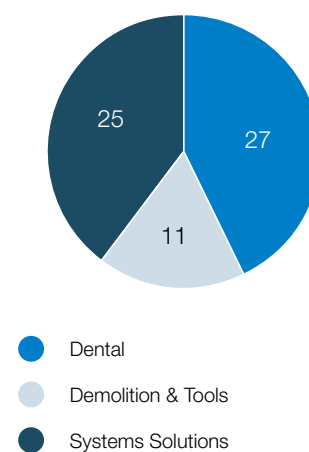


Countries in which Lifco made acquisitions in 2018.

ACQUISITIONS BY COUNTRY SINCE 2006



ACQUISITIONS BY BUSINESS AREA SINCE 2006



ACQUISITIONS IN 2018

COMPANY	OPERATIONS	BUSINESS AREA	NET SALES IN 2017	NO. OF EMPLOYEES ON ACQUISITION	CONSOLIDATED FROM	COUNTRY
Computer konkret	Develops, sells and supports software for dentists and orthodontists	Dental	EUR 3.8m	50	January	Germany
Spocs	Provides final assembly and testing services for electronic products	Systems Solutions	SEK 61m	23	March	Sweden
Dental Direct	Distributor to dentists	Dental	NOK 95m DKK 25m	20	April	Norway
Toolpack's Norwegian car interiors business	Interiors for service vehicles	Systems Solutions	NOK 40m	15	May	Norway
Flörchinger Zahntechnik	Dental laboratory	Dental	EUR 1.7m	25	May	Germany
Wexman	Makes professional workwear	Systems Solutions	SEK 46m	12	June	Sweden
Denterbridge	Imports dental works	Dental	EUR 9m	20	July	France
Rhein83	Develops and produces accessories and attachments	Dental	EUR 8m	25	July	Italy
ERC Systems	Provides sewer inspection and relining services	Systems Solutions	SEK 20m	11	October	Sweden

RISKS AND RISK MANAGEMENT

There are a number of factors which affect, or could affect, Lifco's operations, results or financial position. Lifco has 146 operating companies in 29 countries and a large number of customers in different industries. Lifco also has a large number of suppliers in different areas. This spread limits the commercial risks. The following is a description of identified risks and how they are managed.

Lifco is dependent on macroeconomic factors such as consumption, corporate and public investments, the volatility and strength of capital markets, and inflation. The dental industry, however, has historically proved less sensitive to a decline in economic activity than companies in the industrial sector, for example. Sales to private individuals are also typically less affected by the general economic situation. However, a significant portion of Lifco's sales are aimed at customers in the industrial sector. A stronger economy creates greater commercial opportunities for Lifco.

While individual subsidiaries are to some extent dependent on one or a small number of customers to maintain their sales, the Group as a whole is not dependent on any single customer. Lifco's largest customer accounts for less than three per cent of consolidated net sales.

In connection with acquisitions, Lifco may incur costs which are not reimbursed by the seller. When a subsidiary is sold, Lifco may risk incurring costs and losses that are attributable to the sold company. To manage this risk, Lifco makes a thorough analysis of the target business when making acquisitions. This analysis includes discussions with suppliers, customers, other parties in the market and industry experts as well as a detailed examination of the target company's accounts and contracts.

The Group's various customer agreements vary in terms of duration, warranties, limitations of liability and scope. Some warranties in the customer agreements are of an on-demand nature, which means that Lifco may be required to pay a certain amount to the counterparty in case of actual or perceived defects in the delivered product. Such warranties can have a significant adverse impact on the company's financial position and results. Furthermore, some of Lifco's customer and supplier relationships have not been formalised in written agreements. The parties thus rely to a large extent on generally accepted practice among the parties, which often goes far back in time. The content of such agreements can be hard to specify in case of a difference of opinion between the parties, which could lead to a deterioration in relations and costly disputes.

Individual subsidiaries could fail to implement new technology or adapt their product ranges or business models in time to take advantage of the benefits of new or existing technology. The reason for this could be an inability to finance investments in technology or a failure to keep up with technological developments. Lifco therefore seeks to ensure that its subsidiaries have a broad network in their

respective industries, enabling them to stay up to date on the latest technological advances. All financing decisions made by Lifco are based on commercial considerations.

Lifco's decentralised organisational model could prove less well suited to meet future market challenges. To manage this risk, Lifco's senior management and Board of Directors review the Group's strategy each year, analysing Lifco's strengths and weaknesses. The analysis also includes an assessment of whether the organisation is adapted to meet future challenges and ventures.

Lifco's customers or competitors could join together to form larger entities. The joining together of customers could lead to price pressures, which could enable competitors to strengthen their market position at Lifco's expense. This risk can be reduced by maintaining close relationships with customers. Close customer relationships are important for all Lifco businesses, many of which also offer service, thus further strengthening the relationship with the customer. Strong customer relationships are also important in price negotiations.

Most of the products that are sold in Lifco's Dental business area are covered by the reimbursement systems applied by private insurance companies, public authorities and payers of health care products and services. These entities could change the systems in a way that results in reduced reimbursements. Dental accounts for 35 per cent of consolidated net sales, and no individual market accounts for more than 34 per cent of Dental's net sales. The Group's exposure to any individual market in the Dental area is thus limited.

Lifco is dependent on certain key individuals, both in the senior management team and in the subsidiaries. Lifco's acquisition strategy includes ensuring that the key individuals in the acquired company remain motivated to drive the company forward also after the acquisition. Lifco believes in incentive schemes that are linked to profitability as a means of attracting and retaining key individuals.

Currency risk refers to the risk of unfavourable changes in exchange rates. Currency risk is divided into:

- Transaction exposure, which arises when companies in the Group execute transactions in other currencies than the local currency.
- Translation exposure, which arises when the Group, through its subsidiaries, has net investments in foreign currency.

Lifco conducts operations in 29 countries. Due to this geographic spread, as well as the large number of customers and products, Lifco's transaction exposure is relatively limited. Within the Group, there is a balance between purchases and sales in foreign currency. A moderate change in the value of the Swedish krona has no material impact on Lifco's financial position.

Translation exposure is managed partly through borrowing in the foreign currency concerned.

Read more about Lifco's currency policy in Note 3.

Interest rate risk refers to the risk that changes in the interest rate environment will have a negative impact on Lifco's net profit, see Note 3.1. Lifco currently has no hedging arrangements in place in respect of interest rate risk.

Credit, or counterparty, risk is the risk that a counterparty to a financial transaction will fail to meet its obligations. Lifco's credit risk arises mainly from accounts receivable (commercial credit risk) but there is also a certain credit risk in respect of the investment of cash and cash equivalents (financial credit risk). Lifco considers the financial credit risk to be low, as the Group's cash and cash equivalents are invested with banks with high creditworthiness.

Lifco is dependent on being able to obtain financing through lenders. Lifco considers that the Group, in view of its existing working capital and credit agreements, has a good financial position.

CORPORATE GOVERNANCE REPORT

Lifco is a Swedish public company that was listed on Nasdaq Stockholm on 21 November 2014. Lifco acquires and develops market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows. The Group is guided by a clear philosophy based on long-term growth, profitability and a strongly decentralised organisation. Lifco comprises 146 operating companies in 29 countries. One of the company's greatest competitive advantages is that it is able to offer a safe haven for small and medium-sized businesses.

Corporate governance at Lifco is aimed at ensuring a continued strong performance for the company and at ensuring that the Group fulfils its obligations to its shareholders, customers, employees, suppliers, creditors and society. Lifco's corporate governance and all internal regulations are aimed at furthering the Group's commercial objectives and strategies. The Group's risks have been thoroughly analysed and risk management is integrated into the work of the Board as well as the Group's operating activities. The clear connection between corporate governance and the Group's commercial goals ensures fast and flexible decision-making, which is often a crucial success factor. Lifco's organisation is structured to be able to respond rapidly to changes in the market. A strongly decentralised organisation and high degree of autonomy in the subsidiaries enable fast operational decision-making. General decisions on acquisitions, sales, strategies and focus areas are made by Lifco's Board of Directors and senior management.

EXTERNAL AND INTERNAL REGULATIONS

Corporate governance at Lifco is based on Swedish laws, primarily the Swedish Companies Act, as well as the company's Articles of Association, Nasdaq Stockholm's rules for issuers, and those rules and recommendations which are issued by the relevant organisations. Since its listing on Nasdaq Stockholm, Lifco has applied the Swedish Corporate Governance Code ("the Code"). The Code is based on the principle of 'comply or explain'. This means that companies which apply the Code can deviate from individual rules but are required to explain the reasons for each such deviation.

Lifco deviates from the Code in one respect, which is that the Chairman of the Board is also Chairman of the Nomination Committee. This deviation is explained below under "The Nomination Committee".

Internal regulations which affect Lifco's corporate governance include the Articles of Association, the rules of procedure for the Board of Directors, the terms of reference for the CEO, policy documents and the Group's Code of Conduct.

Read more:

About the Code: www.bolagsstyrring.se Lifco's Code of Conduct and corporate governance: www.lifco.se

SHAREHOLDERS

At 31 December 2018, Lifco had 7,794 shareholders, according to Modular Finance. At the same date, Lifco's share capital consisted of 90,843,260 shares, comprising 6,075,970 A shares with ten votes each and 84,767,290 B

shares with one vote each. At the end of 2018, Lifco had a stock market capitalisation of SEK 29.75 billion. The company's largest shareholder is Carl Bennet AB, which holds 68.9 per cent of the number of votes. Further information on Lifco's shareholder structure, share performance, etc. is provided on pages 24–25.

ANNUAL GENERAL MEETING 2018

Lifco's Annual General Meeting in Stockholm on 24 April 2018 was attended by 115 shareholders representing 85.0 per cent of the number of shares and 90.7 per cent of the total number of votes. The members of the Board, CEO, CFO and the company's auditors attended the AGM. At the AGM, the Directors Carl Bennet, Gabriel Danielsson, Ulrika Dellby, Erik Gabrielson, Ulf Grunander, Anna Hallberg, Annika Espander Jansson, Fredrik Karlsson, Johan Stern and Axel Wachtmeister were re-elected to the Board. Carl Bennet was re-elected Chairman of the Board. It was noted that the employee organisations had appointed Anders Lorentzson and Peter Wiberg as members of the Board with Annika Norlund and Hans-Eric Wallin as deputies. The minutes of the AGM are available at www.lifco.se.

Resolutions of the AGM • Adoption of the presented income statements and balance sheets for the parent company and Group. • Dividend. The AGM approved the Board's proposed dividend of SEK 4.00 per share. • Release from liability. The AGM resolved to release the members of the Board and the Chief Executive Officer from liability in respect of the financial year 2017. • Directors' fees. It was resolved that fees in a total amount of SEK 5,920,000 be paid to the Directors, and that fees for committee work be paid in the amount of SEK 220,000 to the Chairman of the Audit Committee and SEK 110,000 to each of the other committee members. The Chairman of the Remuneration Committee will receive SEK 126,000 and each of the other members SEK 77,000. Further information is found on pages 56–57. • Auditor. The audit firm PricewaterhouseCoopers AB was re-appointed as the company's auditors. • Nomination Committee. The AGM resolved to instruct the Chairman of the Board to convene a Nomination Committee for the Annual General Meeting 2019 consisting of the Chairman of the Board, a representative for each of the company's five largest shareholders as at 31 August 2018 and one representative for smaller shareholders. • Guidelines on remuneration of senior executives. The AGM approved the Board's proposed guidelines on remuneration of senior executives. More detailed information is found on page 31.

THE SHAREHOLDERS' MEETING

The shareholders' meeting is the company's highest decision-making body. At a shareholders' meeting the shareholders exercise their voting rights in accordance with Swedish corporate law and Lifco's Articles of Association. The shareholders' meeting elects the company's Board of Directors and auditor. Other duties of the shareholders' meeting are to adopt income statements and balance sheets, decide on the appropriation of the company's profit or loss and on release from liability for the

members of the Board and CEO. The shareholders' meeting also adopts resolutions on Directors' fees, auditor's fees and guidelines on remuneration of senior executives.

The Annual General Meeting must be held within six months of the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be convened. Under Lifco's Articles of Association, notice of a shareholders' meeting is given by advertisement in Post- och Inrikes Tidningar and through publication of the notice on the company's website. The notice must also be advertised in Dagens Industri. Shareholders' meetings can be held in Enköping or Stockholm.

THE NOMINATION COMMITTEE

The duty of the Nomination Committee is to submit proposals concerning the election of a chairman for the Annual General Meeting, the election of the Chairman of the Board and of other members of the Board of Directors, the election of auditors, and Directors' and auditors' fees.

The composition of the Nomination Committee prior to the Annual General Meeting 2019 was published in the interim report for the third quarter and on the company's website on 25 October 2018. All shareholders have had an opportunity to submit nominations to the Nomination Committee. The Nomination Committee conducts an evaluation of the Board and its work, and then draws up a proposal for a new Board of Directors, which is submitted in connection with the notice of the coming Annual General Meeting.

Prior to the 2019 AGM, the Nomination Committee consists of the following representatives:

- Carl Bennet, Carl Bennet AB
- Per Colleen, AP4
- Hans Hedström, Carnegie Fonder
- Marianne Nilsson, Robur Swedbank Fonder
- Adam Nyström, Didner & Gerge fonder

The Chairman of the Board, Carl Bennet, was appointed Chairman of the Nomination Committee prior to the Annual General Meeting 2019, which is a deviation from the rules of the Code. The reason for the deviation is that it seems natural that a representative of the largest shareholder in terms of votes should chair the Nomination Committee, as this shareholder also has a decisive influence on the composition of the Nomination Committee through its voting majority at shareholders' meetings.

Evaluation: As a basis for its proposals to the Annual General Meeting 2019, the Nomination Committee has made an assessment of whether the current Board of Directors has an appropriate composition and meets the requirements arising from the current situation and future orientation of the company. The Nomination Committee's proposals are published no later than in connection with the notice of AGM.

THE BOARD OF DIRECTORS

The Board of Directors is the company's second highest decision-making body after the shareholders' meeting and its highest executive body. The Board of Directors is responsible for the company's

organisation and the management of its affairs. The Board is also tasked with ensuring that the organisation of the company's accounting and management of funds incorporates satisfactory control procedures.

Lifco's Articles of Association state that the Board of Directors shall consist of at least three and not more than ten Directors. The members of the Board are elected annually at the Annual General Meeting for the period until the end of the next AGM. The AGM also appoints the Chairman of the Board. The Chairman's role is to lead the work of the Board and ensure that the Board's activities are well organised and conducted efficiently.

The Board of Directors operates in accordance with written rules of procedure which are reviewed and adopted annually at the constituent Board meeting. The rules of procedure regulate Board practices, functions and the division of responsibilities between the Board and CEO. Under the rules of procedure, the Board is required to review its own procedures each year. In connection with the constituent Board meeting, the Board also adopts instructions for the company's financial reporting.

The Board convenes in accordance with a schedule that is defined annually. In addition to such Board meetings, further meetings may be convened to address issues which cannot be deferred to a regular meeting. In addition to the Board meetings, the Chairman of the Board and CEO engage in an ongoing dialogue concerning the management of the company. The Board meets the auditor without the presence of management once a year. The Board of Directors constituted itself on 24 April 2018.

In 2018, ten Board meetings were held with an average attendance of the Directors of 97 per cent. With the exception of the CEO, no member of Lifco's Board of Directors has an operational role in the company. A more detailed presentation of the Board and CEO is provided on pages 34–37.

Independence: Lifco meets the requirements of the Code in respect of the independence of Directors. The company is of the view that Fredrik Karlsson, in his capacity as CEO, was not to be considered independent of the company and management, and that Carl Bennet, Erik Gabrielson and Johan Stern, as representatives and Directors of Lifco's main shareholder, Carl Bennet AB, are not to be considered independent of major shareholders. The Director Erik Gabrielson is a partner of Advokatfirman Vinge, a law firm which provides legal services to Lifco AB and Carl Bennet AB. However, the Nomination Committee has made the overall assessment that Erik Gabrielson is nonetheless to be regarded as independent of the company and of management. The other Directors – Gabriel Danielsson, Ulrika Dellby, Annika Espander Jansson, Ulf Grunander, Anna Hallberg and Axel Wachtmeister – are considered to be independent of the company, management and major shareholders.

Therése Hoffman, CFO, has acted as secretary at the meetings of the Board. At its regular meetings the Board addresses those standing agenda items which are specified in the rules of procedure for the Board, such as the business situation, financial planning, and preparation of the annual accounts and interim reports. The Board has also addressed general issues concerning

the general level of economic activity and related cost issues, acquisitions and other investments, long-term strategies, financial matters, and structural and organisational matters.

As part of the effort to improve the efficiency of and deepen the work of the Board on certain matters, two committees have been established: the Audit Committee and the Remuneration Committee. The committees were appointed at the constituent meeting of the Board. The delegation of responsibilities and decision-making power to these committees is described in the rules of procedure for the Board. Matters addressed and resolutions adopted at meetings of the committees are minuted and a report is submitted at a subsequent meeting of the Board.

The Chairman ensures that an annual evaluation is made of the work of the Board of Directors and Chief Executive Officer, and that the Nomination Committee is given an opportunity to study the results of the evaluation.

The evaluation consisted of a questionnaire given to the members of the Board. The Chairman of the Board has presented the results to the Board of Directors and Nomination Committee.

THE AUDIT COMMITTEE

The Audit Committee is appointed annually by the Board of Directors. The Audit Committee shall, without prejudice to other responsibilities and duties of the Board, monitor the company's financial reporting, monitor the effectiveness of Lifco's internal control, internal reviews and risk management, keep itself informed on the audit of the annual accounts and consolidated accounts, assess and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides other services than auditing to the company. The Committee is also tasked with evaluating the audit work and submitting this information to the Nomination Committee, and assisting the Nomination Committee in producing proposals for auditors and the fees to be paid for auditing services.

After the Annual General Meeting 2018, the Audit Committee had the following composition: Ulf Grunander, Chairman, Ulrika Dellby, member, Annika Espander Jansson, member, and Anna Hallberg, member. In 2018, the committee held four minuted meetings and had informal contacts in between meetings, as required. Average attendance was 100 per cent. The company's auditor participated at all meetings of the Audit Committee. The committee discussed and determined the extent of the audit together with the auditor.

THE REMUNERATION COMMITTEE

The Remuneration Committee is appointed annually by the Board of Directors, and is tasked with preparing proposals for remuneration principles, and for remuneration and other terms of employment for the CEO and senior executives. After the 2018 AGM, the Remuneration Committee had the following composition: Carl Bennet, Chairman, Gabriel Danielsson, member, Erik Gabrielson, member, Johan Stern, member, and Axel Wachtmeister, member. In 2018, the committee held two minuted meetings and had informal contacts in between meetings, as required. All members attended all meetings of the committee during the year.

PRESIDENT AND CEO

The Chief Executive Officer reports to the Board of Directors and is responsible for the company's day-to-day management and the operations of Lifco. The division of responsibilities between the Board of Directors and CEO is set out in the rules of procedure for the Board and the terms of reference for the CEO. The CEO is also responsible for drafting reports and compiling information from management in preparation for Board meetings and for presenting the material at the meetings.

Under the instructions for financial reporting, the CEO is responsible for financial reporting in the company and is required to ensure that the Board receives sufficient information to enable it continuously to evaluate the company's financial position.

The CEO is required to keep the Board continuously informed about the development of the company's operations, its sales performance, earnings and financial situation, its liquidity and credit situation, significant business events and any other event, circumstance or relationship that may be of material importance to the company's shareholders.

FINANCIAL REPORTING

The Board of Directors monitors the quality of financial reporting by issuing instructions to the CEO and Audit Committee and by defining requirements for the content of the reports on financial conditions that are submitted to the Board on an ongoing basis through an instruction on financial reporting. The Board studies and ensures that financial reports such as year-end reports and annual reports are produced, and has delegated to management responsibility for ensuring that press releases with financial content and presentation material in connection with meetings with the media, shareholders and financial institutions are produced.

EXTERNAL AUDITORS

The auditor-in-charge at PricewaterhouseCoopers AB is the authorised public accountant Eric Salander, with the authorised public accountant Tomas Hilmarsson as co-auditor. Neither Eric Salander nor Tomas Hilmarsson hold shares in the company. When PricewaterhouseCoopers is engaged to provide other services than auditing this is done in accordance with the rules adopted by the Audit Committee concerning approval of the nature and scope of the services and payment for these. Lifco does not consider that the performance of these services has jeopardised PricewaterhouseCoopers' independence.

All fees paid to the auditors over the past two years are presented in Note 8. Lifco's auditor participated at all meetings of the Audit Committee in 2018 and at one Board meeting. In connection with the Board meeting, the auditor held a meeting with the Board of Directors at which no representatives of senior management took part.

Under the Articles of Association, Lifco is required to have one or two auditors with up to two deputies. The appointed auditor must be an authorised public accountant or registered audit firm.

OPERATING ACTIVITIES

The CEO and other members of senior management hold ongoing meetings to review monthly results, update forecasts and plans, and discuss

strategic matters. Lifco's senior management team consists of three individuals, who are presented on page 37. In addition to operational matters concerning each business area, senior management addresses matters of concern to the Group as a whole. Senior management consists of the Chief Executive Officer, the Chief Financial Officer and the Head of Acquisitions.

The Board is responsible for ensuring that an effective system for internal control and risk management is in place. Responsibility for establishing a good framework for working on these matters has been delegated to the CEO. Senior management and managers at different levels of the company have this responsibility in their respective areas. Authority and responsibilities are defined in policies, guidelines and descriptions of responsibilities.

DIRECTORS' FEES

The Annual General Meeting 2018 approved the payment of Directors' fees in a total amount of SEK 5,92 million, of which SEK 1.184 million was payable to the Chairman of the Board and SEK 592,000 to each of the Non-Executive Directors. The AGM also approved the payment of remuneration for work on the Audit Committee in the amount of SEK 220,000 to the Chairman and SEK 110,000 to each of the other members, and the payment of remuneration for work on the Remuneration Committee in the amount of SEK 126,000 to the Chairman and SEK 77,000 to each of the other members.

SHARE/SHARE PRICE-BASED INCENTIVE SCHEMES

There are no outstanding share- or share price-based incentive schemes for the members of the Board of Directors, the CEO or other senior executives.

REMUNERATION OF SENIOR EXECUTIVES

The Annual General Meeting 2018 adopted guidelines for remuneration of senior executives with the following main features. The basic principle is that remuneration and other terms of employment of senior executives should be consistent with market terms and competitive in each market where Lifco operates, enabling the company to attract, motivate and retain competent and skilled staff. The total remuneration paid to senior executives consists of a basic salary, variable remuneration, pension and other benefits. The fixed remuneration, the basic salary, is based on the individual executive's area of responsibility, authority, skills and experience. The balance between basic salary and variable remuneration should be proportionate to the executive's responsibilities and authority.

Variable remuneration is linked to predefined and measurable criteria which have been defined with the aim of promoting the creation of long-term value by the company. For the CEO variable remuneration is capped at 70 per cent of the basic salary. Variable remuneration is based on individual targets, which are defined by the Remuneration Committee and adopted by the Board. Examples of such targets include earnings, volume growth, working capital and cash flow. For other senior executives variable remuneration is based partly on the outcome in the executive's own area of responsibility and partly on individually defined targets. In addition to the above variable remuneration, it may be decided from time

to time to introduce share- or share price-based incentive schemes. The Board has the right to depart from the guidelines if there are special reasons warranting an exception in an individual case.

The total remuneration paid to senior executives in 2018, including salaries and benefits of the Board of Directors, senior management and the chief executives of the Group's subsidiaries, was SEK 254 (213) million. See Note 10 for further information.

The Board of Directors proposes that the Annual General Meeting adopt the same guidelines for remuneration of senior executives as in the previous year.

AUDITORS' FEES

PricewaterhouseCoopers AB has been engaged as the company's auditor. Audit engagement refers to the examination of the annual accounts and accounting records and of the Board of Directors' and Chief Executive Officer's management of the company, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examination or the carrying-out of such other tasks. Other services refer essentially to advisory services in the area of accounting and tax as well as assistance in connection with acquisitions. Auditors' fees for the audit engagement in 2018 totalled SEK 8 (7) million while fees for other services totalled SEK 2 (2) million, see Note 8.

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Internal control over financial reporting is an integral part of corporate governance in the Lifco Group. It includes processes and methods for safeguarding the assets of the Group and the accuracy of its financial reporting, and thus also the shareholders' investment in the company.

CONTROL ENVIRONMENT

Lifco's organisation is structured to be able respond rapidly to changes in the market. A strongly decentralised organisation and high degree of autonomy in the subsidiaries enable fast operational decision-making. General decisions on acquisitions, sales, strategies and focus areas are made by Lifco's Board of Directors and senior management. The internal control procedures for financial reporting have been designed to handle these circumstances. The basis for internal control related to financial reporting consists of the control environment, including organisation, decision paths, authority and responsibilities, as documented and communicated in governing documents.

Each year, the Board adopts rules of procedure, which regulate the duties of the Chairman of the Board and Chief Executive Officer among other matters. The Board has established an Audit Committee to improve transparency and control of the company's accounting, financial reporting and risk management as well as a Remuneration Committee to handle matters relating to remuneration of management.

Each operating unit has one or more administrative centres that are responsible for ongoing transaction management and accounting. Each operating unit has a financial officer who is responsible for the financial governance of the unit and for ensuring that financial reports are correct and complete and

delivered in time for the preparation of the consolidated financial statements.

RISK ASSESSMENT

Risk assessment is based on the Lifco Group's financial targets. The general financial risks have been defined and are largely industry-specific. Through quantitative and qualitative risk analyses based on the consolidated balance sheet and income statement, Lifco identifies those key risks which could jeopardise the Group's ability to achieve its commercial and financial targets. In each operating unit, analyses are also made of several subsidiaries to obtain a more detailed view of the actual application of existing regulations. Measures aimed at minimising the identified risks are then defined centrally in the Group.

CONTROL PROCEDURES

Identified risks related to financial reporting are managed through the company's control procedures. There are, for example, automated controls in IT-based systems which manage authorisations and authorisation rights as well as manual controls. Detailed financial analyses of results supplement business-specific controls and provide a general confirmation of the quality of the reporting.

INFORMATION AND COMMUNICATION

Lifco has information and communication paths which are aimed at promoting completeness and accuracy in financial reporting. Policies and instructions are available on the company's intranet. Information about the effectiveness of internal control in the Group is prepared and reported on a regular basis to relevant parties in the organisation.

REVIEW AND MONITORING

Each month, management and the central finance function analyse the Group's financial reporting at a detailed level. At its meetings, the Audit Committee reviews the financial reporting and receives reports from the company's auditors containing their observations and recommendations. The Board receives financial reports on a monthly basis and discusses the Group's financial situation at each meeting. The effectiveness of the Group's internal control procedures is reviewed regularly at different levels of the Group, covering an assessment of design and operational functionality.

In 2018, the review of the Group's internal control was completed by senior management and Lifco's central finance function with the assistance of the external auditors. The Audit Committee also plays an important role in internal control, having the task of evaluating the audit services and the internal control. The review showed that in all essential respects documentation and control procedures have been established in the Group. Based on the completed internal control procedures, the Board has made the assessment that there is currently no need to introduce a separate audit function (internal audit function).

ONGOING ACTIVITIES

Over the coming year, the ongoing internal control activities in the Lifco Group will focus mainly on risk assessment, control procedures, and review and monitoring activities.





THE BOARD OF DIRECTORS



Carl Bennet



Gabriel Danielsson



Ulrika Dellby



Annika Espander
Jansson



Erik Gabrielson



Ulf Grunander



Anna Hallberg



Johan Stern



Axel Wachtmeister



Anders Lorentzson



Annika Norlund



Hans-Eric Wallin



Peter Wiberg

CARL BENNET

Chairman of the Board

Born in 1951. Elected in 1998.

M.Sc. in Economics and Business, Honorary Doctor of Technology

Current posts: CEO of Carl Bennet AB, Chairman of Getinge AB and Elanders AB, and Director of Arjo AB, Holmen AB and L E Lundbergföretagen AB.

Previous posts: President and CEO of Getinge AB.

Shareholding through companies, 31 December 2018: 6,075,970 A shares, 39,437,290 B shares

Independent of the company and of management: Yes

Independent of main owner: No

Attendance, Board meetings: 9/10

Attendance, Remuneration Committee: 2/2

GABRIEL DANIELSSON

Director

Born in 1954. Elected in 2006.

Forester, entrepreneur

Current posts: CEO of Linköpings Skogstjänst AB and Slottstornet AB.

Director of Boxholms Skogar AB, Dylta Bruk Förvaltnings AB, Gustafsborgs Säteri AB, Kårehatt AB, Wanås Gods AB and Wasatornet AB.

Previous posts: Roles at Domänverket.

Own and related parties' shareholdings, 31 December 2018: 34,500 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 10/10

Attendance, Remuneration Committee: 2/2

ULRIKA DELLBY

Director

Born in 1966. Elected in 2015.

M.Sc. in Economics and Business

Current posts: Director of Kavli Holding AS, Cybercom Group AB and SJ AB, and Chairman of Hello World! Ideell Förening.

Previous posts: Partner of The Boston Consulting Group, CEO of Brindfors Enterprise IG (now Brand Union), Vice Chairman of Norrporten, Director of Via Travel Group and OSM Group.

Own and related parties' shareholdings, 31 December 2018: 13,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 10/10

Attendance, Audit Committee: 4/4

ANNIKA ESPANDER JANSSON

Director

Born in 1964. Elected in 2016.

B.Sc. in Chemistry and MBA

Current posts: Director of Asperia AB, Elekta AB and Esperio AB.

Previous posts: Head of Private Banking at Handelsbanken, Chairman of SHB Luxembourg. Senior positions at Catella Healthcare/Esperio AB, Enskilda Securities and other companies.

Own and related parties' shareholdings, 31 December 2018: 2,000

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 9/10

Attendance, Audit Committee: 4/4

ERIK GABRIELSON

Director

Born in 1962. Elected in 2001.

LL.M.

Current posts: Lawyer and partner, Advokatfirman Vinge. Chairman of Allegresse AB, Eldan Recycling A/S and Redoma Recycling AB. Director of Carl Bennet AB, Elanders AB, ECG Vignoble AB and ECG Vininvest AB.

Previous posts: Director of Advokatfirman Vinge AB, Advokatfirman Vinge Skåne AB, Generic Sweden AB, Rosengård Invest AB and Storegate AB.

Own and related parties' shareholdings, 31 December 2018: –

Independent of the company and of management: Yes

Independent of main owner: No

Attendance, Board meetings: 10/10

Attendance, Remuneration Committee: 2/2

ULF GRUNANDER

Director

Born in 1954. Elected in 2015.

M.Sc. in Economics and Business

Current posts: Director of AMF Pensionsförsäkring, Arjo AB, Djurgården Hockey AB, Food Track i Malmö AB and Nyströms Gastronomi & Catering AB.

Previous posts: CFO of the Getinge Group.

Own and related parties' shareholdings, 31 December 2018: 2,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 10/10

Attendance, Audit Committee: 4/4

ANNA HALLBERG

Director

Born in 1963. Elected in 2017.

Economics and Business/Law, Gothenburg School of Business, Economics and Law

Current posts: Director of Atrium Ljungberg and Mid Sweden University.

Previous posts: Deputy CEO of Almi Företagspartner, CFO of Almi Företagspartner, Head of SEB Private Banking Stockholm, corporate finance at Öhman Fondkommission and SEB Merchant Banking.

Own and related parties' shareholdings, 31 December 2018: 2,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 10/10

Attendance, Audit Committee: 4/4

JOHAN STERN

Vice Chairman

Born in 1951. Elected in 2001.

M.Sc. in Economics and Business

Current posts: Chairman of Fädriften Invest AB, Healthinvest Partners AB, Rolling Optics AB, Skanör Falsterbo Kallbadhus AB and Stiftelsen Harry Cullbergs Fond. Director of Carl Bennet AB, Elanders AB, Estea AB, Getinge AB, RP Ventures AB and the Swedish-American Chamber of Commerce, Inc.

Previous posts: Roles at SEB in Sweden and the US

Own and related parties' shareholdings, 31 December 2018: 46,000 B shares

Independent of the company and of management: Yes

Independent of main owner: No

Attendance, Board meetings: 9/10

Attendance, Remuneration Committee: 2/2

AXEL WACHTMEISTER

Director

Born in 1951. Elected in 2006.

M.Sc. in Engineering

Current posts: Director and CEO of Wästerslöv AB. Director of Kilmartin Estate AB and Symbrio AB. Deputy Director of HAWAJ Holding AB and Sydsvensk Form Reklam i Hög AB.

Previous posts: Director of Sorb Industri AB and Troponor AB.

Own and related parties' shareholdings, 31 December 2018: 16,200 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 9/10

Attendance, Remuneration Committee: 2/2

ANDERS LORENTZSON

Director, employee representative for Unionen

Born in 1957. Elected in 2017.

Own and related parties' shareholdings, 31 December 2018: -

Attendance, Board meetings: 10/10

ANNIKA NORLUND

Employee representative, deputy, Unionen

Born in 1967. Elected in 2013.

Own and related parties' shareholdings, 31 December 2018: 300 B shares

Attendance, Board meetings: 10/10

HANS-ERIC WALLIN

Employee representative, deputy, IF Metall

Born in 1952. Elected in 2006.

Own and related parties' shareholdings, 31 December 2018: -

Attendance, Board meetings: 9/10

PETER WIBERG

Director, employee representative for IF Metall

Born in 1960. Elected in 2013.

Own and related parties' shareholdings, 31 December 2018: 300 B shares

Attendance, Board meetings: 9/10

AUDITOR

PricewaterhouseCoopers AB has been Lifco's auditor since 2010.

At the Annual General Meeting 2018, PricewaterhouseCoopers was appointed for the period until the end of the AGM 2019.

The auditor-in-charge is Eric Salander, born in 1967, who is an authorised public accountant and member of FAR, Sweden's professional institute for accountants.

Tomas Hilmarsson, born in 1981, is co-auditor. Tomas Hilmarsson is an authorised public accountant and member of FAR.

The address of PricewaterhouseCoopers is Torsgatan 21, SE-113 97 Stockholm.

MANAGEMENT CHANGES IN FEBRUARY 2019:

On 7 February 2019, Fredrik Karlsson stepped down as President and CEO and from his seat on the Board of Directors.

SENIOR MANAGEMENT



Per Waldemarson



Therése Hoffman



Ingvar Ljungqvist

PER WALDEMARSON

President and CEO

Born in 1977. Appointed in 2019. Hired in 2006.

M.Sc. in Economics and Business

Previous posts: Deputy CEO of Lifco, management consultant at Bain & Co, CEO of Brokk AB.

Own and related parties' shareholdings, 31 December 2018: 102,700 B shares and 11,000 B shares through a pension plan

THERÉSE HOFFMAN

Chief Financial Officer

Born in 1971. Appointed in 2011. Hired in 2007.

High School Economist, International Marketing

Previous posts: CFO at Nordenta AB.

Own and related parties' shareholdings, 31 December 2018: 300 B shares

INGVAR LJUNGQVIST

Head of Acquisitions

Born in 1960. Appointed in 2015. Hired in 2015.

M.Sc. in Engineering

Previous posts: Pareto, SEB-Enskilda New York, IBM, Boeing.

Own and related parties' shareholdings, 31 December 2018: 48,300 B shares

MANAGEMENT CHANGES IN FEBRUARY 2019:

On 7 February 2019, Fredrik Karlsson stepped down as President and CEO and from his seat on the Board. On 8 February, Per Waldemarson was appointed President and CEO. At the time of his appointment, Per Waldemarson was Deputy CEO of the Lifco Group.

APPROPRIATION OF RETAINED EARNINGS

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

THE ANNUAL GENERAL MEETING IS ASKED TO DECIDE ON THE APPROPRIATION OF THE FOLLOWING EARNINGS OF LIFCO AB:		SEK MILLION
Retained earnings		2,316
Net profit for the year		565
Total		2,881
The Board of Directors and Chief Executive Officer propose that a dividend of SEK 4.60 per share be paid to the shareholders		418
Carried forward		2,463
Total		2,881

The Board of Directors believes the proposed dividend is justifiable with regard to the equity requirements arising from the nature, scope and risks associated with the operations of the Group as well as the Group's consolidation requirements, liquidity and financial position.

For more information about the results and financial position of the Group and parent company, see the annual report. The income statements and balance sheets will be presented for approval by the Annual General Meeting on 26 April 2019.

The Board of Directors and CEO certify that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting standards and provide a true and fair view of the parent company's financial position and results.

The auditor's report for the Group and parent company provides a true and fair overview of the development of the Group's and parent company's business, financial position and results and describes significant risks and uncertainties faced by the parent company and the companies included in the Group.

Enköping, 20 March 2019

Carl Bennet
Chairman

Gabriel Danielsson
Director

Ulrika Dellby
Director

Annika Espander Jansson
Director

Erik Gabrielson
Director

Ulf Grunander
Director

Anna Hallberg
Director

Anders Lorentzson
Director, employee
representative for Unionen

Johan Stern
Vice Chairman

Axel Wachtmeister
Director

Per Waldemarson
President and CEO

Peter Wiberg
Director, employee representative
for IF Metall

Our auditor's report was submitted on 20 March 2019
PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor-in-charge

Tomas Hilmarsson
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Lifco AB (publ), corporate identity number 556465-3185

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINION

We have audited the annual accounts and consolidated accounts of Lifco AB (publ) for the year 2018 except for the corporate governance statement and the statutory sustainability report on pages 29–37 and 12–14 respectively. The annual accounts and consolidated accounts of the company are included on pages 8–76 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 29–37 and 12–14 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Overview

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Valuation of intangible assets

With reference to Note 2, Note 4 and Note 14.

Goodwill and other intangible assets with an indefinite useful life represents a significant part of the Balance Sheet of Lifco. The Company performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating units in which goodwill and other intangible assets are reported.

This impairment test is based on a high level of judgments and assumptions regarding future cash flows. Information is provided in Notes 2, 4 and 14 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate, profit margins, overheads, working capital requirements, investment requirements and discount factor (cost of capital). It is presented that no impairment requirement has been identified based on the assumptions undertaken.

Recognition of acquisitions

With reference to Note 2, Note 4 and Note 31.

In the financial year 2018, Lifco made a number of acquisitions across all business areas. Information on these acquisitions is presented in Note 31.

The total purchase price for the acquisitions, net of acquired cash and cash equivalents, was SEK 695 million, of which SEK 426 million refers to identified fair value adjustments in the acquisition analyses for trademarks, customer relationships and licences and SEK 353 million refers to goodwill.

The recognition of acquisitions involves a high degree of judgement by management. Significant estimates and judgements refer to the allocation of fair value in acquisition analyses for assets and liabilities, as well as referring to adjustments for adaptation to the group's accounting principles.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In our audit, we have evaluated the calculation model applied by management.

We have reconciled and critically tested essential variables against budget and strategic plan for the Company. We have analyzed the accuracy on how previous years assumptions have been met and assessed any adjustments to assumptions compared to previous year, as a result from changes in the business and external factors.

We have tested the sensitivity analysis for key variables in order to assess the risk of need for impairment.

We have not noted any need for impairment based on procedures performed.

We have also assessed the correctness of the disclosures included in the financial statements.

Our audit of the acquisitions were partially based on assessing of the acquisition agreements as well as supporting documents for opening balances in the acquired companies. We have also evaluated the implemented adjustments for adaptation to the group's accounting principles.

Our audit has also included an assessment of significant estimates and judgements made in connection with the allocation of fair value in the acquisition analyses. We have also assessed the basis for the judgements and comparing those judgements with similar acquisitions in the group in previous years.

We have also assessed the correctness of the disclosures of acquisitions included in the financial statements and assessed supporting documentation for the accounting of the acquisitions.

No deviations were noted in our audit.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–7 and 77–90. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated

accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lifco AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about

this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 29–37 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the statutory sustainability report on pages 12–14, and that it is prepared in accordance with the Annual Accounts Act. Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that my (our) examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided me (us) with sufficient basis for my (our) opinion. A statutory sustainability report has been prepared.

PricewaterhouseCoopers AB was appointed auditor of Lifco AB (publ) by the general meeting of the shareholders on the 24 April 2018 and has been the company's auditor since the general meeting of the shareholders in 2010.

Enköping 20 March 2019

PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor-in-charge

Tomas Hilmarsson
Authorised Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT			
SEK MILLION	NOTE	2018	2017
Net sales	5	11,956	10,030
Cost of good sold		-6,838	-5,766
Gross profit		5,118	4,264
Selling expenses		-1,315	-1,095
Administrative expenses		-1,735	-1,525
Research and development expenses		-144	-105
Other operating income	6	29	18
Other operating expenses	6	-51	-38
Operating profit	7, 8, 9, 10, 11	1,902	1,519
Financial income	6, 12	2	2
Financial expenses	6, 12	-46	-48
Profit before tax		1,858	1,473
Tax on profit for the year	13	-438	-366
Net profit for the year		1,420	1,107
Net profit for the year attributable to:			
Parent company shareholders		1,389	1,084
Non-controlling interests		31	23
Net profit for the year		1,420	1,107
Earnings per share before and after dilution attributable to parent company shareholders during the year, SEK	32	15.29	11.94

The notes on pages 48–67 are an integral part of the annual report and consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
SEK MILLION	NOTE	2018	2017
Net profit for the year		1,420	1,107
Other comprehensive income			
Items which can later be reclassified to profit or loss:			
Hedge of net investment	2.7.5	13	99
Translation differences		155	-59
Tax related to other comprehensive income		-3	-22
Total comprehensive income for the year		1,585	1,125
Comprehensive income attributable to:			
Parent company shareholders		1,552	1,102
Non-controlling interests		33	23
Total comprehensive income for the year		1,585	1,125

The notes on pages 48–67 are an integral part of the annual report and consolidated financial statements.

CONSOLIDATED BALANCE SHEET			
SEK MILLION	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Fixed assets			
Intangible assets	14	9,133	8,288
Tangible fixed assets	15	611	550
Other non-current financial receivables	16	17	5
Deferred tax assets	17	136	125
Total fixed assets		9,897	8,968
Current assets			
Inventories	18	1,710	1,391
Accounts receivable – trade	16, 19	1,550	1,274
Current tax assets		59	77
Other current receivables		109	83
Prepaid expenses and accrued income	20	93	94
Cash and cash equivalents	16, 21, 22	405	305
Total current assets		3,926	3,224
TOTAL ASSETS		13,823	12,192

The notes on pages 48–67 are an integral part of the annual report and consolidated financial statements.

CONSOLIDATED BALANCE SHEET, CONTINUED			
SEK MILLION	NOTE	31 DEC 2018	31 DEC 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	23	18	18
Reserves		352	189
Retained earnings including net profit for the year		6,315	5,289
Equity attributable to parent company shareholders		6,685	5,496
Non-controlling interests		63	50
Total equity		6,748	5,546
Non-current liabilities			
Non-current interest-bearing liabilities	16, 24	1,776	997
Other non-current liabilities		447	259
Interest-bearing pension provisions	25	37	36
Deferred tax liability	17	824	736
Other long-term provisions	26	36	30
Total non-current liabilities		3,120	2,058
Current liabilities			
Current interest-bearing liabilities	16, 24	1,762	2,808
Accounts payable – trade	16	632	557
Advance payments from customers		435	260
Current tax liabilities		189	198
Other short-term provisions	26	42	36
Other current liabilities		344	234
Accrued expenses and deferred income	28	551	495
Total current liabilities		3,955	4,588
TOTAL EQUITY AND LIABILITIES		13,823	12,192

The notes on pages 48–67 are an integral part of the annual report and consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						
SEK MILLION	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balance, 1 January 2017	18	171	4,523	4,712	46	4,758
Comprehensive income						
Net profit for the year	-	-	1,084	1,084	23	1,107
Other comprehensive income	-	18	-	18	-	18
Total comprehensive income	-	18	1,084	1,102	23	1,125
Transactions with shareholders						
Dividend	-	-	-318	-318	-19	-337
Closing balance, 31 December 2017	18	189	5,289	5,496	50	5,546
Comprehensive income						
Net profit for the year	-	-	1,389	1,389	31	1,420
Other comprehensive income	-	163	-	163	2	165
Total comprehensive income	-	163	1,389	1,552	33	1,585
Transactions with owners						
Dividend	-	-	-363	-363	-20	-383
Closing balance, 31 December 2018	18	352	6,315	6,685	63	6,748

CONSOLIDATED CASH FLOW STATEMENT			
SEK MILLION	NOTE	2018	2017
Operating activities			
Operating profit		1,902	1,519
Non-cash items	36	391	318
Other financial items		-4	-4
Interest received		2	1
Interest paid		-42	-43
Income taxes paid		-472	-368
Cash flow before changes in working capital		1,777	1,423
Changes in working capital			
Increase/decrease in inventories		-260	-124
Increase/decrease in operating receivables		-214	-85
Increase/decrease in operating liabilities		230	112
Total changes in working capital		-244	-97
Cash flow from operating activities		1,533	1,326
Investing activities			
Investments in intangible assets		-19	-9
Investments in tangible fixed assets		-162	-144
Sale of tangible fixed assets		12	7
Acquisition of subsidiaries net of cash and cash equivalents	31	-500	-1,378
Cash flow from investing activities		-669	-1,524
Financing activities			
Increase/decrease in non-current receivables/liabilities		-13	-
Borrowings		2,145	2,534
Repayments of borrowings		-2,548	-1,977
Dividends paid		-383	-337
Cash flow from financing activities		-799	220
Cash flow for the year		65	22
Cash and cash equivalents at the beginning of year		305	293
Translation differences		35	-10
Cash and cash equivalents at year-end		405	305

The notes on pages 48–67 are an integral part of the annual report and consolidated financial statements.

NOTE 1 GENERAL INFORMATION

Lifco acquires and develops market-leading niche businesses in three business areas: Dental, Demolition & Tools and Systems Solutions. The operations are conducted through subsidiaries in 29 countries. The parent company, Lifco AB (publ), is a limited company with registered office in Enköping, Sweden (Verkmästaregatan 1, SE-745 85 Enköping).

This annual report was approved for publication by the Board of Directors on 20 March 2019. The consolidated and parent company income statements and balance sheets will be submitted for adoption at the Annual General Meeting on 26 April 2019.

Unless otherwise stated, all amounts are expressed in millions of Swedish kronor (SEK million). Figures in parentheses refer to the previous year.

Under German rules, it is permitted not to publish the annual reports of individual subsidiaries in Germany provided that the entities are consolidated at a higher level in another EU country. To meet the requirements under these regulations, Lifco AB (publ) has decided to absorb any losses for its German-registered subsidiaries, see below, in respect of the financial year 1 January – 31 December 2018, in accordance with § 32 of the German Companies Act (Aktengesetz). This resolution will be published in official German registers in accordance with § 325 HGB.

It has also been decided that the exemption rules provided for in § 264 Abs 3 HGB are applicable in respect of the Directors' Report and the publication of the financial statements in the official German register for the subsidiaries, as listed below:

- EDP European Dental Partners Holding GmbH, Lübeck
- M+W Dental Müller & Weygandt GmbH, Büdingen
- Interadent Zahntechnik GmbH, Lübeck
- MDH AG Mamisch Dental Health AG, Mülheim an der Ruhr
- DentalTiger GmbH, Linden
- Praezimed Service GmbH, Hamburg
- Smilodentax GmbH, Essen
- PP Greiftechnik GmbH, Waakirchen
- Kinshofer GmbH, Waakirchen
- Demolition and Recycling Tool Rentals GmbH, Waakirchen
- Darda GmbH, Blumberg

Lifco AB has issued a parent company guarantee pursuant to Section 479(C) of the UK Companies Act 2006 for the financial year 2018 on behalf of the subsidiary companies registered in England and Wales, see below. The parent company guarantee applies to all outstanding liabilities for the subsidiaries at the balance sheet date until the obligations have been fulfilled. The subsidiaries have applied the exemption from statutory audit provided for in Section 479(A) of the UK Companies Act 2006.

Subsidiaries:

- Auger Torque Europe Limited (CRN 03537549)
- Auto-Maskin UK Limited (CRN 06706114)
- Brokk UK Ltd, (CRN 04063287)
- Kinshofer UK Limited (CRN 01705372)
- Silvent UK Limited (CRN 03767990)
- Tevo Limited (CRN 01540940)
- Top Dental (Products) Limited (CRN 04261332)

For a full list of consolidated companies, see pages 81–86.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The key accounting policies applied in preparing these consolidated financial statements are described in the following. Unless otherwise stated, these policies have been applied consistently for all the years presented.

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the Lifco Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations from the International Financial Reporting Interpretations

Committee (IFRIC), as adopted by the EU. Recommendation RFR 1 Supplementary Financial Reporting Rules for Corporate Groups of the Swedish Financial Reporting Board and the Swedish Annual Accounts Act have also been applied. The consolidated financial statements have been prepared using the cost method.

New and amended standards applied by the Group

The Group is applying the standards IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers for the first time for the financial year beginning on 1 January 2018. The introduction of these standards has had no impact on the Group's profit and financial position. The introduction of these standards has given rise to a new description of accounting policies and expanded disclosures.

New standards and interpretations which have not yet been applied by the Group

The Group applies IFRS 16 as 1 January 2019 and implementation of the standard will entail that essentially all leases will be recognised in the lessee's balance sheet because no differentiation is made any longer between operating and financial leases. According to the new standard, a tangible fixed asset (the right to use a leased asset) and a financial liability (non-current and current) pertaining to the obligation to pay lease payments will be recognised in the balance sheet. In the consolidated income statement, depreciation and interest expense are recognised instead of operating leases, which were recognised in their entirety within operating profit. IFRS 16 will impact cash flow in that lease payments will affect cash flow from operating activities (for example, interest payments and leases for which the underlying asset has a minor value and short-term leases) and cash flow from financing activities (repayment of the lease liability).

The Group will apply the modified retrospective approach, which entails that rights of use are measured in an amount that matches the lease liability at 1 January 2019 (adjusted for prepaid and accrued lease payments). Accordingly, the transition to IFRS 16 will have no impact on the Group's shareholders' equity. Since the modified retrospective approach is being applied, comparative figures for 2018 will not be recalculated. The Group has chosen to apply the exception and thus not to recognise short-term leases and leases for which the underlying asset has a minor value as a part of the right-of-use asset and the lease liability in the balance sheet. Payments attributable to these leases will instead be 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. For these lease commitments, the Group will recognise rights of use amounting to approximately SEK 400 million and lease liabilities of about SEK 400 million as per 1 January 2019.

No other IFRS or IFRIC interpretations which have not yet become effective are expected to have a material impact on the Group.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

All companies (including structured entities) over which the Group exercises a controlling influence are classified as subsidiaries. The Group controls a company when it is exposed to or has the right to a variable return on its interest in the company and is able to influence the return through its interest in the company. Subsidiaries are included in the consolidated financial statements as of the date at which the controlling interest is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which the controlling interest ceases to exist.

The purchase method is applied when accounting for the Group's business combinations. The consideration paid for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities and any shares issued by the Group. The consideration also includes the fair value of all assets or liabilities that are a consequence of a contingent consideration arrangement. Each contingent consideration payable by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of a contingent consideration that has been classified as a liability is recognised in accordance with IAS 39 in profit or loss. Acquisition-related costs are charged to expense as incurred. Identified assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each acquisition – i.e. on an acquisition by acquisition basis – the Group determines whether to recognise a non-controlling interest in the acquired entity at fair value or at the interest's proportional share of the acquired entity's net assets.

The amount by which the consideration, any non-controlling interest and the fair value of the previous equity interest in the acquired entity at the acquisition date exceeds the fair value of the identified net assets is recognised as goodwill.

Commitments for the acquisition of non-controlling interests are considered as financial liabilities and the subsequent change in value is recognised in equity.

Intercompany transactions, balances, income and expenses, and unrealised gains and losses on transactions between Group companies are eliminated. Where applicable, the accounting policies for subsidiaries have been amended to guarantee a consistent application of the Group's principles.

Change in ownership interest in a subsidiary without loss of control

Transactions with non-controlling interests which do not lead to loss of control are recognised as equity transactions, i.e. transactions with owners in their role as owners. In case of acquisitions from non-controlling interests, the difference between the fair value of the consideration paid and the actual acquired portion of the carrying amount of the subsidiary's net assets is recognised in equity. Gains and losses on sales to non-controlling interests are also recognised in equity.

2.3 TRANSLATION OF FOREIGN CURRENCIES

Functional currency and reporting currency

The various entities in the Group have the local currency as their functional currency, as the local currency has been defined as the currency of the primary economic environment in which each entity operates. Swedish kronor (SEK), the functional and reporting currency of the parent company and Group, is used in the consolidated financial statements.

Transactions and balances

Transactions in foreign currency are translated to the functional currency at the transaction date exchange rates. Exchange rate gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing rates are recognised in profit or loss, except when the transactions constitute net investments, for which gains and losses are recognised in other comprehensive income. Receivables and liabilities in foreign currency are stated at closing rates. Unrealised exchange rate gains and losses are included in profit or loss. Exchange rate differences attributable to operating receivables and payables are accounted for as other operating income (operating expenses). Exchange rate differences related to financial assets and liabilities are accounted for in other financial items.

Translation of foreign Group companies

Results and financial position for those entities which have a different functional currency than the reporting currency are translated to the Group's reporting currency. All assets and liabilities in the subsidiaries are translated at the closing rate while all items in the income statements are translated at the average exchange rate. The resulting translation differences are due partly to the difference between the income statements' average rates and the closing rate, and partly to the fact that the net assets are translated at a different rate at the end of the year than at the beginning of the year. The translation differences are recognised in other comprehensive income. Hedge accounting is used for external loans which have been raised for the purpose of reducing the translation effects in the exposed currency to meet the net assets which exist in the foreign subsidiaries. Exchange rate differences on these loans are recognised directly in other comprehensive income for the Group. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities in this operation and translated at the closing rate. Translation differences are recognised in other comprehensive income.

2.4 INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries and refers to the amount by which the consideration exceeds Lifco's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired entity and the fair value of non-controlling holdings in the acquired entity. All acquisitions refer to a strategic and long-term investment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill has been allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is tested for impairment at least annually if there are events or changes in circumstances which indicate potential impairment. The carrying amount of goodwill is compared with the recoverable amount, which is defined as the higher of value in use and fair value less selling expenses. Any impairment loss is expensed immediately and cannot be reversed.

Patents

Patents which have been acquired separately are recognised at cost less accumulated amortisation. Patents are sought for unique constructions and

technical solutions which form part of products developed by the company. The assets are amortised on a straight-line basis to allocate the cost for patents over the estimated useful life, which is the shorter of the patent's legal life and the period until the product related to the patent is expected to be produced. As a rule, the estimated useful life of patents is not expected to exceed five years.

Licences, trademarks and customer relationships

Licences, trademarks and customer relationships which have been acquired separately are recognised at cost while those which have been acquired through a business combination are recognised at fair value at the acquisition date. Licences and customer relationships which have a definite useful life are recognised at cost less accumulated amortisation. The assets are amortised on a straight-line basis to allocate the cost over the estimated useful life, which is estimated at 2–20 years for licences and ten years for customer relationships. Trademarks are supposed to have indefinite useful lives and are tested for impairment every year.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These capitalised costs are amortised over their estimated useful life, which ranges from 3–5 years.

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any additional expenditure is added to the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to Lifco and the cost can be reliably measured. The carrying amount of a replaced portion is derecognised from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in profit or loss in the periods in which they are incurred.

Land is not depreciated. Each part of a tangible fixed asset with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are depreciated on a straight-line basis as follows:

Buildings	25-40 years
Plant and machinery	5-10 years
Equipment, tools, fixtures and fittings	3-6 years

Residual values and useful lives of assets are tested at the end of each reporting period and adjusted where required. An asset's carrying amount is impaired to the recoverable amount immediately if the carrying amount exceeds the estimated recoverable amount.

Gains and losses on the sale of a tangible fixed asset are determined by comparing the sale proceeds and the carrying amount, whereby the difference is recognised in other operating income or other operating expenses in the income statement.

2.6 IMPAIRMENT OF NON-FINANCIAL FIXED ASSETS

Assets that are depreciated or amortised are tested for impairment when an event or change of circumstance indicates that the carrying amount may not be recoverable. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. In testing for impairment, assets are grouped to the lowest levels at which there are separate identifiable cash flows (cash-generating units).

2.7 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised when the Group becomes a party to the instrument's contractual terms. Purchases and sales of financial assets are recognised at the trade date, which is the date when the Group undertakes to buy or sell the asset.

Financial instruments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as fees and commissions.

2.7.1 CLASSIFICATION

The Group classifies its financial assets and liabilities in the categories of amortised cost and financial liabilities at fair value through profit or loss. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets at amortised cost

Assets held with the purpose of accruing contractual cash flow and in cases where these cash flows comprise solely the principal and interest payments are measured at amortised cost. The carrying amount of these assets is adjusted with any expected loan losses that are recognised (see the impairment loss section below). Interest income from these financial assets is recognised using the effective interest method and is included in financial income. The Group's financial assets measured at amortised cost comprise other non-current receivables, accounts receivable and cash and cash equivalents.

Financial liabilities at amortised cost

The Group's other financial liabilities are recognised at amortised cost by applying the effective interest method. Other financial liabilities comprise liabilities to credit institutions, bonds, trade payables and overdraft facilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities that are held for trading or additional considerations for business combinations. Financial liabilities measured at fair value through profit or loss are also recognised in subsequent periods at fair value and the change in value is recognised in profit and loss. Liabilities in this category are classified as current liabilities if they fall due for payment within 12 months of the balance sheet date; if they fall due for payment later than twelve months, they are classified as non-current liabilities.

Other liabilities at fair value

Other liabilities at fair value comprise liabilities attributable to put options or combined call/put options related to acquisitions of non-controlling interests. Changes in these liabilities are recognised in profit or loss.

2.7.2 RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets are recognised at the trade date, which is the date when the Group undertakes to buy or sell the asset. Financial instruments are recognised initially at fair value plus transaction costs. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership. Financial liabilities are derecognised when the obligation arising from the agreement has been fulfilled or otherwise been extinguished. After the acquisition date, loans and receivables and other financial liabilities are recognised at amortised cost by applying the effective interest method.

2.7.3 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.7.4 IMPAIRMENT OF FINANCIAL ASSET**Assets recognised at amortised cost**

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets.

The Group assesses the expected future credit losses that are connected to assets recognised at amortised cost. The Group's financial assets for which expected credit losses are assessed essentially consist of accounts receivable. The Group recognises a credit reserve for such expected credit losses at every reporting date. For accounts receivable, the Group applies the modified retrospective approach to the credit reserve; i.e. the reserve will match the expected loss throughout the life of the account receivable. To measure the expected credit losses, accounts receivable have been grouped based on credit risk characteristics and the number of past due days. The Group uses prospective variables for expected credit losses. Expected credit losses are recognised in the consolidated income statement, in the item Administrative costs.

2.7.5 HEDGE OF NET INVESTMENT

Hedges of net investments in foreign operations are recognised in a similar manner to cash flow hedges. The portion of the gain or loss on the hedging instrument that is deemed to constitute an effective hedge is recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised immediately in profit or loss. Cumulative gains and losses in equity are recognised in profit or loss when the foreign operation is wholly or partially divested.

2.8 INVENTORIES

Inventories are recognised at the lower of cost and net realisable value. Cost is calculated using the first in, first out method (FIFO). The value of inventories includes a related portion of indirect costs. The value of finished products

includes raw materials, direct labour, other direct costs and production-related overheads including depreciation.

The cost consists of the purchase price from subcontractors and costs for customs and freight. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to complete and sell. Inventory obsolescence is estimated continuously over the course of the year.

2.9 ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from customers for goods sold or services provided in the ordinary course of business. If payment is expected within one year or earlier accounts receivable are classified as current assets. If not, they are recognised as fixed assets. Accounts receivable are initially recognised at cost and subsequently at amortised cost by applying the effective interest method, less any provisions for impairment.

2.10 CASH AND CASH EQUIVALENTS

In the balance sheet as well as the cash flow statement, cash and cash equivalents comprise cash and bank balances.

2.11 TRADE ACCOUNTS PAYABLE

Accounts payable are obligations to pay for goods and services purchased from suppliers in operating activities. Trade payables are classified as current liabilities if they fall due within one year. If not, they are recognised as non-current liabilities.

Accounts payable are recognised at the nominal amount. The carrying amount of accounts payable is assumed to match their fair value, as this item is of a short-term nature.

Accounts payable are initially stated at fair value and subsequently at amortised cost by applying the effective interest method (see financial instruments above).

2.12 CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except when the tax refers to items which are recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity. The current tax expense is calculated based on tax rules which have been adopted or adopted in practice at the balance sheet date in those countries where the parent company and its subsidiaries operate and generate taxable revenue.

Deferred tax is accounted for, by applying the balance sheet liability method, for all temporary differences between the carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. However, deferred tax is not recognised if it is incurred as a result of a transaction that constitutes the initial recognition of an asset or liability which is not a business combination and which at the time of the transaction affects neither the accounting profit nor the tax profit. Deferred income tax is calculated by applying tax rates that have been enacted or announced at the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets arising from loss carry forwards are recognised to the extent that it is probable that future taxable profits will be available against which the loss carry forwards can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and tax liabilities, and when the deferred tax assets and tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

2.13 BORROWING

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the repayment amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Overdraft facilities are classified as borrowings under current liabilities in the balance sheet.

2.14 EMPLOYEE BENEFITS**Retirement benefit obligations**

The Group has both defined benefit and defined contribution pension plans. The Group's main defined benefit plan is the ITP Supplementary Pension Plan for Salaried Employees in Industry and Commerce, which is secured through contributions paid to Alecta (for information on Alecta, see Note 25).

Defined contribution pension plans are post-employment benefit plans under which the Group pays fixed contributions into a separate legal entity. The Group

has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. In a defined benefit pension plan, the Group pays contributions to publicly or privately managed pension schemes on a mandatory, contractual or voluntary basis. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as personnel costs when they fall due. Prepaid contributions are recognised as an asset to the extent that cash repayments or reductions of future payments may accrue to the benefit of the Group.

The small amount of retirement benefit obligations that has not been taken over by an insurance company or been secured through funding with an external party is recognised as a liability in the balance sheet.

2.15 PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event and it is more probable than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for warranty costs are estimates of submitted warranty claims and are estimated based on combined experience in the form of statistics on historical claims, expected costs for measures and the average time from the occurrence of the fault to the filing of a claim against the Group.

2.16 RECOGNITION OF REVENUE

Sales of goods

The Group's material revenue streams attributable to the sale of goods comprise sales of dental products, tools and machinery, construction materials, interiors for service vehicles, environmental technology and equipment for the forest industries. The "dental products" revenue stream, which derives from the Dental operating segment, is generated from sales of products in the form of consumables and equipment for dentists. The "tools and machinery" revenue stream, which derives from the Demolition and Tools operating segment, is generated from sales of equipment to the construction and demolition industry, where the most significant products are demolition robots and tools for cranes and excavators. The "construction materials," "interiors for service vehicles," "environmental technology" and "forest" revenue streams, which derive from the Systems Solutions operating segment, are generated from sales of various products, such as machinery and equipment for electrical installations and electricity production, electrical equipment, LED lighting, interior design modules for vans and light goods vehicles, machinery designed to improve the environment, workwear, instruments for land surveyors and equipment for sawmills and pellet plants.

Within Forest, there are fixed price agreements connected to customised equipment for sawmills, such as timber and wood handling equipment, drying equipment, sawing lines and pellet plants. Revenue from fixed price agreements accounts for only a minor part, 6 per cent, of the Group's total revenue.

Revenue from fixed price agreements is based on a calculation based on cost incurred on the balance sheet date in relation to total expected costs for fulfilling the performance undertaking. Estimates concerning revenue, costs or the completion rate of the project are revised should the circumstances change.

In fixed price agreements, the customer pays the agreed price at agreed payment points. If fulfilled performance undertakings delivered by the Group exceed the payment, a contractual asset is recognised. If the payments exceed the fulfilled performance undertakings, a contractual liability is recognised.

The Group partly engages in proprietary development and manufacturing of products but also procures products from subcontractors mainly for the purpose of selling them to the end customer. The agreement with the customer normally comprises one or a number of performance undertakings (if a number of products are delivered). In certain cases, performance undertakings other than service, installation, assembly and/or support are included in the agreement. Sales of goods are recognised as revenue when control over the goods is transferred, which normally occurs upon delivery of the goods to the customer. All revenue from sales of goods is recognised at a point in time. Customer bonuses are included in certain agreements, based on accumulated sales to the customer for a certain period, usually one year or more. Revenue from sale of goods is based on the price stated in the agreement, less estimated customer bonuses. Historical data is used to estimate the expected value of customer bonuses and the revenue is recognised only insofar as it is highly probable that a material reversal will not arise. A liability included in the item "Accrued expenses and deferred income" is recognised for expected customer bonuses in relation

to sales up to an including the balance sheet date. The Group is of the opinion that this item does not contain any financing component because the average credit period is short. The Group undertakes to repair and replace defect products in accordance with normal guarantee rules and this is recognised as a provision. Sales of expanded guarantees occur in a few individual cases. A receivable is recognised when the goods have been delivered, since this is the point in time when payment becomes unconditional (i.e. all that is required for payment is the passage of time).

Sale of services

The Group's material revenue streams attributable to sales of services consist in part of sales of services in the area of "Contract manufacturing" which derive from the Systems Solutions operating segment and in part of services connected to one of the revenue streams described above in respect of goods sold in the form of service, assembly, support and/or installation regarding sold products. The predominant proportion of service-related agreements is based on current account payment. Revenue from services rendered at a variable price is recognised over time in the period when they are provided. Revenue is normally recognised on the basis of price per hour.

Certain agreements include several different services, such as sales of a good and assembly, service, support and/or installation of the sold products. For these agreements, an assessment is made of whether the agreement contains one or more performance undertakings based on whether the service is basic, includes an integration service or can be performed by another supplier. Should the agreement contain a number of performance undertakings, the transaction price is allocated to each separate performance undertaking based on their independent selling prices.

Certain services, such as maintenance, service and support of products, are recognised straight line over the term of the contract unless a different method can better measure fulfilment of the performance undertaking.

Interest income is recognised over the duration by applying the effective interest method.

2.17 LEASING

Leases in which a significant share of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term are charged against profit/loss on a straight-line basis over the term of the lease.

Leases in which the economic risks and benefits associated with ownership have essentially been transferred to the Group are classified as finance leases. At the beginning of its term, a finance lease is recognised in the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

The Group's leases mainly refer to the leasing of premises. None of these leases are currently classified as finance leases.

2.18 CASH-FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. This means that net profit or loss is adjusted for transactions which have not resulted in incoming or outgoing payments during the period, and for any income or expenses attributable to cash flows from investing or financing activities.

2.19 DIVIDENDS

Dividend payments to the shareholders of the parent are recognised as a liability in the consolidated financial statements in the period in which the payment is approved by the shareholders of the parent. Dividend income is recognised when the right to receive payment has been established.

2.20 SHAREHOLDERS' CONTRIBUTIONS

Shareholder contributions are recognised directly in equity in the receiving entity and converted into shares and holdings in the contributing entity, insofar as no impairment loss is required.

2.21 SEGMENT INFORMATION

Segment information is reported in a way that is consistent with the internal reports submitted to the most senior executive. The most senior executive is the function that is responsible for allocating resources and assessing the results of operating segments. In the Group, this function has been identified as the Chief Executive Officer, who makes strategic decisions. Senior management has defined the operating segments based on the information that is handled by the CEO and used as a basis for decisions on the allocation of resources and evaluation of results.

The CEO evaluates the activities on the basis of three operating segments: Dental, Demolition & Tools and Systems Solutions. Systems Solutions consists of a merger of those business areas which have similar economic characteristics and which do not individually meet the defined quantitative limits.

2.22 ALTERNATIVE PERFORMANCE MEASURES

In the annual report, alternative performance measures are used for monitoring the operations of the Group. The primary alternative performance measures presented in this report are EBITA, EBITDA, interest-bearing net debt and capital employed. Reconciliations of the alternative performance measures are presented on page 68, and the purpose and definitions of these measures are presented on page 87.

NOT 3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

Through its activities the Group is exposed to a wide range of financial risks: market risk (comprising currency risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are managed in accordance with Lifco's financial policy, which has been adopted by the company's Board of Directors. The Group's policy is to only apply hedge accounting for net investments in foreign operations and it endeavours to minimise potential adverse effects on the Group's financial results through an extensive Group account system in which surpluses in a certain currency are matched with payments in the same currency.

a) Market risk

(i) Currency risk

Currency risk refers to the risk that unfavourable changes in exchange rates will have an impact on the Group's results and equity in SEK terms:

- Transaction exposure arises as a result of the fact that the Group has incoming and outgoing payments in foreign currencies.
- Translation exposure arises as a result of the Group's currency exposure from net assets in the Group's foreign operations.

The Lifco Group conducts operations in 29 countries. The geographic spread coupled with the large number of customers and products results in a relatively limited transaction exposure. The Lifco Group's transaction exposure arises when the subsidiaries import products for sale in the domestic market and/or sell products in foreign currency. As far as possible, the effects of changes in exchange rates are managed through the use of currency clauses in customer contracts and sales in the same currency as the purchase.

Under the policy that applies in the Group, each company is required to manage its currency flows with regard to exposure to sudden changes in exchange rates. Currency risks are managed chiefly through a Group account system with accounts in different currencies in which surpluses in the system are used to pay for transactions in a certain currency. No derivatives have been entered into to manage the currency risk. Forward contracts may only be entered into with approval from senior management. There were no significant forward contracts for the Group in 2017 and 2018.

Lifco deems that the transaction exposure is limited, as there is a balance between purchases and sales in foreign currency in the Group. A reasonable change in the value of the Swedish krona against other currencies thus has no material impact on the Group's net profit for the year. In 2018, net exchange rate differences recognised in profit or loss were SEK 1 (-7) million, see Note 6. Lifco also has a transaction exposure through borrowings in foreign currencies. This risk is limited since these loans are recognised at hedge of net investments.

A translation risk exists upon translation of foreign subsidiaries to the reporting currency, SEK. The Group has a number of investments in foreign operations whose net assets are exposed to currency risks. Currency exposure arising from the net assets in the Group's foreign operations is partly managed through borrowings in the foreign currencies concerned. These loans are recognised as hedge of net investment, see 2.7.5 Hedge of net investment. The parent company has issued a bond loan, loans based on overdraft facilities and bank loans, attributable to acquisitions, in EUR corresponding to SEK 1,304 (1,127) million, in USD corresponding to SEK 480 (585) million, in NOK corresponding to SEK 358 (632) million and in NZD corresponding to SEK 72 (74) million. The acquisition loans have been identified as hedging of net investment. There was no ineffectiveness that should be recognised from hedging of net investments in foreign operations. Net exposure is SEK 700 (341) million and hedged net assets are SEK 5,794 (4,922) million.

Based on the company's translation exposure, Lifco estimates that a change of 1 per cent in the value of the Swedish krona against other currencies would affect equity by SEK +/- 50 (40) million. The exposure is primarily attributable to EUR and NOK.

(ii) Interest rate risk

Interest rate risk refers to the risk that changes in the interest rate environment will have a negative impact on net financial items and earnings in the Group. The Group's borrowings have both fixed and variable interest rates. The interest rate risk to which the Group is exposed through variable interest rates is partly neutralised by cash assets bearing variable interest rates. The Group's average interest rate in the 2018 financial year was 2.1 per cent (1.5% in 2017).

At the balance sheet date, the Group had total borrowings of SEK 3,538 (3,805) million (see Note 24), of which 20 per cent has fixed interest rates and 80 per cent variable interest rates. A change of +/- 0.50 percentage points in interest rates would affect net profit for the year by SEK +/- 11 (11) million.

b) Credit risk

Credit risk, or counterparty risk, is the risk that a counterparty in a financial transaction will fail to meet its obligations at maturity. Lifco's credit risk arises mainly from accounts receivable but there is also a certain credit risk in respect of cash and cash equivalents. Each Group company is responsible for monitoring and analysing credit risk and for assessing the creditworthiness of each new customer. Provisions for doubtful debts are made based on a schedule defined by the Group. Lifco deems that the risk of bad debts is low, as sales are to a large extent made to customers with which the Group has had long partnerships and/or good experience of the customer's willingness to pay. The Group continuously monitors its customers' creditworthiness and reviews credit terms based on specified guidelines where necessary. For cash and cash equivalents, the credit risk is deemed to be low, as the counterparties are large well-known banks with high creditworthiness. For the Group's credit losses, see Note 19. There are no material credit risks. The Group's financial assets that are to be impairment tested consist essentially of accounts receivable. The expected credit loss levels are based on payment history together with loss history. Historical losses are then adjusted to take into account current and prospective information about macroeconomic factors that could impact the customers' capacity to pay the receivable. For disclosures on the maturity structure of accounts receivable, and the loss allowance, see Note 19 Accounts receivable.

c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient liquid assets to meet its obligations in respect of financial liabilities. The goal of the company's liquidity management is to minimise the risk that the Group will not have sufficient liquid assets to meet its commercial obligations. To manage day-to-day payments, the Group has a cash pool system which ensures that liquid assets are available in the currencies in which payments are made. Management follows rolling forecasts for the Group's cash and cash equivalents (including unused credit facilities) based on expected cash flows. Lifco's policy is to have a strong liquidity position with regard to available liquid assets and unused confirmed credit facilities.

At 31 December 2018, the Group had cash and cash equivalents of SEK 405 (305) million. Other future liquidity requirements refer to the payment of trade payables and other current liabilities as well as repayment of borrowings. For a maturity analysis of future cash flows from the Group's financial liabilities, see Note 24.

3.2 MANAGEMENT OF CAPITAL RISK

The Group's goal in respect of capital structure is to secure its ability to continue its operations with a view to continuing to generate a return for the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep the costs for capital down. Lifco currently sees no refinancing risk.

3.3 CALCULATION OF FAIR VALUE

Due to the short-term nature of accounts receivable and other receivables as well as trade payables and other liabilities, their carrying amount, less any impairment losses, is assumed to be the same as their fair value. Information on the fair values and carrying amounts of non-current interest-bearing liabilities is presented in Note 24.

Financial instruments at fair value in the Group comprise liabilities in the form of additional considerations and put/call options for future acquisitions of non-controlling interests. The fair value of these is based on the company's future earnings. Both these items are classified to Level 3 of the fair value hierarchy. The following table shows the change for the year:

SEK MILLION	ADDITIONAL CONSIDERATIONS AND PUT/CALL OPTIONS
Opening balance, 1 January 2017	57
Added	212
Remeasurement	-1
Considerations paid	-6
Exchange rate differences	-4
Closing balance, 31 December 2017	258
Added	267
Remeasurement	-1
Considerations paid	-10
Exchange rate differences	1
Closing balance, 31 December 2018	515

NOTE 4 CRITICAL ESTIMATES AND JUDGEMENTS

Estimates of the values of balance sheet items and judgements made when applying accounting principles are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing of goodwill and intangible assets with indefinite useful lives

Each year, the Group tests goodwill and intangible assets with indefinite useful lives for impairment in accordance with the accounting principle described in Note 2. Recoverable amounts for cash-generating units have been determined by calculating value in use. For these calculations certain estimates need to be made (see Note 14).

Recognition of acquisitions

In connection with acquisitions, the Group prepares a purchase price allocation for accounting purposes in accordance with the accounting principle described in Note 2. Accounting for an acquisition involves a high degree of judgement and estimation, mainly with regard to the allocation of premiums and discounts to assets and liabilities (net assets) in the purchase price allocation as well as adjusting entries for adaptation to the Group's accounting principles. Fair value adjustments and resultant goodwill are presented in Note 31.

NOTE 5 SEGMENT REPORTING

The Chief Executive Officer is the Group's chief operating decision maker. Management has defined the operating segments based on the information that is handled by the CEO and used as a basis for decisions on the allocation of resources and the evaluation of results. The results for the presented segments are assessed based on EBITA (earnings before amortisation of intangible assets arising on acquisition, acquisition costs, interest and tax).

REVENUE

The Group's material revenue streams attributable to the sale of goods comprise sales of dental products, tools and machinery, construction materials, interiors for service vehicles, environmental technology and equipment for the forest industries. The "dental products" revenue stream, which derives from the Dental operating segment, is generated from sales of products in the form of consumables and equipment for dentists. The "tools and machinery" revenue stream, which derives from the Demolition & Tools operating segment, is generated from sales of equipment to the construction and demolition industry, where the most significant products are demolition robots and tools for cranes and excavators. The "Construction materials," "Interiors for service vehicles," "Environmental technology" and "Forest" revenue streams, which derive from the Systems Solutions operating segment, are generated from sales of various products, such as machinery and equipment for electrical installations and electricity production, electrical equipment, LED lighting, interior design modules for vans and light goods vehicles, machinery designed to improve the environment, workwear, instruments for land surveyors and equipment for sawmills and pellet plants.

No sales are made between the segments. The revenue from external parties that is reported to the CEO is measured in the same way as in the income statement.

SEK MILLION	2018	2017
Revenue from external customers		
Dental	4,185	3,817
Demolition & Tools	2,820	2,261
Systems Solutions	4,951	3 952
Total	11,956	10,030

A breakdown of results by segment is made up to and including EBITA. No breakdown of assets and liabilities by segment is made, as no such amount is regularly reported to the chief operating decision maker.

EBITA is reconciled to profit before tax as follows:

Dental	802	701
Demolition & Tools	724	598
Systems Solutions	756	537
Central Group functions	-114	-104
Total	2,168	1,732

SEK MILLION	2018	2017
Amortisation of intangible assets arising from acquisitions	-253	-196
Acquisition costs	-13	-17
Net financial items	-44	-46
Profit before tax	1,858	1,473
Net sales by type of income:		
Dental products	4,185	3,817
Machinery and tools	2,820	2,261
Environmental technology	1,463	1,124
Construction materials	1,102	804
Contract manufacturing	951	901
Forest	775	570
Interiors for service vehicles	660	553
Total	11,956	10,030

No single customer accounts for more than ten per cent of net sales.

Net sales by geographic market:

Sweden	1,877	1,799
Norway	1,485	1,135
Germany	2,127	1,818
Rest of Europe	3,919	3,217
Asia and Australia	1,258	954
North America	1,180	1,023
Other	110	84
Total	11,956	10,030

Total fixed assets, other than financial instruments and deferred tax assets, located in Sweden are SEK 2,543 (2,391) million, SEK 3,861 (3,645) million in Germany and SEK 1,493 (1,443) million in Norway, and the sum of such fixed assets located in other countries is SEK 1,847 (1,359) million.

Contract assets and contract liabilities

The Group only has contract assets in the form of work in progress on another party's account, which will henceforth continue to be recognised separately in the item inventories and is designated work in progress on another party's account. Otherwise, apart from accounts receivable, there are receivables from contracts with customers whereby payment for the good or the service depends only on the time that has elapsed. Receivables from contracts with customers are recognised as a part of Prepaid expenses and accrued income on the line "Receivables from contracts with customers".

SEK MILLION	31 DEC 2018	31 DEC 2017
The Group recognises the following revenue-related contract liabilities:		
Advances from customers	435	260
Other customer-related contract liabilities	6	6
Total contract liabilities	441	266

Of the total contract liabilities of SEK 266 million that were recognised at the start of the financial year, revenue attributable to contract liabilities of SEK 196 million was recognised during the financial year. The closing balance for contract liabilities at the end of the financial year of SEK 371 million is assessed to be recognised as revenue in the immediately following financial year.

Remaining non-fulfilled performance undertakings

All agreements concerning sales of services have an original term not exceeding one year or are invoiced based on the time spent. In accordance with the regulations of IFRS 15, disclosures have not been provided concerning the transaction price for these non-fulfilled undertakings.

NOTE 6 NET FOREIGN EXCHANGE GAINS AND LOSSES

SEK MILLION	2018	2017
Foreign exchange differences have been recognised in the income statement as follows:		
Other operating income and operating expenses	2	-5
Financial income and expenses (Note 12)	-1	-2
Total	1	-7

NOTE 7 SCHEDULED DEPRECIATION AND AMORTISATION

SEK MILLION	2018	2017
Distribution of depreciation/amortisation by tangible and intangible assets		
Buildings and land improvements	-17	-16
Plant and machinery	-47	-42
Equipment, tools, fixtures and fittings	-63	-54
Total depreciation of tangible fixed assets	-127	-112
Customer relationships	-246	-185
Patents	-7	-11
Other intangible assets	-12	-11
Total amortisation of intangible assets	-265	-207
Total depreciation/amortisation of fixed assets	-392	-319
Depreciation/amortisation by function		
Cost of goods sold	-71	-61
Selling expenses	-259	-199
Administrative expenses	-58	-56
Research and development expenses	-4	-3
Total depreciation/amortisation	-392	-319

NOTE 8 AUDITORS' FEES

SEK MILLION	2018	2017
PricewaterhouseCoopers		
Audit engagement	8	7
Audit services in addition to audit engagement	1	-
Tax advisory services	-	-
Other services	1	2
Total	10	9
Other audit firms		
Audit engagement	1	1
Audit services in addition to audit engagement	-	-
Tax advisory services	-	-
Other services	-	-
Total	1	1

Audit engagement refers to fees for the statutory audit, i.e. such work as has been necessary to submit the auditor's report. Tax advisory services refer mainly to general corporate tax matters. Other services refer to advice on financial reporting as well as services in connection with acquisitions. The total fee to PwC and its international network amounts to SEK 10 (9) million for 2018. The fee to the audit firm PricewaterhouseCoopers AB amounts to SEK 5 (4) million, of which SEK 4 (3) million relates to the audit engagement, SEK 0 (0) million to other statutory assignments and SEK 1 (1) million to other services.

NOTE 9 CLASSIFICATION OF EXPENSES BY NATURE

SEK MILLION	2018	2017
Goods for resale, raw materials and consumables	5,422	4,641
Personnel costs (Note 10)	2,661	2,196
Depreciation, amortisation and impairment (Notes 7, 14 and 15)	392	319
Expenses for operating leases (Note 11)	176	121
Production expenses and other expenses	1,381	1,214
Total costs of goods sold, selling expenses, administrative expenses, and research and development expenses	10,032	8,491

NOTE 10 PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

SEK MILLION	2018	2017
Salaries and benefits		
Board of Directors and senior executives*	254	213
Other employees	1,868	1,536
	2,122	1,749
Social security contributions	410	336
Pension costs for senior executives	33	30
Pension costs for other employees	96	81
Total	2,661	2,196

* Includes salaries and benefits of the Board of Directors, senior management and the chief executives of the Group's subsidiaries.

REMUNERATION AND BENEFITS IN 2018					
SEK '000	BASIC SALARY/ DIRECTOR'S FEE*	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COST	TOTAL
Carl Bennet	1,310	-	-	-	1,310
Gabriel Danielsson	669	-	-	-	669
Ulrika Dellby	702	-	-	-	702
Annika Espander Jansson	702	-	-	-	702
Erik Gabrielson	669	-	-	-	669
Ulf Grunander	812	-	-	-	812
Anna Hallberg	702	-	-	-	702
Fredrik Karlsson (in capacity as Chairman)	-	-	-	-	-
Johan Stern	669	-	-	-	669
Axel Wachtmeister	669	-	-	-	669
Total	6,904	-	-	-	6,904
Fredrik Karlsson (in capacity as CEO)	25,718	17,573	38	14,979	58,308
Other senior management (3 persons)	14,212	11,568	55	4,384	30,219
Total	39,930	29,141	93	19,363	88,527

REMUNERATION AND BENEFITS IN 2017					
TSEK	BASIC SALARY/ DIRECTOR'S FEE*	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COST	TOTAL
Carl Bennet	1,276	-	-	-	1,276
Gabriel Danielsson	645	-	-	-	645
Ulrika Dellby	675	-	-	-	675
Annika Espander Jansson	675	-	-	-	675
Erik Gabrielson	645	-	-	-	645
Ulf Grunander	775	-	-	-	775
Anna Hallberg	675	-	-	-	675
Fredrik Karlsson (in capacity as Chairman)	-	-	-	-	-
Johan Stern	645	-	-	-	645
Axel Wachtmeister	645	-	-	-	645
Total	6,656	-	-	-	6,656
Fredrik Karlsson (in capacity as CEO)	23,244	16,271	32	14,031	53,578
Other senior management (3 persons)	12,648	9,847	51	4,105	26,651
Total	35,892	26,118	83	18,136	80,229

* Includes fees for work on Board committees.

Remuneration of senior executives

Principles: The Chairman and other members of the Board of Directors receive Directors' fees in accordance with the resolutions of the Annual General Meeting. Employee representatives do not receive Directors' fees. Remuneration of the CEO and other senior executives consists of a basic salary, variable remuneration, other benefits and pension contributions. Other senior executives refer to the three individuals who, together with the CEO, make up the senior management team. For the composition of the senior management team, see page 37. The balance between basic salary and variable remuneration must be proportionate to the executive's responsibilities and authority.

Variable remuneration: For the CEO, variable remuneration is based on achieved results and is capped at 70 per cent of the fixed salary. For other senior executives, variable remuneration is based on outcomes in relation to individually defined targets.

Pensions: The minimum retirement age for the CEO is 60 years. Lifco sets pays an amount equal to 60 per cent of the CEO's fixed salary (excluding payroll costs) into pension plans, capital redemption pension plans, and life and health insurance policies. Other senior executives are entitled to pension benefits of up to 35 per cent of their fixed salary and the earliest retirement age is 60. All pension benefits are vested, i.e. they are not contingent on future employment with Lifco.

Termination salary: The employment contract of the CEO is terminable on twelve months' notice in case of termination by the company and six months' notice in case of termination by the CEO. The employment contracts of other senior executives are terminable on 12 months' notice in case of termination by the company. The right to a salary and other benefits are retained during the notice period.

Drafting and decision-making process: During the year, the Remuneration Committee submitted recommendations to the Board of Directors concerning principles for remuneration of senior executives. The recommendations covered the ratio of fixed to variable remuneration, and the size of any salary increases. The committee also proposed criteria for assessing bonus outcomes. The Board discussed the Remuneration Committee's proposal and made decisions based on the committee's recommendations.

The remuneration payable to the CEO for the financial year 2018 was approved by the Board based on the recommendation of the Remuneration Committee. The remuneration paid to other senior executives was approved by the CEO in consultation with the Chairman of the Board. In 2018, the Remuneration Committee convened on two occasions.

AVERAGE NUMBER OF EMPLOYEES, GROUP	2018			2017		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Sweden	289	878	1,167	267	831	1,098
Australia	4	31	35	4	23	27
Austria	5	41	46	4	35	39
Belgium	1	4	5	1	4	5
Canada	2	11	13	2	10	12
China	204	562	766	83	243	326
Czech Republic	37	124	161	38	124	162
Denmark	64	173	237	55	167	222
Estonia	87	131	218	95	132	227
Finland	40	133	173	47	135	182
France	16	77	93	12	66	78
Germany	319	421	740	285	381	666
Hong Kong	1	3	4	-	1	1
Hungary	6	3	9	4	3	7
Italy	6	9	15	-	2	2
Latvia	8	4	12	8	3	11
Lithuania	10	1	11	8	1	9
Netherlands	4	43	47	4	35	39
New Zealand	1	18	19	-	-	-
Norway	82	287	369	76	233	309
Philippines	89	159	248	88	152	240
Poland	1	8	9	1	7	8
Russia	2	5	7	2	5	7
Singapore	4	8	12	3	7	10
Slovenia	5	20	25	4	19	23
South Korea	1	2	3	1	2	3
Switzerland	4	6	10	4	7	11
United Kingdom	29	123	152	30	125	155
United Arab Emirates	1	4	5	1	4	5
USA	66	183	249	63	160	223
Total number of employees	1,388	3,472	4,860	1,190	2,917	4,107

Parent company

Sweden	2	3	5	2	3	5
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GENDER DISTRIBUTION FOR SENIOR EXECUTIVES AT BALANCE SHEET DATE

	2018	2017
Women:		
Board members in the parent company	30%	30%
Other individuals in management, including CEO	25%	25%
Men:		
Board members in the parent company	70%	70%
Other individuals in management, including CEO	75%	75%

NOTE 11 LEASING

SEK MILLION	2018	2017
Operating leases		
The Group's operating leases refer mainly to the lease of commercial premises. No assets are subleased. Operating lease payments in the Group for the financial year were SEK 176 (121) million. Lease payments for assets held under operating leases are recognised in operating expenses.		
Future minimum lease payments under non-cancellable operating leases at the balance sheet date were as follows:		
Mature within 1 year	163	119
Mature within 2 to 5 years	329	286
Mature after 5 years	108	109
Total	600	514

NOTE 12 FINANCIAL INCOME AND EXPENSES

SEK MILLION	2018	2017
Financial income		
Interest income	2	1
Other financial income	-	1
Total financial income	2	2
Financial expenses		
Interest expense	-42	-43
Foreign exchange losses	-1	-2
Other financial expenses	-3	-3
Total financial expenses	-46	-48
Net financial items	-44	-46

NOTE 13 TAX ON PROFIT FOR THE YEAR

SEK MILLION	2018	2017
Tax expense		
Current tax for the year	-482	-378
Adjustments regarding previous years' current tax	-9	-10
Total current tax expense	-491	-388
Deferred tax (Note 17)		
Origination and reversal of temporary differences	30	28
Effect of changed tax rate	23	-6
Total deferred tax	53	22
Total income tax	-438	-366

The relationship between tax expense for the year and reported profit is shown in the table below. The tax on the profit for the year has been calculated at 22 (22) per cent. Tax for other countries has been calculated at the applicable local tax rates. The income tax on the consolidated profit differs from the theoretical amount that would have resulted from the use of a weighted average tax rate for the results of the consolidated companies as follows:

Reported profit before tax	1,858	1,473
Tax at applicable tax rate in Sweden, 22%	-409	-324
Tax effects of non-taxable income/non-deductible expenses	42	24
Tax effects of non-deductible expenses	-60	-8
Adjustment for other tax rates in foreign subsidiaries	-29	-44
Utilisation of loss carry forwards for which no deferred tax asset has been recognised	4	2
Effect of changed tax rate	23	-6
Adjustment relating to previous years	-9	-10
Reported tax expense	-438	-366

The effective tax rate for the Group is 23.6 (24.9) per cent.

NOTE 14 INTANGIBLE ASSETS

SEK MILLION	*INDEFINITE USEFUL LIFE	*GOODWILL	*TRADEMARKS	CUSTOMER RELATIONSHIPS	PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
COST							
1 January 2017		5,441	587	1,455	49	129	7,661
Investments		-	-	-	2	7	9
Acquisition of companies		719	220	740	13	2	1,694
Sales/disposals		-	-	-	-22	-6	-28
Reclassifications		-9	-14	-	23	-	-
Translation differences		39	-9	-47	1	2	-14
1 January 2018		6,190	784	2,148	66	134	9,322
Investments		-	-	1	6	12	19
Acquisition of companies		376	106	359	10	2	853
Sales/disposals		-	-	-	-2	-2	-4
Reclassifications		13	-	-10	-3	1	1
Translation differences		172	25	63	1	3	264
31 December 2018		6,751	915	2,561	78	150	10,455
ACCUMULATED DEPRECIATION							
1 January 2017		-447	-	-214	-25	-101	-787
Depreciation for the year		-	-	-185	-11	-11	-207
Acquisition of companies		-	-	-	-8	-	-8
Sales/disposals		-	-	-	22	6	28
Reclassifications		-	-	-2	2	-	-
Translation differences		-8	-	2	-1	-3	-10
1 January 2018		-455	-	-399	-21	-109	-984
Depreciation for the year		-	-	-246	-7	-12	-265
Acquisition of companies		-	-	-	-2	-1	-3
Sales/disposals		-	-	-	2	2	4
Reclassifications		-1	-	1	-	-	-
Translation differences		-8	-	-11	-1	-4	-24
31 December 2018		-464	-	-655	-29	-124	-1,272
ACCUMULATED IMPAIRMENT							
1 January 2017		-50					-50
Impairment for the year		-	-	-	-	-	-
1 January 2018		-50					-50
Impairment for the year		-	-	-	-	-	-
31 December 2018		-50	-	-	-	-	-50
Carrying amount, 1 January 2017		4,944	587	1,241	24	28	6,824
Carrying amount, 31 December 2017		5,685	784	1,749	45	25	8,288
Carrying amount, 31 December 2018		6,237	915	1,906	49	26	9,133

Impairment testing of goodwill and trademarks

Goodwill and intangible assets (trademarks) with indefinite useful lives are allocated to the Group's cash-generating units, which are identified by operating segment. The assumptions used in estimating value in use are the same for goodwill and trademarks.

The recoverable amount for a cash-generating unit is determined based on calculations of value in use. These calculations are made using estimated future cash flows before tax based on five-year financial budgets that have been approved by senior management. Cash flows beyond the five-year period have been extrapolated using an estimated growth rate. The estimated growth rate is assumed to represent the growth rate in the fifth year, which is expected to be around 2 per cent for all operating segments in both 2018 and 2017. Assumptions have also been made for gross margin, overheads, working capital requirements and investment requirements. The parameters have been set to represent an annual growth rate of 2 (2) per cent for all operating segments. The pre-tax discount rate used is 9.4 (9.6) per cent for Dental and 9.4 (10.8) per cent for other the operating segments.

The calculation as at 31 December 2018 shows that value in use exceeds the carrying amount for all cash-generating units. There is thus no impairment. Nor was any impairment identified as at 31 December 2017.

Sensitivity analysis

A sensitivity analysis shows that the remaining goodwill value for all cash-generating units would remain warranted if the discount rate were raised by 1 percentage point or the growth rate, terminal growth or gross margin were reduced by 1 percentage point.

Lifco's reportable operating segments are Dental, Demolition & Tools and Systems Solutions. For the purpose of performing impairment tests, goodwill is allocated, with the exception of the reportable segments Dental and Demolition & Tools, to the five cash-generating units: Construction Materials, Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology and Forest. The following is a summary of goodwill and intangible assets with indefinite useful lives by cash-generating unit:

GROUP	GOODWILL		TRADEMARKS	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
SEK MILLION				
Dental	3,717	3,307	470	374
Demolition & Tools	997	967	98	97
Environmental Technology	625	594	171	161
Construction Materials	504	489	112	106
Forest	212	158	45	29
Contract Manufacturing	105	99	19	17
Interiors for Service Vehicles	77	71	-	-
Total	6,237	5,685	915	784

NOTE 15 TANGIBLE FIXED ASSETS

SEK MILLION	BUILDINGS AND LAND	PLANT AND MACHINERY	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	ASSETS UNDER CONSTRUCTION	TOTAL
COST					
1 January 2017	483	530	498	3	1,514
Investments	7	50	63	24	144
Acquisition/sale of companies	41	96	68	-	205
Sales/disposals	-	-33	-51	-	-84
Reclassifications	2	21	-	-23	-
Translation differences	6	5	4	-	15
1 January 2018	539	669	582	4	1,794
Investments	15	48	91	8	162
Acquisition/sale of companies	8	4	30	-	42
Sales/disposals	-	-14	-74	-	-88
Reclassifications	-	4	1	-6	-1
Translation differences	13	16	17	-	46
31 December 2018	575	727	647	6	1,955
ACCUMULATED DEPRECIATION					
1 January 2017	-288	-406	-356	-	-1,050
Depreciation for the year	-16	-42	-54	-	-112
Acquisition/sale of companies	-14	-83	-50	-	-147
Sales/disposals	-	32	45	-	77
Reclassifications	-	-	-	-	-
Translation differences	-4	-5	-3	-	-12
1 January 2018	-322	-504	-418	-	-1,244
Depreciation for the year	-17	-47	-63	-	-127
Acquisition/sale of companies	-2	-2	-16	-	-20
Sales/disposals	-	13	63	-	76
Reclassifications	-	-	-	-	-
Translation differences	-8	-11	-10	-	-29
31 December 2018	-349	-551	-444	-	-1,344
Carrying amount, 1 January 2017	195	124	142	3	464
Carrying amount, 31 December 2017	217	165	164	4	550
Carrying amount, 31 December 2018	226	176	203	6	611

NOTE 16 FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS IN THE BALANCE SHEET SEK MILLION		FINANCIAL ASSETS STATED AT AMORTISED COST		
31 December 2018				
Accounts receivable – trade			1,550	
Other non-current financial receivables			17	
Cash and cash equivalents			405	
Total			1,972	
31 December 2017				
Accounts receivable – trade			1,274	
Other non-current financial receivables			5	
Cash and cash equivalents			305	
Total			1,584	
LIABILITIES IN THE BALANCE SHEET SEK MILLION		LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS STATED AT AMORTISED COST	TOTAL
31 December 2018				
Interest-bearing borrowings	-		3,538	3,538
Accounts payable – trade	-		632	632
Other liabilities*	515		-	515
Total	515		4,170	4,685
31 December 2017				
Interest-bearing borrowings	-		3,805	3,805
Accounts payable – trade	-		557	557
Other liabilities*	258		-	258
Total	258		4,362	4,620

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

NOTE 17 DEFERRED TAX

SEK MILLION	2018	2017
Deferred tax assets are attributable to the following temporary differences and loss carry forwards.		
Deferred tax assets attributable to:		
Temporary differences on current assets	97	61
Temporary differences on fixed assets	6	3
Deductible temporary differences on provisions	1	1
Other deductible temporary differences	32	60
Total deferred tax assets	136	125
Deferred tax liabilities are attributable to the following temporary differences.		
Deferred tax liabilities attributable to:		
Temporary differences on fixed assets	-648	-584
Other taxable temporary differences	-176	-152
Total deferred tax liabilities	-824	-736
Net deferred tax assets/liabilities	-688	-611

Deferred tax assets are recognised for loss carry forwards to the extent that it is probable that these can be used to offset future taxable profits. The Group recognised deferred tax assets of SEK 7 (7) million relating to losses of SEK 28 (31) million, with regard to which it is uncertain whether these can be used to offset future taxable profits. Of these loss carry forwards, SEK 0 million expires after more than five years.

NOTE 18 INVENTORIES

SEK MILLION	2018	2017
Valued at cost		
Finished goods and goods for resale	828	780
Raw materials and consumables	559	410
Work in progress	173	91
Contract work in progress	3	16
Advance payments to suppliers	147	94
Total	1,710	1,391
Net effect of impairment and reversal of impairment of inventories recognised as income/expense in the income statement	-14	6

NOTE 19 ACCOUNTS RECEIVABLE – TRADE

SEK MILLION	2018	2017
Accounts receivable – trade	1,627	1,336
Provision for credit losses	-77	-62
Net accounts receivable	1,550	1,274

31 DECEMBER 2018	NOT YET PAYABLE	1–30 DAYS PAST DUE	MORE THAN 30 DAYS PAST DUE	MORE THAN 60 DAYS PAST DUE	MORE THAN 90 DAYS PAST DUE	TOTAL
Carrying amount, gross accounts receivable	989	351	181	30	76	1,627

The average expected provision for credit losses is 4.8 per cent, which is lower for accounts receivables 0-90 days past due and higher for accounts receivables more than 90 days past due.

SEK MILLION	2017
Not yet payable	816
1–30 days past due, no impairment	290
31–60 days past due, no impairment	149
61–90 days past due	19
Provision	-5
>90 days past due	62
Provision	-57
Total net accounts receivable	1,274

Changes in the provision for expected credit losses on accounts receivable are as follows for the financial year 2018:

At 1 January 2018 calculated in accordance with IFRS 9	-62
Increase in provision for losses, change recognised in income statement	-15
Acquisition of businesses	-9
Accounts receivable written off during the year	9
31 December 2018	-77

Changes in the provision for doubtful debts are as follows for the financial year 2017:

1 January 2017	-54
Acquisition of businesses	-4
Provision for expected losses	-9
Actual losses	5
31 December 2017	-62

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

SEK MILLION	2018	2017
Prepaid rental expenses	15	15
Prepaid insurance expenses	6	7
Prepaid IT expenses	10	8
Other prepaid expenses	28	17
Receivables from customer contracts	25	33
Accrued income	9	14
Total	93	94

NOTE 21 OVERDRAFT FACILITIES

SEK MILLION	2018	2017
Overdraft facilities, drawn amount	258	317
Overdraft facilities, agreed limit	1,200	1,275

NOTE 22 CASH AND CASH EQUIVALENTS

SEK MILLION	2018	2017
Cash and cash equivalents in the balance sheet and cash flow statement include the following items:		
Cash and bank balances	405	305

NOTE 23 SHARE CAPITAL

SEK MILLION	NUMBER OF SHARES (THOUSANDS)	SHARE CAPITAL
1 January 2017	90,843	18
31 December 2017	90,843	18
31 December 2018	90,843	18

The share capital consists of 6,075,970 class A shares and 84,767,290 class B shares, or 90,843,260 shares in total. Class A shares carry ten votes per share and class B shares carry one vote per share. All shares issued by the parent company are fully paid up.

NOTE 24 BORROWINGS

SEK MILLION	2018	2017
Non-current interest-bearing liabilities		
Liabilities to credit institutions	11	2
Bonds	1,765	995
Total non-current interest-bearing liabilities	1,776	997
Current interest-bearing liabilities		
Liabilities to credit institutions	468	1,379
Bonds	1,036	1,112
Overdraft facilities, drawn amount	258	317
Total current interest-bearing liabilities	1,762	2,808
Total interest-bearing liabilities	3,538	3,805

On the first quarter 2018 Lifco issued two unsecured bond loans, LIFCO 5 and LIFCO 6, with a tenor of two years. The interest rates are FRN Stibor 3M +55bps and FX 0,405% respectively. The fair value of the bond loans is the same as the carrying amount.

Of total interest-bearing liabilities, 20 per cent have fixed interest rates and 80 per cent variable interest rates. The carrying amounts do not differ from the fair values. The following table shows an analysis of the Group's financial liabilities by remaining maturity from the balance sheet date. The indicated amounts are the contractual, undiscounted cash flows. The interest rates provided for under the terms applying at the balance sheet date have been used in the calculation.

SEK MILLION	LESS THAN 1 YEAR	> 1 YEAR < 2 YEARS
31 December 2018		
Bank loans and bonds*	1,794	1,777
Accounts payable – trade	632	-
Total	2,426	1,777

* including interest

RECONCILIATION OF NET DEBT SEK MILLION	2018	2017
Cash and cash equivalents	405	305
Loans – due within one year (including overdraft facilities)	-1,776	-2,808
Loans – due after more than one year	-1,762	-997
Interest-bearing pension provision	-37	-36
Net interest-bearing debt	-3,170	-3,536
Put/call options, additional considerations – due within one year	-73	-
Put/call options, additional considerations – due after more than one year	-442	-258
Net debt	-3,685	-3,794
Cash and cash equivalents	405	305
Gross debt – fixed interest rate	-700	-1,114
Gross debt – variable interest rate	-2,875	-2,727
Put/call options, additional considerations	-515	-258
Net debt	-3,685	-3,794

SEK MILLION	CASH AND CASH EQUIVALENTS	LOANS DUE WITHIN ONE YEAR	LOANS DUE AFTER MORE THAN ONE YEAR	INTEREST- BEARING PENSION PROVISION	PUT/CALL OPTIONS, ADDITIONAL CON- SIDERATIONS DUE WITHIN ONE YEAR	PUT/CALL OPTIONS, ADDITIONAL CONSIDER- ATIONS DUE AFTER MORE THAN ONE YEAR	TOTAL
Net debt, 1 January 2017	293	-2,191	-1,083	-37	-	-57	-3,075
Cash flow	22	-638	81	-	-	6	-529
Acquisitions	-	-40	-	-	-	-212	-252
Revaluation	-	-	-	-	-	1	1
Foreign exchange differences	-10	61	5	1	-	4	61
Net debt, 31 December 2017	305	-2,808	-997	-36	0	-258	-3,794
Cash flow	65	2,157	-1,755	-	-	10	477
Acquisitions	-	-	-4	-	-74	-193	-271
Revaluation	-	-995	995	-	-	1	1
Foreign exchange differences	35	-116	-15	-1	1	-2	-98
Net debt, 31 December 2018	405	-1,762	-1,776	-37	-73	-442	-3,685

NOTE 25 POST-EMPLOYMENT BENEFITS

The amounts recognised in the balance sheet refer to defined benefit pensions in Sweden, Germany and the United States attributable to employees who no longer work for the company. The carrying amount of defined benefit obligations is SEK 37 (36) million.

For salaried employees in Sweden defined benefit pension obligations for retirement and family pensions under the ITP 2 plan are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP Plans Funded through Insurance with Alecta, this is a multi-employer defined benefit plan. For the financial year 2018, the company has not had access to information that would enable it to account for its proportionate share of the plan's obligations, assets and expenses. It has therefore not been possible to report the plan as a defined benefit plan. The ITP 2 pension plan secured through an insurance policy with Alecta is therefore accounted for as a defined contribution plan. The premium for defined benefit retirement and family pensions is calculated individually and depends on factors such as salary, previously earned pension benefits and expected remaining period of service. Contributions to ITP 2 insurance policies with Alecta in the next reporting period are estimated at SEK 12 (11) million.

The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio is normally permitted to vary between 125 and 155 per cent. If Alecta's collective funding ratio were to fall below 125 per cent or exceed 155 per cent, it would be necessary to take measures that will enable the ratio return to the normal range. In case of a low collective funding ratio, one measure that can be taken is to raise the agreed price for new subscriptions and expansion of existing benefits. A high collective funding ratio can be addressed by introducing premium reductions. At the end of 2018, Alecta's surplus, defined as the collective funding ratio, was 142 per cent (2017: 154 per cent).

Lifco has made pension promises to two persons and in connection therewith purchased endowment policies which have been posted as collateral for the pensions of these employees. Under the arrangement, the individuals concerned will receive the value of the endowment policies less payroll tax. As there are no guaranteed remuneration levels, the Group's net obligation will always be zero. These endowment policies are considered to be plan assets and are recognised on a net basis after deducting the obligation.

NOTE 26 PROVISIONS

SEK MILLION	GUARANTEE RESERVE	RESTRUCTURING RESERVE	PREMISES COSTS	OTHER PROVISIONS	TOTAL
1 January 2017	48	1	1	12	62
Additional provisions	19	1	2	4	26
Acquisition of companies	1	-	-	7	8
Utilised during the year	-10	-1	-2	-6	-19
Reversal of unused provisions	-12	-	-	-	-12
Reclassifications	-	-	3	-3	-
Translation differences	1	-	-	-	1
31 December 2017	47	1	4	14	66
of which, short-term provisions	27	1	4	4	36
of which, long-term provisions	20	-	-	10	30
Anticipated outflow date					
Within 1 year	27	1	4	4	36
Within 3 years	8	-	-	-	8
Within 5 years	11	-	-	9	20
After more than 5 years	1	-	-	1	2
31 December 2017	47	1	4	14	66
1 January 2018	47	1	4	14	66
Additional provisions	29	1	7	10	47
Acquisition of companies	-	-	-	10	10
Utilised during the year	-5	-1	-6	-15	-27
Reversal of unused provisions	-20	-	-	-1	-21
Reclassifications	-2	-	2	-	-
Translation differences	2	-	-	1	3
31 December 2018	51	1	7	19	78
of which, short-term provisions	30	1	6	5	42
of which, long-term provisions	21	-	1	14	36
Anticipated outflow date					
Within 1 year	30	1	6	5	42
Within 3 years	8	-	1	4	13
Within 5 years	12	-	-	10	22
After more than 5 years	1	-	-	-	1
31 December 2018	51	1	7	19	78

The warranty provision is based on outstanding commitments at the balance sheet date and the calculation is based on previous experience. Other provisions refer mainly to commissions to agents in the Dental business area. In addition, the Group has other contingent liabilities of SEK 198 (107) million. As it has been deemed that no outflow of funds will take place for these commitments, no provisions have been made. See also information in Note 30.

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

Transactions between Lifco AB and its subsidiaries, which are associated companies of Lifco AB, have been eliminated in the consolidated financial statements. Sales of products and services between Group companies are subject to commercial terms and conditions and made at market prices. Intercompany sales were SEK 3,234 (2,511) million during the year. Carl Bennet AB owns 50.1 per cent of the shares of Lifco and is deemed to control the Group. Other related parties include all subsidiaries in the Group as well as senior executives in the Group, i.e. the Board of Directors and senior management. Lifco AB, the parent company of the Lifco Group, has not purchased administrative services from Carl Bennet AB during 2018 (2017: SEK 1 million). One of the Directors, Erik Gabrielson, is partner in Avokatfirman Vinge which has received 5 (8) MSEK for ongoing legal advice. Disclosures of remuneration to senior executives are provided in Note 10.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

SEK MILLION	2018	2017
Accrued personnel costs	408	352
Commissions and bonuses to customers	37	48
Allocation of expenses	44	39
Accrued interest expenses	4	5
Other customer related contract liabilities	6	6
Other accrued expenses	52	45
Total	551	495

NOTE 29 PLEDGED ASSETS

SEK MILLION	2018	2017
Property mortgages	15	12
Floating charges	8	10
Total	23	22

NOTE 30 CONTINGENT LIABILITIES

SEK MILLION	2018	2017
Warranties	198	107
Guarantee commitments	-	0
Total	198	107

Guarantee commitments refer to advance payment and performance guarantees.

NOTE 31 BUSINESS COMBINATIONS

Nine new businesses were consolidated during the year. The acquisitions comprised all shares of Denterbridge, ERC Systems and Spocs as well as majority shareholdings in Computer konkret, Dental Direct, Rhein83 and Wexman. Through asset deals, Lifco also acquired the assets of Toolpack's Norwegian car interiors business and Flörchinger Zahntechnik.

The purchase price allocation includes all acquisitions made in 2018.

Acquisition-related expenses of SEK 14 million are included in administrative expenses in the consolidated income statement for the year. Since the respective consolidation dates, the acquired companies have added SEK 371 million to consolidated net sales and SEK 73 million to EBITA. If the businesses had been consolidated as of 1 January 2018, net sales for the year would have increased by a further SEK 213 million and EBITA would have increased by a further SEK 37 million.

NET ASSETS SEK MILLION	ASSETS AND LIABILITIES AT ACQUISITION DATE	ADJUSTMENT TO FAIR VALUE	FAIR VALUE
Trademarks, customer relationships, licences	9	426	435
Tangible assets	21	1	22
Inventories, trade and other receivables	149	-1	148
Trade and other payables	-152	-111	-263
Cash and cash equivalents	144	-	144
Net assets	171	315	486
Goodwill	-	353	353
Total net assets	171	668	839

Effect on cash flow, SEK million

Consideration	839
of which, considerations not paid	-205
Cash and cash equivalents in acquired companies	-144
Consideration paid relating to acquisitions from previous years	10
Total cash flow effect	500

NOTE 32 EARNINGS PER SHARE

Before dilution: Earnings per share before dilution are calculated by dividing earnings attributable to shareholders of the parent company by a weighted average number of outstanding ordinary shares during the period. There were no repurchased shares held as treasury shares by the parent company during the period.

SEK MILLION	2018	2017
Profit attributable to parent company shareholders	1,389	1,084
Weighted average number of outstanding ordinary shares	90,843,260	90,843,260
Earnings per share (SEK)	15.29	11.94

After dilution: Earnings per share after dilution are calculated by adjusting the weighted average number of outstanding ordinary shares for the dilutive effect of all potential ordinary shares. There were no potential dilutive ordinary shares in 2018 or 2017. Earnings per share were thus the same before and after dilution.

NOTE 33 DIVIDEND PER SHARE

Dividend payments made in 2018 and 2017 totalled SEK 363 million (SEK 4.00 per share) and SEK 318 million (SEK 3.50 per share), respectively. At the Annual General Meeting on 26 April 2019, the Board will propose a dividend for the financial year 2018 of SEK 4.60 per share, resulting in a total distribution of SEK 418 million. The proposed dividend has not been recognised as a liability in these financial statements.

NOTE 34 SALES OF SUBSIDIARIES

No sales were made in the financial year 2018 or in 2017.

NOTE 35 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 January, it was announced that Lifco had acquired Indexator Rotator Systems of Sweden, which develops and manufactures rotators, mainly for the forest industry. The company generated net sales of around SEK 300 million in 2018 and has around 140 employees. Indexator Rotator Systems will be consolidated in the Demolition & Tools business area.

On 23 January, it was announced that Lifco has acquired Hammer of Italy, which delivers hydraulic breakers and other demolition equipment for excavators. The company generated net sales of around EUR 20 million in 2018 and has about 100 employees. Hammer will be consolidated in the Demolition & Tools business area.

The individual acquisitions will not have a significant impact on Lifco's results and financial position in the current year. A preliminary purchase price allocation will be presented in the interim report for the first quarter of 2019.

On 7 February 2019, Fredrik Karlsson stepped down as CEO and President and from his seat on the Board. On 8 February, Per Waldemarson was appointed President and CEO. At the time of his appointment, Per Waldemarson was Deputy CEO of the Lifco Group.

NOTE 36 ADDITIONAL CASH FLOW STATEMENT DISCLOSURES

SEK MILLION	2018	2017
Non-cash items		
Depreciation/amortisation	392	319
Revaluation of put/call options	-1	-1
Total	391	318

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES

EBITA COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	2018	2017
Operating profit	1,902	1,519
Amortisation of intangible assets arising from acquisitions	253	196
EBITA	2,155	1,715
Acquisition costs	13	17
EBITA before acquisition costs	2,168	1,732

EBITDA COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	2018	2017
Operating profit	1,902	1,519
Depreciation of tangible assets	127	112
Amortisation of intangible assets	12	11
Amortisation of intangible assets arising from acquisitions	253	196
EBITDA	2,294	1,838
Acquisition costs	13	17
EBITDA before acquisition costs	2,307	1,855

NET DEBT COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS*

SEK MILLION	31 DEC 2018	31 DEC 2017
Non-current interest-bearing liabilities including pension provisions	1,813	1,033
Current interest-bearing liabilities	1,762	2,808
Cash and cash equivalents	-405	-305
Net interest-bearing debt	3,170	3,536
Put/call options, additional considerations	515	258
Net debt	3,685	3,794

* Key performance indicators have been restated as at 30 June 2018 in accordance with the new definition of net debt on page 87. The comparative periods have also been restated in accordance with the new definition.

CAPITAL EMPLOYED AND CAPITAL EMPLOYED EXCLUDING GOODWILL AND OTHER INTANGIBLE ASSETS COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS*

SEK MILLION	31 DEC 2018	30 SEP 2018	30 JUN 2018	31 MAR 2018
Total assets	13,823	14,109	13,567	12,909
Cash and cash equivalents	-405	-374	-301	-250
Interest-bearing pension provisions	-37	-37	-36	-33
Non-interest-bearing liabilities	-2,985	-3,125	-2,899	-2,671
Capital employed	10,396	10,573	10,331	9,955
Goodwill and other intangible assets	-9,133	-9,322	-8,946	-8,606
Capital employed excluding goodwill and other intangible assets	1,263	1,251	1,385	1,349

* Key performance indicators have been restated as at 30 June 2018 in accordance with new definitions of capital employed as well as capital employed excluding goodwill and other intangible assets on page 87. The comparative periods have also been restated in accordance with the new definitions.

CAPITAL EMPLOYED AND CAPITAL EMPLOYED EXCLUDING GOODWILL AND OTHER INTANGIBLE ASSETS CALCULATED AS THE AVERAGE OF THE LAST FOUR QUARTERS COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS*

SEK MILLION	AVERAGE	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Capital employed	10,314	10,396	10,573	10,331	9,955
Capital employed excluding goodwill and other intangible assets	1,312	1,263	1,251	1,385	1,349
TOTAL					
EBITA before acquisition costs	2,168	670	520	560	418
Return on capital employed	21.0%				
Return on capital employed excluding goodwill and other intangible assets	165%				

* Key performance indicators have been restated as at 30 June 2018 in accordance with new definitions of capital employed as well as capital employed excluding goodwill and other intangible assets on page 87. The comparative periods have also been restated in accordance with the new definitions.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT			
SEK MILLION	NOTE	2018	2017
Administrative expenses		-136	-128
Other operating income	38, 39	48	89
Operating profit	40, 41, 42, 43	-88	-39
Profit/loss from investments in Group companies	44	560	558
Financial income	45	106	168
Financial expenses	45	-64	-43
Profit after financial items		514	644
Appropriations	46	56	-41
Tax on profit for the year	47	-5	-10
Net profit for the year		565	593

The parent company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as net profit for the year.

PARENT COMPANY BALANCE SHEET			
SEK MILLION	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Fixed assets			
Equipment		0	0
Investments in Group companies	48	1,960	1,960
Non-current receivables from Group companies		1,925	2,209
Deferred tax assets	49	42	43
Total fixed assets		3,927	4,212
Current assets			
Receivables from Group companies		4,501	4,047
Current tax assets		18	4
Prepaid expenses and accrued income		4	3
Cash and bank balances		143	86
Total current assets		4,666	4,140
TOTAL ASSETS		8,593	8,352
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		18	18
Statutory reserve		12	12
Total restricted equity		30	30
Non-restricted equity			
Retained earnings	50	2,316	2,086
Net profit for the year		565	593
Total non-restricted equity		2,881	2,679
Total equity		2,911	2,709
Untaxed reserves	51	69	70
Non-current liabilities			
Bonds	52	1,765	995
Deferred tax liabilities		-	2
Total non-current liabilities		1,765	997
Current liabilities			
Liabilities to credit institutions	52	719	1,678
Bonds	52	1,036	1,112
Accounts payable – trade		0	0
Liabilities to Group companies		2,025	1,715
Other current liabilities		14	26
Accrued expenses and deferred income	53	54	45
Total current liabilities		3,848	4,576
TOTAL EQUITY AND LIABILITIES		8,593	8,352

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY				
SEK MILLION	SHARE CAPITAL	STATUTORY RESERVE	NON-RESTRICTED EQUITY	TOTAL EQUITY
Opening balance, 1 January 2017	18	12	2,404	2,434
Dividend approved by AGM	-	-	-318	-318
Net profit for the year	-	-	593	593
Closing balance, 31 December 2017	18	12	2,679	2,709
Dividend approved by AGM	-	-	-363	-363
Net profit for the year	-	-	565	565
Closing balance, 31 December 2018	18	12	2,881	2,911

The parent company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as net profit for the year.

The share capital consists of 6,075,970 class A shares and 84,767,290 class B shares, or 90,843,260 shares in total. Class A shares carry ten votes per share and class B shares carry one vote per share. The parent company has no treasury shares. For share capital information, see Note 24 to the consolidated financial statements.

PARENT COMPANY CASH FLOW STATEMENT		
SEK MILLION	2018	2017
Operating activities		
Operating profit	-88	-39
Other financial items	-2	-2
Interest received	106	97
Interest paid	-44	-41
Income taxes paid	-20	-5
Cash flow before changes in working capital	-48	10
Changes in working capital		
Increase/decrease in operating receivables	39	-967
Increase/decrease in operating liabilities	315	424
Total changes in working capital	354	-543
Cash flow from operating activities	306	-533
Financing activities		
Change in non-current receivables	-46	-268
Borrowings	2,139	2,526
Repayments of borrowings	-2,534	-1,945
Group contribution received	-	-
Group contribution paid	-11	-2
Dividends received	560	558
Dividends paid	-363	-318
Cash flow from financing activities	-255	551
Cash flow for the year	51	18
Cash and cash equivalents at the beginning of year	86	68
Foreign exchange differences in cash and cash equivalents	6	0
Cash and cash equivalents at year-end	143	86

NOTE 37 PARENT COMPANY ACCOUNTING PRINCIPLES

In connection with the adoption of IFRS for the consolidated financial statements, the parent company has started to apply Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. The parent company applies other accounting principles than the Group in those cases which are indicated below.

Format

The format prescribed in the Swedish Annual Accounts Act is used for the income statements and balance sheets. The income statement is divided into two statements: one for profit or loss and one for comprehensive income. The parent company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as net profit for the year. The statement of changes in equity follows the format used in the Group but contains the columns specified in the Annual Accounts Act. The formats for the parent company have different names than in the consolidated financial statements, primarily with regard to financial income and expense, provisions, and items in equity.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any impairment. Cost includes acquisition-related costs and any additional considerations. When there is an indication that an investment in a subsidiary is impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. Impairment losses are recognised in the items "Profit/loss from investments in Group companies".

Financial instruments

IFRS 9 is not applied in the parent company. Instead, the parent company applies the points stipulated in RFR 2 (IFRS 9 Financial Instruments, points 3–10). Financial instruments are measured at cost. In subsequent periods, financial assets acquired with the intention of being held short term will be recognised in accordance with the lowest value principle, at the lower of cost and market value.

On every balance-sheet date, the parent company tests whether there are any indications of impairment of any of the financial fixed assets. An impairment loss is recognised if the decline in value is adjudged to be prolonged. Impairment losses on interest-bearing financial assets recognised at amortised cost are calculated as the difference between the carrying amount of the asset and the present value of executive management's best estimate of future cash flows discounted at the financial asset's original effective interest rate. The impairment loss for other financial fixed assets is established as the difference between the carrying amount and the higher of fair value less selling expenses and the present value of future cash flows (which is based on executive management's best estimate).

Leases

All leases, both finance leases and operating leases, are classified as operating leases.

Revenue

Other operating income in the parent company includes costs billed to subsidiaries.

Group contributions

Group contributions paid and received are both accounted for as appropriations in the income statement.

NOTE 38 THE PARENT COMPANY'S SALES TO AND PURCHASES FROM GROUP COMPANIES

During the year, the parent company invoiced the subsidiaries SEK 48 (89) million for group-wide services. The parent company has not purchased services from subsidiaries.

NOTE 39 OTHER OPERATING INCOME

SEK MILLION	2018	2017
Group-wide services	48	89
Total other operating income	48	89

NOTE 40 CLASSIFICATION OF EXPENSES BY NATURE

SEK MILLION	2018	2017
Personnel costs (Note 42)	123	117
Expenses for operating leases (Note 43)	1	1
Other expenses	12	10
Total	136	128

NOTE 41 AUDITORS' FEES

SEK MILLION	2018	2017
PricewaterhouseCoopers		
Audit engagement	1	1
Audit services in addition to audit engagement	-	-
Other services	0	0
Total	1	1

Audit engagement refers to fees for the statutory audit, i.e. such work as has been necessary to submit the auditor's report. Audit services in addition to audit engagement refer to the examination of interim reports and similar work. Other services refer to advice on financial reporting as well as services in connection with acquisitions.

NOTE 42 AVERAGE NUMBER OF EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES	2018	2017
Women	2	2
Men	3	3
Total	5	5

PERSONNEL COSTS, SEK MILLION	2018	2017
Salaries and benefits		
Board of Directors and CEO	50	47
Other employees	26	24
	76	71
Social security contributions, Board of Directors and CEO	19	18
Social security contributions, other employees	9	10
Pension costs for the CEO	15	14
Pension costs for other employees	4	4
Total	123	117

For information on remuneration of senior executives, see Note 10 to the consolidated financial statements.

NOTE 43 LEASING

SEK MILLION	2018	2017
Operating leases		
Mature within 1 year	1	1
Mature in 1–5 years	1	-
Total	2	1

The parent company's operating leases mainly comprise leases for office premises. No assets are subleased. Operating lease payments in the parent company for the financial year were SEK 1 (1) million. Lease payments for assets held under operating leases are recognised in operating expenses.

NOTE 44 PROFIT/LOSS FROM INVESTMENTS IN GROUP COMPANIES

SEK MILLION	2018	2017
Dividends	560	558
Total	560	558

NOTE 45 FINANCIAL INCOME AND EXPENSES

SEK MILLION	2018	2017
Financial income		
Interest income from Group companies	106	97
Foreign exchange gains	-	71
Total financial income	106	168
Financial expenses		
Interest expenses to Group companies	-6	-2
Interest expense	-38	-39
Foreign exchange losses	-18	-
Other financial expenses	-2	-2
Total financial expenses	-64	-43
Net financial items	42	125

The foreign exchange losses item includes expenses of SEK -124 million and income of SEK 106 million, resulting in a net loss of SEK -18 million.

NOTE 46 APPROPRIATIONS

SEK MILLION	2018	2017
Group contributions paid	-3	-11
Group contributions received	58	-
Change in tax allocation reserve	1	-30
Total	56	-41

NOTE 47 TAX ON PROFIT FOR THE YEAR

SEK MILLION	2018	2017
Current tax for the year	-6	-19
Adjustments relating to previous years	0	-
Deferred tax	1	9
Total tax on profit for the year	-5	-10

The relationship between tax expense for the year and reported profit is shown in the table below. The tax on the profit for the year has been calculated at 22 (22) per cent.

Profit before tax	570	603
Tax at applicable tax rate in Sweden, 22%	-125	-133
Tax effects of non-taxable income	123	123
Effect of changed tax rate	-3	-
Adjustment relating to previous years	0	-
Tax effects of non-deductible expenses	0	0
Tax on profit for the year	-5	-10

NOTE 48 INVESTMENTS IN GROUP COMPANIES

Specification of the parent company's direct shareholdings and investments in Group companies:

COMPANY NAME	CORP. ID NO.	REGISTERED OFFICE
Lifco Dental International AB	556730-9710	Enköping, Sweden
Proline Group AB	556543-0971	Sollentuna, Sweden
PP Greiftechnik GmbH	HR B No 157420	Waakirchen, Germany
Rapid Granulator AB	556082-8674	Bredaryd, Sweden
Sorb Industri AB	556272-5282	Skellefteå, Sweden

	EQUITY INTEREST, %	VOTING INTEREST, %	NO. OF SHARES	CARRYING AMOUNT 2018	CARRYING AMOUNT 2017
Lifco Dental International AB	100.00	100.00	252,525	716	716
Proline Group AB	100.00	100.00	12,400	182	182
PP Greiftechnik GmbH	100.00	100.00	25,000	490	490
Rapid Granulator AB	100.00	100.00	100,000	205	205
Sorb Industri AB	100.00	100.00	6,800,000	367	367
Total				1,960	1,960

	2018	2017
Cost at the beginning of the year	1,960	1,960
Acquisition of subsidiaries	-	-
Cost at year-end	1,960	1,960
Carrying amount at year-end	1,960	1,960

NOTE 49 DEFERRED TAX

SEK MILLION	2018	2017
The difference between the income tax recognised in the income statement and income tax payable in respect of the operations is:		
Deferred tax asset on reversal of expense upon taxation and in future non-taxable income	42	43
Deferred tax liability attributable to other taxable temporary differences	-	-2
Total net deferred tax asset/liability	42	41

NOTE 50 APPROPRIATION OF RETAINED EARNINGS**SEK MILLION****The AGM is asked to decide on the appropriation of the following funds:**

Retained earnings	2,316
Net profit for the year	565
Total	2,881

The Board of Directors proposes the following appropriation of retained earnings:

a dividend payment to the shareholders of SEK 4.60 per share, totalling	418
carried forward	2,463
Total	2,881

NOTE 51 UNTAXED RESERVES**SEK MILLION****2018****2017**

Tax allocation reserve 2012	-	9
Tax allocation reserve 2013	11	11
Tax allocation reserve 2014	0	0
Tax allocation reserve 2015	12	12
Tax allocation reserve 2016	9	9
Tax allocation reserve 2017	29	29
Tax allocation reserve 2018	8	-
Total	69	70

NOTE 52 BORROWINGS**SEK MILLION****2018****2017****Non-current interest-bearing liabilities**

Bonds	1,765	995
Total non-current interest-bearing liabilities	1,765	995

Current interest-bearing liabilities

Bonds	1,036	1,112
Overdraft facilities	258	317
Liabilities to credit institutions	461	1,361
Total current interest-bearing liabilities	1,755	2,790

Total interest-bearing liabilities	3,520	3,785
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No portion of non-current liabilities matures later than two years from the balance sheet date. All interest-bearing liabilities are classified as "Financial assets stated at amortised cost".

NOTE 53 ACCRUED EXPENSES AND DEFERRED INCOME**SEK MILLION****2018****2017**

Accrued interest expenses	8	5
Accrued salary-related expenses	28	23
Accrued holiday pay	6	6
Accrued social security contributions	11	10
Other accrued expenses	1	1
Total	54	45

NOTE 54 CONTINGENT LIABILITIES**SEK MILLION****2018****2017**

Contingent liabilities for Group companies' PRI liabilities	0	0
Guarantee commitments for Group companies	97	77
Other guarantee commitments	-	0
Total	97	77

TEN-YEAR SUMMARY

	ACCORDING TO IFRS							ACCORDING TO BFN			
	2018	2017	2016	2015	2014	2013	2012	2012	2011	2010	2009
Net sales, SEK million	11,956	10,030	8,987	7,901	6,802	6,030	6,184	6,184	5,707	4,591	4,146
Total net sales growth	19.2%	11.6%	13.7%	16.2%	12.8%	-2.5%	8.4%	8.4%	24.3%	10.7%	-15.4%
of which organic growth	6.4%	2.1%	2.5%	5.7%	4.4%	-1.4%	-1.8%	-1.8%	7.9%	15.7%	-19.8%
of which acquired growth	8.6%	8.6%	11.3%	7.3%	5.1%	0.1%	11.7%	11.7%	20.5%	0.6%	0.4%
of which exchange rate effects and other	4.2%	0.9%	-0.1%	3.2%	3.3%	-1.2%	-1.5%	-1.5%	-4.2%	-5.5%	3.9%
EBITA* SEK million	2,168	1,732	1,377	1,186	966	692	715	716	631	511	305
EBITA margin*	18.1%	17.3%	15.3%	15.0%	14.2%	11.5%	11.6%	11.6%	11.1%	11.1%	7.3%
Scheduled depreciation/amortisation, SEK million	-139	-123	-104	-91	-75	-68	-71	-71	-67	-63	-64
Amortisation of intangible assets arising on acquisition, SEK million	-253	-196	-121	-66	-38	-7	-3	-175	-141	-81	-84
Extraordinary items, SEK million	-13	-17	-4	-13	-122	-58	1	0	0	-6	4
Acquisition of tangible assets, SEK million	162	144	114	102	105	95	75	76	56	55	55
Acquisition of subsidiaries net of cash and cash equivalents, SEK million	500	1,378	1,608	573	1,264	-	90	95	1,771	663	76
Capital employed excluding goodwill and other intangible assets, SEK million	1,312	1,155	989	983	877	874	970	-	-	-	-
Capital employed, SEK million	10,314	8,962	7,395	5,981	5,098	3,910	3,921	-	-	-	-
Return on capital employed excluding goodwill and other intangible assets	165%	150%	139%	121%	110%	84.0%	73.8%	-	-	-	-
Return on capital employed	21.0%	19.3%	18.6%	19.8%	18.9%	18.8%	18.3%	-	-	-	-
Net interest-bearing debt SEK million	3,170	3,536	3,018	1,950	2,013	1,420	1,618	1,618	1,912	1,180	823
Net interest-bearing debt/equity ratio	0.5x	0.6x	0.6x	0.5x	0.6x	0.6x	0.8x	0.8x	1.0x	1.2x	0.8x
Net interest-bearing debt/EBITDA*	1.4x	1.9x	2.0x	1.5x	1.9x	1.9x	2.1x	2.1x	2.7x	2.1x	2.2x
Net debt, SEK million	3,685	3,794	3,076	1,980	2,091	1,498	1,695	1,618	1,912	1,180	823
Net debt/equity ratio	0.5x	0.7x	0.6x	0.5x	0.6x	0.6x	0.8x	0.8x	1.0x	1.2x	0.8x
Net debt/EBITDA*	1.6x	2.0x	2.1x	1.6x	2.0x	1.9x	2.2x	2.1x	2.7x	2.1x	2.2x
Equity/assets ratio	48.8%	45.5%	47.0%	49.2%	46.7%	43.6%	39.9%	38.2%	34.6%	28.5%	34.9%
Earnings per share, SEK	15.29	11.94	9.99	8.91	6.17	4.16	5.56	3.57	3.20	2.59	0.84
Equity per share, SEK	73.60	60.50	51.9	43.4	38.0	26.0	23.6	21.5	20.1	10.6	9.5
Number of employees at year-end	4,926	4,758	3,627	3,386	3,009	2,865	3,005	3,005	3,106	2,234	2,024

ACQUISITIONS 2006–2018

YEAR	COMPANY	OPERATIONS	BUSINESS AREA	NET SALES AT ACQUISITION DATE	COUNTRY
2006	Dental Prime	Dental products	Dental	EUR 3m	Finland
	Elektronikprodukter i Järlåsa	Contract manufacturing	Systems Solutions	SEK 30m	Sweden
	Darda	Demolition tools	Demolition & Tools	EUR 8m	Germany
2007	Kinshofer	Crane and excavator attachments	Demolition & Tools	EUR 66m	Germany
	Safe Dental	Dental products	Dental	SEK 2m	Sweden
	Proline	Relining (renovation of sewage pipes)	Systems Solutions	SEK 120m	Sweden
	Oriola Dental	Dental products	Dental	EUR 45m	Finland
	Hekotek	Sawmill equipment	Systems Solutions	EUR 13m	Estonia
	Zetterström Rostfria	Contract manufacturing	Systems Solutions	SEK 50m	Sweden
	Plass Data Dental	Dental products	Dental	DKK 7m	Denmark
2008	Endomark	Diagnostic, endodontic and other products	Dental	SEK 9m	Sweden
	XO Care Denmark	Dental products	Dental	DKK 77m	Denmark
	Tevo	Interiors for service vehicles	Systems Solutions	GBP 8m	United Kingdom
2009	Ellman Produkter	Dental products	Dental	SEK 43m	Sweden
	Aponox	Tilt buckets	Demolition & Tools	-	Finland
	Interdental	Dental products	Dental	SEK 10m	Norway
2010	ATC	Retailer	Demolition & Tools	EUR 5m	France
2011	RF-System	Products for railway, land and construction contracts	Demolition & Tools	SEK 80m	Sweden
	Wintech	Contract manufacturing	Systems Solutions	SEK 125m	Sweden
	EDP	Dental products	Dental	EUR 119m	Germany
	Net Dental	Distributor	Dental	EUR 20m	Germany
2012	Ahlberg Cameras	Camera systems for nuclear power plants	Demolition & Tools	SEK 73m	Sweden
2014	MDH	Dental technology, distributor	Dental	EUR 44m	Germany
2015	Sanistål's Danish business	Interiors for service vehicles	Systems Solutions	DKK 25m	Denmark
	Auger Torque	Earth drills	Demolition & Tools	GBP 10m	United Kingdom
	Rapid Granulator	Granulators for the plastics industry	Systems Solutions	SEK 300m	Sweden
	Top Dental	Dental products	Dental	GBP 3.4m	United Kingdom
	J.H. Orsing	Dental products	Dental	SEK 20m	Sweden
	Smilodent	Dental technology	Dental	EUR 5m	Germany
	Preventum Partner	Accounting services for dentists	Dental	SEK 10m	Sweden
2016	Aquajet Systems	Manufactures hydrodemolition robots	Demolition & Tools	SEK 60m	Sweden
	Auto-Maskin	Control systems for marine diesel engines	Systems Solutions	NOK 130m	Norway
	Cenika	Supplier of low-voltage electrical equipment	Systems Solutions	NOK 160m	Norway
	Dens Esthetix	Dental laboratory	Dental	EUR 1.4m	Germany
	Design Dental	Imports and produces dental technology in Denmark using digital technology	Dental	DKK 13m	Denmark
	Endodontic products	Root canal and other products	Dental	SEK 10m	Sweden
	Nordesign	Supplier of LED lighting to the Scandinavian market	Systems Solutions	NOK 64m	Norway
	Parkell	Manufactures and sells dental consumables and small equipment to dentists	Dental	USD 29m	USA
	Praezimed	Services and repairs dental instruments	Dental	EUR 2.5m	Germany
	Redoma Recycling	Manufactures recycling machinery for small and medium cables	Systems Solutions	SEK 25m	Sweden
	TMC/Nessco	Supplier of marine compressors and spare parts	Systems Solutions	NOK 525m	Norway

YEAR	COMPANY	OPERATIONS	BUSINESS AREA	NET SALES AT ACQUISITION DATE	COUNTRY
2017	Blinken	Reseller of measurement instruments for land surveyors and the construction industry	Systems Solutions	NOK 124m	Norway
	City Dentallabor and Hohenstücken-Zahntechnik	Dental laboratories	Dental	EUR 1.3m	Germany
	Doherty	Supplier of quick couplers, buckets and other excavator attachments	Demolition & Tools	NZD 14m	New Zealand
	Elit	Wholesale supplier of machinery and equipment for electrical installations and electricity production	Systems Solutions	NOK 38m	Norway
	Fiberworks	Supplier of communication equipment for the European fibre-optic market	Systems Solutions	NOK 93m	Norway
	Haglöf Sweden	Supplier of instruments for professional forestry surveyors	Systems Solutions	SEK 60m	Sweden
	Hultdin System	Manufacturer of tools and attachments for forestry and construction machinery	Demolition & Tools	SEK 152m	Sweden
	Hydal	Manufacturer of aluminium cabinets for outdoor and indoor use	Systems Solutions	NOK 50m	Norway
	Perfect Ceramic Dental	Dental laboratory	Dental	HKD 24m	Hong Kong
	Pro Optix	Supplier of communication equipment for the European fibre-optic market	Systems Solutions	SEK 62m	Sweden
	Silvent	Specialises in energy optimisation and work environments in the area of compressed air dynamics	Systems Solutions	SEK 120m	Sweden
	Solesbee's	Develops and sells attachments for excavators and wheel loaders	Demolition & Tools	USD 11m	USA
	Wachtel	Integrated supplier of piping systems	Systems Solutions	EUR 2m	Germany
2018	Computer konkret	Develops, sells and supports software for dentists and orthodontists	Dental	EUR 3.8m	Germany
	Spocs	Provides final assembly and testing services for electronic products	Systems Solutions	SEK 61m	Sweden
	Dental Direct	Distributor to dentists	Dental	NOK 95m DKK 25m	Norway
	Toolpack's Norwegian car interiors business	Interiors for service vehicles	Systems Solutions	NOK 40m	Norway
	Flörchinger Zahntechnik	Dental laboratory	Dental	EUR 1.7m	Germany
	Wexman	Makes professional workwear	Systems Solutions	SEK 46m	Sweden
	Denterbridge	Imports dental works	Dental	EUR 9m	France
	Rhein83	Develops and produces accessories and attachments	Dental	EUR 8m	Italy
	ERC Systems	Provides sewer inspection and relining services	Systems Solutions	SEK 20m	Sweden

QUALITY AND ENVIRONMENTAL CERTIFICATIONS

COMPANY	COUNTRY	CERTIFICATION					
		ISO 3834	ISO 9001	ISO 13485	ISO 14001	ISO 18001	ISO 50001
Ahlberg Cameras AB	Sweden		•				
Auger Torque Europe Ltd	United Kingdom		•				
Auto-Maskin AS	Norway		•		•		
Aquajet System AB	Sweden		•				
Brokk AB	Sweden		•				
Brokk UK Ltd	United Kingdom		•				
Cenika AS	Norway				•		
Computer konkret GmbH	Germany		•	•			
Darda GmbH	Germany		•				
DAB Dental AB	Sweden		•	•	•		
DentalEye AB	Sweden			•			
Dentamed spol. s.r.o.	Czech Republic		•	•			
Directa AB	Sweden			•			
Fiberworks AS	Norway		•				
Hammasväline Oy	Finland		•				
AS Hekotek	Estonia		•				
Hultdin System AB	Sweden		•				
InteraDent Zahntechnik, Inc.	Philippines		•				
InteraDent Zahntechnik GmbH	Germany		•				
Kinshofer CZ s.r.o.	Czech Republic	•					
Kinshofer GmbH	Germany	•	•				•
Leab Eesti OÜ	Estonia		•		•	•	
Löfvånger Elektronik AB	Sweden		•	•	•		
Löfvånger Elektronik Uppsala AB	Sweden		•		•		
Müller und Weygand GmbH	Germany			•			
MDH AG Mamisch Dental Health	Germany			•			
Modul-System HH AB	Sweden		•		•		
Modul-System S.A.	France		•				
Modul-System Fahrzeugeinrichtungen GmbH	Germany		•				
Modul-System N.V./S.A.	Belgium		•				
Modul-System Polska Sp. z o.o.	Poland		•				
Tevo Ltd	United Kingdom		•		•	•	
Nessco AS	Norway		•		•	•	
Nordenta AB	Sweden			•			
J.H. Orsing AB	Sweden			•			
Jacobsen Dental AS	Norway		•				
Parkell, Inc.	USA			•			
Rapid Granulator AB	Sweden		•		•		
Si Zhou Dental (Shenzhen) Co. Ltd	China		•	•			
Texor AB	Sweden		•				
Tamrotor Marine Compressors AS	Norway		•		•	•	
TMC Compressors Asia Pte Ltd	Singapore		•		•	•	
Top Dental Products Ltd	United Kingdom			•			
Zetterströms Rostfria AB	Sweden		•				
Wintech AB	Sweden		•		•		

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DEFINITIONS AND OBJECTIVE

Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBIT before acquisition costs divided by capital employed.
Return on capital employed excluding goodwill and other intangible assets	BITA before acquisition costs divided by capital employed excluding goodwill and other intangible assets.
EBITA	EBITA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated after investments in tangible and intangible assets requiring reinvestment but before investments in intangible assets arising from acquisitions. Lifco defines earnings before interest, tax and amortisation (EBITA) as operating profit before amortisation and impairment of intangible assets arising from acquisitions. In its financial reports, Lifco excludes acquisition costs. This is indicated by an asterisk.
EBITA margin	EBITA divided by net sales.
EBITDA	EBITDA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated before investments in fixed assets. Lifco defines earnings before interest, tax, depreciation and amortisation (EBITDA) as operating profit before depreciation, amortisation and impairment of tangible and intangible assets. In its financial reports, Lifco excludes acquisition costs. This is indicated by an asterisk.
EBITDA margin	EBITDA divided by net sales.
Net debt/equity ratio	Net debt divided by equity.
Net debt*	Lifco uses the alternative performance measure net debt. Lifco considers that this is a useful additional performance measure 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 measure as follows: current and non-current liabilities to credit institutions, bonds, liabilities related to put/call options and additional considerations relating to acquisitions as well as interest-bearing pension provisions less cash and cash equivalents. This is indicated by an asterisk.
Earnings per share	Profit after tax attributable to parent company shareholders divided by average number of outstanding shares.
Net interest-bearing debt**	Lifco uses the alternative performance measure net interest-bearing debt. Lifco considers that this is a useful additional performance measure 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 performance measure as follows: current and non-current liabilities to credit institutions, bonds and interest-bearing pension provisions less cash and cash equivalents.
Equity/assets ratio	Equity divided by total assets (balance sheet total).
Capital employed*	Capital employed is a measure which Lifco uses for calculating the return on capital employed and for measuring how efficient the Group is. Lifco considers that capital employed is useful in helping users of the financial reports to understand how the Group finances itself. Lifco defines capital employed as total assets less cash and cash equivalents, interest-bearing pension provisions and non-interest-bearing liabilities with the exception of liabilities related to put/call options and additional considerations relating to acquisitions, calculated as the average of the last four quarters.
Capital employed excluding goodwill and other intangible assets*	Capital employed excluding goodwill and other intangible assets is a measure which Lifco uses for calculating the return on capital employed and for measuring how efficient the Group is. Lifco considers that capital employed excluding goodwill and other intangible assets is useful in helping users of the financial reports to understand the impact of goodwill and other intangible assets on that capital which requires a return. Lifco defines capital employed excluding goodwill and other intangible assets as total assets less cash and cash equivalents, interest-bearing pension provisions, non-interest-bearing liabilities with the exception of liabilities related to put/call options and additional considerations relating to acquisitions, goodwill and other intangible assets, calculated as the average of the last four quarters.

* New definition as of 30 June 2018.

** Added definition as of 30 December 2018.

AGM 2019 AND NOMINATION COMMITTEE

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

REGISTRATION

Shareholders wishing to attend the AGM must

- be registered in the share register maintained by Euroclear no later than 18 April 2019
- register their attendance with Lifco no later than 18 April 2019.

Shareholders may register their attendance in one of the following three ways:

- on Lifco's website, lifco.se
- by post to: Årsstämma, Lifco AB, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden
- by telephone on +46 8 402 92 82

When registering, please state your name, address, telephone number, personal or corporate ID number, the number of shares held and, where applicable, the number of assistants (up to two) that you wish to invite to the meeting. Registered participants will receive an admission card by post, which must be brought along and shown at the entrance to the meeting venue.

NOMINEE-REGISTERED SHARES

To be able to participate in the AGM, shareholders whose shares are registered with a nominee must ensure that their nominee registers their shares in their own name in good time before 18 April 2019. Shareholders who will be represented by a proxy are required to submit a proxy form to Lifco before the AGM. Persons representing a legal entity are required to present a certified copy of a registration certificate or equivalent proof of authorisation showing who is authorised to sign on behalf of the company. The original power of attorney and any registration certificate should be sent to the company in good time before the AGM. A power of attorney form is available on the company's website, lifco.se, and will be sent to shareholders upon request.

NOMINATION COMMITTEE AND MATTERS TO BE TRANSACTED

Information on Lifco's Nomination Committee was presented in Lifco's nine-month report, which was published on 25 October 2018. The information was also published on the website.

Lifco's nine-month report for 2018 and year-end report for 2018 contained information about how to submit a matter for discussion at the AGM. The information was also published on the website.

DIVIDEND

The Board of Directors and CEO propose that a dividend of SEK 4.60 per share be paid for 2018, resulting in a total distribution of SEK 418 million. The proposed record date is 30 April 2019. Euroclear expects to be able to send the dividend to the shareholders on 6 May 2019, subject to a resolution of the Annual General Meeting.

FINANCIAL INFORMATION

Lifco's annual report, year-end report and interim reports are published in Swedish and English.

They are available for download at www.lifco.se/investors.

The printed version of Lifco's annual report is distributed to those shareholders who have expressly requested to receive a printed copy.

The annual report can be ordered from:

www.lifco.se/investors/financial-reports

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E-mail: ir@lifco.se

FINANCIAL CALENDAR

26 April 2019	Interim report January–March
17 July 2019	Interim report January–June
23 October 2019	Interim report January–October
31 January 2020	Year-end report for 2019
March 2020	Annual report for 2019

LIFCO

A SAFE HAVEN FOR YOUR BUSINESS

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Lifco offers a safe haven for small and medium-sized businesses.