CORPORATE GOVERNANCE REPORT 2016

LIFCO

The Corporate governance report is part of the Annual Report for 2016

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. The Lifco Group comprises 132 companies in 26 countries.

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 senior management.

EXTERNAL AND INTERNAL REGULATIONS

Corporate governance at Lifco is based on Swedish laws, primarily the Swedish Companies Act, as well as the company's Articles of Association, Nasdaq Stockholm's rules for issuers, and those rules and recommendations which are issued by the relevant organisations. Since its listing on Nasdaq Stockholm, Lifco has applied the Swedish Corporate Governance Code ("the Code"). The Code is based on the principle of 'comply or explain'. This means that companies which apply the Code can deviate from individual rules but are required 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 Nominating Committee. This deviation is explained below under "The Nominating 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 2016 Lifco had 6,417 shareholders, according to Modular Finance. At 31 December 2016 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 21.2 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 2016

Lifco's Annual General Meeting in Stockholm on 12 May 2016 was attended by 53 people representing 82.5 per cent of the number of shares and 89.1 per cent of the total number of votes. The members of the Board, CEO, CFO and the company's auditors attended the AGM.

At the AGM the Directors Carl Bennet, Gabriel Danielsson, Ulrika Dellby, Erik Gabrielson, Ulf Grunander, Fredrik Karlsson, Johan Stern and Axel Wachtmeister were re-elected to the Board. Annika Espander Jansson was elected as a new Director. Carl Bennet was 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 Stefan Håkansson 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 3.00 per share. • Release from liability. The AGM resolved to release the members of the Board and the Chief Executive Officer from liability in respect of the financial year 2015. • Directors' fees. It was resolved that fees in a total amount of SEK 5,994,000, including remuneration for committee work, be paid to the Directors. More detailed information is found on page 30. • 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. • The AGM resolved to approve the transfer of the subsidiary companies Proline Iceland EFT and Proline Relining to the minority shareholders, as proposed by the Board in the notice of AGM.

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 NOMINATING COMMITTEE

The duty of the Nominating 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 Nominating Committee prior to the Annual General Meeting 2017 was published in the interim report for the third quarter and on the company's website on 25 October 2016. All shareholders have had an opportunity to submit nominations to the Nominating Committee. The Nominating 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 2017 AGM, the Nominating 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 Nominating Committee prior to the Annual General Meeting 2017, 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 Nominating Committee, as this shareholder also has a decisive influence on the composition of the Nominating Committee through its voting majority at shareholders' meetings.

Evaluation: As a basis for its proposals to the Annual General Meeting 2017, the Nominating 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 Nominating 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.

Under Lifco's Articles of Association, the Board shall consist of at least three and no more than nine members, with up to nine deputies. 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 12 May 2016.

In 2016 ten 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 32-35.

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 Nominating 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 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 Nominating Committee is given an opportunity to study the results of the evaluation.

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 auditing 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 Nominating Committee, and assisting the Nominating Committee in producing proposals for auditors and fees for the auditing services provided.

After the Annual General Meeting 2016 the Audit Committee had the following composition: Ulf Grunander, Chairman, Ulrika Dellby, member, Annika Espander Jansson, member, Erik Gabrielson, member, and Johan Stern, member. In 2016 the committee held four minuted meetings and had informal contacts in between meetings, as required. Average attendance was 94 per cent. The company's auditor participated at all meetings of the Audit Committee. 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 2016 the Remuneration Committee had the following composition: Carl Bennet, Chairman, Gabriel Danielsson, member, Johan Stern, member, and Axel Wachtmeister, member. In 2016 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 financial statements and annual reports are produced, and has delegated to management responsibility for ensuring that press releases with financial content and presentation material in connection with meetings with the media, shareholders and financial institutions are produced.

EXTERNAL AUDITORS

The auditor in charge at PricewaterhouseCoopers AB is the authorised public accountant Magnus Willfors. Magnus Willfors has no shares in the company. When PricewaterhouseCoopers is engaged to provide other services than auditing this is done in accordance with the rules adopted by the Audit Committee concerning approval of the nature and scope of the services and payment for these. Lifco does not consider that the performance of these services has jeopardised PricewaterhouseCoopers' independence.

All fees paid to the auditors over the past two years are presented in Note 8. Lifco's auditor participated at all meetings of the Audit Committee in 2016 and at one Board meeting. In connection with the Board meeting the auditor held a meeting with the Board of Directors at which no representatives of senior management took part.

Under the Articles of Association, Lifco 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 senior management hold ongoing meetings to review monthly results, update forecasts and plans, and discuss strategic matters. Lifco's senior management team consists of four individuals, who are presented on page 35. In addition to operational matters concerning each business area, senior management addresses matters of concern to the Group as a whole. Senior management consists of the Chief Executive Officer, the Chief Financial Officer, the Head of Business Area Dental and the Head of Acquisitions.

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

DIRECTORS' FEES

The Annual General Meeting 2016 approved the payment of Directors' fees in a total amount of SEK 5,175 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 168,000 to the Chairman and SEK 84,000 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 63,000 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 2016 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 2016, including salaries and remuneration of the Board of Directors, senior management and the chief executives of the Group's subsidiaries, was SEK 189 (166) 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 2016 totalled SEK 7 (6) million while fees for other services totalled SEK 3 (2) million, see Note 8.

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

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

CONTROL ENVIRONMENT

Lifco's organisation is structured to be able respond rapidly to changes in the market. A strongly decentralised organisation and high degree of autonomy in the subsidiaries enable fast operational decision-making. General decisions on acquisitions, sales, strategies and focus areas are made by Lifco's Board of Directors and senior management. The internal control procedures for financial reporting have been designed to handle these circumstances. The basis for internal control related to financial reporting consists of the control environment, including organisation, decision paths, 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, such as duality, in day-to-day accounting entries as well as items in the financial statements. 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. The Group uses a set of uniform templates and models to identify and document processes and controls.

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 the design and operational functionality of identified and documented key controls.

In 2016 the review of the Group's internal control was completed by senior management and Lifco's central finance function with the assistance of the external auditors. The Audit Committee also plays an important role in internal control, having the task of evaluating the audit services and the internal control. The review showed that in all essential respects documentation and control activities have been established in the Group. Based on the completed internal control activities, the Board has made the assessment that there does not exist a 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.

Carl Bennet

Gabriel Danielsson

Ulrika Dellby

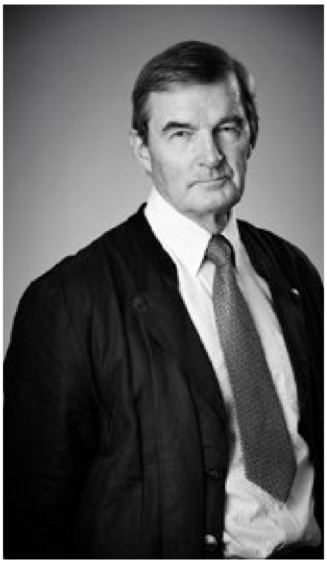
Annika Espander Jansson

Erik Gabrielson

Ulf Grunander

Fredrik Karlsson

Johan Stern



Axel Wachtmeister

Annika Norlund

Hans-Eric Wallin

Peter Wiberg

BOARD OF DIRECTORS

CARL BENNET

Chairman of the Board

Date of birth: 1951. Appointed: 1998.

MBA, Honorary Doctor of Technology

Current appointments: CEO of Carl Bennet AB, Chair of Elanders AB and Getinge AB. Member of the Board of Holmen AB and L E Lundbergföretagen AB.

Previous appointments: CEO and President of Getinge AB.

Own and related parties' shareholding at 31 December 2016: 6,075,970 Class A shares, 39,437,290 Class B shares

Independent of the company and the company management: Yes

Independent of the majority shareholder: No

Attendance at Board meetings: 10/10

Attendance at Remuneration Committee: 2/2

GABRIEL DANIELSSON

Director

Date of birth: 1954. Appointed: 2006.

Forest supervisor, businessman

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

Previous appointments: Appointments at Domänverket.

Own and related parties' shareholding at 31 December 2016: 34,000 Class B shares

Independent of the company and the company management: Yes

Independent of the majority shareholder: Yes

Attendance at Board meetings: 9/10

Attendance at Remuneration Committee: 2/2

ULRIKA DELLBY

Director

Date of birth: 1966. Appointed: 2015.

MBA, Stockholm School of Economics

Current appointments: Member of the Board of Cybercom Group AB, SJ AB and deputy Chair of Fastighetsaktiebolaget Norrporten. Partner in Fagerberg & Dellby Fund I AB.

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

Own and related parties' shareholding at 31 December 2016: 5,000 Class B shares

Independent of the company and the company management: Yes

Independent of the majority shareholder: Yes

Attendance at Board meetings: 10/10

Attendance at Audit Committee: 4/4

ANNIKA ESPANDER JANSSON

Director

Date of birth: 1964. Appointed: 2016.

BSc (Chemistry) and MBA

Current appointments: Member of the Board of Asperia AB, Elekta AB, Esperio AB and Sjöbergstiftelsen. CEO Asperia AB.

Previous appointments: Head of Handelsbanken Private Banking, Chair SHB Luxemburg. Senior management positions including Catella Healthcare/ Esperio AB and Enskilda Securities.

Own and related parties' shareholding at 31 December 2016: –

Independent of the company and the company management: Yes

Independent of the majority shareholder: Yes

Attendance at Board meetings: 6/6

Attendance at Audit Committee: 2/2

ERIK GABRIELSON

Director

Date of birth: 1962. Appointed: 2001.

LL.M.

Position: Lawyer

Current appointments: Chair of Allegresse AB. Member of the Board of Elanders AB, Advokatfirman Vinge AB, Advokatfirman Vinge Skåne AB, ECG Vignoble AB, ECG Vinivest AB, Generic Sweden AB, Rosengård Invest AB and Storegate AB. Deputy member of Lamiflex Group AB.

Previous appointments: See above

Own and related parties' shareholding at 31 December 2016: -

Independent of the company and the company management: Yes

Independent of the majority shareholder: Yes

Attendance at Board meetings: 9/10

Attendance at Audit Committee: 3/4

ULF GRUNANDER

Director

Date of birth: 1954. Appointed: 2015.

MBA, Stockholm University

Current appointments: Member of the Board 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 at 31 December 2016: 2,000 Class B shares

Independent of the company and the company management: Yes

Independent of the majority shareholder: Yes

Attendance at Board meetings: 10/10

Attendance at Audit Committee: 4/4

FREDRIK KARLSSON

Director
President and CEO

Born in 1962. Elected in 1998.

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

Current directorships: Director of the Royal Swedish Yacht Club, the German-Swedish Chamber of Commerce and Bijaka AB.

Previous posts: Management Consultant at BCG, CEO of Mercatura GmbH.

Own and related parties' shareholding at 31 December 2016: 331,500 B shares

Independent of the company and of management: No

Independent of the majority shareholder: Yes

Attendance at Board meetings: 10/10

JOHAN STERN

Vice Chairman

Born in 1951. Elected in 2001.

M.Sc. in Economics and Business

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

Previous posts: SEB in Sweden and the US.

Own and related parties' shareholding at 31 December 2016: 46,000 B shares

Independent of the company and of management: Yes

Independent of the majority shareholder: No

Attendance at Board meetings: 9/10

Attendance at Remuneration Committee: 2/2

Attendance at Audit Committee: 4/4

AXEL WACHTMEISTER

Director

Born in 1951. Elected in 2006.

M.Sc. in Engineering

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

Previous directorships: Sorb Industri AB and Troponor AB.

Own and related parties' shareholding at 31 December 2016: 16,200 B shares

Independent of the company and of management: Yes

Independent of the majority shareholder: Yes

Attendance at Board meetings: 10/10

Attendance at Remuneration Committee: 2/2

ANNIKA NORLUND

Employee representative, Unionen

Born in 1967. Elected in 2013.

Own and related parties' shareholding at 31 December 2016: 300 B shares

Attendance at Board meetings: 9/10

STEFAN HÅKANSSON

Employee representative, deputy, Unionen

Born in 1960. Elected in 2011.

Own and related parties' shareholding at 31 December 2016: 400 Class B shares

Attendance at Board meetings: 7/8

Stefan Håkansson left the position after the divestment of Renholmen AB in September 2016.

PETER WIBERG

Employee representative, deputy, Metall

Born in 1960. Elected in 2013.

Own and related parties' shareholding at 31 December 2016: 300 B shares

Attendance at Board meetings: 9/10

HANS-ERIC WALLIN

Employee representative

Born in 1952. Elected in 2006.

Own and related parties' shareholding at 31 December 2016: –

Attendance at Board meetings: 2/10

AUDITOR

PricewaterhouseCoopers AB has been Lifco's auditor since 2010.

At the Annual General Meeting 2016 PricewaterhouseCoopers was appointed for the period until the end of the AGM 2017.

The auditor-in-charge is Magnus Willfors, born in 1963, who is an authorised public accountant and member of FAR, Sweden's professional institute for accountants.

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

GROUP MANAGEMENT TEAM

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 directorships: Director of the Royal Swedish Yacht Club, the German-Swedish Chamber of Commerce and Bijaka AB.

Previous posts: Management consultant at BCG, CEO of Mercatura GmbH

Own and related parties' shareholding, 31 December 2016: 331,500 B shares

THERÉSE HOFFMAN

Chief Financial Officer

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

High School Economist, International Marketing

Previous posts: CFO at Nordenta AB

Own and related parties' shareholding, 31 December 2016: 300 B shares

INGVAR LJUNGQVIST

Head of Acquisitions

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

M.Sc. in Engineering

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

Own and related parties' shareholding, 31 December 2016: 30,300 B shares

PER WALDEMARSON

Head of Business Area Dental

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

M.Sc. in Economics and Business

Previous posts: Management consultant at Bain & Co, CEO of Brokk AB

Own and related parties' shareholding, 31 December 2016: 102,700 B shares

AUDITOR'S REPORT

To the general shareholders' meeting 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 for the year 2016 with the exception of the corporate governance report on pages 29-35. The annual accounts and consolidated accounts of the company are included on pages 8-74 of 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 the parent company as at 31 December 2016 and of 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 at 31 December 2016 and of its 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 report on pages 29-35. 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 adopt the income statement and balance sheet for the parent company and the group.

BASIS FOR OPINIONS

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the section Auditor's responsibility. 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 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 financial statements. We paid particular attention to those areas where management made subjective judgements, such as significant accounting estimates that were based on assumptions and forecasts of 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 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 are those matters which, in our professional judgment, were of greatest significance for the audit of the annual accounts and consolidated accounts for the period concerned. These matters were addressed in the context of the audit of, and in the preparation of our opinion on, the annual accounts and consolidated accounts as a whole, but we do not present a separate opinion on these matters.

KEY AUDIT MATTERS	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
Impairment testing of intangible assets Reference to Note 4 Significant estimates and judgements and Note 14 Intangible assets. The value of goodwill and trademarks with indefinite useful lives was SEK 5,531 million at 31 December 2016. Under IFRS, management is required to test the assets for impairment annually. No impairment has been identified by management. In our audit, we have focused on the risk that goodwill and trademarks are too highly valued and may be impaired. Of the total value of goodwill and trademarks with indefinite useful lives of SEK 5,531 million, SEK 3,594 million is attributable to the reporting segment Dental, which is showing stable growth and profitability and where the value in use calculated in the impairment test significantly exceeds the carrying amount. The risk on which we have focused in our audit is that there is no impairment requirement regarding the remaining SEK 1,937 million attributable to the other reporting segments. Certain of the assumptions and judgements made by management concerning future cash flows and circumstances are complex and have a significant impact on the calculation of value in use. This applies particularly to the following: • Estimates of the future growth rate and discount rate, where small deviations have a significant impact on the calculation of value in use; • Of total goodwill and trademarks of SEK 1,138 million referring to individual cash flow-generating units in the Systems Solutions business area, SEK 670 million is attributable to businesses that were acquired during the year. The uncertainty inherent in assessments of the future performance of these businesses is more significant, as they operate in niche areas of markets, such as shipping and construction materials, which are new to the group.	In our audit, we have assessed the calculation model used by management and have confirmed that the key assumptions applied in the model are consistent with the company's budget and strategic plan. We have also assessed the reasonableness of management's assumptions and judgements, without arriving at a deviating view of such assumptions and judgements. This assessment took the form of an analysis of the outcome of assumptions applied in previous years and of any adjustments made to assumptions from previous years in response to operational changes and external factors. With regard to the businesses acquired during the year in the Systems Solutions business area, our audit was aimed specifically at challenging the assumptions concerning market conditions contained in the business plans of the individual companies, in respect of the future construction market in Norway, as well as regards the global shipping market. We have challenged management's assumptions, mainly with regard to those key variables having the greatest impact on the impairment tests, such as long-term growth, profit margins and the discount factor (cost of capital). This was done through comparisons with forecasts for the economy, as a whole, and for specific industries and comparable companies. We have also carried out our own sensitivity analyses to test the safety margins in each operating segment, with a view to determining the degree to which the key variables can change before giving rise to impairment. We concluded that the probability of changes of such a magnitude taking place is very limited, and that the disclosures on critical assumptions and sensitivity analyses in the annual report are correct.
Recognition of acquisitions In the financial year 2016, Lifco made 11 acquisitions across all business areas. Information on these acquisitions is presented in Note 32. The total purchase price for the acquisitions, net of acquired cash and cash equivalents, was SEK 1,649 million, of which SEK 976 million refers to identified fair value adjustments in the acquisition analyses for trademarks, customer relationships and licences and SEK 697 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.	We have verified the disclosures on the acquisitions made in the annual report and have examined the source documents used as a basis for the recognition of the acquisitions. In examining the initial recognition of the acquisitions, we have reviewed the acquisition agreements, as well as source documents for opening balances. We have also evaluated the implemented adjustments for adaptation to the group's accounting principles. Our audit has also included a review of significant estimates and judgements made in connection with the allocation of fair value in acquisition analyses, which has involved assessing the basis for the judgements and comparing those judgements with similar acquisitions in the group in previous years. Our examination did not result in any significant deviations.

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 75-88. Responsibility for this other information rests with the Board of Directors and the Chief Executive Officer.

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 CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring 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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee of the Board of Directors is tasked with monitoring, without prejudice to the other responsibilities and duties of the Board, the financial reporting of the company.

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 degree of assurance, but does not constitute a guarantee that an audit conducted in accordance with ISA 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 the website of the Swedish Supervisory Board of Public Accountants: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. 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 Chief Executive Officer of Lifco AB for the year 2016 and the proposed appropriation 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 Chief Executive Officer 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 section Auditor's responsibility. 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 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 CHIEF EXECUTIVE OFFICER

The Board of Directors is responsible for the proposal for appropriation of the company's profit or loss. The preparation of a dividend proposal involves assessing whether the dividend is justifiable with regard to the equity, consolidation, liquidity and financial position requirements of the parent company and group arising from the nature, scope and risks of the operations of the parent company and group.

The Board of Directors is responsible for the company's organisation and the management of its affairs. This includes, among other things, continuous assessment of the company's and the group's financial situation, and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfil 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 on 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 Chief Executive Officer 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 in respect of our audit of the proposed appropriation of the company's profit or loss, and thus for our opinion on the same, is to obtain reasonable assurance that the proposed appropriation is consistent with the Companies Act.

Reasonable assurance is a high degree 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 appropriation of the company's profit or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Supervisory Board of Public Accountants: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

THE AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

Responsibility for the corporate governance on pages 29-35 and for ensuring that it has been prepared in accordance with the Annual Accounts Act rests with the Board of Directors.

Our review has been conducted in Statement RevU 16 The Auditor's Examination of the Corporate Governance Report issued by FAR, the professional institute for authorised public accountants. Our review of the corporate governance report has a different focus and significantly narrower scope than a full audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe this review gives us a sufficient basis for making the following statements.

A corporate governance report has been prepared. Disclosures pursuant to Ch. 6 § 6 second para. points 2–6 of the Annual Accounts Act and Ch. 7 § 31 second para. of the same Act are consistent with the other parts of the annual report and consolidated accounts and comply with the Annual Accounts Act.

Enköping, March 30 2017

PricewaterhouseCoopers AB

Magnus Willfors Authorised Public Accountant Auditor-in-charge	Martin Johansson Authorised Public Accountant

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Lifco acquires and develops market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows.