ANNUAL REPORT 2016

LIFCO

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HIGHLIGHTS OF 2016

NET SALES +13.7%
SEK 8,987 (7,901) million. Organic growth +2.5%

EBITA* +16.1%
SEK 1,377 (1,186) million

PROFIT BEFORE TAX +12.7%
SEK 1,219 (1,082) million

NET PROFIT FOR THE YEAR +12.4%
SEK 927 (825) million

EARNINGS PER SHARE +12.1%
SEK 9.99 (8.91)

PROPOSED DIVIDEND PER SHARE SEK 3.50
Represents a total distribution of SEK 318 million

KEY PERFORMANCE INDICATORS

	2016	2015
Net sales, SEK million	8,987	7,901
Net sales, adjusted for foreign exchange effects and acquisitions, SEK million	8,101	7,188
EBITA*, SEK million	1,377	1,186
EBITA margin*, %	15.3	15.0
Earnings per share after tax, SEK	9.99	8.91
Number of shares, thousand	90,843	90,843
Capital employed, SEK million	7,381	5,965
Capital employed excluding goodwill and other intangible assets, SEK million	974	966
Return on capital employed, %	18.7	19.9
Return on capital employed excluding goodwill and other intangible assets, %	141	123
Net interest-bearing debt, SEK million	3,018	1,950
Net debt/equity ratio	0.6	0.5
Net debt/EBITDA*, times	2.0	1.5
Equity/assets ratio, %	47.0	49.2
Equity per share, SEK	51.9	43.4

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

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

LIFCO IN BRIEF

Acquires and develops 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 **3,627**

COUNTRIES **26**

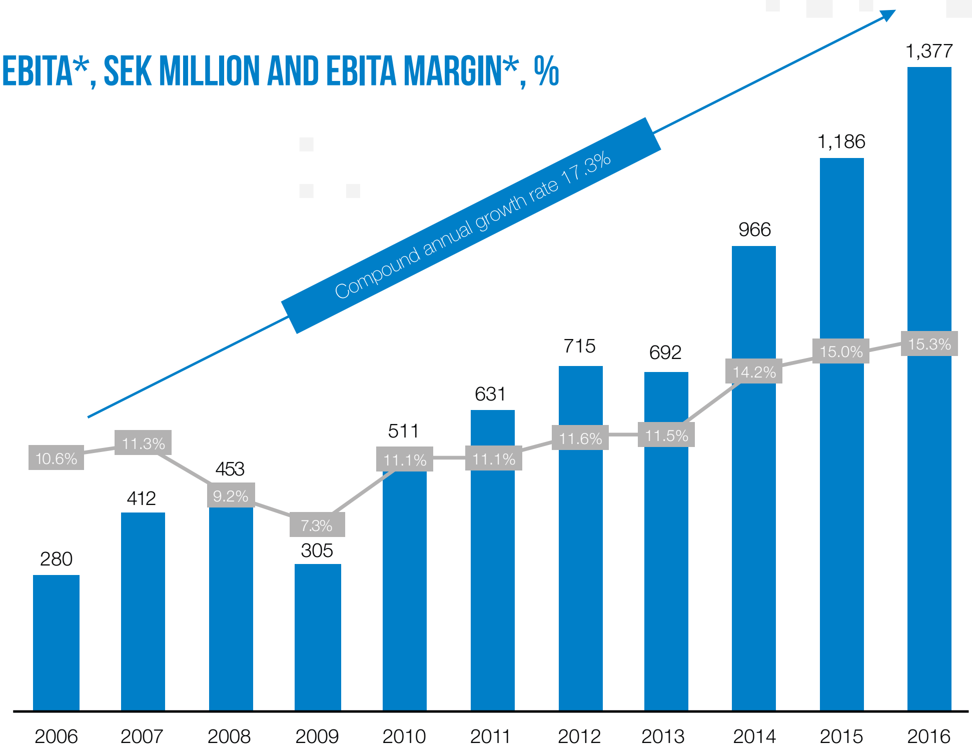
COMPANIES **132**

Eleven acquisitions consolidated in 2016

Strong earnings and cash flow

Good financial position

EBITA*, SEK MILLION AND EBITA MARGIN*, %



Comments from the CEO

SOLID ORGANIC AND ACQUIRED GROWTH

2016 was another year of solid organic and acquired growth as well as improved profitability. Net sales increased by 13.7 per cent to SEK 8,987 million on the back of growth in all three business areas. Organic growth was 2.5 per cent while acquisitions accounted for 11.3 per cent of the increase in net sales. The market situation was generally good in all business areas.

Profitability improved during the year as EBITA* increased by 16.1 per cent to SEK 1,377 million. The EBITA margin* increased by 0.3 percentage points to 15.3 per cent.

MARKET-LEADING NICHE COMPANIES

Our businesses in Dental are leading suppliers of consumables, equipment and technical service for dentists across Europe, and the business area also has operations in the US. We sell dental technology to dentists in the Nordic countries and Germany, and develop and sell medical record systems in Denmark and Sweden. Dental increased net sales by 4.5 per cent while the EBITA margin* increased by 18.2 (17.9) per cent, mainly through acquisitions. Five acquisitions were consolidated during the year.

Demolition & Tools is a world leader in the markets for demolition robots and crane attachments. We are also one of the leading global manufacturers of excavator attachments. Net sales grew by 9.7 per cent, driven by a robust performance in most markets. The business area's product range was expanded through the acquisition of Aquajet Systems, which makes hydro demolition robots. Although Demolition & Tools saw good sales growth, margin growth was disappointing. The EBITA margin* was 23.0 (25.1) after being hit by a less favourable sales mix, inventory impairment and a weak pound.

The Systems Solutions business area consists of five divisions that are leading players in their geographic markets: Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology, Forest (formerly Sawmill Equipment) and Construction Materials (formerly Relining). Net sales in the business area increased by 26.9 per cent in 2016, resulting in an EBITA margin* of 11.5 (9.1) per cent. All divisions apart from Forest increased their sales. Five acquisitions were consolidated in Systems Solutions in 2016 while two companies in the Forest division were sold.

We work continuously to improve our product portfolio, strengthen distribution systems and raise the productivity of our companies. Although we would like to see greater stability in the earnings impact of these measures in Demolition & Tools and Systems Solutions, it is likely that earnings in these business areas will fluctuate from one quarter to the next.

AN EFFICIENT GOVERNANCE MODEL

Lifco is a highly decentralised organisation in which the 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. The coordination that takes place among our subsidiaries has been initiated by the companies themselves after they identified the synergies, with limited involvement from head office. 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.

FINANCIALLY STRONG

Cash flow was strong in 2016 and our financial position remains good. Net interest-bearing debt increased by SEK 1,068 million to SEK 3,018 (1,950) million while Lifco made net acquisitions of SEK 1,608 million and paid dividends of SEK 285 million in total. This means that Lifco at year-end had the capacity to make further acquisitions for around SEK 2,000 million without exceeding a net debt of three times EBITDA. Our financial position enables us to continue to pursue our strategy of growth through acquisitions, but any potential takeover candidate 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.

Fredrik Karlsson, CEO

We believe our decentralised governance model with a high degree of autonomy for our subsidiaries is an important factor when in negotiations with potential takeover candidates. In many cases a key factor is that the entrepreneur who built the company wants to remain, partly because these individuals are often important for customer relations and partly because they are important for the company culture and the way the company operates.

A criterion for the successful operation of our decentralised model is that we have clear Group-wide ethical principles. Our ethical principles are set forth in our code of conduct. The chief executives of all subsidiaries are required to ensure that they abide by the code of conduct and senior management regularly monitors compliance with the code. The code of conduct covers the company's relationships with employees, customers, suppliers, society and the environment as well as shareholders.

LIFCO SIGNS 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.

THE CORE VALUES BY WHICH WE LIVE

Our core values lie at the heart of our code of conduct and guide us in our everyday work. Our core values are:

Respect for others: Affirming that all people have the same value, we should make an effort to listen to and respect the opinion of each individual, even if we do not share it.

Openness: It is of the utmost that we create an atmosphere in which people dare to be open. To achieve this, we need to openly acknowledge our mistakes. It is natural for human beings to make mistakes.

Pragmatism: We should strive to make the best possible decision in each situation. Our decisions must be based exclusively on facts, without preconceptions. Decisions must not be influenced by prejudices, convictions or pride.

GOING INTO 2017

The most important factor for Lifco is our employees. We have 3,627 employees in 26 countries. I would like to say a big thank you to each of you for your hard word in 2016. 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 OBJECTIVES

Lifco's business concept is to acquire and develop profitable, market-leading niche businesses with the potential to deliver sustainable earnings growth and robust cash flows. Lifco is guided by a clear philosophy that is centred on profitability, a highly decentralised organisation and a long-term approach.

THE OBJECTIVE IS SUSTAINABLE EARNINGS GROWTH

Lifco's primary objective 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 132 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 the Lifco Group's ability to retain key individuals in the companies which it acquires. In many cases, the key individuals are attracted by Lifco's decentralised structure, which allows them to maintain a high degree of independence also after the acquisition.

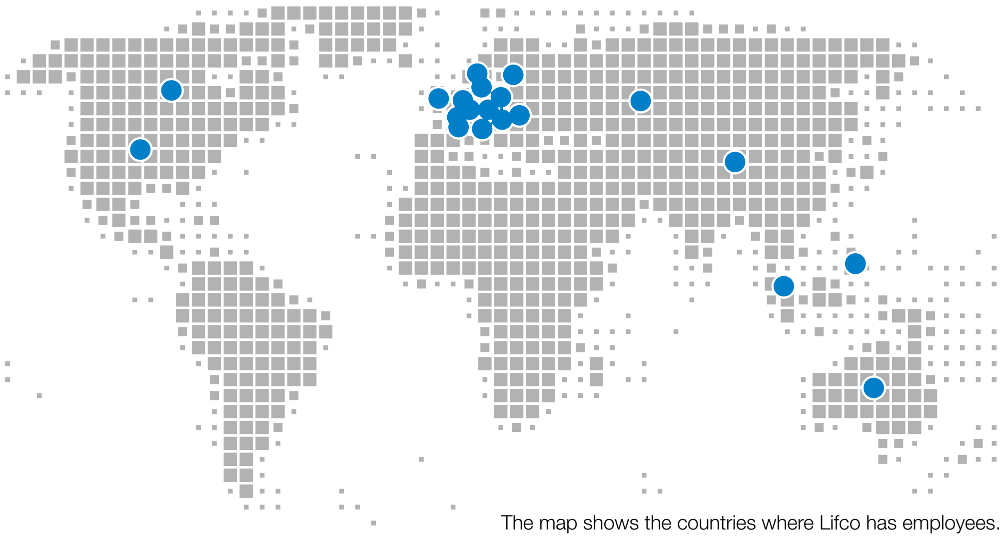
MINIMAL BUREAUCRACY

Lifco has developed a model for developing its subsidiaries. The model is based on Lifco's philosophy 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 separate divisions 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
3,627

COUNTRIES
26

COMPANIES
132

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 been 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 the Group Management Team.

The code of conduct includes Lifco's core values: respect for others, openness and pragmatism.

FINANCIAL PERFORMANCE

2016 was another year of solid growth for Lifco. Net sales and earnings improved through acquisitions as well as organic growth. Eleven acquired businesses were consolidated during the year.

Net sales increased by 13.7 per cent to SEK 8,987 (7,901) million. Acquired growth was 11.3 per cent and organic growth 2.5 per cent. Changes in exchange rates had a negative impact of 0.1 per cent on net sales.

EBITA* increased by 16.1 per cent to SEK 1,377 (1,186) million, driven by organic growth and acquisitions, and the EBITA margin* improved to 15.3 (15.0) per cent. During the year 40 per cent of EBITA* was generated in EUR, 28 per cent in SEK, 13 per cent in NOK, 6 per cent in DKK, 5 per cent in USD, 4 per cent in GBP and 4 per cent in other currencies.

Investments in intangible and tangible fixed assets totalled SEK 123 (111) million.

Net financial items amounted to SEK -33 (-25) million, the increase being due mainly to higher interest expenses.

Earnings before tax grew by 12.7 per cent to SEK 1,219 (1,082) million. Acquisition cost-related items had a negative impact of SEK 18 (13) million on earnings for 2016.

Net profit for the year grew by 12.4 per cent to SEK 927 (825) million and earnings per share increased by 12.1 per cent to SEK 9.99 (8.91).

The Group's tax expense was SEK 292 (257) million, which represents 24.0 (23.8) per cent of earnings before tax. Tax paid was SEK 295 (239) million, which equates to 24.2 (22.1) per cent of earnings before tax.

Inventories were SEK 1,155 (960) million and trade receivables SEK 1,046 (863) million. Average capital employed excluding goodwill increased over the year to SEK 974 (966) million while EBITA* in relation to average capital employed excluding goodwill was 141 (123) per cent at year-end. The improvement was due to increased profit and good control of capital employed.

Goodwill and other intangible assets totalled SEK 6,824 (5,010) million at year-end. The Group's net interest-bearing debt increased by SEK 1,068 million in 2016 to SEK 3,018 (1,950) million while the net debt ratio was 0.6 (0.5) at year-end. At the same date, 40 per cent of the Group's interest-bearing liabilities were denominated in EUR. Equity was SEK 4,758 (3,964) million and the equity/assets ratio 47.0 (49.2) per cent.

Cash flow from operating activities improved by 14.4 per cent to SEK 1,084 (948) million compared with 2015. The continued strong cash flow was due to increased profit and good control of capital employed. Cash flow from investing activities was SEK -1,721 (-664) million, which was mainly attributable to acquisitions.

Cash flow was also affected by total dividend payments of SEK 285 (252) million.

DIVIDEND

The Board of Directors and Chief Executive Officer propose that the Annual General Meeting authorise the payment of a dividend of SEK 3.50 per share for 2017, representing a total distribution of SEK 318.0 million. This is equal to 35 per cent of the net profit for the year attributable to parent company shareholders, 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. 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 2016 product development costs totalled SEK 88 (73) million.

ACQUISITIONS AFTER THE END OF THE YEAR

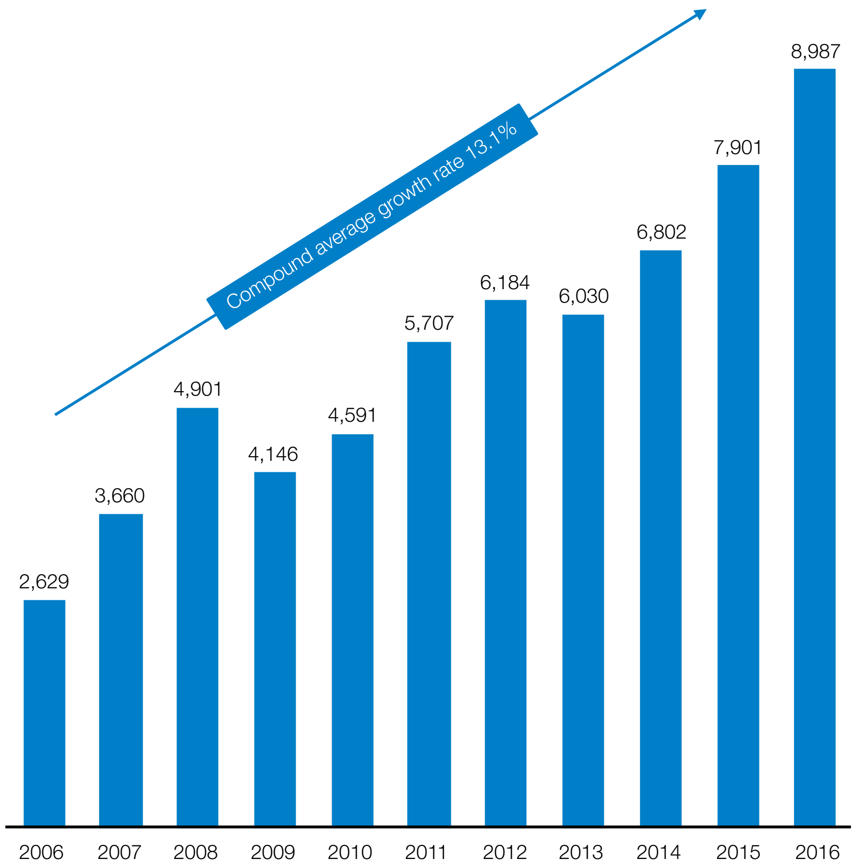
On 30 December 2016, it was announced that Lifco had acquired Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors. Haglöf Sweden generated sales of around SEK 60 million in the financial year 2015/16 and has 43 employees. In February 2017, Haglöf Sweden was consolidated in the Systems Solutions business area, Forest division.

On 14 February 2017, Lifco announced the acquisition of Hultdin System, a leading manufacturer of tools and attachments for forestry and construction machinery. Hultdins, with 66 employees, generated net sales of SEK 152.4 million in the financial year 2015/16. The business will be consolidated in the Demolition & Tools business area.

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

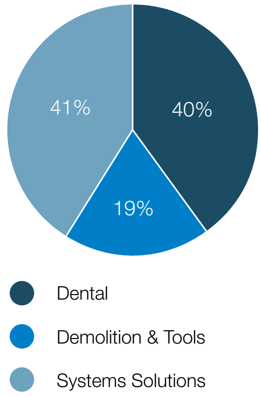
FINANCIAL PERFORMANCE

SEK MILLION	2016	2015	2014	2013	2012
Net sales	8,987	7,901	6,802	6,030	6,184
EBITA*	1,377	1,186	966	692	715
EBITA margin*	15.3%	15.0%	14.2%	11.5%	11.6%
Earnings per share, SEK	9.99	8.91	6.17	4.16	5.56

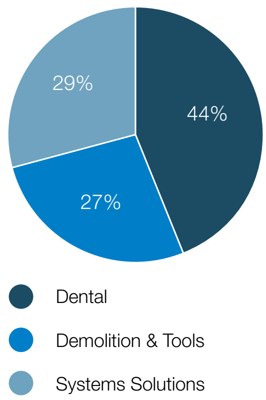


Net sales, SEK million

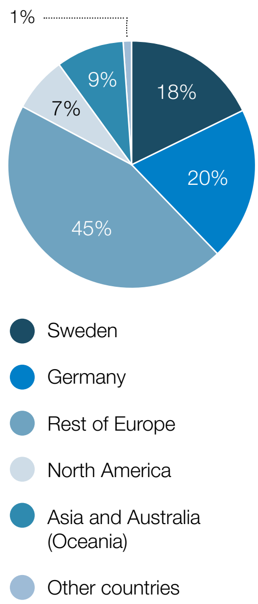
NET SALES BY BUSINESS AREA



EBITA* BY BUSINESS AREA



NET SALES BY GEOGRAPHIC MARKET



SUSTAINABILITY

Lifco strives to operate in a positive and sustainable manner that contributes to society. Lifco's main sustainability impact, and thus also opportunities and risks, is in the operations of the subsidiaries. The subsidiaries have a large 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 within one month of starting work.

The 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.

GLOBAL COMPACT

In December 2016 Lifco joined the UN's sustainability initiative, Global Compact. As a member, Lifco undertakes to actively 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 annual report constitutes its Communication on Progress report under the UNGC framework and will continue to be developed in coming years. 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.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Human rightsr

Principle 1: Support and respect international human rights within the sphere of influence of companies

Principle 2: Make sure that they are not complicit in human rights abuses

Labour standards

Principle 3: Uphold the freedom of association and the recognition of the right to collective bargaining

Principle 4: Eliminate all forms of forced labour

Principle 5: Abolish child labour

Principle 6: Eliminate discrimination in recruitment and occupation

Environment

Principle 7: Support a precautionary approach to environmental risks

Principle 8: Undertake initiatives to promote environmental awareness

Principle 9: Encourage the development of environmentally friendly technologies

Corruption

Principle 10: Work against corruption in all its forms, including extortion and bribery

MONITORING AND RESULTS

Compliance with the 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. In autumn 2016 monitoring of the code of conduct was included as part of the monthly 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 were reported in 2016.

Employees	At 31 December 2016 Lifco had 3,627 (3,386) employees. The average number of employees in 2016 was 3,524 (3,369). During the year around 370 employees were added through acquisitions.
Management systems	Eleven of the subsidiaries are certified under the ISO 14001 environmental management system and 29 are certified under the ISO 9001 quality management system. See page 77 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.

SUSTAINABILITY ACTIVITIES IN SOME OF LIFCO'S SUBSIDIARIES

Labour standards and human rights	Modul-System is one of the world's leading suppliers of modular interiors and equipment for service vehicles that sells its products in more than 50 countries around the world through subsidiaries and a global network of business partners. Modul-System works strategically on monitoring quality and sustainability issues at the supplier stage, in China and other countries. The company conducts audits of strategic suppliers and in some cases also of subcontractors to ensure that they comply with Lifco's code of conduct with regard to labour standards, human rights and other issues. In 2016 eight audits were conducted and no deviations from Lifco's code of conduct were observed.
Environment	Lövånger Elektronik AB (Leab) is one of Sweden's leading contract manufacturers of electronics. The company has taken a focused approach to reducing its environmental impact through continuous improvement and has been ISO 14001-certified since 2001. The company's environmental activities are guided by Lifco's code of conduct and Leab's own environmental policy, and by environmental targets that are defined on an annual basis. For example, in 2016 Leab worked to replace at least five chemicals with greener alternatives. It is also working continually to reduce the share of hazardous waste in the total volume of waste. In 2014 Leab switched from the use of oil-fired boilers for heating to purchasing renewable electricity, which has resulted in a slightly higher heating cost but has significantly reduced the company's carbon footprint. In 2016 Leab continued its efforts to map energy use. It is also working to reuse waste heat from the processes used for heating the factory.
Anti-corruption	As one of the world's leading manufacturers of remote-controlled demolition machines, Brokk has customers across the world, including in Russia, China and India. The company's products are sold by its own sales staff and through partners in the sales markets. Brook works continuously to inform its staff and distributors about Lifco's code of conduct. In 2016 an initiative aimed at mapping corruption risks at Brokk was initiated in order to strengthen the company's anti-corruption work. The developed monitoring processes are planned to be implemented in the coming year.
Diversity	Lifco strives to conduct its business in a way that makes a positive and sustainable contribution to the society in which the company operates. For example, in 2016 DAB Dental and Directa, two of Lifco's subsidiaries in the dental industry, arranged two cost-free training days for dentists that have received their education outside the EU/EEA and therefore need to take the knowledge test arranged by the Swedish National Board of Health and Welfare to be able to work as dentists in Sweden. By taking part in the training days, the foreign dentists, most of whom are from Syria and eastern Europe, improve their chances of passing the knowledge text and obtaining their Swedish dentist's licences.

Lifco's distribution companies in the Nordic region are for instance reseller of dental equipment from Sirona.

BUSINESS AREA DENTAL

The companies in Lifco's Dental business area are leading suppliers of consumables, equipment and technical service for dentists based mainly in northern and central Europe. In 2016 Dental acquired a more significant operation in the United States through the acquisition of Parkell. Lifco also sells dental technology to dentists in the Nordic countries and Germany, and develops and sells medical record systems for dental clinics in Denmark and Sweden. The business area also includes a number of small manufacturers which produce disinfectants, saliva ejectors, bite registration, dental impression and bonding materials as well as 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.

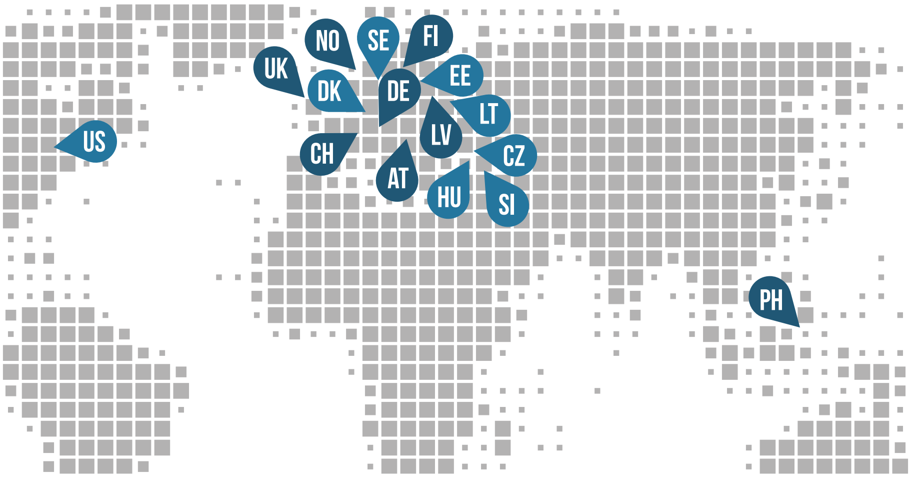
SHARED WAREHOUSES

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.

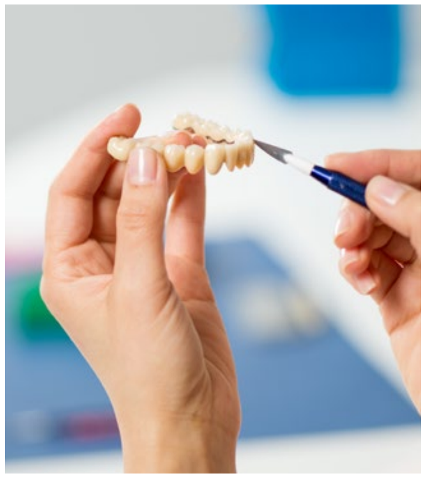
In dental technology Lifco operates mainly in Germany but also in the Nordic countries. Lifco provides most of the products, including crowns and bridges, which are made in China, the Philippines and Turkey. This enables Lifco to achieve cost advantages over local dental laboratories. Lifco handles the 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 where employees within business area Dental are in place.



ACQUISITIONS IN 2016

In 2016 five acquired businesses were consolidated. The acquisition of Nordiska Dental's endodontic products business has strengthened Lifco's position as a dental products manufacturer while the acquisition of Dens Esthetix and Praezimed has bolstered the Group's presence in Germany. Through the purchase of Parkell, Lifco has taken its first step into the US dental market and expanded its operations in the manufacture of dental products while the acquisition of Design Dental has strengthened the Group's presence in dental technology in Denmark.

The acquisition of Nordiska Dental's endodontic products business that was announced in December 2015 was consolidated as of January 2016. The business had a turnover of around SEK 10 million in 2015. In February 2016, Lifco consolidated two acquisitions in Dental: German dental laboratory Dens Esthetix and German dental company Praezimed. Dens Esthetix had net sales of around EUR 1.4 million in 2015 and has 14 employees. Praezimed provides service and repair of dental instruments used by dentists and dental laboratories in Germany. Praezimed had net sales of around EUR 2.5 million in 2015 and has 15 employees. The acquisition of US dental company Parkell was finalised in the third quarter of 2016. The company produces and sells dental consumables and small equipment used by dentists. The products are sold mainly in the US but to some extent also internationally. Parkell had a turnover of around USD 29 million in 2015. The company was consolidated from September 2016. In December 2016, the Danish dental company Design Dental was consolidated. The company, which imports and produces dental technology in Denmark using digital technology, had sales of around DKK 13 million 2015.

EARNINGS IN 2016

Dental's net sales grew by 4.5 per cent to SEK 3,590 (3,435) million in 2016. The five acquisitions had a positive impact on net sales.

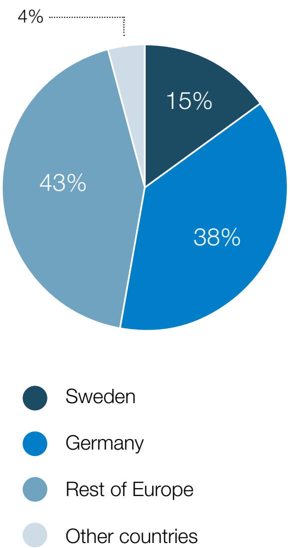
EBITA* increased by 6.6 per cent to SEK 655 (614) million and the EBITA margin* improved to 18.2 (17.9) per cent.

The dental market remains generally stable. The results of individual companies in Lifco's dental business may in individual quarters 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 2016 there were no individual events with a substantial impact on the earnings of the dental group as a whole.

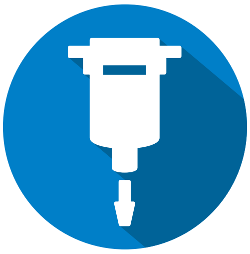
FINANCIAL PERFORMANCE

SEK MILLION	2016	CHANGE	2015	CHANGE	2014
Sales	3,590	4.5%	3,435	5.2%	3,266
EBITA*	655	6.6%	614	13.0%	543
EBITA margin*	18.2%	0.3	17.9%	1.3	16.6%

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, which are of roughly equal size in terms of sales.

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, RF-System and Auger Torque brands. The attachments make it possible to use the same crane or excavator for different purposes. Typical applications include construction and earthworks, snow clearing, demolition, pipe and cable laying, forestry work, scrap handling and railway works.

Sales of crane and excavator attachments largely follow global machinery sales. As purchasing an attachment from Lifco is a smaller investment for the customer than buying a new machine, the market is less cyclical than 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 brands or under the crane and excavator manufacturers' own brands.

In 2016 Lifco acquired a majority stake in Aquajet Systems of Sweden, which manufactures hydro demolition robots. Aquajet Systems is a world leader in its market niche.

After the end of the year, in February 2017, Lifco announced the acquisition of Hultdin System of Sweden, a leading manufacturer of tools and attachments for forestry and construction machines.

The map shows countries where employees within business area Demolition & Tools are in place.

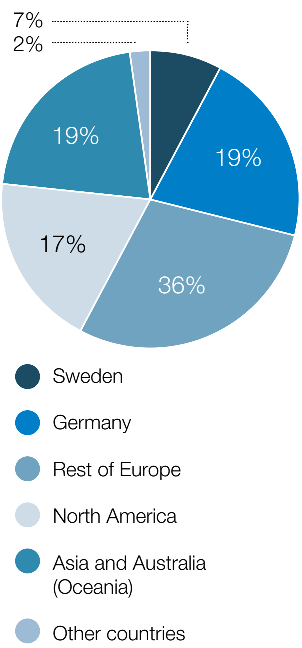
EARNINGS IN 2016

Net sales increased by 9.7 per cent in 2016 to SEK 1,726 (1,574) million. The market situation was generally good and sales increased in the majority of markets. Among the larger markets, Germany, France, China and the Nordic region saw the fastest growth. Despite good sales growth, the EBITA margin* fell during the year due to a less favourable sales mix, inventory impairment and a weak pound. EBITA* increased slightly over the year by 0.5 per cent to SEK 398 (396) million and the EBITA margin* was 23.0 (25.1) per cent. Lifco works continuously to improve its product portfolio, strengthen its distribution systems and improve productivity in the Group's companies. The earnings impact of such measures will fluctuate from one quarter to the next, however.

FINANCIAL PERFORMANCE

SEK MILLION	2016	CHANGE	2015	CHANGE	2014
Sales	1,726	9.7%	1,574	22.1%	1,289
EBITA*	398	0.5%	396	37.5%	288
EBITA margin*	23.0%	-2.1	25.1%	2.8	22.3%

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: Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology, Forest, and Construction Materials. The divisions are leading players in their geographic markets. In 2016 five acquired businesses were consolidated.

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. The division increased both its sales and profitability in 2016 on the back of intensified sales activities and an improved product range as well as an increase in the number of registered light commercial vehicles in Europe.

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. In January 2016 Lifco consolidated Auto-Maskin of Norway, a leading maker of control and monitoring systems for marine diesel engines. The Contract Manufacturing division performed well in 2016 in a stable market.

ENVIRONMENTAL TECHNOLOGY

Under the name Eldan Recycling, Lifco manufactures and sells recycling machinery for tyres, cabling, refrigerators, aluminium products and electronics. The machines are used at recycling facilities. Acquired in 2015, Rapid Granulator is a leading maker of granulators for recycling of plastic production waste. In 2016 Lifco acquired Redoma Recycling, a Swedish company specialising in the development and manufacture of recycling machinery for small and medium cables. Another acquisition in 2016 was TMC/Nessco of Norway, a world-leading supplier of marine compressors and spare parts. Division Environmental Technology developed favourably during the year.

FOREST

Lifco offers sawmill equipment under the Heinola and Hekotek names. The companies operate 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.

In December 2016, it was announced that Lifco had acquired Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors. The company was consolidated in February 2017. In connection with the acquisition, the division

The map shows countries where employees within business area Systems Solutions are in place.

changed its name from Sawmill Equipment to Forest. In October 2016, AriVislanda and Renholmen were sold. Net sales and earnings in the division declined in 2016 due to certain problems in individual projects.

CONSTRUCTION MATERIALS

Under the Proline name, Lifco offers cleaning and relining of sewage pipes in older properties. Through relining, sewage pipes can be renovated without the need to pull out the kitchen and bathroom to get to the pipes. In 2016 Lifco acquired a majority stake in Cenika, a leading Norwegian supplier of low-voltage electrical equipment. Nordesign, a Norwegian supplier of LED lighting to the Scandinavian market, was also acquired. The division saw good sales and earnings growth in 2016 following the acquisition of a majority stake in Cenika. Organic growth was also good.

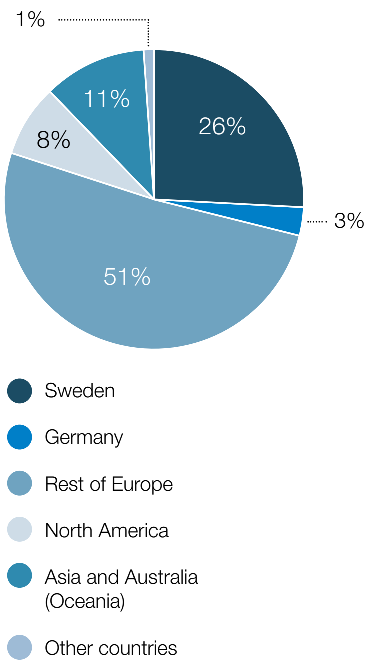
EARNINGS IN 2016

Net sales in Systems Solutions increased by 26.9 per cent to SEK 3,671 (2,892) million. All divisions apart from Forest increased their sales and earnings. EBITA* increased by 59.9 per cent to SEK 421 (263) million and the EBITA margin* expanded by 2.4 percentage points to 11.5 (9.1) per cent. Lifco works continuously to improve its product portfolios, strengthen its distribution systems and improve productivity in the Group's companies. The earnings impact of such measures will fluctuate from one quarter to the next, however.

FINANCIAL PERFORMANCE

SEK MILLION	2016	CHANGE	2015	CHANGE	2014
Sales	3,671	26.9%	2,892	28.7%	2,247
EBITA*	421	59.9%	263	25.0%	211
EBITA margin*	11.5%	2.4	9.1%	-0.3	9.4%

NET SALES BY GEOGRAPHIC MARKET



Brokk has for more than 40 years developed robots to make demolition work safer as well as more efficient and profitable.

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 2016, the number of shareholders was 6,417. The share of foreign-owned shares at year-end was 10.5 per cent. The company trades under the ticker LIFCO B.

SHARE PERFORMANCE AND LIQUIDITY

Lifco's share price at year-end was SEK 233.20, which equates to a market capitalisation of SEK 21.2 billion. This is an increase of 10.0 per cent since year-end 2015. The Nasdaq OMX Nordic Large Cap index gained 5.8 percent in 2016.

The highest price paid in 2016 was SEK 271.70 on 27 July and the lowest price paid SEK 175.00 on 9 and 11 February.

Lifco's introduction price was SEK 93.00. From the initial public offering to the end of 2016 the share price has increased by 151 per cent. Over the same period the Nasdaq OMX Nordic Large Cap index has increased by 16.6 per cent.

In 2016, 11,174,098 shares were traded. The daily average was 44,342 shares. 70.3 per cent of the shares were traded on Nasdaq Stockholm.

SHARE CAPITAL

At the end of 2016 the share capital of Lifco was SEK 18,168,652, represented by 90,843,260 shares. All shares have equal rights to dividends. Each Class A share carries ten votes and each Class B share one vote. The number of Class A shares is 6,075,970 and the number of Class 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: 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

Johan Dahl, SEB
Jon Hyltner, Handelsbanken
Lars Hevreng, Danske Bank
Daniel Lindkvist, ABG Sundal Collier
Robert Redin, Carnegie

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

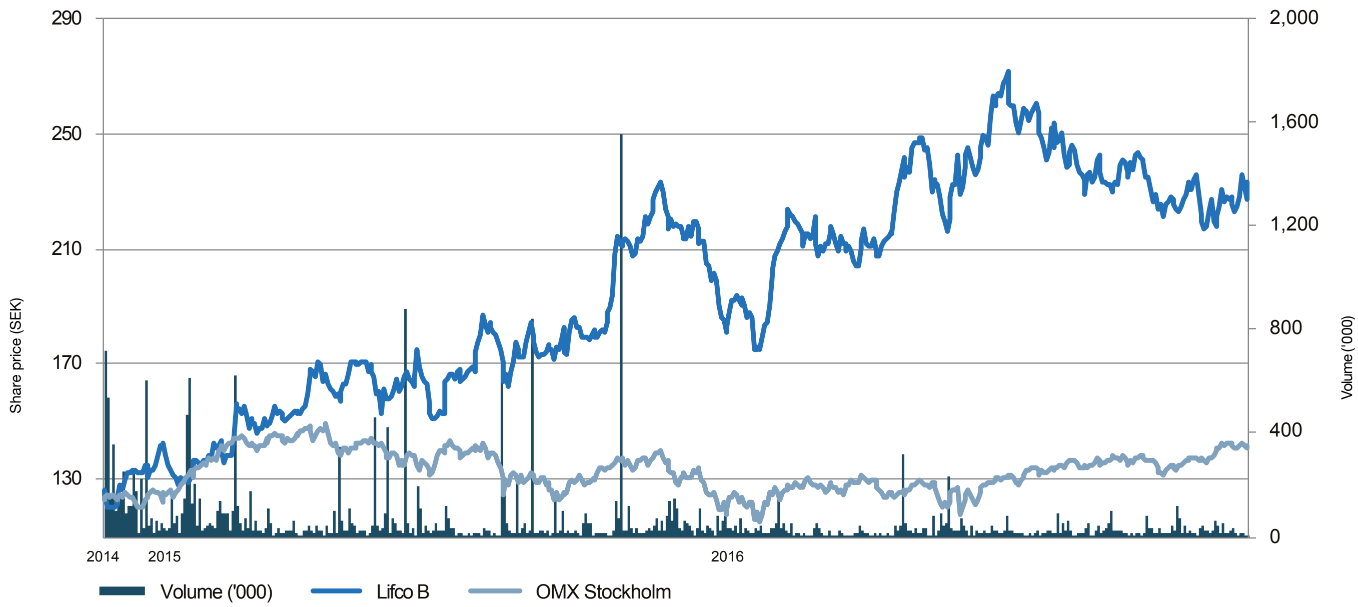
	CLASS A	CLASS B	TOTAL
Shares, no.	6,075,970	84,767,290	90,843,260
Votes, no.	60,759,700	84,767,290	145,526,990
Capital, %	7	93	100
Votes, %	42	58	100

TEN LARGEST COUNTRIES

	NO. OF SHARES	CAPITAL, %	VOTES, %	NO. OF OWNERS	SHARE OF OWNERS, %
Sweden	81,334,194	89.5	93.5	6,048	93.3
USA	3,257,511	3.6	2.2	61	0.9
Norway	2,431,822	2.7	1.7	21	0.3
United Kingdom	863,154	1.0	0.6	38	0.6
Luxembourg	763,405	0.8	0.5	19	0.3
Belgium	481,299	0.5	0.3	5	0.1
France	368,116	0.4	0.3	9	0.1
Denmark	349,039	0.4	0.2	75	1.2
Germany	247,361	0.3	0.2	11	0.2
Switzerland	229,424	0.3	0.2	15	0.2
Other countries	517,935	0.6	0.4	116	0.9

Source: Modular Finance

LIFCO B PRICE DEVELOPMENT SINCE LISTING UNTIL 31 DECEMBER 2016



LIFCO'S 15 LARGEST SHAREHOLDERS, 31 DECEMBER 2016	CLASS A SHARES	CLASS B SHARES	CAPITAL, %	VOTES, %
Carl Bennet AB	6,075,970	39,437,290	50.1	68.9
Fourth Swedish National Pension Fund (AP4)		7,050,428	7.8	4.8
Didner & Gerge Fonder		5,753,104	6.3	4.0
Carnegie Fonder		4,600,000	5.1	3.2
Swedbank Robur Fonder		3,595,027	4.0	2.5
Nordstjernan		3,045,000	3.4	2.1
Handelsbanken Fonder & Liv		2,923,052	3.2	2.0
SEB Fonder & Liv		1,800,018	2.0	1.2
Odin Fonder		1,286,379	1.4	0.9
Norges Bank		1,133,327	1.2	0.8
Fidelity Fonder		741,118	0.8	0.5
Lundberg sphere		700,000	0.8	0.5
Evermore Global		654,976	0.7	0.4
Advisors Fonder		600,997	0.7	0.4
Nordea Fonder Mertzig Asset Management Fonder		400,000	0.4	0.3
Other shareholders		11,046,574	12.9	7.5
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 2016			
NO. OF SHARES		NO. OF OWNERS	SHARE OF OWNERS, %
1	500	5,554	86.6
501	1 000	325	5.1
1 001	5 000	340	5.3
5 001	10 000	58	0.9
10 001	15 000	23	0.4
15 001	20 000	14	0.2
20 001	-	103	1.6
		6,417	**100.0**

Source: Modular Finance

DATA PER SHARE	2016	2015	2014
Earnings per share after tax	9.99	8.91	6.17
Share price, 31 December	233.20	212.00	134.50
Cash flow	11.93	10.44	6.45
Dividend (proposed for 2016)	3.50	3.00	2.60
Dividend growth, %	16.7	15.4	-
Yield, %	1.5	1.4	1.9
P/E-ratio	23.3	23.8	21.8
Payout ratio, %	35	34	42
Equity	51.9	43.4	38.0
Number of shares, 31 December, million	90.8	90.8	90.8

ACQUISITIONS

In 2016 Lifco made eleven acquisitions across its three business areas. The acquisitions have brought complementary products to Lifco and expanded the Group's market presence. Total net sales in the businesses acquired in 2016 were approximately SEK 1,253 million and the acquisitions brought around 370 new employees to the Group.

During the year Lifco sold AriVislanda and Renholmen, which were part of the Forest division in Systems Solutions. The sales of the companies had no significant impact on Lifco's results and financial position in 2016.

ACQUISITIONS IN DENTAL

In Dental five companies were acquired in 2016.

Lifco acquired the operations of Dens Esthetix, a German dental technology laboratory.

Lifco acquired the Danish dental company Design Dental which imports and produces dental technology in Denmark using digital technology. The customers are Danish dentists.

Lifco also bought Nordiska Dental's products in endodontics, which are mainly sold in Europe, Russia and the United States. The company's most important brand is Calasept, which is used by dentists for cleaning of root canals.

Lifco acquired Parkell, a US dental company which produces and sells dental consumables and small equipment used by dentists. The products are sold mainly in the US but to some extent also internationally.

Praezimed, a German dental company, was acquired. The company provides service and repair of dental instruments used by dentists and dental laboratories in Germany.

ACQUISITIONS IN DEMOLITION & TOOLS

In Demolition & Tools one company was acquired in 2016.

Lifco acquired a majority stake in Aquajet Systems, a Swedish manufacturer of hydro demolition robots. Aquajet Systems is a world leader in its market niche.

ACQUISITIONS IN SYSTEMS SOLUTIONS

In Systems Solutions five acquisitions were made in 2016.

In Contract Manufacturing Lifco acquired Auto-Maskin, a leading manufacturer of diesel control units for environmentally friendly marine applications. The company also provides emergency power systems for challenging environments in the telecom, airport, hospital and defence sectors.

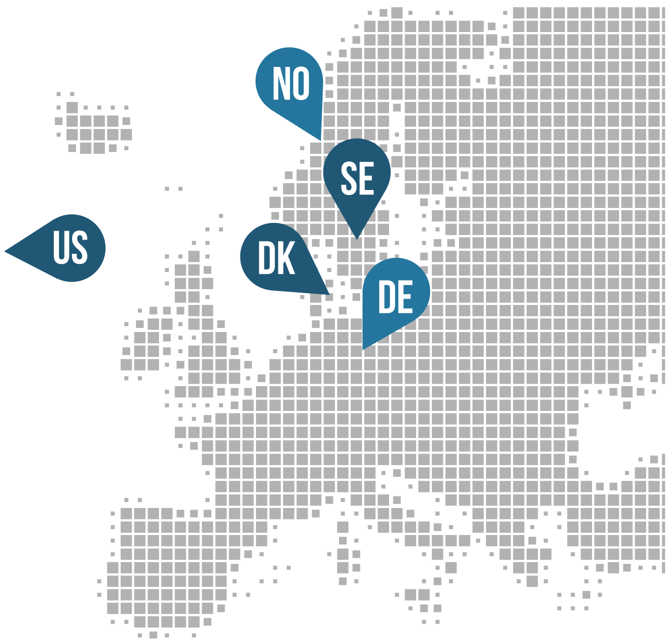
In the Environmental Technology division two acquisitions were made: Redoma Recycling of Sweden, which specialises in the development and manufacture of recycling machinery for small and medium cables, and TMC/Nessco of Norway, a world-leading supplier of marine compressors and spare parts. TMC/Nessco also provides onshore compressors to the Norwegian market.

In the Construction Materials divisions two acquisitions were made during the year: majority stakes in the Norwegian companies Cenika and Nordesign. Cenika is a leading supplier of low-voltage electrical equipment, including fuse boxes. The products are sold directly to the professional markets in Norway and Sweden under the company's own CenTech brand and the Chinese Chint brand. Nordesign provides LED lighting to the Scandinavian market.

In December 2016 it was announced that Lifco had acquired Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors. The company was consolidated in the Forest division in February 2017.

PREVIOUS ACQUISITIONS

Over the period 2006-2016 Lifco made 43 acquisitions. A list of all acquisitions is provided on page 76.

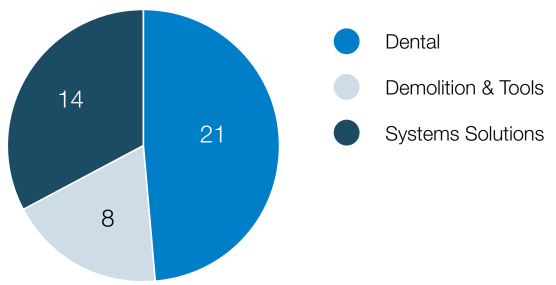


Countries in which Lifco made acquisitions in 2016.

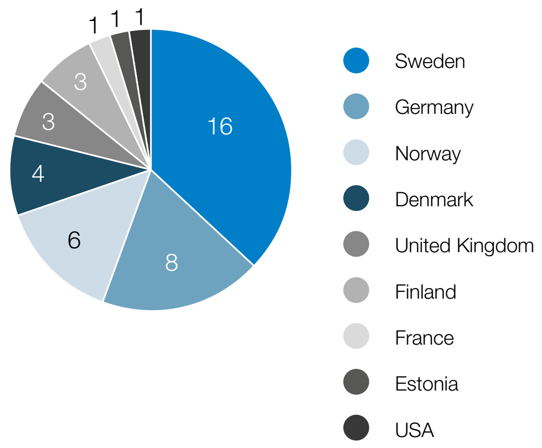
ACQUISITIONS ANNOUNCED IN 2016

COMPANY	OPERATIONS	BUSINESS AREA	NET SALES IN 2015	NO. OF EMPLOYEES ON ACQUISITION	CONSOLIDATION DATE	COUNTRY
Aquajet Systems	Manufactures hydro demolition robots	Demolition & Tools	SEK 60m	20	December	Sweden
Auto-Maskin	Control systems for marine diesel engines	Systems Solutions	NOK 130m	65	January	Norway
Cenika	Supplier of low-voltage electrical equipment	Systems Solutions	NOK 160m	30	February	Norway
Dens Esthetix	Dental laboratory	Dental	EUR 1.4m	14	February	Germany
Design Dental	Imports and produces dental technology in Denmark using digital technology	Dental	DKK 13m	9	December	Denmark
Endodontic products	Root canal and other products	Dental	SEK 10m	-	January	Sweden
Nordesign	Supplier of LED lighting to the Scandinavian market	Systems Solutions	NOK 64m	18	September	Norway
Parkell	Manufactures and sells dental consumables and small equipment to dentists	Dental	USD 29m	100	September	USA
Praezimed	Services and repairs dental instruments	Dental	EUR 2.5m	15	February	Germany
Redoma Recycling	Manufactures recycling machinery for small and medium cables	Systems Solutions	SEK 25m	8	January	Sweden
TMC/Nessco	Supplier of marine com-pressors and spare parts	Systems Solutions	NOK 525m	90	March	Norway

ACQUISITIONS BY BUSINESS AREA SINCE 2006



ACQUISITIONS BY COUNTRY SINCE 2006



RISKS AND RISK MANAGEMENT

There are a number of factors that affect, or could affect, Lifco's operations, performance or financial position. Lifco has 132 companies in 26 countries and a large number of customers in various industries. Lifco also has a large number of suppliers in different areas. This spread means that the commercial risks are limited. Risks that have been identified and how they are managed are presented below.

Lifco is dependent on macroeconomic factors such as consumption, corporate investments, public investments, the volatility and strength of the capital market and inflation. However, the dental industry has historically been less sensitive to economic downturns than companies in, for example, the industrial sector. Sales to private individuals are also typically less affected by the general economic situation. However, a significant proportion of Lifco's sales target customers in the industrial sector. A stronger economy leads to greater business opportunities for Lifco.

To some extent, individual subsidiaries are dependent on one or more customers for being able to maintain their sales. The Group, however, is not dependant on any one customer. Lifco's single largest customer accounts for less than three percent of the Group's total sales.

When making acquisitions, Lifco may be impacted if expected synergies or efficiencies do not arise, or may incur costs that are not compensated by the seller. When selling subsidiaries, Lifco may risk incurring costs and losses attributable to the sold company. Lifco manages this risk by conducting a thorough analysis of the business upon acquisition. The analysis includes discussions with suppliers, customers, other parties in the market and industry experts. It also involves scrutinising the target company's accounts and agreements in detail.

The Group's customer agreements vary in terms of duration, guarantees, liability caps and scope. Guarantees in customer agreements can sometimes take the form of so-called on-demand guarantees. This means that Lifco can be called upon to pay a certain sum to the counterparty in the event of a confirmed or claimed fault in the supplied product. Such guarantees may have significant adverse impacts on the financial position and performance of the company. Furthermore, a number of Lifco's customer and supplier relationships are not formalised in written agreements. Consequently, the parties largely rely on customary practice in the relationships, which are often long-standing. The content of such agreements can be difficult to clarify if the parties have differing opinions on a matter. This can lead to a deterioration in the relationship and expensive disputes.

Individual subsidiaries may fail to implement new technology or adapt their product range or business model in time in order to benefit from new or existing technology. This could be due to an inability to fund technical investments or keep up with developments in technology. It is therefore important for Lifco that the subsidiaries have a broad network in their respective industries to ensure that they keep up with developments in technology. Lifco always bases financing decisions on commercial considerations.

Lifco's decentralised organisation model may prove less suitable for meeting future market challenges. Lifco's Group Management Team and Board of Directors manage this risk by performing an annual review of the strategy, including an analysis of Lifco's strengths and weaknesses. The analysis also tests whether the organisation is equipped to take on future challenges and initiatives.

Lifco's customers or competitors may join forces and form larger entities. If customers join forces, this can put pressure on prices. Competitors may then strengthen their market position at Lifco's expense. This risk can be minimised by building close customer relationships. Close customer relationships are important to Lifco in all operations and, in many cases, Lifco also offers service to further strengthen the relationship with its customers. Strong customer relationships are important in price negotiations too.

Most of the products sold in the Dental business area come under the compensation systems applied by private insurance companies, authorities and entities paying for healthcare products and services. There is a risk that they might change the systems, which would reduce the compensation.

Dental accounts for about 40 per cent of the Group's total sales and no single market accounts for more than 38 per cent of Dental's sales. Consequently, the Group's exposure to a single market in the Dental area is limited.

Lifco is dependent on certain key individuals, in both Group management and the subsidiaries. The acquisition strategy requires the companies' key individuals to be highly motivated to run the company even after the acquisition. To attract and retain key individuals, Lifco believes in incentive schemes linked to profitability.

Currency risk refers to the risk of unfavourable movements in exchange rates. The currency risk is divided into:

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

Lifco's operations are conducted in 26 countries. The geographic distribution, coupled with the great 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 reasonable change in the value of the Swedish krona does not have any material impact on Lifco's financial position.

Translation exposure is managed to some extent through borrowing in the foreign currencies concerned.

Further information about Lifco's currency policy is presented in Note 3.

Interest rate risk refers to the risk that changes in general interest rates can have an adverse impact on Lifco's net profit see note 3.1. Lifco has not currently taken any hedging measures with regard to interest rate risk.

Credit and counterparty risk is the risk that the counterparty in a financial transaction cannot fulfil its obligations. Lifco's credit risk primarily comprises trade receivables (commercial credit risk), but there is also some credit risk with regard to the investment of cash and cash equivalents (financial credit risk). Lifco assesses that the financial credit risk is low, as the Group's cash and cash equivalents are deposited in banks with strong credit ratings.

Lifco is dependent on obtaining financing through creditors. Lifco assesses that the Group has a good financial position, considering the existing working capital and existing credit agreements.

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

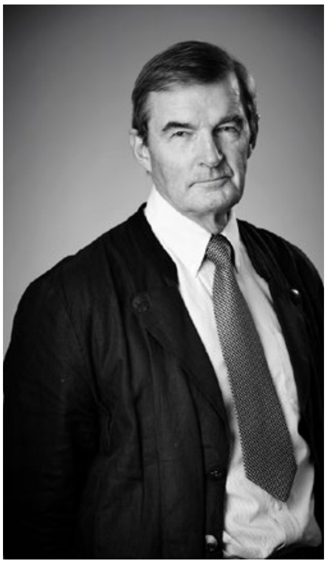

Annika Espander Jansson


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

PROPOSAL FOR PROFIT APPROPRIATION

Lifco AB (publ), Corporate Identity Number 556465-3185

THE FOLLOWING PROFIT IN LIFCO AB IS AVAILABLE FOR APPROPRIATION BY THE ANNUAL GENERAL MEETING:	MSEK
Profit brought forward	1,884
Profit for the year	520
Total	**2,404**
The Board of Directors and the CEO propose a final dividend to the shareholders of SEK 3.50 per share	318
to be carried forward	2,086
Total	**2,404**

The Board of Directors is of the opinion that the proposed dividend is justifiable in view of the demands made on the Group by the nature, extent and risks associated with the business in terms of the amount of equity required and taking into account the need for consolidation, liquidity and financial position in other respects.

Further information regarding the financial performance and position of the Group and the Parent Company in other respects is presented in the Annual Report. The income statements and balance sheets will be presented to the shareholders for approval at the Annual General Meeting on 4 May 2017.

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union and give a true and fair view of the Group's performance and position. The Annual Report has been prepared in accordance with generally accepted accounting practice and gives a true and fair view of the Parent Company's performance and position.

The Directors' Report for the Group and Parent Company gives a true and fair view of the development of the Group's and Parent Company's business operations, financial position and performance and describes principal risks and uncertainties faced by the Parent Company and the companies included in the Group.

Enköping, Sweden, 30 March 2017

Carl Bennet
Chairman of the Board

Gabriel Danielsson
Director

Ulrika Dellby
Director

Annika Espander Jansson
Director

Erik Gabrielson
Director

Ulf Grunander
Director

Fredrik Karlsson
President and CEO,
Director

Annika Norlund
Director, Employee
Representative for Unionen

Johan Stern
Vice Chairman

Axel Wachtmeister
Director

Peter Wiberg
Deputy Director,
Employee Representative for Metall

Our Auditors' Report was submitted on 30 March 2017.
PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant
Auditor-in-Charge

Martin Johansson
Authorised Public Accountant

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK MILLION	NOTE	2016	2015
Net sales	5	8,987	7,901
Cost of goods sold		-5,405	-4,865
Gross profit		**3,582**	**3,036**
Selling expenses		-831	-625
Administrative expenses		-1,412	-1,205
Research and development expenses		-88	-73
Other operating income	6	48	23
Other operating expenses	6	-47	-49
Operating profit	7, 8, 9, 10, 11	**1,252**	**1,107**
Financial income	6, 12	12	9
Financial expenses	6, 12	-45	-34
Profit before tax		**1,219**	**1,082**
Tax on profit for the year	13	-292	-257
Net profit for the year		**927**	**825**
Net profit for the year attributable to:			
Parent company shareholders		908	810
Non-controlling interests		19	15
Net profit for the year		**927**	**825**
Earnings per share before and after dilution attributable to parent company shareholders during the year	33	9.99	8.91

The notes on pages 46-65 constitute an integral part of the annual report and consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK MILLION	NOTE	2016	2015
Net profit for the year		**927**	**825**
Other comprehensive income			
Items which can later be reclassified to profit or loss:			
Hedge of net investment		-23	-
Translation differences		159	-92
Tax related to other comprehensive income		4	-
Total comprehensive income for the year		**1,067**	**733**
Comprehensive income attributable to:			
Parent company shareholders		1,046	720
Non-controlling interests		21	13
Total comprehensive income for the year		**1,067**	**733**

The notes on pages 46-65 constitute an integral part of the annual report and consolidated financial statements.

CONSOLIDATED BALANCE SHEET

SEK MILLION	NOTE	2016-12-31	2015-12-31
ASSETS			
Fixed assets			
Intangible assets	14	6,824	5,010
Tangible fixed assets	15	464	417
Holdings in associated companies	16	-	4
Other non-current financial receivables	17	5	3
Deferred tax assets	18	104	80
Total fixed assets		**7,397**	**5,514**
Current assets			
Inventories	19	1,155	960
Accounts receivable - trade	17, 20	1,046	863
Current tax assets		86	69
Other current receivables		63	82
Prepaid expenses and accrued income	21	87	106
Cash and cash equivalents	17, 22, 23	293	464
Total current assets		**2,730**	**2,544**
TOTAL ASSETS		**10,127**	**8,058**

The notes on pages 46-65 constitute an integral part of the annual report and consolidated financial statements.

CONSOLIDATED BALANCE SHEET, CONT.

SEK MILLION	NOTE	2016-12-31	2015-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	24	18	18
Reserves		171	33
Retained earnings including net profit for the year		4,523	3,888
Equity attributable to parent company shareholders		**4,712**	**3,939**
Non-controlling interests		46	25
Total equity		**4,758**	**3,964**
Non-current liabilities			
Non-current interest-bearing liabilities	17, 25	1,083	1,064
Other non-current liabilities		51	-
Interest-bearing pension provisions	26	37	39
Deferred tax liability	18	525	349
Other long-term provisions	27	21	22
Total non-current liabilities		**1,717**	**1,474**
Current liabilities			
Current interest-bearing liabilities	17, 25	2,191	1,341
Accounts payable - trade	17	507	370
Advance payments from customers		142	181
Current tax liabilities		153	108
Short-term provisions	27	41	43
Other current liabilities		200	183
Accrued expenses and deferred income	29	418	394
Total current liabilities		**3,652**	**2,620**
TOTAL EQUITY AND LIABILITIES		**10,127**	**8,058**

The notes on pages 46-65 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 2015	**18**	**123**	**3,314**	**3,455**	**18**	**3,473**
Comprehensive income						
Net profit for the year	-	-	810	810	15	825
Other comprehensive income	-	-90	-	-90	-2	-92
Total comprehensive income	-	-90	810	720	13	733
Transactions with shareholders						
Additional non-controlling interests through acquisitions	-	-	-	-	10	10
Dividend	-	-	-236	-236	-16	-252
Closing balance, 31 December 2015	**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**

CONSOLIDATED CASH FLOW STATEMENT

SEK MILLION	NOTE	2016	2015
Operating activities			
Operating profit		1,252	1,107
Non-cash items	37	211	157
Other financial items		6	1
Interest received		2	4
Interest paid		-41	-30
Income taxes paid		-295	-239
Cash flow before changes in working capital		**1,135**	**1,000**
Changes in working capital			
Increase/decrease in inventories		-57	-59
Increase/decrease in operating receivables		11	-113
Increase/decrease in operating liabilities		-5	120
Total changes in working capital		**-51**	**-52**
Cash flow from operating activities		**1,084**	**948**
Investing activities			
Investments in intangible assets		-9	-9
Investments in tangible fixed assets		-114	-102
Sale of tangible fixed assets		10	20
Acquisition of subsidiaries net of cash and cash equivalents	32	-1,608	-573
Cash flow from investing activities		**-1,721**	**-664**
Financing activities			
Increase/decrease in non-current receivables/liabilities		-15	-2
Borrowings		2,030	516
Repayments of borrowings		-1,305	-602
Dividends paid		-285	-252
Cash flow from financing activities		**425**	**-340**
Cash flow for the year		**-212**	**-56**
Cash and cash equivalents at the beginning of year		464	536
Translation differences		41	-16
Cash and cash equivalents at year-end		**293**	**464**

The notes on pages 46-65 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 26 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 30 March 2017. The consolidated and parent company income statements and balance sheets will be submitted for adoption at the Annual General Meeting on 4 May 2017.

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 the subsidiary companies registered in Germany, see below, in respect of the financial year 1 January – 31 December 2016, in accordance with § 32 AktG (Aktiengesetz). This resolution will be published in official German registers in accordance with § 325 HGB. For a full list of consolidated companies, see pages 78-82.

It has 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:

- 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
- 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 2016 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 Limited (CRN 04063287)
- Kinshofer UK Limited (CRN 01705372)
- P&J Tapper Holdings Limited (CRN 02416305)
- Tevo Limited (CRN 01540940)
- Top Dental (Products) Limited (CRN 04261332)

NOTE 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 2016.

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 2016 and have been applied in preparing these financial statements.

IFRS 9 Financial Instruments 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. The Group is currently evaluating the effects of introducing the standard. IFRS 9 becomes effective on 1 January 2018 and is not deemed to have any significant impact on the consolidated financial statements in the period of initial application.

IFRS 15 Revenue from Contracts with Customers regulates the accounting 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 becomes effective on 1 January 2018 and replaces IAS 18 Revenue and IAS 11 Construction Contracts and the related SIC and IFRIC interpretations. The Group is currently evaluating the effects of introducing the standard and senior management's current assessment is that the standard will not make a significant difference for the Group.

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 more information, see Note 2.17. Lifco currently has no view on the extent to which this will affect the balance sheet and income statement in the form of the value of the right of use, the present value of the liability for remaining payments, and the breakdown between depreciation and interest expense. 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 CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

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

The purchase method is applied 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 5 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 10 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 12 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. The Group's liabilities at fair value through profit or loss mainly comprise financial liabilities in the form of additional considerations.

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 26).

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 LEASING

Leases in which a significant share of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term are charged 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 KEY PERFORMANCE INDICATORS

In the annual report, alternative key performance indicators are used for monitoring the operations of the Group. The primary alternative KPIs presented in this report are EBITA, EBITDA, net interest-bearing debt and capital employed. Reconciliations of the alternative KPIs are presented on page 66, and the purpose and definitions of these indicators are presented on page 83.

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

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 26 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 2015 and 2016.

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 2016 net exchange rate differences recognised in the income statement were SEK 7 (6) 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 +/- 34 (19) 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 2016 was 1.2 per cent (0.9 per cent in 2015).

At the balance sheet date the Group had total borrowings of SEK 3,274 (2,405) million (see Note 25), of which 33 per cent has fixed interest rates and 67 per cent variable interest rates. A change of +/- 0.50 percentage points in interest rates would increase or decrease net profit for the year by SEK +/- 8 (5) 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 20. 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 2016, the Group had cash and cash equivalents of SEK 293 (464) 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 25.

3.2 MANAGEMENT OF CAPITAL RISK

The Group's goal in respect of capital structure is to secure its ability to continue its operations with a view to continuing to generate a return for the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep the costs for capital down.

Lifco currently sees no refinancing risk.

3.3 CALCULATION OF FAIR VALUE

Due to the short-term nature of 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 25.

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 as well as additional considerations resulting from acquisitions. 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	CONDITIONAL ADDITIONAL PURCHASE CONSIDERATIONS/ PUT/CALL OPTIONS
Opening balance, 1 January 2015	78
Considerations paid	-46
Exchange rate differences	-2
Closing balance, 31 December 2015	**30**
Additional put/call options	42
Revaluation of put/call options	-14
Considerations paid	-1
Closing balance, 31 December 2016	**57**

All conditional additional considerations related to acquisitions in previous years were settled in 2015.

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).

Valuation of loss carry forwards

Each year the Group assesses whether there is reason to recognise deferred tax assets in respect of loss carry forwards for the year. A deferred tax asset is recognised for loss carry forwards only to the extent that it is probable that these can be used to offset future taxable profits and taxable temporary differences.

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, expenses for restructuring, integration and acquisitions, 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	2016	2015
Revenue from external customers		
Dental	3,590	3,435
Demolition & Tools	1,726	1,574
Systems Solutions	3,671	2,892
Total	**8,987**	**7,901**

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	655	614
Demolition & Tools	398	396
Systems Solutions	421	263
Central Group functions	-97	-87
Total	**1,377**	**1,186**
Amortisation of intangible assets arising from acquisitions	-121	-66
Restructuring, integration and acquisition costs	-4	-13
Net financial items	-33	-25
Profit before tax	**1,219**	**1,082**

Net sales by type of income:		
Dental products	3,590	3,435
Machinery and Tools	1,726	1,574
Environmental Technology	1,006	583
Contract Manufacturing	845	686
Forest (formerly Sawmill Equipment)	720	796
Interiors for Service Vehicles	558	504
Construction Materials (formerly Relining)	542	323
Total	**8,987**	**7,901**

No single customer accounts for more than 10 per cent of net sales.

Net sales by geographic market:		
Sweden	1,639	1,667
Germany	1,801	1,775
Rest of Europe	4,012	3,178
Asia and Australia	796	673
North America	630	502
Other countries	109	106
Total	**8,987**	**7,901**

Total fixed assets, other than financial instruments and deferred tax assets located in Sweden totalled SEK 1,398 (1,250) million and Germany SEK 3,547 (3,508) million, Norway SEK 1,174 (21) million, and the sum of such fixed assets located in other countries is SEK 1,169 (652) million.

NOTE 6 EXCHANGE RATE GAINS AND LOSSES, NET

SEK MILLION	2016	2015
Exchange rate differences have been recognised in the income statement as follows:		
Other operating income and operating expenses	3	2
Financial income and expenses (Note 12)	4	4
Total	**7**	**6**

NOTE 7 SCHEDULED DEPRECIATION AND AMORTISATION

SEK MILLION	2016	2015
Distribution of depreciation/amortisation by tangible and intangible assets		
Buildings and land improvements	-15	-14
Plant and machinery	-32	-27
Equipment, tools, fixtures and fittings	-47	-40
Total depreciation of tangible fixed assets	**-94**	**-81**
Customer relationships	-115	-57
Patents	-7	-8
Other intangible assets	-9	-11
Total amortisation of intangible assets	**-131**	**-76**
Total depreciation/amortisation of fixed assets	**-225**	**-157**
Depreciation/amortisation by function		
Cost of goods sold	-45	-45
Selling expenses	-127	-66
Administrative expenses	-48	-44
Research and development expenses	-5	-2
Total depreciation/amortisation	**-225**	**-157**

NOTE 8 AUDIT FEES

SEK MILLION	2016	2015
PricewaterhouseCoopers		
Audit engagement	6	5
Audit services in addition to audit engagement	1	1
Tax advisory services	-	-
Other services	3	2
Total	**10**	**8**

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. 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	2016	2015
Goods for resale, raw materials and consumables	4,436	3,946
Personnel costs (Note 10)	1,943	1,707
Depreciation, amortisation and impairment (Notes 7, 14 and 15)	225	157
Expenses for operating leases (Note 11)	94	80
Production expenses and other expenses	1,038	878
Total costs of goods sold, selling expenses, administrative expenses, and research and development expenses	**7,736**	**6,768**

NOTE 10 PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

SEK MILLION	2016	2015
Salaries and remuneration		
Board of Directors and senior executives*	189	166
Other employees	1,378	1,184
	1,567	1,350
Social security contributions	279	267
Pension expenses for senior executives	26	24
Pension expenses for other employees	71	66
Total	**1,943**	**1,707**

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

REMUNERATION AND BENEFITS IN 2016

TSEK	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**

REMUNERATION AND BENEFITS IN 2015

TSEK	BASIC SALARY/ DIRECTOR'S FEE*	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COST	TOTAL
Carl Bennet	1,220	-	-	-	1,220
Gabriel Danielsson	610	-	-	-	610
Ulrika Dellby	630	-	-	-	630
Erik Gabrielson	630	-	-	-	630
Ulf Grunander	710	-	-	-	710
Fredrik Karlsson (in capacity as Director)	-	-	-	-	-
Johan Stern	690	-	-	-	690
Axel Wachtmeister	610	-	-	-	610
Total	**5,100**	**-**	**-**	**-**	**5,100**
Fredrik Karlsson (in capacity as CEO)	20,303	13,633	29	11,950	45,915
Other senior management (2 persons)	7,694	6,173	49	2,480	16,396
Total	**27,997**	**19,806**	**78**	**14,430**	**62,311**

* 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. Certain of the Board Memebers have chosen to invoice their fees via their own companies. They have been allowed to do this with the reservation that this is cost neutral for Lifco. 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 35. 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 CEO's employment contract is terminable on 12 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 2016 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 2016 the Remuneration Committee convened on two occasions.

AVERAGE NUMBER OF EMPLOYEES, GROUP			2016			2015
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Australia	4	22	26	3	20	23
Belgium	1	3	4	1	3	4
Denmark	50	166	216	47	170	217
Estonia	91	135	226	96	126	222
Philippines	85	143	228	91	155	246
Finland	47	144	191	48	155	203
France	10	62	72	10	65	75
Netherlands	4	36	40	3	35	38
Iceland	-	-	-	-	5	5
Italy	-	2	2	-	2	2
Canada	2	11	13	2	11	13
China	17	60	77	19	67	86
Latvia	8	3	11	7	3	10
Lithuania	10	1	11	10	1	11
Norway	68	191	259	42	69	111
Poland	1	5	6	1	5	6
Russia	2	5	7	2	3	5
Switzerland	4	7	11	4	9	13
Singapore	3	8	11	2	6	8
Slovenia	4	18	22	6	16	22
Spain	-	-	-	-	3	3
United Kingdom	30	119	149	26	114	140
Sweden	243	724	967	238	757	995
Czech Republic	41	116	157	42	113	155
Germany	290	382	672	286	359	645
Hungary	5	3	8	5	3	8
USA	21	77	98	8	55	63
Austria	3	37	40	3	37	40
Total, Group	**1,044**	**2,480**	**3,524**	**1,002**	**2,367**	**3,369**
Parent Company						
Sweden	2	3	5	2	3	5

GENDER DISTRIBUTION FOR SENIOR EXECUTIVES AT BALANCE SHEET DATE, %	2016	2015
Women:		
Board members in the parent company	22 %	13 %
Other individuals in management, including CEO	25 %	33 %
Men:		
Board members in the parent company	78 %	87 %
Other individuals in management, including CEO	75 %	67 %

NOTE 11 LEASING

SEK MILLION	2016	2015
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 94 (80) 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	84	45
Mature within 2 to 5 years	211	74
Mature after 5 years	70	29
Total	**365**	**148**

NOTE 12 FINANCIAL INCOME AND EXPENSES

SEK MILLION	2016	2015
Financial income		
Interest income	2	4
Exchange rate gains	4	4
Other financial income	6	1
Total financial income	12	**9**
Financial expenses		
Interest expenses	-41	-30
Other financial expenses	-4	-4
Total financial expenses	**-45**	**-34**
Net financial items	**-33**	**-25**

NOTE 13 TAX ON PROFIT FOR THE YEAR

SEK MILLION	2016	2015
Tax expense		
Current tax for the year	-299	-273
Adjustments regarding previous years' current tax	-6	1
Total current tax expense	**-305**	**-272**
Deferred tax (Note 18)		
Origination and reversal of temporary differences	13	15
Total deferred tax	**13**	**15**
Total income tax	**-292**	**-257**

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:

	2016	2015
Reported profit before tax	**1,219**	**1,082**
Tax at applicable tax rate in Sweden, 22%	-268	-238
Tax effects of non-taxable income	15	1
Tax effects of non-deductible expenses	-19	-6
Adjustment for other tax rates in foreign subsidiaries	-16	-18
Utilisation of loss carry forwards for which no deferred tax asset has been recognised	2	3
Adjustment attributable to previous years	-6	1
Reported tax expense	**-292**	**-257**

The effective tax rate for the Group is 24.0 (23.8) per cent.

NOTE 14 INTANGIBLE ASSETS

SEK MILLION *INDEFINITE USEFUL LIFE	*GOODWILL	*TRADEMARKS	CUSTOMER RELATIONSHIPS	PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
COST						
1 January 2015	**4,453**	**276**	**431**	**48**	**110**	**5,317**
Investments	-	-	-	-	9	9
Acquisition/Divestment of operations	246	65	240	-	16	567
Sales/disposals	-	-	-	-6	-8	-14
Reclassifications	-	-	-	-	-	-
Translation differences	-133	-12	-20	-1	-4	-170
1 January 2016	**4,566**	**329**	**651**	**41**	**123**	**5,710**
Investments	-	-	-	4	5	9
Acquisition/Divestment of operations	697	233	741	2	6	1,679
Sales/disposals	-5	-	-	-	-11	-16
Reclassifications	-2	-	-	-	2	-
Translation differences	185	25	63	2	4	279
31 December 2016	**5,441**	**587**	**1,455**	**49**	**129**	**7,661**
ACCUMULATED AMORTISATION						
1 January 2015	**-454**	**-**	**-38**	**-16**	**-82**	**-590**
Amortisation for the year	-	-	-57	-8	-11	-76
Acquisition/Divestment of operations	-	-	-	-	-14	-14
Sales/disposals	-	-	-	6	8	14
Reclassifications	-	-	-	-	-	-
Translation differences	11	-	1	1	3	16
1 January 2016	**-443**	**-**	**-94**	**-17**	**-96**	**-650**
Amortisation for the year	-	-	-115	-7	-9	-131
Acquisition/Divestment of operations	-	-	-	-	-2	-2
Sales/disposals	5	-	-	-	11	16
Reclassifications	2	-	-	-	-2	-
Translation differences	-11	-	-5	-1	-3	-20
31 December 2016	**-447**	**-**	**-214**	**-25**	**-101**	**-787**
ACCUMULATED IMPAIRMENT						
1 January 2015	**-50**	**-**	**-**	**-**	**-**	**-50**
Impairment for the year	-	-	-	-	-	-
1 January 2016	**-50**	**-**	**-**	**-**	**-**	**-50**
Impairment for the year	-	-	-	-	-	-
31 December 2016	**-50**	**-**	**-**	**-**	**-**	**-50**
Carrying amount, 1 January 2015	3,949	276	393	32	28	4,678
Carrying amount, 31 December 2015	4,073	329	557	24	27	5,010
Carrying amount, 31 December 2016	**4,944**	**587**	**1,241**	**24**	**28**	**6,824**

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 2015. 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 10.5 (10.8) per cent for Dental and 11.5 (11.7) per cent for other the operating segments. The calculation as at 31 December 2016 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 2015.

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 (formerly Relining), Interiors for Service Vehicles, Contract Manufacturing, Environmental Technology and Forest (formerly Sawmill Equipment). The following is a summary of goodwill and intangible assets with indefinite useful lives broken down by cash-generating unit:

GROUP	GOODWILL		TRADEMARKS	
MSEK	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Dental	3,220	2,914	374	274
Demolition & Tools	764	722	35	29
Environmental Technology	458	138	119	26
Construction Materials	269	130	41	-
Contract Manufacturing	102	40	18	-
Interiors for Service Vehicles	71	71	-	-
Forest (formerly Sawmill Equipment)	60	58	-	-
Total	**4,944**	**4,073**	**587**	**329**

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 2015	**454**	**438**	**370**	**2**	**1,264**
Investments	8	36	57	1	102
Acquisition/Divestment of operations	36	57	34	-	127
Sales/disposals	-	-18	-35	-	-53
Reclassifications	1	-1	2	-2	-
Translation differences	-11	-8	-9	-	-28
1 January 2016	**488**	**504**	**419**	**1**	**1,412**
Investments	11	45	56	2	114
Acquisition/Divestment of operations	-6	12	35	-	41
Sales/disposals	-21	-47	-22	-	-90
Reclassifications	-	2	-2	-	-
Translation differences	11	14	12	-	37
31 December 2016	**483**	**530**	**498**	**3**	**1,514**
ACCUMULATED DEPRECIATION					
1 January 2015	**-265**	**-350**	**-263**	**-**	**-878**
Depreciation for the year	-14	-27	-40	-	-81
Acquisition/Divestment of operations	-21	-42	-26	-	-89
Sales/disposals	-	8	25	-	33
Reclassifications	-	-	-	-	-
Translation differences	7	8	5	-	20
1 January 2016	**-293**	**-403**	**-299**	**-**	**-995**
Depreciation for the year	-15	-32	-47	-	-94
Acquisition/Divestment of operations	13	-7	-20	-	-14
Sales/disposals	15	46	19	-	80
Reclassifications	-	-	-	-	-
Translation differences	-8	-10	-9	-	-27
31 December 2016	**-288**	**-406**	**-356**	**-**	**-1,050**
Carrying amount, 1 January 2015	189	88	107	2	386
Carrying amount, 31 December 2015	195	101	120	1	417
Carrying amount, 31 December 2016	**195**	**124**	**142**	**3**	**464**

NOTE 16 HOLDINGS IN ASSOCIATED COMPANIES

SEK MILLION	SHARE OF EQUITY, %	CARRYING AMOUNT 2016	CARRYING AMOUNT 2015
The following associated company was sold in 2016			
Synerplan OY, Finland, Kerava	- (30.00)	-	4

NOTE 17 FINANCIAL INSTRUMENTS BY CATEGORY

SEK MILLION ASSETS IN THE BALANCE SHEET	LOANS AND RECEIVABLES
31 December 2016	
Accounts receivable - trade	1,046
Other non-current financial receivables	5
Cash and cash equivalents	293
Total	**1,344**
31 December 2015	
Accounts receivable - trade	863
Other non-current financial receivables	3
Cash and cash equivalents	464
Total	**1,330**

LIABILITIES IN THE BALANCE SHEET SEK MILLION	LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES	TOTAL
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**
31 December 2015			
Interest-bearing borrowings	-	2,375	2,375
Accounts payable - trade	-	370	370
Other liabilities*	30	-	30
Total	**30**	**2,745**	**2,775**

* Other liabilities classified as financial instruments refer to additional considerations and 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.

NOT 18 DEFERRED TAX

SEK MILLION	2016	2015
Deferred tax assets are attributable to the following temporary differences and loss carry forwards.		
Deferred tax assets attributable to:		
Temporary differences on current assets	48	36
Deductible temporary differences on provisions	2	2
Loss carry forwards	1	1
Other deductible temporary differences	53	41
Total deferred tax assets	**104**	**80**
Deferred tax liabilities are attributable to the following temporary differences.		
Deferred tax liabilities attributable to:		
Temporary differences on fixed assets	-425	-256
Other taxable temporary differences	-100	-93
Total deferred tax liabilities	**-525**	**-349**
Deferred tax assets/liabilities, net	**-421**	**-269**

Deferred tax assets are recognised for loss carry forwards to the extent that it is probable that these can be used to offset future taxable profits. The Group recognised deferred tax assets of SEK 5 (1) million relating to losses of SEK 23 (4) million, which can be used to offset future taxable profits. Of these loss carry forwards SEK 4 million expire after more than five years.

NOTE 19 INVENTORIES

SEK MILLION	2016	2015
Valued at cost		
Finished goods and goods for resale	665	536
Raw materials and consumables	338	280
Work in progress	114	109
Contract work in progress	21	11
Advance payments to suppliers	17	24
Total	**1,155**	**960**
Net effect of the write-down and reversal of the inventory reported as an expense in the income statement.	-14	-17

NOTE 20 ACCOUNTS RECEIVABLE - TRADE

SEK MILLION	2016	2015
Accounts receivable - trade	1,100	904
Provision for doubtful debts	-54	-41
Accounts receivable, net	**1,046**	**863**

At 31 December 2016, unimpaired accounts receivable were SEK 662 (551) million while accounts receivable of SEK 356 (296) 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 82 (57) million was overdue, of which SEK 54 (41) million was impaired. The age analysis for these accounts receivable is shown in the following:

Not yet payable	662	551
1-30 days past due, no impairment	235	196
31-60 days past due, no impairment	121	100
61-90 days past due	30	17
Provision	-8	-4
> 90 days past due	52	40
Provision	-46	-37
Total accounts receivable, net	**1,046**	**863**

Changes in the provision for doubtful debts are as follows:		
1 January	**41**	**30**
In acquired operations	11	5
Provision for expected losses	4	9
Actual losses	-2	-3
31 December	**54**	**41**

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 2016 or at 31 December 2015.

NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

SEK MILLION	2016	2015
Prepaid rental charges	13	11
Prepaid insurance contributions	6	5
Prepaid IT expenses	7	7
Other prepaid expenses	10	18
Accrued, not invoiced income	43	58
Accrued income	8	7
Total	**87**	**106**

NOTE 22 OVERDRAFT FACILITIES

SEK MILLION	2016	2015
Overdraft facilities, drawn amount	465	90
Overdraft facilities, agreed limit	1,077	285

NOTE 23 CASH AND CASH EQUIVALENTS

MSEK	2016	2015
Cash and cash equivalents in the balance sheet and cash flow statement include the following items:		
Cash and bank balances	293	464

NOTE 24 SHARE CAPITAL

SEK MILLION	NUMBER OF SHARES (THOUSANDS)	SHARE CAPITAL
1 January 2015	90,843	18
31 December 2015	90,843	18
31 December 2016	**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 25 BORROWINGS

SEK MILLION	2016	2015
Non-current interest-bearing liabilities		
Liabilities to credit institutions	3	3
Bond loans	1,080	1,031
Other interest-bearing liabilities	-	30
Total non-current interest-bearing liabilities	**1,083**	**1,064**
Current interest-bearing liabilities		
Liabilities to credit institutions	1,726	1,251
Overdraft facilities, drawn amount	465	90
Total current interest-bearing liabilities	**2,191**	**1,341**
Total interest-bearing liabilities	**3,274**	**2,405**

Long-term loans have fixed interest rates and short-term loans have variable interest rates. The carrying amounts do not different 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	> 2 YEARS < 3 YEARS
31 December 2016			
Bank and bond loans*	2,221	1,090	1
Accounts payable - trade	507	-	-
Total	**2,728**	**1,090**	**1**

* including interest

NOTE 26 POST-EMPLOYMENT BENEFITS

The amounts recognised in the balance sheet refer to defined benefit pensions in Sweden, Germany and the US attributable to employees who no longer work for the company. The carrying amount of defined benefit obligations is SEK 37 (39) 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 2016 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 9 (11) million.

The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio 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 2016 Alecta's surplus, as defined by the collective funding ratio, was 149 per cent (2015: 153 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 27 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 long-term provisions	**30**	**1**	**1**	**9**	**41**
of which short-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 2015	**37**	**3**	**2**	**13**	**55**
Additional provisions	27	-	1	4	32
Acquisition of companies	2	1	1	-	4
Utilised during the year	-12	-2	-1	-2	-17
Reversal of unused provisions	-6	-	-	-	-6
Reclassifications	-1	-	-	-	-1
Translation differences	-1	-	-	-1	-2
31 December 2015	**46**	**2**	**3**	**14**	**65**
of which long-term provisions	**14**	**2**	**1**	**6**	**23**
of which short-term provisions	**32**	**-**	**2**	**8**	**42**
Anticipated outflow date					
Within 1 years	32	-	2	8	42
Within 3 years	4	2	1	1	8
Within 5 years	9	-	-	1	10
After more than 5 years	1	-	-	4	5
31 December 2015	**46**	**2**	**3**	**14**	**65**

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 company has issued guarantee commitments for SEK 1 (1) million while other contingent liabilities total SEK 134 (108) 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 31).

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

Transactions between Lifco AB and its subsidiaries, which are associated companies of Lifco AB, have been eliminated in the consolidated financial statements. Sales of products and services between Group companies are subject to commercial terms and conditions and made at market prices. Intercompany sales were SEK 2,138 (2,071) 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. Disclosures of transactions with senior executives are provided in Note 10.

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

SEK MILLION	2016	2015
Accrued personnel costs	296	274
Commissions and bonuses to customers	33	42
Allocation of expenses	50	31
Accrued interest expenses	5	5
Other deferred income	5	19
Other accrued expenses	29	23
Total	**418**	**394**

NOTE 30 PLEDGED ASSETS

SEK MILLION	2016	2015
Property mortgages	9	11
Floating charges	81	4
Total	**90**	**15**

NOTE 31 CONTINGENT LIABILITIES

SEK MILLION	2016	2015
Warranties	134	108
Guarantee commitments	1	1
Total	**135**	**109**

Guarantee commitments refer to advance payment and performance guarantees.

NOTE 32 BUSINESS COMBINATIONS

During the year Lifco acquired all shares of Auto-Maskin, Praezimed, TMC/Nessco, Parkell and Design Dental as well as majority stakes in Cenika, Nordesign and Aquajet. The acquisitions of Redoma Recycling, Dens Esthetix and Endodontiprodukter were asset deals.

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

The purchase price allocation includes all acquisitions that were made during the year. The purchase price allocations are preliminary until one year after the acquisition date. Out of the resultant goodwill, SEK 167 million is tax-deductible.

Acquisition-related expenses of SEK 18 million are included in administrative expenses in the consolidated income statement for 2016.

Since the respective consolidation dates the acquired companies have added SEK 852 million to consolidated net sales and SEK 136 million to EBITA. If all acquired units had been consolidated from 1 January 2016 net sales for the year would have increased by a further estimated SEK 401 million to SEK 1,253 million and EBITA by approximately SEK 68 million to SEK 204 million.

SEK MILLION NET ASSETS	ASSETS AND LIABILITIES AT ACQUISITION DATE	ADJUSTMENT TO FAIR VALUE	FAIR VALUE
Trademarks, customer relationships, licences	4	976	980
Tangible assets	37	-	37
Trade and other receivables	387	-37	350
Trade and other payables	-244	-171	-415
Cash and cash equivalents	149	-	149
Net assets	**333**	**768**	**1,101**
Goodwill	-	697	697
Total net assets	**333**	**1,465**	**1,798**

Effect on cash flow, SEK million	
Consideration (cash and cash equivalents)	1,798
of which, considerations	-42
Cash and cash equivalents in acquired companies	-149
Consideration paid related to acquisitions from previous years	1
Total cash flow effect	**1,608**

Additional considerations paid in respect of acquisitions in prior years are the same as the amounts previously recognised as liabilities.

NOTE 33 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	2016	2015
Profit attributable to parent company shareholders	908	810
Weighted average number of outstanding ordinary shares	90,843,260	90,843,260
Earnings per share (SEK)	9,99	8,91

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 2016 or 2015. Earnings per share were thus the same before and after dilution.

NOTE 34 DIVIDEND PER SHARE

Dividend payments made in 2016 and 2015 totalled SEK 273 million (SEK 3.00 per share) and SEK 236 million (SEK 2.60 per share), respectively. At the Annual General Meeting on 4 May 2017 the Board will propose a dividend for the financial year 2016 of SEK 3.50 per share, for a total dividend payment of SEK 318 million. The proposed dividend has not been recognised as a liability in these financial statements.

NOTE 35 SALE OF SUBSIDIARIES

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

In the fourth quarter Proline Iceland EFT and Proline Relining Sl were sold in accordance with a resolution of the Annual General Meeting 2016. The sales had no impact, resulting in a consolidated capital gain of zero.

In June 2015 NETdental was sold in accordance with a resolution of the Annual General Meeting 2015. The sale had no impact, resulting in a consolidated capital gain of zero.

NOTE 36 EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2017 Lifco finalised the acquisition of Haglöf Sweden, a world-leading supplier of instruments for professional forestry surveyors. Haglöf Sweden generated sales of around SEK 60 million in the financial year 2015/16 and has 43 employees. Haglöf Sweden will be consolidated in the Systems Solutions business area, Forest division (formerly Sawmill Equipment).

In February 2017 Lifco finalised the acquisition of Hultdin System, a leading manufacturer of tools and attachments for forestry and construction machinery. Hultdins, with 66 employees, generated net sales of SEK 152 million in the financial year 2015/16. The business will be consolidated in the Demolition & Tools business area.

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 quarter of 2017.

NOTE 37 ADDITIONAL CASH FLOW STATEMENT DISCLOSURES

SEK MILLION	2016	2015
Non-cash items		
Depreciation/amortisation	225	157
Revaluation of put/call options	-14	-
Total	**211**	**157**

RECONCILIATION OF ALTERNATIVE KEY PERFORMANCE INDICATORS

EBITA COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	FULL YEAR 2016	FULL YEAR 2015
Operating profit	**1,252**	**1,107**
Amortisation of intangible assets arising from acquisitions	121	66
EBITA	**1,373**	**1,173**
Restructuring, integration and acquisition costs	4	13
EBITA* before restructuring, integration and acquisition costs	**1,377**	**1,186**

EBITDA COMPARED WITH FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SEK MILLION	FULL YEAR 2016	FULL YEAR 2015
Operating profit	**1,252**	**1,107**
Depreciation of tangible assets	94	81
Amortisation of intangible assets	10	10
Amortisation of intangible assets arising from acquisitions	121	66
EBITDA	**1,477**	**1,264**
Restructuring, integration and acquisition costs	4	13
EBITA* before restructuring, integration and acquisition costs	**1,481**	**1,277**

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

SEK MILLION	31 DEC 2016	31 DEC 2015
Non-current interest-bearing liabilities including pension provisions	1,120	1,103
Current interest-bearing liabilities	2,191	1,341
Calculated contingent consideration for acquisitions	-	-30
Cash and cash equivalents	-293	-464
Net interest-bearing debt	**3,018**	**1,950**

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

SEK MILLION	31 DEC 2016	30 SEP 2016	30 JUN 2016	31 MAR 2016
Total assets	**10,127**	**10,392**	**9,597**	**9,373**
Cash and cash equivalents	-293	-410	-428	-438
Interest-bearing pension provisions	-37	-33	-41	-40
Non-interest-bearing liabilities	-2,057	-2,154	-2,069	-1,965
Capital employed	**7,740**	**7,795**	**7,059**	**6,930**
Goodwill and other intangible assets	-6,824	-6,756	-6,063	-5,983
Capital employed excluding goodwill and other intangible assets	**916**	**1,039**	**996**	**947**

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 2016	Q3 2016	Q2 2016	Q1 2016
Capital employed	**7,381**	7,740	7,795	7,059	6,930
Capital employed excluding goodwill and other intangible assets	**974**	916	1,039	996	947
	TOTAL				
EBITA*	**1,377**	380	316	407	274
Return on capital employed	**18.7%**				
Return on capital employed excluding goodwill and other intangible assets	**141%**				

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

SEK MILLION	NOTE	2016	2015
Administrative expenses		-113	-104
Other operating income	39, 40	90	84
Operating profit	41, 42, 43, 44	**-23**	**-20**
Profit/loss from holdings in Group companies	45	553	237
Financial income	46	86	99
Financial expenses	46	-95	-29
Profit after financial items		**521**	**287**
Appropriations	47	-10	-12
Tax on profit for the year	48	9	-8
Net profit for the year		**520**	**267**

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	2016-12-31	2015-12-31
ASSETS			
Fixed assets			
Equipment		0	0
Holdings in Group companies	49	1,960	1,960
Non-current receivables from Group companies		1,929	1,388
Deferred tax assets	50	31	21
Total fixed assets		**3,920**	**3,369**
Current assets			
Receivables from Group companies		3,079	2,203
Current tax assets		18	15
Other current receivables		-	2
Prepaid expenses and accrued income		3	3
Cash and bank balances		68	307
Total current assets		**3,168**	**2,530**
TOTAL ASSETS		**7,088**	**5,899**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		18	18
Statutory reserve		11	11
Total restricted equity		**30**	**30**
Non-restricted equity			
Retained earnings		1,883	1,889
Net profit for the year		520	267
Total non-restricted equity		**2,403**	**2,156**
Total equity		**2,433**	**2,186**
Untaxed reserves	52	**41**	**32**
Non-current liabilities			
Bond loans	53	1,080	1,031
Deferred tax liabilities	50	-	4
Total non-current liabilities		**1,080**	**1,035**
Current liabilities			
Liabilities to credit institutions	53	2,181	1,330
Accounts payable - trade		0	1
Liabilities to Group companies		1,297	1,263
Other current liabilities		16	12
Accrued expenses and deferred income	54	40	40
Total current liabilities		**3,534**	**2,646**
TOTAL EQUITY AND LIABILITIES		**7,088**	**5,899**
Pledged assets		None	None
Contingent liabilities	55	8	92

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK MILLION	SHARE CAPITAL	STATUTORY RESERVE	NON-RESTRICTED EQUITY	TOTAL EQUITY
Opening balance, 1 January 2015	**18**	**11**	**2,126**	**2,155**
Dividend approved by AGM	-	-	-236	-236
Net profit for the year	-	-	267	267
Closing balance, 31 December 2015	**18**	**11**	**2,157**	**2,186**
Dividend approved by AGM	-	-	-273	-273
Net profit for the year	-	-	520	520
Closing balance, 31 December 2016	**18**	**11**	**2,404**	**2,433**

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	2016	2015
Operating activities		
Operating profit	-23	-20
Other financial items	-2	-1
Interest received	86	78
Interest paid	-39	-28
Income taxes paid	-8	-
Cash flow before changes in working capital	**14**	**29**
Changes in working capital		
Increase/decrease in operating receivables	-859	-307
Increase/decrease in operating liabilities	36	179
Total changes in working capital	**-823**	**-128**
Cash flow from operating activities	**-809**	**-99**
Investing activities		
Acquisition of subsidiaries	-	-205
Cash flow from investing activities	**-**	**-205**
Financing activities		
Change in non-current receivables	-448	238
Borrowings	2,037	519
Repayments of borrowings	-1,302	-566
Group contribution received	51	51
Group contribution paid	-51	-51
Dividends received	553	237
Dividends paid	-273	-236
Cash flow from financing activities	**567**	**192**
Cash flow for the year	**-242**	**-112**
Cash and cash equivalents at the beginning of year	307	417
Exchange rate differences in cash and cash equivalents	3	2
Cash and cash equivalents at year-end	**68**	**307**

NOTE 38 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 39 THE PARENT COMPANY’S SALES TO AND PURCHASES FROM GROUP COMPANIES

During the year, the parent company invoiced the subsidiaries SEK 90 (84) million for Group-wide services. The parent company has not purchased services from subsidiaries.

NOTE 40 OTHER OPERATING INCOME

SEK MILLION	2016	2015
Group-wide services	90	84
Total other operating income	**90**	**84**

NOTE 41 CLASSIFICATION OF EXPENSES BY NATURE

SEK MILLION	2016	2015
Personnel costs (Note 43)	101	89
Expenses for operating leases (Note 44)	1	1
Other expenses	11	14
Total	**113**	**104**

NOTE 42 AUDIT FEES

MSEK	2016	2015
PricewaterhouseCoopers		
Audit engagement	1	1
Audit services in addition to audit engagement	-	-
Other services	0	1
Total	**1**	**2**

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 43 AVERAGE NUMBER OF EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES	2016	2015
Women	2	2
Men	3	3
Total	**5**	**5**

PERSONNEL COSTS, SEK MILLION	2016	2015
Salaries and remuneration		
Board of Directors and CEO	43	39
Other employees	19	15
	62	54
Social security contributions, Board of Directors and CEO	16	15
Social security contributions, other employees	7	5
Pension expenses for CEO	13	12
Pension expenses for other employees	3	3
Total	**101**	**89**

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

NOTE 44 LEASING

SEK MILLION	2016	2015
Operating leases		
Mature within 1 year	1	1
Mature in 1–5 years	1	2
Total	**2**	**3**

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 45 PROFIT/LOSS FROM HOLDINGS IN GROUP COMPANIES

SEK MILLION	2016	2015
Dividends	553	237
Total	**553**	**237**

NOTE 46 FINANCIAL INCOME AND EXPENSES

SEK MILLION	2016	2015
Financial income		
Interest income from Group companies	86	78
Exchange rate gains	-	21
Total financial income	**86**	**99**
Financial expenses		
Interest expenses to Group companies	-1	-1
Interest expenses	-38	-27
Exchange rate losses	-55	-
Other financial expenses	-1	-1
Total financial expenses	**-95**	**-29**
Net financial items	**-9**	**70**

NOTE 47 APPROPRIATION

SEK MILLION	2016	2015
Group contributions received	-	51
Group contributions paid	-1	-51
Change in tax allocation reserve	-9	-12
Total	**-10**	**-12**

NOTE 48 TAX ON PROFIT FOR THE YEAR

SEK MILLION	2016	2015
Current tax for the year	-5	-8
Deferred tax	14	-
Total tax on profit for the year	**9**	**-8**

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.

	2016	2015
Profit before tax	511	275
Tax at applicable tax rate in Sweden, 22%	-112	-60
Tax effects of non-taxable income	121	56
Tax effects of non-deductible expenses	0	-4
Tax on profit for the year	**9**	**-8**

NOTE 49 HOLDINGS IN GROUP COMPANIES

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

COMPANY NAME	CORPORATE IDENTITY NUMBER	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 2016	CARRYING AMOUNT 2015
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**

	2016	2015
Cost at the beginning of the year	1,960	1,755
Acquisition of subsidiaries	-	205
Cost at year-end	1,960	1,960
Carrying amount at year-end	1,960	1,960

NOTE 50 DEFERRED TAX

SEK MILLION	2016	2015
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	31	21
Deferred tax liabilities attributable to other taxable temporary differences	-	-4
Total deferred tax assets/liabilities, net	**31**	**17**

NOTE 51 PROPOSAL FOR PROFIT APPROPRIATION

SEK MILLION	
The following profit in Lifco AB is available for appropriation by the Annual General Meeting:	
Profit brought forward	1,884
Profit for the year	520
Total	**2,404**
The Board of Directors and the CEO propose a final dividend	
to the shareholders of SEK 3.50 per share	318
to be carried forward	2,086
Total	**2,404**

NOTE 52 UNTAXED RESERVES

SEK MILLION	2016	2015
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	-
Total	**41**	**32**

NOT 53 BORROWINGS

SEK MILLION	2016	2015
Non-current interest-bearing liabilities		
Bond loans	1,080	1,031
Total non-current interest-bearing liabilities	**1,080**	**1,031**
Current interest-bearing liabilities		
Overdraft facilities	465	90
Liabilities to credit institutions	1,716	1,240
Total current interest-bearing liabilities	**2,181**	**1,330**
Total interest-bearing liabilities	**3,261**	**2,361**

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

NOTE 54 ACCRUED EXPENSES AND DEFERRED INCOME

SEK MILLION	2016	2015
Accrued interest expenses	4	5
Accrued salary-related expenses	21	19
Accrued holiday pay	5	5
Accrued social security contributions	9	7
Other accrued expenses	1	4
Total	**40**	**40**

NOTE 55 CONTINGENT LIABILITIES

SEK MILLION	2016	2015
Contingent liability for Group companies' PRI liabilities	1	27
Guarantee commitments for Group companies	6	64
Other guarantee commitments	1	1
Total	**8**	**92**

TEN-YEAR SUMMARY

	ACCORDING TO IFRS					ACCORDING TO BFN				
	2016	2015	2014	2013	2012	2012	2011	2010	2009	2008
Net sales, SEKm	8,987	7,901	6,802	6,030	6,184	6,184	5,707	4,591	4,146	4,901
Total growth in net sales	13.7%	16.2%	12.8%	-2.5%	8.4%	8.4%	24.3%	10.7%	-15.4%	33.9%
Of which: Organic growth	2.5%	5.7%	4.4%	-1.4%	-1.8%	-1.8%	7.9%	15.7%	-19.8%	7.4%
Of which: Acquired growth	11.3%	7.3%	5.1%	0.1%	11.7%	11.7%	20.5%	0.6%	0.4%	25.2%
Of which: Exchange rate effects and other	-0.1%	3.2%	3.3%	-1.2%	-1.5%	-1.5%	-4.2%	-5.5%	3.9%	1.3%
EBITA*, SEKm	1,377	1.186	966	692	715	716	631	511	305	453
EBITA margin*	15.3%	15.0%	14.2%	11.5%	11.6%	11.6%	11.1%	11.1%	7.3%	9.2%
Scheduled depreciation/ amortisation, SEKm	-104	-91	-75	-68	-71	-71	-67	-63	-64	-62
Amortisation of intangible assets arising on acquisition, SEKm	-121	-66	-38	-7	-3	-175	-141	-81	-84	-79
Extraordinary items, SEKm	-4	-13	-122	-58	1	0	0	-6	4	-6
Acquisition of tangible fixed assets, SEKm	114	102	105	95	75	76	56	55	55	132
Acquisition of subsidiaries net of cash and cash equivalents, SEKm	1,608	573	1,264	-	90	95	1,771	663	76	182
Capital employed excluding goodwill and other intangible assets, SEKm	974	966	916	948	832	-	-	-	-	-
Capital employed, SEKm	7,381	5,965	5,137	3,984	3,848	-	-	-	-	-
Return on capital employed excluding goodwill and other intangible assets	141%	123%	105%	73.0%	71.0%	-	-	-	-	-
Return on capital employed	18.7%	19.9%	18.8%	17.4%	18.1%	-	-	-	-	-
Net debt, SEKm	3,018	1,950	2,013	1,420	1,618	1,618	1,912	1,180	823	1,095
Net debt/equity ratio	0.6x	0.5x	0.6x	0.6x	0.8x	0.8x	1.0x	1.2x	0.8x	1.0x
Net debt/EBITDA	2.0x	1.5x	1.9x	1.9x	2.1x	2.1x	2.7x	2.1x	2.2x	2.1x
Equity/assets ratio	47.0%	49.2%	46.7%	43.6%	39.9%	38.2%	34.6%	28.5%	34.9%	33.5%
Earnings per share	9.99	8.91	6.17	4.16	5.56	3.57	3.20	2.59	0.84	2.10
Equity per share	51.9	43.4	38.0	26.0	23.6	21.5	20.1	10.6	9.5	10.2
Number of employees at year-end	3,627	3,386	3,009	2,865	3,005	3,005	3,106	2,234	2,024	2,379

ACQUISITION HISTORY 2006-2016

YEAR	COMPANY	OPERATIONS	BUSINESS AREA	NET SALES (AT ACQUISITION DATE)	COUNTRY
2006	Dental Prime	Dental products	Dental	EUR 3m	Finland
	Electronics in Järlåsa	Contract manufacturing	Systems Solutions	SEK 30m	Sweden
	Darda	Demolition tools	Demolition & Tools	EUR 8m	Germany
2007	Kinshofer	Attachments for cranes and excavators	Demolition & Tools	EUR 66m	Germany
	Safe Dental	Dental products	Dental	SEK 2m	Sweden
	Proline	Relining (renovation of drain and waste water 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	Products for diagnostic uses and root canal filling	Dental	SEK 9m	Sweden
	XO Care Denmark	Dental products	Dental	DKK 77m	Denmark
	Tevo	Interiors for service vehicles	Systems Solutions	GBP 8m	UK
2009	Ellman Produkter	Dental products	Dental	SEK 43m	Sweden
	Aponox	Excavator 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 rail, land and public works	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	UK
	Rapid Granulator	Industrial plastic granulators	System Solutions	SEK 300m	Sweden
	Top Dental	Dental products	Dental	GBP 3.4m	UK
	J.H. Orsing	Dental products	Dental	SEK 20m	Sweden
	Smilodent	Dental technology	Dental	EUR 5m	Germany
	Preventum Partner	Dental accountancy services	Dental	SEK 10m	Sweden
	Endodontic products	Products for root canal filling, etc.	Dental	SEK 10m	Sweden
	Auto-Maskin	Marine diesel engine control systems	Systems Solutions	NOK 130m	Norway
2016	Aquajet Systems	Manufactures hydro demolition robots	Demolition & Tools	SEK 60m	Sweden
	Auto-Maskin	Control systems for marine diesel engines	Systems Solutions	NOK 130m	Norway
	Cenika	Supplier of low-voltage electrical equipment	Systems Solutions	NOK 160m	Norway
	Dens Esthetix	Dental laboratory	Dental	EUR 1.4m	Germany
	Design Dental	Imports and produces dental technology in Denmark using digital technology	Dental	DKK 13m	Denmark
	Endodontic products	Root canal and other products	Dental	SEK 10m	Sweden
	Nordesign	Supplier of LED lighting to the Scandinavian market	Systems Solutions	NOK 64m	Norway
	Parkell	Manufactures and sells dental consumables and small equipment to dentists	Dental	USD 29m	USA
	Praezimed	Services and repairs dental instruments	Dental	EUR 2.5m	Germany
	Redoma Recycling	Manufactures recycling machinery for small and medium cables	Systems Solutions	SEK 25m	Sweden
	TMC/Nessco	Supplier of marine compressors and spare parts	Systems Solutions	NOK 525m	Norway

QUALITY AND ENVIRONMENTAL CERTIFICATIONS

COMPANY	COUNTRY	CERTIFICATION				
		ISO 3834	ISO 9001	ISO 13485	ISO 14001	ISO 18001
Ahlberg Cameras	Sweden		•			
Auger Torque Europe	UK		•			
Auto-Maskin	Norway		•		•	
Brokk	Sweden		•			
Brokk UK	UK		•			
Darda	Germany		•			
DAB Dental	Sweden		•	•	•	
Dentamed	Czech Republic		•	•		
Directa	Sweden			•		
Hammasväline	Finland		•			
Hekotek	Estonia		•			
InteraDent	Philippines		•			
InteraDent	Germany		•			
Kinshofer	Czech Republic	•				
Kinshofer	Germany	•	•			
Leab Eesti	Estonia		•		•	
Leab	Sweden		•		•	
Lövånger Elektronik Uppsala	Sweden		•		•	
M+W Dental	Germany			•		
MDH	Germany		•	•		
Modul-System HH	Sweden		•		•	
Modul-System	France		•			
Modul-System	Germany		•			
Modul-System	Belgium		•			
Nessco	Norway		•		•	•
Nordenta	Sweden		•	•	•	
J.H. Orsing	Sweden			•		
Parkell	USA			•		
Rapid Granulator	Sweden		•			
Tevo	UK		•		•	•
Texor	Sweden		•			
TMC	Norway		•	•	•	
Top Dental	UK			•		
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OBJECTIVE AND DEFINITIONS

Return on equity	Net profit for the period divided by average equity.
Return on capital employed	EBITA before restructuring, integration and acquisition costs divided by capital employed.
Return on capital employed excluding goodwill and other intangible assets	EBITA before restructuring, integration and 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 restructuring, integration and 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 restructuring, integration and 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 COMMITTEE

The Annual General Meeting of Lifco AB will be held on Thursday 4 May 2017, at 3 p.m., at Bonnierhuset, Torsgatan 21, Stockholm.

REGISTRATION

Shareholders wishing to attend the AGM must

- be registered in the share register maintained by Euroclear no later than 27 April 2017
- register their attendance with Lifco no later than 27 April 2017.

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

- on Lifco's website, www.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 27 April 2017. 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, www.lifco.se, and will be sent to shareholders upon request.

NOMINATING COMMITTEE AND MATTERS TO BE TRANSACTED

Lifco's nine-month report, which was published on 25 October 2016, contained information on Lifco's Nominating Committee. The information was also published on the website.

Lifco's nine-month report for 2016 and year-end report for 2016 contained information about how to submit a matter for discussion at the AGM. The information was also published on the website.

DIVIDENDS

The Board of Directors and CEO propose that a dividend of SEK 3.50 per share be paid for 2016, resulting in a total dividend payment of SEK 318.0 million. The proposed record date is 8 May 2017. Euroclear expects to be able to send the dividend to the shareholders on 11 May 2017, 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.

The reports can be downloaded from www.lifco.se/investors

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

The annual report can be ordered from:

www.lifco.se

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FINANCIAL CALENDAR

4 May 2017	Interim report January-March
17 July 2017	Interim report January-June
26 October 2017	Interim report January-September
15 February 2018	Year-end report 2017
April 2018	Annual report 2017

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