ANNUAL REPORT 2017

LIFCO

A SAFE HAVEN FOR YOUR BUSINESS

LIFCO

ANNUAL REPORT 2017

CONTENTS

HIGHLIGHTS OF 2017

NET SALES +11.6%
SEK 10,030 (8,987) million. Organic growth +2.1%

EBITA* +25.8%
SEK 1,732 (1,377) million

PROFIT BEFORE TAX +20.8%
SEK 1,473 (1,219) million

NET PROFIT FOR THE YEAR +19.4%
SEK 1,107 (927) million

EARNINGS PER SHARE +19.5%
SEK 11.94 (9.99)

PROPOSED DIVIDEND PER SHARE SEK 4.00
Represents a total distribution of SEK 363 million

KEY PERFORMANCE INDICATORS

	2017	2016
Net sales, SEK million	10,030	8,987
Net sales, adjusted for foreign exchange effects and acquisitions, SEK million	9,176	8,101
EBITA*, SEK million	1,732	1,377
EBITA margin*, %	17.3	15.3
Earnings per share after tax, SEK	11.94	9.99
Number of shares, thousand	90,843	90,843
Capital employed, SEK million	8,787	7,381
Capital employed excluding goodwill and other intangible assets, SEK million	980	974
Return on capital employed, %	19.7	18.7
Return on capital employed excluding goodwill and other intangible assets, %	177	141
Net interest-bearing debt, SEK million	3,536	3,018
Net debt/equity ratio	0.6	0.6
Net debt/EBITDA*, times	1.9	2.0
Equity/assets ratio, %	45.5	47.0
Equity per share, SEK	60.5	51.9

EBITA* = operating profit before amortisation of intangible assets arising on acquisition and acquisition costs.
EBITDA* = operating profit before depreciation and amortisation as well as 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 **4,758**

COUNTRIES **29**

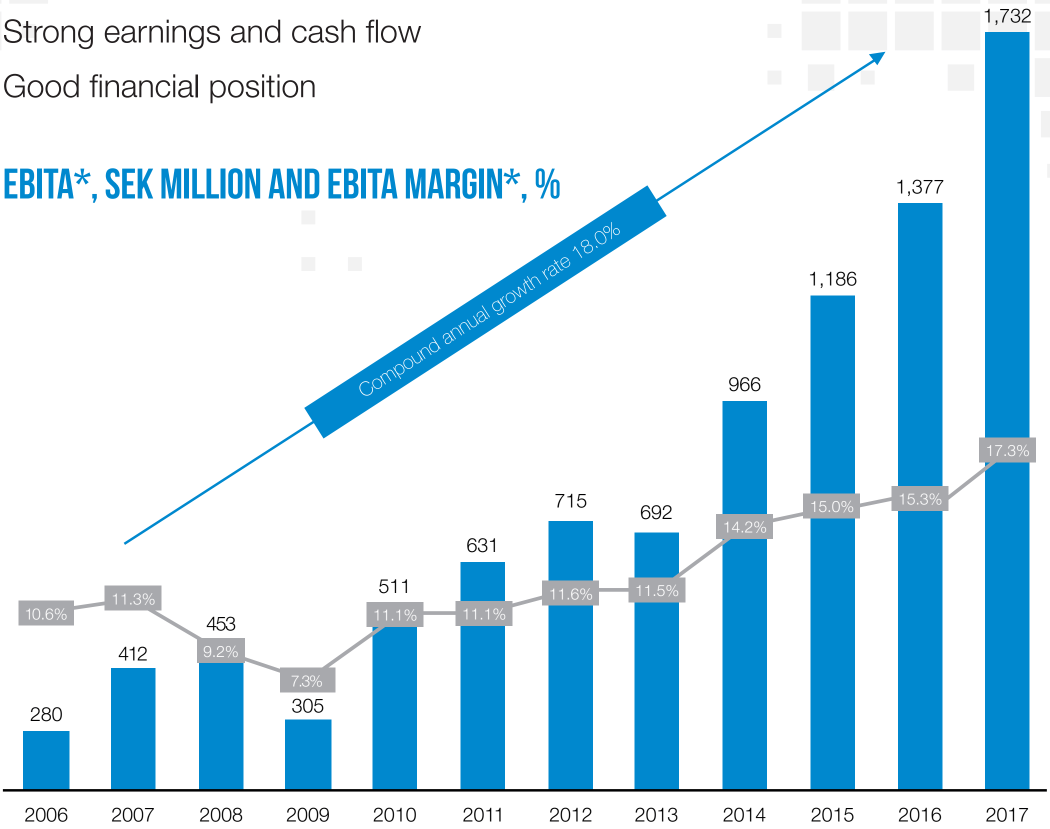
COMPANIES **138**

Thirteen acquisitions in 2017

Strong earnings and cash flow

Good financial position

EBITA*, SEK MILLION AND EBITA MARGIN*, %



Comments from the CEO

SOLID ORGANIC AND ACQUIRED GROWTH

For Lifco 2017 was another year of solid organic and acquired growth as well as improved profitability. Net sales increased by 11.6 per cent to SEK 10.0 billion on the back of robust growth in all three business areas. Organic growth was 2.1 per cent while acquisitions accounted for 8.6 per cent of the increase in net sales. The market situation was generally good in all business areas.

Profitability improved in 2017 as EBITA* increased by 25.8 per cent to SEK 1,732 million. The EBITA margin* increased by 2.0 percentage points to 17.3 per cent.

MARKET-LEADING NICHE COMPANIES

Our businesses in Dental are leading suppliers of consumables, equipment and technical service for dentists across Europe, and also have 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 and Sweden. Dental also includes a number of manufacturing companies which produce disinfectants, consumables and other products that are sold to dentists around the world through distributors. Net sales in Dental increased by 6.3 per cent and the EBITA margin* edged higher by 0.2 percentage points to 18.4 per cent. Two acquisitions were made during the year.

Lifco's Demolition & Tools business area is a world leader in the markets for demolition robots and crane attachments. Lifco is also one of the leading global manufacturers of excavator attachments. Net sales grew by 31.0 per cent on the back of a robust performance in most markets. The EBITA margin* improved by 3.5 percentage points to 26.5 per cent. Three acquisitions were made in 2017.

The Systems Solutions business area consists of five divisions that are leading players in their geographic markets: Construction Materials, Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology and Forest. Net sales in the business area increased by 7.7 per cent in 2017 and the EBITA margin* improved by 2.1 percentage points to of 13.6 per cent. All divisions apart from Forest expanded at a steady pace in 2017. Eight acquisitions were made in Systems Solutions during the year.

FINANCIALLY STRONG

Cash flow was strong in 2017 and Lifco's financial position remains good. Net interest-bearing debt increased by SEK 518 million to SEK 3,536 (3,018) million while we acquired businesses for a total consideration of SEK 1,378 million and paid dividends of SEK 337 million. This means that Lifco at year-end had the capacity to make further acquisitions for around SEK 2.5 billion without exceeding the target of a debt of three times EBITDA.

Lifco's financial position enables us to continue to pursue our strategy of growth through acquisitions, but any potential takeover candidates face tough requirements. The company needs to be stable and a leading player in its niche. We want it to have an attractive position in the value chain and not be dependent on specific suppliers or customers. And it needs to be able to demonstrate well documented profitability and limited or no exposure to technological risk.

A DECENTRALISED GOVERNANCE MODEL

Lifco is a highly decentralised organisation in which our subsidiary companies enjoy a high degree of autonomy. We want the companies we acquire to continue to operate as previously, simply because they know best what works in their market. We do not want to push central processes onto our subsidiaries. Our governance model allows the subsidiaries to retain their entrepreneurial spirit and short lines of command. This is a key argument for entrepreneurs that are looking for a new ownership structure and it is also a key reason why our companies retain and strengthen their market positions in their respective niches.

Fredrik Karlsson, CEO

WE OFFER A SAFE HAVEN

One of our greatest competitive advantages is that we offer small and medium-sized businesses a safe haven. Lifco is a long-term owner and essentially never sells a company that it owns. Under our decentralised governance model, all decisions are made by the local management team. We do not force our companies into integration projects and synergies – all such initiatives must come from the companies themselves. The coordination that takes place among our subsidiaries has been initiated by the companies themselves after they identified the synergies. We are particularly proud of the fact that we have never relocated a business. The reason is that we do not believe in big, dramatic restructurings and changes. Our view is that businesses need to develop gradually, generating a steady improvement in profitability.

Our managers and employees share our view on a long-term approach, and this is a strength. Our employees are happy to remain in our companies throughout their lives and appreciate Lifco's corporate culture, which is based on simplicity, common sense and minimal bureaucracy.

We believe our decentralised governance model with a high degree of autonomy for our subsidiaries is a key factor when in negotiations with potential takeover candidates. It is also of importance to us that the entrepreneur who built the company wants to remain, because these individuals are often important for customer relations and they have a strong influence on the company culture and the way the company operates.

SUSTAINABLE BUSINESS

In the Lifco Group, it goes without saying that our business operations are to be sustainable. Our subsidiaries are, with just a few exceptions, the leading actors delivering the highest quality and level of service in the niches in which they operate. This implies that we are required to offer our employees good terms and conditions, use sustainable suppliers and, in general, undertake sustainable operations. We have compiled our ethical principles in our Code of Conduct. All managers of subsidiaries to ensure that they comply with the Code of Conduct. Group management regularly monitors compliance with the Code of Conduct. The Code of Conduct addresses our relationship with our personnel, clients, suppliers, society and the environment, and with our shareholders.

LIFCO HAS SIGNED GLOBAL COMPACT

To further underline our support for internationally recognised business ethical standards and our long-term commitment to sustainability issues, Lifco joined and signed the UN's sustainability initiative, Global Compact, in December 2016. As a member, we undertake actively to implement the Global Compact's ten principles for sustainable development in the areas of human rights, labour standards, environment and anti-corruption.

GOING INTO 2018

The most important factor for Lifco is our employees. Today we have 4,758 employees in 29 countries. I would like to say a big thank you to each of you for your hard word in 2017. Our focus remains on acquiring and developing profitable, market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows.

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. Lifco's strength is that the company is able 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.

THE GOAL IS SUSTAINABLE EARNINGS GROWTH

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 capital is another important objective for Lifco. Return on capital employed after deduction for goodwill and other intangible assets should therefore exceed 50 per cent for the last twelve-month period.

A DECENTRALISED ORGANISATION

Lifco consists of 138 operational subsidiaries, which are organised in about 30 operating units. The heads of the operating units report directly to Lifco's Chief Executive Officer or the head of the Dental business area. 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 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.

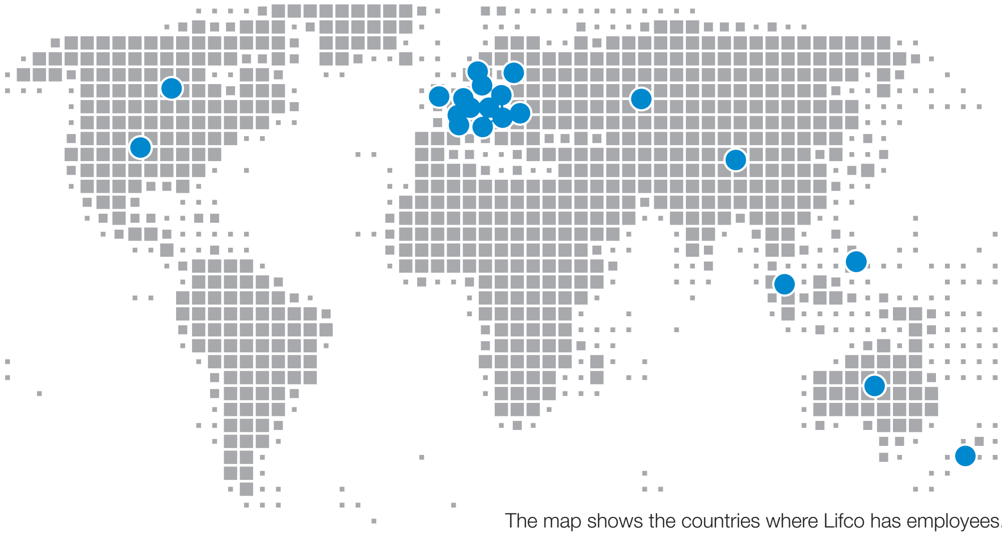
MINIMAL BUREAUCRACY

Lifco has developed a model for developing its subsidiaries. The model is based on Lifco's philosophy 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 STRATEGY FOR ACQUISITIONS

Expansion through acquisitions is a central element of Lifco's business concept. The Group's acquisitions include the acquisition of new companies that can constitute a separate division as well as acquisitions of additional businesses for the existing divisions. An acquisition must either generate profitable growth and good cash flows or meet a strategic objective. The risk taken must also be limited for Lifco.



The map shows the countries where Lifco has employees.

EMPLOYEES
4,758

COUNTRIES
29

COMPANIES
138

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.	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. Lifco also analyses whether the Group is a suitable owner and what Lifco could contribute to the target company. Lifco analyses the company's financial statements and contracts. Lifco also studies the company's culture and work methods.	While acquired companies have a high degree of independence, Lifco conducts a review aimed at improving the efficiency of the operations. Normally, the following actions are taken: • 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

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

Lifco may decide to make an acquisition even where all criteria have not be met if the company offers strategically or financially attractive opportunities.

A HIGH ETHICAL STANDARD

A fundamental requirement for Lifco's 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

2017 was another year of solid growth for Lifco. Net sales and earnings improved mainly through acquisitions and organic growth. Thirteen acquired businesses were consolidated during the year.

Net sales increased by 11.6 per cent to SEK 10,030 (8,987) million on the back of acquisitions, foreign exchange gains and organic growth. Acquisitions accounted for 8.6 per cent of the increase and foreign exchange gains for 0.9 per cent while organic growth was 2.1 per cent.

EBITA* increased by 25.8 per cent to SEK 1,732 (1,377) million and the EBITA margin* expanded by 2.0 percentage points to 17.3 (15.3) per cent. Organic growth, acquisitions and foreign exchange gains had a positive impact on EBITA*. Foreign exchange gains accounted for 0.8 percentage points of the increase in EBITA*.

Investments in intangible and tangible fixed assets totalled SEK 153 (123) million.

The net financial expense was SEK -46 (-33) million, the increase being due mainly to a higher interest expense.

Earnings before tax grew by 20.8 per cent to SEK 1,473 (1,219) million. Costs related to the acquired businesses that were consolidated during the year had a negative impact of SEK 18 (18) million on earnings for 2017.

Net profit for the year grew by 19.4 per cent to SEK 1,107 (927) million and earnings per share increased by 19.5 per cent to SEK 11.94 (9.99).

The Group's tax expense was SEK 366 (292) million, which represents 24.8 (24.0) per cent of earnings before tax. Tax paid was SEK 368 (295) million, which equates to 25.0 (24.2) per cent of earnings before tax.

Inventories were SEK 1,391 (1,155) million and accounts receivable were SEK 1,274 (1,046) million. Average capital employed excluding goodwill increased over the year to SEK 980 (974) million. EBITA* in relation to average capital employed excluding goodwill was 177 (141) per cent at year-end. The improvement was due chiefly to stronger earnings and good control of capital employed.

Goodwill and other intangible assets totalled SEK 8,288 (6,824) million at year-end. The Group's net interest-bearing debt increased by SEK 518 million in 2017 to SEK 3,536 (3,018) million. The net debt ratio was 0.6 (0.6) at year-end. At year-end equity was SEK 5,546 (4,758) million and the equity/assets ratio 45.5 (47.0) per cent.

Cash flow from operating activities improved by 22.3 per cent to SEK 1,326 (1,084) million compared with 2016. The continued strong cash flow was due to stronger earnings and good control of capital employed. Cash flow from investing activities was SEK -1,524 (-1,721) million, which was mainly attributable to acquisitions.

Cash flow was also affected by a total dividend payment of SEK 337 (285) million.

DIVIDEND

The Board of Directors and Chief Executive Officer propose that the Annual General Meeting authorise the payment of a dividend of SEK 4.00 per share for the financial year 2017, representing a total distribution of SEK 363 million. This is equal to 33.5 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 having regard to 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 as well as the manufacturing companies in Dental. 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 2017 product development costs totalled SEK 105 (88) million.

ACQUISITIONS AFTER THE END OF THE YEAR

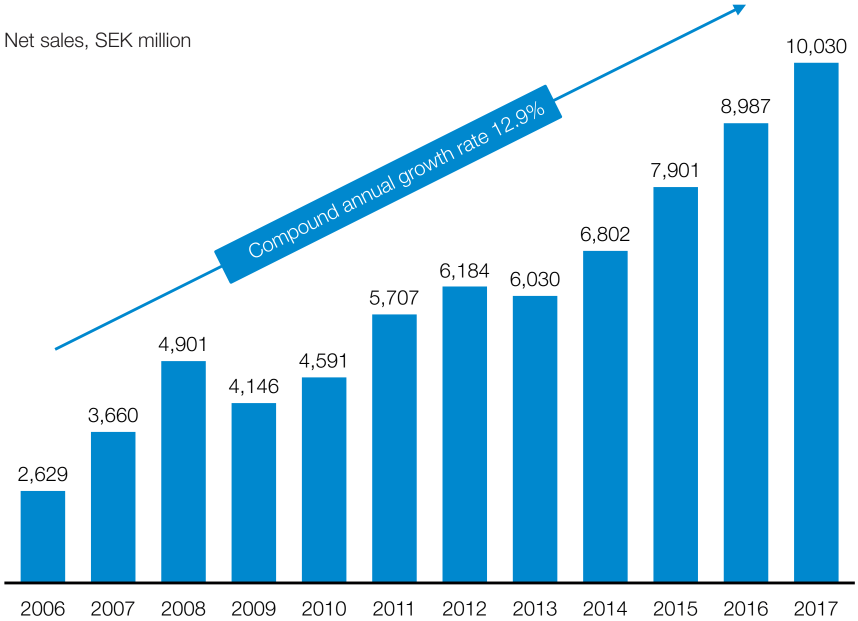
After the end of the year Lifco's majority stake in Computer konkret of Germany has been consolidated. The company, which generated net sales of around EUR 3.8 million in 2016, develops and sells software for dentists in Germany. Computer konkret has around 50 employees and is consolidated in the Dental business area.

The acquisition of a majority stake in Dental Direct of Norway and its Danish subsidiary 3D Dental was announced on 28 December 2017. The companies, which generated net sales of around NOK 95 million and DKK 25 million, respectively, in 2016, are distributors of dental products and have a combined workforce of around 20 employees. The acquisition is expected to be completed in the first half of 2018 and the companies will be consolidated in Lifco's Dental business area.

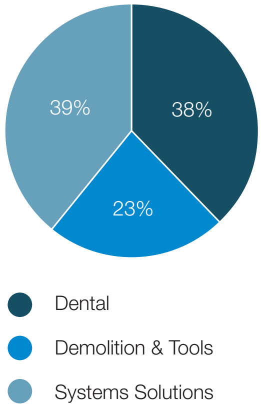
On 1 March Lifco announced the acquisition of Spocs of Sweden. Spocs is making the final assembly and testing of electronic products.In 2017, Spocs reported external net sales of 61 MSEK and the company has 23 employees. The company will be consolidated in Business Area Systems Solutions, division Contract Manufacturing.

FINANCIAL RESULTS

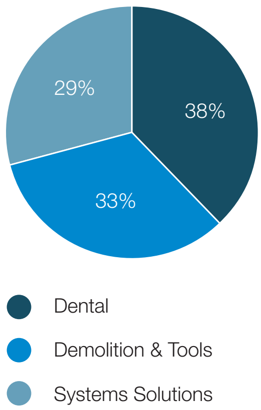
SEK MILLION	2013	2014	2015	2016	2017
Net sales	6,030	6,802	7,901	8,987	10,030
EBITA*	692	966	1,186	1,377	1,732
EBITA margin*	11.5%	14.2%	15.0%	15.3%	17.3%
Earnings per share, SEK	4.16	6.17	8.91	9.99	11.94



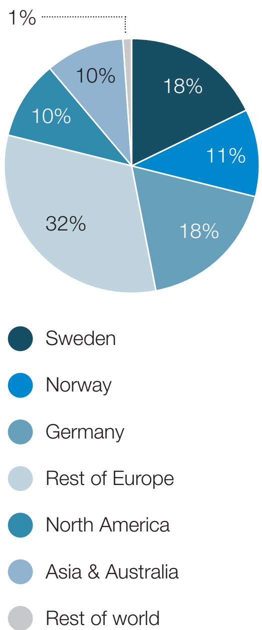
NET SALES BY BUSINESS AREA



EBITA* BY BUSINESS AREA



NET SALES BY GEOGRAPHIC MARKET



SUSTAINABILITY

Lifco strives to operate in a positive and sustainable manner that contributes to society. The company's main sustainability impact, and thus also opportunities and risks, is in the operations of the subsidiaries.

SUSTAINABILITY GOVERNANCE

Lifco's subsidiaries have a high degree of autonomy, and Lifco strives for minimal bureaucracy and simple processes. A fundamental requirement for Lifco's 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 starting work.

ACQUISITIONS

Acquisitions are a central element of Lifco's business model. In addition to fulfilling the requirements described on pages 8–9, takeover candidates need to be running a sustainable business. 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 obvious corruption. Nor does Lifco acquire companies which manufacture or sell weapons, tobacco, fossil fuels or uranium.

CODE OF CONDUCT

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 Multinational 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 are recruited and promoted exclusively on the basis of their work qualifications and without regard to race, 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 which 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 strives to reduce the company's products environmental impact throughout their lifecycle.

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 the applicable legislation or current practice. Gifts which do not meet these criteria must be reported to management, which will decide what measures to take. None of Lifco's employees should seek to obtain or accept gifts or benefits which could be thought to affect their business decisions. Gifts which could be thought to affect business decisions 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 company groups 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.

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 the handling of chemicals. Eleven subsidiaries have ISO 14001-certified environmental management systems.

CORRUPTION

In some of Lifco's subsidiaries there are risks 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.

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 programme and reporting on progress to Lifco's Board of Directors. No deviations from the Code of Conduct were reported in 2017. Four subsidiaries had failed to inform their employees about the Code of Conduct in accordance with the Group's instructions, but this oversight was later corrected.

During the year Lifco also developed its sustainability due diligence process for acquisitions. The new evaluation, which is based on the principles of the UN Global Compact, was applied in two acquisitions in 2017. No significant deviations were identified during the course of the evaluations.

SUSTAINABLE PRODUCT OFFERINGS

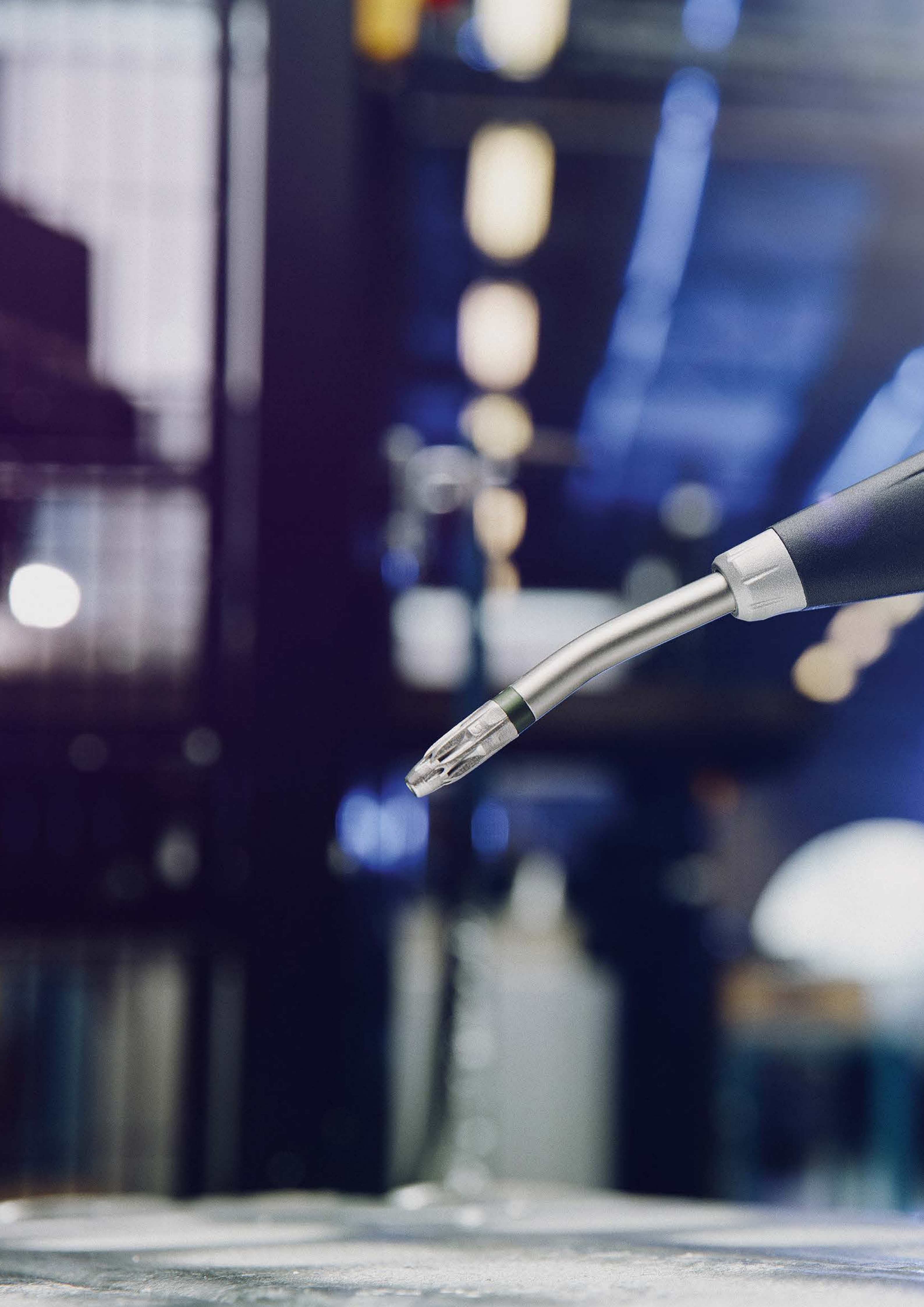
Several of Lifco's subsidiaries offer products which help to improve their customers' resource efficiency and work environment. Silvent, for example, sells safety air guns to manufacturing companies. The air guns help to optimise energy use while also improving the work environment by reducing the noise level. Hekotek and Heinola produce sawmill machinery which enables the users to get more out of each log and thus make better use of the raw material. That is good for the customer as well as the environment. Another example is Rapid Granulator, whose granulators enable the customers to make use of waste from production processes. Read more about Rapid Granulator below.

Rapid Granulator

Rapid Granulator is a leading maker of granulators for recycling of plastic production waste. By recovering production process waste, granulating it and returning it to the process, the customer can maximise their resource use, which benefits the environment as well as the bottom line. The company sells its products to customers in the automotive, packaging, toy and other industries.

In the last few years Rapid Granulator has been focusing on implementing major energy savings in lighting, ventilation and other areas. The company has also phased out many solvents, for example by using water-based paints for all standard products and boron- and formaldehyde-free cutting fluids in machining processes. The employees' work environment and wellbeing are also important issues for Rapid Granulator. The company has introduced initiatives to improve workplace ergonomics and reduce production noise. The company's good work environment is reflected in a low rate of sick leave – 2.2 per cent in 2017.

Employees	At 31 December 2017 Lifco had 4,758 (3,627) employees. The average number of employees during the year was 4,107 (3,524). During the year 1,224 employees were added through acquisitions.
Management systems	Eleven of the subsidiaries are certified under the ISO 14001 environmental management system and 35 are certified under the ISO 9001 quality management system. 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.




SILVENT

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 and Sweden. The business area also includes a number of manufacturers which produce disinfectants, saliva ejectors, bite registration and dental impression materials, bonding agents and other consumables that are sold to dentists through distributors around the world.

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. Demand for dental care in Europe has remained stable and relatively non-cyclical. During the period 2007-2012 expenditure on dental care in Lifco's main markets (excluding Norway) grew by an average of 1.6 per cent annually. The market has grown modestly also in the last few years.

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 new 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 Büdingen, Germany. The Enköping warehouse offers around 44,000 products, the Danish warehouse around 18,000 and the German warehouse around 58,000. Lifco as a whole offers products from about 500 suppliers. A part of the range consists of own brands, which focus mainly on 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 placed by telephone.

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

ACQUISITIONS IN 2017

In 2017 two acquired businesses were consolidated. The first acquisition was the purchase of the Chinese dental company Perfect Ceramic Dental (PCD), which performs dental work mainly for Lifco's German subsidiary MDH. As around 80 per cent of the company's sales go to Lifco's Germany subsidiary MDH, the acquisition had a limited impact on Lifco's consolidated external sales. The second acquisition was the purchase of the German dental laboratories City Dentallabor and Hohenstücken-Zahntechnik.

In December Lifco announced that it had acquired a majority stake in Computer konkret of Germany, which develops and sells software to dentists in Germany. The business was consolidated in January 2018. In December it was also announced that Lifco had acquired a majority shareholding in Dental Direct of Norway and its Danish subsidiary 3D Dental, which distribute dental products. The purchase is expected to be completed in the first half of 2018.

EARNINGS IN 2017

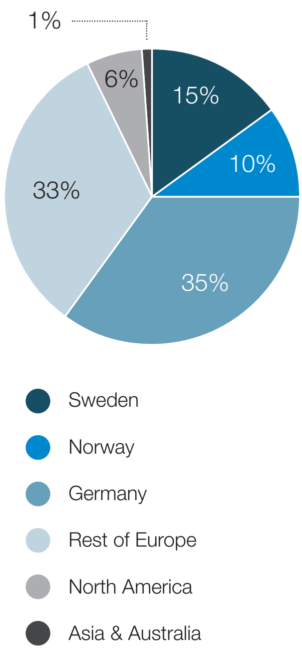
Dental's net sales grew by 6.3 per cent to SEK 3,817 (3,590) million in 2017. EBITA* increased by 7.0 per cent to SEK 701 (655) million and the EBITA margin* improved to 18.4 (18.2) per cent.

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 2017 there were no individual events which had a substantial impact on the earnings of the dental group as a whole in any individual quarter.

FINANSIELLT RESULTAT

SEK MILLION	2017	CHANGE	2016	CHANGE	2015
Net sales	3,817	6.3%	3,590	4.5%	3,435
EBITA*	701	7.0%	655	6.6%	614
EBITA margin*	18.4%	0.2	18.2%	0.3	17.9%

NET SALES BY GEOGRAPHIC MARKET



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 44 per cent of the business area's net sales and Crane & Excavator Attachments for 56 per cent.

DEMOLITION ROBOTS

The 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.

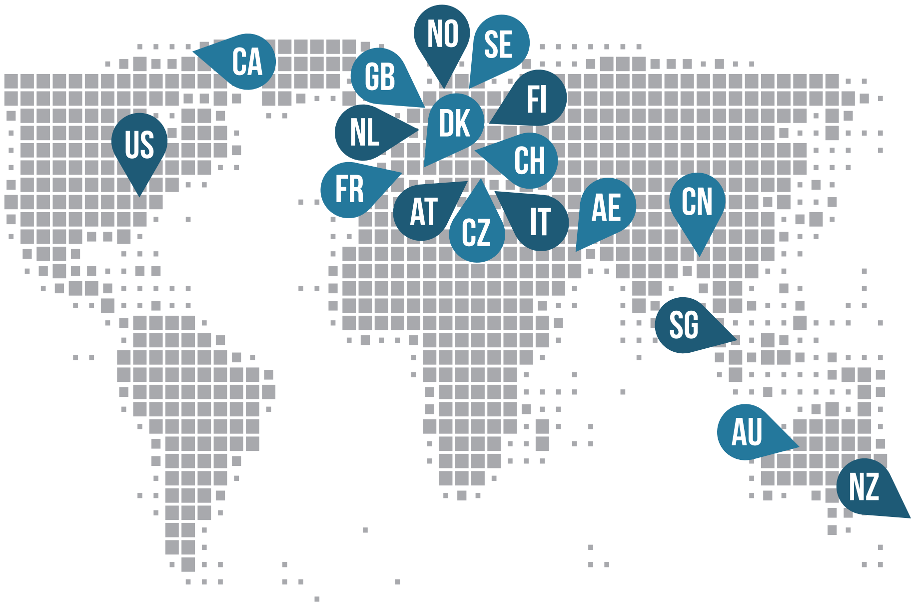
The company's main market is the global construction and demolition industry. Its sales follow the trend in the global market for construction machinery. The demolition robots are sold directly to the end customers or to selected distributors and agents. The components are produced by contract manufacturers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

In 2017 Lifco acquired three businesses in the Crane and Excavator Attachments division. The first acquisition of the year was Sweden-based Hultdins, a leading manufacturer of tools and attachments for forestry and construction machinery. In spring 2017 Lifco also acquired US-based Solesbee's, a leading provider of attachments for excavators and wheel loaders in the North American market. At the end of the year Lifco acquired Doherty, which has operations in New Zealand and Australia. Doherty is a supplier of quick couplers, buckets and other excavator attachments.



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

ACQUISITIONS IN 2017

In 2017 three acquired businesses were consolidated. The purchase of Doherty has strengthened Demolition & Tools' presence in New Zealand and Australia. Doherty is a supplier of quick couplers, buckets and other excavator attachments. The company generated net sales of around NZD 14 million in 2016 and has 30 employees.

The acquisition of US-based Solesbee's has strengthened the business area's position in the North American market. Solesbee's is a leading provider of attachments for excavators and wheel loaders in the North American market. The company had net sales of around USD 11 million in 2016 and has 35 employees.

During the year the product portfolio was broadened to include Sweden-based Hultdins, a leading manufacturer of tools and attachments for forestry and construction machinery. Hultdins had a turnover of around SEK 152 million in the financial year 2015/2016 and has 66 employees.

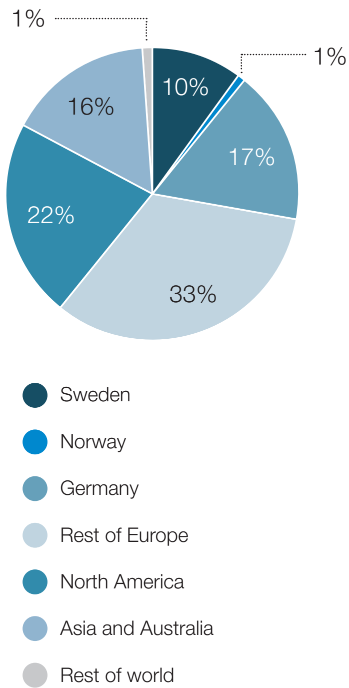
EARNINGS IN 2017

Net sales increased by 31.0 per cent in 2017 to SEK 2,261 (1,726) million. The market situation was generally good. Among the larger markets, the US, Australia and Germany saw the fastest growth. EBITA* increased by 50.3 per cent during the year to SEK 598 (398) million and the EBITA margin* expanded by 3.5 percentage points to 26.5 (23.0) per cent.

FINANCIAL RESULTS

SEK MILLION	2017	CHANGE	2016	CHANGE	2015
Net sales	2,261	31.0%	1,726	9.7%	1,574
EBITA*	598	50.3%	398	0.5%	396
EBITA margin*	26.5%	3.5	23.0%	-2.1	25.1%

NET SALES BY GEOGRAPHIC MARKET



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. Eight acquired businesses were consolidated during the year.

CONSTRUCTION MATERIALS

During the year the activities of the Construction Materials division were expanded through six acquisitions. The purchases of Pro Optix of Sweden and Fiberworks of Norway expanded the operations to include fibre optic transceivers and cables, and communication equipment for the European fibre optic market. Lifco also acquired a majority stake in Hydal of Norway, Scandinavia's leading manufacturer of aluminium cabinets.

In 2017 Lifco acquired Elit of Norway, a wholesale supplier of machinery and equipment for electrical installations and electricity production, as well as a majority shareholding in Blinken, which has operations in Norway and Sweden. Blinken sells among all measurement instruments for land surveyors and the construction industry.

The existing operations of Proline were strengthened through the acquisition of a majority stake in Wachtel of Germany, a turnkey supplier of piping technology.

The division already includes Cenika, a leading Norwegian supplier of low-voltage electrical equipment, and Nordesign, a Norwegian supplier of LED lighting.

Construction Materials reported good sales and earnings growth in 2017 thanks to robust organic growth and improved profitability in all areas of operation.

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 special 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 names. The largest customers are in the energy and construction sectors. Net sales in the division were down slightly in 2017 and profitability declined slightly due to a weaker UK market and increased product development costs.

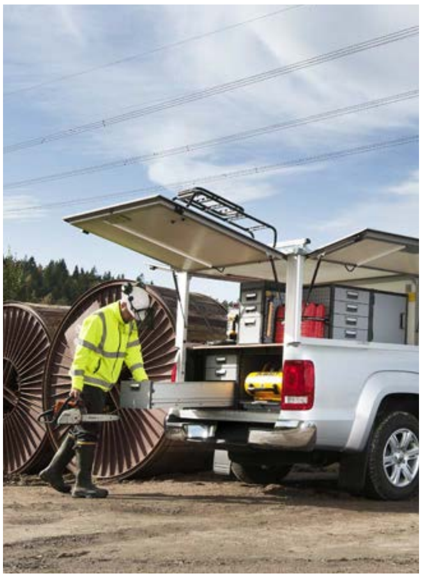
CONTRACT MANUFACTURING

Under the names Leab, Texor, Wintech and Zetterströms Rostfria, Lifco offers contract manufacturing of products that are used in a wide range of industries, including the manufacturing industry and medical technology. The companies focus on the manufacture of 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. The division performed well in 2017 in a generally stable market. Both net sales and earnings improved during the year.

ENVIRONMENTAL TECHNOLOGY

Under the names Eldan Recycling, Rapid Granulator och TMC/Nessco, Lifco manufactures and sells recycling machines that have a positive impact on the environment. The machines are used for the recycling of tyres, cabling, refrigerators, aluminium products and plastics. The offering also includes energy efficient compressors. Environmental Technology performed well in 2017 as sales and profitability both improved. During the year Lifco acquired Sweden-based Silvent, which specialises in energy optimisation and occupational health and safety, and has unique expertise in the area of compressed air dynamics.

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



FOREST

Lifco offers sawmill equipment under the Heinola and Hekotek names. 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 division also provides service and spare parts but new equipment accounts for a majority of sales.

Sales in the Forest division decreased during the year. At the beginning of the year Lifco acquired Haglöf Sweden, which had a positive impact on earnings in 2017. Haglöf Sweden is a world-leading supplier of instruments for professional forestry surveyors, which was consolidated from February 2017. The decline in the other operations in the division is due to continued problems in certain projects and lower sales.

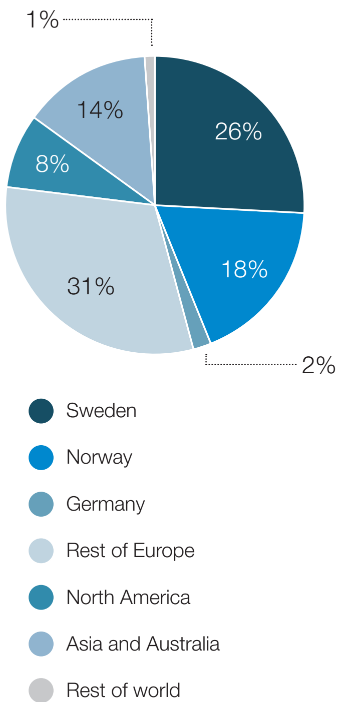
EARNINGS IN 2017

Net sales in Systems Solutions increased by 7.7 per cent to SEK 3,952 (3,671) million. All divisions increased their sales with the exception of Interiors for Service Vehicles, where sales were in line with 2016, and Forest, where sales dropped significantly. EBITA* increased by 27.6 per cent to SEK 537 (421) million in 2017. The Construction Materials, Contract Manufacturing and Environmental Technology divisions improved their results. The EBITA margin* increased by 2.1 percentage points to 13.6 (11.5) per cent.

FINANCIAL RESULTS

SEK MILLION	2017	CHANGE	2016	CHANGE	2015
Net sales	3,952	7.7%	3,671	26.9%	2,892
EBITA*	537	27.6%	421	59.9%	263
EBITA margin*	13.6%	2.1	11.5%	2.4	9.1%

NET SALES BY GEOGRAPHIC MARKET



THE LIFCO SHARE

Lifco's B shares have been listed on the main list of Nasdaq Stockholm since 21 November 2014. The stock is part of the Nasdaq OMX Nordic Large Cap index. At 31 December 2017 the number of shareholders was 6,716. The share of foreign-owned shares at year-end was 10.7 per cent. The company trades under the ticker LIFCO B.

SHARE PERFORMANCE AND LIQUIDITY

Lifco's share price at year-end was SEK 284.40, which equates to a market capitalisation of SEK 25.8 billion. This is an increase of 25.2 per cent since year-end 2016. Nasdaq Stockholm, as measured by the OMXS PI index, gained 6.4 per cent in 2017.

The highest price paid in 2017 was SEK 315.80 on 6 November and the lowest price paid was SEK 224.70 on 9 January.

Lifco's introduction price was SEK 93.00. From the initial public offering to the end of 2017 the share price has increased by 206 per cent. Nasdaq Stockholm, as measured by the OMXS PI index, gained 22.2 per cent over the same period.

In 2017, 18,143,455 (11,174,098) shares were traded. The daily average was 72,285 (44,342) shares. 60.7 (70.3) per cent of the shares were traded on Nasdaq Stockholm.

SHARE CAPITAL

At the end of 2017 the share capital of Lifco was 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 is 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 having regard to 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 (0)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 THAT FOLLOW LIFCO

Emmi Östlund, ABG Sundal Collier
Robert Redin, Carnegie
Lars Hevreng, 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 focused on its core business areas. Lifco acquired its current form in 2006 through the acquisition of the sister company Sorb Industri, which had been taken private by Carl Bennet AB in 1999.

DISTRIBUTION OF SHARE CAPITAL

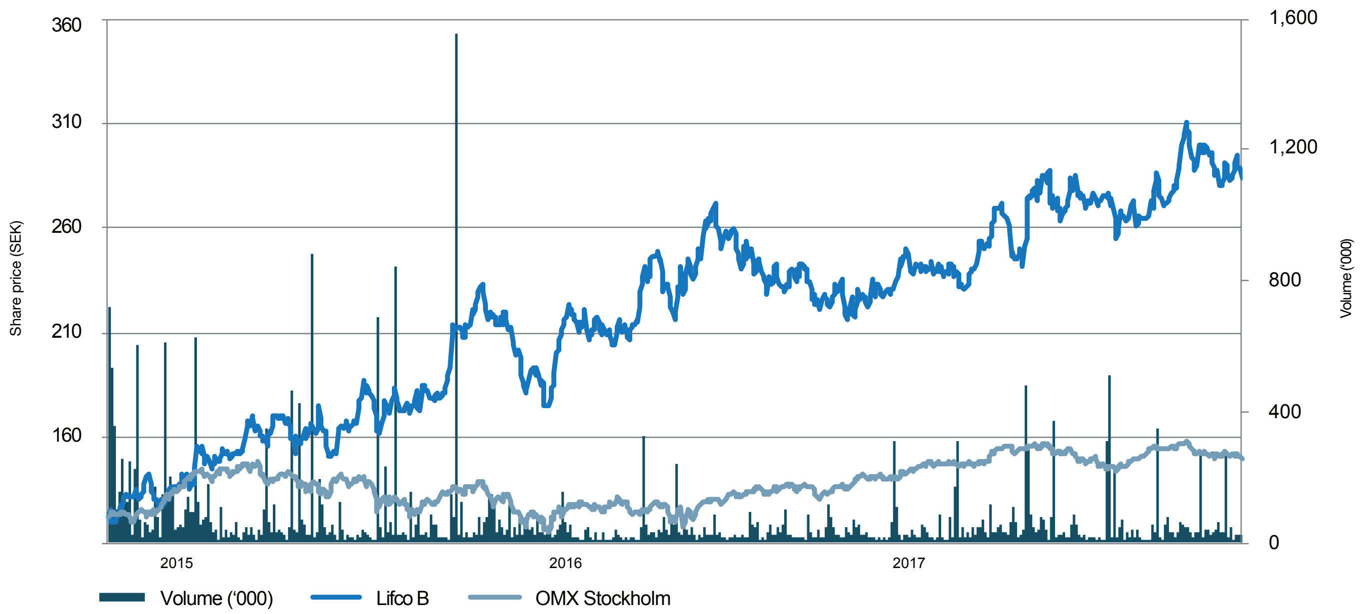
	SERIES A	SERIES B	TOTAL
Shares, no.	6,075,970	84,767,290	90,843,260
Votes, no.	60,759,700	84,767,290	145,526,990
Capital, %	7	93	100
Votes, %	42	58	100

TEN LARGEST COUNTRIES, 31 DECEMBER 2017

	NO. OF SHARES	CAPITAL, %	VOTES, %	NO. OF OWNERS	SHARE OF OWNERS, %
Sweden	80,137,756	88.2	92.6	6,426	95.7
USA	5,121,137	5.6	3.5	31	0.5
Norway	2,987,205	3.3	2.1	25	0.4
Denmark	740,666	0.8	0.5	100	1.5
Luxembourg	276,127	0.3	0.2	7	0.1
United Kingdom	199,119	0.2	0.1	15	0.2
Finland	190,966	0.2	0.1	22	0.3
Netherlands	73,895	0.1	0.1	5	0.1
Switzerland	55,156	0.1	0.0	11	0.2
Germany	46,129	0.1	0.0	8	0.1
Other countries	46,371	0.1	0.0	66	1.0
Anonymous ownership	968,733	1.1	0.7	-	-

Source: Modular Finance

SHARE PERFORMANCE OF LIFCO B ON NASDAQ STOCKHOLM



LIFCO'S 15 LARGEST SHAREHOLDERS, 31 DECEMBER 2017

	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)		6,894,757	7.6	4.7
Didner & Gerge fonder		5,279,714	5.8	3.6
Carnegie Fonder		4,610,000	5.1	3.2
Swedbank Robur Fonder		4,338,558	4.8	3.0
SEB Fonder		1,919,566	2.1	1.3
Capital Group		1,916,699	2.1	1.3
Nordstjernan		1,910,966	2.1	1.3
Odin Fonder		1,606,379	1.8	1.1
Handelsbanken Fonder		1,570,000	1.7	1.1
Norges Bank		1,358,703	1.5	0.9
Vanguard		1,030,640	1.1	0.7
Fidelity		768,002	0.8	0.5
Evermore Global Advisors Fonder		586,689	0.6	0.4
Nordea Fonder		500,780	0.6	0.3
Other		11,038,547	12.2	7.7
Total	**6,075,970**	**84,767,290**	**100.0**	**100.0**

Source: Modular Finance and information from the shareholders

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 2017

NUMBER	SHARES	NO. OF OWNERS	SHARE OF OWNERS, %
1	1,000	6,316	94.0
1,001	10,000	295	4.4
10,001	20,000	27	0.4
20,001	50,000	23	0.3
50,001	100,000	14	0.2
100,001	500,000	26	0.4
500,001	1,000,000	3	0.0
1,000,001	2,000,000	7	0.1
2,000,001	5,000,000	2	0.0
5,000,001	20,000,000	2	0.0
20,000,001	-	1	0.0
		6,716	**100.0**

Source: Modular Finance

DATA PER SHARE

DATA PER SHARE	2017	2016	2015
Earnings per share after tax	11.94	9.99	8.91
Share price, 31 December	284.40	233.20	212.00
Cash flow	14.60	11.93	10.44
Dividend (proposed for 2017)	4.00	3.50	3.00
Dividend growth, %	14.3	16.7	15.4
Yield, %	1.4	1.5	1.4
P/E ratio	23.8	23.3	23.8
Payout ratio, %	33.5	35	34
Equity	60.5	51.9	43.4
Number of shares, 31 December, million	90.8	90.8	90.8

ACQUISITIONS

In 2017 Lifco made 13 acquisitions. The acquisitions have brought complementary or new products to Lifco and expanded the Group's market presence. Total net sales in the businesses acquired in 2017 were approximately SEK 1,000 million and the acquisitions brought 1,224 new employees to the Group. The acquisitions had an overall positive impact on Lifco's results and financial position in 2017.

ACQUISITIONS IN DENTAL

Two acquisitions were made in Dental:

The German dental laboratories City Dentallabor and Hohenstücken-Zahntechnik.

The Chinese dental company Perfect Ceramic Dental (PCD). PCD is a dental laboratory which performs dental work mainly for Lifco's German subsidiary MDH. At the time of the acquisition around 80 per cent of PCD's sales went to Lifco's German subsidiary MDH, which meant that the acquisition had a very limited impact on consolidated external sales.

ACQUISITIONS IN DEMOLITION & TOOLS

Three companies were acquired in Demolition & Tools:

Doherty in New Zealand, a supplier of quick couplers, buckets and other excavator attachments.

Hultdin System, a leading Swedish manufacturer of tools and attachments for forestry and construction machinery with headquarters in Malå, Västerbotten.

The majority of Solesbee's, a leading supplier of attachments for excavators and wheel loaders. Solesbee's develops and provides products such as grapples, mechanical crushers and other attachments for excavators and skid-steer loaders. Based in Georgia, USA, the company mainly targets the North American market.

ACQUISITIONS IN SYSTEMS SOLUTIONS

Eight acquisitions were made in Systems Solutions:

A majority shareholding in Blinken, a reseller of measurement instruments and correction data as well as consumables for land surveyors and the construction industry. The company has operations in Norway and Sweden, and is part of the Construction Materials division.

Elit, a wholesale supplier of machinery and equipment for electrical installations and electricity production in Norway, is part of the Construction Materials division.

A majority stake in Fiberworks, which provides fibre optic transceivers and cables, wavelength multiplexers, test and measurement instruments, and communication equipment for the European fibre optic market. The company is based on Oslo and works with Lifco's other fibre optic company, Sweden-based Pro Optix.

Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors with its headquarters and production facilities in Långsele, Västernorrland. The company is part of the Forest division.

A majority stake in Hydal, Scandinavia's leading manufacturer of aluminium cabinets for outdoor and indoor use. The company is based in Norway and is part of the Construction Materials division.

Pro Optix, which provides fibre optic transceivers and cables, wavelength multiplexers, test and measurement instruments, and communication equipment for the European fibre optic market. The company is based in Nacka, Sweden and is part of the Construction Materials division.

A majority stake in Silvent, which specialises in energy optimisation and work environments. The company develops and supplies compressed air solutions for cooling, cleaning and drying for various industrial applications. The head office is located in Borås, Sweden and the business is part of the Environmental Technology division.

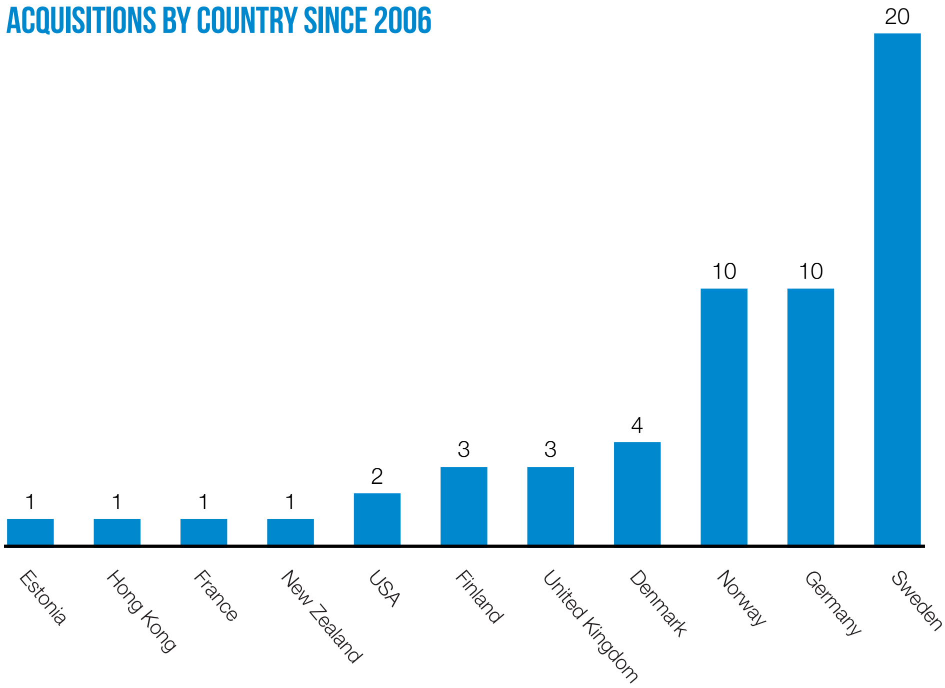
A majority stake in Wachtel, a turnkey supplier of piping technology, conduit piping and air shaft systems. The company operates mainly in Germany and is part of the Construction Materials division.

PREVIOUS ACQUISITIONS

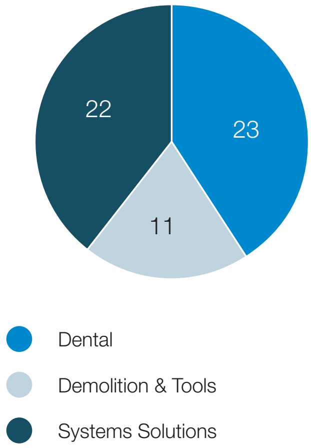
Over the period 2006-2017 Lifco has made 56 acquisitions. A list of all acquisitions is provided on pages 78–79.

Countries in which Lifco made acquisitions in 2017.

ACQUISITIONS BY COUNTRY SINCE 2006



ACQUISITIONS BY BUSINESS AREA SINCE 2006



ACQUISITIONS IN 2017

COMPANY	OPERATIONS	BUSINESS AREA	NET SALES IN 2016	NO. OF EMPLOYEES ON ACQUISITION	CONSOLIDATED FROM	COUNTRY
Blinken	Reseller of measurement instruments for land surveyors and the construction industry	Systems Solutions	NOK 124m	33	November	Norway
City Dentallabor and Hohenstücken-Zahntechnik	Dental laboratories	Dental	EUR 1.3m	20	October	Germany
Doherty	Supplier of quick couplers, buckets and other excavator attachments	Demolition & Tools	NZD 14m	30	31 December	New Zealand
Elit	Wholesale supplier of machinery and equipment for electrical installations and electricity production	Systems Solutions	NOK 38m	10	September	Norway
Fiberworks	Supplier of communication equipment for the European fiber optic market	Systems Solutions	NOK 93m	14	July	Norway
Haglöf Sweden	Supplier of instruments for professional forestry surveyors	Systems Solutions	SEK 60m	43	February	Sweden
Hultdin System	Manufacturer of tools and attachments for forestry and construction machinery	Demolition & Tools	SEK 152m	66	March	Sweden
Hydal	Manufacturer of aluminium cabinets for outdoor and indoor use	Systems Solutions	NOK 50m	25	July	Norway
Perfect Ceramic Dental	Dental laboratory	Dental	HKD 24m*	850	September	Hong Kong
Pro Optix	Supplier of communication equipment for the European fiber optic market	Systems Solutions	SEK 62m	14	July	Sweden
Silvent	Specialises in energy optimisation and work environments in the area of compressed air dynamics	Systems Solutions	SEK 120m	70	June	Sweden
Solesbee's	Develops and sells attachments for excavators and wheel loaders	Demolition & Tools	USD 11m	35	May	USA
Wachtel	A turnkey supplier of piping technology	Systems Solutions	EUR 2m	14	November	Germany

*HKD 24 million refers to external net sales, which account for around 20 per cent of total net sales

RISKS AND RISK MANAGEMENT

There are a number of factor which affect, or could affect, Lifco's operations, results or financial position. Lifco has 138 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, guarantees, limitations of liability and scope. Some guarantees 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 guarantees 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 abreast of 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 Group 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 in all Lifco's businesses, many of which also offer service, which further strengthens the relationship to the customer. Strong customer relationships are also important in price negotiations.

Most of the products that are sold in the 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 38 per cent of consolidated net sales, and no individual market accounts for more than 35 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 Group management team and in the subsidiaries. The 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 currencies.

Lifco conducts operations in 29 countries. The geographic spread coupled with the large number of customers and products results in a relatively limited transaction exposure. Inside the Group, there is a balance between purchasing and sales in foreign currencies. A moderate change in the value of the Swedish krona does not have any 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 assesses 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 centred on long-term growth, a focus on profitability and a strongly decentralised organisation. Lifco comprises 138 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 relationship 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 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 Group 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 provide explanations of 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 instructions for the CEO, policy documents and the Group's Code of Conduct.

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

SHAREHOLDERS

At the end of 2017 Lifco had 6,716 shareholders, according to Modular Finance. At 31 December 2017 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 same date Lifco had a stock market capitalisation of SEK 25.8 billion. The company's largest shareholder is Carl Bennet AB, which holds 68.9 per cent of the total number of votes. Further information on Lifco's shareholder structure, share performance, etc. is provided on pages 24–25.

ANNUAL GENERAL MEETING 2017

Lifco's Annual General Meeting in Stockholm on 4 May 2017 was attended by 143 shareholders representing 80.5 per cent of the number of shares and 87.8 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, Annika Espander Jansson, Erik Gabrielson, Ulf Grunander, Fredrik Karlsson, Johan Stern and Axel Wachtmeister were re-elected to the Board. Anna Hallberg was elected as a new Director. Carl Bennet was re-elected Chairman of the Board. It was noted that the employee organisations had appointed Annika Norlund and Hans-Eric Wallin as members of the Board with Anders Lorentzson and Peter Wiberg 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 3.50 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 2016. • Directors' fees. It was resolved that fees in a total amount of SEK 5,750,000 be paid to the Directors, and that fees for committee work be paid in the amount of SEK 200,000 to the chairman of the Audit Committee and SEK 100,000 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 70,000. More detailed information is found on page 30. • 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 2018 consisting of the Chairman of the Board, a representative for each of the company's five largest shareholders as at 31 August 2017 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 30. • Amendment of the Articles of Association. The AGM unanimously resolved to approve the Board's proposed amendment of the company's Articles of Association in respect of the limits for the number of Directors provided for in Article 7. The new formulation states that the Board of Directors shall consist of at least three and not more than ten Directors with no deputies.

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 release the members of the Board and CEO from liability. 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 2018 was published in the interim report for the third quarter and on the company's website on 26 October 2017. 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 2018 AGM, the Nomination Committee consists of the following representatives:

- Carl Bennet, Carl Bennet AB
- Anna-Karin Celsing, representative of small shareholders
- Per Colleen, Fourth Swedish National Pension Fund (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 2018, 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 2018, 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 can 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 4 May 2017.

In 2017, 13 Board meetings were held with an average attendance of the Directors of 95 per cent. With the exception of the CEO, no member of Lifco's Board 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, is not to be considered independent of the company and management, and that Carl Bennet 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, management and the company's main shareholders. 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, budget, 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 has been made through a written questionnaire, answered by all Directors of the Board. The Chairman has presented the outcome to the Board and the 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 review and risk management, keep itself informed on the audit of the annual report and consolidated financial statements, 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 fees for the auditing services provided.

After the Annual General Meeting 2017 the Audit Committee had the following composition: Ulf Grunander, chairman, Ulrika Dellby, member, Annika Espander Jansson, member, Erik Gabrielson, member, Anna Hallberg, member and Johan Stern, member. In July, Erik Gabrielson and Johan Stern left the Audit Committee. In 2017 the committee held five minuted meetings and had informal contacts in between meetings, as required. Average attendance was 96 per cent. The company's auditor participated at four of the Audit Committee's five meetings. The committee has 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 remuneration and other terms of employment for the CEO and senior executives. After the Annual General Meeting 2017 the Remuneration Committee had the following composition: Carl Bennet, chairman, Gabriel Danielsson, member, Johan Stern, member, and Axel Wachtmeister, member. Erik Gabrielson was appointed to the Remuneration Committee in July. In 2017 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 instructions 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 shall keep the Board continuously informed about the development of the company's operations, its sales performance, earnings and financial condition, 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 lead audit engagement partner at PricewaterhouseCoopers AB is the authorised public accountant Eric Salander and authorised public accountant Tomas Hilmarsson is co-auditor. Neither Erik 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 four out of five meetings of the Audit Committee in 2017 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 Group management took part.

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

OPERATING ACTIVITIES

The CEO and other members of Group management hold ongoing meetings to review monthly results, update forecasts and plans, and discuss strategic matters. Lifco's Group management team consists of four individuals, who are presented on page 37. In addition to operational matters concerning each business area, Group management addresses matters of concern to the Group as a whole. Group management consists of the Chief Executive Officer, the Chief Financial Officer, the Head of Business Area Dental, who is also Deputy CEO, 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. Group management and managers at different levels of the company have this responsibility in their respective areas. Authorities and responsibilities are defined in policies, guidelines and descriptions of responsibilities.

DIRECTORS' FEES

The Annual General Meeting 2017 approved the payment of Directors' fees in a total amount of SEK 5.75 million, of which SEK 1.15 million to the Chairman of the Board and SEK 575,000 to each of the Directors who are not employees of the company. The AGM also approved the payment of remuneration for work on the Audit Committee in the amount of SEK 200,000 to the Chairman and SEK 100,000 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 70,000 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 2017 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, authorities, skills and experience. The balance between basic salary and variable remuneration must 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 2017, including salaries and remuneration of the Board of Directors, Group management and the chief executives of the Group's subsidiaries, was SEK 213 (189) 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. The audit engagement refers to the examination of the annual report and accounting records and of the Board of Directors' and CEO'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 2017 totalled SEK 7 (7) million while fees for other services totalled SEK 2 (3) 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 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 Group 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, authorities 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. Measurements aimed at minimising the identified risks are then defined centrally in the Group.

CONTROL ACTIVITIES

Identified risks related to financial reporting are managed through the company's control activities. 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 and comparisons with budget and forecasts 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 using implemented reporting tools.

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 activities is reviewed regularly at different levels of the Group, covering an assessment of design and operational functionality.

In 2017 the review of the Group's internal control was completed by Group 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 activities have been established in the Group. Based on the completed internal control activities, 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 activities, and review and monitoring activities.


BROKK
500

THE BOARD OF DIRECTORS


Carl Bennet


Gabriel Danielsson


Ulrika Dellby


Annika Espander Jansson


Erik Gabrielson


Ulf Grunander


Anna Hallberg


Fredrik Karlsson


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 appointments: CEO of Carl Bennet AB, Chairman of Getinge AB and Elanders AB, and member of the Boards of Arjo AB, Holmen AB and L E Lundbergföretagen AB.

Previous appointments: President and CEO of Getinge AB.

Shareholding through companies, 31 December 2017: 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: 13/13

Attendance, Remuneration Committee: 2/2

GABRIEL DANIELSSON

Director

Born in 1954. Elected in 2006.

Forester, entrepreneur

Current appointments: CEO of Linköpings Skogstjänst AB and Slottstornet AB. Member of the Boards of Boxholms Skogar AB, Dylta Bruk Förvaltnings AB, Gustafsborgs Säteri AB, Kårehatt AB, Wanås Gods AB and Wasatornet AB.

Previous Appointments: Roles at Domänverket.

Own and related parties' shareholding, 31 December 2017: 34,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 12/13

Attendance, Remuneration Committee: 2/2

ULRIKA DELLBY

Director

Born in 1966. Elected in 2015.

M.Sc. in Economics and Business

Current appointments: Director of Kavli Holding AS, Cybercom Group AB, SJ AB and Chairman of Hello World! (non-profit organization).

Previous appointments: Partner the Boston Consulting Group, CEO of Brindfors Enterprise IG (today Brand Union), deputy Chairman of Norrporten, Director of Via Travel Group and OSM Group.

Own and related parties' shareholding, 31 December 2017: 5,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 13/13

Attendance, Audit Committee: 5/5

ANNIKA ESPANDER JANSSON

Director

Born in 1964. Elected in 2016.

B.Sc. in Chemistry and MBA

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

Previous appointments: 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' shareholding, 31 December 2017: –

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 13/13

Attendance, Audit Committee: 4/5

ERIK GABRIELSON

Director

Born in 1962. Elected in 2001.

LL.M.

Current appointments: Lawyer and partner Advokatfirman Vinge AB. Chairman of Allegresse AB, Eldan Recycling A/S and Redoma Recycling AB. Member of the Boards of Carl Bennet AB, Elanders AB, CG Vignoble AB, ECG Vinivest AB and Generic Sweden AB.

Previous appointments: Member of the Boards of Advokatfirman Vinge AB, Advokatfirman Vinge Skåne AB, Rosengård Invest AB and Storegate AB.

Own and related parties' shareholding, 31 December 2017: –

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 11/13

Attendance, Remuneration Committee: 1/1

Attendance, Audit Committee: 2/2

ULF GRUNANDER

Director

Born in 1954. Elected in 2015.

M.Sc. in Economics and Business

Current appointments: Member of the Boards of Arjo AB, Djurgården Hockey AB, Food Track i Malmö AB and Nyströms Gastronomi & Catering AB.

Previous appointments: CFO of the Getinge Group.

Own and related parties' shareholding, 31 December 2017: 2,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 13/13

Attendance, Audit Committee: 5/5

ANNA HALLBERG

Director

Born in 1963. Elected in 2017.

Business administration/Law, University of Gothenburg

Current appointments: Deputy CEO of Almi Företagspartner. Member of the Boards of Atrium Ljungberg, Mid Sweden University and companies linked to Almi's activities. Member of the Economic Policy Forum and Swedish Entrepreneurship Forum.

Previous appointments: CFO of Almi Företagspartner, Head of SEB Private Banking in Stockholm, corporate finance at Öhman Fondkommission and various positions at SEB.

Own and related parties' shareholding, 31 December 2017: 2,000 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 8/8

Attendance, Audit Committee: 4/4

FREDRIK KARLSSON

Director

President and CEO

Born in 1962. Elected in 1998.

M.Sc. in Engineering, M.Sc. in Economics and Business

Current appointments: Member of the Boards of the German-Swedish Chamber of Commerce and Bijaka AB

Previous appointments: Management consultant at BCG, CEO of Mercatura GmbH.

Own and related parties' shareholding, 31 December 2017: 331,500 B shares

Independent of the company and of management: No

Independent of main owner: Yes

Attendance, Board meetings: 11/11

JOHAN STERN

Vice Chairman

Vice Chairman

Born in 1951. Elected in 2001.

M.Sc. in Economics and Business

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

Previous appointments: Roles at SEB in Sweden and the US

Own and related parties' shareholding, 31 December 2017: 46,000 B shares

Independent of the company and of management: Yes

Independent of main owner: No

Attendance, Board meetings: 13/13

Attendance, Remuneration Committee: 2/2

Attendance, Audit Committee: 2/2

AXEL WACHTMEISTER

Director

Born in 1951. Elected in 2006.

M.Sc. in Engineering

Current appointments: Director and CEO of Wästerslöv AB. Member of the Boards of Kilmartin Estate AB and Symbrio AB. Deputy Director of HAWAJ Holding AB and Sydsvensk Form Reklam i Höör AB.

Previous appointments: Member of the Boards of Sorb Industri AB and Troponor AB.

Own and related parties' shareholding, 31 December 2017: 16,200 B shares

Independent of the company and of management: Yes

Independent of main owner: Yes

Attendance, Board meetings: 13/13

Attendance, Remuneration Committee: 2/2

ANDERS LORENTZSON

Employee representative, deputy, Unionen

Born in 1957. Elected in 2017.

Own and related parties' shareholding, 31 December 2017: -

Attendance, Board meetings: 8/8

ANNIKA NORLUND

Employee representative, Unionen

Born in 1967. Elected in 2013.

Own and related parties' shareholding, 31 December 2017: 300 B shares

Attendance, Board meetings: 10/13

HANS-ERIC WALLIN

Employee representative

Born in 1952. Elected in 2006.

Own and related parties' shareholding, 31 December 2017: –

Attendance, Board meetings: 7/13

PETER WIBERG

Employee representative, deputy, IF Metall

Born in 1960. Elected in 2013.

Own and related parties' shareholding, 31 December 2017: 300 B shares

Attendance, Board meetings: 10/13

REVISOR

PricewaterhouseCoopers AB has been Lifco's auditor since 2010.

At the Annual General Meeting 2017 PricewaterhouseCoopers was appointed for the period until the end of the AGM 2018.

The lead audit engagement partner 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 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.

GROUP MANAGEMENT


Fredrik Karlsson


Therése Hoffman


Ingvar Ljungqvist


Per Waldemarson

FREDRIK KARLSSON

President and CEO

Born in 1962. Appointed in 1998. Hired in 1998.

M.Sc. in Engineering, M.Sc. in Economics and Business

Current appointments: Member of the Boards of the German-Swedish Chamber of Commerce and Bijaka AB

Previous appointments: Management consultant at BCG, CEO of Mercatura GmbH.

Own and related parties' shareholding, 20 February 2018: 331,500 B shares and 15,000 Class B shares through Pension Scheme

THERÉSE HOFFMAN

Chief Financial Officer

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

High School Economist, International Marketing

Previous appointments: CFO at Nordenta AB.

Own and related parties' shareholding, 20 February 2018: 300 B shares

INGVAR LJUNGQVIST

Head of Acquisitions

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

M.Sc. in Engineering

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

Own and related parties' shareholding, 20 February 2018: 35,300 B shares

PER WALDEMARSON

Head of Business Area Dental and Deputy CEO

Born in 1977. Appointed in 2009. Hired in 2006.

M.Sc. in Economics and Business

Previous appointments: Management consultant at Bain & Co, CEO of BrokkAB.

Own and related parties' shareholding, 20 February 2018: 102,700 B shares and 3,000 Class B shares through Pension Scheme

PROPOSED 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:	MSEK
Retained earnings	2,086
Net profit for the year	593
Total	**2,679**
The Board of Directors and Chief Executive Officer propose that a dividend of SEK 4.00 per share be paid to the shareholders	363
Carried forward	2,316
Total	**2,679**

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 24 April 2018.

The Board of Directors and CEO warrant 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 audit 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, 29 March 2018

Carl Bennet
Chairman

Gabriel Danielsson
Director

Ulrika Dellby
Director

Annika Espander Jansson
Director

Erik Gabrielson
Director

Ulf Grunander
Director

Anna Hallberg
Director

Fredrik Karlsson
President and CEO,
Director

Annika Norlund
Director,
Employee representative for Unionen

Johan Stern
Vice Chairman

Axel Wachtmeister
Director

Hans Eric Wallin
Employee representative for Metall

Our auditor's report was submitted on 29 March 2018
PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Lead Audit Engagement Partner

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

OPINIONS

We have audited the annual accounts and consolidated accounts of Lifco AB (publ) for the year 2017 except for the corporate governance statement and the statutory sustainability report on pages 29–37 and 12-13 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 2017 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 2017 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 12–13 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

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 CEO and the Board of Directors 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	HOW OUR AUDIT ADDRESSED THE 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.	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.
Recognition of acquisitions With reference to Note 2, Note 4 and Note 31. In the financial year 2017, Lifco made 13 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 1,584 million, of which SEK 956 million refers to identified fair value adjustments in the acquisition analyses for trademarks, customer relationships and licences and SEK 709 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.	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 78-90. 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 2017 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 12–13, 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 4 May 2017 and has been the company's auditor since the general meeting of the shareholders in 2010.

Enköping 29 March 2018

PricewaterhouseCoopers AB

Eric Salander Authorised Public Accountant Auditor-in-charge	Tomas Hilmarsson Authorised Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK MILLION	NOTE	2017	2016
Net sales	5	10,030	8,987
Cost of good sold		-5,766	-5,405
Gross profit		**4,264**	**3,582**
Selling expenses		-1,095	-831
Administrative expenses		-1,525	-1,412
Research and development expenses		-105	-88
Other operating income	6	18	48
Other operating expenses	6	-38	-47
Operating profit	7, 8, 9, 10, 11	**1,519**	**1,252**
Financial income	6, 12	2	12
Financial expenses	6, 12	-48	-45
Profit before tax		**1,473**	**1,219**
Tax on profit for the year	13	-366	-292
Net profit for the year		**1,107**	**927**
Net profit for the year attributable to:			
Parent company shareholders		1,084	908
Non-controlling interests		23	19
Net profit for the year		**1,107**	**927**
Earnings per share before and after dilution attributable to parent company shareholders during the year, SEK	32	11.94	9.99

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK MILLION	NOTE	2017	2016
Net profit for the year		**1,107**	**927**
Other comprehensive income			
Items which can later be reclassified to profit or loss:			
Hedge of net investment	2.7.5	99	-23
Translation differences		-59	159
Tax related to other comprehensive income		-22	4
Total comprehensive income for the year		**1,125**	**1,067**
Comprehensive income attributable to:			
Parent company shareholders		1,102	1,046
Non-controlling interests		23	21
Total comprehensive income for the year		**1,125**	**1,067**

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

KONCERNBALANSRÄKNING

SEK MILLION	NOTE	31 DEC 2017	31 DEC 2016
ASSETS			
Fixed assets			
Intangible assets	14	8,288	6,824
Tangible fixed assets	15	550	464
Other non-current financial receivables	16	5	5
Deferred tax assets	17	125	104
Total fixed assets		**8,968**	**7,397**
Current assets			
Inventories	18	1,391	1,155
Accounts receivable - trade	16, 19	1,274	1,046
Current tax assets		77	86
Other current receivables		83	63
Prepaid expenses and accrued income	20	94	87
Cash and cash equivalents	16, 21, 22	305	293
Total current assets		**3,224**	**2,730**
TOTAL ASSETS		**12,192**	**10,127**

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

CONSOLIDATED BALANCE SHEET, CONT.

SEK MILLION	NOTE	31 DEC 2017	31 DEC 2016
EQUITY AND LIABILITIES			
Equity			
Share capital	23	18	18
Reserves		189	171
Retained earnings including net profit for the year		5,289	4,523
Equity attributable to parent company shareholders		**5,496**	**4,712**
Non-controlling interests		50	46
Total equity		**5,546**	**4,758**
Non-current liabilities			
Non-current interest-bearing liabilities	16, 24	997	1,083
Other non-current liabilities		259	51
Interest-bearing pension provisions	25	36	37
Deferred tax liability	17	736	525
Other long-term provisions	26	30	21
Total non-current liabilities		**2,058**	**1,717**
Current liabilities			
Current interest-bearing liabilities	16, 24	2,808	2,191
Accounts payable - trade	16	557	507
Advance payments from customers		260	142
Current tax liabilities		198	153
Other short-term provisions	26	36	41
Other current liabilities		234	200
Accrued expenses and deferred income	28	495	418
Total current liabilities		**4,588**	**3,652**
TOTAL EQUITY AND LIABILITIES		**12,192**	**10,127**

The notes on pages 48–67 constitute 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 2016	**18**	**33**	**3,888**	**3,939**	**25**	**3,964**
Comprehensive income						
Net profit for the year	-	-	908	908	19	927
Other comprehensive income	-	138	-	138	2	140
Total comprehensive income	-	138	908	1,046	21	1,067
Transactions with shareholders						
Additional non-controlling interests through acquisitions	-	-	-	-	12	12
Dividend	-	-	-273	-273	-12	-285
Closing balance, 31 December 2016	**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**

CONSOLIDATED CASH FLOW STATEMENT

SEK MILLION	NOTE	2017	2016
Operating activities			
Operating profit		1,519	1,252
Non-cash items	36	318	211
Other financial items		-4	6
Interest received		1	2
Interest paid		-43	-41
Income taxes paid		-368	-295
Cash flow before changes in working capital		**1,423**	**1,135**
Changes in working capital			
Increase/decrease in inventories		-124	-57
Increase/decrease in operating receivables		-85	11
Increase/decrease in operating liabilities		112	-5
Total changes in working capital		**-97**	**-51**
Cash flow from operating activities		**1,326**	**1,084**
Investing activities			
Investments in intangible assets		-9	-9
Investments in tangible fixed assets		-144	-114
Sale of tangible fixed assets		7	10
Acquisition of subsidiaries net of cash and cash equivalents	31	-1,378	-1,608
Cash flow from investing activities		**-1,524**	**-1,721**
Financing activities			
Increase/decrease in non-current receivables/liabilities		-	-15
Borrowings	24	2,534	2,030
Repayments of borrowings	24	-1,977	-1,305
Dividends paid		-337	-285
Cash flow from financing activities		**220**	**425**
Cash flow for the year		**22**	**-212**
Cash and cash equivalents at the beginning of year		293	464
Translation differences		-10	41
Cash and cash equivalents at year-end		**305**	**293**

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

NOTE 1 GENERAL INFORMATION

Lifco acquires and develops market-leading niche operations 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 29 March 2018. The consolidated and parent company income statements and balance sheets will be submitted for adoption at the Annual General Meeting on 24 April 2018.

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

Under German rules, it is permissible 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 resolved to absorb any losses for its German-registered subsidiaries, see below, in respect of the financial year 1 January – 31 December 2017, in accordance with § 32 of the German Companies Act (Aktiengesetz). This resolution will be published in official German registers in accordance with § 325 HGB.

It has also been resolved 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 2017 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)
- P&J Tapper Holdings Limited (CRN 02416305)
- Tevo Limited (CRN 01540940)
- Top Dental (Products) Limited (CRN 04261332)

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

NOT 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

2.1 BASIS OF PREPARATION OF 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

No new standards have been applied for the Group for the first time for financial years beginning on 1 January 2017.

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

A number of new standards and interpretations will become effective for financial years beginning after 1 January 2017 and have been applied in preparing these financial statements.

IFRS 9 Financial Instruments, which became effective on 1 January 2018, deals with the classification, measurement and accounting of financial assets and liabilities. It replaces those parts of IAS 39 which relate to the classification and measurement of financial instruments. Following an evaluation of the effects of introducing the standard, it has been established that the effects of IFRS 9 are marginal. No adjustments have therefore been made to the opening balances for 2018.

IFRS 15 Revenue from Contracts with Customers, which became effective on 1 January 2018, regulates the accounting treatment of revenue. The principles on which IFRS 15 is based are intended to give users of financial statements additional valuable information about a company's revenue. Under the expanded disclosure requirements, information on the type of revenue, date of settlement, uncertainties associated with the recognition of revenue and cash flows attributable to the company's customer contracts must be disclosed. Under IFRS 15, revenue should be recognised when a customer receives control over the sold good or service and is able to use or obtains a benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the related SIC and IFRIC interpretations. Effects in Lifco's subsidiaries have been assessed in a project that was initiated in 2016. No material differences compared with the previous standards have been identified, and no adjustments have been made to the opening balances for 2018. IFRS 15 will be applied from 1 January 2018 and implies an increased number of disclosures.

IFRS 16 Leases becomes effective on 1 January 2019 and replaces IAS 17 Leases and the related interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognised in the balance sheet. This accounting treatment is based on the view that the lessee has a right to use an asset during a specific period of time as well as an obligation to pay for this right. For the lessor the financial reporting will remain essentially unchanged. Senior management is currently evaluating the effects of applying the new standard on the consolidated financial statements. The standard will mainly affect the accounting of the Group's operating leases, under which there are significant commitments in the form of commercial leases. For an indication of the extent of the change, see Note 11. The Group does not currently intend to apply the standard prior to the effective date.

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

2.2 CONSOLIDATION

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 in 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 is also included 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 accounted for in accordance with IAS 39 in the income statement. 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 principles 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 accounted for 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.

Associated companies

Associated companies are those entities in which the Group has significant influence, but not control, which normally applies for shareholdings representing between 20 and 50 per cent of the votes. Holdings in associated companies are accounted for using the equity method. In applying the equity method, the investment is initially stated at cost and the carrying amount is subsequently increased or decreased to take account of the Group's share of the associate's profit or loss after the acquisition date.

2.3 TRANSLATION OF FOREIGN CURRENCY

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, in 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 for 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.

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 the estimated useful life, which ranges from 3-5 years.

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised at cost less depreciation. Cost does not include 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 removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the income statement 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 written down 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 is 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

2.7.1 CLASSIFICATION

The Group classifies its financial assets and liabilities into the following categories: "loans and receivables", "financial liabilities at fair value through profit or loss" and "other financial liabilities". The classification depends on the purpose for which the financial asset or liability was acquired.

Loans and receivables

Loans and receivables are financial assets which are not derivatives, have fixed or determinable payments, and are not listed on an active market. They are included in current assets, with the exception of items maturing later than twelve months from the balance sheet date, which are classified as fixed assets. The Group's "loans and receivables" comprise other non-current receivables, accounts receivable, and cash and cash equivalents.

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. A financial liability is classified in this category if it is acquired primarily for the purpose of being sold in the short term. Liabilities in this category are classified as current liabilities if they are expected to be settled within twelve months; if not, 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 the income statement.

Other financial liabilities

The Group's liabilities to credit institutions, accounts payable, overdraft facilities and liabilities to the parent company are classified as other financial liabilities.

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 stated at amortised cost by applying the effective interest method.

2.7.3 OFFSET 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 INSTRUMENTS

Assets carried at amortised cost (loans and receivables)

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.

A financial asset or group of financial assets is impaired and is written down only if there is objective evidence of impairment as a consequence of one or several events occurring after the initial recognition of the asset and this event affects the estimated future cash flows for the financial asset or group of financial assets that can be reliably measured.

The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment loss is recognised in the consolidated income statement. If the impairment is reduced in a subsequent period and this can objectively be attributed to an event occurring after recognition of the impairment loss, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.7.5 HEDGE OF NET INVESTMENT

Hedges of net investments in foreign operations are accounted for 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 stated 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 - TRADE

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 stated 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 ACCOUNTS PAYABLE - TRADE

Accounts payable are obligations to pay for goods and services purchased from suppliers in operating activities. Accounts payable 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 be equal to 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 of 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 BORROWINGS

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 redemption 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

Revenues comprise the fair value of what has been obtained or will be obtained for sold goods and services in the operations of the Group. Revenue is recognised exclusive of value-added tax, returns and discounts and after elimination of intercompany sales.

Revenue from the sale of goods is recognised when risks and rewards of ownership of the goods have been transferred to the buyer, which normally occurs upon delivery, and when the revenue and related expenditure can be reliably measured and it is probable that the economic benefits associated with the sale of the units will flow to the Group.

The Group conducts a minor share of its operations in project form and applies the percentage of completion method in accordance with IAS 18 Revenue. In calculating the accrued profit, the degree of completion has been calculated as costs incurred at the balance sheet date in relation to total estimated costs at completion of the contract.

Interest income is recognised over the term of the loan by applying the effective interest method.

2.17 LEASES

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 to the income statement 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 lease of premises and cars. 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 the 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 SHAREHOLDER 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, net interest-bearing 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.

2.23 PARENT COMPANY ACCOUNTING PRINCIPLES

In connection with the adoption of IFRS for the consolidated financial statements the parent company has started applying 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 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 compared with the consolidated financial statements, primarily with regard to financial income and expense, provisions, and items in equity.

Holdings in subsidiaries

Holdings in subsidiaries are stated at cost less any impairment. Cost includes acquisition-related costs and any additional considerations.

When there is an indication that holdings in a subsidiary are 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 holdings in Group companies".

Financial instruments

The parent company does not apply IAS 39 for financial instruments. All financial assets are classified in the category "Loans and receivables".

Leases

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

Revenue

Other operating revenue 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 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 2016 and 2017.

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 financial position. In 2017 net exchange rate differences recognised in the income statement were SEK -7 (7) million, see Note 6.

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.

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 +/- 40 (34) 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 financial year 2017 was 1.5 per cent (1.2% in 2016).

At the balance sheet date the Group had total borrowings of SEK 3,805 (3,274) million (see Note 24), of which 29 per cent has fixed interest rates and 71 per cent variable interest rates. A change of +/- 0.50 percentage points in interest rates would affect the net profit for the year by SEK +/- 11 (8) million.

(iii) Price risk
The Group is exposed to price risk in respect of raw materials, primarily steel and plate, stainless steel and gold. The Group does not use derivatives to hedge raw material prices. As raw materials account for a relatively small part of the goods which are produced by the Group and as the majority of contracts contain clauses providing for a change in the price depending on changes in the raw material price, the impact of price risk on the Group is deemed to be low.

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.

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 2017 the Group had cash and cash equivalents of SEK 305 (293) million. Other future liquidity requirements refer to the payment of accounts payable 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 MANGEMENT 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 trade and other receivables as well as trade 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 financial liabilities in the form of 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	PUT/CALL OPTIONS
Opening balance, 1 January 2016	30
Additional put/call options	42
Revaluation of put/call options	-14
Considerations paid	-1
Closing balance, 31 December 2016	**57**
Additional put/call options	212
Revaluation of put/call options	-1
Considerations paid	-6
Exchange rate differences	-4
Closing balance, 31 December 2017	**258**

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 concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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).

Reporting of acquisitions

In conjunction with undertaking acquisitions, the Group prepares acquisition analyses for accounting purposes in accordance with the accounting principle described in Note 2. The reporting of acquisitions involves a high level of judgment and estimations which refer, primarily, to the allocation of surplus and under values in the acquisition analyses as regards assets and liabilities (net assets), as well as referring to adjustment items for adaptation to the Group's accounting principles. The adjustment to fair value and goodwill are specified 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 evaluation of results. The results for the presented segments are assessed based on a measure called EBITA (earnings before amortisation of intangible assets arising on acquisition, acquisition costs, interest and tax).

REVENUE

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

SEK MILLION	2017	2016
Revenue from external customers		
Dental	3,817	3,590
Demolition & Tools	2,261	1,726
Systems Solutions	3,952	3,671
Total	**10,030**	**8,987**

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	701	655
Demolition & Tools	598	398
Systems Solutions	537	421
Central Group functions	-104	-97
Total	**1,732**	**1,377**
Amortisation of intangible assets arising from acquisitions	-196	-121
Acquisition costs	-17	-4
Net financial items	-46	-33
Profit before tax	**1,473**	**1,219**

Net sales by type of income:		
Dental products	3,817	3,590
Machinery and Tools	2,261	1,726
Environmental Technology	1,124	1,006
Contract Manufacturing	901	845
Construction Materials	804	542
Forest	570	720
Interiors for Service Vehicles	553	558
Total	**10,030**	**8,987**

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

Net sales by geographic market:		
Sweden	1,799	1,639
Norway	1,135	887
Germany	1,818	1,801
Rest of Europe	3,217	3,125
Asia and Australia	954	796
North America	1,023	630
Other countries	84	109
Total	**10,030**	**8,987**

Total fixed assets, other than financial instruments and deferred tax assets, located in Sweden totalled SEK 2,391 (1,398) million, SEK 3,645 (3,547) million in Germany and SEK 1,443 (1,174) million in Norway, and the sum of such fixed assets located in other countries is SEK 1,359 (1,169) million.

NOTE 6 EXCHANGE RATE GAINS AND LOSSES, NET

SEK MILLION	2017	2016
Exchange rate differences have been recognised in the income statement as follows:		
Other operating income and operating expenses	-5	3
Financial income and expenses (Note 12)	-2	4
Total	**-7**	**7**

NOTE 7 SCHEDULED DEPRECIATION/AMORTISATION

SEK MILLION	2017	2016
Distribution of depreciation/amortisation by tangible and intangible assets		
Buildings and land improvements	-16	-15
Plant and machinery	-42	-32
Equipment, tools, fixtures and fittings	-54	-47
Total depreciation of tangible fixed assets	**-112**	**-94**
Customer relationships	-185	-115
Patents	-11	-7
Other intangible assets	-11	-9
Total amortisation of intangible assets	**-207**	**-131**
Total depreciation/amortisation of fixed assets	**-319**	**-225**
Depreciation/amortisation by function		
Cost of goods sold	-61	-45
Selling expenses	-199	-127
Administrative expenses	-56	-48
Research and development expenses	-3	-5
Total depreciation/amortisation	**-319**	**-225**

NOTE 8 AUDIT FEES

SEK MILLION	2017	2016
PricewaterhouseCoopers		
Audit engagement	7	6
Audit services in addition to audit engagement	-	1
Tax advisory services	-	-
Other services	2	3
Total	**9**	**10**

Audit engagement refers to fees for the statutory audit, i.e. such work as has been necessary to submit the audit 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.

NOTE 9 CLASSIFICATION OF EXPENSES BY NATURE

SEK MILLION	2017	2016
Goods for resale, raw materials and consumables	4,641	4,436
Personnel costs (Note 10)	2,196	1,943
Depreciation, amortisation and impairment (Notes 7, 14 and 15)	319	225
Expenses for operating leases (Note 11)	121	94
Production expenses and other expenses	1,214	1,038
Total costs of goods sold, selling expenses, administrative expenses, and research and development expenses	**8,491**	**7,736**

NOTE 10 AVERAGE NUMBER OF EMPLOYEES AND PERSONNEL COSTS

SEK MILLION	2017	2016
Salaries and remuneration		
Board of Directors and senior executives*	213	189
Other employees	1,536	1,378
	1,749	1,567
Social security contributions	336	279
Pension expenses for senior executives	30	26
Pension expenses for other employees	81	71
Total	**2,196**	**1,943**

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

REMUNERATION AND BENEFITS IN 2017

KSEK	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 Director)	-	-	-	-	-
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**

REMUNERATION AND BENEFITS IN 2016

KSEK	BASIC SALARY/ DIRECTOR'S FEE*	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COST	TOTAL
Carl Bennet	1,276	-	-	-	1,276
Gabriel Danielsson	638	-	-	-	638
Ulrika Dellby	659	-	-	-	659
Annika Espander-Jansson	659	-	-	-	659
Erik Gabrielson	659	-	-	-	659
Ulf Grunander	743	-	-	-	743
Fredrik Karlsson (in capacity as Director)	-	-	-	-	-
Johan Stern	722	-	-	-	722
Axel Wachtmeister	638	-	-	-	638
Total	**5,994**	**-**	**-**	**-**	**5,994**
Fredrik Karlsson (in capacity as CEO)	22,022	15,061	28	12,881	49,992
Other senior management (3 persons)	9,318	9,039	53	2,882	21,292
Total	**31,340**	**24,100**	**81**	**15,763**	**71,284**

* 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. The remuneration paid to 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 capped at 70 per cent of the fixed salary and based on achieved results. For other senior executives variable remuneration is based on the outcome in relation to individually defined targets.

Pensions: The retirement age for the CEO is 60 years at the earliest. Lifco sets aside an amount equal to 60 per cent (excluding payroll costs) of the CEO's fixed salary to pension and 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 conditional 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 proportion between fixed and variable remuneration, and the size of any salary increases. The Remuneration Committee has also proposed criteria for assessing bonus outcomes. The Board has discussed the Remuneration Committee's proposal and made decisions on the basis of the committee's recommendations.

The remuneration payable to the CEO for the financial year 2017 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 2017 the Remuneration Committee convened on two occasions.

AVERAGE NUMBER OF EMPLOYEES, GROUP			2017			2016
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Sweden	267	831	1,098	243	724	967
Australia	4	23	27	4	22	26
Austria	4	35	39	3	37	40
Belgium	1	4	5	1	3	4
Canada	2	10	12	2	11	13
China	83	243	326	18	60	78
Czech Republic	38	124	162	41	116	157
Denmark	55	167	222	50	167	216
Estonia	95	132	227	91	136	226
Finland	47	135	182	47	144	191
France	12	66	78	10	62	72
Germany	285	381	666	290	382	673
Hong Kong	-	1	1	-	-	-
Hungary	4	3	7	5	3	8
Italy	-	2	2	-	2	2
Latvia	8	3	11	8	3	11
Lithuania	8	1	9	10	1	11
Netherlands	4	35	39	4	36	40
New Zeeland	-	-	-	-	-	-
Norway	76	233	309	68	191	259
Philippines	88	152	240	85	143	228
Poland	1	7	8	1	5	6
Russia	2	5	7	2	5	7
Singapore	3	7	10	3	8	11
Slovenia	4	19	23	4	18	22
South Korea	1	2	3	-	-	-
Switzerland	4	7	11	4	8	11
UK	30	125	155	30	119	148
United Arab Emirates	1	4	5	-	-	-
USA	63	160	223	21	77	98
Total number of employees	**1,190**	**2,917**	**4,107**	**1,044**	**2,480**	**3,524**
Parent company						
Sweden	2	3	5	2	3	5

GENDER DISTRIBUTION FOR SENIOR EXECUTIVES AT BALANCE SHEET DATE	2017	2016
Women:		
Board members in the parent company	30%	22%
Other individuals in management, including CEO	25%	25%
Men:		
Board members in the parent company	70%	78%
Other individuals in management, including CEO	75%	75%

NOTE 11 LEASES

SEK MILLION	2017	2016
Operating leases		
The Group's operating leases refer mainly to the lease of premises and cars. No assets are subleased. Operating lease payments in the Group for the financial year were SEK 121 (94) 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	119	84
Mature within 2 to 5 years	286	211
Mature after 5 years	109	70
Total	**514**	**365**

NOTE 12 FINANCIAL INCOME AND EXPENSES

SEK MILLION	2017	2016
Financial income		
Interest income	1	2
Exchange rate gains	-	4
Other financial income	1	6
Total financial income	**2**	**12**
Financial expenses		
Interest expense	-43	-41
Exchange rate losses	-2	-
Other financial expenses	-3	-4
Total financial expenses	**-48**	**-45**
Net financial items	**-46**	**-33**

NOTE 13 TAX ON PROFIT FOR THE YEAR

SEK MILLION	2017	2016
Tax expense		
Current tax for the year	-378	-299
Adjustments regarding previous years' current tax	-10	-6
Total current tax expense	**-388**	**-305**
Deferred tax (Note 17)		
Origination and reversal of temporary differences	28	13
Effect of changed tax rate	-6	-
Total deferred tax	**22**	**13**
Total income tax	**-366**	**-292**

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:

	2017	2016
Reported profit before tax	**1,473**	**1,219**
Tax at applicable tax rate in Sweden, 22%	-324	-268
Tax effects of non-taxable income/non-deductible expenses	24	15
Tax effects of non-deductible expenses	-8	-19
Adjustment for other tax rates in foreign subsidiaries	-44	-16
Utilisation of loss carry forwards for which no deferred tax asset has been recognised	2	2
Effect of changed tax rate	-6	-
Adjustment attributable to previous years	-10	-6
Reported tax expense	**-366**	**-292**

The effective tax rate for the Group is 24.9 (24.0) per cent.

NOTE 14 INTANGIBLE ASSETS

SEK MILLION *INDEFINITE USEFUL LIFE	*GOODWILL	*TRADEMARKS	CUSTOMER RELATIONSHIPS	PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
COST						
1 January 2016	**4,566**	**329**	**651**	**41**	**123**	**5,710**
Investments	-	-	-	4	5	9
Acquisition of companies	697	233	741	2	6	1,679
Sales/disposals	-5	-	-	-	-11	-16
Reclassifications	-2	-	-	-	2	-
Translation differences	185	25	63	2	4	279
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
31 December 2017	**6,190**	**784**	**2,148**	**66**	**134**	**9,322**
ACCUMULATED AMORTISATION						
1 January 2016	**-443**	**-**	**-94**	**-17**	**-96**	**-650**
Amortisation for the year	-	-	-115	-7	-9	-131
Acquisition/sale of business	-	-	-	-	-2	-2
Sales/disposals	5	-	-	-	11	16
Reclassifications	2	-	-	-	-2	-
Translation differences	-11	-	-5	-1	-3	-20
1 January 2017	**-447**	**-**	**-214**	**-25**	**-101**	**-787**
Amortisation 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
31 December 2017	**-455**	**-**	**-399**	**-21**	**-109**	**-984**
ACCUMULATED IMPAIRMENT						
1 January 2016	**-50**	**-**	**-**	**-**	**-**	**-50**
Impairment for the year	-	-	-	-	-	-
1 January 2017	**-50**	**-**	**-**	**-**	**-**	**-50**
Impairment for the year	-	-	-	-	-	-
31 December 2017	**-50**	**-**	**-**	**-**	**-**	**-50**
Carrying amount, 1 January 2016	4,073	329	557	24	27	5,010
Carrying amount, 31 December 2016	4,944	587	1,241	24	28	6,824
Carrying amount, 31 December 2017	**5,685**	**784**	**1,749**	**45**	**25**	**8,288**

Impairment testing of goodwill and trademarks
Goodwill and intangible assets (trademarks) with indefinite useful lives are allocated to the Group's cash-generating units 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 on the basis of 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 2016 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 9.6 (10.5) per cent for Dental and 10.8 (11.5) per cent for other the operating segments.

The calculation as at 31 December 2017 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 2016.

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 broken down by cash-generating unit:

GROUP	GOODWILL		TRADEMARKS	
SEK MILLION	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Dental	3,307	3,220	374	374
Demolition & Tools	967	764	97	35
Environmental Technology	594	458	161	119
Construction Materials	489	269	106	41
Forest	158	60	29	-
Contract Manufacturing	99	102	17	18
Interiors for Service Vehicles	71	71	-	-
Total	**5,685**	**4,944**	**784**	**587**

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 2016	**488**	**504**	**419**	**1**	**1,412**
Investments	11	45	56	2	114
Acquisition/sale of companies	-6	12	35	-	41
Sales/disposals	-21	-47	-22	-	-90
Reclassifications	-	2	-2	-	-
Translation differences	11	14	12	-	37
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
31 December 2017	**539**	**669**	**582**	**4**	**1,794**
ACCUMULATED DEPRECIATION					
1 January 2016	**-293**	**-403**	**-299**	**-**	**-995**
Depreciation for the year	-15	-32	-47	-	-94
Acquisition/sale of companies	13	-7	-20	-	-14
Sales/disposals	15	46	19	-	80
Reclassifications	-	-	-	-	-
Translation differences	-8	-10	-9	-	-27
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
31 December 2017	**-322**	**-504**	**-418**	**-**	**-1,244**
Carrying amount, 1 January 2016	195	101	120	1	417
Carrying amount, 31 December 2016	195	124	142	3	464
Carrying amount, 31 December 2017	**217**	**165**	**164**	**4**	**550**

NOTE 16 FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS IN THE BALANCE SHEET SEK MILLION	LOANS AND RECEIVABLES
31 December 2017	
Accounts receivable - trade	1,274
Other non-current financial receivables	5
Cash and cash equivalents	305
Total	**1,584**
31 December 2016	
Accounts receivable - trade	1,046
Other non-current financial receivables	5
Cash and cash equivalents	293
Total	**1,344**

LIABILITIES IN THE BALANCE SHEET SEK MILLION	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL
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**
31 December 2016			
Interest-bearing borrowings	-	3,274	3,274
Accounts payable - trade	-	507	507
Other liabilities*	57	-	57
Total	**57**	**3,781**	**3,838**

* Other liabilities classified as financial instruments refer to mandatory put/call options related to non-controlling interests. Changes in financial liabilities attributable to mandatory put/call options are recognised in profit or loss.

NOTE 17 DEFERRED TAX

SEK MILLION	2017	2016
Deferred tax assets are attributable to the following temporary differences and loss carry forwards.		
Deferred tax assets attributable to:		
Temporary differences on current assets	61	48
Temporary differences on fixed assets	3	-
Deductible temporary differences on provisions	1	2
Loss carry forwards	-	1
Other deductible temporary differences	60	53
Total deferred tax assets	**125**	**104**
Deferred tax liabilities are attributable to the following temporary differences.		
Deferred tax liabilities attributable to:		
Temporary differences on fixed assets	-584	-425
Other taxable temporary differences	-152	-100
Total deferred tax liabilities	**-736**	**-525**
Deferred tax assets/liabilities, net	**-611**	**-421**

Deferred tax assets are reported for deduction as losses carried forward to the degree it is probable that the amounts can be utilized against further taxable profits. The Group does not report deferred tax assets amounting to MSEK 7 (5), referring to losses totaling MSEK 31 (23), where it is uncertain as to whether the amounts will be able to be utilized against further taxable profits. Of these losses carried forward, a total of MSEK 4 can be utilized after the end of the next five year period.

NOTE 18 INVENTORIES

SEK MILLION	2017	2016
Valued at cost		
Finished goods and goods for resale	780	665
Raw materials and consumables	410	338
Work in progress	91	114
Contract work in progress	16	21
Advance payments to suppliers	94	17
Total	**1,391**	**1,155**
Net effect of impairment and reversal of impairment of inventories recognised as income/expense in the income statement	6	-14

NOTE 19 ACCOUNTS RECEIVABLE - TRADE

SEK MILLION	2017	2016
Accounts receivable - trade	1,336	1,100
Provision for doubtful debts	-62	-54
Accounts receivable, net	**1,274**	**1,046**

At 31 December 2017 unimpaired accounts receivable were SEK 816 (662) million while accounts receivable of SEK 439 (356) million were overdue for which no impairment was deemed to exist. These overdue receivables refer to a number of customers which have not previously had any difficulty meeting their payments. A further SEK 81 (82) million was overdue, of which SEK 62 (54) million was impaired. The age analysis for these accounts receivable is shown in the following:

Not yet payable	816	662
1-30 days past due, no impairment	290	235
31-60 days past due, no impairment	149	121
61-90 days past due	19	30
Provision	-5	-8
> 90 days past due	62	52
Provision	-57	-46
Total accounts receivable, net	**1,274**	**1,046**

Changes in the provision for doubtful debts are as follows:

1 January	**54**	**41**
Acquisition of business	4	11
Provision for expected losses	9	4
Actual losses	-5	-2
31 December	**62**	**54**

Provisions, and reversals of provisions, for doubtful debts are included in operating profit in the income statement. The maximum exposure to credit risk at the balance sheet date is the carrying amount for accounts receivable, as shown above. There was no collateral posted or other guarantees issued for outstanding accounts receivable at the balance sheet date. There were no significant overdue receivables at 31 December 2017 or at 31 December 2016.

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

SEK MILLION	2017	2016
Prepaid rental expenses	15	13
Prepaid insurance expenses	7	6
Prepaid IT expenses	8	7
Other prepaid expenses	17	10
Accrued, not invoiced income	33	43
Accrued income	14	8
Total	**94**	**87**

NOTW 21 OVERDRAFT FACILITIES

SEK MILLION	2017	2016
Overdraft facilities, drawn amount	317	465
Overdraft facilities, agreed limit	1,275	1,077

NOTE 22 CASH AND CASH EQUIVALENTS

SEK MILLION	2017	2016
Cash and cash equivalents in the balance sheet and cash flow statement include the following items:		
Cash and bank balances	305	293

NOTE 23 SHARE CAPITAL

SEK MILLION	NUMBER OF SHARES (THOUSANDS)	SHARE CAPITAL
1 January 2016	90,843	18
31 December 2016	90,843	18
31 December 2017	**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	2017	2016
Non-current interest-bearing liabilities		
Liabilities to credit institutions	2	3
Bond loans	995	1,080
Total non-current interest-bearing liabilities	**997**	**1,083**
Current interest-bearing liabilities		
Liabilities to credit institutions	1,379	1,726
Bond loans	1,112	-
Overdraft facilities, drawn amount	317	465
Total current interest-bearing liabilities	**2,808**	**2,191**
Total interest-bearing liabilities	**3,805**	**3,274**

Of total interest-bearing liabilities, 29 per cent have fixed interest rates and 71 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 2017		
Bank loans and bonds*	2,834	1,010
Accounts payable - trade	557	-
Total	**3,391**	**1,010**

* including interest

RECONCILIATION OF NET DEBT SEK MILLION	2017	2016
Cash and cash equivalents	305	293
Loans – due within one year (incl. overdraft facilities)	-2,808	-2,191
Loans – due after more than one year	-997	-1,083
Interest-bearing pension provision	-36	-37
Net debt	**-3,536**	**-3,018**
Cash and cash equivalents	305	293
Gross debt - fixed interest rate	-1,114	-1,083
Gross debt - variable interest rate	-2,727	-2,228
Net debt	**-3,536**	**-3,018**

SEK MILLION	CASH AND CASH EQUIVALENTS	LOANS DUE WITHIN ONE YEAR INCL. OVERDRAFT FACILITIES	LOANS DUE AFTER MORE THAN ONE YEAR	INTEREST-BEARING PENSION PROVISION	TOTAL
Net debt, 1 January 2016	464	-1,341	-1,034	-39	-1,950
Cash flow	-212	-725	-	-	-937
Liabilities assumed	-	-9	-	-	-9
Exchange rate differences	41	-116	-49	2	-122
Net debt, 31 December 2016	**293**	**-2,191**	**-1,083**	**-37**	**-3,018**
Cash flow	22	-638	81	-	-535
Liabilities assumed	-	-40	-	-	-40
Exchange rate differences	-10	61	5	1	57
Net debt, 31 December 2017	**305**	**-2,808**	**-997**	**-36**	**-3,536**

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 36 (37) 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 defined benefit plan covering several employers. For the financial year 2017 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 and expected remaining period of service. Expected fees in the next reporting period for ITP 2 insurance policies with Alecta are SEK 11 (9) 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 may normally vary within a range of 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 the existing benefits. A high collective funding ratio can be addressed by introducing premium reductions. At the end of 2017 Alecta's surplus, as defined by the collective funding ratio, was 154 per cent (2016: 149 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 2016	**46**	**2**	**3**	**14**	**65**
Additional provisions	22	-	-	4	26
Acquisition of companies	3	-	-	-	3
Utilised during the year	-10	-1	-1	-7	-19
Reversal of unused provisions	-17	-	-	-	-17
Reclassifications	2	-	-1	-	1
Translation differences	2	-	-	1	3
31 December 2016	**48**	**1**	**1**	**12**	**62**
of which, short-term provisions	**30**	**1**	**1**	**9**	**41**
of which, long-term provisions	**18**	**-**	**-**	**3**	**21**
Anticipated outflow date					
Within 1 years	30	1	1	9	41
Within 3 years	6	-	-	1	7
Within 5 years	9	-	-	2	11
After more than 5 years	3	-	-	-	3
31 December 2016	**48**	**1**	**1**	**12**	**62**
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 years	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**

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 107 (134) million. As it has been deemed that no outflow of funds will take place for these commitments, no provisions have been made (see also the information in Note 30).

NOTE 27 RELATED PARTY TRANSACTIONS

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 2,511 (2,138) 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 purchased administrative services from Carl Bennet AB worth SEK 1 (1) million. One of the Directors, Erik Gabrielson, is partner in Avokatfirman Vinge which has received 8 (6) MSEK for ongoing legal advice. Disclosures of transactions with senior executives are provided in Note 10.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

SEK MILLION	2017	2016
Accrued personnel costs	352	296
Commissions and bonuses to customers	48	33
Allocation of expenses	39	50
Accrued interest expenses	5	5
Other deferred income	6	5
Other accrued expenses	45	29
Total	**495**	**418**

NOTE 29 PLEDGED ASSETS

SEK MILLION	2017	2016
Property mortgages	12	9
Floating charges	10	81
Total	**22**	**90**

NOTE 30 CONTINGENT LIABILITIES

SEK MILLION	2017	2016
Warranties	107	134
Guarantee commitments	0	1
Total	**107**	**135**

Guarantee commitments refer to advance payment and performance guarantees.

NOTE 31 BUSINESS COMBINATIONS

Thirteen new businesses were consolidated in 2017. The acquisitions comprised all shares of Doherty, Elit, Haglöf Sweden, Hultdin System, Perfect Ceramic Dental and the German dental laboratories City Dentallabor and Hohenstücken-Zahntechnik as well as majority stakes in Blinken, Fiberworks, Hydal, Pro Optix, Silvent, Solesbee's and Wachtel.

The purchase price allocation includes all acquisitions made during the year. Purchase price allocations are preliminary until one year after the acquisition date. Out of the resultant goodwill, SEK 47 million is tax-deductible.

Acquisition-related expenses of SEK 18 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 523 million to consolidated net sales and SEK 130 million to EBITA. If the businesses had been consolidated as at 1 January 2017 net sales for the year would have increased by a further SEK 502 million and EBITA would have increased by a further SEK 93 million.

NET ASSETS SEK MILLION	ASSETS AND LIABILITIES AT ACQUISITION DATE	ADJUSTMENT TO FAIR VALUE	FAIR VALUE
Trademarks, customer relationships, licences	12	956	968
Tangible assets	59	-	59
Inventories, trade and other receivables	347	-37	310
Trade and other payables	-266	-196	-462
Cash and cash equivalents	161	-	161
Net assets	**313**	**723**	**1,036**
Goodwill	-	709	709
Total net assets	**313**	**1,432**	**1,745**

Effect on cash flow, SEK million	
Consideration	1,745
of which, considerations	-212
Cash and cash equivalents in acquired companies	-161
Consideration paid in respect of acquisitions in prior years	6
Total cash flow effect	**1,378**

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. No repurchases of shares held as treasury shares by the parent company were made during the period.

SEK MILLION	2017	2016
Profit attributable to parent company shareholders	1,084	908
Weighted average number of outstanding ordinary shares	90,843,260	90,843,260
Earnings per share (SEK)	11.94	9.99

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 2017 or 2016. Earnings per share were thus the same before and after dilution.

NOTE 33 DIVIDEND PER SHARE

Dividend payments made in 2017 and 2016 totalled SEK 318 million (SEK 3.50 per share) and SEK 273 million (SEK 3.00 per share), respectively. At the Annual General Meeting on 24.04.18 the Board will propose a dividend for the financial year 2017 of SEK 4.00 per share, for a total dividend payment of SEK 363 million. The proposed dividend has not been recognised as a liability in these financial statements.

NOTE 34 SALE OF SUBSIDIARIES

No sales were made in the financial year 2017.

In the fourth quarter of 2016 AriVislanda and Renholmen were sold. The sales had no significant impact on the Group's results or financial position.

NOTE 35 EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2018 Lifco completed the acquisition of a majority stake in Computer konkret of Germany, which had sales of around EUR 3.8 million in 2016. The company develops and sells software for dentists in Germany. The company has around 50 employees and will be consolidated in the Dental business area.

The acquisition of a majority stake in Dental Direct of Norway and its Danish subsidiary 3D Dental was announced on 28 December 2017. The companies, which generated net sales of around NOK 95 million and DKK 25 million, respectively, in 2016, are distributors of dental products and have a combined workforce of around 20 employees. The acquisition is expected to be completed in the first half of 2018 and the companies will be consolidated in Lifco's Dental business area.

On 1 March Lifco announced the acquisition of Spocs of Sweden. Spocs is making the final assembly and testing of electronic products. In 2017, Spocs reported external net sales of 61 MSEK and the company has 23 employees. The company will be consolidated in Business Area Systems Solutions, division Contract Manufacturing.

The acquisitions will not have a significant impact on Lifco's results and financial position in the current year.

Preliminary purchase price allocations will be presented in the interim report for the first and second quarters of 2018.

NOTE 36 ADDITIONAL CASH FLOW STATEMENT DISCLOSURES

SEK MILLION	2017	2016
Non-cash items		
Depreciation/amortisation	319	225
Revaluation of put/call options	-1	-14
Total	**318**	**211**

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

EBITA COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	FULL YEAR 2017	FULL YEAR 2016
Operating profit	**1,519**	**1,252**
Amortisation of intangible assets arising from acquisitions	196	121
EBITA	**1,715**	**1,373**
Acquisition costs	17	4
EBITA* before acquisition costs	**1,732**	**1,377**

EBITDA COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	FULL YEAR 2017	FULL YEAR 2016
Operating profit	**1,519**	**1,252**
Depreciation of tangible assets	112	94
Amortisation of intangible assets	11	10
Amortisation of intangible assets arising from acquisitions	196	121
EBITDA	**1,838**	**1,477**
Acquisition costs	17	4
EBITDA* before acquisition costs	**1,855**	**1,481**

NET INTEREST-BEARING DEBT COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	31 DEC 2017	31 DEC 2016
Non-current interest-bearing liabilities including pension provisions	1,033	1,120
Current interest-bearing liabilities	2,808	2,191
Cash and cash equivalents	-305	-293
Net interest-bearing debt	**3,536**	**3,018**

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

SEK MILLION	31 DEC 2017	30 SEP 2017	30 JUN 2017	31 MAR 2017
Total assets	**12,192**	**11,843**	**11,308**	**10,872**
Cash and cash equivalents	-305	-237	-227	-255
Interest-bearing pension provisions	-36	-36	-35	-34
Non-interest-bearing liabilities	-2,805	-2,568	-2,329	-2,200
Capital employed	**9,046**	**9,002**	**8,717**	**8,383**
Goodwill and other intangible assets	-8,288	-8,017	-7,656	-7,265
Capital employed excluding goodwill and other intangible assets	**758**	**985**	**1,061**	**1,118**

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 2017	Q3 2017	Q2 2017	Q1 2017
Capital employed	**8,787**	9,046	9,002	8,717	8,383
Capital employed excluding goodwill and other intangible assets	**980**	758	985	1,061	1,118
	TOTAL				
EBITA*	**1,732**	510	404	433	385
Return on capital employed	**19.7%**				
Return on capital employed excluding goodwill and other intangible assets	**177%**				

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

SEK MILLION	NOTE	2017	2016
Administrative expenses		-128	-113
Other operating income	38, 39	89	90
Operating loss	40, 41, 42, 43	**-39**	**-23**
Profit/loss from holdings in Group companies	44	558	553
Financial income	45	168	86
Financial expenses	45	-43	-95
Profit after financial items		**644**	**521**
Appropriations	46	-41	-10
Tax on profit for the year	47	-10	9
Net profit for the year		**593**	**520**

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 2017	31 DEC 2016
ASSETS			
Fixed assets			
Equipment		0	0
Holdings in Group companies	48	1,960	1,960
Non-current receivables from Group companies		2,209	1,929
Deferred tax assets	49	43	31
Total fixed assets		**4,212**	**3,920**
Current assets			
Receivables from Group companies		4,047	3,079
Current tax assets		4	18
Prepaid expenses and accrued income		3	3
Cash and bank balances		86	68
Total current assets		**4,140**	**3,168**
TOTAL ASSETS		**8,352**	**7,088**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		18	18
Statutory reserve		12	12
Total restricted equity		**30**	**30**
Non-restricted equity			
Retained earnings	50	2,086	1,884
Net profit for the year		593	520
Total non-restricted equity		**2,679**	**2,404**
Total equity		**2,709**	**2,434**
Untaxed reserves	51	**70**	**41**
Non-current liabilities			
Bond loans	52	995	1,080
Deferred tax liabilities		2	-
Total non-current liabilities		**997**	**1,080**
Current liabilities			
Liabilities to credit institutions	52	1,678	2,181
Bond loans		1,112	-
Accounts payable - trade		0	0
Liabilities to Group companies		1,715	1,297
Other current liabilities		26	16
Accrued expenses and deferred income	53	45	40
Total current liabilities		**4,576**	**3,534**
TOTAL EQUITY AND LIABILITIES		**8,352**	**7,088**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK MILLION	SHARE CAPITAL	STATUTORY RESERVE	NON-RESTRICTED EQUITY	TOTAL EQUITY
Opening balance, 1 January 2016	**18**	**12**	**2,157**	**2,187**
Dividend approved by AGM	-	-	-273	-273
Net profit for the year	-	-	520	520
Closing balance, 31 December 2016	**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**

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	2017	2016
Operating activities		
Operating loss	-39	-23
Other financial items	-2	-2
Interest received	97	86
Interest paid	-41	-39
Income taxes paid	-5	-8
Cash flow before changes in working capital	**10**	**14**
Changes in working capital		
Increase/decrease in operating receivables	-967	-859
Increase/decrease in operating liabilities	424	36
Total changes in working capital	**-543**	**-823**
Cash flow from operating activities	**-533**	**-809**
Financing activities		
Change in non-current receivables	-268	-448
Borrowings	2,526	2,037
Repayments of borrowings	-1,945	-1,302
Group contribution received	-	51
Group contribution paid	-2	-51
Dividends received	558	553
Dividends paid	-318	-273
Cash flow from financing activities	**551**	**567**
Cash flow for the year	**18**	**-242**
Cash and cash equivalents at the beginning of year	68	307
Exchange rate differences in cash and cash equivalents	0	3
Cash and cash equivalents at year-end	**86**	**68**

NOTE 37 PARENT COMPANY ACCOUNTING PRINCIPLES

In connection with the adoption of IFRS for the consolidated financial statements the parent company has started applying 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 compared with the consolidated financial statements, primarily with regard to financial income and expense, provisions, and items in equity.

Holdings in subsidiaries

Holdings in subsidiaries are stated at cost less any impairment. Cost includes acquisition-related costs and any additional considerations. When there is an indication that holdings in a subsidiary are 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 holdings in Group companies”.

Financial instruments

The parent company does not apply IAS 39 for financial instruments. All financial assets are classified in the category “Loans and receivables”.

Leases

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

Revenue

Other operating revenue 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 89 (90) million for Group-wide services. The parent company has not purchased services from subsidiaries.

NOTE 39 OTHER OPERATING INCOME

SEK MILLION	2017	2016
Group-wide services	89	90
Total other operating income	**89**	**90**

NOTE 40 CLASSIFICATION OF EXPENSES BY NATURE

SEK MILLION	2017	2016
Personnel costs (Note 42)	117	101
Expenses for operating leases (Note 43)	1	1
Other expenses	10	11
Total	**128**	**113**

NOTE 41 AUDIT FEES

SEK MILLION	2017	2016
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 audit 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	2017	2016
Women	2	2
Men	3	3
Total	**5**	**5**

PERSONNEL COSTS, SEK MILLION	2017	2016
Salaries and remuneration		
Board of Directors and CEO	47	43
Other employees	24	19
	71	62
Social security contributions, Board of Directors and CEO	18	16
Social security contributions, other employees	10	7
Pension expenses for CEO	14	13
Pension expenses for other employees	4	3
Total	**117**	**101**

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

NOTE 43 LEASES

SEK MILLION	2017	2016
Operating leases		
Mature within 1 year	1	1
Mature in 1–5 years	-	1
Total	**1**	**2**

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 HOLDINGS IN GROUP COMPANIES

SEK MILLION	2017	2016
Dividends	558	553
Total	**558**	**553**

NOTE 45 FINANCIAL INCOME AND EXPENSES

SEK MILLION	2017	2016
Financial income		
Interest income from Group companies	97	86
Exchange rate gains	71	-
Total financial income	**168**	**86**
Financial expenses		
Interest expenses to Group companies	-2	-1
Interest expense	-39	-38
Exchange rate losses	-	-55
Other financial expenses	-2	-1
Total financial expenses	**-43**	**-95**
Net financial items	**125**	**-9**

NOTE 46 APPROPRIATIONS

SEK MILLION	2017	2016
Group contributions paid	-11	-1
Change in tax allocation reserve	-30	-9
Total	**-41**	**-10**

NOTE 47 TAX ON PROFIT FOR THE YEAR

SEK MILLION	2017	2016
Current tax for the year	-19	-5
Deferred tax	9	14
Total tax on profit for the year	**-10**	**9**

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	603	511
Tax at applicable tax rate in Sweden, 22%	-133	-112
Tax effects of non-taxable income	123	121
Tax effects of non-deductible expenses	0	0
Tax on profit for the year	**-10**	**9**

NOTE 48 HOLDINGS IN GROUP COMPANIES

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

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

	SHARE OF EQUITY, %	SHARE OF VOTES, %	NO. OF SHARES	CARRYING AMOUNT 2017	CARRYING AMOUNT 2016
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**

	2017	2016
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	2017	2016
The difference between the income tax recognised in the income statement and income tax payable in respect of the company's operations is:		
Deferred tax assets on expenses reversed upon taxation and in future non-taxable income	43	31
Deferred tax liabilities attributable to other taxable temporary differences	-2	-
Total deferred tax assets/liabilities, net	**41**	**31**

NOTE 50 PROPOSED APPROPRIATION OF RETAINED EARNINGS

SEK MILLION	
The following funds are at the disposal of the AGM:	
Retained earnings	2,086
Net profit for the year	593
Total	**2,679**
The Board of Directors proposes the following appropriation of retained earnings:	
a dividend payment to the shareholders of SEK 4.00 per share, totalling	363
carried forward	2,316
Total	**2,679**

NOTE 51 UNTAXED RESERVES

SEK MILLION	2017	2016
Tax allocation reserve 2012	9	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	-
Total	**70**	**41**

NOTE 52 BORROWINGS

SEK MILLION	2017	2016
Non-current interest-bearing liabilities		
Bond loans	995	1,080
Total non-current interest-bearing liabilities	**995**	**1,080**
Current interest-bearing liabilities		
Bond loans	1,112	-
Overdraft facilities	317	465
Liabilities to credit institutions	1,361	1,716
Total current interest-bearing liabilities	**2,790**	**2,181**
Total interest-bearing liabilities	**3,785**	**3,261**

No portion of non-current liabilities matures later than two years from the balance sheet date. All interest-bearing liabilities are classified in the category "Other financial liabilities".

NOTE 53 ACCRUED EXPENSES AND DEFERRED INCOME

SEK MILLION	2017	2016
Accrued interest expenses	5	4
Accrued salary-related expenses	23	21
Accrued holiday pay	6	5
Accrued social security contributions	10	9
Other accrued expenses	1	1
Total	**45**	**40**

NOTE 54 CONTINGENT LIABILITIES

SEK MILLION	2017	2016
Contingent liabilities for Group companies' PRI liabilities	0	1
Guarantee commitments for Group companies	77	6
Other guarantee commitments	0	1
Total	**77**	**8**

TEN-YEAR SUMMARY

	ACCORDING TO IFRS						ACCORDING TO BFN			
	2017	2016	2015	2014	2013	2012	2012	2011	2010	2009
Net sales, SEK million	10,030	8,987	7,901	6,802	6,030	6,184	6,184	5,707	4,591	4,146
Total growth in net sales	11.6%	13.7%	16.2%	12.8%	-2.5%	8.4%	8.4%	24.3%	10.7%	-15.4%
Of which: Organic growth	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%	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	0.9%	-0.1%	3.2%	3.3%	-1.2%	-1.5%	-1.5%	-4.2%	-5.5%	3.9%
EBITA, SEK million	1,732	1,377	1,186	966	692	715	716	631	511	305
EBITA margin	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	-123	-104	-91	-75	-68	-71	-71	-67	-63	-64
Amortisation of intangible assets arising on acquisition, SEK million	-196	-121	-66	-38	-7	-3	-175	-141	-81	-84
Extraordinary items, SEK million	-17	-4	-13	-122	-58	1	0	0	-6	4
Acquisition of tangible fixed assets, SEK million	144	114	102	105	95	75	76	56	55	55
Acquisition of subsidiaries net of cash and cash equivalents, SEK million	1,378	1,608	573	1,264	-	90	95	1,771	663	76
Capital employed excluding goodwill and other intangible assets, SEK million	980	974	966	916	948	832	-	-	-	-
Capital employed, SEK million	8,787	7,381	5,965	5,137	3,984	3,848	-	-	-	-
Return on capital employed excluding goodwill and other intangible assets	177%	141%	123%	105%	73,0%	71,0%	-	-	-	-
Return on capital employed	19.7%	18.7%	19.9%	18.8%	17.4%	18.1%	-	-	-	-
Net debt, SEK million	3,536	3,018	1,950	2,013	1,420	1,618	1,618	1,912	1,180	823
Net debt/equity ratio	0.6x	0.6x	0.5x	0.6x	0.6x	0.8x	0.8x	1.0x	1.2x	0.8x
Net debt/EBITDA	1.9x	2.0x	1.5x	1.9x	1.9x	2.1x	2.1x	2.7x	2.1x	2.2x
Equity/assets ratio	45.5%	47.0%	49.2%	46.7%	43.6%	39.9%	38.2%	34.6%	28.5%	34.9%
Earnings per share	11.94	9.99	8.91	6.17	4.16	5.56	3.57	3.20	2.59	0.84
Equity per share	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	4,758	3,627	3,386	3,009	2,865	3,005	3,005	3,106	2,234	2,024

ACQUISITION HISTORY 2006-2017

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	Demolitions & Tools	EUR 8m	Germany
2007	Kinshofer	Crane and excavator attachments	Demolitions & 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	System Solutions	DKK 25m	Denmark
	Auger Torque	Earth drills	Demolition & Tools	GBP 10m	United Kingdom
	Rapid Granulator	Granulators, solutions for the plastics industry	System 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
	Endodontic products (Nordiska Dental)	Root canal and other products	Dental	SEK 10m	Sweden
	Auto-Maskin	Control systems for marine diesel engines	Systems Solutions	NOK 130m	Norway

YEAR	COMPANY	OPERATIONS	BUSINESS AREA	NET SALES (AT ACQUISITION DATE)	COUNTRY
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 (Nordiska Dental)	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
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	Turnkey supplier of piping technology	Systems Solutions	EUR 2m	Germany

QUALITY AND ENVIRONMENTAL CERTIFICATIONS

COMPANY	COUNTRY	CERTIFICATION				
		ISO 3834	ISO 9001	ISO 13485	ISO 14001	ISO 18001
Ahlberg Cameras	Sweden		•			
Auger Torque Europe Ltd	United Kingdom		•			
Auto-Maskin AS	Norway		•		•	
Aquajet Systems AB	Sweden		•			
Brokk AB	Sweden		•			
Brokk UK	United Kingdom		•			
Darda	Germany		•			
DAB Dental AB	Sweden		•	•	•	
Dentamed	Czech Republic		•	•		
Directa AB	Sweden			•		
Fiberworks AS	Norway		•			
Hammasväline	Finland		•			
Hekotek AS	Estonia		•			
Hultdin System AB	Sweden		•			
InteraDent	Philippines		•			
InteraDent	Germany		•			
Kinshofer S.r.o	Czech Republic	•				
Kinshofer GmbH	Germany	•	•			
Leab Eesti OÜ	Estonia		•		•	•
Leab	Sweden		•	•	•	
Lövånger Elektronik Uppsala	Sweden		•		•	
M+W Dental	Germany			•		
MDH AG	Germany		•	•		
Modul-System HH AB	Sweden		•		•	
Modul-System	France		•			
Modul-System GmbH	Germany		•			
Modul-System N.V./S.A.	Belgium		•			
Modul-System, Tevo Ltd	United Kingdom		•		•	•
Nessco AS	Norway		•		•	•
Nordenta	Sweden			•		
J.H. Orsing	Sweden			•		
Jacobsen Dental AS	Norway		•			
Parkell Inc.	USA			•		
Rapid Granulator	Sweden		•			
Sizhou Denture (Shenzhen) Ltd	China		•	•		
Silvent AB	Sweden		•			
Texor	Sweden		•			
TMC AS	Norway		•		•	•
TMC Asia	Singapore		•		•	•
Top Dental Ltd	United Kingdom			•		
Zetterströms	Sweden		•			
Wintech AB	Sweden		•		•	

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DEFINITIONS AND PURPOSE

Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBIT before acquisition costs divided by capital employed.
Return on capital employed excluding goodwill and other intangible assets	EBITA before acquisition costs divided by capital employed excluding goodwill and other intangible assets.
EBITA	EBITA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated after investments in tangible and intangible assets requiring reinvestment but before investments in intangible assets attributable to acquisitions. Lifco defines earnings before interest, tax and amortisation (EBITA) as operating profit before amortisation and impairment of intangible assets arising from acquisitions. In its financial reports Lifco excludes acquisition costs. This is indicated by an asterisk.
EBITA margin	EBITA divided by net sales.
EBITDA	EBITDA is a measure which Lifco considers relevant for investors who wish to understand the earnings generated before investments in fixed assets. Lifco defines earnings before interest, tax, depreciation and amortisation (EBITDA) as operating profit before depreciation, amortisation and impairment of tangible and intangible assets. In its financial reports Lifco excludes acquisition costs. This is indicated by an asterisk.
EBITDA margin	EBITDA divided by net sales.
Net debt/equity ratio	Net interest-bearing debt divided by equity.
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 KPI net interest-bearing debt. Lifco considers that this is a useful additional KPI which allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. Lifco defines the KPI as follows: current and non-current liabilities to credit institutions, bond loans and interest-bearing pension provisions less estimated contingent consideration for acquisitions, and 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, 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, goodwill and other intangible assets, calculated as the average of the last four quarters.

ANNUAL GENERAL MEETING AND NOMINATING COMITTEE

The Annual General Meeting (AGM) of Lifco AB will be held on Tuesday 24 April, at 3 p.m., at Epicenter, Mäster Samuelsgatan 36, Stockholm.

REGISTRATION

Shareholders wishing to attend the AGM must

- be registered in the share register maintained by Euroclear no later than 18 April 2018
- register their attendance with Lifco no later than 18 April 2018.

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 (0)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 intend to bring along to the meeting. Registered participants will receive an admission card by post, which must be brought along and shown at the entrance to the venue for the meeting.

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 2018. 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

Lifco's nine-month report, which was published on 26 October 2017, contained information on Lifco's Nomination Committee. The information was also published on the website.

Lifco's nine-month report for 2017 and year-end report for 2017 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 4.00 per share be paid for 2017, resulting in a total dividend payment of SEK 363.0 million. The proposed record date is 26 April 2018. Euroclear expects to be able to send the dividend to the shareholders on 2 May 2018, 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 from 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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FINANCIAL CALENDAR

24 April 2018	Interim report January-March
18 July 2018	Interim report January-June
25 October 2018	Interim report January–September
6 February 2019	Year-end report for 2018
2019 March	Annual report for 2018

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