LIFCO

6 May 2015

# INTERIM REPORT JANUARY - MARCH 2015

## Reporting period January-March

- Net sales increased by 13.6% to MSEK 1,748 (1,539), organic growth was -0.8% and acquisitions contributed with 9.2%
- EBITA increased by 13.2% to MSEK 242 (214)
- EBITA margin amounted to 13.8% (13.9%)
- Profit before tax increased by 11.8% to MSEK 223 (200)
- Net profit increased by 11.8% to MSEK 165 (148)
- Earnings per share increased by 13.1% to SKE 1.81 (1.60)
- During the quarter, four operations were acquired with total net sales of about MSEK 500
- After closing of the reporting period, two bond loans of MSEK 1.050 in total were issued with a transaction date of 1 April

## Summary of financial development

| | Quarter 1 | | | Last 12 months | | FY |
|---|---|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2015 | *change* | 2014 |
| Net sales | 1,748 | 1,539 | 13.6% | 7, 012 | 3.1% | 6,802 |
| EBITA | 242 | 214 | 13.2% | 994 | 2.9% | 966 |
| EBITA margin | 13.8% | 13.9% | -0.1 | 14.2% | 0 | 14.2% |
| Profit before tax | 223 | 200 | 11.8% | 787 | 3.1% | 763 |
| Net profit | 165 | 148 | 11.8% | 587 | 3.1% | 570 |
| Earnings per share[1] | 1.81 | 1,60 | 13.1% | 6.37 | 3.4% | 6.17 |
| Return on capital employed | 17,8% | 19.1% | -1.3 | 17.,8% | -1,0 | 18.8% |
| Return on capital employed, excl. goodwill | 111.6% | 79.7% | 31.9 | 111.6% | 6.2 | 105.4% |

# COMMENTS FROM THE CEO

Net sales increased by 13.6% to MSEK 1,748 (1,539). All three business areas showed good growth in net sales, driven, primarily, by acquisitions and exchange rate fluctuations. Generally, the market situation is stable within all divisions. EBITA increased by 13.2% to MSEK 242 (214) and the EBITA margin was 13.8% (13.9%).

[1] Attributable to the Parent Company's shareholders.

The business area Dental showed strong EBITA growth due to acquisitions, organic improvements and positive exchange rate effects. Profitability within the business areas Demolition & Tools and Systems Solutions was not satisfactory in the first quarter. For Demolition & Tools, the comparison with last year is impacted by an unusually major, profitable project in the first quarter 2014, which we did not have this year. Within Systems Solutions, we were hit by problems in certain projects and by delivery delays which pressed profitability for the quarter. Even if we would like to see more stable results from the business areas, Demolition & Tools and Systems Solution, we must, in fact, expect that these results will fluctuate from quarter to quarter.

During the quarter, Lifco executed four acquisitions, one each in Dental and Demolition & Tools and two in Systems Solutions.  Auger Torque is a British, world-leading company within earth drills providing business area Demolition & Tools access to a new product segment. Rapid Granulator is a Swedish, leading global manufacturer of granulators for the regrinding of plastic production wastage, providing business area Systems Solutions with access to new, supplementary products and a greater degree of stability. With the acquisition of Sanistål's Danish vehicle interior operations, Systems Solutions now has a leading position in Denmark within the area of interiors for service vehicles. With the fourth acquisition, Top Dental, we strengthen our dental operations within the area of disinfection and this implies a first step in the British market.

Lifco has established clear criteria as regards acquisitions. They are, amongst other things, to be stable operations, leading in their own niche and must show documented profitability. Lifco's decentralised management model has been important to the sellers of the four acquisitions. The model provides the individual subsidiaries a large degree of freedom, something that creates capacity for a strong, continued entrepreneurial spirit.

During the quarter, Lifco has worked further with its financing and have issued two bond loans after closing of the reporting period. The loans were issued on April 1 and received with a great deal of interest from investors.  From and beginning 8 April the bonds are listed on Nasdaq Stockholm. The bonds have a tenor of three years and the interest is floating at STIBOR + 1.05 percent per annum on MSEK 700, the remaining MSEK 350 has a tenor of one year at a fixed interest rate of 1.11 percent per annum. The liquidity from the bond issue has been used to refinance bank loans.

## About Lifco

*Lifco acquires and develops market-leading niched operations with the potential to deliver sustainable profit growth and strong cash flow. The Group has three business areas: Dental, Demolition & Tools and Systems Solutions. Lifco has a clear corporate philosophy implying a long-term perspective, focus on profits and a highly decentralized organisation. Lifco has 106 companies in 28 countries. In 2014, the Group's net sales amounted to SEK 6.8 billion and the EBITA margin was 14.2%. For more information, visit www.lifco.se*

## FINANCIAL PERFORMANCE JANUARY-MARCH

Net sales increased by 13.6% to MSEK 1,748 (1,539), driven primarily by acquisitions which contributed with 9.2%. Organic growth was -0.8% and positive exchange rate fluctuations amounted to 5.2%. Organic growth was stable within the business areas Dental and Systems Solutions while the business area Demolition & Tools showed a weaker development in comparison with a strong first quarter 2014.

EBITA increased by 13.2% to MSEK 242 (214) and the EBITA margin was 13.8% (13.9%). EBITA was also impacted positively by exchange rate changes of 3.0% in the quarter. Of the quarter's EBITA of MSEK 242, a total of 61% was generated in EUR and DKK.

Net financial items amounted to MSEK 2 (-12), positively impacted by exchange rate gains.

Profit before tax increased by 11.8% and amounted to MSEK 223 (200). During the quarter, profit was negatively impacted by MSEK 8 in items of a one-off nature related to acquisition costs. Profit for the period increased by 11.8% to MSEK 165 (148).

Average capital employed excluding goodwill declined by slightly more than MSEK 25 from 31 December 2014 to MSEK 891 (916). EBITA in relation to average capital employed, exclusive goodwill, amounted to 111.6% (105.4%). The improvement refers to increased profits and the fact that accounts payable and client advances increased more than inventories and accounts receivable.

During the quarter, the Group's interest-bearing net liabilities increased by MSEK 353 to MSEK 2,366 as a result of acquisitions. The net debt/equity ratio was 0.7 at the end of quarter, an increase of 0.1 percentage point since the end of the year. The Group increased its current interest-bearing liabilities by MSEK 2,670 to MSEK 2,946. At the same time, long-term interest-bearing liabilities, including pension provisions, decreased by MSEK 2,260 to MSEK 91. At the end of quarter, 74% of the Group's interest-bearing liabilities were in EUR.

Cash flow from the ongoing operations amounted to MSEK 115 (35). The higher level of cash flow is due primarily to the fact that the level of suppliers' liabilities and customer advances has increased more rapidly than inventories and accounts receivable, compared with the same period in the previous year. The increase in profits also contributed to the higher level of cash flow. Cash flow from investing activities amounted to MSEK -433 (-29) which is mainly due to acquisitions.

# BUSINESS AREAS FINANCIAL DEVELOPMENT

## Dental

| | QUARTER 1 | | | Last 12 months | | FY |
|---|---|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2015 | *change* | 2014 |
| Net sales | 894 | 755 | 18.5% | 3,406 | 4.3% | 3,266 |
| EBITA | 170 | 120 | 41.5% | 593 | 9.2% | 543 |
| EBITA margin | 19.0% | 15.9% | 3.1 | 17.4% | 0.8 | 16.6% |

Dental's operations consist of leading suppliers of dental consumables, equipment and technical service to dentists in Europe. Lifco also sells dental technology to dentists in the Nordic Region and Germany and develops and sells patient journal systems in Denmark and Sweden.

Dental's net sales increased by 18.5% to MSEK 894 (755) during the quarter. EBITA rose by 41.5% to MSEK 170 (120) and the EBITA margin increased to 19.0% (15.9%) during the same period. Dental's net sales and profit have been positively impacted by the acquisition of the German MDH which was consolidated on 1 April 2014. The Company is a leading German dental company and had net sales in 2013 of approximately MSEK 380. The Company has stable profitability and with this acquisition, Lifco has very significantly strengthened its position in Germany. MDH has developed according to plan.

During the quarter, other operations within Dental show a continued, stable level of net sales in all regions. Profitability has also developed on a stable basis during the first quarter thanks to organic growth and positive exchange rate effects. The dental market is, in general, stable. The results for the individual companies within Lifco's dental operations can, within a given quarter, be impacted by major exchange rate changes, calendar effects (like Easter), major procurements of consumables by public authorities' clients or by private clients, as well as by fluctuations in the delivery of equipment. In the first quarter, there was no one, single, event having a substantial impact on the results of the entire dental group

During the quarter, Dental acquired the British company, Top Dental. Lifco has, in this manner, strengthened its operations with the product area disinfection and the acquisition will imply a first step into the British market. Top Dental will be consolidated from 1 April 2015.

Lifco owns 65 percent of the shares in the subsidiary, NETdental GmbH. Against the background of NETdental's unsatisfactory development, Lifco has entered into an agreement for a sale of Lifco's shares in the company, including its subsidiary, Lohrmann Dental GmbH and 12345 GmbH, to minority shareholders in NETdental. The minority shareholders are employed in the Company. In conjunction with the sale of Lifco's shares in NETdental, the purchasers assume full responsibility for NETdental's net debt. The transfer is not expected to result in a capital loss, nor in a capital gain, for Lifco. The transfer of shares in NETdental is conditional on the annual meeting of shareholders in Lifco approving the sale according with the regulations stipulated in Chapter 16 of the Swedish Companies Act.

## Demolition & Tools

| | QUARTER 1 | | | Last 12 months | | FY |
|---|---|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2015 | *change* | 2014 |
| Net sales | 329 | 309 | 6.7% | 1,310 | 1.6% | 1,289 |
| EBITA | 66 | 71 | -6.7% | 283 | -1.7% | 288 |
| EBITA margin | 20.2% | 23.1% | 2.9 | 21.6% | 0.7 | 22.3% |

The business area Demolition & Tools operates within the development, manufacturing and sale of equipment to the construction and demolition industries. Lifco is a world-leading player within the markets for demolition robots and tools for cranes. The company is one of the leading players in the world when it comes to attachments for excavators. The operations are divided into two divisions - Demolition robots and Attachments for cranes and excavators - these two divisions have similar levels of net sales.

Net sales increased by 6.7% during the quarter to MSEK 329 (309) and the market situation was satisfactory. EBITA decreased in the quarter by 6.7% to MSEK 66 (71). This is due to the fact that during the first quarter 2014, Demolition & Tools was impacted by an unusually profitable, large project, which was not the case this year.

The British company, Auger Torque, was acquired during the quarter and is consolidated from 1 March 2015. Auger Torque manufactures, primarily, earth drills and provides the division producing attachments for cranes and excavators with an entirely new production segment, as well as providing access to further distribution channels in, primarily, England, Australia, the US and China.

## Systems Solutions

| | QUARTER 1 | | | Last 12 months | | FY |
|---|---|---|---|---|---|---|
| MSEK | 2015 | 2014 | change | 2015 | change | 2014 |
| Net sales | 525 | 475 | 10.4% | 2,296 | 2.2% | 2,247 |
| EBITA | 27 | 41 | -34.3% | 196 | -6.7% | 211 |
| EBITA margin | 5.2% | 8.7% | -3.5 | 8.6% | -0.8 | 9.4% |

The business area Systems Solutions is active, through its operational units, within industries offering system solutions. Systems Solutions is divided into five divisions: Interiors to service vehicles, Contract Manufacturing, Environmental Technology, Saw mill equipment and Relining (renovation of plumbing and waste water pipes). The divisions are leading in their geographical markets.

Systems Solutions increased net sales by 10.4% to MSEK 525 (475) and EBITA decreased by 34.3% to MSEK 27 (41) in the quarter. The EBITA margin, therefore, decreased by 5.2% (8.7%). Only the divisions, Environmental Technology and Interiors for service vehicles increased their results.

Interiors for service vehicles has grown both in terms of net sales and profitability. This improvement is a result of measures to increase sales activities and improve the product assortment. Results have improved but the levels are still not satisfactory which is the reason why there is a continued strong focus on increased profitability. The purchase of Sanistål's Danish vehicle interior operations implies that Lifco is the leading player in Denmark in the market for interiors for service vehicles. Sanistål was consolidated from 1 February 2015.

Contract Manufacturing has had a weak start to the year with low sales and, therefore, significantly lower profits, but the market situation continues to be stable. Amongst clients are other world-leading manufacturers of equipment to the pharmaceutical industry and manufacturers of railway equipment, all of whom place high demands on quality, as regards both flexibility of delivery and documentation.

Environmental Technology increased its results during the quarter thanks to well-executed projects and a small increase in net sales. With the acquisition of Rapid Granulator, a leading global manufacturer of granulators for grinding plastic production waste, Lifco obtains access to an entirely new product area within Environmental Technology. Rapid Granulator has been consolidated from 1 March 2015.

Saw mill equipment has had a positive increase in net sales during the quarter. One of the major, on-going projects has, however, been hit by cost increases, which has significantly impacted the quarter's results.

Relining's net sales were at the same level as in the first quarter 2014, but a number of smaller, less profitable projects resulted in decreased results.

## ACQUISISTIONS

On 14 January, Lifco signed an agreement to acquire Sanistål's Danish vehicle interior operations. With this acquisition, Lifco is the leading player in Denmark in the market for interiors for service vehicles. The acquired operations had net sales in 2014 of approximately MDKK 25 and were consolidated in the Systems Solutions business area, division Interiors for service vehicles, from 1 February.

On 4 February, Lifco signed an agreement to acquire Auger Torque, a leading global manufacturer of earth drills and other attachments for cranes and excavators.  In 2014, Auger Torque had net sales of approximately GBP 10 million. Auger Torque is consolidated in business area Demolition & Tools, division Attachments for cranes and excavators. With this acquisition, the business area receives a new product segment and access to further distribution channels in, primarily, England, Australia, US and China. Auger Torque is consolidated from 1 March 2015.

On 18 February, Lifco entered into an agreement to acquire Rapid Granulator, a leading global manufacturer of granulators for grinding plastic production waste. Rapid Granulator had net sales in 2014 of approximately MSEK 300. The company was consolidated in the division Environmental Technology within the business area Systems Solutions. Rapid Granulator was consolidated from 1 March 2015.

On 25 March, Lifco signed an agreement to acquire Top Dental, a British dental company. Top Dental has net sales, in 2014, of approximately MGP 3.4. The company was consolidated into the business area, Dental. Top Dental manufactures and sells disinfection liquids and disinfection products used within dental care. The company also undertakes distribution operations for other consumable items which are sold to dentists in England. Top Dental is consolidated from 1 April 2015.

The individual acquisitions will not have a significant effect on Lifco's results and financial position during the year.

# OTHER FINANCIAL INFORMATION

## Employees

The average number of employees was 3,301 (2,875) during the period. At the end of the period, the number of employees was 3,320 (2,866). A total of 289 employees were added through the acquisitions.

## Events after the closing of the reporting period

After closing of the reporting period, unsecured bond loans were issued with a tenor of three years. The transaction took place on 1 April and the bond loans totalled MSEK 1,050, of which MSEK 700 carries an annual floating interest rate of 3 months STIBOR + 1.05%, and MSEK 350 carries an annual fixed interest of 1.11%. There was a large degree of interest in the blond loans. Lifco has listed the bonds on Nasdaq Stockholm. In conjunction with this listing, Lifco prepared a prospectus which has been approved by the Swedish Financial Supervisory Board. The prospectus is available on Lifco's home page, www.lifco.se.

## Transactions with related parties

No transactions with related parties took place during the period.

## Risks and factors of uncertainty

The operational risks of the greatest significance to Lifco are the competitive landscape, structural changes in the market and the general economic development. Lifco is also exposed to financial risks such as currency risk, interest rate risk, credit risk and counterparty risk.

The Parent Company is impacted by the above risks and uncertainties through its role as owner of the subsidiaries.

## Accounting principles

The Lifco Group applies International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting principles applied are consistent with those described in Lifco's annual report for 2014, which is available from www.lifco.se. This Interim Report has been prepared according to IAS 34, Interim Financial Reporting, and the Annual Accounts Act. The Parent Company applies the Annual Accounts Act and RFR 2, Accounting for legal entities. The application of RFR 2 implies that the Parent Company, in the interim report for the legal entity, applies all IFRS and statements adopted by the EU to the greatest extent possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with regard to the relationship between accounting and taxation.

The report has not been the subject of an audit by the Company's auditors.

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## BOARD OF DIRECTORS AFFIRMATION

The Board of Directors and CEO certify that the Interim Report January-March provides a true and fair view of the Parent Company's and the Group's operations, financial position and results and that it describes the significant risks and uncertainties to which the Parent Company and companies included in the Group are exposed.

**Enköping, 6 May 2015**

*Carl Bennet*
Chairman of the Board

*Gabriel Danielsson*
Board Member

*Sigbrit Franke*
Board Member

*Erik Gabrielson*
Board Member

*Fredrik Karlsson*
President and CEO, Board Member

*Annika Norlund*
Board Member, Employee Representative

*Johan Stern*
Deputy Chairman

*Caroline Sundewall*
Board Member

*Axel Wachtmeister*
Board Member

*Hans-Eric Wallin*
Board Member, Employee Representative

## FINANCIAL CALENDAR

The report for the second quarter 2015 will be published on 16 July 2015.
The report for the third quarter 2015 will be published on 3 November 2015.

## FURTHER INFORMATION

Media and investor relations manager: Åse Lindskog, ir@lifco.se, tel: 0730 24 48 72

## TELECONFERENCE

Media representatives and analysts are welcome to join a teleconference in which CEO Fredrik Karlsson, CFO Therése Hoffman and Per Waldemarson, Head of Business Area Dental, will present the annual accounts. The presentation is expected to take approximately 20 minutes, after which there will be the opportunity to ask questions.

Time and date: Thursday, 07 May, 9 am.
Link: http://cloud.magneetto.com/wonderland/2015_0506_Lifco_Q1_report/view
Telephone numbers:
Sweden: +46 8 566 426 61
UK: +44 20 3428 1432
USA: +1 855 753 2235

This information was made public on 6 May at 1 pm, according to the Securities Market Act, the Financial Instruments Trading Act and/or the regulatory framework of Nasdaq Stockholm.

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## CONDENSED CONSOLIDATED INCOME STATEMENT

| | FIRST QUARTER | | | FY |
|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2014 |
| Net sales | 1,748 | 1,539 | 13.6% | 6,802 |
| Cost of goods sold | -1,074 | -961 | 11.8% | -4,249 |
| **Gross profit** | **674** | **578** | **16.7%** | **2,553** |
| Distribution expenses | -139 | -99 | 40.1% | -467 |
| Administrative expenses | -294 | -249 | 18.3% | -1,097 |
| Development expenses | -15 | -14 | 7.2% | -55 |
| Non-recurring items | - | - | - | -110 |
| Other income & expenses | -5 | -4 | 36.3% | -18 |
| **Operating profit** | **221** | **212** | **4.3%** | **806** |
| Net financial items | 2 | -12 | | -43 |
| **Profit before tax** | **223** | **200** | **11.8%** | **763** |
| Tax | -58 | -52 | 11.8% | -193 |
| **Net profit** | **165** | **148** | **11.8%** | **570** |
| ***Profit attributable to:*** | | | | |
| Shareholders in the Parent Company | 165 | 146 | 13.0% | 560 |
| Non-controlling interests | 1 | 2 | | 10 |
| Earnings per share for the period before dilution, attributable to shareholders in the Parent Company | 1.81 | 1.60 | 13.1% | 6.17 |
| Earnings per share for the period after dilution, attributable to shareholders in the Parent Company | 1.81 | 1.60 | 13.1% | 6.17 |
| EBITA | 242 | 214 | 13.2% | 966 |
| Depreciation of tangible assets | 18 | 15 | 20.2% | 67 |
| Amortisation of intangible assets | 15 | 3 | 342% | 46 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | FIRST QUARTER | | | FY |
|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2014 |
| Profit after tax | 165 | 148 | 11.8% | 570 |
| **Other comprehensive income** | | | | |
| *Items which can later be reclassified in the income statement:* | | | | |
| Translation differences | -39 | 4 | - | 131 |
| **Total comprehensive income for the period** | **127** | **152** | **-16.9%** | **701** |
| *Comprehensive income attributable to:* | | | | |
| Shareholders in the Parent Company | 126 | 150 | -16.1% | 689 |
| Non-controlling interests | 1 | 2 | -71.6% | 11 |
| | **127** | **152** | **-16.9%** | **701** |

## SEGMENT OVERVIEW

Lifco's operations are monitored and evaluated by the CEO, with resources being allocated on the basis of information from the three operating segments: Dental, Demolition & Tools and System Solutions. Only the operating segments Dental and Demolition & Tools surpass the quantitative limits established by the Group and, as such, the operating segment System Solutions is actually a grouping of those divisions with similar economic characteristics which do not, individually, meet the quantitative limits for the definition of an operating segment. These divisions are Interiors for service vehicles, Contract Manufacturing, Environmental Technology, Sawmill equipment and Relining.

### NET SALES TO EXTERNAL CUSTOMERS

No sales take place between the segments

| | FIRST QUARTER | | | Last 12 months | | FY |
|---|---|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2015 | *change* | 2014 |
| Dental | 894 | 755 | 18.5% | 3,406 | 4.3% | 3,266 |
| Demolition & Tools | 329 | 309 | 6.7% | 1,310 | 1.6% | 1,289 |
| Systems Solutions | 525 | 475 | 10.4% | 2,296 | 2.2% | 2,247 |
| **Group** | **1,748** | **1,539** | **13.6%** | **7,012** | **3.1%** | **6,802** |

### EBITA

The allocation of profit per segment takes place up to and including EBITA. EBITA is reconciled against profit before tax according to the following:

| | FIRST QUARTER | | | Last 12 months | | FY |
|---|---|---|---|---|---|---|
| MSEK | 2015 | 2014 | *change* | 2015 | *change* | 2014 |
| Dental | 170 | 120 | 41.5% | 593 | 9.2% | 543 |
| Demolition & Tools | 66 | 71 | -6.7% | 283 | -1.7% | 288 |
| Systems Solutions | 27 | 41 | -34.3% | 196 | -6.7% | 211 |
| Common Group functions | -22 | -19 | 13.9% | -79 | 3.5% | -76 |
| **EBITA** | **242** | **214** | **13.2%** | **994** | **2.9%** | **966** |
| Amortisation of intangible fixed assets arising in conjunction with acquisitions | -13 | -2 | 706% | -49 | 30.7% | -38 |
| Expenses for restructuring, integration and acquisitions | -8 | 0 | - | -129 | 6.25 | -122 |
| Net financial items | 2 | -12 | - | -29 | -33.8% | -43 |
| **Profit before tax** | **223** | **200** | **11.8%** | **787** | **3.1%** | **763** |

## CONDENSED CONSOLIDATED BALANCE SHEET

| MSEK | 31 Mar 2015 | 31 Mar 2014 | 31 Dec 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible fixed assets | 4,972 | 3,048 | 4,677 |
| Tangible fixed assets | 414 | 344 | 386 |
| Financial fixed assets | 55 | 46 | 54 |
| Inventories | 1,026 | 812 | 823 |
| Accounts receivable - trade | 900 | 760 | 770 |
| Current receivables | 246 | 289 | 188 |
| Cash and cash equivalents | 624 | 1,447 | 536 |
| **TOTAL ASSETS** | **8,237** | **6,745** | **7,435** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| Equity | 3,602 | 2,534 | 3,473 |
| Non-current interest-bearing liabilities incl. pension provisions | 91 | 117 | 2,351 |
| Other non-current liabilities and provisions | 316 | 55 | 284 |
| Current interest-bearing liabilities | 2,946 | 3,011 | 276 |
| Accounts payable - trade | 436 | 349 | 344 |
| Other current liabilities | 846 | 679 | 707 |
| **TOTAL EQUITY AND LIABILITIES** | **8,237** | **6,745** | **7,435** |

## STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

**Attributable to shareholders in the Parent Company**

| MSEK | 31 Mar 2015 | 31 Mar 2014 | 31 Dec 2014 |
|---|---|---|---|
| **Opening equity** | 3,455 | 2,366 | 2,366 |
| Comprehensive income for the period | 126 | 150 | 689 |
| Transactions with owners | - | - | 500 |
| Dividend | - | - | -100 |
| **Closing equity** | **3,581** | **2,516** | **3,455** |
| | | | |
| *Equity, attributable to:* | | | |
| Shareholders in the Parent Company | 3,581 | 2,516 | 3,455 |
| Non-controlling interests | 20 | 18 | 18 |
| | **3,602** | **2,534** | **3,473** |

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## CONDENSED CASH FLOW STATEMENT FOR THE GROUP

| MSEK | FIRST QUARTER 2015 | FIRST QUARTER 2014 | FY 2014 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | 221 | 212 | 806 |
| Non-cash items | 34 | 18 | 113 |
| Interest and financial items, net | 2 | -12 | -43 |
| Tax paid | -78 | -54 | -181 |
| Cash flow before changes in working capital | 178 | 164 | 695 |
| *Changes in working capital* | | | |
| Inventories | -87 | -54 | -40 |
| Current receivables | -112 | -103 | -84 |
| Current liabilities | 135 | 27 | 15 |
| **Cash flow from operating activities** | **115** | **35** | **586** |
| Business combinations and divestments, net | -364 | - | -1,264 |
| Net investments in immaterial assets | -55 | - | -11 |
| Net investment in material assets | -14 | -29 | -86 |
| **Cash flow from investing activities** | **-433** | **-29** | **-1,361** |
| Borrowings/repayments of borrowings, net | 411 | 1,181 | 535 |
| Shareholders' contribution | - | - | 500 |
| Anticipated/Dividends paid | -9 | -100 | -109 |
| Group contribution paid | - | -100 | -100 |
| **Cash flow from financing activities** | **402** | **981** | **826** |
| **Cash flow for the period** | **84** | **988** | **50** |
| Cash and cash equivalents at beginning of period | 536 | 442 | 442 |
| Translation differences | 3 | 18 | 44 |
| **Cash and cash equivalents at end of period** | **624** | **1,447** | **536** |

## ACQUISITIONS DURING THE PERIOD JANUARY-MARCH

On 14 January 2015, Lifco entered into an agreement to acquire Sanistål's Danish operations for interiors for service vehicles. With this acquisition, Lifco has become the leading player on the Danish market in interiors for service vehicles. The acquired operations had net sales of approximately MDDK 25 in 2014 and will be consolidated in the Systems Solutions business area.

On 4 February 2015, Lifco signed an agreement to acquire shares in Auger Torque, a leading global manufacturer of earth drills and other attachments for cranes and excavators. In 2014, Auger Torque had approximately MGBP 10 in sales. Auger Torque will be consolidated in division Attachments for cranes and excavators, which is a part of the Demolition & Tools business area.

On 18 February 2015, Lifco signed an agreement to acquire all of the shares in Rapid Granulator, a leading global manufacturer of granulators for regrinding plastic waste from production processes. In 2014, Rapid Granulator had sales of approximately MSEK 300. The company will be consolidated in the Environmental Technology division, a part of the Systems Solutions business area.

On 25 March 2015, Lifco signed an agreement to acquire all of the shares in Top Dental, a British dental company based in Silsden, England, with sales of approximately MGBP 3.4 in 2014. The company will be consolidated in the Dental business area.

Together, the companies had sales of approximately MSEK 500 in 2014 and had a total of 289 employees as at the acquisition dates. Goodwill arising in conjunction with the acquisitions is attributable to the synergy effects expected to be achieved through the combination of the Group's and the acquired companies' operations. No portion of the goodwill is tax deductible.

The expenses of MSEK 8 related to the acquisitions are included in administrative expenses in the consolidated income statement for the first quarter 2015. If the four companies had been consolidated from 1 January 2015, the Group's net sales would have been positively impacted by about MSEK 50. The profits from the acquired companies would have been insignificant if they would have been consolidated from January 1, 2015.

## Preliminary acquisition balances

| Net assets, MSEK | Reported value | Value adjustment | Fair value |
|---|---|---|---|
| Intangible assets | 1 | 196 | 197 |
| Tangible assets | 35 | - | 35 |
| Accounts receivable and other receivables | 170 | - | 170 |
| Accounts payable and other liabilities | -138 | -46 | -184 |
| Cash and cash equivalents | 35 | - | 35 |
| **Total net assets** | **103** | **149** | **252** |
| Goodwill | - | 195 | 195 |
| **Sum total net assets** | **103** | **345** | **448** |

| Effect on cash flow, MSEK | |
|---|---|
| **Net outflow of cash and cash equivalents due to the acquisitions** | **414** |

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## FINANCIAL INSTRUMENTS

| MSEK | REPORTED VALUE 31 Mar 2015 | REPORTED VALUE 31 Mar 2014 | FAIR VALUE 31 Mar 2015 | FAIR VALUE 31 Mar 2014 |
|---|---|---|---|---|
| **Loans and receivables** | | | | |
| Accounts receivable - trade | 900 | 760 | 900 | 760 |
| Other non-current financial receivables | 3 | 2 | 3 | 2 |
| Cash and cash equivalents | 624 | 1,447 | 624 | 1,447 |
| **Total** | **1,527** | **2,209** | **1,527** | **2,209** |
| **Liabilities at fair value through profit and loss** | | | | |
| Other liabilities | - | 30 | - | 30 |
| **Other financial liabilities** | | | | |
| Interest-bearing borrowings | 2,950 | 3,012 | 2,950 | 3,012 |
| Accounts payable - trade | 436 | 349 | 436 | 349 |
| Other liabilities | 48 | 47 | 48 | 47 |
| **Total** | **3,433** | **3,438** | **3,433** | **3,438** |

Financial instruments valued at fair value are categorised into various levels depending on the manner in which the fair value has been determined. All of the Lifco Group's financial instruments valued at fair value are classified as belonging to the category "Level 3", i.e. non-observable data. The fair value of short-term borrowings is equal to the reported value, as the discount effect is insignificant. Other liabilities classified as financial instruments consist of additional purchase price and mandatory call/put options held by non-controlling interests. Changes in financial liabilities attributable to mandatory call/put options are reported in equity.

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## KEY PERFORMANCE INDICATORS

| ROLLING TWELVE MONTHS ENDING | 31 Mar 2015 | 31 Dec 2014 | 31 Mar 2014 |
|---|---|---|---|
| Net sales, MSEK | 7,012 | 6,802 | 6,168 |
| Change in net sales, % | 3.1 | 12.8 | 2.3 |
| EBITA, MSEK | 994 | 966 | 766 |
| EBITA margin, % | 14.2 | 14.2 | 12.4 |
| EBITDA, MSEK | 1,073 | 1,041 | 834 |
| EBITDA margin, % | 15.3 | 15.3 | 13.5 |
| Capital employed, MSEK | 5,593 | 5,137 | 4,004 |
| Return on capital employed, % | 17.8 | 18.8 | 19.1 |
| Return on capital employed excl. goodwill, % | 111.6 | 105.4 | 79.7 |
| Return on equity, % | 18.1 | 19.2 | 18.7 |
| Interest-bearing net debt, MSEK | 2,366 | 2,013 | 1,604 |
| Net debt/equity ratio | 0.7 | 0.6 | 0.7 |
| Net debt/EBITDA | 2.2 | 1.9 | 1.9 |
| Equity/assets ratio, % | 43.7 | 46.7 | 36.6 |
| Average number of employees | 3,302 | 3,013 | 2,875 |

## CONDENSED PARENT COMPANY INCOME STATEMENT

| | FIRST QUARTER | | FULL YEAR |
|---|---|---|---|
| MSEK | 2015 | 2014 | 2014 |
| Administrative expenses | -25 | -21 | -87 |
| Non-recurring items | - | - | -110 |
| Other operating income | - | 0 | 80 |
| **Operating profit** | **-25** | **-21** | **-117** |
| Net financial items | 219 | 5 | 211 |
| **Profit after financial items** | **194** | **-17** | **94** |
| Appropriations | - | - | 104 |
| Tax | 1 | 6 | 3 |
| **Net profit for the period** | **195** | **-11** | **201** |

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## CONDENSED PARENT COMPANY BALANCE SHEET

| MSEK | 31 Mar 2015 | 31 Dec 2014 |
|---|---|---|
| **ASSETS** | | |
| Tangible fixed assets | 0 | 0 |
| Financial fixed assets | 3,661 | 3,456 |
| Current receivables | 2,206 | 1,881 |
| Cash and cash equivalents | 459 | 417 |
| **TOTAL ASSETS** | **6,327** | **5,755** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| Equity | 2,350 | 2,155 |
| Untaxed reserves | 20 | 20 |
| Non-current interest-bearing liabilities | - | 2,263 |
| Current interest-bearing liabilities | 2,978 | 232 |
| Current non-interest-bearing liabilities | 978 | 1,085 |
| **TOTAL EQUITY AND LIABILITIES** | **6,327** | **5,755** |
| | | |
| Pledged assets | - | - |
| Contingent liabilities | 33 | 39 |

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## DEFINITIONS

| | |
|---|---|
| **Return on equity** | Net profit attributable to shareholders in the Parent Company and non-controlling interests as a percentage of average equity |
| **Return on capital employed** | EBITA as a percentage of average capital employed |
| **Return on capital employed excluding goodwill and other immaterial assets** | EBITA as a percentage of average capital employed exclusive goodwill and other immaterial assets |
| **EBIT** | Operating profit/Profit before financial items and taxes |
| **EBITA** | Operating profit before amortisation of intangible fixed assets arising in conjunction with acquisitions and expenses for restructuring, integration and acquisitions |
| **EBITA margin** | EBITA as a percentage of net sales |
| **EBITDA** | Operating profit before depreciation/amortisation and expenses for restructuring, integration and acquisitions |
| **EBITDA margin** | EBITDA as a percentage of net sales |
| **Net debt/equity ratio** | Interest-bearing net debt divided by equity |
| **Earnings per share** | Net profit attributable to shareholders in the Parent Company divided by average number of outstanding shares |
| **Interest-bearing net debt** | Liabilities to credit institutions including interest-bearing pension provisions less cash and cash equivalents |
| **Equity/assets ratio** | Equity as a percentage of total assets (balance sheet total) |
| **Capital employed** | Total assets less cash and cash equivalents, interest-bearing pension provisions and non-interest-bearing liabilities |