



ANNUAL REPORT  
**2017**



”Urban expansion areas create long-term sustainable segments and sustainable growth.”



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## OPERATIONS

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## FINANCIAL CALENDAR

|                                       |                   |
|---------------------------------------|-------------------|
| Interim Report January - March 2018:  | 8 May             |
| Interim Report April - June 2018:     | 21 August         |
| Interim Report July - September 2018: | 6 November        |
| Year End Report 2018:                 | 12 February, 2019 |

## Annual General Meeting 2018

The Annual General Meeting will be held on Monday, 14 May 2018, at 16.00 at IVA (Ingenjörsvetenskapsakademien), Grev Turegatan 16 Stockholm, Sweden.

# THE COMPANY IN BRIEF

Sdiptech AB is a technology group with the main focus on urban infrastructures. The Group offers very specialized niche services and products for both expanding and renovating rapidly growing metropolitan areas.

Urban infrastructures consist of all the installations and functions required and used in a metropolitan area. For example products and services that handle a part of the process for supply of clean water, electricity and power, or transportation and communication. Via its subsidiaries, Sdiptech delivers products and services in several areas that fall within the scope of urban infrastructure and the company has identified other areas where new companies can be added to the Group via acquisition or expansion of existing operations.

The urbanization trend is fuelling a constant demand for expansion and maintenance of vital societal functions in the infrastructures of metropolitan areas. Sdiptech has its registered office in Stockholm, which is the company's main market and the source of approximately two-thirds of Sdiptech's revenue in 2017. Sdiptech has also set up operations in two other European regions

during the year, Vienna and London, where the urbanization trend is similar to what Stockholm is experiencing.

Operations are based on a decentralized model, where each individual business operates in a highly specialized niche and is given the freedom to develop its customer offering.

The company experienced healthy growth in 2017 and reported total revenue of SEK 1,078 (775) million for the full year and EBITA of SEK 189.4 million (110.9), which included SEK 78.0 million (4.5) from revaluation of liabilities for contingent considerations related to acquisitions. At year-end, the total number of employees working at the Parent Company and subsidiaries was 882. The company's sales on a full-year basis amounted to SEK 1.4 billion when including full-year sales also for entities that belonged to the Group for less than the full 12-month period (including all acquisitions that were completed up until publication of the annual report).

Sdiptech has an explicit growth strategy that comprises acquisitions, organic growth and synergy effects. The overall goal is to, by the end of 2021, achieve an EBITA of SEK 600-800 million.

21

## Number of businesses

As of 31 December 2017, the Group consisted of 21 businesses, and after year-end, four additional businesses were acquired during the first quarter of 2018.

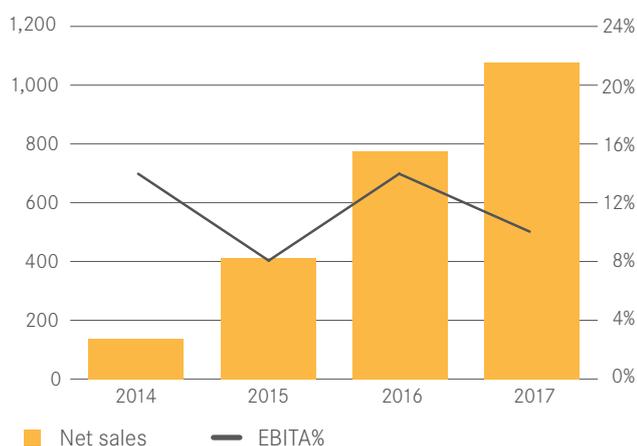
882

## Number of employees

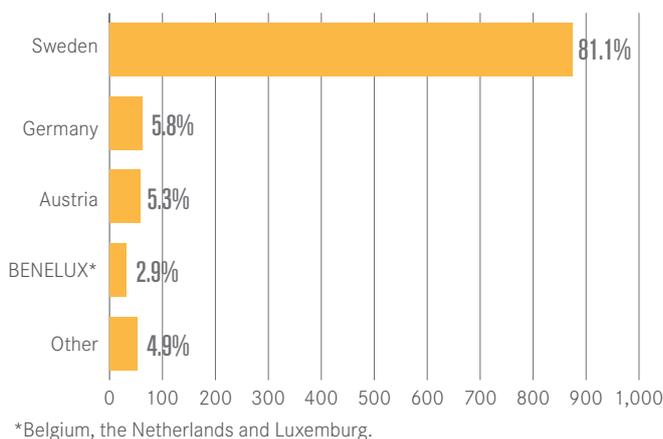
The number of employees as of 31 December 2017



NET SALES AND EBITA% (Million SEK)



NET SALES BY MARKET, INCLUDING SHARE (Million SEK)



# THE YEAR IN BRIEF

## COMMON SHARE LISTED ON NASDAQ

Sdiptech's common share of class B was listed on Nasdaq First North Premier on 12 May 2017. At the same time, there was a new share issues of SEK 500 million (prior to issues costs) to facilitate a continued high rate of growth and provide the resources for additional acquisitions and long-term development of companies working with urban infrastructures.

## GEOGRAPHIC EXPANSION

During the year, Sdiptech acquired two companies in Austria, thus establishing itself in the elevator market in Vienna. It also added a new export product to the company's global offering of elevator solutions. Sdiptech has also been investigating and monitoring the market in the UK to identify interesting acquisition candidates

in the London area. In December 2017, the first two acquisition agreements were signed and they were later completed in January 2018. This is in line with Sdiptech's strategy for international expansion, with a focus on urban infrastructures in growing cities.

## NEW NICHES

During the year, Sdiptech enhanced its offering by adding several new niches. Sdiptech's Tailored Installations business area was expanded by adding two new niches: Roof Maintenance including personal safety, and Security. Besides that, the Niche Products & Services business area was expanded by adding three new niches: Water Treatment, Radio Communication and Temporary infrastructure.

## ACQUISITIONS MADE IN 2017

| Company                                | Operations   | Business Area/Niche                                 | Acquisition Date | Country |
|--|--|---|------------------|---------|
| Topas Vatten och Service AB            | Wastewater treatment solutions, operator of installed wastewater systems as well as offering high-performance minipurification plants.                             | Tailored Installations: Wastewater Treatment        | January          | Sweden  |
| Aufzüge Friedl GmbH                    | Installing and servicing of elevators in Vienna and nearby areas.  | Tailored Installations: Elevators                   | June             | Austria |
| ST Liftsystems GmbH                    | Compact elevators to be installed in tight spaces in existing real estate as well as in new construction.  | Niche Products & Services: Elevators                | June             | Austria |
| AVA Monitoring AB                      | Fully automated and cloud-based measurement systems for monitoring vibration and noise in conjunction with infrastructure projects.                                | Niche Products & Services: Vibration Monitoring     | July             | Sweden  |
| Tello Service Partner AB               | Renovation and roof repainting as well as installation of personal protection on roofs.  | Tailored Installations: Roof Maintenance            | October          | Sweden  |
| Polyproject Environment AB             | Tailored components and facilities for cleaning contaminated liquids, gases and water.   | Niche Products & Services: Water Cleaning           | November         | Sweden  |
| Optyma Security Systems Limited        | Integrated security systems for public and private environments, including security-classed national infrastructure.   | Tailored Installations: Security                    | January 2018*    | UK      |
| Multitech Site Services Limited        | Temporary infrastructure including temporary electricity, data, plumbing, fire safety, evacuation and fuel supply.   | Niche Products & Services: Temporary infrastructure | January 2018*    | UK      |
| Centralmontage i Nyköping AB           | Tailored electrical distribution cabinets used in large parts of the society, including shopping centres, properties, ports and small-scale industrial facilities. | Tailored Installations: Electrical Automation       | January 2018*    | Sweden  |
| Aviolinx Communication and Services AB | Complete infrastructure and operational control for high-frequency backup communications for air traffic.  | Niche Products & Services: Radio Communication      | January 2018*    | Sweden  |

\*Agreement entered in December 2017.

# COMMENTS FROM THE CEO

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## DEAR SHAREHOLDERS,

2017 was an eventful year for Sdipotech, which included such major events as listing the company's common share, a new share issues and several new, interesting acquisitions. During the year, and for the first time in its history, the Group's net sales exceeded SEK 1 billion, which is an important milestone in our development.

### Good organic growth in all business areas except elevators in 2017

Economic expansion in growing cities fuels the demand in markets where we do business. Higher demands on security and comfort, the constant wear and tear from growing populations and expansion of vital societal functions create a growing demand for various types of infrastructure.

There is a high level of complexity associated with merging new and old infrastructures in growing cities. Accordingly, the customer requirements are also complex and as a result profitable niches occur for meeting these needs. Sdipotech has positioned itself with this in mind and in 2017, there was healthy demand in our niches. The underlying net sales for Installations increased by 7.2 % and for Products & Services, the increase was 5.4 %.

The earnings trend was positive for all of our business areas except elevators. With the exception of elevators, the business areas and their underlying EBITA increased by 8,5 % in 2017. It is concrete evidence of the quality delivered by our subsidiaries.

When the economy is booming, however, there can nevertheless be some negative effects. Undercapacity in the market creates imbalances like a high rate of employee turnover, for example. During a period of economic growth, certain segments become a lower priority in order to capture rewards in others. One example of this is a focus on new construction, rather than renovation.

In 2017, the market for elevator renovation was negatively impacted in this way. During a long period of profitable growth, daily growth is deeply rooted among our skilled elevator managers. Under these prevailing conditions, it was necessary to make certain changes. Accordingly, during the Fall, we implemented measures to make profitability the main priority. The key component is to focus on customers and assignments where it is possible to achieve satisfactory profitability. During 2018, we must, of course, still deliver on orders already received, even if the profitability is low. We will also manage the redundancy that arises with this higher level of selectivity that we now require. We must also maintain balance while making such organizational changes so that we can preserve long-term, important customer relationships and ensure that we are well-positioned when the market normalizes. We expect to start seeing the results of this during the second quarter of 2018, gradually reaching full effect in 2019.

### We build our Group around a simple business model

Our business model consists of three main tasks: making successful acquisitions at a good rate, supporting and developing our subsidiaries and ensuring that we have the financing for continued growth.

I am very pleased with the acquisition methodology we have established and a total of 17 acquisitions and an EBITA of SEK 165 million over the last two years. We have achieved profitable growth in nearly all areas and with niche positions in the infrastructure sector, there are excellent opportunities for both profitability and long-term growth. Although, due to market conditions, we are facing challenges in our operations focused on elevator modernization, I am confident that, with time, this is a good market to be in, where we can achieve sustainable growth in profits.

We are growing fast and are at the same time building our group, structure, and organization. In 2017, we expanded the Group management team by adding two experienced business area presidents who will manage and develop our subsidiaries. Another business area president will join the company in 2018 to proactively ensure our management capacity for future acquisitions. After the summer, we will also welcome a new CFO to our team, who has extensive experience of both the stock exchange and our business model.

In 2017, we obtained additional capital through a new share issue that will fund continued growth. We have excellent bank relationships and several attractive financing alternatives, which means that we can finance our growth in a cost-efficient way. The transaction structures we engage in offer good protection in the event of a downturn, which we saw the benefit of in 2017. The amounts on contingent considerations and similar liabilities have been written down substantially in 2017. This applied to subsidiaries that had performed below expectations. From a financing perspective, this has little impact over the short term. However, when the liabilities do mature, the amounts to be repaid will be significantly lower, which will have a positive impact on cash flow.

### Through acquisitions, we are establishing a unique position in the infrastructure sector

In 2017, the Group acquired ten companies with a combined EBITA of SEK 75 million. Four of these were completed in January 2018. Sometimes I am asked how the new acquisitions fit with our Group.

Our focus is on the infrastructure sector and we aim to acquire new subsidiaries that expand and improve our existing offering. Over the short term, there is no specific value-added other than the additional earnings that flow to the Group. Over the long term, however, our aim is to solidify unique positions in segments with customers and suppliers in related areas.

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In 2017, we expanded our operations in the area of vibration measurement by adding an exporting product company, elevators was complemented with an elevator modernization company in Vienna and a product company in Austria. Furthermore, we added production capacity in the area of electrical automation and we improved our offering to property owners in Stockholm by adding roof renovation solutions. We also added some new sub-segments during the year that are subject to stringent regulations. These include the areas of water treatment and security, which are just two examples. And, two new interesting niches were added through temporary infrastructure and radio infrastructure for aviation.

Geographically, in the greater Stockholm area, we have a solid home market where there is population growth, economic expansion, stringent regulation of infrastructure and stable conditions for doing business as important market criteria. There are additional urban areas in Europe with similar characteristics. Vienna is one such example and the four times larger London/Manchester/Birmingham is another. For quite some time, we have been monitoring the markets outside Sweden and in 2017, we successfully made our first acquisitions, which were in the regions just mentioned. Sweden continues to be our main market. However, over the long term, growth potential is highest internationally.

In conclusion, I would like to warmly welcome all of our new employees who joined the company during the year. A huge thank-you also goes out to all of our employees who, each day, make a fantastic effort to develop our offering and deliver outstanding service and quality to our customers.



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Jakob Holm  
CEO, Sdiptech AB



# DEVELOPMENT FOR THE BUSINESS AREAS

## OVERVIEW BUSINESS AREAS

Sdipotech is divided into the two business areas Tailored Installations and Niche Products & Services.

Within Tailored Installations, all operations have a business model that includes either a new installation, or a service delivery on an existing installation. These may include service, renovation and modernisation of elevators, or installations securing uninterrupted power supply to critical parts of the infrastructure. In total there are eight different niches in the business area.

Niche Products & Services consists of companies providing services or products to urban infrastructures but where the work is not focused on installations. These may include products for measuring the power quality or ventilation solutions for highly specific applications. In total there are eight different niches in the business area.

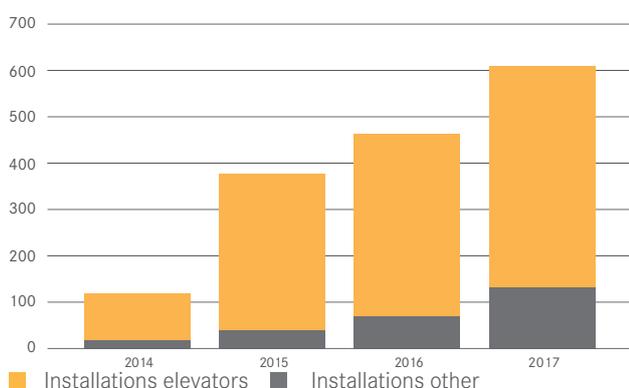
| Net Sales                 | 2014         | 2015         | 2016         | 2017          |
|---------------------------|--------------|--------------|--------------|---------------|
| Installations elevators   | 99.8         | 337.2        | 392.5        | 478.0         |
| Installations others      | 18.0         | 40.0         | 69.3         | 131.5         |
| Niche Products & Services | 0.0          | 24.3         | 286.3        | 435.7         |
| <b>Total</b>              | <b>117.9</b> | <b>401.5</b> | <b>748.1</b> | <b>1045.2</b> |

| EBITA                     | 2014        | 2015        | 2016         | 2017         |
|---------------------------|-------------|-------------|--------------|--------------|
| Installations elevators   | 14.9        | 32.2        | 33.7         | 15.5         |
| Installations others      | 5.9         | 8.0         | 10.4         | 18.4         |
| Niche Products & Services | 0.0         | 9.1         | 66.4         | 104.2        |
| <b>Total</b>              | <b>20.8</b> | <b>49.2</b> | <b>110.5</b> | <b>138.0</b> |

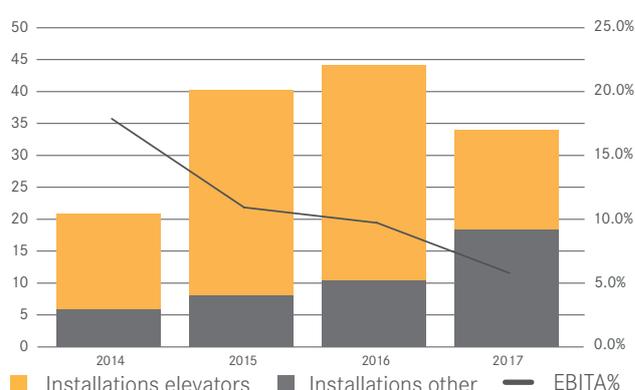
The above tables show the historical development in net sales and EBITA for the two business areas. Tailored installations is divided into two parts, to clarify the underlying development of both the elevator operations and the other installation operations.

## TAILORED INSTALLATIONS

### Net sales



### EBITA



### Elevators

In the elevator market, there was a great deal of activity in the area of new installations in the Stockholm region during 2017. The Group's focus is on renovation and maintenance, yet customers have been, to a greater extent, ordering new installations, which has put downward pressure on prices for elevator renovation services. For these same reasons, there has been a high demand for skilled labour, which has led to a higher rate of staff turnover and thus higher costs of completion. Both of these factors are reflected in Sdipotech's operating margin trend for its Swedish elevator operations. Nevertheless, the need for renovation and modernization remains and over time, the market should normalize. When it does, we expect to see higher profitability in this area.

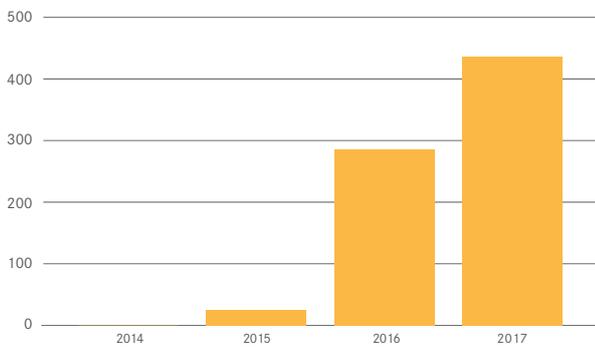
However, the market dynamics in the Stockholm region are expected to remain much the same during 2018. Accordingly, an action plan has been put into place to address the strained margins and to improve profitability. The goal is to restore operating margins and we should start gradually seeing improvement in 2018, with the full effect reached during 2019. The Group's European elevator operations are facing similar challenges as regards staff turnover and, as with our Swedish operations, also a higher cost of completion on projects.

### Other companies

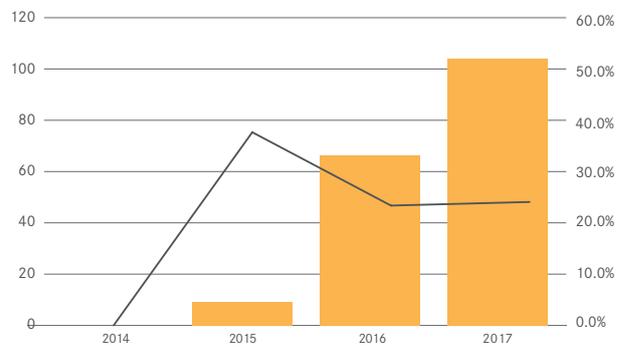
Other companies in the installation area have, on the whole, achieved stable growth during the year, including a positive contribution from companies that were acquired in 2016 and 2017.

## NICHED PRODUCTS & SERVICES

### Net sales



### EBITA



### Niched Products & Services

Strong market positions and healthy demand support growth in the Niche Products & Services, where the operating margin remains good. The business area grew quickly during 2016 and 2017, in conjunction with a steadily increasing focus on acquisitions in this

area. Another positive effect of growth through acquisitions is that it gradually increases diversification, which, over time, should add stability to both earnings and margins.



# KEY PERFORMANCE INDICATORS & FINANCIAL INFORMATION

| Financial information, in brief   | 2017           | 2016           | 2015         | 2014         |
|---|----------------|----------------|--------------|--------------|
| Net sales   | 1,077.8        | 775.5          | 412.4        | 135.5        |
| EBITDA  | 204.1          | 119.4          | 36.4         | 19.5         |
| EBITA   | 189.4          | 110.9          | 33.7         | 18.4         |
| EBIT  | 156.3          | 110.8          | 33.7         | 18.4         |
| EBITA excl. results from revaluation liabilities additional purchase considerations                       | 111.3          | 106.4          | 33.7         | 18.4         |
| Profit for the year from continuing operations  | 93.2           | 79.4           | 15.4         | 13.4         |
| Profit for the year from continuing operations after deduction of minority and dividend preference shares | 73.1           | 55.4           | -4.7         | -4.6         |
| Interest-bearing liabilities  | 583.9          | 637.6          | 207.7        | 79.4         |
| Interest-bearing liabilities to credit institutions   | 229.8          | 324.7          | 139.3        | 71.7         |
| Equity, incl. minority interests  | 1,006.4        | 460.7          | 496.8        | 137.3        |
| <b>Total assets</b>   | <b>1,830.4</b> | <b>1,269.3</b> | <b>798.7</b> | <b>271.0</b> |
| Key performance indicators  | 2017           | 2016           | 2015         | 2014         |
| Net debt/EBITDA, times  | 1.37           | 2.60           | 0.41         | 2.05*        |
| Net bank debt/EBITDA, times   | -0.25          | 1.08           | -0.72        | 1.65*        |
| Equity ratio %  | 55.0%          | 36.3%          | 62.2%        | 50.7%        |
| Return on capital employed %  | 16.8%          | 13.6%          | 8.7%         | 10.4%*       |
| Return on equity %  | 11.4%          | 19.6%          | -2.7%        | 7.9%*        |
| Cash flow generation %  | 84%            | 79%            | -32%         | 70%          |
| Earnings per share  | 2017           | 2016           | 2015         | 2014         |
| Earnings per common share (SEK)**   | 2.70           | 2.61           | -0.24        | 0.46         |
| Earnings per preference share (SEK)***  | 89.33          | 63.32          | 19.24        | -            |
| Number of common shares   | 30,277,645     | 21,349,074     | 20,272,150   | 20,272,150   |
| Average number of common shares   | 27,048,682     | 21,195,649     | 20,272,150   | 20,272,150   |
| Number of preference shares   | 1,750,000      | 1,750,000      | 1,750,000    | -            |

\*Key performance indicators are based on the balance sheet as of 2014-12-31 and not the average over the last four quarters. This is because Sdiptech did not issue quarterly reports in 2014.

\*\*Net profit (loss) per ordinary share for continuing operations less dividends on preference shares and minority interests.

\*\*\*EBIT divided by the number of preference shares.

## DEFINITIONS OF KEY PERFORMANCE INDICATORS

### EBITDA

Operating profit/loss before depreciation, amortization and impairment losses.

### EBITA

Operating profit/loss before depreciation, amortization and impairment losses, attributable to intangible assets.

### EBIT

Operating profit.

### EBITA margin

EBITA in relation to net sales.

### Net debt/EBITDA

Calculated as the average net debt for the last four quarters in relation to EBITDA for the last four quarters. Net debt includes both current and non-current interest-bearing liabilities, less cash and cash equivalents.

### Bank net debt/ EBITDA

Calculated as the average net debt to credit institutions for the last four quarters in relation to EBITDA for the last four quarters. Net debt to credit institutions includes both current and non-current liabilities to credit institutions, less cash and cash equivalents.

### Capital employed

Equity and interest-bearing liabilities less cash & cash equivalents and short-term investments.

### Return on capital employed

Calculated as EBITA for the last four quarters up until the current closing date in relation to average capital employed for the last four quarters up until the current closing date.

### Cash flow generation

Calculated as operating cash flow in relation to EBITDA. Operating cash flow calculated as EBITDA less the net of investments and

divestitures of property, plant and equipment and intangible assets, along with an adjustment for cash flow from changes in working capital.

### Earnings per common share

Calculated as profit after tax attributable to the Parent Company's shareholders less dividends to preference shareholders divided by the average number of outstanding common shares during the period.

### Earnings per preference share

Calculated as operating profit attributable to the Parent Company's shareholders for the period, in relation to the average number of outstanding preference shares for the corresponding period.

### Equity ratio

Closing equity divided by the balance sheet total.

# FINANCIAL GOALS & STRATEGIES

Sdipotech's overall financial goal is to generate significant annual growth in EBITA and by the end of 2021, to achieve EBITA of SEK 600-800 million for the Group. The majority of the growth should come from continuing an active acquisition process, where Sdipotech's outbound acquisition methodology identifies new

businesses with applications in urban infrastructure. In addition to acquisitions Sdipotech is continuously working on generating organic EBITA-growth, something that is also supported by the underlying urbanization trend that affect the majority of the group's businesses.

| Financial targets   | Target achievement 2017   | Target achievement 2016 | Comments   |
|---|---|-------------------------|--|
| <b>Earnings targets</b>   |   |                         |  |
| To achieve EBITA of SEK 600-800 million by the end of 2021.   | SEK 189 million (RTM) (EBITA excl. revaluation liabilities additional purchase price SEK 111 million) | SEK 111 million (RTM)   | <i>The goal corresponds to an annual growth rate for EBITA of 40-50 % from the end of 2016 until 2021. The outcome for 2017 includes SEK 78 million in other income related to a revaluation of contingent consideration liabilities.</i>  |
| <b>Organic earnings growth</b>  |   |                         |  |
| To achieve an average annual organic growth rate for EBITA of 5-10 %.   | -5.8% (Elevators -68.8% and others 8.5%)  | -1.4%                   | <i>Overall, the underlying EBITA for companies in the Tailored Installations and Niche Products &amp; Services business areas has fallen by -5.8 percent from 2016 until 2017. However, excluding elevator operations, the underlying growth rate for the year is 8.5 percent.</i> |
| <b>Acquired earnings growth</b>   |   |                         |  |
| The goal is to, on an annual basis, acquire companies with a total EBITA of SEK 90 million.   | SEK 75 million  | SEK 90 million          | <i>The outcome includes all acquisitions where agreements were signed in 2017, even if the transaction wasn't completed until 2018.</i>  |
| <b>Capital structure</b>  |   |                         |  |
| Net debt in relation to adjusted EBITDA on a rolling 12-month basis should not exceed 2.5.  | 1.37  | 2.60                    | <i>Calculated as the average net debt for the last four quarters in relation to EBITDA RTM. The corresponding outcome for the company's liabilities to banks, exclusively, was -0.25 as of 31 December 2017.</i>   |
| <b>Return on capital employed</b>   |   |                         |  |
| Long-term return on capital employed shall be at least 15 %.  | 16.8%   | 13.6%                   | <i>Over time, operations should generate a return of at least 15 percent in relation to equity and the net of liabilities and cash &amp; cash equivalents required for generating that return.</i>   |
| <b>Dividends</b>  |   |                         |  |
| Re-invest non-restricted cash flow in operations and new acquisitions, except for paying annual dividends to preference shareholders of SEK 8.00 per share. | SEK 8.00  | SEK 8.00                | <i>With the growth capital obtained from the new share issue, together with a reinvestment of the non-restricted cash flow from operations, Sdipotech's view is that it can achieve its goal for acquired earnings growth.</i>   |

# SHARES

On 12 May 2017, Sdipotech's common share of class B was listed on Nasdaq First North Premier. It is traded under the name SDIP B and the ISIN code is SE0003756758. The company's preference shares have been listed on Nasdaq First North Premier since 4 March 2015. They are traded under the name SDIP PREF with ISIN code SE0006758348.

As of 31 December 2017, Sdipotech's share capital consisted of 32,027,645 shares, comprised of 2,000,000 common shares of class A, 28,277,645 common shares of class B and 1,750,000 preference shares. The company's largest shareholder is Serendipity Group AB, which, as of 31 December 2017 had a holding of 44.59 % of equity and 64.53 % of the voting rights.

## DIVIDEND POLICY

Sdipotech's dividend policy is to not pay dividends on the company's common shares, since it prioritizes growth before dividends. Dividend is however paid quarterly on the preference shares, in accordance with Sdipotech AB's Articles of Association.

## SHAREHOLDER INFORMATION

Sdipotech's Certified Advisor at Nasdaq First North Premier is Erik Penser Bank AB. Financial information on Sdipotech is available on Sdipotech's website. Annual reports, quarterly reports and other information can be ordered from Sdipotech's website or via email.

Website: [www.sdiptech.com](http://www.sdiptech.com)

Email: [info@sdiptech.com](mailto:info@sdiptech.com)

## ANALYSTS THAT FOLLOW SDIPTECH

Rober Redin, Carnegie

## SHAREHOLDERS

|                       | Class A Shares   | Class B Shares    | Preference Shares | Capital %      | Votes %        |
|-----------------------|------------------|-------------------|-------------------|----------------|----------------|
| Serendipity Group     | 2,000,000        | 12,281,711        |                   | 44.59%         | 64.53%         |
| Swedbank Robur Fonder |                  | 2,232,143         |                   | 6.97%          | 4.46%          |
| Elementa Management   |                  | 1,268,036         |                   | 3.96%          | 2.53%          |
| Handelsbanken Fonder  |                  | 1,200,000         |                   | 3.75%          | 2.40%          |
| Nordea Liv & Pension  |                  | 1,120,836         | 40                | 3.50%          | 2.24%          |
| Danica Pension        |                  | 859,849           | 21,828            | 2.75%          | 1.76%          |
| Catella Fonder        |                  | 720,000           |                   | 2.25%          | 1.44%          |
| Aktia                 |                  | 662,500           |                   | 2.07%          | 1.32%          |
| Avanza Pension        |                  | 296,347           | 296,998           | 1.85%          | 1.19%          |
| Volito AB             |                  | 400,000           |                   | 1.25%          | 0.80%          |
| Other shareholders    |                  | 7,236,223         | 1,431,134         | 27.06%         | 17.33%         |
| <b>Total</b>          | <b>2,000,000</b> | <b>28,277,645</b> | <b>1,750,000</b>  | <b>100.00%</b> | <b>100.00%</b> |

## FIVE LARGEST COUNTRIES

|         | Number of shares | Capital % | Votes % | Number of known owners |
|---------|------------------|-----------|---------|------------------------|
| Sweden  | 29,928,352       | 93.45%    | 95.80%  | 2472                   |
| Finland | 665,802          | 2.08%     | 1.33%   | 4                      |
| Germany | 173,495          | 0.54%     | 0.35%   | 2                      |
| France  | 102,546          | 0.32%     | 0.20%   | 2                      |
| UK      | 21,536           | 0.07%     | 0.04%   | 7                      |
| Others  | 1,135,914        | 3.54%     | 2.28%   |                        |

## OWNERSHIP STRUCTURE

| Number of shares | Number of known owners | Share of known owners, % |
|------------------|------------------------|--------------------------|
| 1 - 500          | 1,768                  | 70.27%                   |
| 501 - 1,000      | 256                    | 10.17%                   |
| 1,001 - 5,000    | 315                    | 12.52%                   |
| 5,001 - 10,000   | 63                     | 2.50%                    |
| 10,001 - 20,000  | 37                     | 1.47%                    |
| 20,001 -         | 77                     | 3.07%                    |

## DISTRIBUTION

|                  | Class A Shares | Class B Shares | Preference Shares | Total      |
|------------------|----------------|----------------|-------------------|------------|
| Number of shares | 2,000,000      | 28,277,645     | 1,750,000         | 32,027,645 |
| Number of votes  | 20,000,000     | 28,277,645     | 1,750,000         | 50,027,645 |
| Capital %        | 6.24%          | 88.29%         | 5.46%             | 100.00%    |
| Votes %          | 39.98%         | 56.52%         | 3.50%             | 100.00%    |

Source: Modular Finance. Data per 2017-12-31.

# COMMON SHARE & PREFERENCE SHARE

## COMMON SHARE

NOMXSCSEPI Nasdaq OMX Small Cap Sweden PI (SE0002896373) has been used as a comparative index for Sdiptech B. This is a portfolio index representing the segment for Swedish small to medium-sized companies.



\*To facilitate comparability, Nasdaq OMX Small Cap Sweden has been standardized to the starting value for Sdiptech's ordinary share, which is SEK 56. The fair value as of 12 May 2017 for Nasdaq OMX Small Cap Sweden was SEK 1,550.84.

— SDIPTech B  
— NASDAQ OMX SMALL CAP SWEDEN PI\*

**Highest quotation in 2017:**  
SEK 57.75 – (8 June 2017)

**Lowest quotation in 2017:**  
SEK 40.6 – (20 December 2017)

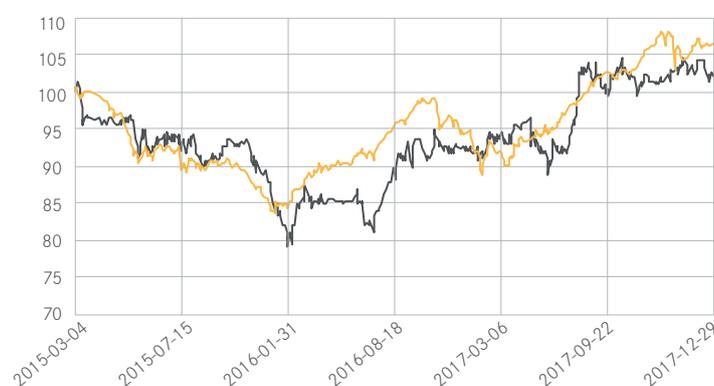
**Closing rate on the last day of trading in 2017:** SEK 46.20

**Total trading volume in 2017:**  
SEK 4,265,985

**Total number of trades in 2017:**  
6,345

## PREFERENCE SHARE

SIXPREFREALSWG1 SIX Preference Share Sweden Index has been used as a comparative index for Sdiptech's preference share. This is an index family that reflects the trend for preference shares listed on Nasdaq Stockholm



\*To facilitate comparability, SIX Preference Share Sweden Index has been standardized to the starting value for Sdiptech's preference share, which is SEK 100. The fair value as of 4 March 2015 for SIX Preference Share Sweden Index was SEK 230.83.

— SDIPTech PREF  
— SIX PREFERENCE SHARE SWEDEN INDEX\*

**Highest quotation in 2017:**  
SEK 108.5 – (9 November 2017)

**Lowest quotation in 2017:**  
SEK 92.25 – (5 April 2017)

**Closing rate on the last day of trading in 2017:** SEK 105.50

**Total trading volume in 2017:**  
SEK 1,022,610

**Total number of trades in 2017:**  
6,499

### The preference share in brief

|                   |   |
|-------------------|---|
| Issued amount     | SEK 175 Million   |
| First trading day | 4 March 2015  |
| Price of issue    | SEK 100   |
| Dividend          | SEK 8 per year, paid in four quarterly installments   |
| Redemption amount | SEK 120 during 0-24 months after the initial share issue, SEK 110 during months 25-48, and SEK 105 thereafter |

### Record days for preference share

The record days for profit distribution up until the publication date for the 2017 annual report were 15 June 2017, 15 September 2017, 15 December 2017 and 15 March 2018. Subject to a resolution at the Annual General Meeting of Sdiptech AB the following record days will be 15 June 2018, 14 September 2018, 14 December 2018 and 15 March 2019.



# OPERATIONS

## SDIPTECH IS A TECHNOLOGY GROUP FOCUSED ON URBAN INFRASTRUCTURES

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### OUR BUSINESS FOCUS:

NICHED TECHNICAL SERVICES AND PRODUCTS FOR URBAN INFRASTRUCTURES

Sdiptech is focussed on major metropolitan areas and delivering services and products that are necessary for vital societal functions to work well. The Group's niched technical services and products cover the entire life cycle, from new installation, to conversion and modernization. The emphasis, however is on renovation and maintenance.



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### REVENUE MODEL:

PROJECT REVENUE AND RECURRING REVENUE FROM THE AFTER-SALES MARKET

Sdiptech strives to link its service agreements to delivered products or completed installation projects. The after-sales market from service, maintenance and repairs of elevators, for example, comprises approximately 35–40 % of the total revenue throughout the entire 20-year life cycle. By covering the entire life cycle, we can ensure long-term sustainable revenue in that a new installation will typically lead to a service contract, which generates new business in repairs and maintenance. Furthermore, it results in customer loyalty that is, in reality, higher than what is reflected in recurring revenue.

# STRATEGY

## CREATE HEALTHY GROWTH WITH BALANCED RISK

The fundamental principles underlying Sdipotech's strategy is to deliver healthy growth with balanced risk.

### **Growth is based on:**

1. a solid acquisition process that continuously delivers a high rate of acquisition-driven growth, and
2. a market fuelled by an underlying trend of urbanization, which supports a satisfactory rate of organic growth.

### **Balanced risk is based on the following:**

1. an operational diversification through independent operating subsidiaries, and
2. a geographical diversification through the presence of three to four distinct and growing metropolitan areas. In 2017 Vienna and the London area were added to Stockholm.

## **SDIOTECH'S STRATEGY IS FOUNDED ON FOUR PILLARS**

### **Niches in the urban infrastructure sector**

Sdipotech's market focus is infrastructures in rapidly growing metropolitan areas. The sustainable, underlying trend is urbanization, which fuels a growing need to expand and renovate vital societal functions in the critical infrastructures of metropolitan areas.

Urban infrastructure is a mature market that has existed for a very long time. It is thus predictable and stable, unlike younger markets that are both disruptive and involve a much higher level of risk. Highly specialized niches are far too complex for companies lacking the expertise and far too small to be of interest to bigger players. It means that there are both entrance barriers and opportunities for sustainable, high profitability.

### **Acquisition strategy**

Growth via acquisitions is a key component of Sdipotech's strategy. Sdipotech actively searches for attractive acquisition candidates, who are then contacted by a manager from Sdipotech's acquisition organization. With its own acquisition organization, Sdipotech has control over the inflow of acquisition candidates, rather than relying on external companies to target and present potential businesses for acquisition. Sdipotech's model thus makes the

company independent of external parties and it is able to engage in independent, private discussions with owners of companies that are interesting acquisition candidates for Sdipotech.

Potential acquisition candidates, must, in addition to being active in the urban infrastructure sector meet the following criteria:

- entrepreneurial companies with a proven record of good profitability and stable cash flows,
- engaged in specialized niches with high entrance barriers,
- predictable revenue models with a high percentage of recurring revenue,
- a low level of dependence on individual customers and suppliers,
- operating margin of 15 percent or higher, and
- net profit of SEK 10 million or higher.

These are indicative criteria, but an overall assessment is also made of each potential acquisition candidate.

### **Operating model**

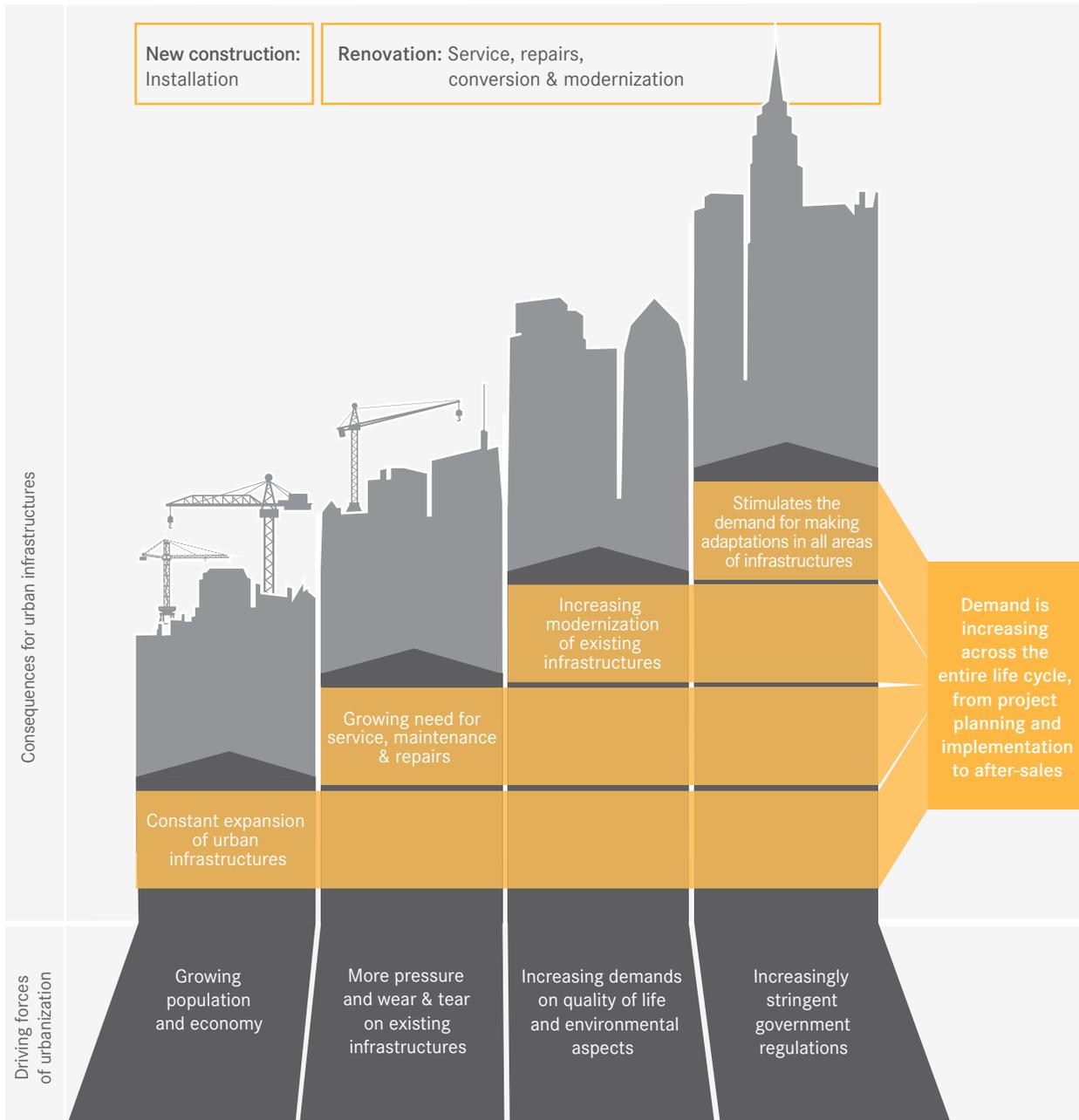
Sdipotech's model for governance and business development is based on decentralization. Each Sdipotech subsidiary has its own unique expertise and characteristics. Therein lies the collective strength of Sdipotech's offering to the market. The strategy for each operating subsidiary is thus individual. Business decisions are made at the subsidiary level, in close proximity to customers and based on the subsidiary's particular niche expertise.

### **Non-invasive synergies**

An important component of Sdipotech's strategy for company development is to utilize and derive benefits from synergies that contribute to additional organic growth, without infringing on the subsidiary's independence. There are excellent opportunities for deriving benefits from non-invasive synergies within the Group since our subsidiaries operate within the same, or closely related markets, with overlapping customers and suppliers. The synergies also fuel organic growth, along with the underlying urbanization trend.

## RENOVATION VS. NEW INSTALLATION

When it comes to installations, Sdipotech's focus is on renovation rather than new installations. We have made a conscious choice as the renovation market - service, repair, rebuilds and modernization - historically has had a lower cyclicity than the total market for installations. The underlying need for renovation is a result of the constant deterioration of the total existing infrastructure at each point in time. In a growing metropolitan area the infrastructure is increasing which results in an expanding future need for renovation.



Although the renovation market is less prone to cyclicity it is nevertheless not isolated from the activity in the installation market in total. In 2017, the high demand for new installations had a negative impact on renovation activities. This is primarily associated with the continued growth in construction of new housing in the Stockholm region. There has been a higher priority to make investments in new installations rather than maintenance, which has been disadvantageous to Sdipotech, since its main focus is on renovations. Nevertheless, the underlying need for maintenance remains and, with time, the market conditions should normalize, which means that there is good potential for recovery in this area of our business.

# TAILORED INSTALLATIONS

The Tailored Installations business area is comprised of the Group's companies working with installation operations. All of them apply a business model that covers parts of, or the entire life cycle for an installation: from new installation, service, and renovations, to modernization and conversion.



## UNINTERRUPTIBLE POWER SUPPLY

Uninterruptible power supply is built into a large amount of the urban infrastructure. Our UPS and battery installations secures the operation of municipalities, industrial companies, and hospitals where it is essential that the power supply is never compromised.



## ELECTRICAL AUTOMATION

Automation is also a critical part of modern infrastructure. Ranging from traffic signals to climate control, modern properties are equipped with efficient automation. Sdiptech's solutions are found through Stockholm in, for instance, hospitals, data centres, banks, and subway stations.



## ELEVATORS (LOCAL) – RENOVATION AND SERVICE

Locally, Sdiptech is a supplier in renovation, service and repair of custom made elevators. Deep knowledge in the area, enables Sdiptech to provide and meet varying demands in tailored solutions.



## ELEVATORS (GLOBAL) – NEW INSTALLATIONS

Sdiptech has global expertise in complex projects and delivers high-tech tailored elevators. With traveling teams having global reach, Sdiptech is well positioned to meet a growing shortfall in elevator technicians.



## COOLING

The more that sensitive equipment is installed in modern cities the higher is the need for cooling to ensure optimal operating temperatures. Sdiptech's businesses offers niched installation services within cooling in order to create customized solutions that meet regulations and optimize energy consumption.



## SECURITY

Urbanization creates a growing demand for security solutions in society. Sdiptech's offer of integrated security systems for public and private environments are found in sectors such as the police, healthcare, transportation, and commercial real estate.



## ROOF MAINTENANCE

Focus on the renovation market including maintenance of existing buildings and roofs, as well as installation of personal protection on roofs



## WASTEWATER TREATMENT

With more stringent environmental regulations and an overall growing environmental awareness, the need of water, land and air purification is expected to increase. Sdiptech offers customized components and facilities for cleaning contaminated liquids, gases, and water.



# NICHED PRODUCTS & SERVICES

The Niche Products & Services business area is comprised of the Group's companies that deliver products or non-installation based services for urban infrastructures. A growing portion of this business area consists of product-based solutions, where operating margins tend to be higher and where competitive advantages can be derived from technical innovation and in-depth understanding of the customer requirements.



## VENTILATION SOLUTIONS

Delivery rooms and operating theatres in hospitals are in need of advanced ventilation solutions to secure a healthy working environment when using nitrous oxide and performing laser surgery. Sdipotech's leading products ensure clean air for medical personnel as well as reducing harmful effects on the environment and climate.



## ELECTRICAL POWER QUALITY

The urbanization and improved economic conditions place high demands on robust power grids and are a key part of the infrastructure. Sdipotech offers solutions that monitor and analyse power quality as well as document the sources of disturbances in the power distribution.



## VIBRATION MONITORING

On construction sites, the rules regarding environmental impact when performing blasting works and pile driving are strict. High demands are placed on guaranteeing compliance, and Sdipotech offers services in measurement and vibration analysis across Stockholm.



## SHELL COMPLETION

Through in-depth specialization in plaster as a material, we carry out services related to lightweight interior constructions with high quality and efficiency. Through specializing on plaster, Sdipotech has the capacity to deliver comprehensive solutions to customers that reduce cost and complexity.



## DISTRICT HEATING AND WATER METERING

By offering municipalities and companies a leading calibration centre for water metering and district heating metering, Sdipotech provides municipalities in Sweden with a full service to exchange, renovate, calibrate and re-install meters.



## WATER CLEANING

On the outskirts of metropolitan areas that the central network does not reach, the need arises for specific local solutions for water treatment. Sdipotech offer solutions including sewage treatment plants and planning of drainage solutions to ensure that these sites have access to clean water of the highest quality.



## RADIO COMMUNICATION

Having an alternative communication route from air to ground, complementary to the primary communication route, is a fundamental security issue within the air traffic. Sdipotech provides a complete infrastructure and operational control for high-frequency backup communication for air traffic.



## TEMPORARY INFRASTRUCTURE

Growing cities create an increasing need of temporary infrastructure. Sdipotech offers services to construction sites including temporary electricity, data, plumbing, fire safety, evacuation, and fuel supply.



# MANAGEMENT

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**JAKOB HOLM**  
CEO

Jakob Holm has broad experience in developing companies to growth and profitability within a wide range of industries. As a Senior Advisor he has worked with owners and management teams in large international enterprises as well as SMEs. He founded the management consulting firm Axholmen in 2007 and prior to that worked at General Electric and Accenture. He has a M.Sc. in Systems Engineering at KTH Royal Institute of Technology

*Holdings in Sdiptech: 258,749 Class B shares (through Currussel AB), 1,040 Preference shares and 189,000 call options*



**CARL JOHAN ÅKESSON**  
CFO

Carl Johan Åkesson has extensive experience from financial positions in multi-national business groups, both from entrepreneurial-lead settings and from listed corporates. His latest assignment, prior to joining Sdiptech AB, was as CFO for Mediaplanet International. Carl Johan has previously held various financial positions within Modern Times Group (MTG) and EF Education. He has an M.Sc. in Accounting & Managerial finance from Stockholm School of Economics.

*Holdings in Sdiptech: 100,000 Class B shares and 150 Preference shares*



**FREDRIK SEDERHOLM**  
President, Tailored Installations

Fredrik Sederholm has extensive experience of leadership and strategic corporate governance. He has previously served as CEO of several companies within the installation industry. He has also held executive positions at, for example, Assemblin, Caverion, Otis & ManKan Hiss. Fredrik has a Master of Science in Business economics from Stockholm University

*Holdings in Sdiptech: 82,222 Class B shares and 68,400 call options*



**FREDRIK NAVJORD**  
President, Niched Products & Services

Fredrik Navjord has extensive experience of business development and has worked with both growth companies and international groups. He most recently held the position of CEO for Medtrac, where he acquired experience of work with infrastructures and communication. He has also worked as Business Developer at Addtech and as Investment Manager at Volvo Ventures. Fredrik has an M.Sc. degree in engineering from Chalmers University.

*Holdings in Sdiptech: 18,345 Class B shares and 52,500 call options*



**JOHN ENGHOLM**  
General Counsel

John Engholm has a Master of Law (LL.M.) from Uppsala University and the National University of Singapore. Before joining Sdiptech, he worked several years at one of Sweden's largest law firms, specializing in M&A and corporate law. At Sdiptech he works primarily with new acquisitions and also supports the board and management in various legal issues.

*Holdings in Sdiptech: 535 Class B shares and 2,228 Preference shares*



**KAMJAR HAJABDOLAH**  
Head of Acquisitions

Kamjar Hajabdolahi has a background in business law, business development and as entrepreneur. He has founded and acted as CEO of several companies within HR, IT and Management Consulting. Kamjar has built a global network within the areas of M&A, IPOs and Technologies & IP Partnering. Kamjar Hajabdolahi has a Master of Law (LL.M.) from Uppsala University.

*Holdings in Sdiptech: 12,349 preference shares*

# BOARD OF DIRECTORS

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**ASHKAN POUYA**  
Executive Chairman

Ashkan Pouya is an experienced serial entrepreneur who has been involved in starting several research-based companies. He has previously held the position of Director of Innovation at Lund University. Ashkan has a background in Business Administration, studying at Uppsala University, Queen's University and the WHU-Otto Besheim School of Management in Germany.

*Holdings in Sdiptech: 2,000,000 Class A shares and 12,581,711 Class B shares (through Serendipity Group AB)*



**SAEID ESMAEILZADEH**  
Board Member

Saeid Esmaeilzadeh is a serial entrepreneur having established and managed around 15 research-intensive companies in various industries. In 2002, he became the youngest associate professor in Sweden. He has received many distinctions and awards for his research as well as for his achievements as an entrepreneur. Saeid has a Ph.D. in Materials Chemistry from Stockholm University.

*Holdings in Sdiptech: 2,000,000 Class A shares and 12,581,711 Class B shares (through Serendipity Group AB)*



**MIKAEL LÖNN**  
Board Member

Mikael Lönn has broad experience from working as an entrepreneur in the health sector as well as in the forestry and energy sectors as owner and board member. Today he works, among other things, with financial investments. Mikael Lönn is also a board member in a number of both listed and unlisted companies. He has extensive experience as an advisor and has an active board involvement in a number of start-up and growth companies.

*Holdings in Sdiptech: 169,215 Class B shares*



**KATARINA LUNDBLAD  
PINNEKAMP**  
Board Member

Katarina Lundblad Pinnekamp has many years of experience in the areas of technology, technological R&D and intellectual property. For several years, Katarina has been working as an independent consultant and investor. She also worked at ABB for more than 20 years, where one of her responsibilities was patent issues at the Group level. Katarina is currently active as a member of the board for Exeger.

*Holdings in Sdiptech: 9,090 Class B shares*



**JOHNNY ALVARSSON**  
Board Member

Johnny Alvarsson has extensive experience working with acquisition-intensive operations and business development. Johnny was previously CEO of Indutrade and he is currently active as a member of the board for Instalco and VBG and serves as the chairman of the board for FM Mattsson Mora.

*Holdings in Sdiptech: 18,200 Class B shares and 18,000 call options*



**JAN SAMUELSON**  
Board Member

Jan Samuelson has solid experience in building medium-sized companies in a variety of industries, and has been active at all levels ranging from operations to active owner. Jan Samuelson currently holds a number of board appointments, for example as chairman of the board for the recently listed Resurs Holding AB. Jan formerly worked as Senior Partner at Accent Equity Partners and before that as Senior Vice President at EF Education.

*Holdings in Sdiptech: 191,000 Class B*

# DIRECTORS' REPORT

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## OPERATIONS

Sdipotech AB is a technology group with the main focus on urban infrastructures. The Group offers very specialized niche services and products for both expanding and renovating rapidly growing metropolitan areas. Sdipotech currently has operations in sixteen niches with a focus on urban infrastructure, distributed across 25 operating subsidiaries.

The Group's main market is metropolitan Stockholm, where the underlying conditions for growth are excellent and advantageous to the Group's operations. In addition, Sdipotech became established in the market in Vienna during the year and subsequent to year-end, also in London. This was achieved via the acquisition of companies in these two regions. Sdipotech has concluded that both of these new areas have a similar underlying growth trend to that of Stockholm. Over the next few years, the intention is to actively search for additional acquisition candidates in these markets, thereby steadily increasing the offering of products and services.

The Group's offering also includes, for example, products and services in the area of uninterruptible power supply, measurement of electricity quality, calibration of water meters, installation and maintenance of elevators, specialized ventilation solutions, and vibration measurement at construction sites in metropolitan environments. All of these products and services are important components of a well-functioning urban infrastructure.

Sdipotech works with all parts of an installation's life cycle: from new installation, service and maintenance to repairs and modernization. Approximately one-fifth of the Group's sales is from recurring revenue, where the contract duration is longer than twelve months. However, the proportion of repeat customers is actually higher, since several of the businesses easily and naturally follow their customers through the life cycle over longer periods of time.

During the year, the Group updated its segment reporting and, as of the reporting date, it was organized in the following business areas: Tailored Installations, Niche Products & Services and Central Units. The updated segment reporting clarifies the Group's focus areas, along with its internal monitoring and governance activities. Our 25 operating subsidiaries and 16 niches belong to either the Tailored Installations or Niche Products & Services business areas and these are the Group's main areas of operation. Central Units is comprised of Support, the Group's Parent Company and consolidation items. Support offer administrative services such as advice concerning acquisitions, HR and recruitment, communication, accounting services and legal advice. After year-end, the Board of Directors and executive management team decided to divest the Support operations. The decision must first, however, be approved at the AGM for Sdipotech AB. The purpose is to further streamline the Group to its main areas of operation.

Sdipotech actively strives to create collaboration between the various businesses within the Group and the main purpose is to achieve revenue synergies. Most of the Group's businesses work with overlapping customer relations. Accordingly, there are opportunities for developing competitively packaged offers. When one of the Group's companies has strong ties with a customer, it also opens the door for other Group companies to introduce their offering, which can lead to new business.

The Group has been organized based on a decentralized structure. Preserving the unique brand, identity and autonomy of our subsidiaries are key elements of Sdipotech's business philosophy, where the strength of entrepreneurship, flexibility and closeness to customer are crucial factors in achieving financial results. Nevertheless, governance is required when running a large Group of companies and for Sdipotech, our main goal is to increase the predictability of our earnings and help each company successfully cope with new or altered market conditions or provide expertise to help them solve challenges within their own organization.

Besides working with its existing companies and operations, Sdipotech is also actively engaged in acquisition efforts. We use our own expertise, along with external sources to continually evaluate acquisition candidates. Over the coming years, the Group expects that a significant portion of its growth will be generated from new acquisitions. Sdipotech relies on a proactive acquisition model to identify well-run, entrepreneurial companies with good profitability and stable cash flows. The company has its own team working with this, rather than relying on external advisors. We can thus engage in high quality acquisition discussions, where both the buyer and seller have the time and opportunity to evaluate the effects of an acquisition and together, plan for continued, stable development of the business.

Each acquisition must also be aligned with Sdipotech's focus on urban infrastructures. Accordingly, the Group seeks committed entrepreneurs and leaders who would like to continue in their role after the acquisition, which facilitates stability and a smooth transition. Sdipotech applies a long-term ownership approach and its strategic plan contains no intentions of divesting an acquired company as some later point in time.

## SIGNIFICANT EVENTS DURING THE YEAR

On the whole, the market conditions for Sdipotech's products and services has been good and in the company's main market, metropolitan Stockholm, the economy is booming and there is a high level of economic activity. This is reflected in our growing sales during the year and positive organic growth. Some of the Group's niches (elevator operations in particular) have faced challenging market conditions. For example, there has been a higher priority to make investments in new installations rather than maintenance. This has resulted in downward pressure on prices and higher employee turnover.

## Acquisitions

The main component of Sdipotech's growth strategy is to acquire niched companies working in the urban infrastructure sector. In 2017, six acquisitions were completed and an additional four acquisition agreements were signed, which were later completed in January 2018. The acquisition of ten companies for the year is consistent with the Group's goal and in total, the acquired companies' EBITA on a full year basis amounted to SEK 75 million.

- On 16 January 2017, the acquisition of Topas Vatten AB and Topas Vatten Service AB was concluded. The acquisition was achieved by setting up a new subsidiary and it was financed via bank loans, a capital contribution from Sdipotech and an agreement on contingent consideration. Topas' customer offering consists of acting as operator of installed sewage systems. It also offers high-performance, mini purification solutions to end customers.
- On 8 June 2017, acquisition of the following two Austrian companies was completed: ST Liftsystems GmbH and Aufzüge Friedl GmbH. For each one, 51 percent of the shares were acquired, with a future option of acquiring the remaining 49 percent of the shares. The acquisition was achieved by setting up a new subsidiary and it was financed via a capital contribution from Sdipotech and an agreement on contingent consideration. ST Liftsystems manufactures elevators with a compact formulation which makes them possible to install in cramped spaces in existing properties and in new constructions. Aufzüge Friedl performs installation and service of elevators in Vienna with nearby areas.
- On 5 July 2017, the acquisition of AVA Monitoring AB was concluded. The acquisition was achieved by setting up a new subsidiary and it was financed via a capital contribution from Sdipotech and an agreement on contingent consideration. AVA Monitoring AB develops and sells fully automatic and cloud-based measurement systems for monitoring of vibrations and noise in connection with infrastructure projects.
- On 31 October 2017, the acquisition of Tello Service Partner AB was concluded. The acquisition was implemented by setting up a new subsidiary and it was financed initially via a capital contribution and loan from Sdipotech, along with an agreement on contingent consideration. The Sdipotech loan was later replaced by a bank loan. Tello Service Partner specialises in roof renovation and repainting as well as installation of personal protection solutions for roof safety.
- On 1 November 2017, the acquisition of Polyproject Environment AB was concluded. The acquisition was achieved by setting up a new subsidiary and it was financed initially via a capital contribution and loan from Sdipotech, along with an

agreement on contingent consideration. The Sdipotech loan was later replaced by a bank loan. Polyproject Environment is an environmental technology company that specialises in customised components and facilities for the cleaning of contaminated liquids, gases and water.

In addition, Sdipotech signed agreements to acquire the following companies: Centralmontage i Nyköping AB, Aviolinx Communications and Services AB, Optyma Security Systems Ltd and Multitech Site Services Ltd.

## Significant events during the year

The main event of the year occurred in May 2017, when Sdipotech's ordinary series B share became listed on Nasdaq First North Premier. At the same time, there was also a new share issue of SEK 500 million.

The purpose of the new issue was to finance the Group's acquisition-driven growth. The new issue was at a rate of SEK 56 per share. Listing of the company's ordinary shares has led to a wider diversification of ownership, now consisting of both Swedish and foreign institutional investors.

Prior to the listing, Sdipotech updated its financial goals, which included earnings goals, goals on organic growth and goals having to do with the contributions from acquisitions. Sdipotech also added goals for its capital structure and return on capital employed.

Furthermore, three new members joined Sdipotech's Board of Directors, which added expertise to the planning efforts associated with the IPO. Johny Alvarsson and Katarina Lundblad Pinnekamp were elected to the Board at an extraordinary general meeting in November 2016. Jan Samuelson was elected to the Board at an extraordinary general meeting on 28 March 2017.

During the year, and in accordance with the Articles of Association, the company issued quarterly dividends to preference shareholders totalling SEK 14 million. Dividends were paid in March, June, September and December.

## Sales and earnings

Net sales for the Group increased during the period January through December 2017 by SEK 302.3 million to SEK 1,077.8 (775.5) million. Sales for comparable units, i.e. companies that were part of the Group

throughout the entire period and the entire comparison period, increased by SEK 33.4 million and amounted to SEK 564.9 (531.5) million, which corresponds to organic growth of 6.3 percent. Non-comparable units contributed

SEK 512.9 million to the year's sales and accounted for SEK 244.0 million of sales in the comparison period. Other revenue amounted to SEK 86.1(13.4) million, of which SEK 78.0 million is attributable to a revaluation of contingent consideration liabilities associated with acquisitions that have been made.

The Group's EBITA for the period January-December 2017 amounted to SEK 189.4 (110.9) million. Depreciation, amortization and impairment losses for the Group increased to SEK -47.7 (-8.6) million. Most of that increase is attributable to goodwill impairment of SEK -32.4 million. The Group's operating profit for the period January-December 2017 thereafter amounted to SEK 156.3 (110.8) million.

Financial expenses for the Group increased to SEK -37.5 (-9.8) million, and net financial items thereafter were SEK -36.2 (-7.3) million. Included in financial expenses for the year is SEK -10.9 million, which is discounting of liabilities pertaining to contingent consideration. There was also a one-off-effect of SEK -13.2 million resulting from an adjustment of the rate applied when discounting liabilities pertaining to conditional consideration. It was adjusted to 2.0 percent in this year's calculation. Last year, a discount rate of 5.0 percent was used. Both of these items, totalling SEK -24.1 million have no impact on cash flow for the period.

Earnings after financial items increased by SEK 16.6 million to SEK 120.1 (103.5) million. Earnings for the period increased by SEK 9.3 million to SEK 93.2 (83.9) million.

### Financing

Cash flow from operating activities amounted to SEK 69.8 (61.6) million.

Cash flow from financing activities amounted to SEK 325.3 (276.1) million. Sdipotech's ordinary class B share became listed on Nasdaq First North Premier on 12 May 2017. The scope of the offer was 8,928,571 newly issued ordinary series B shares, which corresponds to proceeds of approximately SEK 500 million before issue expenses. This corresponds to approximately 27.9 percent of the total number of shares after the listing was completed. The new share issue generated cash flow of SEK 472.4 million after issue expenses. Other items included in financing activities were changes in loan liabilities of SEK -126.8 (223.4) million and dividends on preference shares and to minority interests of SEK -20.3 (-15.2) million.

### Investments

Cash flow from investing activities amounted to SEK -190.9 (-301.3) million, of which cash flow from acquisitions was SEK 160.8 (-357.5) million, see also Note 3. Investments in property, plant and equipment and intangible assets amounted to SEK -31.1 (-13.6) million.

### Employees

The total number of employees at year-end was 882 (680). We added 156 new employees to the Group via company acquisitions that were made in 2017. The majority of staff increases at existing subsidiaries was attributable to Metus.

## BUSINESS AREAS

The companies in Sdipotech's two business areas provide niched technical services and products for urban infrastructures.

For Tailored Installations, net sales for the period increased by SEK 147.7 million to SEK 609.5 (461.8) million. Companies acquired in 2017 contributed SEK 89.7 million.

For Niched Products & Services, net sales for the period increased by SEK 149.4 million to SEK 435.7 (286.3) million. Companies acquired in 2017 contributed SEK 41.7 million.

The Group also reports on one additional segment: Central Units. It is comprised of the support functions, which provide administrative services for the Group, as well as external clients. The Group's Parent Company and consolidation items also belong to this segment. In total, net sales for Central Units amounted to SEK 32.6 (27.4) million.

## FINANCIAL POSITION

As of 31 December 2017, cash and cash equivalents amounted to SEK 330.0 (125.6) million.

### Interest-bearing liabilities

Interest-bearing liabilities, including liabilities pertaining to conditional consideration and financial leasing, amounted to SEK 583.9 (637.6) million. Of that amount, the two largest items were liabilities to credit institutions for SEK 229.8 (324.7) million and deferred payment of consideration for acquisitions of SEK 320.5 (221.3) million. This conditional consideration is classified as interest-bearing liabilities because an interest rate is used to discount the amounts to present value. However, no actual interest payment are made that impact the Group's cash flow prior to final settlement.

### Equity

As of 31 December 2017, equity attributable to the company's shareholders amounted to SEK 973.2 (427.6) million. In addition to the net profit that was generated during the year, dividends totalling SEK 14 million were paid to preference shareholders, which lowered equity. However, equity also increased by SEK 472.4 million, which was the net amount generated from a new issue of class B ordinary shares. Non-controlling interests totalled SEK 33.2 (33.1) million.

### Key performance indicators

At the end of the quarter, net debt, which includes the Group's interest-bearing items, totalled SEK 253.9 (512.0) million. Net debt calculated exclusively on liabilities to credit institutions amounted to SEK -100.2 (199.1) million. The Group's net debt in relation to EBITDA was 1.37. Bank net debt - where only interest-bearing liabilities from credit institutions are included - in relation to EBITDA was -0.25.

## RISK MANAGEMENT

Through their operations, the Group and Parent Company are exposed to various types of financial risks, mainly related to loans and accounts receivable. Financial risks consist of interest rate risk, credit risk and financing risk. Please see Note 15 for more detailed information.

## TRANSACTIONS WITH RELATED PARTIES

Please see Note 25 for more information on transactions with related parties.

## PARENT COMPANY

Sdiptech AB is responsible for the overall operations of the Group. These efforts focus on strategic planning, business development, financing, acquisitions and succession planning.

### Earnings

The Parent Company reported an operating loss of SEK -15.6 (-10.3) million. Two business area presidents joined the executive management team during the year and new employees were also added to the accounting/finance department. For the full-year 2017, the Parent Company reported earnings of SEK 22.2 (20.8) million, which includes a Group contribution received of SEK 20.5 (16.2) million.

### Cash & cash equivalents and Equity

At the end of the period, the Parent Company's cash & cash equivalents amounted to SEK 181.6 (7.2) million. Equity amounted to SEK 812.7 (332.0) million. The increase in equity during the year is primarily attributable to the new share issue that occurred in May 2017. In addition, equity increased from the profit for the year and it decreased when dividends were paid to preference shareholders.

### Ownership structure and share

As of 31 December 2017, Serendipity Group AB owned 44.59 % of the equity and 64.53% of the voting rights in Sdiptech. As of 31 December 2017, Sdiptech's share capital consisted of 32,027,645 shares, comprised of 2,000,000 class A ordinary shares, 28,277,645 class B ordinary shares and 1,750,000 preference shares.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 January 2018, Sdiptech acquired all of the shares in Centralmontage i Nyköping AB. The acquisition agreement was signed, and the acquisition was announced on 7 December 2017. Centralmontage i Nyköping AB manufactures customized distribution boards used in many parts of society, including traffic networks, properties and industries. For the 2016 financial year, the company's net sales amounted to approximately SEK 34.0 million and operating profit was approximately SEK 3.9 million.

On 9 January 2018, Sdiptech acquired all of the shares in Aviolinx Communication and Services AB. The acquisition agreement was signed, and the acquisition was announced on 13 December 2017. Aviolinx is one of just three companies in the world that provides complete infrastructure and operational control for high-frequency backup communications for air traffic. The company is the only one of its kind in Europe and neighbouring countries. For the 2016 financial year, Aviolinx reported net sales of approximately SEK 18 million and an operating profit of approximately SEK 4 million.

On 11 January 2018, Sdiptech acquired all of the shares in Optyma Security Systems Limited. The acquisition agreement was signed, and the acquisition was announced on 21 December 2017. Optyma is a principle provider of integrated security systems

for public and private environments, including security-classed national infrastructure. Customers are found in sectors such as police, healthcare, transportation and commercial real estate. Net sales for the 2016 financial year amounted to approximately GBP 6.4 million and operating income to approximately GBP 1.1 million.

On 17 January 2018, Sdiptech's subsidiary S. Legal AB sold 80 per cent of the shares in the wholly-owned company InsiderLog AB to Euronext for a cash consideration of 5.8 million euro, as well as conditional consideration based on future earnings trend.

On 31 January 2018, Sdiptech acquired all of the shares in Multitech Site Services Limited. The acquisition agreement was signed, and the acquisition was announced on 29 December 2017. Multitech provides temporary infrastructure, with a primary focus on the metropolitan area in London. The company offers services to construction sites including temporary electricity, data, plumbing, fire safety, evacuation and fuel supply. During the financial year ending October 31, 2017, net sales amounted to approximately GBP 10.4 million and operating income to approximately GBP 1.9 million.

## FUTURE DEVELOPMENT

The goal for Group's future development is to continue growing, both organically and via acquisitions, along with creating long-term, sustainable earnings growth. The overall goal is to achieve EBITA of SEK 600-800 million by the end of 2021. Growth must, however occur in conjunction with balanced risk, where the capital structure and return on capital employed are in line with the Group's financial goals. For more information on financial goals, see page 11.

## PROPOSED APPROPRIATION OF PROFITS

At the disposal of the annual general meeting is:

|                            |                    |
|----------------------------|--------------------|
| Share premium reserve      | 712,617,839        |
| Accumulated profit or loss | 77,053,655         |
| Profit/loss for the year   | 22,243,271         |
| <b>Total</b>               | <b>811,914,765</b> |

The board proposes the following appropriation of profits:

|                                 |                    |
|---------------------------------|--------------------|
| Dividends to preference shares* | 14,000,000         |
| To be carried forward**         | 797,914,765        |
| <b>Total</b>                    | <b>811,914,765</b> |

\*The dividend on preferential shares are regulated in the articles of association. The dividend amounts to SEK 14.0 million annually, allocated across 3.5 million quarterly, with dividends paid in March, June, September and December.

\*\*Of which SEK 712,617,839 is transferred to the Share Premium Reserve.

## ANNUAL GENERAL MEETING

The 2018 Annual General Meeting will be held on 14 May 2018.

# FINANCIAL INFORMATION

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## CONSOLIDATED STATEMENT OF PROFIT

| SEK million   | Note   | 2017           | 2016         |
|---|--------|----------------|--------------|
| <b>Remaining operations</b>   |        |                |              |
| Net sales   | 4      | 1,077.8        | 775.5        |
| Other operating income  | 5      | 86.1           | 13.4         |
| <b>Total earnings</b>   |        | <b>1,163.9</b> | <b>788.9</b> |
| <b>Operating expenses</b>   |        |                |              |
| Direct expenses   |        | -468.1         | -321.6       |
| Other external expenses   | 7, 8   | -125.7         | -79.6        |
| Personnel expenses  | 6      | -366.0         | -268.3       |
| Depreciation and write-downs of tangible and intangible fixed assets  | 12, 13 | -47.7          | -8.6         |
| <b>EBIT</b>   | 4      | <b>156.3</b>   | <b>110.8</b> |
| <b>Result from financial investments</b>  |        |                |              |
| Financial earnings  | 9      | 1.3            | 2.5          |
| Financial expenses  | 9      | -37.5          | -9.8         |
| <b>Profit after financial items</b>   |        | <b>120.1</b>   | <b>103.5</b> |
| Tax on profit for the year  | 10     | -26.9          | -24.1        |
| <b>Profit for the year from continuing operations</b>   |        | <b>93.2</b>    | <b>79.4</b>  |
| <b>Discontinued operations:</b>   |        |                |              |
| The year's profit from discontinued operations  | 23     | -              | 4.5          |
| <b>Profit for the year</b>  |        | <b>93.2</b>    | <b>83.9</b>  |
| <b>Profit attributable to:</b>  |        |                |              |
| Holders of participating interests in the parent company  |        | 87.1           | 73.9         |
| Non-controlling interest  |        | 6.1            | 10.0         |
| <b>Earnings per share</b>   |        |                |              |
| Number of ordinary shares at the end of the period (Millions)   |        | 30.3           | 21.3         |
| Average number of ordinary shares (Million)   |        | 27.0           | 21.2         |
| Profit per share for remaining operations before and after dilution, calculated on the profit attributable to parent company shareholders during the year (expressed as SEK per share)          |        | 2.70           | 2.61         |
| Profit per share including discontinued operations before and after dilution, calculated on the profit attributable to parent company shareholders during the year (expressed as SEK per share) |        | 2.70           | 2.82         |

## CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

| SEK million  | Note | 2017        | 2016        |
|--|------|-------------|-------------|
| <b>Profit for the year</b>   |      | <b>93.2</b> | <b>83.9</b> |
| <b>Other comprehensive income for the year</b>                           |      |             |             |
| <b>Components that will be reclassified to profit for the year</b>       |      |             |             |
| Changes in the accumulated translation differences                       |      | 0.3         | 0.2         |
| <b>Total components that will be reclassified to profit for the year</b> |      | <b>0.3</b>  | <b>0.2</b>  |
| <b>Total comprehensive income for the year</b>                           |      | <b>93.5</b> | <b>84.1</b> |
| <b>Attributable to:</b>  |      |             |             |
| The parent company shareholders  |      | 87.4        | 74.1        |
| Non-controlling interest   |      | 6.1         | 10.0        |
| <b>Total comprehensive income has arisen from</b>                        |      |             |             |
| - Remaining operations   |      | 93.5        | 79.6        |
| - Discontinued operations  |      | -           | 4.5         |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| SEK million                         | Note | 2017-12-31     | 2016-12-31     |
|-------------------------------------|------|----------------|----------------|
| <b>FIXED ASSETS</b>                 |      |                |                |
| <i>Intangible fixed assets</i>      |      |                |                |
| Goodwill                            | 11   | 1,055.1        | 805.7          |
| Other intangible fixed assets       | 12   | 13.3           | 0.5            |
| <i>Tangible fixed assets</i>        |      |                |                |
| Tangible fixed assets               | 13   | 80.8           | 49.6           |
| <i>Financial fixed assets</i>       |      |                |                |
| Shares and other securities         | 15   | 0.4            | 0.0            |
| Other financial fixed assets        | 15   | 1.4            | 2.6            |
| <b>TOTAL FIXED ASSETS</b>           |      | <b>1,151.0</b> | <b>858.4</b>   |
| <b>CURRENT ASSETS</b>               |      |                |                |
| Finished goods and trade goods      |      | 63.2           | 34.2           |
| Accounts receivables                | 16   | 216.9          | 155.9          |
| Current tax claims                  |      | 13.2           | 9.5            |
| Other receivables                   | 25   | 15.6           | 58.7           |
| Prepaid expenses and accrued income | 17   | 40.4           | 27.0           |
| Cash and cash equivalents           | 18   | 330.0          | 125.6          |
| <b>TOTAL CURRENT ASSETS</b>         |      | <b>679.3</b>   | <b>410.9</b>   |
| Assets in a disposal group          | 23   | -              | -              |
| <b>TOTAL ASSETS</b>                 |      | <b>1,830.4</b> | <b>1 269.3</b> |

## EQUITY AND LIABILITIES

| SEK million  | Note | 2017-12-31     | 2016-12-31     |
|--|------|----------------|----------------|
| <b>EQUITY</b>  |      |                |                |
| Share capital  | 19   | 0.8            | 0.6            |
| Other contributed capital  |      | 712.6          | 240.4          |
| Provisions   |      | 0.8            | 0.5            |
| Retained profit brought forward including profit for the year      |      | 259.0          | 186.1          |
| <b>Total equity attributable to the parent company shareholder</b> |      | <b>973.2</b>   | <b>427.6</b>   |
| Non-controlling interest   |      | 33.2           | 33.1           |
| <b>TOTAL EQUITY</b>  |      | <b>1,006.4</b> | <b>460.7</b>   |
| <b>LONG-TERM LIABILITIES</b>                                       |      |                |                |
| Non-current interest-bearing liabilities                           | 20   | 448.2          | 485.8          |
| Deferred income tax liabilities                                    |      | 8.7            | 5.7            |
| Provisions   |      | 2.2            | 1.4            |
| <b>Total long-term liabilities</b>                                 |      | <b>459.2</b>   | <b>492.9</b>   |
| <b>SHORT-TERM LIABILITIES</b>                                      |      |                |                |
| Short-term interest-bearing liabilities                            | 20   | 135.7          | 151.8          |
| Trade creditors  | 15   | 73.8           | 50.9           |
| Current income tax liabilities                                     |      | 23.3           | 27.5           |
| Other liabilities  | 15   | 49.7           | 40.5           |
| Accrued liabilities and deferred income                            | 21   | 82.3           | 44.9           |
| <b>Total short-term liabilities</b>                                |      | <b>364.8</b>   | <b>315.6</b>   |
| <b>TOTAL LIABILITIES</b>   |      | <b>824.0</b>   | <b>808.6</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                |      | <b>1,830.4</b> | <b>1 269.3</b> |

Pledged assets, see note 23.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK million   | Note | 2017          | 2016          |
|---|------|---------------|---------------|
| <b>Operating activities</b>   |      |               |               |
| Profit after financial items  | 9    | 120.1         | 103.5         |
| Adjustment for non-cash items   |      | -8.4          | 1.7           |
| Income tax paid   |      | -41.3         | -21.9         |
| <b>Cash flow from operating activities before working capital changes</b> |      | <b>70.4</b>   | <b>83.3</b>   |
| Cash flow from working capital changes                                    |      |               |               |
| Increase (-)/decrease (+) in operating receivables                        |      | -17.0         | -41.9         |
| Increase (-)/decrease (+) in operating liabilities                        |      | 16.4          | 20.2          |
| <b>Cash flow from operating activities</b>                                |      | <b>69.8</b>   | <b>61.6</b>   |
| <b>Investing activities</b>   |      |               |               |
| Acquisitions of subsidiary  | 3    | -160.8        | -357.5        |
| Sales participations in group companies                                   |      | -             | -1.0          |
| Acquisition of intangible fixed assets                                    | 12   | -9.9          | -0.1          |
| Purchase of property, plant and equipment                                 | 13   | -21.2         | -13.5         |
| Sale of property, plant and equipment                                     |      | -             | 10.8          |
| Received purchase price disposed of operations                            |      | -             | 40.0          |
| Disposal of financial fixed assets  |      | 1.0           | 20.0          |
| <b>Cash flow from investing activities</b>                                |      | <b>-190.9</b> | <b>-301.3</b> |
| <b>Financing activities</b>   |      |               |               |
| New share issue   |      | 472.4         | 67.9          |
| Borrowings  |      | 37.0          | 298.6         |
| Repayment of loans  |      | -163.8        | -75.2         |
| Dividends paid  |      | -20.3         | -15.2         |
| <b>Cash flow from financing activities</b>                                |      | <b>325.3</b>  | <b>276.1</b>  |
| <b>Cash flow for the period</b>   |      | <b>204.2</b>  | <b>36.4</b>   |
| Cash and cash equivalents at the beginning of the year                    |      | 125.6         | 89.0          |
| Exchange rate differences in cash and cash equivalents                    |      | 0.2           | 0.2           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                   |      | <b>330.0</b>  | <b>125.6</b>  |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Total equity attributable to the parent company shareholder

| SEK million  | Share capital | Other contributed capital | Provisions<br>(Note 22) | Profits brought forward including | Total         | Non-controlling interests | Total equity   |
|--|---------------|---------------------------|-------------------------|-----------------------------------|---------------|---------------------------|----------------|
| <b>Opening balance by 1 January 2016</b>             | <b>0.6</b>    | <b>172.5</b>              | <b>0.3</b>              | <b>297.5</b>                      | <b>470.9</b>  | <b>25.9</b>               | <b>496.8</b>   |
| Profit for the year                                  | -             | -                         | -                       | 73.9                              | 73.9          | 10.0                      | 83.9           |
| Other comprehensive income for the year              | -             | -                         | 0.2                     | -                                 | 0.2           | -                         | 0.2            |
| <b>Comprehensive income for the year</b>             | <b>-</b>      | <b>-</b>                  | <b>0.2</b>              | <b>73.9</b>                       | <b>74.1</b>   | <b>10.0</b>               | <b>84.1</b>    |
| Change in non-controlling interest                   | -             | -                         | -                       | 0.1                               | 0.1           | -0.1                      | 0.0            |
| <b>Transactions with shareholders</b>                |               |                           |                         |                                   |               |                           |                |
| Dividend of shares in discontinued operations        | -             | -                         | -                       | -171.3                            | -171.3        | -                         | -171.3         |
| Dividends paid to shareholders in the parent company | -             | -                         | -                       | -14.0                             | -14.0         | -                         | -14.0          |
| Dividends paid to the minority                       | -             | -                         | -                       | -                                 | -             | -2.8                      | -2.8           |
| New share issue                                      | 0.0           | 70.0                      | -                       | -                                 | 70.0          | -                         | 70.0           |
| New share issue spending                             | -             | -2.1                      | -                       | -                                 | -2.1          | -                         | -2.1           |
| <b>Total transactions with shareholders</b>          | <b>0.0</b>    | <b>67.9</b>               | <b>-</b>                | <b>-185.3</b>                     | <b>-117.3</b> | <b>-2.8</b>               | <b>-120.2</b>  |
| <b>Opening balance by 1 January 2017</b>             | <b>0.6</b>    | <b>240.4</b>              | <b>0.5</b>              | <b>186.1</b>                      | <b>427.6</b>  | <b>33.1</b>               | <b>460.7</b>   |
| Profit for the year                                  | -             | -                         | -                       | 87.1                              | 87.1          | 6.1                       | 93.2           |
| Other comprehensive income for the year              | -             | -                         | 0.3                     | -                                 | 0.3           | -                         | 0.3            |
| <b>Comprehensive income for the year</b>             | <b>-</b>      | <b>-</b>                  | <b>0.3</b>              | <b>87.1</b>                       | <b>87.4</b>   | <b>6.1</b>                | <b>93.5</b>    |
| Change in non-controlling interest                   | -             | -                         | -                       | -0.3                              | -0.3          | 0.3                       | -              |
| <b>Transactions with shareholders</b>                |               |                           |                         |                                   |               |                           |                |
| Dividend paid to preference share owner              | -             | -                         | -                       | -14.0                             | -14.0         | -                         | -14.0          |
| Dividend paid to non-controlling interests           | -             | -                         | -                       | -                                 | -             | -6.3                      | -6.3           |
| New share issue ordinary shares class B              | 0.2           | 499.8                     | -                       | -                                 | 500.0         | -                         | 500.0          |
| New share issue spending                             | -             | -27.6                     | -                       | -                                 | -27.6         | -                         | -27.6          |
| <b>Total transactions with shareholders</b>          | <b>0.2</b>    | <b>472.2</b>              | <b>-</b>                | <b>-14.0</b>                      | <b>458.4</b>  | <b>-6.3</b>               | <b>452.1</b>   |
| <b>Closing balance on 31 December 2017</b>           | <b>0.8</b>    | <b>712.6</b>              | <b>0.8</b>              | <b>259.0</b>                      | <b>973.2</b>  | <b>33.2</b>               | <b>1 006.4</b> |

## THE PARENT COMPANY'S STATEMENT OF PROFIT

| SEK million   | Note   | 2017         | 2016         |
|---|--------|--------------|--------------|
| Net sales   |        | 2.8          | 2.3          |
| Other operating income  | 5      | 3.0          | 3.0          |
| <b>Total earnings</b>   |        | <b>5.8</b>   | <b>5.3</b>   |
| <b>Operating expenses</b>   |        |              |              |
| Other external expenses   | 7, 8   | -11.8        | -9.0         |
| Personnel expenses  | 6      | -9.3         | -6.5         |
| Depreciation of tangible and intangible fixed assets                    | 12, 13 | -0.2         | -0.1         |
| <b>Operating profit (EBIT)</b>  |        | <b>-15.6</b> | <b>-10.3</b> |
| <b>Result from financial investments</b>                                |        |              |              |
| Result from participations in group companies                           | 9      | 13.6         | 4.5          |
| Other interest income and similar items                                 | 9      | 4.7          | 6.1          |
| Change in value holdings  | 23     | -            | 4.5          |
| Interest expenses and similar items                                     | 9      | -0.9         | -0.3         |
| <b>Profit after financial items</b>                                     |        | <b>1.8</b>   | <b>4.5</b>   |
| Received group contributions  |        | 20.5         | 16.2         |
| Tax on profit for the year  | 10     | -            | 0.1          |
| <b>Profit for the year as well as comprehensive income for the year</b> |        | <b>22.2</b>  | <b>20.8</b>  |

# THE PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

| SEK million                         | Note | 2017-12-31   | 2016-12-31   |
|-------------------------------------|------|--------------|--------------|
| <b>FIXED ASSETS</b>                 |      |              |              |
| <i>Intangible fixed assets</i>      |      |              |              |
| Other intangible fixed assets       | 12   | 0.2          | 0.3          |
| <i>Tangible fixed assets</i>        |      |              |              |
| Tangible fixed assets               | 13   | 0.0          | 0.0          |
| <i>Financial fixed assets</i>       |      |              |              |
| Participations in group companies   | 14   | 335.2        | 255.5        |
| Receivables from group companies    | 26   | 258.0        | 60.4         |
| Other long-term receivables         | 26   | 1.3          | 1.1          |
| <b>TOTAL FIXED ASSETS</b>           |      | <b>594.7</b> | <b>317.3</b> |
| <b>CURRENT ASSETS</b>               |      |              |              |
| Receivables from group companies    |      | 33.1         | 38.7         |
| Accounts receivables                | 16   | 0.1          | 0.1          |
| Other receivables                   | 25   | 1.9          | 39.6         |
| Current tax claims                  |      | -            | 0.1          |
| Prepaid expenses and accrued income | 17   | 14.2         | 1.5          |
| Cash and cash equivalents           | 18   | 181.6        | 7.2          |
| <b>TOTAL CURRENT ASSETS</b>         |      | <b>230.9</b> | <b>87.2</b>  |
| <b>TOTAL ASSETS</b>                 |      | <b>825.6</b> | <b>404.5</b> |

| SEK million   | Note | 2017-12-31   | 2016-12-31   |
|---|------|--------------|--------------|
| <b>EQUITY</b>   |      |              |              |
| Share capital   | 19   | 0.8          | 0.6          |
| <b>Total restricted equity, the parent company</b>            |      | <b>0.8</b>   | <b>0.6</b>   |
| Share premium reserve   |      | 712.6        | 240.4        |
| Retained profit brought forward including profit for the year |      | 99.3         | 91.0         |
| <b>Total non-restricted equity in the parent company</b>      |      | <b>811.9</b> | <b>331.4</b> |
| <b>TOTAL EQUITY</b>   |      | <b>812.7</b> | <b>332.0</b> |
| <b>SHORT-TERM LIABILITIES</b>                                 |      |              |              |
| Trade creditors   |      | 2.4          | 1.6          |
| Liabilities to group companies                                |      | 7.8          | 0.8          |
| Other liabilities   | 25   | 1.4          | 69.2         |
| Accrued liabilities and deferred income                       | 21   | 1.3          | 0.9          |
| <b>Total short-term liabilities</b>                           |      | <b>12.9</b>  | <b>72.5</b>  |
| <b>TOTAL LIABILITIES</b>                                      |      | <b>12.9</b>  | <b>72.5</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                           |      | <b>825.6</b> | <b>404.5</b> |

## THE PARENT COMPANY'S STATEMENT OF CASH FLOWS

| SEK million   | Note | 2017         | 2016         |
|---|------|--------------|--------------|
| <b>Operating activities</b>   |      |              |              |
| Profit after financial items  |      | 1.8          | 4.5          |
| Adjustment for non-cash items   |      | 4.9          | -2.8         |
| Income tax paid   |      | 0.1          | 0.0          |
| <b>Cash flow from operating activities before working capital changes</b> |      | <b>6.8</b>   | <b>1.7</b>   |
| <b>Cash flow from working capital changes</b>                             |      |              |              |
| Increase (-)/decrease (+) in operating receivables                        |      | 49.0         | -10.1        |
| Increase (-)/decrease (+) in operating liabilities                        |      | 7.9          | -1.9         |
| <b>Cash flow from operating activities</b>                                |      | <b>63.7</b>  | <b>-10.3</b> |
| <b>Investing activities</b>   |      |              |              |
| Paid shareholders' contribution   |      | -84.4        | -154.5       |
| Acquisition of subsidiary   |      | -            | -0.3         |
| Sales of participations in subsidiaries                                   |      | 0.0          | 0.0          |
| Investment shares and participations                                      |      | -0.3         | -            |
| Acquisition of intangible fixed assets                                    | 12   | -            | -0.1         |
| Received purchase price disposed of operations                            |      | -            | 40.0         |
| Disposals of financial fixed assets                                       |      | -            | 20.0         |
| <b>Cash flow from investing activities</b>                                |      | <b>-84.7</b> | <b>-94.9</b> |
| <b>Financing activities</b>   |      |              |              |
| New share issue   |      | 472.4        | 67.9         |
| Borrowings  |      | -            | 45.0         |
| Repayment of loans  |      | -68.0        | -            |
| Loans to subsidiaries   |      | -195.0       | -            |
| Dividends paid  |      | -14.0        | -14.0        |
| <b>Cash flow from financing activities</b>                                |      | <b>195.4</b> | <b>98.9</b>  |
| <b>Cash flow for the year</b>   |      | <b>174.4</b> | <b>-6.3</b>  |
| Cash and cash equivalents at the beginning of the year                    |      | 7.2          | 13.5         |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                   |      | <b>181.6</b> | <b>7.2</b>   |

## THE PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

| SEK million   | Restricted capital |                       | Non-restricted capital   |              | Total equity |
|---|--------------------|-----------------------|--|--------------|--------------|
|   | Share capital      | Share premium reserve | Retained profits brought forward including profit for the year |              |              |
| <b>Opening balance by 1 January 2016</b>                              | <b>0.6</b>         | <b>172.4</b>          | <b>255.6</b>   | <b>428.6</b> |              |
| Profit for the year   | -                  | -                     | 20.8   | 20.8         |              |
| <b>Total comprehensive income</b>                                     | <b>-</b>           | <b>-</b>              | <b>20.8</b>  | <b>20.8</b>  |              |
| <b>Transactions with shareholders</b>                                 |                    |                       |  |              |              |
| Dividend paid to preference shares                                    | -                  | -                     | -14.0  | -14.0        |              |
| Dividend of shares in discontinued operations to ordinary share owner | -                  | -                     | -171.3   | -171.3       |              |
| New share issue   | 0.0                | 70.0                  | -  | 70.0         |              |
| New share issue spending  | -                  | -2.1                  | -  | -2.1         |              |
| <b>Opening balance by 1 January 2017</b>                              | <b>0.6</b>         | <b>240.4</b>          | <b>91.0</b>  | <b>332.0</b> |              |
| Profit for the year   | -                  | -                     | 22.2   | 22.2         |              |
| <b>Total comprehensive income</b>                                     | <b>-</b>           | <b>-</b>              | <b>22.2</b>  | <b>22.2</b>  |              |
| <b>Transactions with shareholders</b>                                 |                    |                       |  |              |              |
| Dividend paid to preference shares                                    | -                  | -                     | -14.0  | -14.0        |              |
| New share issue   | 0.2                | 499.8                 | -  | 500.0        |              |
| New share issue spending  | -                  | -27.6                 | -  | -27.6        |              |
| <b>Closing balance on 31 December 2017</b>                            | <b>0.8</b>         | <b>712.6</b>          | <b>99.3</b>  | <b>812.7</b> |              |

# NOTES

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## NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

### Compliance with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Rules of Accounting for Groups has been applied.

The parent company applies the same accounting policies as the Group, except in the cases presented below in the section "parent company accounting principles".

The preparation of statements in compliance with IFRS requires the use of some important estimations for accounting purposes. Furthermore, it is required by the management to make certain judgements in the application of the Group's accounting principles. The areas that include a high degree of estimation that are complex, or such areas where assumptions and estimates are of material significance for the consolidated accounts, are presented in Note 2.

The annual report and consolidated accounts were approved for issue by the board of directors and chief executive officer on 18 April 2018. The Group's statement of profit and loss and other comprehensive income, its statement of financial position as well as the parent company's profit and loss account and balance sheet will be the subject of adoption at the annual general meeting held on 14 May 2018. The consolidated accounts and annual report refer to 1 January–31 December for profit and loss statement-related entries and to 31 December for entries relating to the balance sheet. All amounts are stated in SEK million, unless otherwise stated, and rounding down/up discrepancies may occur.

### Valuation basis applied in preparing the financial statements

Assets and liabilities are recognised at historical cost, with the exception of certain financial assets and debts measured at fair value.

### Standards, amendments and interpretations which came into effect in 2017

During 2017, no significant changes were introduced by IFRS that have affected the Group, which is why the accounting principles are unchanged compared with the annual report for 2016.

### New standards and interpretations not yet in effect

Several new published standards, amendments of standards and interpretations had not yet come into effect for the financial year that was completed 31 December 2017 and therefore have not been observed in the preparation of the consolidated accounts. Below is a list of standards/interpretations that have been issued, which apply to the periods described.

IFRS 9 Financial Instruments. The complete version of IFRS 9 replaces most of the guidelines in IAS 39. Through IFRS 9, the model for non-uniform accounting is retained and simplified, and three main categories are established for accounting of financial assets: amortised cost, fair value through OCI and fair value through profit and loss account. The classification is based on the company's business model and type of contractual cash flows from the financial asset. Investments in equity instruments are to be reported at fair value through the profit and loss account, with the irrevocable option to report changes of fair value through OCI at the time of purchase. There is now also an expected loss model which replaces the actual loss model used in IAS 39. IFRS 9 also changes the principles for hedge accounting. The standard applies as of 1 January 2018. The standard is not expected to have any significant impact on the Group's financial reports.

IFRS 15 Revenue from Contracts with Customers. Earnings are reported when a customer has gained control over the goods or the service. A customer gains control when they are able to determine and utilise the benefits of the goods or the service. The main principle of IFRS 15 is that a company reports earnings to show the transfer of promised goods or services to customers in an amount that reflect the purchase price to which the company expects to be entitled for these goods or services. The standard applies as of 1 January 2018.

The new standard may affect the Group's financial reports concerning certain types of short-term projects that can become subject to the percentage-of-completion method, which today is taken up as income on delivery. However, the extent of such projects is limited and will therefore have no significant impact on the Group's financial statements.

IFRS 16 Leases comes into effect on 1 January 2019 and will replace IAS 17 Leases. The new standard will mean that the lease contracts in greater extent than in previous years will be measured in the balance sheet via gross accounting as an asset and future liabilities. A lease contract is a contract that transfers the right to control an identifiable asset for a certain period in exchange for a fee. Here, control means that the company has both the right to determine the identified asset's use and that the company receives the majority of the economic outcome of this use. The asset will initially be measured according to lease liabilities, including other direct costs associated with the leased asset. IFRS 16 has yet to be approved by the EU. The new standard is expected to affect the Group's financial reports in that the balance sheet items 'leased assets' and 'liabilities' will increase but not have any impact on profit/loss items.

### The consolidated accounts and business combinations

#### Subsidiaries

Subsidiaries are companies that are under the controlling interest of Sdiptech AB. A controlling interest exists if Sdiptech

AB has influence over the investment object, is exposed to or has rights to variable returns from its involvement, and can exert its influence over the investment to affect those returns. When assessing whether a controlling interest exists, potential voting shares are considered, as well as if de facto control exists.

The acquisition method is used for the accounting of the Group's acquisitions of subsidiaries. The cost of acquisition is comprised of the fair value of assets provided as remuneration, issued equity instruments and liabilities incurred or assumed at the transfer date. Subsidiaries are included in the consolidated accounts from the date on which controlling interest is transferred to the Group. They are excluded from the consolidated accounts from the date on which a controlling interest ceases to exist.

Expenditures that are directly attributable to the acquisition are expensed as they are incurred.

Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are initially measured at fair value at the acquisition date, regardless of the scope of any non-controlling interests. The surplus consisting of the difference between the cost of acquisition and fair value of the Group's participation of the identifiable acquired assets, liabilities and contingent liabilities is reported as goodwill. If the acquisition cost is lower than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is reported directly in the profit and loss account.

An adjustment of contingent consideration in subsequent periods is reported in the profit and loss account.

Transactions within the group as well as balance sheet items and unrealised profit on transactions between Group companies are eliminated. Unrealised losses are also eliminated, but possible losses are considered to be an indication that a write-down requirement exists.

When a subsidiary is acquired and the previous owner remain as a minority owner, the agreement will in some cases contain an option that gives the minority owner the right to sell the remaining holdings, and Sdiptech the option to purchase, at a later stage. In these cases, no non-controlling interest is reported, but instead a financial liability is reported. Liabilities are reported at the present value of the redemption amount of the shares, see also Note 3.

### **Segment reporting**

The operating segment reporting is based on the internal reports used by the senior executive decision-maker. The senior executive decision-maker is the function responsible for allocation of resources and assessment of the operating segment's result. In the Group, this function has been identified as the Group management that makes strategic decisions.

### **The translation of foreign currency**

#### ***Functional currency and reporting currency***

Items that are included in the financial statements for the various entities in the Group are measured in the currency that is used in the economic environment in which each company mainly operates (functional currency). In the consolidated accounts, the Swedish krona (SEK) is used, which is the parent company's functional currency and reporting currency.

#### ***Transactions and balance sheet items***

Transactions in foreign currencies are translated to the functional currency according to the exchange rates that apply on the transaction date. Foreign exchange profits and losses arising from the payment of such transactions and from translation of monetary assets and liabilities in foreign currencies at the closing rate are reported in the profit and loss account. Exchange differences on lending and borrowing are reported in net financial income (expense), while other exchange differences are included in the operating profit/loss.

#### ***Group companies***

Result and financial position for all group companies (none of which have a high inflation currency as functional currency) that have a different functional currency than reporting currency are translated to the Group's reporting currency according to the following:

Assets and liabilities for each of the balance sheets are translated at the closing day rate. Earnings and expenses for each of the balance sheets are translated at the average exchange rate.

All arising exchange differences are reported in the miscellaneous comprehensive income as a separate element of equity. At consolidation, exchange rate differences that arise as a result of the translation of net investments in foreign operations, are entered in the miscellaneous comprehensive income. At the complete or partial disposal of foreign operations, the exchange rate differences that are reported in equity are entered into the profit and loss account and are accounted for as an element of capital gain/loss.

Goodwill and adjustments in fair value that arise at acquisition of foreign operations are processed as assets and liabilities of this operation and are translated at the closing day rate.

#### **Cash flow statement**

The cash flow statement is prepared using the indirect method. The reported cash flow only covers transactions entailing deposits or payments. In the cash flow statement liquid assets is consistent with the definition of liquid assets in the balance sheet.

#### **Intangible assets**

Other intangible fixed assets are reported if the likely future financial advantages attributed to the asset will fall to the Group, and further, that the asset's cost of acquisition can be calculated

in a reliable manner. Normally, intangible fixed assets has a limited useful life. These assets are reported at cost of acquisition with a deduction for accumulated amortisation and potential accumulated impairment.

Goodwill consists of the amount that the groupwise cost of acquisition for shares in the acquired subsidiaries exceeds the fair value of the acquisition analysis reported value of the company's net assets at the time of acquisition. Goodwill is reported in the consolidated balance sheet, to the value set at the time of acquisition. The carrying amount is assessed at least once a year for a possible write-down requirement.

Write-down of goodwill is not reversed. Profit or loss on sales of an entity includes the remaining carrying amount of the goodwill that refers to the divested entity.

### **Tangible fixed assets**

Equipment, tools, fixtures and fittings are reported at cost of acquisition with allowance for depreciation. The cost of acquisition includes expenses directly attributable to the acquisition of the asset.

Office and industrial buildings are reported at fair value with allowance for accumulated depreciation.

Additional expenditure is added to the asset's carrying amount or is reported as a separate asset, depending on suitability, only when it is probable that future economic benefits associated with the asset will favour the Group and the asset's acquisition cost can be reliably measured. The carrying amount of the replaced component is removed from the balance sheet. All other forms of reparations and maintenance is reported as costs in the profit and loss account during the period in which they occur.

Depreciation of other assets, in order to allocate their cost of acquisition down to the estimated residual value over their estimated useful life, are made on a straight-line as follows:

|   |          |
|---|----------|
| Equipment, tools, fixtures and fittings                         | 5 years  |
| Office and industrial buildings that are used in the operations | 50 years |

Profits and losses during sales are determined through a comparison between the sale earnings and the carrying amount and are then reported in other operating earnings or other operating expenses in the profit and loss account.

### **Write-downs of non-financial fixed assets**

Property, plant and equipment and intangible assets that are written off are evaluated with regards to depreciation whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An write-down is carried out by the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value decreased by selling expenses and its value in use. For assessment of write-down requirement, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). For tangible and intangible

fixed assets that have previously been written down, reviews are carried out at each closing day concerning whether write-back should be made.

### **Finished goods and trade goods**

Stocks are valued at the lowest of cost of acquisition and net realisable value. Stocks are reported in accordance with the first-in, first out method, and only consist of output stocks.

### **Short-term employee benefits**

Short-term employee benefits are calculated without discounting and are reported as costs when the related services are received.

### **Financial instruments**

The Group classifies its financial assets and liabilities in the following categories: financial assets and liabilities measured at fair value through the profit and loss account, loans and receivables, as well as other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired. Purchases and sales of financial instruments are reported at the trade date.

Financial assets and liabilities measured at fair value through the profit and loss account are financial instruments held for trading. A financial asset or a financial liability is classified in this category if it is acquired primarily for the purpose of being sold shortly. The Group also places associates in this category, i.e. companies normally held by 20-50% of the voting shares, in accordance with the exemption rule for venture capital companies in IAS 28.

### **Other financial liabilities**

The Group's borrowings and accounts payables are classified as other financial liabilities. Accounts payables are reported at fair value and thereafter at amortised cost with application of the effective interest method. The carrying amount of accounts payables is assumed to correspond to their fair value, since this item is inherently short-term.

### **Accounts receivable**

Accounts receivable are amounts to be paid by customers for services rendered in the operating activities. If payment is expected within one year or earlier, they are classified as current assets. Otherwise, they are reported as fixed assets.

Accounts receivable are initially reported at fair value and thereafter at amortised cost, decreased by provision for impairment. A provision for impairment is made when there is objective evidence that the Group will not be able to obtain all of the amounts that are due in accordance with the receivables' original terms and conditions. The size of the provision consists of the difference between the carrying amounts of the assets and the present value of estimated future cash flows, discounted with the original effective rate. The provision amount is reported in the profit and loss account as other external expenses.

### **Cash and cash equivalents**

Cash and cash equivalents include cash, bank balance and other short-term investments with a due date within three months of the date of acquisition.

### **Share capital**

Ordinary shares are classified as equity. Transaction costs that are attributable to the issue of new shares are reported in equity as a deduction from issue payment. Transaction costs are reported with allowances for tax effects.

Preference shares are classified as equity. Sdiptech is able to make decisions on the redemption of preference shares. Dividends to preferential shares requires resolution by a general meeting. Owners of preference shares have no right to request the redemption or require dividends.

### **Current and deferred tax**

Current tax expense is calculated on the basis of the tax regulations that have been enacted or substantively enacted on the closing day. Management regularly evaluates claims made in tax returns relating to situations where the applicable tax rules are subject to interpretation and makes, as deemed necessary, provisions for amounts which are likely to be paid to the tax authority.

Deferred tax is reported in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred tax is not reported if incurred as a result of a transaction which constitutes the initial report of an asset or liability that is not a business combination and that, at the time of the transaction, affects neither accounted nor fiscal results. Deferred income tax is calculated with application of the tax rates (and laws) that have been enacted or announced as per the closing day and which are expected to apply when the deferred tax asset is realised or the deferred tax-liability is settled. Deferred tax assets are reported to the extent that it is probable that future fiscal surplus will be available, against which the temporary differences and the fiscal deficit can be utilised. Deferred tax is calculated on temporary differences on participations in subsidiaries, except when the timing of reversal of the temporary difference can be managed by the Group and it is probable that the temporary difference will not be reversed within the foreseeable future.

### **Employee benefits**

#### ***Pension obligations***

For defined contribution pension plan, the Group pays fees to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment commitments when the fees are paid. The fees are reported as personnel costs when the related services are received. Prepaid fees are reported when an invoice has been received, but the payments refer to later period.

#### ***Termination benefits***

Termination benefits are paid when an employee is terminated by Diptychs before the normal retirement date or when an employee voluntarily accepts redundancy termination in exchange for such

benefits. Sdiptech reports severance pay when the Group is under manifest obligation to either terminate the employment according to a detailed, formal plan without possibility of withdrawal, or to pay compensation as a result of an offer made in order to encourage voluntary redundancy termination. Benefits that are due more than 12 months after the closing day are discounted to present value.

### **Revenue recognition**

The operating profit/loss includes dividends and other operating earnings attributable to the investment operations, earnings attributable to the services rendered by the parent company, as well as earnings from the operational activities in the subsidiaries. Earnings from the operational activities consists of goods sold or services rendered by the parent company and subsidiaries. Earnings comprise the fair value of that which has been received or will be received for services rendered within the Group. The Group reports earnings when the amount can be reliably measured and it is probable that future economic benefits will accrue to the company.

### **All assignment revenue**

For assignments on current account basis, performed not yet invoiced work is reported as net sales in the period in which the work was performed.

Fixed-price work in progress is reported, in accordance with the percentage-of-completion method, income and expenses that are attributable to the assignment as earnings and expenses respectively in relation to the assignment's degree of completion on the closing day.

An assignment's degree of completion is determined by costs incurred on the closing day compared to the estimated total expenditure. In cases where the outcome of an assignment cannot be measured reliably, earnings are reported only to the extent that they correspond to the assignment costs that are likely to be recoverable by the orderer. A suspected loss on an assignment is directly reported as expenditure.

### **Service agreements**

Several of the Group's subsidiaries sign maintenance contracts with customers, in which the companies carry out continuous services such as preventive controls and certain ongoing maintenance. Earnings from these agreements are reported linearly over the course of the contract period.

### **Government grants**

Government grants, including non-monetary contributions reported at fair value, are reported as earnings in the statement of comprehensive income. The Group does not report earnings until there is reasonable certainty that the conditions associated with the grants are met and it has been established that the grants will be received.

Grants are reported as earnings only at the date when the contribution is received. Received funds do not include any future repayment or other obligation, other than the possibility that future payments can be stopped.

**Direct costs**

Direct costs refer to materials and subcontracted work for the goods or service that is delivered.

**Financial earnings and expenses**

Financial earnings consist mainly of interest income on bank funds, and financial expenses consist mainly of interest expenses on loan.

**Lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made during the lease period (after deductions for any incentives from the lessor) are charged to expenses in the profit and loss account linear over the course of the lease period. The Group's operating lease contracts refers primarily to rent for premises. Financial leases exists when the economic risks and benefits that are associated with ownership in all significant aspects are transferred to the lessee. The Group's financial lease contracts refer primarily to vehicles.

**Dividends**

Dividends are reported as liability after the annual general meeting has approved the dividend.

**The parent company's accounting principles**

The parent company's annual report has been prepared in accordance with the Annual Accounts Act (ÅRL) and RFR 2 Accounting for Legal Entities. RFR 2 specifies that in the annual report for the legal entity, the parent company is to apply all EU-adopted IFRS and statements as far as possible

within the framework of the Annual Accounts Act and with regard to the correlation between accounting and taxation. The recommendation states which exceptions and additions must be made from the IFRS. The difference between the group's and the parent company's accounting principles is shown below.

**Format of profit and loss account and balance sheet**

The parent company uses the format as stated in the Årsredovisningslagen, which, for example, entails a different presentation of equity. The parent company has other terms on statements compared with the Group.

**Subsidiaries**

Participations in subsidiaries are reported in the parent company in accordance with the cost method. The reporting of transaction costs that are directly attributable to acquisition of subsidiaries differs from the Group's accounting of transaction costs. The cost of acquisition in the parent company is including costs that are directly attributable to the acquisition. Only received dividends that have been received after the acquisition are reported as earnings. Dividends that exceed these earnings are considered as repayment of the investment and reduces the participation's carrying amount.

**Dividends from subsidiaries**

Dividends to the parent company's shareholders are reported as liability in the consolidated financial statement during the period in which the dividends are approved by the parent company's shareholders.

**NOTE 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS IN THE APPLICATION OF THE GROUP'S ACCOUNTING PRINCIPLES**

In order to establish the financial statements in accordance with a generally accepted accounting principles, the corporate management and board of directors must make assessments and assumptions that affect the reported earnings and cost items or assets and liability items as well as other disclosures. Estimates and assessments are evaluated on an ongoing basis and are based on historical experiences and other factors, including expectations on future events that are considered reasonable under the prevailing circumstances. The outcome may differ from previously made assessments. The areas in which estimates and assumptions could mean a significant risk for adjustments to the carrying amounts of assets and liabilities during the coming financial years are primarily the following:

**Consideration of write-down requirements for goodwill**

The group management regularly considers whether write-down requirements are available for goodwill in accordance with the accounting principles that are described under "Write-downs for non-financial assets".

The recoverable amount for cash generating units have been established by calculating the value in use. The assumptions and assessments that are made in regards to expected cashflow and discount rate in the form of weighted average cost of equity as well as sensitivity analysis are described in note 11. Forecasts for future cash flows are based on the best possible assessments of future earnings and operating expenses.

**Valuation of acquisition related liabilities**

At the time of a business combination, normally, a part of the consideration is connected with the acquired company's financial results for a period after the closing date of the transaction. The accounted book value of liabilities to the vendors in the form of contingent considerations will be impacted both positively and negatively based on estimates of each entities financial result during the remaining part of the earn-out period.

## NOTE 3 BUSINESS COMBINATIONS

### Preliminary acquisition analyses 2017

|   | Topas Vatten AB<br>and Topas Vatten<br>Service AB* | Aufzüge Friedl<br>GmbH and ST<br>Liftsystems GmbH* | AVA<br>Monitoring<br>AB* | Polyproject Environment<br>AB and Strömfors 1:3<br>Norrköping AB* | Tello Service<br>Partner AB* |
|---|--|--|--------------------------|---|------------------------------|
| <b>Acquired assets</b>                  |  |  |                          |   |                              |
| Tangible fixed assets                   | 1.1  | 2.4  | 1.9                      | 0.1   | 0.3                          |
| Other fixed assets                      | 0.2  | 0.0  | 4.1                      | 9.5   | 0.0                          |
| Trade debtors                           | 2.2  | 21.3   | 7.0                      | 8.5   | 11.2                         |
| Stock and work in progress              | 0.6  | 9.3  | 3.0                      | 4.1   | 0.0                          |
| Liquid funds                            | 11.5   | 2.0  | 5.2                      | 12.0  | 4.7                          |
| Other current assets                    | 0.2  | 9.8  | 1.6                      | 2.2   | 0.2                          |
| Deferred tax                            | -1.6   | -  | -                        | -0.8  | -                            |
| Other long-term liabilities             | -  | -  | -                        | -3.3  | -                            |
| Current income tax                      | -1.0   | -  | -3.4                     | -2.3  | -2.2                         |
| Other current liabilities               | -5.1   | -26.1  | -4.9                     | -9.0  | -7.2                         |
| Net identifiable assets and liabilities | 8.1  | 18.7   | 14.5                     | 21.0  | 7.0                          |
| Consolidated goodwill                   | 28.3   | 70.1   | 70.3                     | 48.9  | 62.3                         |
| Remitted remuneration                   | 36.4   | 88.8   | 84.8                     | 69.9  | 69.3                         |
| <b>Remitted remuneration</b>            |  |  |                          |   |                              |
| Liquid funds                            | 25.0   | 63.8   | 20.8                     | 46.9  | 30.9                         |
| Contingent consideration                | 11.4   | 25.0   | 64.0                     | 23.0  | 38.4                         |
| Total remitted remuneration             | 36.4   | 88.8   | 84.8                     | 69.9  | 69.3                         |
| <b>Liquid impact on the group</b>       |  |  |                          |   |                              |
| Acquired liquid funds                   | 11.5   | 2.0  | 5.2                      | 12.0  | 4.7                          |
| Remitted remuneration                   | -25.0  | -63.8  | -20.8                    | -46.9   | -30.9                        |
| Total liquid impact **                  | -13.5  | -61.8  | -15.6                    | -34.9   | -26.2                        |
| <b>Other information ***</b>            |  |  |                          |   |                              |
| EBITA runrate                           | 5.3  | 6.7  | 5.7                      | 7.3   | 10.1                         |

\*The acquisition analysis is preliminary. The acquisition analysis will be kept open for 12 months from the day of closing of the transaction in order to verify that no differences between the fair value and book values existed in the access balances.

\*\*Total liquid impact differs from the "consolidated statement of cash flows" as the company has had payments attributable to previous acquisitions.

\*\*\*Based on the annual reports of 2016 with regards to Topas and AVA Monitoring. Run rate relating to Aufzüge is based on the due diligence documents for the financial year 2016. Polyproject is based on the reported figures for 1 January 2017 to 31 December 2017. Tello is based on the latest annual report for the period 1 May 2016 to 30 April 2017.

### Acquisition accounting

When a subsidiary is acquired and the previous owner remains as the minority owner, the agreement will in some cases contain an option that gives the minority owner the right to sell the remaining holdings, and Sdiptech the option to purchase, at a later stage. In these cases, no non-controlling interest is reported, but instead a financial liability is reported. Most acquisitions also include a part of the consideration that is connected to the acquired company's financial development over a certain period after the acquisition, normally 5 years. Both the contingent consideration and redemption of shares comprised of the above described contract of options are reported as the present value of the expected outflow under interest-bearing liabilities in the balance sheet.

During the computation of the acquisition analyses, it is investigated whether there are any differences between fair value among assets and liabilities and the values included in the acquired company's accounting. The analyses examine, for example, the existence of:

- technology related assets
- patents and licence rights
- advantageous lease contracts

- contingent liabilities
- customer relations
- order books and work in progress
- fiscal loss carry-forward

In common for the year's acquisitions is that there are no detected differences that have met the criteria on separability and measurability wherein the difference between paid remuneration and acquired net asset's are included as goodwill. Goodwill is attributable to each company's good conditions for continued growth combined with good cash flows, primarily through niched activities with qualified, expert personnel for each operation.

Acquisition-related expenditure is reported as costs at the rate they are incurred. Subsidiaries are hired within the group's support operations primarily for advice in connection with business combinations. External advisers are hired to a limited extent in regards to financial due diligence and examination of annual accounts as per the closing date. External advice has charged the result with approximately SEK 5 million in total in regards to completed acquisitions during 2017.

## Acquisitions 2017

On 16 January, the acquisition of the shares in Topas Vatten AB and Topas Vatter Service AB were concluded. Topas Vatten have extensive experience in management and purification of wastewater and provides complete solutions with support for all phases of a project. The company specialises through its unique offers to act as operators of installed sewage system as well as by offering high-performance household sewage treatment plants to end customers. The overall turn-over for the operations was 31.4 million in 2016.

On 8 June, the acquisition of Aufzüge Friedl GmbH and ST Liftsystem GmbH was concluded. The acquisition refers to 51 per cent of the shares with the option to acquire the remaining 49 per cent simultaneously as the seller has the option to sell its holdings, which is why the present value of the redemption amount is included as a part of the contingent consideration. ST Liftsystems manufactures elevators with a compact formulation which makes them possible to install in cramped spaces in existing properties and in new constructions. The business model is designed to in a cost-effective manner dimension and pack easy to assemble elevators to installation companies on a global basis. Aufzüge Friedl performs installation and service of elevators in Vienna with nearby areas.

On 5 July, the acquisition of AVA Monitoring AB was concluded. AVA Monitoring AB develops and sells fully automatic and cloud-based measurement systems for monitoring of vibrations and noise in connection with infrastructure projects. During the financial year of 2016, net sales amounted to approximately SEK 28 million.

During the fourth quarter of 2017, the consideration increased with SEK 60.9 million as a result of the terms of agreement which also increased the goodwill with a corresponding amount.

## Acquisition analyses 2016

| Acquired assets SEK million             | Castella<br>Entreprenad | Hydrostandard<br>Mätteknik<br>Nordic | Cliff<br>Models | HissPartner<br>i Stockholm | Frigotech | Hansa Vibrations<br>& Omgivnings-<br>kontroll | Unipower |
|---|-------------------------|--------------------------------------|-----------------|----------------------------|-----------|---|----------|
| Tangible fixed assets                   | 1.5                     | 4.7                                  | 10.4            | -                          | 0.0       | 1.0   | 0.1      |
| Other fixed assets                      | -                       | 0.2                                  | -               | -                          | -         | -   | -        |
| Trade debtors                           | 11.1                    | 11.3                                 | 14.5            | 1.4                        | 1.1       | 1.6   | 2.5      |
| Stock                                   | -                       | 0.1                                  | 1.9             | 0.3                        | 1.1       | -   | 3.1      |
| Liquid funds                            | 0.6                     | 2.9                                  | 5.7             | 6.6                        | 0.4       | 0.0   | 12.2     |
| Other current assets                    | 5.3                     | 1.3                                  | 7.1             | 0.2                        | 1.2       | 0.0   | 1.0      |
| Long-term liabilities                   | -                       | -2.3                                 | -10.1           | -                          | -         | -   | -        |
| Short-term liabilities                  | -17.7                   | -8.5                                 | -14.2           | -6.3                       | -2.7      | -0.2  | -4.8     |
| Deferred tax                            | -                       | -                                    | -1.7            | -                          | -0.1      | -   | -1.2     |
| Net identifiable assets and liabilities | 0.8                     | 9.7                                  | 13.6            | 2.2                        | 1.0       | 2.5   | 12.8     |
| Consolidated goodwill                   | 225.6                   | 54.2                                 | 51.3            | 5.6                        | 3.8       | 62.7  | 110.2    |
| Remitted remuneration                   | 226.5                   | 63.8                                 | 65.0            | 7.8                        | 4.8       | 65.2  | 123.0    |
| <b>Remitted remuneration</b>            |                         |                                      |                 |                            |           |   |          |
| Liquid assets                           | 147.3                   | 54.4                                 | 49.0            | 7.8                        | 2.4       | 50.0  | 71.0     |
| Contingent consideration                | 79.2                    | 9.4                                  | 16.0            | -                          | 2.4       | 15.2  | 52.0     |
| Total remitted remuneration             | 226.5                   | 63.8                                 | 65.0            | 7.8                        | 4.8       | 65.2  | 123.0    |
| <b>Liquid impact on the group</b>       |                         |                                      |                 |                            |           |   |          |
| Acquired liquid funds                   | 0.6                     | 2.9                                  | 5.7             | 6.6                        | 0.4       | 0.0   | 12.2     |
| Remitted remuneration                   | -147.3                  | -54.4                                | -49.0           | -7.8                       | -2.4      | -50.0   | -71.0    |
| Total liquid impact                     | -146.7                  | -51.5                                | -43.3           | -1.2                       | -2.0      | -50.0   | -58.8    |

On 31 October, the acquisition of the shares in Tello Service Partner AB was concluded. The company specialises in roof repainting as well as installation of personal protection on the roof. Tello will be a part of Sdiptech's business area Tailored installations. The company has a split financial year and during the financial year of 2016/2017, net sales amounted to approximately SEK 32 million.

On 1 November, the acquisition of the shares in Polyproject Environment AB was concluded. Polyproject Environment is an environmental technology company that specialises in customised components and facilities for the cleaning of contaminated liquids, gases and water. During the financial year of 2016, net sales amounted to approximately SEK 39 million and the operating profit amounted to approximately SEK 6 million.

During the fourth quarter, the present value calculation has taken place on an additional purchase price which has led to an adjustment on the preliminary acquisition analyses of SEK 33.4 million.

The admission balance has also been adjusted to Topas and Aufzüge Friedl GmbH which affects the current liabilities by SEK -6 million as well as the groups goodwill of SEK 6 million.

## Acquisitions after the closing day

Four acquisitions were concluded after the end of the reporting period; Multitech Site Services Limited was acquired on 31 January, Optyma Security Systems Limited was acquired on 11 January, Avioline Communication and Services AB was acquired on 9 January and Centralmontage i Nyköping AB was acquired on 3 January

## Acquisitions 2016

Sdip Stucco acquired all shares in Castella Entreprenad AB on 1 April 2016. Castella Entreprenad specialises in shell completion and are leaders in its niche in the expansive Stockholm region. During the financial year of 2015, net sales amounted to approximately SEK 156 million.

Sdip Metro acquired all shares in Hyrdostandard Mätteknik Nordic AB on 4 April 2016. Hyrdostandard Mätteknik specialises in installation and service of water meters. During the financial year of 2014/2015, net sales amounted to approximately SEK 56 million.

On July 1, 2016, Sdip Modelo acquired all shares in Cliff Models AB. Cliff Models offers specialist skills and niche solutions within advanced product development, from design to serial production. The company's customers are leading within infrastructure, shipping and medical technology. During the financial year of 2015, net sales amounted to approximately SEK 64 million.

On July 7, 2016, Sdiptech's subsidiary company KM Hiss & Portservice acquired all shares in HissPartner i Stockholm AB. The companies have similar fields of activity and through this acquisition KM Hiss & Portservice expands its base of customers, equipment and service agreements. HissPartner offers installation and maintenance of elevators in the Greater Stockholm area. During the financial year of 2015, net sales amounted to approximately SEK 10 million.

On September 2, 2016, Sdip Glacio acquired all shares in Frigotech AB. Frigotech offers installation and maintenance of cooling systems, primarily in the Greater Stockholm area. During the financial year of 2015, net sales amounted to approximately SEK 15 million.

On November 7, Sdip Dinamito acquired all shares in Hansa Vibrations & Omgivningskontroll AB. Hansa has over 30 years of experience of vibrations measurement and environmental control in the Greater Stockholm area. The company's specialised areas are real-time monitoring of vibrations at facilities and rock excavations. During 2015, turnover amounted to approximately SEK 17 million.

On December 8, Sdip Sinuso acquired all shares in Unipower AB. Unipower develops products and systems solutions for measurement, communication and monitoring of electrical power quality in electrical power networks. Unipower is leading technological advances within the field, and is available in around 50 countries around the world. During 2015, turnover amounted to approximately SEK 30 Million.

## Other acquisitions

On 7 April 2016, Sdiptech's subsidiary company S.Professional acquired shares in Uprail Consulting AB (later Sprof Techbrain AB), which are active in the recruitment of primarily IT personnel and complements the supply within the support operations business area. The consideration amounted to SEK 0.8 Million. If all of the annual acquisitions for 2016 would have been consolidated from 1 January 2016, the Group's net sales would have totalled at SEK 911.1 million and operating profit would have been SEK 144.8 million.

## NOTE 4 BUSINESS AREAS

During 2017, the Group's segment reporting has been updated in order to clarify its two main business areas; Tailored installations and Niche products & services.

The allocation of the group's companies between these two areas are based on the character of each operation. Each business area is headed by an Area Manager and reporting within the Group complies with this division.

### Tailored installations

The companies within Tailored installations provides installations for deeply specialised needs in urban infrastructure. The main geographic market is Stockholm, and furthermore the global elevator operation primarily work on the European elevator market. Customers consist of property owners, construction companies, global elevator businesses, grocery chains, energy distributors, data centres, airports, hotels and municipalities. The market niches are;

- Elevators local – installation, renovation and service
- Elevators global – installation, renovation and service
- Cooling
- Uninterruptible power supply
- Wastewater treatment
- Electrical Automation
- Roof maintenance, including personal protection
- Security

### Niche products & services

The companies within Niche products & services are product and service companies, of which six are within niches focused on urban infrastructure. The main geographical market is the Greater Stockholm area, as well as export markets. Customers consist of construction companies, property owners, hospitals, veterinarians, municipalities and energy distributors.

The market niches are;

- Electrical power quality
- Shell completion
- Vibration monitoring (services and measuring system)
- Gas evacuation
- District heating and water metering
- Water cleaning
- Radio communication
- Temporary infrastructure

### Central units - Support operations and Shared functions and eliminations

Shared functions & eliminations consists of the Group's parent company Sdiptech AB, the Group's holding companies, as well as the consolidation eliminations which, among other things, includes revaluations of liabilities regarding contingent considerations.

The support operation provides administrative services for the Group, as well as external clients. The support operation primarily delivers services in;

- Acquisitions
- Legal counselling
- Communication
- Recruitment
- IT

## SEGMENT REPORTING

|                                | Jan-Dec<br>2017 | Jan-Dec<br>2016 |
|--------------------------------|-----------------|-----------------|
| <b>Net sales (SEK million)</b> |                 |                 |
| Tailored installations         | 609.5           | 461.8           |
| Niched products & services     | 435.7           | 286.3           |
| Central units                  | 32.6            | 27.4            |
| <b>Total</b>                   | <b>1,077.8</b>  | <b>775.5</b>    |
|                                | Jan-Dec<br>2017 | Jan-Dec<br>2016 |
| <b>EBITA (SEK million)*</b>    |                 |                 |
| Tailored installations         | 33.8            | 44.1            |
| Niched products & services     | 104.2           | 66.4            |
| Central units                  | 51.4            | 0.5             |
| <b>Total</b>                   | <b>189.4</b>    | <b>110.9</b>    |
|                                | Jan-Dec<br>2017 | Jan-Dec<br>2016 |
| <b>EBIT (SEK million)**</b>    |                 |                 |
| Tailored installations         | 33.7            | 40.3            |
| Niched products & services     | 103.5           | 58.3            |
| Central units                  | 19.2            | 12.3            |
| <b>Total</b>                   | <b>156.3</b>    | <b>110.8</b>    |

\*The present value computation of contingent considerations related to acquisitions has led to other earnings increasing by SEK 78 million, for more information see note 15.

\*\* Write-downs on goodwill has decreased EBIT by SEK 32 million, for more information see note 11.

| 2017-01-01 - 2017-12-31   | Tailored<br>installations | Niched products<br>& services | Central units | Total          |
|---------------------------|---------------------------|-------------------------------|---------------|----------------|
| Intangible fixed assets   | 366.5                     | 699.2                         | 2.7           | 1,068.4        |
| <i>of which goodwill</i>  | 365.1                     | 689.4                         | 0.6           | 1,055.1        |
| Tangible fixed assets     | 39.8                      | 41.0                          | 0.0           | 80.8           |
| Cash and cash equivalents | 50.9                      | 77.3                          | 201.8         | 330.0          |
| Other assets              | 187.3                     | 140.8                         | 22.9          | 351.1          |
| Short-term liabilities    | -133.0                    | -85.2                         | -146.7        | -364.8         |
| Long-term liabilities     | -38.9                     | -17.8                         | -402.5        | -459.2         |
| <b>Net worth</b>          | <b>472.6</b>              | <b>855.4</b>                  | <b>-321.6</b> | <b>1,006.4</b> |

| 2016-01-01 - 2016-12-31   | Tailored<br>installations | Niched products<br>& services | Central units | Total        |
|---------------------------|---------------------------|-------------------------------|---------------|--------------|
| Intangible fixed assets   | 222.9                     | 582.3                         | 1.0           | 806.1        |
| <i>of which goodwill</i>  | 222.7                     | 582.3                         | 0.6           | 805.7        |
| Tangible fixed assets     | 25.5                      | 24.1                          | 0.1           | 49.6         |
| Cash and cash equivalents | 50.7                      | 51.9                          | 23.1          | 125.6        |
| Other assets              | 116.2                     | 107.5                         | 64.2          | 287.9        |
| Short-term liabilities    | -86.1                     | -66.1                         | -163.4        | -315.6       |
| Long-term liabilities     | -31.2                     | -13.6                         | -448.2        | -492.9       |
| <b>Net worth</b>          | <b>297.9</b>              | <b>686.0</b>                  | <b>-523.3</b> | <b>460.7</b> |

### Net sales by country

The table below shows the net sales by country based on the customer's business premises. No individual customer accounts for more than 10% of the group's total sales.

|                 | 2017           | 2016         |
|-----------------|----------------|--------------|
| Sweden          | 874.0          | 653.3        |
| Germany         | 62.6           | 64.4         |
| Austria         | 57.2           | 9.9          |
| Other countries | 84.0           | 47.9         |
| <b>Total</b>    | <b>1,077.8</b> | <b>775.5</b> |

## NOTE 5 OTHER OPERATING INCOME

| SEK million                               | The Group   |             | The parent company |            |
|---|-------------|-------------|--------------------|------------|
|   | 2017        | 2016        | 2017               | 2016       |
| Rental income                             | 0.8         | 0.9         | 0.8                | 0.8        |
| Profit on sales of fixed assets           | 0.3         | 5.1         | -                  | -          |
| Insurance compensation                    | 0.6         | 0.7         | -                  | -          |
| Revaluation of additional purchase prices | 78.0        | 4.6         | -                  | -          |
| Rental income from group companies        | -           | -           | 2.2                | 2.2        |
| Other items                               | 6.2         | 2.1         | 0.0                | -          |
| <b>TOTAL</b>                              | <b>86.1</b> | <b>13.4</b> | <b>3.0</b>         | <b>3.0</b> |

## NOTE 6 REMUNERATION TO EMPLOYEES

### The number of employees

|                    | 2017       |                | 2016       |                |
|--------------------|------------|----------------|------------|----------------|
|                    | Total      | of which women | Total      | of which women |
| The parent company | 9          | 2              | 7          | 3              |
| Group companies    | 873        | 80             | 673        | 27             |
| <b>GROUP TOTAL</b> | <b>882</b> | <b>82</b>      | <b>680</b> | <b>30</b>      |

### Remuneration to employees

| SEK million               | Koncernen     |               | Moderbolaget |             |
|---------------------------|---------------|---------------|--------------|-------------|
|                           | 2017          | 2016          | 2017         | 2016        |
| Salaries and remuneration | -254.3        | -190.3        | -6.3         | -4.6        |
| Social security expenses  | -79.2         | -54.0         | -1.9         | -1.3        |
| Pension expenses          | -18.3         | -13.8         | -0.6         | -0.1        |
| Other personnel expenses  | -14.3         | -10.2         | -0.5         | -0.5        |
| <b>Total</b>              | <b>-366.0</b> | <b>-268.3</b> | <b>-9.3</b>  | <b>-6.5</b> |

### Remuneration to the parent company's board of directors, ceo and other officers of the company

#### Remuneration and other benefits during 2017

| SEK million                          | Board of directors-<br>fees/Basic salary | Variable<br>remuneration | Other<br>benefits | Pension-<br>Expense | Total      |
|--------------------------------------|--|--------------------------|-------------------|---------------------|------------|
| Ashkan Pouya (chairman)              | 0.1                                      | -                        | -                 | -                   | 0.1        |
| Saeid Esmailzadeh (member)           | 0.1                                      | -                        | -                 | -                   | 0.1        |
| Mikael Lönn (member)                 | 0.1                                      | -                        | -                 | -                   | 0.1        |
| Johnny Alvarsson (member)            | 0.2                                      | -                        | -                 | -                   | 0.2        |
| Katarina Lundberg Pinnekamp (member) | 0.2                                      | -                        | -                 | -                   | 0.2        |
| Jan Samuelson (member)*              | 0.2                                      | -                        | -                 | -                   | 0.2        |
| Jakob Holm (CEO)                     | 1.3                                      | -                        | -                 | -                   | 1.3        |
| Carl Johan Åkesson (CFO)             | 1.2                                      | -                        | -                 | -                   | 1.2        |
| <b>Total</b>                         | <b>3.3</b>                               | <b>-</b>                 | <b>-</b>          | <b>-</b>            | <b>3.3</b> |

\*Jan Samuelson was elected as board member on an extra general meeting of shareholders held on 28 March 2017.

#### Remuneration and other benefits during 2016

| SEK million                           | Board of directors-<br>fees/Basic salary | Variable<br>remuneration | Other<br>benefits | Pension-<br>Expense | Total      |
|---------------------------------------|--|--------------------------|-------------------|---------------------|------------|
| Ashkan Pouya (chairman)               | 0.5                                      | -                        | -                 | -                   | 0.5        |
| Saeid Esmailzadeh (member)            | 0.1                                      | -                        | -                 | -                   | 0.1        |
| Mikael Lönn (member)                  | 0.1                                      | -                        | -                 | -                   | 0.1        |
| Johnny Alvarsson (member)*            | 0.0                                      | -                        | -                 | -                   | 0.0        |
| Katarina Lundberg Pinnekamp (member)* | 0.0                                      | -                        | -                 | -                   | 0.0        |
| Jakob Holm (CEO)                      | 1.1                                      | -                        | -                 | -                   | 1.1        |
| Carl Johan Åkesson (CFO)              | 1.2                                      | -                        | -                 | -                   | 1.2        |
| <b>Total</b>                          | <b>2.9</b>                               | <b>-</b>                 | <b>-</b>          | <b>-</b>            | <b>2.9</b> |

\*Johnny Alvarsson and Katarina Lundberg Pinnekamp were elected as board members on an extra general meeting of shareholders held on 23 November 2016.

### Gender breakdown in the board and group management

| Percentage of women       | 2017-12-31 | 2016-12-31 |
|---------------------------|------------|------------|
| The board of directors    | 20%        | 20%        |
| Other officers of company | 0%         | 0%         |

## NOTE 7 REMUNERATION TO AUDITORS

Audit engagement refers to the audit of the annual report and the accounts, as well as the board of directors and the chief executive officer's administration, other duties incumbent on the company's auditor to perform, as well as counselling or other assistance

prompted by observations during such an audit or the execution of such other duties. Everything else is divided between tax consultancy services and other assignments.

| SEK million                                      | The Group   |             | The Parent Company |             |
|--|-------------|-------------|--------------------|-------------|
|  | 2017        | 2016        | 2017               | 2016        |
| <b>KPMG</b>                                      |             |             |                    |             |
| Audit engagement                                 | -1.3        | -0.6        | -0.2               | -0.2        |
| Audit activities in addition to audit assignment | -0.9        | -0.1        | -0.9               | -0.1        |
| Tax consultancy                                  | -0.0        | -           | -                  | -           |
| Other services                                   | -0.2        | -           | -0.2               | -           |
| <b>Total KPMG</b>                                | <b>-2.4</b> | <b>-0.7</b> | <b>-1.3</b>        | <b>-0.3</b> |
| <b>Other firms</b>                               |             |             |                    |             |
| Audit engagement                                 | -0.2        | -0.4        | -                  | -           |
| Audit business                                   | -0.3        | -0.4        | -0.1               | -0.1        |
| Other services                                   | -           | -0.5        | -                  | -           |
| <b>Total other firms</b>                         | <b>-0.5</b> | <b>-1.3</b> | <b>-0.1</b>        | <b>-0.1</b> |
| <b>TOTAL</b>                                     | <b>-3.0</b> | <b>-2.0</b> | <b>-1.4</b>        | <b>-0.4</b> |

## NOTE 8 OPERATING LEASES

| SEK million   | The Group   |             | The Parent Company |             |
|---|-------------|-------------|--------------------|-------------|
|   | 2017        | 2016        | 2017               | 2016        |
| Within 1 year   | 18.1        | 11.1        | 3.0                | 2.5         |
| Between 2 – 5 years   | 38.8        | 24.4        | 7.5                | 6.4         |
| Later than 5 years  | 0.9         | 1.7         | -                  | -           |
| <b>Total payment commitments</b>                                    | <b>57.9</b> | <b>37.2</b> | <b>10.5</b>        | <b>8.9</b>  |
| <b>SEK million</b>  | <b>2017</b> | <b>2016</b> | <b>2017</b>        | <b>2016</b> |
| The year's expense regarding operating leases of assets amounts to: | 16.9        | 11.5        | 3.0                | 2.8         |
| Of which rent for premises  | 16.3        | 7.5         | 3.0                | 2.8         |

## NOTE 9 FINANCIAL EARNINGS AND FINANCIAL EXPENSES

| SEK million   | The Group    |             | The Parent Company |             |
|---|--------------|-------------|--------------------|-------------|
|   | 2017         | 2016        | 2017               | 2016        |
| <b>Profit/loss from participations in group companies</b>                     |              |             |                    |             |
| Dividends from subsidiaries   | -            | -           | 18.3               | 6.2         |
| Capital gains/losses partial disposal participation interests in subsidiaries | -            | -           | -4.7               | -1.7        |
| <b>Total profit/loss from participation in group companies</b>                | <b>-</b>     | <b>-</b>    | <b>13.6</b>        | <b>4.5</b>  |
| <b>Other interest income and similar items</b>                                |              |             |                    |             |
| Interest income and similar items   | 0.1          | 0.1         | 0.0                | -           |
| Interest income from group companies  | -            | -           | 2.5                | 3.4         |
| Exchange rate differences   | 1.2          | 2.4         | 2.1                | 2.7         |
| Other items   | 0.0          | -           | -                  | -           |
| <b>Total financial earnings</b>   | <b>1.3</b>   | <b>2.5</b>  | <b>4.7</b>         | <b>6.1</b>  |
| <b>Change in value holdings</b>   |              |             |                    |             |
| Change in value holdings  | -            | -           | -                  | 4.5         |
| <b>Total change in value holdings</b>   | <b>-</b>     | <b>-</b>    | <b>-</b>           | <b>4.5</b>  |
| <b>Interest expenses and similar profit/loss items</b>                        |              |             |                    |             |
| Interest expense from credit institutions                                     | -10.0        | -5.2        | -0.7               | -           |
| Interest component revaluation contingent consideration at fair value         | -23.7        | -1.8        | -                  | -           |
| Other items   | -3.8         | -2.8        | -0.2               | -0.3        |
| <b>Total financial expenses</b>   | <b>-37.5</b> | <b>-9.8</b> | <b>-0.9</b>        | <b>-0.3</b> |
| <b>Net financial income/expense</b>   | <b>-36.2</b> | <b>-7.3</b> | <b>17.3</b>        | <b>14.8</b> |

The interest received amounts to SEK 0.1 million (0.1).

The paid interest amounts to SEK 10 million (5.2).

## NOTE 10 INCOME TAX

| Tax expense for the year<br>SEK million           | The Group    |              | The Parent Company |            |
|---|--------------|--------------|--------------------|------------|
|   | 2017         | 2016         | 2017               | 2016       |
| <b>Current income tax</b>                         |              |              |                    |            |
| Current income tax expense for the year           | -27.3        | -22.7        | -                  | -          |
| Current income tax attributable to previous years | 0.3          | -1.4         | -                  | 0.1        |
| <b>Tax expense for the year</b>                   | <b>-26.9</b> | <b>-24.1</b> | <b>-</b>           | <b>0.1</b> |

| Reconciliation, effective income tax<br>SEK million                                  | The Group    |              | The Parent Company |            |
|--|--------------|--------------|--------------------|------------|
|  | 2017         | 2016         | 2017               | 2016       |
| Profit before income tax   | 120.1        | 108.0        | 22.2               | 20.7       |
| Income tax according to the Swedish tax rate (22%)                                   | -26.4        | -23.8        | -4.9               | -4.5       |
| <i>Tax effects of:</i>   |              |              |                    |            |
| Other tax rates for foreign subsidiaries   | 0.5          | 0.4          | -                  | -          |
| Profit regarding trade contingency shareholding                                      | 17.2         | 2.6          | 4.0                | 2.3        |
| Other non-taxable income   | 1.9          | 0.4          | 0.0                | -          |
| Deduction of issue costs   | 6.1          | 0.5          | 6.1                | 0.4        |
| Non-deductible costs   | -19.7        | -5.5         | -1.3               | -0.5       |
| Current income tax attributable to previous years                                    | 0.3          | -1.4         | -                  | 0.1        |
| Utilised by previous non-capitalised loss carry-forward                              | 0.1          | 3.3          | -3.9               | 2.3        |
| Increase in loss carry-forwards without corresponding capitalisation of deferred tax | -6.8         | -0.9         | -                  | -          |
| Other items  | -0.1         | 0.3          | -                  | -          |
| <b>Total reported actual tax</b>   | <b>-26.9</b> | <b>-24.1</b> | <b>0.0</b>         | <b>0.1</b> |

Sdipotech AB's capital assets in the form of shares in subsidiary and associated companies are in accordance with the definition in Chapter 24, Sections 13-16, Income Tax Act, so-called business purposes participations. As the main rule, a capital gain on the disposals of a business purpose participation is tax-exempt. Simultaneously, as the main rule, capital losses on a business purpose participation will not be deducted.

Fiscal deficit, which has not been taken into account as deferred tax assets in the balance sheet is amounting to SEK 101.8 million (75.5) and corresponds to a tax value of SEK 22.4 million (16.7) to the current applicable tax rate of 22%. All of the deficit applies to Swedish companies and runs without a maturity period. The majority of the deficit refers to the parent company and is largely comprised by the group contribution restraints for which due to ground of prudence they have not been taken into account for deferred tax assets.

### Deferred tax

The item deferred taxes in the group's balance sheet refers in its entirety to untaxed reserves.

## NOTE 11 GOODWILL

The Group's goodwill of SEK 1,055.1 million (805.7) relates primarily to the segments Tailored installations and Niche products & services SEK 1,054.5 million (805.1). Cash generating units that has significant goodwill is as follows:

| SEK million  | The Group      |              |
|--|----------------|--------------|
|  | 2017           | 2016         |
| Opening cost of acquisition                                | 805.7          | 287.4        |
| Investments  | 246.3          | 514.1        |
| Preliminary acquisition analysis adjustment                | 33.4           | 1.8          |
| Write-downs  | -32.4          | -            |
| Translation difference for the year                        | 2.1            | 2.4          |
| <b>Closing cost of acquisition</b>                         | <b>1,055.1</b> | <b>805.7</b> |
| <b>SEK million</b>   | <b>2017</b>    | <b>2016</b>  |
| Stockholm Hiss & Elteknik                                  | 26.8           | 26.8         |
| Eurotech Sire System                                       | 19.6           | 19.6         |
| Telfero gruppen*   | 67.1           | 67.1         |
| Mankan   | 41.5           | 41.5         |
| Medicvent  | 51.8           | 51.8         |
| Centralbyggarna  | 18.0           | 18.0         |
| Thors Trading  | 26.5           | 26.5         |
| Crescent gruppen**   | 27.5           | 45.9         |
| Hyrstandard  | 54.2           | 54.2         |
| Castella   | 225.6          | 225.6        |
| Cliff Models   | 39.2           | 51.3         |
| Frigotech  | 3.8            | 3.8          |
| Hansa Vibrations & Omgivningskontroll                      | 62.7           | 62.7         |
| Unipower   | 110.2          | 110.2        |
| Topas Vatten AB and Topas Vater Service AB                 | 28.3           | -            |
| Aufzüge Friedl GmbH och ST Liftsystems GmbH                | 70.1           | -            |
| AVA Monitoring AB  | 70.3           | -            |
| Polyproject Environment AB and Strömfors 1:3 Norrköping AB | 48.9           | -            |
| Tello Service Partner AB                                   | 62.3           | -            |
| Other***   | 0.6            | 0.6          |
| <b>Total goodwill</b>                                      | <b>1,055.1</b> | <b>805.7</b> |

\*Consisting of St Erik Hiss, KM Hiss & Portservice and HissPartner

\*\*Consisting of Metus in Croatia and Bosnia and Zargoje Dizala (Croatia)

\*\*\* Refers to acquisitions in the Support operations business area

Group management continuously monitors development in these companies and compares it with the business plan at the acquisition. An individual write-down review per company regarding goodwill takes place at the closing of each financial year, unless special circumstances during the current financial year has given cause to implement reviewing. The valuation is based on the company's latest recorded outcome as well as a business plan with a forecast for the following five financial years. After the forecasted period, the nominal growth is assumed to amount to 1,0% for all companies. The future cash flows that each company is expected to generate is computed at present value in order to determine the asset's value in use. The essential assumptions during the computation is the forecasted earnings trend in the business plan and thus implicit turnover growth and its impact on the operating margin. The growth and operating margin forecasts is based on past experience.

Estimated cash flows is discounted at a discount rate of 11.5 percent before tax for all cash generating units as they are of similar character. The discount rate at the previous year's impairment review was 14.5 percent and the change in the discount rate is motivated by a deemed market conforming lower interest rate. The write-down reviews has in all cases but two showed a good margin between the estimated recoverable amount and the carrying amount. Write-downs has been made with a total of SEK 32.4 Million. No reasonably potential change of assumptions would give rise to a need for a write-down in any of the other companies.

## NOTE 12 OTHER INTANGIBLE FIXED ASSETS

|                                   | The Group   | The parent company |
|-----------------------------------|-------------|--------------------|
| <b>Cost of acquisition</b>        |             |                    |
| As of 1 January 2016              | 0.4         | 0.2                |
| Investments                       | 0.1         | 0.1                |
| Translation difference            | 0.0         | -                  |
| <b>As of 1 January 2017</b>       | <b>0.6</b>  | <b>0.3</b>         |
| Investments                       | 8.8         | -                  |
| Via business combination (note 3) | 5.1         | -                  |
| Reclassifications                 | -           | 0.1                |
| Translation difference            | 0.0         | -                  |
| <b>As of 31 December 2017</b>     | <b>14.5</b> | <b>0.5</b>         |
| <b>Accumulated depreciation</b>   |             |                    |
| As of 1 January 2016              | -0.0        | -                  |
| Depreciation for the year         | -0.1        | -                  |
| Reclassifications                 | -           | -                  |
| Translation difference            | -0.0        | -                  |
| <b>As of 1 January 2017</b>       | <b>-0.1</b> | <b>-</b>           |
| Depreciation for the year         | -0.9        | -0.2               |
| Reclassifications                 | -0.1        | -0.1               |
| Translation difference            | -0.0        | -                  |
| <b>As of 31 December 2017</b>     | <b>-1.2</b> | <b>-0.3</b>        |
| <b>Book value</b>                 |             |                    |
| 2016-12-31                        | 0.5         | 0.3                |
| 2017-12-31                        | 13.3        | 0.2                |

## NOTE 13 TANGIBLE FIXED ASSETS

|                                   | The Group          |                            |   |              | The parent company                      |
|-----------------------------------|--------------------|----------------------------|---|--------------|---|
|                                   | Buildings and land | Assets with finance leases | Equipment, tools, fixtures and fittings | Total        | Equipment, tools, fixtures and fittings |
| <b>Cost of acquisition</b>        |                    |                            |   |              |   |
| As at 1 January 2016              | 9.1                | -                          | 16.0                                    | 25.1         | 0.5                                     |
| Investments                       | 3.7                | 18.7                       | 4.9                                     | 27.2         | -                                       |
| Via business combination (note 3) | 0.1                | -                          | 17.7                                    | 17.8         | -                                       |
| Sales/disposals                   | -6.1               | -                          | -3.1                                    | -9.2         | -                                       |
| Reclassifications                 | -                  | 8.2                        | -8.2                                    | -            | -                                       |
| Translation difference            | 0.1                | -                          | 0.1                                     | 0.2          | -                                       |
| <b>As at 1 January 2017</b>       | <b>6.8</b>         | <b>26.9</b>                | <b>27.4</b>                             | <b>61.1</b>  | <b>0.5</b>                              |
| Investments                       | 1.6                | 13.9                       | 14.0                                    | 29.4         | -                                       |
| Via business combination (note 3) | 8.9                | 1.4                        | 6.9                                     | 17.3         | -                                       |
| Sales/disposals                   | -1.4               | -6.3                       | -1.7                                    | -9.4         | -                                       |
| Reclassifications                 | -                  | -                          | -0.0                                    | -0.0         | -                                       |
| Translation difference            | 0.2                | -                          | 0.2                                     | 0.4          | -                                       |
| <b>As at 31 December 2017</b>     | <b>16.2</b>        | <b>35.9</b>                | <b>46.7</b>                             | <b>98.7</b>  | <b>0.5</b>                              |
| <b>Accumulated depreciation</b>   |                    |                            |   |              |   |
| As at 1 January 2016              | -1.1               | -                          | -5.4                                    | -6.5         | -0.4                                    |
| Depreciation for the year         | -0.3               | -4.9                       | -3.2                                    | -8.4         | -0.1                                    |
| Sales/disposals                   | 1.2                | -                          | 2.3                                     | 3.5          | -                                       |
| Translation difference            | -0.0               | -                          | -0.0                                    | -0.0         | -                                       |
| <b>As at 1 January 2017</b>       | <b>-0.3</b>        | <b>-4.9</b>                | <b>-6.3</b>                             | <b>-11.5</b> | <b>-0.5</b>                             |
| Depreciation for the year         | -0.3               | -7.6                       | -6.7                                    | -14.7        | -0.0                                    |
| Sales/disposals                   | -                  | 6.0                        | 2.1                                     | 8.0          | -                                       |
| Reclassifications                 | -                  | -0.1                       | 0.3                                     | 0.3          | -                                       |
| Translation difference            | -0.0               | -                          | -0.1                                    | -0.1         | -                                       |
| <b>As at 31 December 2017</b>     | <b>-0.6</b>        | <b>-6.7</b>                | <b>-10.6</b>                            | <b>-17.9</b> | <b>-0.5</b>                             |
| <b>Book value</b>                 |                    |                            |   |              |   |
| 2016-12-31                        | 6.6                | 21.9                       | 21.1                                    | 49.6         | 0.0                                     |
| 2017-12-31                        | 15.6               | 29.2                       | 36.1                                    | 80.8         | 0.0                                     |

\*Rounding down/up discrepancies of 0.1 occur on some posts.

## NOTE 14 PARTICIPATIONS IN GROUP COMPANIES

| SEK Million                               | The parent company |              |
|---|--------------------|--------------|
|   | 2017               | 2016         |
| At the beginning the of year              | 264.6              | 111.3        |
| Investments (note 3)                      | 84.5               | 155.0        |
| Sales (note 22)                           | 0.0                | -1.7         |
| <b>Total cost of acquisition</b>          | <b>349.0</b>       | <b>264.6</b> |
| <b>Write-downs</b>                        |                    |              |
| At the beginning the of year              | -9.1               | -9.1         |
| Write-downs for the year                  | -4.7               | 0.0          |
| <b>Accumulated write-downs</b>            | <b>-13.8</b>       | <b>-9.1</b>  |
| <b>Carrying amount at end of the year</b> | <b>335.2</b>       | <b>255.5</b> |

### Specification of the parent company's holdings of participations in group companies

| Name                         | Corporate identity number | Registered office | Share of equity* |            | Number of shares* |            | Carrying amount |              |
|------------------------------|---------------------------|-------------------|------------------|------------|-------------------|------------|-----------------|--------------|
|                              |                           |                   | 2017-12-31       | 2016-12-31 | 2017-12-31        | 2016-12-31 | 2017-12-31      | 2016-12-31   |
| Sdip Telfero                 | 556977-3343               | Stockholm         | 51%              | 51%        | 500               | 500        | 15.7            | 15.7         |
| Juno Ekonomi                 | 556834-0235               | Stockholm         | 100%             | 70%        | 50,000            | 35,000     | -               | 3.9          |
| Sdip Cocello                 | 556991-3790               | Stockholm         | 100%             | 100%       | 111,800           | 111,800    | 21.3            | 21.3         |
| Sdip Metro                   | 559016-4272               | Stockholm         | 100%             | 100%       | 55,900            | 55,900     | 21.6            | 21.6         |
| Sdip Skatolo                 | 559015-2384               | Stockholm         | 100%             | 100%       | 500               | 500        | 8.4             | 8.4          |
| Sdip Veldo                   | 559015-9843               | Stockholm         | 100%             | 100%       | 500               | 500        | 31.0            | 23.9         |
| Sdip Nitroso                 | 559015-9819               | Stockholm         | 100%             | 100%       | 559               | 559        | 25.1            | 25.1         |
| Serendipity ES               | 556950-8624               | Stockholm         | 95%              | 95%        | 475,000           | 475,000    | 9.9             | 9.9          |
| S. Professionals             | 556931-4122               | Stockholm         | 60%              | 60%        | 1,200             | 1,200      | 0.0             | 0.0          |
| Serendipity ATS              | 556937-7806               | Stockholm         | 100%             | 100%       | 50,000            | 50,000     | 8.1             | 8.1          |
| Serendip Crescent            | 06502018711               | Zagreb            | 100%             | 100%       | 1                 | 1          | 0.0             | 0.0          |
| Sdip Stucco                  | 559022-1452               | Stockholm         | 100%             | 100%       | 585               | 585        | 49.5            | 49.5         |
| Serendipity Communications   | 556967-7981               | Stockholm         | 0%               | 51%        | 0                 | 255        | -               | 0.0          |
| Sdip Modelo                  | 559066-5641               | Stockholm         | 100%             | 100%       | 55,554            | 55,554     | 25.4            | 15.1         |
| Sdip Glacio                  | 559074-5963               | Stockholm         | 100%             | 100%       | 71,367            | 71,367     | 2.5             | 2.5          |
| Sdip Dinamito                | 559076-0996               | Stockholm         | 100%             | 100%       | 55,555            | 55,555     | 23.1            | 23.1         |
| Sdip Sinuso                  | 559084-7868               | Stockholm         | 100%             | 100%       | 50,000            | 50,000     | 27.4            | 27.4         |
| Sdip Purigado                | 559086-4343               | Stockholm         | 100%             | 100%       | 50,000            | 50,000     | 5.2             | 0.1          |
| Sdip Fortafibro              | 559134-9435               | Stockholm         | 100%             | -          | 50,000            | -          | 0.1             | -            |
| Sdip Holding 1               | 559136-4194               | Stockholm         | 100%             | -          | 50,000            | -          | 33.9            | -            |
| Sdip Monitorado              | 559109-5293               | Stockholm         | 100%             | -          | 50,000            | -          | 7.1             | -            |
| Sdipotech Holding GmbH       | 468733p                   | Vienna            | 100%             | -          | -                 | -          | 20.0            | -            |
| <b>Total group companies</b> |                           |                   |                  |            |                   |            | <b>335.2</b>    | <b>255.5</b> |

\* Including shares that are not held by Sdipotech but covered by options that gives the minority owner the right to sell and Sdipotech the option to purchase at a later stage in which case the non-controlling interests are not reported in accordance with IFRS.

## NOTE 15 FINANCIAL RISKS AND RISK MANAGEMENT

### Risks and uncertainty

#### Market related risks

Several of the industries in which the Group operates is both technology and knowledge-intensive and is characterised by quick changes within technology, financial conditions, customers and others' preferences, as well as continuous improvements of know-how. As all companies, Sdiptech is affected by macrofinancial factors such as inflation, consumption, company investments and public investments.

#### Strategic and operational risks

The Group has a history of good growth and plans to expand further over the coming years. Implementing acquisitions is often an extensive and complicated process which is paired with the significant costs of for example financing as well as financial and legal counselling. Furthermore, the growth can result in an increase of the operation's complexity which may entail organizational problems such as difficulty to recruit personnel with the necessary qualifications and experience of the industry.

Sdiptech's future success depends on, among other things, the ability to retain some existing employees as well as the ability to recruit, retain and develop qualified senior executives and other key personnel.

#### Regulatory risks

The rules concerning the Group's different operations are complex and may change over time. Changes in legislation or regulations that concerns to the group's operations can increase the group's expenses or reduce the markets demand for the group's goods and services.

#### Financial risks

The Sdiptech Group is through its operations exposed to financial risks of varying character:

- Liquidity risk and financing risk
- Interest rate risk
- Foreign exchange risk
- Customer and counterparty risk

#### Financial policy

The company's financial policy is decided annually by Sdiptech's board. The policy determines the company's financial strategy and internal allocations of responsibilities. The policy also regulates, among other things, how financing, liquidity management and foreign exchange risk is managed within the Group as well as what restrictions should be taken with regards to counterparties.

#### Overview of the group's financial assets and liabilities

The table below shows the group's and the parent company's financial assets and liabilities that are subject to financial risk management. The reported value on trade debtors, other receivables, liquid assets, trade creditors and other liabilities constitutes a reasonable approximation of fair value.

### Overview of the group's financial assets and liabilities

| The carrying amounts and fair value<br>SEK million                  | The Group    |              | The parent company |             |
|---|--------------|--------------|--------------------|-------------|
|   | 2017         | 2016         | 2017               | 2016        |
| <b>Financial assets</b>   |              |              |                    |             |
| <i>Loans and receivables</i>  |              |              |                    |             |
| Trade debtors   | 216.9        | 155.9        | 0.1                | 0.1         |
| Receivables Serendipity Ixora                                       | -            | 39.1         | -                  | 39.1        |
| Other receivables   | 17.4         | 22.1         | 3.2                | 0.5         |
| Liquid funds  | 330.0        | 125.6        | 181.6              | 7.2         |
| <i>Financial instruments measured at fair value via profit/loss</i> |              |              |                    |             |
| Endowment insurance   | -            | 0.1          | -                  | 0.1         |
| <b>Total financial assets</b>                                       | <b>564.4</b> | <b>342.8</b> | <b>184.9</b>       | <b>47.0</b> |
| <b>Financial liabilities</b>  |              |              |                    |             |
| <i>Liabilities measured at amortised cost</i>                       |              |              |                    |             |
| Non-current interest-bearing liabilities                            | 191.1        | 276.8        | -                  | -           |
| Short-term interest-bearing liabilities                             | 74.8         | 143.8        | -                  | 68.0        |
| Trade creditors   | 73.8         | 50.9         | 2.4                | 1.6         |
| Total short-term liabilities  | 49.7         | 40.5         | 1.4                | 1.1         |
| <i>Financial instruments measured at fair value via profit/loss</i> |              |              |                    |             |
| Contingent consideration  | 320.5        | 221.3        | -                  | -           |
| <b>Total financial liabilities</b>                                  | <b>709.9</b> | <b>733.3</b> | <b>3.7</b>         | <b>70.7</b> |

### Valuation of financial assets and liabilities at fair value

The Group's assets and liabilities valued at fair value. The table below shows assets and liabilities regarding remaining operations valued at fair value, based on the classification of fair value hierarchy. There has been no level changes between 2017 and 2016.

The levels are defined as follows:

Level 1: Listed unadjusted prices on active markets for identical assets and liabilities.

Level 2: Observable data for assets or liabilities other than noted prices included in level 1, either directly, i.e. as price quotations, or indirectly, i.e. derived from price quotations.

Level 3: Data for the asset or liability that is not based on observable market data. Refer to note 1 for more information on the valuation principles for level division.

### Financial instruments measured at fair value via profit (loss)

#### The Group

| 2017-12-31               | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|-------|
| <b>Assets</b>            |         |         |         |       |
| Endowment insurance      | -       | -       | -       | -     |
| <b>Liabilities</b>       |         |         |         |       |
| Contingent consideration | -       | -       | 320.5   | 320.5 |

#### The Group

| 2016-12-31               | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|-------|
| <b>Assets</b>            |         |         |         |       |
| Endowment insurance      | 0.1     | -       | -       | 0.1   |
| <b>Liabilities</b>       |         |         |         |       |
| Contingent consideration | -       | -       | 221.3   | 221.3 |

#### The parent company

| 2017-12-31          | Level 1 | Level 2 | Level 3 | Total |
|---------------------|---------|---------|---------|-------|
| <b>Assets</b>       |         |         |         |       |
| Endowment insurance | -       | -       | -       | -     |

#### The parent company

| 2016-12-31          | Level 1 | Level 2 | Level 3 | Total |
|---------------------|---------|---------|---------|-------|
| <b>Assets</b>       |         |         |         |       |
| Endowment insurance | 0.1     | -       | -       | 0.1   |

### Contingent consideration

| SEK million                             | 2017         | 2016         |
|---|--------------|--------------|
| Opening book value                      | 221.3        | 43.0         |
| Denominated liabilities during the year | 161.8        | 180.5        |
| Dividend consideration                  | -8.7         | -            |
| Revaluation via operating profit/loss   | -78.0        | -4.6         |
| Interest expenses (discounting effect)  | 24.1         | 1.8          |
| Exchange differences                    | 0.0          | 0.6          |
| <b>Closing book value</b>               | <b>320.5</b> | <b>221.3</b> |

Contingent considerations applies to different types of commitments towards the selling party that are bound to terms based on the acquired companies' results during a set period after the acquisition. Liabilities are reported at fair value of the expected outflows.

### Liquidity risk and financing risk

The liquidity risk is the risk concerning the Group's potential difficulties in fulfilling duties that are related to financial liabilities, while financing risk is the risk that financing of the Group's capital requirements may

be impeded or more expensive. Sdipotech play a central coordinating role regarding the Group's financing. Bank borrowing is recognised in connection with the acquisition of each acquiring entity. Bank loans and terms for these, so called covenants, are adapted and bound to the conditions and requirements of each sub-group. Through this, the Group gets a natural distribution of counterparties and due dates.

The Group's interest-bearing liabilities and due dates are shown in Note 20.

The Group strives towards a reasonable balance between equity, loan financing and liquidity so that the Group may secure financing at a reasonable cost of equity. The Group's goal is that interest-bearing liabilities should not exceed 50 percent of the Group's total assets. At the year-end, the interest-bearing liabilities amounted to 31.9 (50.2) percent. Interest-bearing liabilities also includes current interest-free loans that, due to their character, is a financial liability.

### Interest rate risk

Interest rate risk refers to the risk that disadvantageous changes in interest rates may have too large of an impact on the Group's net financial income and result. Evaluations of alternatively binding the interest rate for whole or parts of loans are made regularly. At year-end, as in the previous year, however, all of the group's bank loans ran at floating interest rates.

Starting from liabilities to credit institution at the year-end, a 1 percent raise of the interest rate for the whole year would yield approximately SEK 2.3 (3.3) Million higher interest expense. Results after tax would be impacted by SEK -1.8 (- 2.6) Million.

### Foreign exchange risk

Foreign currency risk refers to the risk that disadvantageous exchange rate fluctuations may impact the Group's result and equity measured in SEK.

The Group's foreign exchange risk is foremost connected to the foreign subsidiary companies, which partly holds earnings and costs in currencies differing from the individual company's functional currency (so called trade exposure) and partly through the translation exposure that arises when foreign subsidiary companies' assets and liabilities are translated to the parent company's functional currency.

The Group's exposure to foreign exchange risks is relatively limited as the main part of the Group's companies are based and active in Sweden.

### Customer and counterparty risk

Credit risk in the treasury management arise primarily at liquid fund investments. These risks are constrained through the use of counterparties approved in accordance with the financial policy. The risk that the Group's costumers do not comply with their commitments, i.e. payment is not received from costumers, constitutes a customer credit risk. At Sdipotech credit risk evaluation is handled within the commercial businesses of each subsidiary company. The Group's exposure to individual costumers is small and the diversification of risks is deemed to be good.

Age analysis of accounts receivables as well as allocated provisions for doubtful accounts receivable is shown on Note 16.

## NOTE 16 TRADE DEBTORS

|  | The Group    |              | The parent company |            |
|--|--------------|--------------|--------------------|------------|
|  | 2017         | 2016         | 2017               | 2016       |
| Not overdue trade debtors                | 155.6        | 111.8        | 0.1                | 0.1        |
| Overdue trade debtors less than 3 months | 53.2         | 38.5         | 0.0                | -          |
| Overdue trade debtors more than 3 months | 9.6          | 6.4          | -                  | -          |
|  | <b>218.4</b> | <b>156.7</b> | <b>0.1</b>         | <b>0.1</b> |
| Provisions for doubtful trade debtors    | -1.4         | -0.8         | -                  | -          |
|  | <b>216.9</b> | <b>155.9</b> | <b>0.1</b>         | <b>0.1</b> |

Cost of bad debt losses and insecure receivables amounting to net SEK 0.3 million (0.4).

## NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

| SEK million         | The Group   |             | The parent company |            |
|---------------------|-------------|-------------|--------------------|------------|
|                     | 2017        | 2016        | 2017               | 2016       |
| Prepaid rent/leases | 4.2         | 2.6         | 0.7                | 0.7        |
| Prepaid insurance   | 1.7         | 1.0         | -                  | -          |
| Accrued income      | 24.0        | 17.0        | -                  | -          |
| Other items         | 10.5        | 6.4         | 13.4               | 0.8        |
| <b>TOTAL</b>        | <b>40.4</b> | <b>27.0</b> | <b>14.2</b>        | <b>1.5</b> |

## NOTE 18 CASH AND CASH EQUIVALENTS

In liquid assets in the balance sheet and cash flow statement, the following is included:

| SEK million   | The Group    |              | The parent company |            |
|---------------|--------------|--------------|--------------------|------------|
|               | 2017         | 2016         | 2017               | 2016       |
| Cash and bank | 330.0        | 125.6        | 181.6              | 7.2        |
| <b>TOTAL</b>  | <b>330.0</b> | <b>125.6</b> | <b>181.6</b>       | <b>7.2</b> |

## NOTE 19 SHARE CAPITAL

### The Group

Specification of changes in equity is to be found in the report "Changes in equity", which directly follows after the report on financial position. The shares has a quota value of SEK 0.025 per share. Each ordinary class B share corresponds to one vote, each ordinary class A share corresponds to 10 votes.

| The number of ordinary shares       | The Group  |            | The parent company |            |
|-------------------------------------|------------|------------|--------------------|------------|
|                                     | 2017       | 2016       | 2017               | 2016       |
| Opening balance by 1 January 2017   | 21,349,074 | 20,272,150 | 21,349,074         | 20,272,150 |
| New share issue                     | 8,928,571  | 1,076,924  | 8,928,571          | 1,076,924  |
| Closing balance on 31 December 2017 | 30,277,645 | 21,349,074 | 30,277,645         | 21,349,074 |

| The number of preference shares     | The Group |           | The parent company |           |
|-------------------------------------|-----------|-----------|--------------------|-----------|
|                                     | 2017      | 2016      | 2017               | 2016      |
| Opening balance by 1 January 2017   | 1,750,000 | 1,750,000 | 1,750,000          | 1,750,000 |
| Closing balance on 31 December 2017 | 1,750,000 | 1,750,000 | 1,750,000          | 1,750,000 |

### Shares

Sdipotech's shares are issued in accordance with Swedish law and are registered in electronic form to owners at Euroclear Sweden AB "Euroclear". Euroclear also keeps the Company's share register. The company's shares are denominated in SEK and fully paid.

According to the articles of association, the Company's share capital should amount to no less than SEK 500,000 and no more than SEK 2,000,000 distributed on no less than 20,000,000 shares and no more than 80,000,000 shares. The Company may in accordance with the articles of association hand out three classes of shares, ordinary shares, ordinary shares class B and preference shares. Among these, on 31 December 2017,

there is a total of 2,000,000 ordinary shares class A (ISIN: SE0003756741) as well as 28,277,645 ordinary share class B (ISIN: SE0003756758) and 1,750,000 preference shares. On 31 December 2017, the share capital of Sdipotech amounted to SEK 800,691 distributed on 32,027,645 shares, each with a quotient value of SEK 0.025.

### Equity management

Simply put, Sdipotech's operations can be described as a technology and entrepreneurial house with specialities in innovation and company development. During the last decade, the operation has grown continuously and showed good profitability. The operation is divided into the business areas Tailored installations and Niche

products & services. Sdipotech's unique entrepreneurial culture, its expertise within company development as well as its ambitions for long-term ownership has, during recent years, enabled the Company to, in addition to organic growth, grow through advantageous acquisitions of several entrepreneurial and branch leading companies in these business areas.

In order strengthen the Company's financial readiness to carry through acquisitions of above mentioned character the Company decided on 11 February 2015 to offer institutional investors and the Swedish public to subscribe for preference shares equivalent to SEK 100 million with deviation from the shareholder's preferential right. The offer was extended on 19 February to cover 1,750,000 preference shares equivalent to SEK 175 million. The offer was aimed towards the public and institutional investors and the Offer expired on 20 February 2015. Within the scope of the Offer, preference shares in Sdipotech was allocated to approximately 1,800 private individuals and institutional investors. A total of SEK 175 million before issue expenses was put into Sdipotech.

In February 2016, another raising of capital was performed in the form of targeted new issue of shares to key personnel within Sdipotech and shareholders in the associated company Serendipity Ixora AB. A total of 1,076,924 class B ordinary shares was issued at a rate of SEK 65 per share, whereby the Company was provided with SEK 70,000,060 and the share capital increased with SEK 29,923.1.

Sdipotech's class B ordinary shares were listed on First North Premier on 12 May 2017 and simultaneously a new share issue of SEK 500 million (before costs) was completed with the purpose of financing future acquisitions.

### Terms and conditions preference share

In March 2015, 1,750,000 preference shares were issued at an issue price 100 per share. The dividend amounts to SEK 8 per year, allocated across quarterly payments. The redemption price is SEK 120 from 0-24 months after the allotment, SEK 110 from month 25-48, and thereafter SEK 105. Dividends to preferential shares requires resolution by a general meeting. Owners of preference shares have no right to request redemption or claim dividends.

### Dividend

After the closing day the board has provided the following proposed appropriation of profits.

| At the disposal of the annual general meeting is: | SEK                |
|---|--------------------|
| Share premium reserve                             | 712,617,839        |
| Accumulated profit or loss                        | 77,053,655         |
| Profit (loss) for the year                        | 22,243,271         |
| <b>Total</b>                                      | <b>811,914,765</b> |

### The board proposes the following appropriation of profits:

|                                 | kr                 |
|---------------------------------|--------------------|
| Dividends to preference shares* | 14,000,000         |
| To be carried forward**         | 797,914,765        |
| <b>Total</b>                    | <b>811,914,765</b> |

\* The dividend on preferential shares are regulated in the articles of association. The dividend amounts to SEK 14.0 million annually, allocated across 3.5 million quarterly, with dividends in March, June, September, and December.

\*\* Of which SEK 712,617,839 is transferred to the Share Premium Reserve.

## NOTE 20 INTEREST-BEARING LIABILITIES

| LONG-TERM LIABILITIES              | 2017         | 2016         |
|------------------------------------|--------------|--------------|
| Liabilities to credit institutions | 169.7        | 261.1        |
| Capitalised borrowing costs*       | -2.5         | -4.3         |
| Financial leases                   | 20.3         | 14.3         |
| Contingent considerations **       | 259.6        | 213.3        |
| Other liabilities ***              | 1.1          | 1.6          |
| <b>Total</b>                       | <b>448.2</b> | <b>485.8</b> |
| SHORT-TERM LIABILITIES             | 2017         | 2016         |
| Liabilities to credit institutions | 62.6         | 67.9         |
| Financial leases                   | 10.6         | 7.6          |
| Contingent considerations          | 60.9         | 8.0          |
| Other liabilities ***              | 1.5          | 68.3         |
| <b>Total</b>                       | <b>135.7</b> | <b>151.8</b> |

\*Distributed over the maturity period of each underlying borrowings

\*\*Present Value of expected payment

\*\*\* Includes loans that run without interest but which are classified as interest-bearing as they are, in their nature, a part of the group's loan financing, see also note 25

### Payback period

| As of 31 December 2017             | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|------------------------------------|------------------|-----------------------|-----------------------|-------------------|
| Liabilities to credit institutions | 62.6             | 61.4                  | 106.5                 | 1.8               |
| Financial leases                   | 10.6             | 10.0                  | 10.3                  | -                 |
| Contingent considerations*         | 60.9             | 58.2                  | 113.3                 | 103.2             |
| Other liabilities                  | 1.5              | 1.1                   | -                     | -                 |
| <b>Total</b>                       | <b>135.7</b>     | <b>130.8</b>          | <b>230.2</b>          | <b>105.0</b>      |

\* Refers to nominal non-discounted amounts of estimated outflows based on forecasts

| As of 31 December 2016             | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|------------------------------------|------------------|-----------------------|-----------------------|-------------------|
| Liabilities to credit institutions | 67.9             | 76.4                  | 131.5                 | 53.1              |
| Financial leases                   | 7.6              | 7.0                   | 7.3                   | -                 |
| Contingent considerations*         | 8.0              | 5.7                   | 165.9                 | 87.1              |
| Other liabilities                  | 68.3             | 1.5                   | -                     | -                 |
| <b>Total</b>                       | <b>151.8</b>     | <b>90.6</b>           | <b>304.7</b>          | <b>140.2</b>      |

\* Refers to nominal non-discounted amounts of estimated outflows based on forecasts

## NOTE 21 ACCRUED LIABILITIES AND DEFERRED INCOME

| SEK million                           | The Group   |             | The parent company |            |
|---------------------------------------|-------------|-------------|--------------------|------------|
|                                       | 2017        | 2016        | 2017               | 2016       |
| Accrued salaries and holiday pay      | 25.9        | 17.2        | 0.7                | 0.4        |
| Accrued social security contributions | 7.3         | 6.5         | 0.2                | 0.2        |
| Deferred income                       | 20.4        | 14.3        | -                  | -          |
| Accrued pension expenses              | 3.0         | 1.2         | -                  | -          |
| Other accrued expenses                | 25.7        | 5.7         | 0.5                | 0.3        |
| <b>TOTAL</b>                          | <b>82.3</b> | <b>44.9</b> | <b>1.3</b>         | <b>0.9</b> |

## NOTE 22 PROVISIONS

The item provisions in equity in the group refer in their entirety to translation differences.

## NOTE 23 DISCONTINUED OPERATIONS

On 14 February 2018, the Sdipotech board decided to separate the support operations, contingent upon final approval at the annual general meeting.

Our support operations were created with the purpose to provide our own and external companies with business supporting services. The Sdipotech board has decided to sell the operation to its management. In the disposal plan there are two important segments that Sdipotech will retain control over. Partly the important acquisition operation, which will continue as usual with focus on Sdipotech, and partly a small number of tech-products where Sdipotech will retain its minority ownership. The liquidation is a sound choice and will streamline Sdipotech towards its core business of urban infrastructure.

When a self-sufficient line of business or essential operation within a geographical is sold it will be classified as a discontinued operation. The date of disposal, or the date when the operations meet the criteria in order to be classified as possession for sale, control when the operation should be classified as discontinued operations.

During 2018, the net profit after tax for discontinued operations will be reported separately in the profit and loss account. The profit and loss account will be adjusted to the comparative period as if the discontinued operation had already been liquidated at the beginning of the comparative period.

The following table illustrates the outcome for January-December 2017 if the Support Operation had been classified as a discontinued operation. The table is based on the loss that the support operations has contributed within group of EBITA SEK -7.1 million with adjustments for dealings within the group, which have previously been eliminated at group level, and which the

group considers as remaining external costs. With the assessed remaining costs that have previously been categorised within group and which have been eliminated at group level, the profit after tax for the discontinued operation is SEK -1.7 million. This means that the table below illustrates the effect of the support operation plus the costs which the group considers as remaining external expenses.

### Profit/loss from discontinued operations 2017

#### The Group

| SEK million   | 2017        |
|---|-------------|
| <b>Profit/loss from operations in the discontinued operations</b> |             |
| Earnings  | 33.8        |
| Expenses  | -33.0       |
| Depreciation  | -0.0        |
| Net financial income/expense                                      | -0.0        |
| <b>Profit/loss before income tax</b>                              | <b>0.7</b>  |
| Tax   | -2.4        |
| <b>Profit/loss after tax</b>                                      | <b>-1.7</b> |

### Discontinued operations 2016

In October 2015, the Group sold all of its Venture Management operation, which was a self-sufficient line of business, see note 4. Venture Management's job was to start and develop new companies and innovations with a basis in knowledge-intensive environments. At the time of sale the segment included VZL Dormant, Intelligent Art, Swedish Pharma, Swedish Pharma Lacerta, Nextseal (formerly Kamfas) and Dynaseal.

The criteria for presentation from discontinued operations or for fixed assets held for sale was achieved on 31 December 2015, and the comparative figures in the profit and loss statement and other comprehensive income has therefore been revised to demonstrate the discontinued operation separate from the continued operations.

The consideration consisted of a cash remuneration totalling SEK 79.1 million as well as newly issues class A shares in Ixora to a value of SEK 205.2 million. A profit before tax of SEK 189.7 million was reported for 2015 and since it concerned business purpose participations, capital gain on disposals is tax-free, which is why the profit after tax was the same amount.

The assets in a disposal group consisted, up to the dividend issued in July 2016, only of the shares in Ixora without any liabilities linked to the assets. The value of the shares amounted to SEK 171.3 million at the time of dividend.

When the assets were distributed, they had no impact on the cash flow.

### Profit/loss from discontinued operations 2016

#### The Group

| SEK million   | 2016       |
|---|------------|
| <b>Profit/loss from operations in the discontinued operations</b> |            |
| Earnings  | -          |
| Expenses  | -          |
| Change in value received A shares                                 | 4.5        |
| <b>Profit/loss before income tax</b>                              | <b>4.5</b> |
| Tax   | -          |
| <b>Profit/loss after tax</b>                                      | <b>4.5</b> |

### Assets in disposal group

| SEK million                                      | The parent company |          |
|--|--------------------|----------|
|  | The Group          | 2016     |
| Opening balance at the beginning of year         | 166.8              | 166.8    |
| Valuation at fair value through income statement | 4.5                | 4.5      |
| Dividends to ordinary share owner                | -171.3             | -171.3   |
| <b>At the end of the period</b>                  | <b>-</b>           | <b>-</b> |

### NOTE 24 PLEDGED ASSETS

| SEK million          | The Group    |              |
|----------------------|--------------|--------------|
|                      | 2017         | 2016         |
| Shares in subsidiary | 694.7        | 835.7        |
| Financial leases     | 30.9         | 21.9         |
| Floating charges     | 13.0         | 4.1          |
| <b>Total</b>         | <b>738.6</b> | <b>861.7</b> |

### NOTE 25 RELATED-PARTY TRANSACTIONS

At the beginning of the year, the group had a liability to the majority owner Serendipity Group AB amounting to SEK 68.0 million and a receivable on the related company Serendipity Ixora amounting to SEK 39.1 million.

Borrowings from Serendipity Group was taken up in 2015 and 2016 as part of the financing of some corporate acquisitions, all of the loans were expired without interest rate. Receivables from Serendipity Ixora derives from the liquidation of Venture Management operations in 2015.

During the second quarter of 2017, the above two balances have been regulated in two stages. In April, Serendipity Ixora receivables of SEK 39.1 million were transferred to Serendipity Group AB, in which the liability to Serendipity Group decreased from SEK 68.0 million to SEK 28.9 million, which was then regulated in cash in May 2017.

As at 2017-12-31, Serendipity Group AB owned 44.59% of the equity and 64.53% of the voting rights in Sdipotech.

### NOTE 26 RECEIVABLES FROM GROUP COMPANIES AND OTHER LONG-TERM RECEIVABLES

| Receivables from group companies<br>SEK million      | The parent company |             |
|--|--------------------|-------------|
|  | 2017               | 2016        |
| Opening cost of acquisition                          | 60.4               | 17.3        |
| Additional loan receivables within the group         | 189.4              | 16.2        |
| Reclassification from short-term to long-term        | 4.2                | 22.8        |
| Accrued and capitalised interest                     | 1.8                | 2.8         |
| Currency revaluation receivables in foreign currency | 2.3                | 1.3         |
| <b>Closing cost of acquisition</b>                   | <b>258.0</b>       | <b>60.4</b> |

| Other long-term receivables<br>SEK million | The parent company |            |
|--|--------------------|------------|
|  | 2017               | 2016       |
| Opening cost of acquisition                | 1.1                | 21.1       |
| Measured at fair value                     | -                  | -0.0       |
| Withdrawal from endowment insurance        | -                  | -20.0      |
| Other                                      | 0.3                | -          |
| Reclassification to short-term             | -0.1               | -          |
| <b>Closing cost of acquisition</b>         | <b>1.3</b>         | <b>1.1</b> |

### NOTE 27 SIGNIFICANT EVENTS AFTER THE CLOSING DAY

- Four acquisitions were concluded after the reporting periods end; Multitech Site Services Limited was acquired on 31 January, Optyma Security Systems Limited was acquired on 11 January, Aviolinx Communication and Services AB was acquired on 9 January and Centralmontage i Nyköping AB was acquired on 3 January.
- On 17 January, Sdipotech's subsidiary S. Legal AB sold 80 percent of the shares in the wholly-owned company InsiderLog AB to Euronext for a cash consideration of 5.8 million euro, as well as an additional purchase price based on future earnings trend.
- On 14 February 2018, the Sdipotech's board decided to separate the support operations contingent upon final approval at the annual general meeting, for information see note 23.
- On 5 March 2018, an extra general meeting of shareholders was held at which a decision was made regarding the employee share-option plan for officers of the company. The general meeting decided unanimously and in accordance with the board's proposal on the introduction of an incentive program through the issue of warrants, as well as approval of the transfer of warrants.
- Bengt Lejdström was appointed new CFO in Sdipotech AB and will be a part of the company's management team. Bengt will initiate his new position at the beginning of August 2018 and will succeed the current CFO who is leaving the company in June 2018, as previously announced.

# SIGNATURES

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The board of directors and chief executive officer assure that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international financial reporting standards referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual report and consolidated accounts give a true and fair view of the parent company's and the group's financial position and results. Nothing of material significance has been omitted that could affect the image of the company created by the annual report. The directors' report for the parent company and the group gives a true and fair overview of the development of the parent company and group operations, financial position and results, and it describes material risks and uncertainties facing the parent company and the companies that are included in the group.

The annual report and consolidated accounts have, as stated above, been approved for issue by the board of directors and chief executive officer on 18 April 2018. The Group's report of result and other comprehensive income and report of financial position and the parent company's profit and loss account and balance sheet will be the subject of adoption at the annual general meeting held on 14 May 2018.

## STOCKHOLM ON 18 APRIL 2018

Jakob Holm  
Chief executive officer

Ashkan Pouya  
Chair of the board

Johnny Alvarsson  
Board member

Katarina Lundblad Pinnekamp  
Board member

Mikael Lönn  
Board member

Saeid Esmaeilzadeh  
Board member

Jan Samuelson  
Board member

Our audit report was submitted on 18 April 2018  
KPMG

# AUDITOR'S REPORT

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To the general meeting of the shareholders of Sdipotech AB (publ), corp. id 556672-4893

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Sdipotech AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 22-55 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### Basis for Opinions

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

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

### 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 4-21. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

### Responsibilities of the Board of Directors and the Managing Director

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

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

### Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sdiptech AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 18 April 2018

KPMG AB

*Duane Swanson*

Authorized Public Accountant



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