



ANNUAL REPORT
2019



A background image showing water splashing, with many small, bright droplets and bubbles illuminated against a dark, blue-green background. The water appears to be falling from the top, creating a dynamic and refreshing visual.

**“We create sustainable, efficient
and safe communities”**

FINANCIAL CALENDAR

Interim Report January – March 2020:	29 April 2020
Interim Report January – June 2020:	22 July 2020
Interim Report July – September 2020:	3 November 2020
Year-End Report 2020:	11 February 2021

The Annual General Meeting of Sdiptech AB (publ.) will be held on Monday, 18 May, at 16:00 at IVA (Ingenjorsvetenskapsakademien), Grev Turegatan 16 Stockholm, Sweden.

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This English translation of the Annual Report is an unofficial translation of the Swedish original. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

SDIPTECH IN BRIEF

Sdipotech AB is a technology group that acquires and develops companies in the infrastructure sector with the vision to create more sustainable, effective and safe societies.

Europe's infrastructure is outdated and neglected to a large extent. Constantly growing and increasingly complex urban areas are characterised by capacity shortages. New environmental and welfare problems are creating demands for sustainable solutions, which are driving technological developments. All of this means that demand for investments in infrastructure for functioning and healthy communities is vigorously increasing.

Sdipotech is well-positioned to meet this growing demand by offering niche services and products that meet critical needs within the infrastructure sector.

Based in Stockholm, Sweden and the UK are Sdipotech's main markets. The company also has operations in Norway, Austria and Croatia.

Sdipotech offers high value to customers within the infrastructure sector by providing technologies, solutions and services of high quality to both the public and private sector.

Sdipotech's business concept is to acquire and develop market-leading niche businesses with products and services

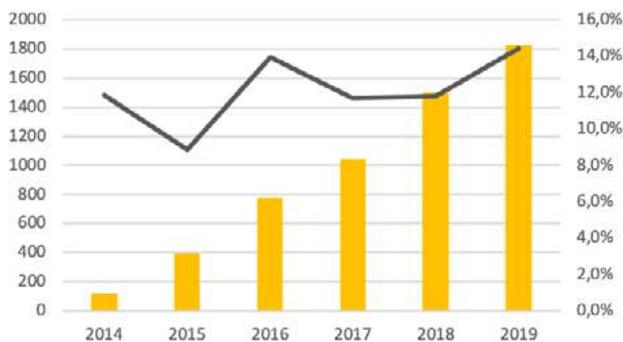
within the growing infrastructure sector. Our overriding goal is to generate long-term value growth by continually evaluating new acquisition opportunities and actively developing our business units in order to drive organic growth. The strength in our business model is that we can offer secure and long-term ownership through a clear decentralised structure.

Sdipotech's overriding goal is to create sustainable, long-term value growth and to become a leading European supplier of niche offers to the infrastructure sector.



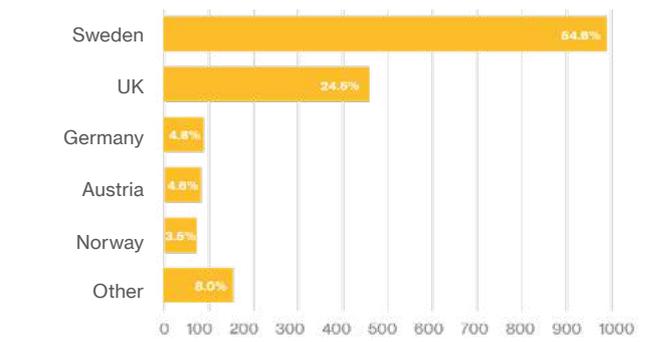
1,825 Million SEK Net sales	14.4% EBITA*-margin	48% EBITA* growth
1,263 Employees	32 Business Units	3 Business areas

NET SALES AND EBITA* MARGIN



■ Net sales (SEK million) — EBITA*-margin

NET SALES BY MARKET, INCL. SHARE



■ Net sales (SEK million)

EBITA is consolidated operating earnings and corresponds to EBITA before acquisition expenses and before the result from remeasurement of contingent considerations. For more information, see page 21.

THE YEAR IN BRIEF



+9%
EARNINGS GROWTH
IN COMPARABLE
COMPANIES

+22%
NET SALES
SEK 1,825 million (1,496)

+48%
EBITA* SEK
262 MILLION (177)
8 percent organic,
39 percent from
acquisitions, 1 percent
from currency effects

+14.4%
EBITA*-MARGIN (11.8)

+88%
EARNINGS PER SHARE
SEK 4.87 (2.59)

SUSTAINABLE ACQUISITIONS

During the year, Sdipotech acquired four businesses, which all contribute to more sustainable, efficient and safer societies. Early in the year, the UK-based company RedSpeed International Ltd was acquired, which is specialised in digital cameras for improved road safety. Shortly thereafter, Water Treatment Products Ltd was acquired, a leading company in the UK, specialised in water treatment for safe environments within industry and properties. In May, Cryptify AB was acquired, which develops software products for secure communication, an area where the need is increasing in line with growing cyber threats. Finally, Auger Site Investigations Ltd was acquired in August. This is a British company, specialised in handling claims relating to underground infrastructure, which is increasingly broken due to outdated infrastructure.

ACTION PROGRAMME FOR ELEVATORS

In the autumn of 2017, an action programme was launched involving concrete measures to restore profitability in the company's elevator operations. This profitability improvement programme delivered results in the first quarter and showed a consistently positive trend in the following quarters. The action programme has now been completed with great success.

BREXIT

As the UK is one of Sdipotech's main markets, detailed plans were prepared and implemented for all of the company's British business units. However, Brexit is expected to have limited negative effects on Sdipotech as the Group's businesses operate in local markets and with some exports.

ACQUIRED COMPANIES 2019

Company	Operations	Business area	Acquisition date	Country
RedSpeed International Ltd	Digital cameras for speed and traffic monitoring	Special Infrastructure Solutions	Q1 2019	UK
Water Treatment Products Ltd	Preparation and manufacture of water treatment products	Water & Energy	Q1 2019	UK
Cryptify AB	Solutions for encrypted communication	Special Infrastructure Solutions	Q2 2019	Sweden
Auger Site Investigations Ltd	Handling claims relating to underground infrastructure	Special Infrastructure Solutions	Q3 2019	UK

COMMENTS BY THE CEO

I can sum up a strong 2019 for Sdiptech with pride and joy. Several of our ambitions and high targets were surpassed. We met our financial organic growth target as well as our acquisition target and we exceeded our cash flow generation target. In addition, the operating margin strengthened and earnings per share increased by 88 percent to SEK 4.87.

STRONG EARNINGS AND GROWTH

Sdiptech's overriding goal is to increase the Group's profit both through organic growth and acquisitions. During 2019, the profit EBITA* increased by 48 percent to SEK 262 million, of which 8 percent was organic, 39 percent from acquisitions and 1 percent from currency effects. Net sales increased by 22 percent to SEK 1,825 million. Market conditions were stable in each business area. The strong improvement in margins was the result of the fact that our business units displayed solid growth, combined with good profitability in acquired companies and the measures implemented in our elevator operations.

An area which is in focus in our day-to-day work is consolidated cash flow and how the capital employed in our operations is performing. In our business units, the goal is to exceed a 50 percent return on capital employed and thanks to effective work during the year, cash flow generation in the Group totalled a strong 115 (56) percent.

SELECTIVE AND ATTRACTIVE OFFER

Sdiptech acquired four well-managed businesses during the year equivalent to a total of SEK 92 million in additional EBITA during 2019. When we have completed an acquisition, it is always after a selective process, where we choose from among successful small companies that address critical needs in the infrastructure sector. Our internal team works according to a well-proven methodology in order to analyse our target markets and search for companies with the best criteria. We look at market-leading niche companies, with documented high profitability and with well-protected strong market positions.

An important basis of our business model is our decentralised structure. For the Group, this means that we ensure quick decision-making close to our customers, and that we spread any risks across many independent units. Independent business units are also an important factor for our skilful Managing Directors and in many cases this has been a critical factor when entrepreneurs have chosen to sell their life's work to us. This is particularly true in the UK, which is one of our most important markets, where our model is unusual. The Group's focus on infrastructure is based on unique combined expertise, which strengthens our acquisition discussions and our market offer.

SUSTAINABILITY INTEGRATED ACROSS THE ENTIRE OPERATIONS

In an infrastructure company like Sdiptech, there is a strong connection to increased consumer demands and regulations, which are driving developments and demands for more sustainable, safer and efficient communities.

These are fundamental principles, which we have included in our acquisition model, where all the companies we buy shall in various ways contribute to this in particular - a more sustainable, efficient and safe infrastructure. During 2020, Sdiptech has decided to support the independent organisation Global Utmaning, which works to promote social, economic and climate-related sustainable development. Sdiptech will primarily be involved in the organisation's Sustainable Cities project – an initiative that is focused on the increasingly important role of cities as drivers of a global sustainable development.

STABLE DEMAND

We have a platform that creates a good basis for long-term profitable growth and we are very well-positioned to meet critical needs within the infrastructure sector. Our business units are well-invested with competitive products and services. Given the experience, competencies and driving forces that exist within the Group, we see good potential for us to further strengthen our position as a value-creating partner.

The growth and profitability generated during 2019 have created a strong basis for us as we now enter a more uncertain period. In early 2020, the outbreak of the Covid-19 virus has had a major impact on the whole society. At present, it is hard to assess the effects of Covid-19, but a well-functioning infrastructure is essential for our societies and our everyday lives. Sdiptech's products and services are critical societal functions and we have a responsibility to ensure that these solutions continue to work. We expect demand for Sdiptech's offers to generally remain stable, even during an economic downturn. However, we are experiencing delayed deliveries in some parts of our Group due to the restrictions on the freedom of movement in different areas, which may impact developments as long as the restrictions remain in place. Our 32 businesses in varied segments provide a good risk diversification and our decentralised structure ensures fast decisions close to our customers and our deliveries. We are monitoring developments carefully and are taking proactive measures, both to reduce the risks for our employees and to ensure that our operations can continue.

By way of conclusion, I want to express a big thank you to all of our dedicated employees for a fantastic year, which included many great efforts. I would also like to welcome all the new shareholders and employees to Sdiptech.



JAKOB HOLM
CEO, Sdiptech AB

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We believe in a future that is based on more sustainable, efficient and safer communities. To achieve this, it is crucial that we expand and improve the infrastructure around us. We intend to take an active role in this development by acquiring and developing leading niche companies that offer solutions for the infrastructure sector's most critical needs.



TRENDS

Macro trends such as climate change, demographic changes, increased globalisation, urbanisation and digitalisation are dominating large parts of Europe. These are imposing new demands on the infrastructure. While these trends imply great challenges for the society, they also create new business opportunities for Sdiptech.

A LONG-TERM INVESTMENT NEED

Several factors are contributing to increasing demand for products and services within the infrastructure sector for the foreseeable future. There are substantial needs for increased capacity and modernisation.

Outdated infrastructure

A large part of the Western World's infrastructure was built during the 1950s, 60s and 70s. A lack of adequate maintenance has meant that critical and extensive parts of it are outdated. In addition, the modernisation of the society has been neglected. This take time to achieve, which is driving the long-term demand within Sdiptech's segment.

Increased consumption

Population growth and an expanding middle class are leading to increased pressure on infrastructure, which is currently operating at peak capacity in many parts of Europe.

Increased urbanisation

As more people move to large cities, the pressure and complexity in urban areas is increasing. As a result, the need for capacity expansion continues to grow in cities, while the existing infrastructure is subject to greater stress.

SUSTAINABLE SOCIETAL DEVELOPMENT DRIVES IMPROVEMENTS

Stronger opinions from consumers, corporate customers and politicians, are imposing demands for more sustainable, efficient and safer communities, which are dominating the development of modern infrastructure. More ambitious targets and increasing consumer demands are leading to the implementation of tougher regulations to meet these stricter requirements. This has a clear effect on operators that are active in the infrastructure sector.

SDIPTECH'S ROLE

Niche technical companies are natural incubators for specialisation and expertise and are therefore well-suited to drive the required technical advancements. As a Group focused on niche products and services within infrastructure, Sdiptech is well-positioned to meet this particular demand for technological infrastructural improvements. Listed below are some concrete examples from Sdiptech's operations, which offer a solution to some of the most critical societal problems.



23 %

of freshwater is leaking due to leaking pipes and conduits.¹



14-25 %

decrease in car crashes after installation of speed cameras.²



54 %

increase of malicious mobile programs from 2017 to 2018.³



A British company, which is specialised in handling claims relating to underground infrastructure.



A leading UK-based company, which is specialised in digital cameras for improved road safety.



A leading Swedish company, which develops software products for secure communication between mobile phones.

¹ EurEau; ² Cochrane; ³ Symantec



SDIPTECH CREATES SUSTAINABLE COMMUNITIES

Infrastructure is in focus around the world for many reasons. It is a component in several of the UN's Agenda 2030 sustainable development goals and is an issue that unites people across political borders. To achieve the UN's goals, the world needs more sustainable and reliable infrastructure systems. Sdiptech's operations contribute to nine of the UN's 17 global sustainable development goals. Some examples of these are provided below.



GOAL 3 is to ensure healthy lives and promote well-being for all at all ages. One of Sdiptech's companies, which contribute to this goal and more specifically to target 3.7, which is about reducing the number of illnesses and deaths due to hazardous

chemicals and pollutants is Medicvent. The company's technology improves the working environment by maximising the absorption of unhealthy leaking gases.



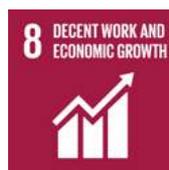
GOAL 6 is to ensure availability and sustainable management of water and sanitation for all. A number of Sdiptech's business units operate within water treatment and sustainable water supply. One example is Pure Water Scandinavia,

which is specialised within ultra-pure water. They design, construct, commission and service water treatment plants in hospitals around the world.



GOAL 7 is to ensure access to affordable, reliable, sustainable and modern energy for all. Unipower, Eurotech, Centralbyggarna and Centralmontage are some of Sdiptech's business units that are working in different ways for a more

sustainable, efficient and secure electricity supply.



GOAL 8 is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work. Several of Sdiptech's businesses contribute to this goal and more specifically to target 8.8, which aims to protect employees' rights

and promote a safe and secure working environment for all. Optyma Security Solutions, Multitech Site Services and Tello Service Partner are some of Sdiptech's companies, which contribute in different ways to safer working environments.



GOAL 9 is to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation. This is part of Sdiptech's backbone and is a central part of the entire operations. One of a number of companies

within the Sdiptech Group that contributes to this goal is KSS Klimat & Styrsystem, which helps property owners to optimise energy and capacity use based on a building's system and operations. In this way, both the energy consumption and the environmental impact can be reduced.



GOAL 11 is to make cities and human settlements inclusive, safe, resilient and sustainable. Sdiptech, among other things, contributes to target 11.2, which aims to provide access to sustainable transport systems for all and improve road safety,

through RedSpeed International. They are specialised in digital cameras for speed and traffic monitoring.





GOAL 12 is to ensure sustainable consumption and production patterns. Sdipotech, among other things, contributes to target 12.5, which aims to promote responsible management of chemicals and waste, through Water Treatment Products,

which is a leader within preparation and manufacture of chemical products for water treatment in the UK. Another example is Frigotech AB which reduces leaks in refrigeration units, which otherwise release large quantities of carbon dioxide equivalents.



GOAL 13 is to take urgent action to combat climate change and its impacts. One of Sdipotech's many business units that contribute to goal 13 is Polyproject Environment, which are specialised in products for the purification of aggressive

liquids, water, gases and air. They are one of Scandinavia's leading environmental technology companies and supply both turnkey plants and tailor-made components.



GOAL 14 aims to conserve and sustainably use the oceans, seas and marine resources for sustainable development. One of Sdipotech's companies that contribute to the goal and more specifically to target 14.1, which aims to prevent and

significantly reduce marine pollution of all kinds, is Topas Vatten, which is focused on treatment of waste water for properties outside of the municipal water and sewage networks.



"We have a firm belief that sustainable innovations will drive long-term profitability and growth, which is what we look for in our business units. Our focus on companies that contribute to more sustainable, efficient and safe communities is therefore an integrated part of our acquisition strategy. Sustainability is not a matter of brand building it is something that permeates the entire business and can drive innovation, developments and profit. In addition, sustainable innovations can minimise risk, not least within infrastructure, which in many instances is financed by the state, where demands for sustainable solutions are becoming more common and more stringent. Thus we believe that our focus gives us a competitive advantage and means that we can generate long-term profitability and growth."

– My Lundberg, IR & PR Manager



BUSINESS MODEL

Sdiptech's business concept is to acquire and develop market-leading niche businesses with products and services within the growing infrastructure sector. Our overriding goal is to generate long-term value growth by continually evaluating new acquisition opportunities and actively developing our business units in order to drive organic growth. The strength in our business model is that we can offer secure and long-term ownership through a clear decentralised structure. Sdiptech's business model may be divided into two parts: acquisition and development.

ACQUISITIONS

Sdiptech imposes clear demands during the evaluation of new acquisition opportunities. They are profitable, often market-leading and entrepreneur-led niche companies within the infrastructure sector, in prioritised geographies that meet Sdiptech's investment criteria.

- Market segments whose growth is driven by long-term and sustainable trends and that demonstrate low cyclical dependency.
- Stable cash flows with documented strong profitability.
- Strong market positions built on specialisation and differentiation, and without critical dependencies on a limited number of customers or suppliers.
- EBIT margin above 15 percent.
- EBIT level around SEK 10–50 million.
- Acquisitions are focused on Sweden and the UK but acquisition targets are also actively sought in the other Nordic countries.

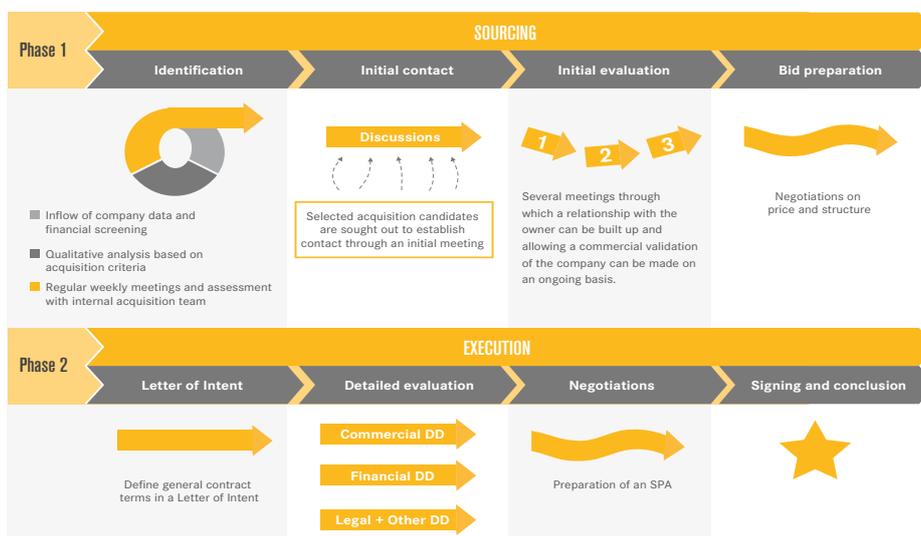
We avoid:

- Structural mergers – as these would jeopardise the unique elements of each business unit, its competitiveness is a key to profitability.
- Acquiring direct competitors to subsidiaries in order to increase market shares, which can concentrate and accentuate risks, rather than diversifying them.
- Building Group-wide functions – synergies can be achieved, but at the cost of increased bureaucracy and less internal focus.

ACQUISITION PROCESS

To support the acquisition strategy, Sdiptech for many years has worked with a well-proven and proprietary process, managed by an internal team. They are tasked with continuously identifying, becoming acquainted with and evaluating companies in relation to well-defined acquisition criteria. Phase 1 Sourcing is a proprietary process that differentiates Sdiptech and that provides us with key competitive advantages, while Phase 2 Execution follows established industry practice with the aim of examining risks and opportunities in a detailed way. Sourcing consists partly of quantitative process steps for identifying companies from databases that meet our basic requirements in our target markets. During a normal working week, we scan companies from which about ten are approved for further contact. After that, qualitative analysis is carried out to identify the companies that best meet our strict criteria. In this analysis, our focus on infrastructure plays an important part as we benefit from the combined expertise in the Group, which is found in the acquisition team, among the business unit managers and in our subsidiaries. Our working method also gives us time to get to know the owners of the companies we have chosen, so that we obtain a shared view of the company's future and development.

With our internal acquisition organisation, we maintain control of the inflow of acquisition candidates, which is then supplemented through referrals from external players and from Sdiptech's portfolio companies. Accordingly, Sdiptech's acquisition model helps ensure independence in relation to external parties, and also results in exclusive discussions with owners of companies that are of interest to Sdiptech.



VALUE-CREATING DEVELOPMENT

Sdipotech acquires companies to own them and therefore has no exit strategy. This means that the company's future is ensured, which in many cases is the crucial factor for completing the purchase. Being part of the Sdipotech Group thus means that the company can retain its original identity, while gaining access to the combined experience and knowledge of its sister companies in the Group. All Sdipotech business units have a clear decentralised responsibility and authority. Stable and long-term value creation in the Group stems from the organic earnings growth generated in each individual company. Our business units are profitable thanks to the strength of their individual niches. For this reason, we maintain a decentralised structure so that development and important decisions occur as close to our customers as possible. Based on continuity and conscious risk analysis, our principles for development of companies are focused on strengthening and developing the business units' individual market positions.

Differentiation

Sustainable and profitable growth is based on a differentiated competitive position. Our priority is to strengthen our market positions without taking unnecessary risks that could jeopardise a successful niche and its profitability.

Local responsibility

Each business units is unique in its own way. To safeguard the strong ownership that drives and develops our offers and operations, each business unit retains its own clear profit responsibility.

Leadership

Each business unit has a skilled and dedicated Managing Director, who leads our businesses through both positive phases and challenges. This is an important component for stability and growth. When a company is acquired, it generally continues to be managed by the former owner to ensure continuity following the completed acquisition. Control is then transferred to a successor in accordance with a pre-agreed plan. The careful recruitment of a new Managing Director and strategic support from the company's Business Area Manager are cornerstones of our model

Segment knowledge

Our focus on infrastructure ensures specialised market insights and technical expertise in the market segments we are focused on. This applies both to the Business Area Managers, focused on their specific segments, and to our acquisition organisation, which conducts in-depth mapping of the markets and value chains in our selected segments.

STRATEGIC SUPPORT AND DEVELOPMENT

- Alongside its sister companies, a Sdipotech company develops within a group and a central organisation with a specific industrial focus and know-how in infrastructure, helping to strengthen and develop the operations.
- There is close collaboration between the Managing Director and the relevant Business Area Manager, who also serves as the Chairman of the Board of the company in question. Besides leading the board work, the Business Area Manager also acts as a support for the Managing Director.
- An annual strategy review is conducted with the Managing Director and management team of the subsidiary. The strategy is transformed into an activity plan, which is followed up during the year.
- Group-wide meetings are regularly arranged between the subsidiaries, for example thematic meetings for Managing Directors or Finance Managers.

COMMON INCENTIVES

In our model, a Managing Director should have the same goals as its Business Area Manager. Accordingly, remuneration for our Managing Directors is linked to the fulfilment of targets in the particular subsidiary. Organic earnings growth is always a key target, even though other supplementary targets may also apply.

FOLLOW-UP AND COMPLIANCE

- Financial outcomes are followed up monthly in relation to set targets. An early warning system is used to detect deviations.
- The Group's policies are implemented in each subsidiary. For a small company, this may involve some adaptation to conform to the listed company's compliance requirements. In the long run, this adaptation results in enhanced control and quality improvements, which are positive.



BUSINESS AREAS

Well-functioning infrastructure is essential for our communities and for our everyday lives. The areas that Sdipotech has identified as particularly important for societal development, and that therefore are showing good demand, are water, energy, climate control, communication, transportation and security. Sdipotech for a long time has focused its acquisition efforts on these areas in particular. As of January 2019, three new business areas were established: Water & Energy, Special Infrastructure Solutions and Property Technical Services.

WATER & ENERGY

Clean water and access to stable energy supplies are two fundamental cornerstones, which are required for a society to grow, thrive and develop. Our continual pursuit of higher living standards and the increasing need for energy and clean water is continuing to create a long-term demand for new solutions and innovations in this area.

Companies within Water & Energy provide niche products and services focused on the water & sanitation, and power & energy infrastructure segments. The companies address specialised needs within water and sewage treatment, as well as electricity supply and electrical automation. The main geographical markets are northern Europe and the UK.



"An important driver we see is the gradual introduction of stricter environmental and regulations, which is a result of the increasing interest in environmental and welfare issues from consumers and politicians. This is of great benefit for many of Sdipotech's highly specialised niche companies, which in different ways are making this development possible."

– Fredrik Navjord, Business Area Manager Water & Energy

Water & Sanitation

The water segment is characterised by a growing water scarcity, increasing water consumption and new water treatment requirements. Sdipotech's operations offer niche products and services for wastewater treatment, water systems and water treatment.

There is a continually increasing need for products and services that meet the challenges facing society. According to forecasts from the World Bank, demand will increase by about 40 percent by 2030. In many places, demand already exceeds sustainable supply, and in others the water shortage represents an impediment to economic growth. The water and sanitation network in Europe is neglected and has received insufficient investment with the effect that 23 percent, and in some cases even more, of the freshwater transported in the supply network disappears through leaks. Europe, is experiencing a growing lack of clean water, both as a result of an increasing need, but also due to climate change. More stringent regulatory initiatives are imposing ever stricter demands and future solutions that are implemented to meet society's water and wastewater needs will require these projects to be carried out in an energy efficient way. This is generating good opportunities for long-term growth in areas such as water treatment, improving distribution efficiency, metering and analysis.

Power & Energy

There are excellent growth opportunities in the energy segment as a direct result of the power shortage, which is impeding regional development in parts of Europe. Growth is also driven by the continually increasing trends of digitalisation, automation and electrification, which are underway in society. In this segment, Sdipotech's companies offer niche products and services for power supply, electrical automation and temporary power.

Growth in the energy segment is largely driven by an increased focus on improving efficiency, digitalisation, automation, electrification and renewable energy. The energy need is growing at a significantly faster rate than production, which is resulting in a growing gap. The transition from nuclear power to renewable energy in large parts of Europe is also imposing higher demands on infrastructure both in terms of capacity and system stability. The electricity grid is underdeveloped in large parts of Europe and in need of maintenance and upgrades in order to meet the growing energy need.

"Society has begun a shift in both how and when we generate and use energy that will bring about major changes in generation, distribution, storage and quality, among other things. This shift will imply major challenges, but also growth opportunities for companies operating in these segments."

¹European Environment Agency



BUSINESS UNITS



Water Treatment Products

WATER & ENERGY



FAST FACTS

Water & Energy (SEK million)

	2019	2018
Net sales	641.4	427.9
EBITA*	122.8	64.2
EBITA* margin %	19.1%	15.0%
Number of business units	13	12
Acquisitions during the year	1	5

SPECIAL INFRASTRUCTURE SOLUTIONS

The products and services in Special Infrastructure Solutions span a relatively broad range of different niches. Common to all business units is their highly specific market segment within infrastructure with favourable underlying growth, low cyclical dependency and a gradual introduction of stricter environmental, energy and security regulations. The willingness of both public and private customers to invest in better and niche solutions is creating a strong market position for our businesses that deliver special solutions.

Companies in Special Infrastructure Solutions provide niche products and services for specialised needs in air and climate control, security and surveillance and transport systems. The main geographical markets are northern Europe and the UK.



"Our focus segments with each solution are well-positioned in markets with good long-term underlying growth. The digital shift is evident within some of our areas. But even clearer are the underlying trends with higher security priority, as well as the pressure to create more sustainable communities with a focus on reduced energy use and environmental impacts within properties and buildings. Within all of our segments, there are a number of exciting areas where new acquisitions are being continually evaluated. I look forward to a new year where both organic growth and new acquisitions are in focus."

– Anders Mattson, Business Area Manager Special Infrastructure Solutions

Air & Climate Control

Within the air and climate control segment, our companies offer products and services for monitoring and controlling indoor climate, air quality and energy efficiency.

The total energy use for all Swedish buildings (apartment buildings, detached houses and premises) has been relatively constant for several decades at around 160 TWh per year. This means that the entire development sector accounts for just over one third of the total Swedish energy use. Improvements in this area will therefore contribute to an underlying growth for a long time to come, which will remain strong over business cycles. Sdipotech's solutions in air and climate control contribute to lower energy use within HVAC, reduced environmental impact in niche cooling applications and improved indoor climate for people in exposed environments. In connection with the fact that the market is largely governed by a gradual introduction of stricter environmental and energy regulations, demand for many of Sdipotech's products and services in this area is increasing.

Safety & Security

Within the safety & security segment, Sdipotech's businesses offer software and technologies for secure communication and integrated security systems in both public and private environments. The security system market has been in a strong upward trend for a long time where the need to enhance the security surrounding business-critical applications is increasing. Sdipotech's security solutions in critical communication and integrated systems not only contribute to enhanced security, but the end user also obtains higher efficiency and commercial benefits.

Transportation

In the transportation segment, Sdipotech's businesses offer digital technology for speed monitoring and critical technology infrastructure for air traffic communication.

New technical solutions have had a major impact on the transport industry and related areas in recent years. The underlying growth is favourable in a number of niche segments where the digital shift is evident.

"We see an exciting development in this area and we are also continuing to seek growth opportunities going forward. Our transport solutions within digital speed monitoring and critical communication are good examples of areas where we see favourable underlying growth and stable long-term market trends."

¹Report from the Swedish Royal Academy of Engineering Sciences (IVA)



BUSINESS UNITS



FRIGOTECH

OPTYMA SECURITY SOLUTIONS



CLIFF MODELS

KSS
Klimat & Styrsystem

Service
Entreprenad
Energioptimering

RedSpeed
International Ltd.

STORADIO.AERO



THORS
TRADING AB

SPECIAL INFRASTRUCTURE SOLUTIONS



FAST FACTS

Special Infrastructure Solutions (SEK million)

	2019	2018
Net sales	479.4	319.6
EBITA*	105.9	70.6
EBITA* margin %	22.1%	22.1%
Number of business units	10	8
Acquisitions during the year	3	3

PROPERTY TECHNICAL SERVICES

The long-term underlying demand for our property technical services is considered to be favourable. Populations and economies are concentrated in large cities, generating a long-term need for renovation, modernisation and new construction.

Although variations in demand in individual markets can affect demand in specific sub segments, these are simultaneously stabilised by customers being spread among several customer segments and geographies and by the fact that our offers include all stages in a property's lifecycle.

The companies within Property Technical Services provide services for specialised needs within roofs, elevators and shell completion for maintenance and modernisation of properties. The main geographical markets are Stockholm as well as big cities in Europe.

Elevators

The main segment in Property Technical Services is in the elevator industry where the business units offer specialised technical services for landlords, including modernisation, renovation and maintenance of elevators. The business models are generally project-based and include related aftermarket services and framework agreements.

Other

Other property technical solutions include renovation of roofs and installation of roof safety equipment, as well as shell completion and light construction engineering for new construction and renovation of properties.

Demand for Sdiptech's services in property technical services is driven by several factors. Firstly, there is a great need for renovation and modernisation of property portfolios. Secondly,

demands for more sustainable, efficient and secure solutions are increasing. Moreover, the demand for housing is growing from an expanding and increasingly aging population. In connection with increasingly widespread urbanisation, the pressure on solutions for complex metropolitan areas is also increasing. Meanwhile, the existing infrastructure in major cities where the population and economy are concentrated is being subjected to greater stress and there is a long-term need for renovation, modernisation and new construction of property portfolios.

All of this presents great challenges in terms of maintenance and expansion, but it also has a positive effect on the long-term trend for the purchasing needs of our services.



"Increasingly urbanisation, a major renovation and modernisation need and increased sustainability requirements present great challenges in terms of maintenance and expansion, but also have a positive effect on the long-term trend for the purchasing needs of our services."

– Fredrik Sederholm, Business Area Manager Property Technical Services





BUSINESS UNITS



ST LIFT



PROPERTY TECHNICAL SERVICES



FAST FACTS

Special Infrastructure Solutions (SEK million)

	2019	2018
Net sales	704.8	749.0
EBITA*	60.5	61.7
EBITA* margin %	8.6%	8.2%
Number of business units	9	9
Acquisitions during the year	0	0

MANAGEMENT



JAKOB HOLM

BORN 1971

CEO SINCE 2015

Jakob Holm has extensive experience in company development from a number of different sectors. As a senior adviser, he has worked with owners and management teams in large international companies as well as SMEs. He founded the management consulting company Axholmen in 2006 and, before that, he worked at General Electric and Accenture. Jakob joined Serendipity Innovations in August 2014. He holds a Master of Science degree in Systems Engineering from the Royal Institute of Technology in Stockholm.

Holdings: 258,749 Class B shares (through Currussel AB), 1,040 preference shares and 189,000 warrants



BENGT LEJDSTRÖM

BORN 1962

CFO SINCE 2018

Bengt Lejdstrom has solid financial expertise from listed companies and acquisition-intensive international groups and has, among other things, been CFO at Lagercrantz Group, Intrum Justitia and Acando. He has also worked as a management consultant and has run his own businesses. Bengt holds a Master of Business Administration degree from the Stockholm School of Economics.

Holdings: 45,200 Class B shares, 2,500 preference shares and 68,400 warrants



STEVEN GILSDORF

BORN 1978

HEAD OF ACQUISITIONS SINCE 2018

Steven Gilsdorf has solid and broad experience of developing and acquiring small and medium-sized companies in different sectors, both in Sweden and internationally. He has previously worked in operational and strategic roles at GE Capital, Booz & Co. and Bisnode, where he was most recently Head of Group M&A. Steven holds a Master of Business Administration degree from London Business School and a Bachelor of Science degree in Business Economics from Arizona State University in the US.

Holdings: 2,485 Class B shares and 68,400 warrants



FREDRIK SEDERHOLM

BORN 1957

BUSINESS AREA MANAGER SINCE 2017

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 in companies such as Assemblin, Caverion, Otis & ManKan Hiss. Fredrik holds a Master of Business Administration degree from Stockholm University.

Holdings: 82,222 Class B shares and 68,400 warrants



FREDRIK NAVJORD

BORN 1980

BUSINESS AREA MANAGER SINCE 2017

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 Metric, where he gained experience of working with the infrastructure sector and data communications. He previously worked as a Business Developer at Addtech and as an Investment Manager at Volvo Ventures. Fredrik holds a Master of Science degree in Engineering from Chalmers University of Technology.

Holdings: 18,345 Class B shares and 52,500 warrants



ANDERS MATTSON

BORN 1980

BUSINESS AREA MANAGER SINCE 2018

Anders Mattson has solid and broad experience of managing and developing businesses in Sweden as well as internationally. Anders joined Sdipotech from Munters, where he held several positions, including as Global Sales and Marketing Manager for one of the Group's business areas and as President of an international subsidiary. He began his career as a management consultant for five years. Anders holds a Master of Science degree in Engineering from Chalmers University of Technology.

Holdings: 68,400 warrants

BOARD OF DIRECTORS



JAN SAMUELSON

BORN 1963

CHAIRMAN SINCE 2018

Jan Samuelson has solid experience in building medium-sized companies in a variety of industries and has been active at all levels ranging from operational positions to the role as an active owner. Jan currently holds a number of directorships, including as Chairman of Stillfront Group AB. Jan previously worked as a Senior Partner at Accent Equity Partners and before that as a Senior Vice President at EF Education. Jan holds a Master of Business Administration degree from the Stockholm School of Economics and a Master of Laws from Stockholm University.

Independent in relation to Sdiptech and its senior executives: Yes

Independent in relation to the major shareholders: Yes

Holdings: 236,000 Class B shares and 90,000 warrants



MARKUS SJÖHOLM

BORN 1971

BOARD MEMBER SINCE 2018

Markus Sjöholm has 21 years of experience in Nordic private equity, including as Managing Partner at Cap Man Buyout. He is currently Chairman of the Finnish companies Lahti Precision Oy and Esperri Care Group Oy as well as a Board member of Fortaco Group Oy. He offers services for mainly private equity-owned companies through his company Actone Ab, with a focus on value creation through active ownership. He holds a Master of Economics from Hanken Swedish School of Business in Helsinki and a law degree from the University of Helsinki.

Independent in relation to Sdiptech and its senior executives: Yes

Independent in relation to the major shareholders: Yes

Holdings: 15,000 Class B shares



ASHKAN POUYA

BORN 1976

BOARD MEMBER SINCE 2014

Ashkan Pouya is an experienced serial entrepreneur who has been involved in starting several research-based companies in both executive and non-executive positions and was previously the Director of Innovation at Lund University. Ashkan has a background in Business Administration, and was educated at Uppsala University, Queen's University and the WHU-Otto Besheim School of Management in Germany. Furthermore, Ashkan has had a successful career as an elite athlete, and became the World Champion in Combat Jujitsu in 2000.

Independent in relation to Sdiptech and its senior executives: Yes

Independent in relation to the major shareholders: No

Holdings: 1,000,000 A shares and 5,435,000 B shares



BIRGITTA HENRIKSSON

BORN 1963

BOARD MEMBER SINCE 2019

Birgitta Henriksson is a partner of Fogel & Partners and works in an advisory capacity to boards and management teams on strategic communications and capital market issues. She is also a Board member of Stillfront Group AB. She was previously a partner of Brunswick Group and served as Head of Investor Relations and Corporate Communications at the investment bank Carnegie and also worked with company acquisitions and raising of capital at Carnegie. Birgitta holds a degree in Business Administration from Uppsala and Stockholm University.

Independent in relation to Sdiptech and its senior executives: Yes

Independent in relation to the major shareholders: Yes

Holdings: 4,600 Class B shares



JOHNNY ALVARSSON

BORN 1950

BOARD MEMBER SINCE 2016

Johnny Alvarsson has previously been CEO of Indutrade, Elektronikgruppen and Zeteco AB, and before that held several managerial positions at Ericsson. He currently serves as a Board member of Beijer Alma and Instalco and is also Chairman of VBG, Dacke Industri AB and FM Mattsson Mora. Johnny holds a Master of Science degree in Engineering from Linköping University.

Independent in relation to Sdiptech and its senior executives: Yes

Independent in relation to the major shareholders: Yes

Holdings: 18,200 Class B shares and 18,000 warrants



URBAN DOVERHOLT

BORN 1961

BOARD MEMBER SINCE 2019

Urban Doverholt has solid experience from IT and industrial groups. Urban is Chairman of SEM Group and Vice Chairman of Säkerhetsbranschen, and is a Board member of Infobric and Stöldsnyddsföreningen. He previously served as CEO of ASSA AB, Certego, Enlight and EDB BusinessPartner, among other positions. Urban holds a Master of Science degree from the Royal Institute of Technology in Stockholm and completed further education at IMD Lausanne, Switzerland.

Independent in relation to Sdiptech and its senior executives: Yes

Independent in relation to the major shareholders: Yes

Holdings: None

KEY PERFORMANCE INDICATORS & FINANCIAL INFORMATION

Financial information, condensed	2019	2018	2017	2016	2015	2014
Net sales	1,825.4	1,496.2	1,077.8	775.5	412.4	135.5
EBITDA	357.8	213.0	204.1	119.4	36.4	19.5
EBITA*	262.2	177.2	122.5	107.7	34.6	14.3
EBITA	290.7	189.9	189.4	110.9	33.7	18.4
EBITA* margin (%)	14.4%	11.8%	11.7%	13.9%	8.9%	11.9%
EBIT	221.9	143.3	156.3	110.8	33.7	18.4
Net profit for the year from continuing operations	165.2	96.7	94.9	79.4	15.4	13.4
Net profit for the year less minority and dividend preference shares	147.4	111.7	73.1	55.4	-4.7	-4.6
Interest-bearing liabilities	1,332.5	1,018.3	583.9	637.6	207.7	79.4
Interest-bearing liabilities to credit institutions	658.9	481.9	229.8	324.7	139.3	71.7
Equity including minority	1,258.5	1,121.2	1,006.4	460.7	496.8	137.3
Total assets	2,985.9	2,453.0	1,830.4	1,269.3	798.7	271.0
Key performance indicators ¹	2019	2018	2017	2016	2015	2014 ¹
Net debt/EBITDA, times	3.11	3.02	1.37	2.60	0.41	2.05
Net bank debt/EBITDA, times	1.21	0.59	-0.25	1.08	-0.72	1.65
Equity/assets ratio (%)	42.1%	45.7%	55.0%	36.3%	62.2%	50.7%
Return on capital employed, (%)	12.6%	10.9%	16.8%	13.6%	8.7%	10.4%
Return on equity (%)	15.1%	8.8%	11.4%	19.6%	-2.7%	7.9%
Cash flow generation (%)	114.7%	55.9%	62.5%	58.6%	-131.1%	35.8%
Earnings per share	2019	2018	2017	2016	2015	2014
Earnings per ordinary share (SEK) ²	4.87	3.68	2.70	2.61	-0.24	0.46
Earnings per preference share (SEK) ³	126.8	81.89	89.33	63.32	19.24	-
Number of ordinary shares	30,277,645	30,277,645	30,277,645	21,349,074	20,272,150	20,272,150
Average number of ordinary shares	30,277,645	30,277,645	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	1,750,000	1,750,000	-

¹ The key performance indicators are based on the balance sheet as per 31 December 2014 and not the average for the preceding four quarters, since Sdiptech did not issue quarterly reports in 2014.

² Net earnings per ordinary share for continuing operations less dividends on preference shares and minority interests.

³ EBIT divided by the number of preference shares.

DEFINITIONS OF KEY PERFORMANCE INDICATORS

EBITDA

Operating profit before depreciation and amortisation.

EBITA*

Operating profit before depreciation and amortisation of intangible non-current assets. In order to clarify the underlying operating profit, acquisition expenses that have been incurred and regularly booked are also excluded. The results of the remeasurement of liabilities relating to contingent considerations are also excluded. EBITA* is indicated with an asterisk.

EBIT

Operating profit

EBITA* margin

EBITA* in relation to net sales.

Net debt/EBITDA

Average net debt for the past four quarters in relation to EBITDA for the past four quarters. Net debt includes current and non-current

interest-bearing liabilities less cash and cash equivalents. Parts of the interest-bearing liabilities are related to contingent considerations for acquisitions that are settled at the end of the vesting periods depending on the earnings trend during those periods. A payment of the liability at the current book value would require higher earnings than the current level.

Net bank debt/EBITDA

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

Capital employed

Calculated as the average shareholders' equity and interest-bearing net debt for the past four quarters, less cash and cash equivalents and investments in securities.

Return on capital employed

Calculated as EBITA for the past four quarters at the time of closing the accounts, in relation to average capital employed for the past four quarters at the time of closing the accounts.

Return on equity

Calculated as the average profit after tax, adjusted for dividend to preference shares, for the past four quarters, in relation to average equity adjusted for preference capital for the past four quarters at the time of closing the accounts.

Cash flow generation

Calculated as cash flow from operating activities in relation to profit before tax adjusted for non-cash items.

Earnings per ordinary share

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

THE SHARE

Sdiptech's ordinary Class B share has been traded since 12 May 2017 on Nasdaq First North Premier Growth Market under the ticker SDIP B and ISIN code SE0003756758. The company's preference shares have been listed on Nasdaq First North Premier Growth Market since 4 March 2015 and are traded under the ticker SDIP PREF and ISIN code SE0006758348.

As of 31 December 2019, Sdiptech's share capital consisted of 32,027,645 shares in total, distributed among 2,000,000 ordinary Class A shares, 28,277,645 ordinary Class B shares and 1,750,000 preference shares. The company's largest shareholders are Ashkan Pouya and Saeid Esmaeilzadeh, whose holdings, as of 31 December 2019, constituted 20.09 percent and 16.29 percent, respectively, of the capital and 30.85 percent and 28.42 percent, respectively, of the votes.

DIVIDEND POLICY

Sdiptech's dividend policy is to not pay dividends on the company's ordinary shares, since the company prioritises

growth before dividends. A dividend is paid quarterly on Sdiptech's preference shares, in accordance with Sdiptech AB's Articles of Association

SHAREHOLDER INFORMATION

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

Website: www.sdiptech.com

e-mail: info@sdiptech.com

ANALYSTS THAT FOLLOW SDIPTECH

Robert Redin, Carnegie

Fredrik Nilsson, Redeye

Christian Hellman, Nordea

SHAREHOLDERS

Shareholders 2019-12-31	Class A	Class B	Pref	Capital %	Votes %
Ashkan Pouya	1,000,000	5,435,000		20.09%	30.85%
Saeid Esmaeilzadeh	1,000,000	4,216,510		16.29%	28.42%
Swedbank Robur Fonder		2,921,000		9.12%	5.84%
Handelsbanken Fonder		2,500,000		7.81%	5.00%
Elementa Management		907,579		2.83%	1.81%
Nordnet Pensionsförsäkring		764,908	75,742	2.62%	1.68%
Catella Fonder		798,243		2.49%	1.60%
Aktia Asset Management		666,096		2.08%	1.33%
Cliens Fonder		600,000		1.87%	1.20%
Fredrik Holmström		579,248		1.81%	1.16%
Avanza Pension		318,963	218,017	1.68%	1.07%
Swedbank Försäkring		370,731	16,976	1.21%	0.77%
Strand Fonder		320,667		1.00%	0.64%
Futur Pension		247,905	18,238	0.83%	0.53%
Jakob Holm		258,749	1,040	0.81%	0.52%
Summa, övriga		7,372,046	1,419,987	27.46%	17.58%
Total	2,000,000	28,277,645	1,750,000	100.00%	100.00%

FIVE LARGEST COUNTRIES

	Number of shares	Capital %	Votes %	Number of known owners
Sweden	30,097,987	93.97%	96.14%	3,636
Finland	699,201	2.18%	1.40%	10
Germany	173,166	0.54%	0.35%	4
France	161,505	0.50%	0.32%	1
Norway	30,128	0.09%	0.06%	13
Others	8,656,658	2.71%	1.73%	-

OWNERSHIP STRUCTURE

Number of shares	Number of known owners	Share of known owners
1 - 500	3,423	74.89%
501 - 1,000	452	9.89%
1,001 - 5,000	496	6.08%
5,001 - 10,000	82	1.79%
10,001 - 20,000	43	0.94%
20,001-	75	3.03%

DISTRIBUTION

	Class A	Class B	Pref	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 as of 31 Dec 2019.

THE 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.



THE 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.

Highest quotation 2019
118.00 SEK – (1/10)

Closing rate on the last day of trading in 2019
SEK 116.50 – (30/12)

Total number of trades in 2019
5,926

Lowest quotation 2019
106.50 SEK – (7/1)

Total trading volume in 2019
SEK 677,645

Terms in summary

Issued amount	SEK 175 million
First trading day	4 March 2015
Issue price	SEK 100
Dividend	SEK 8.00 per year, divided into quarterly payments
Redemption price	SEK 120 from 0–24 months after issue, SEK 110 from month 25–48, and thereafter SEK 105

RECORD DAYS FOR PREFERENCE SHARE

The record days for dividend on preference shares up until the publication date for the 2019 annual report were 14 June 2019, 13 September 2019, 13 December 2019 and 13 March 2020. Subject to a resolution being passed at the 2020 Annual General Meeting, the future record days will be 15 June 2020, 15 September 2020, 15 December 2020 and 15 March 2021.

DIRECTORS' REPORT

The Board of Directors and the CEO of Sdiptech AB (publ.), with corporate identity number 556672-4893, hereby submit the annual accounts and consolidated accounts for the 2019 financial year. The legal annual accounts consist of the Directors' Report, with proposed appropriation of profits, the financial statements, notes and the auditor's report. The Directors' Report also includes a Sustainability Report and a Corporate Governance Report.

Sdiptech's ordinary Class B share has been traded on Nasdaq First North Premier Growth Market since 12 May 2017 and the company's preference shares have been listed on Nasdaq First North Premier Growth Market since 4 March 2015.

OPERATIONS

Sdiptech AB is a technology group whose principal focus is infrastructure. Sdiptech's business concept is to offer niched technical solutions to the infrastructure sector, currently distributed across more than 30 operating units. A growing population and increased utilisation, as well as demands for more sustainable, efficient and safer infrastructure, ensure long-term market growth. Future infrastructures must be improved through technological advances and specialisation.

Companies operating within a highly specialised technological area or market are well-suited for delivering this. The Group's market focus on infrastructure, as well as products and services provided by small or medium-sized niched companies, generates solid underlying growth for the operations.

During 2019, the Group organised its operations in three Business areas, and its related segment reporting. The three business areas Water & Energy, Special Infrastructure Solutions and Property Technical Services together comprise more than 30 operating units. Central Units includes the Group's Parent Company and related Group bookings.

The Group is organised on the basis of a decentralised structure. Preserving the unique brand, identity and autonomy of our subsidiaries are key elements of Sdiptech's business philosophy, where the strength of entrepreneurship, flexibility and proximity to customers are crucial factors in achieving financial results. However, the central governance required when running a large Group of companies, in Sdiptech's case aims to increase the predictability of earnings and help each company to successfully meet new market conditions, or provide them with expertise to solve internal challenges.

Even if Sdiptech does not tend to establish group-wide functions, there are opportunities to promote collaboration among the different operations in the Group, primarily with the aim of achieving revenue synergies. Some of the Group's businesses work with overlapping customer relations. Accordingly, there are opportunities to develop competitively packaged offers.

When one of the Group's companies has a strong relationship with a customer, it can also open the door for other Group companies to introduce their offers, which can generate new business.

Apart from the work with the existing businesses, Sdiptech pursues active work in relation to acquisitions. We use our own functions, along with external channels to continually evaluate potential acquisition candidates. In the coming years, the Group expects that a significant portion of its growth will be generated from new acquisitions. Sdiptech's proactive acquisition model means that well-run, entrepreneurial companies with good profitability and stable cash flows can be identified without any dependence on external advisers. This leads to 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 Sdiptech's focus on the infrastructure sector. 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. Sdiptech takes a long-term approach to ownership and its strategic plan is not to divest companies after acquisition, however, one such divestment did occur in early 2019. For more information, see spread The year in brief (page 5).

SIGNIFICANT EVENTS DURING THE YEAR

In many respects, the market for Sdiptech's products and services has been good, supported by strong market conditions with a high level of economic activity in the Group's main markets Sweden and the UK. This was reflected by increasing sales during the year and positive organic growth in the business areas Water & Energy and Special Infrastructure Solutions. In the Property Technical Services business area, the profitability improvement programme was completed in 2019, which was initiated during the autumn of 2017. This aimed to deal with the challenges, principally within the elevator operations with renovation in focus. The action programme has now been completed with good results. As an effect of the action programme, revenue in the business area fell compared to the previous year, which was planned in order to focus on fewer projects with higher profitability.

On 18 February 2019, Sdiptech AB sold the shares in AVA Monitoring AB back to the original owners. The reversal of the acquisition was executed by Sdiptech receiving a refund of the cash purchase consideration paid in connection with the acquisition of AVA Monitoring in July 2017, approx. SEK 21.5 million. Sdiptech's outstanding liabilities to the sellers of AVA Monitoring, totalling SEK 72 million were written off, including the reserved liability for future payment of contingent consideration. Finally, a cash payment of approximately SEK 2 million was received.

Acquisitions

The main component of Sdiptech's growth strategy is to acquire niched technology companies in the infrastructure sector. During 2018, four acquisitions were completed. The acquired companies' EBITA on a full year basis totalled SEK 92 million, which was in line with the Group's target.

On 24 January 2019, Sdiptech AB completed the acquisition all of the shares in RedSpeed International Ltd. The company is a leading provider of solutions for road safety, production and servicing of digital cameras for speed and traffic monitoring. The main focus is on the UK market where the company has a strong market share, and within the EU. The company generates sales of about GBP 5.6 million and operating profit of about GBP 1.6 million.

On 18 February 2019, Sdiptech completed the acquisition of all shares in Water Treatment Products Limited and their holding company Water Treatment Products Holding Limited. Water Treatment Products is a leading company within preparation and manufacture of chemical products for water treatment in the UK. The company generates annual sales of about GBP 9.4 million and operating profit of about GBP 2.5 million.

On 31 May 2019, Sdiptech acquired all of the shares in Cryptify AB. Cryptify is a Swedish software products company, which offers solutions for secure communication, primarily in Sweden and the UK. The company generates annual sales of approximately SEK 18 million with good profitability.

Finally, on 28 August 2019, all shares were acquired in Auger Site Investigation Ltd. Auger is specialised in handling claims relating to underground infrastructure, e.g. drainage, sewerage and water mains. Customers are found in the insurance industry in the UK. The company generates annual sales of about GBP 12.5 million and pre-tax operating profit of about GBP 2.9 million.

Significant events during the year

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

Sales and earnings

Net sales for the Group's continuing operations during the period January to December 2019 increased by SEK 329.2 million to SEK 1,825.4 million (1,496.2). Sales in comparable units, in other words, companies that were part of the Group throughout the entire period and comparative period, increased by 0.4 percent and amounted to SEK 1,279.5 million (1,274.5). Non-comparable units, contributed SEK 545.9 million to sales for the year and totalled SEK 221.7 million in the comparative period. Other revenue amounted to SEK 82.9 million (58.2), of which SEK 60.3 million (33.9) was attributable to a remeasurement of contingent considerations related to completed acquisitions. Consolidated EBITDA

for the period January to December 2019 amounted to SEK 357.8 million (213.0), while EBITA was SEK 290.7 million (189.9). Depreciation, amortisation and impairment losses for the Group increased to SEK -135.9 million (-69.7). The main increase related to impairment of goodwill totalling SEK -60.9 million (-44.7). In addition, depreciation increased by SEK 40.9 million compared to the previous year as an effect of the introduction of reporting according to IFRS 16. Operating profit, EBIT, for the period January to December subsequently amounted to SEK 221.9 million (143.3).

During 2018, the Group introduced an alternative measure for operating profit, EBITA*, which consists of EBITA before acquisition costs, and before remeasurement of contingent considerations. The purpose of EBITA* is to clarify development in consolidated operating profit. Due to the irregular nature of when acquisition expenses arise and are booked, EBITA* shows more clearly the underlying operational development of the business. Remeasurement of liabilities relating to contingent considerations is another item that should be excluded in order to clarify the development of the operating profit. EBITA* for the period January to December 2019 amounted to SEK 262.2 million (177.2) In comparable units, EBITA* increased by 9 percent, of which +1 percent came from currency effects.

Consolidated financial expenses increased to SEK -29.7 million (-19.1), mainly due to increased borrowing in connection with acquisitions. Due to positive currency effects, see also Note 8, Net financial items subsequently totalled SEK -12.9 million (-16.5). Financial expenses for the year included SEK -9.4 million (-6.3) related to discounting of contingent considerations. These items were non-cash items for the period. Profit after financial items for continuing operations amounted to SEK 209.0 million (126.8). Consolidated profit after tax for the period amounted to SEK 165.2 million (96.7), of which SEK 161.4 million (92.5) was attributable to the parent company's shareholders.

Financing

Cash flow from operating activities amounted to SEK 312.7 million (88.6). The increase was mainly due to improved earnings, but was also due to positive effects from changes in working capital. Financing activities made a net contribution of SEK 116.9 million (238.6).

Items included in financing activities were changes in loan liabilities of SEK 173.7 million (250.6) and dividends on preference shares and to minority interests of SEK -15.1 million (-14.0). Premiums paid for the option programme introduced in 2018 (see also the Incentive programme section in the Corporate Governance Report), contributed SEK 0.6 million (2.0) to cash flow. Amortisations relating to lease liabilities according to IFRS 16 amounted to SEK -42.3 million (0).

Investments

Cash flow from investing activities was SEK –601.6 million (–328.4), of which cash flow from completed acquisitions represented SEK –547.1 million (–293.4), see also Note 3. Net investments in intangible non-current assets amounted to SEK –12.0 million (–13.7). Net investments in property, plant and equipment amounted to SEK 45.8 million (–22.2).

Employees

At the end of the year, there were 1,263 employees (1,014). Companies acquired in 2019 contributed 229 (280) new employees.

BUSINESS AREAS

As of 2019, three new business areas were established: Water & Energy, Special Infrastructure Solutions and Property Technical Services, which replaced the previous business areas.

Water & Energy

The business area's net sales increased by 50 percent during the period January to December 2019 compared to the previous year and amounted to SEK 641.4 million (427.9). In comparable units, sales increased by 6 percent, while EBITA* increased by 23 percent in these units. Including acquisitions, the business area's total EBITA* increased during the year by 91 percent to SEK 122.4 million (64.2) and the EBITA* margin increased to 19.1 percent (15.0). The stronger margins came partly from strong demand in comparable units with scalable business models and high profitability, and partly from acquired units with higher profit margins than the average. In particular, companies with products for monitoring of electricity quality and control of water treatment, as well as companies with projects deliveries within temporary infrastructure, showed a good organic development compared to the previous year.

Special Infrastructure Solutions

The business area's sales increased by 50 percent during the period January to December 2019 compared to the previous year and amounted to SEK 479.4 million (319.6). In comparable units, sales increased by 13 percent, while EBITA* increased by 5 percent in these units. Including acquisitions, the business area's total EBITA* increased during the year by 50 percent to SEK 105.9 million (70.6). The EBITA* margin was the same as the previous year at 22.1 percent (22.1). The stronger earnings came partly from strong demand in comparable units with scalable business models and high profitability in Air & Climate control, and partly from acquired units with higher profit margins than the average.

Property Technical Services

The business area's sales decreased by 6 percent during the period January to December 2019 compared to the previous year and amounted to SEK 704.8 million (749.0). The business area's total EBITA* decreased during the year by 2 percent to SEK 60.5 million (61.7). This was a result of the completed action programme within the elevator operations, which, among other things, meant that sales fell as they focused on fewer but more profitable customers. Meanwhile, the

operations within roof renovations and shell completion found it difficult to match last year's sales and profitability. The EBITA* margin for the business area increased during the year to 8.6 percent (8.2).

Central Units

In addition to the above-mentioned core operations, the Group reports on the Central Units segment, which includes the Group's Parent Company and consolidated items. Net sales for Central Units totalled SEK –0.2 million (–0.1). For the full year, EBITA* for the Central Units amounted to SEK –27.0 million (–19.2). The costs for the internal acquisition team, as a step in the shift from external to internal resources, rose during the year due to gradually increased staffing. However, the total cost will be significantly lower for the internal team than for the external team, which was previously reported under Acquisition expenses.

FINANCIAL POSITION

As of 31 December 2019, cash and cash equivalents amounted to SEK 156.3 million (324.8).

Interest-bearing liabilities

Interest-bearing liabilities including earnouts and leases amounted to SEK 1,332.5 million (1,018.3). The two largest items within interest-bearing liabilities consisted of SEK 655.3 million (481.9) in liabilities to credit institutions, and SEK 550.7 million (500.2) in payments of purchase prices during acquisitions, so-called contingent considerations.

Equity

As of 31 December 2019, equity attributable to the company's shareholders amounted to SEK 1,227.1 million (1,088.6). In addition to net profit for the year, dividends of SEK – 14 million on preference shares have impacted equity. Non-controlling interests totalled SEK 35.8 million (32.7).

Share capital

As of 31 December 2019, Sdipotech's share capital consisted of 32,027,645 shares in total, distributed among 2,000,000 ordinary Class A shares, 28,277,645 ordinary Class B shares and 1,750,000 preference shares. The quotient value of the shares was SEK 0.025. The company's largest shareholders, and the only owners with more than one tenth of the votes for all shares in the company, were Ashkan Pouya and Saeid Esmaeilzadeh, whose holdings, as of 31 December 2019, constituted 20.1 percent and 16.3 percent, respectively, of the capital and 30.9 percent and 28.4 percent, respectively, of the votes.

KEY RATIOS

On 31 December 2019, net debt, which includes consolidated interest-bearing items, totalled SEK 1,176.2 million (693.5). Net debt calculated solely on liabilities to credit institutions amounted to SEK 499.1 million (157.1). Consolidated net debt in relation to EBITDA was 3.11 (3.02). Bank net debt, when only interest-bearing liabilities from credit institutions are included, in relation to EBITDA was 1.21 (0.59).

FINANCIAL TARGETS

The Group's financial targets consist of the following:

- to achieve EBITA* of SEK 600 - 800 million before the end of 2021
- to achieve average annual organic EBITA growth of 5 - 10 percent
- on an annual average basis, acquire companies with a total EBITA of SEK 90 million
- net debt in relation to adjusted EBITDA on a rolling 12-month basis should not exceed 2.5
- long-term return on capital employed shall be at least 15 percent
- 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.

Outcome

The Sdipotech Group achieved the targets of organic EBITA growth (the outcome was 8 percent at a fixed exchange rate), to acquire companies (EBITA of SEK 92 million was acquired) and to re-invest non-restricted cash flow in operations and new acquisitions. However, return on capital employed was only 12.6 percent as profits from the acquired assets come gradually, with a time lag, from the completed acquisitions. Net debt in relation to adjusted EBITDA on a rolling 12-month basis was 3.11, for the same reason. Finally, EBITA* for the year was SEK 262 million, about SEK 400 million from the target. This was because the Group's units, particularly in the Property Technical Services business area, no longer report earnings at the level that applied when the targets were set. However, through further acquisitions and strong organic growth, the ambition is to get as close to the target of SEK 600 - 800 million in EBITA* before the end of 2021.

RISKS AND UNCERTAINTY FACTORS AND RISK MANAGEMENT

Through its operations, the Group and the parent company are exposed to various types of risks, mainly market-related, strategic and operational, regulatory and financial risks. The risks are considered to be of a similar character for both the Group and the parent company. The financial risks consist of interest rate risk, credit risk and financing risk. Please see Note 15 for more detailed information about the financial risks. For information about the company's risk management please see the Corporate Governance Report.

Market-related risks

Several of the sectors in which the Group operates are both technology- and knowledge-intensive, and are partly characterised by rapid changes in technology, economic conditions, customers' and others' preferences, and continuous improvements in know-how. Furthermore, Sdipotech like all companies is impacted by macroeconomic factors such as inflation, consumption, corporate investments and public sector investments.

In early 2020, the outbreak of the Covid-19 virus has had a major negative impact on the whole of society. At present, it is difficult to judge the effects. Sdipotech may be affected primarily by employees becoming ill, having difficulty getting to their workplace and performing their job or by delayed deliveries of certain input goods to the Group companies. Sdipotech is monitoring developments carefully and is taking proactive measures, both to reduce the risks for its employees and in order to ensure that the operations can continue.

Strategic and operational risks

The Group has historically displayed strong growth and plans to expand further in the coming years. Carrying out acquisitions of companies is often a very comprehensive and complicated process, which involves significant costs, e.g. for financing as well as financial and legal advice. Furthermore, growth can increase the complexity of the business, which can lead to organisational challenges such as a difficulty in recruiting staff with the necessary skills and industry experience. Sdipotech's future success depends, among other things, on the ability to retain certain existing employees and to be able to recruit, retain and develop other qualified senior executives and key people.

Regulatory risks

The regulations that affect the Group's various operations are complex and can change over time. Changes in legislation or regulations affecting the Group's operations may increase the Group's costs or reduce market demand for the Group's goods and services.

Financial risks

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

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

Finance policy

Sdipotech's Board of Directors has adopted the company's financial policy. 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 are managed within the Group as well as what restrictions should be taken with regard to counterparties.

PARENT COMPANY

Sdipotech AB is responsible for the overall operations of the Group. This work focuses on strategic planning, business development, financing, acquisitions and succession planning.

Earnings

The Parent Company reported an operating loss of SEK 26.5 million (22.2). Staffing in the Group's Parent Company gradually increased during the year, aimed at supporting continued acquisition-led growth. The Parent Company's profit after financial items for the full year 2019 amounted to SEK 15.1 million (56.1), which includes dividends received of SEK 5.0 million (65.1), and the outcome of contingent consideration from the sale of Sprof of SEK 25.8 million, which was previously capitalised at Group level. The Parent Company's profit before tax amounted to SEK 39.8 million (106.5), including a Group contribution received of SEK 28.1 million (50.3).

Cash and cash equivalents and Equity

At the end of the period, the Parent Company's cash & cash equivalents amounted to SEK 223.0 million (124.8). Equity amounted to SEK 933.8 million (907.2). The year's positive change in equity mainly consisted of net profit for the year, from which dividends to holders of the company's preference shares will be deducted.

RELATED-PARTY TRANSACTIONS

Related-party transactions refer to rent of premises for S Fund 1 AB, whose main owner is a Board member of Sdiptech AB. Please see Note 26 for more information on transactions with related parties.

EVENTS AFTER THE REPORTING DATE

In January 2020, My Lundberg was recruited as IR & PR Manager for the Sdiptech Group.

In February, Erik Hedenryd was recruited as a Business Unit Manager in order to strengthen the expanding Water & Energy business area.

In early 2020, the outbreak of the Covid-19 virus has had a major negative impact on the whole of society. At present, it is hard to assess the effects. Sdiptech is monitoring developments carefully and is taking proactive measures, both to reduce the risks for our employees and to ensure that our operations can continue. The effects will be reported in the Group's interim report for the quarter January to March 2020.

FUTURE DEVELOPMENT

The goal for the Group's development is to continue growing, both organically and via acquisitions, and to create long-term, sustainable earnings growth. Growth must, however, occur on the basis of balanced risk, where the capital structure and return on capital employed are in line with the Group's financial targets.

PROPOSED APPROPRIATION OF PROFITS

<i>At the disposal of the Annual General Meeting is:</i>	<i>SEK</i>
Share premium reserve	715,397,976
Accumulated profit or loss	177,744,441
Net profit for the year	39,825,410
Total	932,967,827

<i>The Board proposes the following appropriation of profits: SEK</i>	<i>SEK</i>
Dividend for preference shares*	14,000,000
To be carried forward **	918,967,827
Total	932,967,827

*The dividend on preference shares is regulated in the Articles of Association. The dividend amounts to SEK 14.0 million annually, divided into SEK 3.5 million per quarter, with dividends paid in March, June, September and December.
**Of which, SEK 715,397,976 is transferred to the Share premium reserve.

ANNUAL GENERAL MEETING 2020

The 2020 Annual General Meeting will be held on 18 May 2020.

SUSTAINABILITY REPORT

The Board of Directors of Sdiptech prepares a statutory sustainability report in accordance with the Annual Accounts Act (1995:1554), Chapter 6, Sections 10 – 14, which shall accordingly be reviewed by the company's auditor. Sdiptech has established a Code of Conduct detailing the basic principles for the company's values and actions. All employees are expected to adhere to the Code of Conduct in their contacts with colleagues, customers, suppliers and shareholders.

BUSINESS MODEL

Sdiptech is a technology group with a main focus on infrastructure. Sdiptech's business concept is to offer niche technical solutions to the infrastructure sector, currently spread over more than 30 operations. A growing population and higher utilization, as well as demands for more advanced infrastructure ensure long-term market growth. Profitable positions in niche markets drive organic growth and Sdiptech adds new revenue through acquisitions. The business model is based on decentralization to subsidiaries, so that development and important decisions are made closest to customers. The Group's niches are usually defined by a technology or knowledge area, but a niche can also be a customer segment or a geographically defined area.

Sdiptech relies on entrepreneurial spirit and innovative solutions, and integrates these into a model that promotes the creation of quality companies with long life and good margins.

PURPOSE AND OBJECTIVES OF THE REPORT

The purpose of this sustainability report is to describe transparently Sdiptech's targets, strategies and governance, as well as its responsibilities, risks and opportunities from the perspective of sustainability. Both Sdiptech and the rest of the world must be able to monitor how the Group's sustainability initiatives develop. The report should provide customers, employees and shareholders with an understanding and knowledge of our sustainability work.

FRAMEWORK AND METHODOLOGY OF THE REPORT

In connection with the end of the financial year, all Sdiptech companies submit sustainability data as part of their non-financial reporting. The participation of all of the companies is a prerequisite for being able to monitor developments in sustainability at both the company and Group level. Unless otherwise stated, the Sustainability Report covers all of the companies and the operations of the entire Group.

DIALOGUE WITH STAKEHOLDERS GIVES THE RIGHT FOCUS IN SUSTAINABILITY WORK

The sustainability work is affected by a number of stakeholders who set requirements and have expectations of Sdiptech. A fundamental part of the Group's strategy is to set clear requirements and to be ahead of curve in sustainable business development. Sdiptech strives to maintain an open dialogue with its stakeholders to focus its sustainability work on the issues that stakeholders consider most important. Five key stakeholder groups have been identified: customers, suppliers, society/ public authorities, employees and shareholders.

SUSTAINABLE GOVERNANCE WITH DECENTRALISED LIABILITY

Sdiptech's sustainability work is primarily governed by the Group's Code of Conduct. Through the Group management team, it is Sdiptech's Board of Directors that is ultimately responsible for the Group's sustainability work. The Group management team determines long-term overall targets in important areas. The objective is for these to be supplemented by each business area developing goals and plans of action for its companies. The Code of Conduct is a fundamental pillar in our sustainability work and an integral part of the operations. Our Code of Conduct forms the basis for how we do business, behave and act in our daily work and in our external relationships. The Code includes all essential points in human rights, working conditions, corruption, equality and diversity. The Code is based on the OECD's guidelines for multinational companies and encompasses all companies and employees. The Codes of Conduct have been adopted by the Board of Directors and are available on our website www.sdiptech.com.

STRATEGY AND GOVERNANCE

Sustainability is an important part of our strategy and the objective is for sustainability to be taken into consideration in all strategic decisions made within the organisation. Sustainability is therefore an integral part of our acquisition process, where all of the companies acquired should contribute to more sustainable, efficient or secure infrastructure solutions. In addition to that has Sdiptech begun Nasdaq's ESG reporting.

Our sustainability work is divided into three categories: economic, social and environmental value creation. Within each area we have a number of strategies, policies and goals.

THREE FOCUS AREAS OF OUR SUSTAINABILITY WORK

Our stakeholder analysis shows that the areas of highest priority in sustainability are to generate and deliver profitable growth, be a healthy workplace with a high level of business ethics and to mitigate negative environmental impacts.

GENERATING FINANCIAL VALUE

Financial stability and strength represent a basic condition for being able to invest in sustainable business development. The accumulated expertise and experience in acquisitions, international expansion and management of creative teams has laid the foundation for the Group's decentralised management philosophy, which aims to inspire creativity and stimulate growth.

Growth – at Sdipotech, we focus on growth in earnings rather than sales. Sdipotech's growth target is to achieve an average annual organic EBITA growth of 5-10 percent. Continuous improvement in earnings at this level requires us to work continuously with investments, improvements and efficiency enhancements.

We need to sell more to existing customers, launch new products, find new customers and segments and establish ourselves in new markets. Other ways of generating growth, beyond organic growth, include making company acquisitions or establishing partnerships with different players.

Profitability – measured as the return on capital employed, should exceed 15 percent. This demonstrates how effective we are in using the working capital invested over the year and our other assets. We want each business concept and business unit to have the potential to achieve this target to be part of the Group in the long term. A high level of profitability enables us to self-finance our growth.

Development – each business unit is expected to be at the cutting edge, developing operations in its sub-sector. Development issues may involve new technologies, new products, improved processes, new IT systems or other aspects helping the company advance. We know that companies successful in identifying and managing such issues ahead of their competitors build long-term competitiveness.

Targets in generating financial value

To realise Sdipotech's business concept and vision, in most of the companies, these are translated into targets and sub-targets. Within Sdipotech, we have transformed our vision into financial targets for the entire Group, which are then broken down at the business unit level. The Group's three most important financial targets are:

- Organic earnings growth: Sdipotech's target is to achieve an average annual organic EBITA growth of 5-10 percent.
- Earnings growth through acquisitions: Sdipotech's target is to maintain an annual average rate of acquisition in line with 2016.
- Return on capital employed: Sdipotech's long-term target is for return on capital employed to exceed 15 percent.

GENERATING SOCIAL VALUE

Sdipotech's business is based on long-term relationships with customers and suppliers, as well as good ethics and great respect for all individuals, both within the company and in external contacts. Like other parts of the Group's operations,

concrete efforts in social responsibility are largely decentralised within the framework of the guidelines adopted by Sdipotech. The Group's Code of Conduct provides guidelines for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner.

Our employees are our most important asset

All employees' efforts are important. At Sdipotech, each employee is a prerequisite for our success. Their combined efforts make a huge difference.

Employees

Most of our workforce is employed on a permanent basis. Contracted personnel are used primarily to substitute for ordinary employees who are ill or otherwise absent. Our employees having secure employment is not only a work environment issue, but also an important factor in achieving continuity in the operations and being able to build long-term relationships. At the end of the year, the average number of employees was 1,263, of whom 87.6 percent were men:

	Total
Managing Directors (including subsidiaries) and Boards of Directors	45
Production	864
Sales	45
Administration	193
Other	116
Total personnel	1,263
Of whom, women	157
% women	12.4 %
Total leading positions	98
Of whom, women	31
% women	31.6 %

WORKING ENVIRONMENT

We provide good workplaces and foster employees' health, well-being and development. This means that with regard to workplace design, equipment, our behaviour towards one another, job descriptions, skills development and in all other work environment-related issues, we work to ensure that our employees have a working environment and a work situation that prevents physical and mental ill-health and that promotes well-being and development.

Health and safety

In our industry, health and safety is a priority area. We apply a zero vision with regard to work-related accidents, illness and incidents and have the ambition to work continuously to improve health and well-being among our employees. The objective is for no one to suffer from physical or mental ill health due to their work situation. Absence due to illness as a percentage of working time in days was 2.7 percent for the 2019 full-year, a decrease from last year when it was 4 percent.

Employee turnover

We strive to be a respected employer. The companies within the Group shall strive to be attractive employers with regard to their employees' personal development. Relations to and between

the employees shall be based on mutual respect and permit reasonable influence in areas affecting the individual's work situation. In 2019, total employee turnover was 10.2 percent excluding employees joining the Group through acquisitions during the year.

Skills development

Sdipotech's companies strive to develop their operations and to be attractive employers. To support development efforts, Business Area Managers and other centrally stationed employees are involved in various matters among the business units, including leadership, marketing and sales, financial review and reporting and project review.

Equality and diversity

Sdipotech does not permit discrimination or harassment in any form. Sdipotech strives for employees within the Group to be afforded equal opportunities for career development, training, remuneration, work content and employment conditions, regardless of gender. In cases where compensation gaps do exist between men and women, we work actively to ensure that these are evened out. We also work for a more even gender distribution in recruitment. We offer equal opportunities for employment regardless of race, religion, gender, age, disability, family circumstances or sexual orientation. We work to counteract any form of discrimination in the workplace or in the treatment of employees when it comes to wage setting and career development. We strive to introduce appropriate processes to detect and address any cases of discrimination.

While we strive for a more equal gender distribution in a generally male-dominated industry, the proportion of women in the group has increased by 1.4 percent. In addition, 19.7 percent of all women in the Group are in leading positions. In addition, we have joined as a support company in the organisation Global Challenge, which among other things works with the #Urbangirlsmovement initiative - which aims to prioritize young women in urban development to make cities inclusive and sustainable.

Other working conditions

Employees shall be at liberty to exercise their legal right to be a member of, organise or work for organisations representing their interests as employees.

WE IMPOSE STRINGENT DEMANDS ON SUPPLIERS

Because we impose strict demands on integrity and ethics in our own operations, it is natural that we do the same also with regard to suppliers. We work closely with our suppliers and review them regularly to ensure that the entire value chain works towards the same objective. No incidents involving human rights violations were reported in 2019.

Anti-corruption

Business ethics is high on our agenda and is an issue that is continuously addressed. We apply a pronounced zero tolerance on corruption and do not tolerate bribery or unfair competition- limiting practices. No cases of corruption were identified during the year.

Labour law

With regard to labour law, we adhere to all laws and regulations as a minimum, and we expect customers and suppliers to comply with current legislation. We work actively to ensure that there are no regulatory breaches within our operations or our value chain.

OUR ROLE IN SOCIETY

Sdipotech also generates value in society. We generate jobs, further develop the competitiveness of value-generating trade in technology and contribute tax payments. Each company within the Group works to exert a positive influence in the communities in which the Group operates. Business decisions that can be assumed to have an impact on society as a whole should, as far as possible, always be preceded by, or promptly followed by, discussions with community representatives to identify any needs for joint action. We contribute to public welfare through employer's contributions and taxes. Profit before tax amounted to SEK 209 million and taxes amounted to SEK 44 million. Adjusted for revaluation of liabilities for contingent considerations and revaluations of goodwill assets (which are not taxable income items), profit before tax was SEK 210 million, and taxes corresponded to approximately 21 percent.

Targets in generating social value

Sdipotech strives to be a respected employer with whom employees thrive and develop. To achieve this, we strive to:

- Have satisfied employees.
- Be a workplace that promotes diversity and equality.
- Have no employees suffer from physical or mental illness due to their work.
- Ensure that all employees, operations and suppliers adhere to our Code of Conduct.

GENERATING ENVIRONMENTAL VALUE

Responsibility for improving the environment and participating in lasting sustainable development is an important cornerstone of the Group's operations. The Group's impact on the environment is limited and occurs mainly in connection with transportation of input goods and finished products, business travel and waste management. The Group's companies work continuously to reduce the environmental impact of the operations. The environmental work is conducted locally based on each company's specific conditions. Group companies strive for superior efficiency in their use of energy and natural resources, favour

systems that re-use and recycle materials and energy, and that prevent and limit environmental pollution. The ambition is to be highly sensitive to customers and suppliers' wishes and to thus be able to meet the market's demands for proactive environmental efforts. Many of the companies within the Group apply quantitative targets in their environmental work. Fully 53 percent of our business units are ISO certified. In four of its business units, the Group conducts operations requiring permits under the Environmental Code, with regard to waste water management. There are no known threats that could endanger the operations from an environmental perspective.

Carbon dioxide emissions

Sdipotech's climate impact consists mainly of carbon dioxide emissions, which we consider the foremost negative environmental impact of our operations. In addition to emissions related to the internal use of fossil fuels and electricity, emissions of carbon dioxide are also generated by various modes of transport, such as transport of materials and products and passenger transport.

Targets in generating environmental value

Sdipotech shall work actively to continuously reduce the direct and indirect environmental impact of its operations, products and processes. To achieve this, we strive to:

- Continue the work with providing products and solutions that contribute to driving a sustainable development and reducing environmental impact. In the Group's sustainability work, nine of the UN's 17 Global Goals have been identified as part of its operations.

- Continue the work of setting energy and climate goals.
- Establish energy mapping in accordance with the EU's Energy Efficiency Directive.
- Ensure that our business units continue updating to ISO 14001:2015.
- Complete and maintain Nasdaq's ESG reporting.

In the Group's work on sustainability, nine of the UN's 17 Global Goals have been identified as part of the business, see more under Trends pages. 8-9.



CORPORATE GOVERNANCE REPORT

The Board of Directors of Sdipotech AB (publ.) hereby submits its Corporate Governance Report in accordance with the Swedish Annual Accounts Act (1995:1554), Chapter 6 Sections 6 – 9. This report is included as an integrated part of company's Annual Report for 2019. The references made in the following report relate to the Annual Report for 2019 in its entirety. The report has been reviewed by the company's auditor. Sdipotech essentially applies the Swedish Corporate Governance Code in accordance with the revised Code that came into force on 1 December 2016, and which from 1 July 2019 is a requirement for Sdipotech, as an issuer on Nasdaq First North Premier Growth Market. The report also contains an account of the work of the Nomination Committee ahead of the 2020 Annual General Meeting.

CORPORATE GOVERNANCE STRUCTURE

Sdipotech is a Swedish public limited liability company with its registered office in Stockholm. Through its subsidiaries, the company conducts sales of niched technologies, solutions and services to the infrastructure sector and has, since March 2015 (the Preference Share) and May 2017 (the ordinary Class B share) been listed on Nasdaq First North Premier Growth Market. Governance and control of the company are regulated through a combination of written rules and practices. The regulations are primarily the Swedish Companies Act and the Annual Accounts Act, but also include the rules that apply to the market in which the company's shares are admitted for trading. The Companies Act contains basic rules regarding the company's organisation. The Companies Act stipulates that there must be three decision-making bodies: the General Meeting of Shareholders, the Board of Directors and the CEO, in a hierarchal relationship with each other. There must also be a body for control, an auditor, appointed by the General Meeting of Shareholders.

SHAREHOLDERS

As of 31 December 2019, the number of shareholders was 3,708, compared to 2,617 at the beginning of the financial year. Private individuals owned 57 percent (17) of the number of shares and 72 percent (11) of the votes in the company. The remainder was held by legal entities, mainly investment companies, equity funds, insurance companies and pension funds. Foreign shareholders owned 6 percent (4) of the shares and 4 percent (3) of the votes. The ten largest shareholders had a total shareholding of 67 percent (74) of the shares and 79 percent (84) of the votes.

GENERAL MEETING OF SHAREHOLDERS AND ARTICLES OF ASSOCIATION

The General Meeting of Shareholders is Sdipotech's highest decision-making body. This is where the shareholders exercise their influence through discussions and resolutions. The General Meeting decides on all issues that do not expressly fall under the exclusive area of competence of another corporate body. Every shareholder has the right to participate in and to vote for their shares at the General Meeting in accordance

with the provisions of the Articles of Association. Sdipotech's ordinary General Meeting, the Annual General Meeting (AGM), shall be held in Stockholm within six months of the end of the financial year. The AGM appoints the company's Board of Directors and the auditors and determines their fees. In addition, The AGM adopts the financial statements and determines the appropriation of profits and discharge from liability for the Board of Directors and the CEO, and determines other matters that are incumbent on the AGM according to the Articles of Association or legislation. The Articles of Association have been adopted by the AGM. These state that that the company's shares are divided into three classes of shares, where Class A shares carry ten votes per share, Class B shares one vote per share and preference shares one vote per share. The company's share capital shall be not less than five hundred thousand Swedish kronor (SEK 500,000) and not more than two million Swedish kronor (SEK 2,000,000). There shall be not less than 20,000,000 shares and not more than 80,000,000 shares. Class A and B shares carry equal rights to participate in the company's assets and earnings. The preference shares carry preferential rights to dividends, see also section 20.

The Articles of Association permit conversion of Class A shares to Class B. The Articles of Association also state that the company's Board of Directors shall consist of at least three and at most ten members and regulate the forms of notice for convening a General Meeting. The Articles of Association contain no limitations on how many votes each shareholder may cast at a General Meeting. For the complete Articles of Association, adopted in their current form by the Annual General Meeting on 15 October 2015, see the company's website. Notice of the Annual General Meeting, and notice of an Extraordinary General Meeting (EGM), where an amendment to the Articles of Association will be on the agenda, shall be issued no earlier than six weeks and no later than four weeks before the Meeting. Notice of another EGM shall be issued no earlier than six weeks and no later than two weeks before the Meeting. Notice shall be issued by means of an advertisement in Post och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. It shall also be concurrently announced in Dagens Industri that notice has been issued. Shareholders wishing to attend the Annual General Meeting shall (i) be included in the print-out or other presentation of the entire share register showing the state of affairs five weekdays prior to the Meeting, and (ii) notify the company of their attendance and the attendance of at most two assistants no later than 12:00 noon on the date stated in the notice of the Meeting. The AGM also determines the format for the appointment of a Nomination Committee.

ANNUAL GENERAL MEETING 2019

The 2019 AGM was held on 13 May in Stockholm. Notice of the Meeting was issued in the form of a press release on 11 April 2019, and was published on the company's website on the same day. On the same date, it was also announced in Dagens Industri that notice that had been issued. The notice was

also published in Post och Inrikes Tidningar (Swedish Official Gazette). Resolutions passed by the AGM included the following:

- In accordance with the Board of Directors' proposal, the AGM resolved that dividends of SEK 8 per preference share be paid quarterly in the amount of SEK 2 per preference share.
- The Annual General Meeting resolved, in accordance with the Board of Directors' proposal, that no dividend be paid on Class A or Class B ordinary shares and that the remaining profit be carried forward.
- The Board of Directors and the CEO were discharged from liability for their administration of the company in 2018.
- The Annual General Meeting resolved, in accordance with the Nomination Committee's proposal, that (i) Ashkan Pouya, Johnny Alvarsson, Markus Sjöholm and Jan Samuelson be re-elected as Board members, (ii) that Urban Doverholt and Birgitta Henriksson be newly elected as Board members and (iii) that Jan Samuelson be newly elected as Chairman of the Board.
- Fees for the Board of Directors and the auditors were determined.
- Re-election of KPMG as auditing firm.
- Procedures were established for the appointment of a Nomination Committee ahead of the next AGM.
- Principles for remuneration and other terms of employment for senior executives were adopted.

BOARD OF DIRECTORS

It is the duty of the Board of Directors to manage the affairs of the company in the best possible way and to safeguard the interests of the shareholders. In 2019, Sdipotech AB's Board of Directors consisted of six ordinary members who together represented broad commercial, technical and public experience:

- Jan Samuelson, Chairman of the Board
- Ashkan Pouya,
- Johnny Alvarsson,
- Markus Sjöholm,
- Saeid Esmaeilzadeh (until May 2019),
- Katarina Lundblad Pinnekamp (until May 2019),
- Birgitta Henriksson (from May 2019) and
- Urban Doverholt (from May 2019).

A detailed presentation of the members of the Board of Directors, including information about other assignments is provided under Board of Directors and Auditors on page 21. Other Group executives may participate in Board meetings in a reporting capacity or as secretary.

CHAIRMAN OF THE BOARD

The Chairman of the Board leads the work of the Board of Directors and has a special responsibility to monitor the company's development between Board meetings and to ensure that the Board members are continually provided with the information necessary to perform their work satisfactorily. The Chairman maintains ongoing contact with the company management and holds meetings with them as needed. The

Chairman is also responsible for evaluating of the work of the Board and for ensuring that the Nomination Committee is informed of the result of the evaluation.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors held 14 recorded meetings during the 2019 financial year, of which one was the statutory meeting in connection with the AGM. The work of the Board follows rules of procedure that are adopted on an annual basis. These rules of procedure establish the division of work between the Board and the Executive Management, the Chairman, and the respective CEO's responsibilities, as well as the forms of financial reporting. The CEO is not a member of the Board, but attends Board meetings. The Board of Directors forms a quorum when at least three members are present and, where possible, decisions are made after a discussion that leads to consensus. The Board has been attending at all meetings during the year, except three, where Ashkan Pouya was absent once and Saeid Esmaeilzadeh been absent twice. During each ordinary Board meeting, the company's economic and financial position are dealt with as well as risks facing the company and its internal control, and one item on the agenda concerns acquisitions. The Board is kept continually informed by way of written information about the company's operations and other important information. During 2019, the work of the Board was dominated by questions relating to acquisitions, market development, financing and the business model. One Board meeting was devoted solely to discussing the Group's position and strategy.

In accordance with the Code, the Board of Directors evaluated the work of the CEO at a meeting without the presence of the CEO or other senior executives. The total directors' fees in Sdipotech for 2019 amounted to SEK 1,495,000 (1,200,000). In accordance with the resolution of the AGM, the Chairman of the Board received SEK 200,000 (200,000), and the other ordinary members received SEK 200,000 (200,000) each. Fees were paid to the company's Audit Committee, of SEK 75,000 to the chairman and SEK 50,000 per member (two members). Fees were paid to the company's Investment Committee, of SEK 40,000 to the chairman and SEK 40,000 per member (two members). No fees were paid to the company's Remuneration Committee. See also Note 6.

INVESTMENT COMMITTEE

From among its own members, the Board of Directors has appointed an Investment Committee tasked with keeping the Board up-to-date on the current "acquisition pipeline", and keeping itself abreast of imminent acquisitions by reading memoranda and letters of intent regarding acquisitions and taking the formal decision to carry out an acquisition. The Investment Committee consists of the ordinary Chairman of the Board and at least one additional member. The Chairman of the Board is the chairman of the Investment Committee. 2018, the Investment Committee consisted of Jan Samuelson (chairman), Ashkan Pouya and Johnny Alvarsson, with the CEO participating in a reporting capacity. The Investment Committee shall meet as often as is necessary to fulfil its duties. Meetings are conducted over the phone or in person.

In 2018, the Investment Committee consisted of Jan Samuelson (chairman), Ashkan Pouya and Johnny Alvarsson, with the CEO participating in a reporting capacity. The Investment Committee shall meet as often as is necessary to fulfil its duties. Meetings are conducted over the phone or in person.

AUDIT COMMITTEE

The Board from among its own members has appointed an Audit Committee, which has the task of analysing and discussing the company's risk management, governance and internal control. During 2019, the committee consisted of Markus Sjöholm (chairman), Birgitta Henriksson and Jan Samuelsson. The Audit Committee maintains contact with the company's auditors to discuss the direction and scope of the audit work. In connection with the adoption of the annual accounts, the company's auditors report on their observations from the audit and their assessment of the internal control. The Board has opted to depart from the Swedish Corporate Governance Code's recommendation that the half-year report or interim report for the third quarter must be reviewed. This is because the extensive work required to enable a review within the deadline was not considered possible during this fiscal year.

REMUNERATION COMMITTEE

From among its own members, the Board of Directors has appointed a Remuneration Committee tasked with preparing the Board's proposal to the AGM regarding guidelines for remuneration to the CEO and other senior executives. The Committee also has the task of following up the AGM's resolution regarding principles for remuneration to senior executives. The Remuneration Committee during 2019 consisted of Jan Samuelsson (chairman) and Ashkan Pouya. The CEO participates in a reporting capacity but does not participate in discussions of matters concerning him.

AUDITORS

At the 2019 AGM, the registered auditing firm KPMG AB was elected auditor. The auditing firm appointed Authorised Public Accountant Duane Swanson as the auditor in charge. To ensure insight for the Board of Directors, each year, it is given the opportunity to comment on the auditors' planning of the scope and focus of the audit. Following a review of the company's accounts, the auditors report their observations at the Audit Committee meetings in January and March 2020. In addition, the auditors are prepared to attend Board meetings when the Board or auditors consider this necessary.

COMPANY MANAGEMENT

The CEO and Group Management prepare and implement Sdiptech's overall strategies and deal with issues regarding acquisitions, divestments and major investments. Such matters are prepared by Group Management for decisions by the Board of Directors of the Parent Company or its Investment Committee. The President and CEO is responsible for day-to-day management of the company in accordance with the Board's decisions and guidelines. Sdiptech's Group Management consists of the CEO, the Group's CFO, the three Business Area Managers and the Group's Head of Acquisitions, – a total of six people. A detailed presentation is provided under Management on page 20. The Management team meets on a monthly basis to discuss the Group's and the subsidiaries' results and financial position, as well as issues pertaining to strategy, earnings follow-up, forecasts and the performance of the business. Other issues discussed include acquisitions, joint projects, consolidated financial reporting, communication with the stock market, internal and external information, and coordination and follow-up in the areas of safety, the environment and quality.

REMUNERATION TO SENIOR EXECUTIVES

Sdiptech's principles for remuneration to senior executives mean that remuneration to the CEO and others in executive management may comprise basic salary, variable remuneration, pension, other benefits and financial instruments. The guidelines for remuneration to senior executives resolved upon by the 2019 AGM and information about existing incentive programmes are presented in Note 6 of this annual report and are summarised below. The objective of the remuneration is to be competitive while also aligned with the shareholders' interests. Remuneration to executives shall consist of fixed and variable salary, the opportunity to participate in a long-term incentive programme and pension compensation. Combined, these components should create a well-balanced compensation package reflecting individual skills, responsibilities and performance, in both the short and long term, and also reflecting the Group's overall performance. Variable remuneration shall not exceed 50 percent of the fixed annual salary. Long-term variable remuneration in the form of shares and/or share-related instruments in the company shall be payable through participation in long-term incentive programmes adopted by the General Meeting. Such programmes are to be performance-based, require continued employment with the Group and require personal investment by participants.

The proposal of the Board of Directors to the 2020 AGM on guidelines for remuneration to senior executives means that the principles for remuneration to the CEO and other senior executives should remain unchanged compared to the principles described above.

OPERATIONAL GOVERNANCE

The Group's operating activities are performed within Sdipotech's subsidiaries. In all subsidiaries, active Board work is conducted under the leadership of the Business Area Managers. The subsidiaries' Boards follow the day-to-day operations and establish business plans. Operations are conducted in accordance with the rules, guidelines and policies adopted by Group Management and according to guidelines established by each subsidiary's Board of Directors. The Managing Directors of the subsidiaries are responsible for the performance of their respective companies and for ensuring growth and development in those companies. Within the Group, investment capital is distributed following decisions by the Board of Directors of Sdipotech's Parent Company in accordance with an annually updated investment policy. Operational governance is characterised by clear requirements set by Group Management and considerable freedom for each subsidiary to make decisions and act to achieve set targets.

DIVERSITY POLICY

The guidelines adopted by the Group's Board of Directors for business ethics (Code of Conduct) for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner, also contain guidelines on diversity. Sdipotech strives to ensure that employees in the Group shall be afforded equal opportunities for career development, training, remuneration, work content and employment conditions, regardless of gender. In cases where compensation gaps exist between men and women, we work actively to ensure that these are evened out. We also work to achieve a more uniform gender distribution in recruitment. We offer equal employment opportunities regardless of race, religion, gender, age, disability, family circumstances or sexual orientation. By participating in the recruitment work, the Group's operational management ensures that the Board's guidelines are complied with and developed. The Board considering the company's operations, phase of development and circumstances in general should have an appropriate composition characterised by versatility and breadth as regards the competencies, experience and background of the members elected by the general meeting of shareholders. A uniform gender distribution shall be strived for.

INTERNAL CONTROL

The internal control should ensure the company's strategies and targets are followed up and shareholders' investments are protected. It should aim to provide information to the stock market in accordance to be reliable, relevant and consistent with good accounting practices and to laws, regulations and other requirements listed companies are complied with throughout the Group. Sdipotech's Board of Directors has delegated the practical responsibility to the CEO who distributed responsibility to others in the management and to subsidiary managers. Control activities occur throughout the organisation at all levels. Follow-up is an integral part of the management's ongoing work. For the financial reporting

there are policies and guidelines as well as automatic controls in the systems as well as a manual reasonableness assessment of flows and amounts. Management regularly assesses the new financial risks and the risks of errors in the financial reporting. At each Board meeting, management reports on its assessment of existing risks and any other relevant issues regarding internal control. The Board may then call for further action if deemed necessary.

In addition, the Board analyzes Sdipotech's risk map at least one once a year, where significant risks, their consequences and governing documents and processes are summarized. The focus is on significant results and balance sheet items and areas where there is a risk that the consequences of any errors would be significant. It is the Board of Directors' opinion that an organisation of Sdipotech's scope in a decentralised organisation, in a defined geographical market, does not require a more extensive audit function in the form of an internal audit department. To secure a good capital market communication, the board has adopted an information policy. It specifies what is to be communicated, by whom and how. The basic premise is that regular financial information is provided in the form of:

- Press releases about significant events or price-sensitive events
- Interim reports, year-end reports and communiqués from Annual General Meetings
- Annual reports

Sdipotech's Board of Directors and company management work on the basis of openness and clarity to provide relevant and accurate information to the company's shareholders and the stock market.

NOMINATION COMMITTEE

The Nomination Committee's principal task is to propose Board members, the Chairman of the Board and auditors, as well as the fees to be paid to these individuals, in such a way that the AGM can make informed decisions. At the AGM 2019, the principles for the Nomination Committee's mandate were determined, and how the Committee shall be appointed. These shall apply until such time that a General Meeting resolves to amend them. This means that the Chairman of the Board was entrusted with the task of contacting the largest shareholders in terms of votes as of 31 August 2019, requesting them to appoint members, to form a Nomination Committee together with the Chairman of the Board. In accordance with this, a Nomination Committee has been appointed, consisting of:

- Saeid Esmaeilzadeh, chairman of the Nomination Committee
- Helen Fasth Gillstedt (representing Handelsbanken Fonder AB)
- Magnus Skåniger (representing Swedbank Robur Fonder)
- Jan Samuelson (Chairman of the Board)

The Nomination Committee's proposals and motives are published in connection with the notice of the AGM and are also made available on the company's website. The Nomination Committee's term of office extends until the appointment of a new Nomination Committee. No fees are payable for Nomination Committee work. Sdiptech's strategic direction and business and governance models are based, among other things, on a strong commitment from the company's principal shareholders. This approach permeates Sdiptech's corporate culture and has proved important for the successful development of the Group. The assessment of the Board of Directors and the Nomination Committee is that the majority of the Board Members are independent in relation to the company and its management and that at least three of the members are also independent in relation to the company's major shareholders.

INCENTIVE PROGRAMME

During the spring of 2018, a long-term incentive programme was introduced for managers and senior executives in the Group, according to a resolution of an Extraordinary General Meeting on 5 March 2018. The programme aims to increase motivation and create participation among managers and senior executives regarding the opportunities in the company's development. The programme also aims to motivate managers and senior executives to remain employed in the Group. The programme is based on warrants for Class B shares and is issued in three series. The programmes outstanding mean that shares can be subscribed for on three different occasions, deviating from existing shareholders' preferential rights, after three, four and five years from the time of issue. Each participant acquires a maximum number of warrants of each series. The number of warrants per participant and series depends on the participant's position in the Group on the initiation of the programme. In connection with the allocation of warrants to participants in the incentive programme, the company

reserves the right to repurchase warrants if the participant's employment or assignment within the Group ceases or if the participant, in turn, wishes to transfer the warrants before they can be exercised. The purpose of the incentive programme, and the reason for deviating from existing shareholders' preferential rights, is to create conditions for retaining and recruiting skilled personnel to the Group, increasing participants' motivation, company loyalty and shared interests with the company's shareholders, as well as promoting own share ownership in the company, thereby promoting shareholder value and the company's long-term value creation.

A complete description of the outstanding option programmes is provided in Note 6.

FINANCIAL INFORMATION

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CONSOLIDATED STATEMENT OF PROFIT

(SEK million)	Note	2019	2018
Continuing operations			
Net sales	4	1,825.4	1,496.2
Other operating income	5	82.9	58.2
Total income		1,908.3	1,554.4
Operating expenses			
Materials, contracting and subcontracting		-720.4	-664.2
Other external expenses	7	-219.3	-182.7
Personnel expenses	6	-610.8	-494.5
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	12, 13	-135.9	-69.7
Operating profit	4	221.8	143.3
Profit/loss from financial investments			
Financial income	8	16.9	2.6
Financial expenses	8	-29.7	-19.1
Profit after financial items		209.0	126.8
Tax on net profit for the year	9	-48.5	-29.5
Deferred tax	9	4.7	-0.5
Net profit/loss for the year from continuing operations		165.2	96.7
Discontinued operations:			
Net profit for the year from discontinued operations	24	-	77.0
Net profit for the year		165.2	173.7
Profit attributable to:			
Holders of participating interests in the parent company		161.4	125.7
Non-controlling interests		3.8	48.0
Earnings per share			
Number of ordinary shares at the end of the period (Millions)		30.3	30.3
Average number of ordinary shares (Millions)		30.3	30.3
Earnings per share for continuing operations before and after dilution, calculated on the profit attributable to parent company's shareholders during the year (expressed as SEK per share)		4.87	2.58
Earnings per share for discontinued operations before and after dilution, calculated on the profit attributable to the parent company's shareholders during the year (expressed as SEK per share)		-	2.08
Earnings per share including discontinued operations before and after dilution, calculated on the profit attributable to the parent company's shareholders during the year (expressed as SEK per share)		4.87	3.69

CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

(SEK million)	Note	2019	2018
Net profit for the year		165.2	173.7
Other comprehensive income for the year			
Components that will be reclassified to net profit for the year			
Translation differences for the year related to hedging instruments	15	1.1	-
Changes in accumulated translation differences		9.5	1.5
Total components that will be reclassified to net profit for the year		10.6	1.5
Comprehensive income for the year		175.8	175.2
Attributable to:			
The parent company's shareholders		171.9	127.3
Non-controlling interests		3.9	47.9
Total comprehensive income has arisen from			
- Continuing operations		175.8	98.2
- Discontinued operations		-	77.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (SEK million)	Note	2019-12-31	2018-12-31
NON-CURRENT ASSETS			
Intangible non-current assets			
Goodwill	10	1,870.1	1,451.9
Other intangible non-current assets	11	99.0	25.2
Property, plant and equipment			
Property, plant and equipment	12	137.6	108.2
Right-of-use assets	13	120.4	-
Financial assets			
Shares and other securities		0.3	0.3
Deferred tax asset	9	7.7	-
Other financial assets	15	6.0	1.6
TOTAL NON-CURRENT ASSETS		2,241.1	1,587.1
CURRENT ASSETS			
Inventories	16	117.1	96.4
Trade receivables	17	333.3	308.8
Current tax assets		25.4	18.2
Other receivables	26	45.8	62.4
Prepaid expenses and accrued income	18	66.8	55.3
Cash and cash equivalents	19	156.3	324.8
TOTAL CURRENT ASSETS		744.7	865.9
TOTAL ASSETS		2,985.8	2,453.0
Shareholders' equity and liabilities (SEK million)			
EQUITY			
Share capital	20	0.8	0.8
Other contributed capital		715.2	714.6
Provisions		0.9	11.5
Profit brought forward including net profit for the year		505.8	361.6
Total equity attributable to the parent company's shareholders		1,222.8	1,088.6
Non-controlling interests		35.8	32.7
TOTAL EQUITY		1,258.6	1,121.2
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	21	1,266.3	663.3
Deferred tax liabilities		15.4	13.4
Provisions		1.0	0.7
Total non-current liabilities		1,282.6	677.5
CURRENT LIABILITIES			
Current interest-bearing liabilities	21	66.2	355.0
Trade payables	15	123.9	108.7
Current tax liabilities		37.7	23.8
Other liabilities	15	84.4	71.3
Accrued expenses and deferred income	22	132.5	95.5
Total current liabilities		444.7	654.3
TOTAL LIABILITIES		1,727.3	1,331.8
TOTAL EQUITY AND LIABILITIES		2,985.8	2,453.0

Pledged assets, see Note 25.

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK million)	Note	2019	2018
Operating activities			
Profit after financial items	8	209.0	126.8
Adjustment for items not included in the cash flow		63.7	31.6
Taxes paid		-41.0	-45.7
Cash flow from operating activities before changes in working capital		231.7	112.7
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-13.6	-16.7
Increase (-)/decrease (+) in operating receivables		73.5	-37.6
Increase (-)/Decrease (+) in operating liabilities		21.1	30.2
Cash flow from operating activities		312.7	88.6
Investing activities			
Acquisition of subsidiaries	3	-547.1	-293.4
Sale of participations in Group companies		3.3	-
Purchase of intangible non-current assets	11	-12.0	-13.7
Purchase of property, plant and equipment	12-13	-45.8	-22.2
Disposal of financial assets		-	0.9
Cash flow from investing activities		-601.6	-328.4
Financing activities			
Issue of warrants, premiums received		0.6	2.0
Borrowings		239.4	331.3
Amortisation of loans		-65.7	-80.7
Amortisation of lease liability ¹		-42.3	-
Dividend paid		-15.1	-14.0
Cash flow from financing activities		116.9	238.6
Cash flow for the period from continuing operations		-172.0	-1.2
Cash flow for the period from discontinued operations		-	-4.4
Cash and cash equivalents at the beginning of the year		324.8	330.0
Exchange differences in cash and cash equivalents		3.5	0.4
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		156.3	324.8

¹Reclassification of amortisation of lease liabilities has occurred which implies a change compared with the published year-end report for 2019.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK million)	Equity attributable to the parent company's shareholders						
	Share capital	Other contributed capital	Provisions (Note 23)	Profit brought forward including net profit for the year	Total	Non-controlling interests	Total equity
Opening balance on 1 January 2018	0.8	712.6	0.8	259.0	973.2	33.2	1,006.4
Net profit for the year	-	-	-	125.7	125.7	48.0	173.7
Other comprehensive income for the year	-	-	1.6	-	1.6	-0.1	1.5
Comprehensive income for the year	-	-	1.6	125.7	127.3	47.9	175.2
Transactions with shareholders							
Option premium	-	2.0	-	-	2.0	-	2.0
Change in non-controlling interests	-	-	-	-	-	-0.3	-0.3
Acquisition of subsidiaries	-	-	-	-	-	1.1	1.1
Divestment of subsidiaries	-	-	-	-	-	-49.2	-49.2
Dividend paid to preference shareholders	-	-	-	-14.0	-14.0	-	-14.0
Dividend paid to non-controlling interests	-	-	-	-	-	-0.1	-0.1
Development reserve	-	-	9.1	-9.1	-	-	-
Total transactions with shareholders	-	2.0	9.1	-23.1	-12.0	-48.4	-60.4
Opening balance on 1 January 2019	0.8	714.6	11.5	361.6	1,088.5	32.7	1,121.2
Net profit for the year	-	-	-	161.4	161.4	3.8	165.2
Other comprehensive income for the year	-	-	-	10.5	10.5	0.1	10.6
Comprehensive income for the year	-	-	-	171.9	171.9	3.9	175.9
Transactions with shareholders							
Option premium	-	0.6	-	-	0.6	-	0.6
Change in non-controlling interests	-	-	-	-0.3	-0.3	0.3	-
Divestment of subsidiaries	-	-	-10.6	-13.4	-24.0	-	-24.0
Dividend paid to preference shareholders	-	-	-	-14.0	-14.0	-	-14.0
Dividend paid to non-controlling interests	-	-	-	-	-	-1.1	-1.1
Total transactions with shareholders	-	0.6	-10.6	-27.7	-37.7	-0.8	-38.5
Closing balance on 31 December 2018	0.8	715.2	0.9	505.8	1,222.7	35.8	1,258.5

PARENT COMPANY'S STATEMENT OF PROFIT

(SEK million)	Not	2019	2018
Net sales		8.2	3.8
Other operating income	5	2.0	1.8
Total income		10.2	5.6
Operating expenses			
Other external expenses	7, 8	-14.9	-11.1
Personnel expenses	6	-21.7	-16.6
Depreciation and amortisation of property, plant and equipment and intangible assets	12	-0.2	-0.2
Operating profit/loss		-26.5	-22.2
Profit/loss from financial investments	8		
Profit from participations in Group companies		5.0	65.1
Profit from participations in associated companies		25.8	-
Other interest income and similar profit/loss items		13.6	14.7
Interest expenses and similar profit/loss items		-2.8	-1.5
Profit after financial items		15.1	56.1
Group contributions received		28.1	50.3
Group contributions paid		-3.1	-
Tax on net profit for the year	9	-0.3	-
Net profit for the year as well as comprehensive income for the year		39.8	106.5

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

Assets (SEK million)	Note	2019-12-31	2018-12-31
NON-CURRENT ASSETS			
<i>Intangible non-current assets</i>			
Other intangible non-current assets	11	0.4	0.1
<i>Property, plant and equipment</i>			
Property, plant and equipment	12	0.2	-
<i>Financial assets</i>			
Participations in Group companies	14	82.5	512.0
Receivables from Group companies	27	960.7	476.5
Other non-current receivables	27	1.3	1.3
TOTAL NON-CURRENT ASSETS		1,045.0	989.9
CURRENT ASSETS			
Receivables from Group companies		61.5	61.7
Trade receivables	17	0.3	0.3
Other receivables	25	16.8	14.0
Prepaid expenses and accrued income	18	8.4	8.6
Cash and cash equivalents	19	223.0	124.8
TOTAL CURRENT ASSETS		310.0	209.5
TOTAL ASSETS		1,355.0	1,199.4
Shareholders' equity and liabilities (SEK million)	Note	2019-12-31	2018-12-31
EQUITY	20		
Share capital		0.8	0.8
Total restricted equity parent company		0.8	0.8
Share premium reserve		715.2	714.6
Profit brought forward including net profit for the year		217.7	191.8
Total non-restricted equity in the parent company		933.0	906.4
TOTAL EQUITY		933.8	907.2
NON-CURRENT LIABILITIES			
Liabilities to Group companies		106.2	81.0
Total non-current liabilities		106.2	81.0
CURRENT LIABILITIES			
Current interest-bearing liabilities		-	189.4
Trade payables		1.0	2.1
Liabilities to Group companies		308.3	15.6
Current tax liabilities		0.6	0.1
Other liabilities	26	1.8	1.7
Accrued expenses and deferred income	22	3.3	2.2
Total current liabilities		315.1	211.2
TOTAL LIABILITIES		421.3	292.2
TOTAL EQUITY AND LIABILITIES		1,355.0	1,199.4

PARENT COMPANY'S STATEMENT OF CASH FLOWS

(SEK million)	Note	2019	2018
Operating activities			
Profit after financial items		15.1	56.1
Adjustment for items not included in the cash flow		0.2	0.2
Taxes paid		0.2	0.1
Cash flow from operating activities before changes in working capital		15.5	56.4
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-33.0	2.5
Increase (-)/Decrease (+) in operating liabilities		58.4	91.3
Cash flow from operating activities		40.9	150.2
Investing activities			
Shareholders' contribution paid		-0.3	-176.9
Loans to subsidiaries		-	-208.0
Purchase of intangible non-current assets	11	-	0.1
Purchase of property, plant and equipment	12	-0.4	-
Cash flow from investing activities		-0.7	-384.8
Financing activities			
Issue of subscription warrants, premiums received		0.6	2.0
Borrowings		-	190.0
Amortisation of loans		-190.0	-
Loans from subsidiaries		261.1	-
Dividend paid		-14.0	-14.0
Cash flow from financing activities		57.7	178.0
Cash flow for the year		97.9	-56.5
Cash and cash equivalents at the beginning of the year		125.1	181.6
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		223.0	125.1

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

SEK million	Restricted equity		Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings including net profit for the year		
Opening balance on 1 January 2018	0.8	712.6	99.3		812.7
Net profit for the year	-	-	106.5		106.5
Total comprehensive income	-	-	106.5		106.5
Transactions with shareholders					
Dividend paid on preference shares	-	-	-14.0		-14.0
New issue	-	2.0	-		2.0
Opening balance on 1 January 2019	0.8	714.6	191.8		907.2
Net profit for the year	-	-	39.8		39.8
Total comprehensive income	-	-	39.8		39.8
Transactions with shareholders					
Option premium	-	0.6	-		0.6
Dividend paid on preference shares	-	-	-14.0		-14.0
Closing balance on 31 December 2019	0.8	715.3	217.7		933.8

NOTES

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. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups is applied.

The parent company applies the same accounting policies as the Group except in the instances described below in the section "Parent Company's accounting principles".

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires company management to make certain judgements in the process of applying the Group's accounting principles. Areas which involve a high degree of judgment, which are complex or such areas where assumptions and estimates are of considerable significance for the consolidated accounts, are specified in Note 2.

The annual accounts and the consolidated accounts were approved for publication by the Board of Directors and the CEO on 17 April 2020. The consolidated statement of profit and other comprehensive income and its statement of financial position as well as the Parent Company's income statement and balance sheet will be subject for adoption at the Annual General Meeting on 18 May 2019. The annual and consolidated accounts refer to the period 1 January-31 December for income 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 liabilities, which are measured at fair value.

Standards, amendments and interpretations which became effective in 2019

From 1 January 2019, the Group applies IFRS 16 Leases. As a consequence of this, the Group has amended its accounting principles for leases as follows. Sdiptech has opted to use the modified retrospective method, which means that identified leases are not restated retrospectively and thus comparative figures for periods before 2019 are not impacted.

The standard requires recognition of:

- right-of-use assets and
- lease liability, which represents the obligation to pay lease payments.

The standard has replaced IAS 17 Leases and related interpretations. The new standard means a uniform leasing model for both finance and operating leases compared to before when the operating leases did not require any recognition of assets and liabilities in the balance sheet.

The following exemptions were applied during the transition:

- The standard applies to all leases including contracts that were defined as leases under previous accounting rules.
- Exemptions are made for leases of less than 12 months (short-term leases)
- Exemptions are made for leases relating to assets, which have a low value.
- A single discount rate is applied to a portfolio of leases with similar characteristics

Leases previously classified as operating leases according to IAS 17.

At the transition, the lease liabilities were measured at the present value of the remaining lease payments, discounted by the Group's incremental borrowing rate on initial recognition (1 January 2019). Right-of-use assets were measured at the carrying amount as if IFRS 16 had been applied from the lease agreement's commencement date based on the incremental borrowing rate that applied on initial recognition.

Leases previously classified as finance leases

The transition to IFRS 16 has not made any difference for the Group's previous finance leases.

Effects on the balance sheet 1 January 2019 (SEK million)

For Sdiptech, the new standard implies an increase in right-of-use assets and lease liabilities in the balance sheet, which represents the value of the future asset and future payments, respectively. Recognised assets in the balance sheet related to leases amounted to SEK 101.0 million on 1 January 2019. Obligations for operating and finance leases in the 2018 Annual Report amounted to SEK 98.4 million. Differences between obligations for future lease payments and the opening lease liability as of 1 January 2019 are mainly due to the discount effect as well as short-term leases and lease assets that have a low value.

The effect of the new standard is an increase in the opening balances for rights-of-use assets and lease liabilities of approximately SEK 70 million, which largely refers to the expanded concept of leases compared to IAS 17. In the income statement, a change has occurred compared to previous accounting principles as costs previously booked as lease expenses are now recognised as depreciation and interest expense.

Effects on the balance sheet 1 January 2019 (SEK million)

Property, plant and equipment	30.9
Right-of-use assets	101.0
Deferred tax assets	0.4
Prepaid expense	-6.3
Equity	1.6
Non-current lease liabilities	-34.4
Current lease liabilities	-33.2
Accrued expense	1.8

When measuring the lease liability, the Group discounted the lease payments at the incremental borrowing rate as of 1 January 2019. The weighted average interest rate used is 2 percent.

In essence, the Group's assets covered by IFRS16 consist of leases for office premises as well as the vehicles and equipment used in the operations. The effect on Sdiptech's income statement for 2019 meant that operating profit improved by SEK 1 million, of which EBITDA improved by about SEK 42 million based on a full year estimate of existing leases as of 1 January 2018 for all companies in the Group on the balance sheet date.

New standards and interpretations that have not yet become effective

Other amended IFRSs that will start to apply in 2020 and subsequently are expected to have little or no effect on Sdiptech's financial reporting.

Consolidated accounts and business combinations**Subsidiaries**

Subsidiaries are companies which are controlled by Sdiptech AB. Control 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. In determining whether control exists, potential voting shares should be considered and also if de facto control exists.

The acquisition method is used for the accounting of the Group's acquisitions of subsidiaries. The acquisition cost consists of the fair value of assets provided as consideration, issued equity instruments and liabilities incurred or assumed at the transfer date. Subsidiaries are included in the consolidated accounts from and including the month when control is transferred to the Group. They are deconsolidated from and including the month when that control ceases.

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value on 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 in the identifiable acquired assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of acquisition is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognised directly through profit or loss.

An adjustment of conditional considerations in subsequent periods is recognised through profit or loss.

Inter-company transactions and balance sheet items, as well as unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated, but possible losses are considered as an indication that an impairment requirement may exist.

When a subsidiary is acquired and the former owners remain as minority owners, the agreement contains, in some cases, an option that gives the minority owner the right to sell the remaining holdings, and Sdiptech the possibility to purchase, at a later date. In these cases, no non-controlling interest is reported, but instead a financial liability is recognised. Liabilities are recognised 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 chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments' results. In the Group, this function has been identified as the Group Management, which makes strategic decisions.

As of January 2019, the company has divided its operations into three new business areas: Water & Energy, Special Infrastructure Solutions and Property Technical Services, with the aim of providing a clearer view of the markets in which the Group's units operate.

Foreign currency translation**Functional currency and presentation currency**

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

Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rates prevailing on the transaction date. Exchange gains and losses arising on settlement of such transactions and on translation of monetary assets and liabilities in foreign currency at the closing day rate, are recognised in profit or loss. Exchange differences on lending and borrowing are recognised in net financial items, while other exchange differences are included in operating profit.

Group companies

For all Group companies (of which none have a high inflation currency as functional currency) whose earnings and financial position are in a functional currency other than the presentation currency, amounts are translated to the Group's presentation currency as follows:

Assets and liabilities for each of the balance sheets are translated at the closing day rate. Revenue and costs for each and every income statement are translated at the average exchange rate.

All exchange differences arising are recognised in other comprehensive income as a separate component of equity. On divestment of a foreign operation, in part or entirely, the exchange differences recognised in equity are transferred to profit or loss and are recognised as a component of the capital gain/loss.

Goodwill and fair value adjustments that arise in connection with the acquisition of a foreign operation are treated as assets and liabilities in the particular operation and are translated at the closing day rate.

Cash flow statement

The cash flow statement was prepared in accordance with the indirect method. The recognised cash flow only includes transactions that involve incoming or outgoing payments. Cash and cash equivalents in the statement of cash flows correspond with the definition of cash and cash equivalents in the balance sheet.

Intangible assets

Goodwill consists of the amount by which the consolidated acquisition value of shares in the acquired subsidiaries exceeds the fair value of the carrying amount of the company's net assets in the acquisition analysis at the date of acquisition. Goodwill is recognised in the consolidated balance sheet, at the value determined at the date of acquisition. The carrying amount is assessed at least once a year for a possible write-down requirement.

Impairment of goodwill is not reversed. Profit or loss on disposal of an entity includes the remaining carrying amount of the goodwill that relates to the divested entity.

Other intangible non-current assets are recognised if the likely future economic rewards that can be attributed to the asset will accrue to the Group, and that the cost of the asset can be calculated in a reliable way. Intangible non-current assets have a limited useful life. These assets are recognised at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment

Equipment, tools, fixtures and fittings are recognised at cost less depreciation. Historical cost includes expenditure which can be directly attributable to the acquisition of the asset.

Office- and industrial buildings are recognised at cost less depreciation and any impairment losses.

Additional expenditure is added to the asset's carrying amount or is recognised as a separate asset, depending on what is appropriate, only if it is probable that the future economic benefits associated with the asset will accrue to the Group and that the cost of the asset can be measured in a reliable manner. The carrying amount for the replaced portion is derecognised. All other forms of repair and maintenance expenditure are expensed in the income statement during the period in which such expenditure arises.

For other assets, the cost of acquisition is depreciated over the estimated useful life, which for the Group gives the following average depreciation periods:

Equipment, tools, fixtures and fittings	3-10 years
Office- and industrial buildings that are used in the operations	25-50 years

Gains and losses on disposal are determined by a comparison between the sales revenue and the carrying amount and are recognised in other operating income and other operating expenses, respectively, in the income statement.

Leases

Principles applied as from 1 January 2019

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement assigns the right to decide for a certain period on the use of an identified asset in exchange for consideration. At the beginning of the lease or when reviewing a lease containing several components – lease and non-lease components, the Group allocates the consideration according to the agreement to each component based on the stand-alone price. In cases where the components cannot be separated, they are recognised as a single lease component.

Leases where the Group is the lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which consists of the initial value of the lease liability with the addition of lease payments paid on or before the commencement date plus any initial direct expenditure. The right-of-use asset is depreciated on a straight-line basis from the commencement date until the earlier of the end of the asset's useful life and the end of the lease term, which for the Group is normally the end of the lease term. In cases where the cost of the right-of-use reflects that the Group will exercise an option to purchase the underlying asset, the asset is written off by the end of the useful life.

The lease liability – which is divided into non-current and current components – is initially measured at the present value of the remaining lease payments during the estimated lease term. The lease term is the non-cancellable period with the addition of additional periods in the agreement if at the commencement

date it is deemed reasonably certain that these will be used. Lease payments are discounted by the Group's incremental borrowing rate, which reflects the Group's credit risk. The incremental borrowing rate is 2 percent.

The lease liability comprises the present value of the following payments during the estimated lease term.

- fixed fees, including in-substance fixed lease payments,
- any residual value guarantees that are expected to be paid,
- the exercise price of a call option that the Group is reasonably certain to exercise and
- penalty fees payable upon cancellation of the lease agreement if the estimated lease term reflects that such cancellation will occur.

The value of the liability is increased by the interest expense for each period and reduced by amortisations. The interest expense is calculated as the value of the liability times the discount rate.

For leases that have a lease term of 12 months or less or with an underlying asset of low value, less than SEK 50,000, no rights of use and lease liability are reported. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has variable lease payments primarily relating to leases for office premises which are indexed. The lease liability for the Group's premises with rent that is indexed is calculated on the rent that applies at the end of each reporting period.

For impairment testing, see heading Impairment of non-financial assets in Note 1.

Leases where the Group is lessor

In the Group, there are two companies which have agreements for letting of part of an office premises, of which one expires during 2020 without extension. Otherwise, no significant agreements have been identified where the Group is considered to be a lessor.

Principles applied until 31 December 2018

Until 31 December 2018, IAS 17 was applied for leases: Leases were classified either as finance or operating leases.

Finance leases - Leases where essentially all of the economic risks and rewards associated with ownership have been transferred to the lessee were classified as finance leases. As a finance lease, the asset was recognised as a non-current asset in the Group's statement of financial position and was initially measured at the lower of the lease item's fair value and the present value of the minimum lease payments at the time of entering the agreement. The corresponding obligation of future lease payments was recognised as a current and non-current liability. The leased assets were written off over each asset's useful life, while the lease payments were recognised as interest and amortisation of the liabilities. The Group's finance leases mainly related to cars.

Operating leases – Leases where essentially all of the economic risks and rewards associated with ownership have been transferred to the lessee were classified as operating leases. Expenses related to operating leases were recognised on a straight-line basis in profit or loss over the lease term. Benefits received in connection with the signing of a lease were recognised in profit or loss as a decrease in the lease payments on a straight-line basis over the lease term. Variable fees were expensed in the periods in which they arise. The Group's operating leases mainly related to rental of premises.

Impairment losses

Property, plant and equipment and such intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash generating units). For items of property, plant and equipment and intangible assets, which have previously been written down, a test is performed on each reporting date for possible reversal. However, goodwill is not tested for reversal.

For intangible assets with indeterminable useful lives, impairment testing is performed annually.

Inventories

Inventories have been measured at the lower of cost and net realisable value. Inventories are reported in accordance with the first-in, first-out principle.

Current employee benefits

Current employee benefits are calculated without discounting and are recognised as a cost when the related services are received.

Financial instruments

Financial instruments recognised in the consolidated balance sheet comprise, on the asset side, shares and participations measured at fair value, trade receivables, investments in securities and cash and cash equivalents. On the liability side, there are loan liabilities, conditional considerations, other current liabilities and trade payables.

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual terms and conditions of the instrument. Trade receivables and trade payables are carried in the balance sheet when an invoice has been sent and received, respectively. A financial asset or part thereof is derecognised when the contractual rights to cash flows cease. A financial liability or part thereof is derecognised when the obligation in the agreement is fulfilled or is otherwise extinguished. A financial asset and a financial liability are offset and recognised as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended to offset the items.

On initial recognition, a financial asset or financial liability is measured at fair value plus, in the case of financial instruments that are not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

Classification and measurement

Financial instruments are classified into different categories. Financial assets are classified based on the company's business model for the management of the financial assets and the characteristic features of the contractual cash flows from the financial asset.

Financial instruments are initially recognised at the cost of acquisition corresponding to the fair value of the instrument plus transaction costs for all financial instruments, apart from financial assets and liabilities that are recognised at fair value via profit or loss, which are recognised at fair value excluding transaction costs.

The Group's classification of financial instruments is as follows:

Financial investments are classified as either non-current assets or investments in securities depending on the purpose of the holding. If the term or the expected holding period is more than one year, they are classified as financial assets.

Financial assets measured at fair value through profit or loss

The Group's financial assets measured at fair value through profit or loss refer to participations in subscription rights in Sicada AB.

Financial assets measured at amortised cost

This category mainly comprises trade receivables, other current receivables, and cash and cash equivalents. The assets are recognised at amortised cost less any provision for impairment losses. Amounts are not discounted when it has no material effect.

This category also includes financial investments and non-current receivables held within a business model that can be described as "held to maturity", which means receiving the contractual cash flows from the financial assets. The contractual cash flows from all receivables in the category financial assets measured at amortised cost are considered to be only payments of capital amounts and interest on the outstanding capital amount.

A loss provision is recognised for all financial assets measured at amortised cost. For all of these financial assets, with the exception of trade receivables, the loss provision is calculated as corresponding to 12 months' expected credit losses or, if the credit risk has increased significantly since the first reporting date, corresponding to the expected credit losses for the remaining term. The assessment is made on each balance sheet date.

For trade receivables, a simplified method is applied whereby a loss provision is booked corresponding to the expected credit losses for the remaining term. Deductions for doubtful receivables are assessed individually with an additional provision for trade receivables that have not matured. This loss provision is based on historical credit losses and is calculated and evaluated annually to take account of the current situation and future forecasts.

For accounting principles regarding impairment of financial assets, see Note 15.

Financial assets measured at fair value through other comprehensive income

At present, Sdiptech has no financial assets attributable to a business model in this category.

Financial liabilities measured at fair value through profit or loss

Liabilities for contingent considerations arising in business combinations are measured at fair value through profit or loss, and also include put options, which require Group companies to commit to purchasing their own equity instruments, by paying a cash sum corresponding to the fair value of the equity instrument. The measurement of these items pertain to Level 3 of the valuation hierarchy, where the measurement is based on the operations' expected future financial performance, which has been estimated by the company management.

Financial liabilities measured at amortised cost

This category includes all financial liabilities other than those measured at fair value through profit or loss. Loans, trade payables and certain other operating liabilities are included in this category. Borrowing is recognised at amortised cost and any difference between the borrowing amount (net after transaction costs) and the repayment amount is recognised in net profit for the year, allocated over the term of the loan using the effective interest method. Borrowing is classified as current liabilities if the loans falls due for payment within 12 months of the balance sheet date. Since the maturity of trade payables is short, their value is recognised at the nominal amount without discounting.

Hedge accounting

Hedging instruments are initially recognised at fair value. Hedging instruments held for hedging consist of part of the Group's bank loans in foreign currency, consisting of loans in GBP and NOK, as hedging of equity in subsidiaries in foreign currency. The loans are translated at the closing day rate and changes in exchange rates are recognised in other comprehensive income and the accumulated exchange rate fluctuations are accumulated in the translation difference in equity.

In order to fulfil the requirements for hedge accounting, it is necessary to have a clear link to the hedged item, that the hedge effectively protects the hedged item, that hedging documentation has been prepared and that the effectiveness can be measured.

Since the raising of the underlying bank loan, the Swedish krona has weakened against the British pound but strengthened against the Norwegian krone. The effect has been that the underlying loans have increased as a result of current exchange rates by SEK 1.1 million. As the currency effect is recognised in other comprehensive income, the effect on the Group's net financial items for the 2019 financial year was SEK 1.1 million in positive net financial items.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash and bank balances and other investments in securities with a remaining maturity of three months or less from the date of acquisition.

Share capital

Ordinary shares are classified as equity. Transaction costs which can be directly attributed to an issue of new shares are recognised in equity as a deduction from the proceeds of the issue. Transaction costs are recognised less the tax effect. Preference shares are classified as equity. Sdiptech has the opportunity to decide on redemption of preference shares. Dividends to preference shares require AGM resolutions. The holders of the preference shares have no right to call for redemption or demand a dividend.

Current and deferred tax

The current tax expense is calculated on the basis of the tax rules enacted or in practice enacted on the balance sheet date. Management regularly evaluates the claims made in tax returns regarding situations where applicable tax rules are subject to interpretation and, when deemed appropriate, makes provisions for amounts likely to be paid to the tax authorities.

Deferred income tax is recognised in its entirety, according to the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognised if it arises as a result of a transaction which constitutes the initial recognition of an asset or liability, which is not a business combination and which, at the time of the transaction, does not affect the recognised or taxable profit. Deferred income tax is calculated on the basis of tax rates (and laws) that have been enacted or which were announced on the balance sheet date or that are expected to apply when the deferred tax asset concerned is realised or the deferred tax liability is settled. Deferred tax assets are recognised insofar as it is likely that future taxable surpluses will be available against which the temporary differences and tax loss carryforwards may be utilised.

Remuneration to employees

Pension obligations

For defined contribution plans, the Group pays contributions to public or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group does not have any further payment obligations once the contributions have been paid. Fees are recognised as personnel costs when

the related services are received. Prepaid fees are recognised when an invoice has been received, but the fees refer to a later period.

Remuneration upon termination of employment

Compensation on termination of employment is payable when an employee's position has been terminated by Sdiptech before the normal retirement date or when an employee accepts voluntary retirement in exchange for such compensation. Sdiptech recognises termination benefits when the Group is demonstrably obliged either to give notice to employees according to a detailed formal plan without the possibility of retraction, or to provide compensation in the event of termination as a result of an offer made to encourage voluntary redundancy. Benefits which are due more than 12 months after the balance sheet date are discounted to present value.

Revenue

The Group's revenue consists of the sale of goods and services. Revenue is measured based on the remuneration specified in the agreement with the customer. The Group recognises revenue when the Group fulfils a performance obligation, which is when a promised product or service is delivered to the customer and the customer assumes control of the product or service.

Control of a performance obligation can be transferred over time or at a point in time. Revenue is the amount that the company expects to receive as remuneration for goods or services transferred. In order for the Group to report revenue from agreements with customers, customer agreements are analysed in accordance with:

- An agreement. An agreement between at least two parties where there is a right and an obligation.
- Performance obligation: An agreement contains promises to transfer goods or services to the customer (performance obligations). All obligations that can be distinguished in character must be recognised separately.
- Transaction price. The transaction price is what is expected to be received in exchange for the promised goods or services adjusted for variable parts such as any discounts.
- Allocation. If the obligation contains different obligations, the transaction price should be allocated to individual goods or services.
- Fulfilment and recognition of revenue. Recognition can occur either over time or at a point in time. The amount recognised as revenue is the amount that the company has previously allocated to the current obligation.

The Group's sales mainly consist of installations and sales of products. Most of the Group's companies also have shorter and longer service agreements that are recognised over time. For ongoing assignments at a fixed price, in accordance with the principle of recognition over time, the revenue and the expenses attributable to the assignment are recognised as revenue and expense in relation to the assignment's degree of completion on the closing day.

Within the Group, payment terms generally vary between 30 and 120 days with an average of 63 days, which is in line with previous years.

Assignment revenue

The assignments are essentially project agreements where the Group delivers and installs products in the form of projects. The assignments are considered to constitute a combined performance obligation as each product is not distinct within the scope of the agreements. The transaction price normally consists of fixed amounts. Control of performance obligations is considered to be transferred to the customer over time, with the result that revenue is also recognised over time.

An assignment's degree of completion is determined by comparing the costs incurred on the closing day with the estimated total expenditure. In cases where the outcome of an assignment cannot be measured reliably, revenue is reported only to the extent that corresponds to the assignment expenditure that is likely to be recoverable from the customer. A suspected loss on an assignment is immediately recognised as an expense.

Service agreements

Several of the Group's subsidiaries sign maintenance contracts with customers, in which the companies perform continuous services such as preventive checks and certain ongoing maintenance work. Revenue from these agreements is recognised on a straight-line basis over the contractual period.

Sale of products

Sales largely consist of proprietary products. Usually, rights and obligations arise when the customer places an order. The time from order to delivered item is normally short. Each separate product in the order is considered to be a separate performance obligation. The transaction price in each agreement with the customer usually consists of fixed amounts. Revenue is recognised on one occasion because the conditions for transfer of control over time are not met. The Group considers that control is transferred upon completed delivery in accordance with applicable delivery terms.

Materials, contracting and subcontracting

Materials, contracting and subcontracting relate to direct costs for the goods or services delivered.

Financial income and expenses

Financial income consists mainly of interest income on bank funds, and financial expenses consist mainly of interest expenses on loans.

Financial items are also impacted by exchange differences, of which the majority relate to remeasurement of internal receivables and liabilities.

Dividends

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

Group contributions and shareholders' contributions

Group contributions received are recognised in legal entities as dividends and group contributions paid are recognised as

investments in shares in subsidiaries, or where nothing of value is added as an impairment loss on the shares via profit and loss. Shareholders' contributions are recognised directly in equity in the case of the receiver and capitalised in shares and participations by the grantor, to the extent that impairment is not required.

Parent Company's accounting principles

The parent company's Annual Report has been prepared in accordance with the Annual Accounts Act (ARL) and RFR 2 Accounting for Legal Entities. RFR 2 means that the parent company in the annual accounts for the legal entity should apply all International Financial Reporting Standards and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act, and taking into account the connection between recognition and taxation. The recommendation sets out which exceptions and additions are to be made from IFRS.

The differences between the accounting principles of the parent company and the Group

The parent company does not apply IFRS 16 Leases in accordance with the exception contained in RFR 2. As a lessee, lease payments are recognised as an expense on a straight-line basis over the lease term, and thus rights of use and lease liabilities are not recognised in the balance sheet.

The parent company has opted not to apply IFRS 9 for financial instruments. However, some of the principles in IFRS 9 are still applicable – such as for impairment losses. In the parent company, financial assets are measured at cost less any impairment losses and financial current assets according to the lowest value principle.

New standards and interpretations not yet effective

No material differences were noted.

Format of income statement and balance sheet

The parent company uses the format stated in the Annual Accounts Act, which, for example, entails a different presentation of shareholders' equity. The Parent Company has other terms in the accounts than the Group.

Subsidiaries

Participations in subsidiaries are recognised 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 includes costs that are directly attributable to the acquisition. Received dividends are only recognised as revenue provided that they were earned after the acquisition. Dividends which exceed this earned profit are treated as a repayment of the investment and reduce the carrying amount of the participation.

NOTE 2 CRITICAL ESTIMATES AND JUDGMENTS IN APPLICATION OF THE GROUP'S ACCOUNTING PRINCIPLES

In order to prepare the financial statements in accordance with generally accepted accounting principles, the company

management and Board of Directors must make judgements and assumptions that affect the recognised revenue and cost items, assets and liability items as well as other disclosures. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that appear reasonable under the existing circumstances. Actual outcomes may differ from the 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:

Impairment testing of goodwill

Koncernledningens Group Management regularly considers whether an impairment need exists for goodwill in accordance with the accounting principles that are described under "Impairment of non-financial assets".

Recoverable amounts for cash-generating units have been determined by estimation of the value in use. The assumptions and assessments that are made in relation to expected cash flows and discount rate in the form of weighted average cost of capital as well as a sensitivity analysis are described in Note 11. Forecasts for future cash flows are based on the best possible assessments of future revenue and operating expenses.

Measurement of acquisition related liabilities

In the case of business combinations, components of the purchase price are usually linked to the acquired company's financial results for a period of time after the acquisition. The book value of the liabilities to sellers in the form of conditional considerations will be affected both positively and negatively as a result of assessments of each company's financial results during the remaining earnout period.

NOTE 3 BUSINESS COMBINATIONS

Preliminary acquisition analyses 2019

Acquired assets	Red Speed International Ltd*	Water Product Treatment Ltd*	Gvir Servis Dizala d.o.o.*	Cryptify AB*	Auger Site Investigations*
Intangible non-current assets	–	6.8	–	24.0	47.6
Property, plant and equipment	13.6	27.3	–	–	20.5
Trade receivables	5.5	18.9	–	1.4	20.8
Stock and work in progress	2.6	11.9	–	–	–
Cash and cash equivalents	23.7	89.4	–	7.8	15.9
Other current assets	2.8	1.2	–	0.2	52.4
Deferred tax liability	–0.6	–	–	–	–
Current tax liability	–	–	–	–1.4	–7.5
Other current liabilities	–7.2	–25.3	–4.2	–4.2	–13.1
Net identifiable assets and liabilities	40.4	130.2	–4.2	27.8	136.6
Consolidated goodwill	93.8	177.5	8.5	47.7	183.7
Transferred consideration	134.2	307.7	4.3	75.5	320.3
Transferred consideration					
Cash and cash equivalents	115.5	217.5	4.3	49.8	222.7
Contingent consideration	18.7	90.2	–	25.7	97.6
Total transferred consideration	134.2	307.7	4.3	75.5	320.3
Liquidity impact on the Group					
Acquired cash and cash equivalents	23.7	89.4	–	7.8	15.9
Transferred consideration	–115.5	–217.5	–4.3	–49.8	–222.7
Total liquidity impact**	–91.8	–128.1	–4.3	–42.0	–206.8
Other information***					
EBITA run rate	19.3	30.2	–	7.3	35.0

*The acquisition analysis is preliminary. The acquisition analysis is kept open for 12 months from the date of acquisition with the aim of verifying that no unconsidered differences between fair value and book value existed in the balances on the takeover date.

** Total liquidity impact deviates from the "Consolidated statement of cash flows" as the company has had payments attributable to previous acquisitions.

*** Run rate is based on local accounting from 1 January 2019 until each company's takeover date, calculated using reported figures to the Group from the takeover date until 31 December 2019. For foreign acquisitions, the result has been recalculated based on the rate on 31 December 2019.

Accounting of acquisitions

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 holdings are recognised a controlling influence and a financial liability are recognised instead. Most acquisitions also include a part of the purchase price that is connected to the acquired company's financial performance over a certain period after the acquisition, normally five years. Both the contingent consideration and the redemption of shares comprising the above-described option agreements are recognised at the present value of the expected outflow and are recognised in the balance sheet as an interest-bearing liability.

When preparing acquisition analyses, an examination occurs of whether there are any differences between the fair value of assets and liabilities and the values that are carried in the acquired company's accounts. The analysis has among other things examined if there are any:

- technology related assets
- patents and licence rights
- advantageous lease contracts
- contingent liabilities
- customer relations
- order books and work in progress
- tax-loss carryforwards

To some extent, a sufficient difference was demonstrated for the acquisitions made during the year, between the compensation paid and the acquired net assets to meet the requirements for separability and measurability, for most of the difference to be recognised as goodwill. This goodwill is attributable to the relevant companies' favourable conditions for continued growth combined with strong cash flows.

The values allocated to intangible non-current assets in respect of the year's acquisitions are:

- technology SEK 52.6 million
- trademarks/customer relations SEK 25.8 million

The amortisation period is governed by an assessment of the useful life attributable to each asset. Trademarks/customer relations are amortised over a period of 5-25 years and technology is amortised over a period of 7-10 years. Annual estimated amortisation for intangible non-current assets for the year's acquisitions amounts to approximately SEK 7.5 million.

Acquisition-related expenditures are recognised as costs at the rate they are incurred. Historically, subsidiaries within the Group's Support operations have primarily been contracted to provide advice in connection with business combinations. The Support operations were divested 2018, but cooperation continued to some extent during 2019 at the same time as the Group's internal acquisition team was established. External advisers were engaged to a limited extent with regard to commercial and financial due diligence and examination of annual accounts in connection with takeover of companies. External

advisory services, in addition to remuneration to the former Support operations, of about SEK 7 million (3 million) in total were charged to earnings in respect of acquisitions completed in 2019.

Acquisitions 2019

Under 2019 total of four acquisitions of businesses were completed during the financial year.

On 24 January 2019, Sdiptech AB completed the acquisition all of the shares in RedSpeed International Ltd. The company is a leading provider of solutions for road safety, manufacture and servicing of digital cameras for speed and traffic monitoring. The main focus is on the UK market where the company has a strong market share, and in the EU. The company generates annual sales of about GBP 5.6 million and operating profit of about GBP 1.6 million. Only goodwill has been identified in the acquisition analysis, mainly attributable to synergies and other intangible assets that do not meet the criteria for separate accounting. On the acquisition date, the company was valued at GBP 10.6 million, part of which was paid on the takeover date. The final purchase price, which is settled at the end of an earnout period, will be between GBP 9.1 and 12.1 million, depending on the company's earnings trend during the earnout period.

On 18 February 2019, Sdiptech completed the acquisition of all shares in Water Treatment Products Limited and their holding company Water Treatment Products Holding Limited. Water Treatment Products is a leading company within preparation and manufacture of chemical products for water treatment in the UK. The company generates annual sales of about GBP 9.4 million and operating profit of about GBP 2.5 million. Intangible assets in the form of technology have been reported separately in the acquisition analysis. The remaining goodwill is mainly attributable to synergies and other intangible assets that do not meet the criteria for separate accounting. In connection with the acquisition, the company was valued at GBP 15.9 million, of which GBP 10.3 million was paid on the takeover date. The final purchase price, which is settled at the end of an earnout period that spans four years, will be between GBP 10.3 and 23.1 million, depending on the company's earnings trend during the earnout period.

On 31 May 2019, Sdiptech acquired all of the shares in Cryptify AB. Cryptify is a Swedish software products company, which offers solutions for secure communication, primarily in Sweden and the UK. The company generates annual sales of about SEK 14 million and operating profit of about SEK 6 million. Intangible assets in the form of technology have been reported separately in the acquisition analysis. The remaining goodwill is mainly attributable to synergies and other intangible assets that do not meet the criteria for separate accounting. In connection with the acquisition, a purchase price of SEK 45 million was paid. The final purchase price, which is settled at the end of an earnout period of five years, will be between SEK 45 and 97 million, depending on the company's earnings trend during the earnout period.

On 28 August 2019, all shares were acquired in Auger Site Investigation Ltd. They are specialised in handling claims relating to underground infrastructure, e.g. drainage, sewerage and water mains. Customers are found in the insurance industry in the UK. The company generates annual sales of about GBP 12.5 million and pre-tax operating profit of about GBP 2.9 million. Intangible assets in the form of trademarks and technology have been reported separately in the acquisition analysis. The remaining goodwill is mainly attributable to synergies and other intangible assets that do not meet the criteria for separate accounting. In connection with the acquisition, the company was valued at GBP 19.0 million, of which GBP 13.3 million was paid on the takeover date. The final purchase price, which is settled at the end of an earnout period that spans four years, will be between GBP 13.3 and 24.7 million, depending on the company's earnings trend during the earnout period.

Estimated consideration for the businesses acquired during the financial year amounted to SEK 842.0 million. This amount includes estimated contingent consideration of SEK 232.2 million, which represents 62.4 percent of the maximum outcome. The outcome of the contingent considerations is dependent on the net result achieved in the companies in relation to a reference profit based on the company's profit at the time of acquisition with a specified ceiling. The timeline is one to five years.

The transaction cost for the four acquisitions completed during the financial year amounted to approximately SEK 31.9 million and is included in the item other external costs in the income statement.

As a result of the acquisitions during the financial year, goodwill in the Group increased by SEK 511.2 on the balance sheet date and other intangible non-current assets by SEK 78.4 million and mainly related to proprietary products. Other non-current assets increased by SEK 61.4 million.

The effect of the completed acquisitions on consolidated sales during the financial year was SEK 244.3 million and the effect on profit before tax was SEK 64.6 million.

During the year, payment of contingent consideration was made of SEK 72.7 million relating to older acquisitions.

Divestments 2019

In February 2019, the subsidiary AVA Monitoring was divested. The company was acquired on 5 July 2017.

The reversal of the acquisition will be executed by Sdiptech receiving a refund of the cash purchase consideration paid in connection with the acquisition of AVA Monitoring in July 2017, approx. SEK 21.5 million. Sdiptech's outstanding liabilities to the sellers of AVA Monitoring, totalling SEK 72 million are written off, including the reserved liability for future payment of contingent consideration. The booked goodwill asset of SEK 71 million that arose in connection with the acquisition has also been written off. Finally, a cash payment of approximately SEK 2 million was received.

Net assets of acquired companies at the time of acquisition (SEK million)

	2019	2018
Net identifiable assets/liabilities	330.8	161.5
Goodwill	511.2	433.8
Estimated consideration	842.0	595.4

Cash flow effect (SEK million)

	2019	2018
Cash and cash equivalents in the acquired operations	136.8	96.9
Transferred consideration	-609.8	-382.4
Impact on the Group's cash and cash equivalents from acquisitions during the year	-473.0	-285.4
Adjustment of estimated contingent consideration in older acquisitions	-1.4	-2.2
Considerations paid	-72.7	-5.8
Cash flow related to investments in businesses	-547.1	-293.4

Distribution of intangible assets in connection with acquisitions (SEK million)

	2019	2018
Goodwill	511.2	433.8
Other intangible assets	78.4	4.9
Total intangible assets via acquisitions	589.6	438.7

Contribution of the acquired units to consolidated sales and earnings (SEK million)

	2019	2018
Sales	244.3	301.1
Profit contribution before acquisition costs	64.6	20.9
Transaction costs	-31.9	-21.1
Profit contribution before tax after transaction costs	32.7	-0.2

During the financial year, an adjustment of preliminary acquisition analyses was made of SEK -18.3 million (-25.5). Adjustment of older acquisitions refers to adjustments regarding acquisitions within 12 months from the date of acquisition, but where the acquisition took place during the preceding financial year.

Takeover balances have also been adjusted at Red Speed International Ltd and Water Treatment Products Ltd, which affected current liabilities by SEK -30 million and consolidated goodwill by SEK 30 million.

Measurement technique contingent considerations

At each reporting period after the acquisition date, Management makes an assessment of the recognised contingent consideration. This measurement is made based on historical outcomes, forecasts for the current and next years, which are extrapolated over the term of the contingent consideration. In addition to financial data, information is included that is expected to materially affect the contingent consideration, regardless of whether this relates to the impact of the macro or micro environment. Expected growth is assumed to be 6 percent within the remaining term per agreed purchase price. During the assessment, a sensitivity analysis of -2% to

+ 10% in growth is also considered. If necessary, adjustments are made to the recognised contingent considerations. The adjustment is made over profit or loss. Present value

calculation and discounting of debt relating to future payments occurs at the end of the financial year.

Acquisition analyses 2018

	Central- montage i Nyköping AB*	Storadio Aero AB*	Optyma Security Systems Limited*	Multitech Site Services Limited*	KSS Klimat- & Styrsys- tem AB*	Rogaland Industri Automasjon AS*	Vera Klippan AB*	Pure Water Scandinavia AB*
Acquired assets								
Intangible non-current assets	–	–	–	–	–	–	3.5	1.4
Property, plant and equipment	0.2	0.6	4.3	7.5	1.4	0.3	7.5	0.1
Other non-current assets	–	–	–	–	11.6	–	–	–
Trade receivables	4.4	2.3	12.9	31.8	10.0	7.9	2.9	5.6
Stock and work in progress	1.6	–	1.1	2.3	–	3.4	4.7	3.0
Cash and cash equivalents	3.0	0.6	9.7	23.3	43.1	10.1	0.7	6.4
Other current assets	–	11.7	0.1	–	3.2	0.3	0.2	0.7
Deferred tax liability	–0.2	–0.6	–0.5	–1.1	–1.4	–	–	–0.5
Current tax liability	–0.4	–	–	–6.5	–3.2	–1.4	–0.1	–0.7
Other current liabilities	–6.1	–4.7	–6.6	–12.3	–20.4	–6.5	–2.4	–7.1
Minority interest	–	–	–	–	–	–1.1	–	–
Net identifiable assets and liabilities	2.3	9.8	21.1	45.1	44.3	13.0	17.0	8.9
Consolidated goodwill	19.6	29.1	39.2	98.6	148.3	52.9	3.0	43.1
Transferred consideration	21.9	38.9	60.3	143.8	192.6	65.9	20.0	52.0
Transferred consideration								
Cash and cash equivalents	12.3	27.6	54.8	101.2	109.2	41.2	11.0	25.0
Contingent consideration	9.6	11.3	5.5	42.6	83.4	24.7	9.0	27.0
Total transferred consideration	21.9	38.9	60.3	143.8	192.6	65.9	20.0	52.0
Liquidity impact on the Group								
Acquired cash and cash equivalents	3.0	0.6	9.7	23.3	43.1	10.1	0.7	6.4
Transferred consideration	–12.3	–27.6	–54.8	–101.2	–109.2	–41.2	–11.0	–25.0
Total liquidity impact	–9.3	–27.1	–45.1	–77.8	–66.1	–31.1	–10.3	–18.6

On 3 January, the acquisition of Centralmontage i Nyköping AB was completed. An agreement to acquire the company was originally signed and announced on 7 December 2017. Centralmontage manufactures customised switching centres for large parts of society, including traffic networks, properties and industries. Based on the past 12 months, net sales amount to approximately SEK 36 million. The company was valued at SEK 20 million at the takeover, and the total purchase price including future results-based earnouts over four years will amount to a maximum of SEK 27.7 million.

On 9 January, the acquisition of Aviolinx Communication and Services AB (subsequently Storadio) was completed. An agreement to acquire the company was originally signed and announced on 13 December 2017. Aviolinx is one of three companies in the world providing complete infrastructure and operational control for high-frequency backup communications for air traffic. Based on the past 12 months, net sales amount to approximately SEK 18 million. The company was valued at SEK 38 million at the takeover, and the total purchase price including future results-based earnouts over four years will amount to a maximum of SEK 40 million.

On 11 January, the acquisition of Optyma Security Systems Limited was completed. An agreement to acquire the company was originally signed and announced on 21 December 2017. Optyma is a provider of integrated security systems for public and private environments, including security-classified national infrastructure. Based on the past 12 months, net sales amount to approximately GBP 5.8 million. The initial purchase price was GBP 4.4 million in cash, and the total purchase price including future results-based earnouts over five years will amount to a maximum of GBP 8.2 million.

On 31 January, the acquisition of all shares in Multitech Site Services Limited was completed. An agreement to acquire the company was originally signed and announced on 29 December 2017. Multitech provides temporary infrastructure, focusing primarily on the London metropolitan region. The company offers services to construction sites, including temporary electricity, data, plumbing and fire safety. Based on the past 12 months, net sales amount to approximately GBP 9.4 million. The initial purchase price was GBP 7.75 million in cash, and the total purchase price including future results-based earnouts over four years will amount to a maximum of GBP 14.3 million.

On 31 May, the acquisition of KSS Klimat- & Styrsystem AB was completed. KSS Klimat- & Styrsystem (KSS) designs, programs, installs and operates control and monitoring systems for property automation, focusing on indoor and outdoor climate control and ventilation. In addition to these new installations, KSS also performs service and system adaptations in existing installations. Based on the past 12 months, net sales amount to approximately SEK 94 million. The initial purchase price was SEK 61.8 million, including future results-based earnouts over four years, and the total purchase price will amount to a maximum of SEK 155.7 million, which assumes continued strong growth in the business.

On 2 July, Sdiptech AB acquired all shares in Rogaland Industri Automasjon AS, including 51 percent of the shares in the subsidiary Agder Industri-Automasjon AS (together referred to as "RIA"). RIA's operations consist of developing and installing customised control and regulator systems for water and wastewater treatment plants, with customers operating predominantly in the local government and industrial sectors. Based on the past 12 months, net sales amount to approximately NOK 43 million. In connection with the acquisition, a purchase price of NOK 30 million was paid. The final purchase price, which is settled at the end of an earnout period that runs over four years, will be between NOK 30 and 55.9 million, depending on the company's earnings trend during the earnout period.

On 5 November, Sdiptech AB acquired all of the shares in Vera Klippan AB. Vera Klippan is a leading manufacturer in the niche of large-dimension tubes and cisterns. Based on the past 12 months, net sales amount to approximately SEK 13 million. In connection with the acquisition, a purchase price of SEK 11 million was paid. The final purchase price, which is settled at the end of an earnout period that runs over three years, will be between SEK 11 and 10.5 million, depending on the company's earnings trend during the earnout period.

On 18 December, Sdiptech AB acquired all of the shares in Pure Water Scandinavia AB. Pure Water Scandinavia is a leading product company in the ultra-pure water niche. Based on the past 12 months, net sales amount to approximately SEK 35 million. In connection with the acquisition, a purchase price of SEK 23.7 million was paid. The final purchase price, which is settled at the end of an earnout period that runs over five years, will be between SEK 25 and 62.2 million, depending on the company's earnings trend during the earnout period.

NOTE 4 SEGMENT REPORTING

The segment reporting is prepared for the Group's operating segments and is based on internal reports used by the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments' results. In the Group, this function has been identified as the Group Management, which makes strategic decisions.

The Group is divided into different business areas to better reflect the operations and enable decisions on the optimum allocation of resources to what the Group sells and produces within the segments.

As of January 2019, the Group has divided its operations into three new business areas, instead of two historically, with the aim of providing a clearer view of the markets in which the Group's units operate.

Water & Energy

Companies in Water & Energy supply niche products and services focused on the water and energy infrastructural segments. The companies address specialised needs within water and sewage treatment, as well as electricity supply and electrical automation. The main geographical markets are northern Europe and the UK.

Growth opportunities for the business area are estimated to be strong. The water segment is characterised by inadequate investments with increasing needs for water treatment and increased water consumption in our geographical markets. There are good growth opportunities in the energy segment as a direct result of the power shortage, which is impeding regional development in parts of Europe, and as an effect of the pervasive trends of digitalisation, automation and electrification in society.

Examples of areas of application

- Installations and components for water treatment in industry and municipalities
- Installation and service of smaller water and wastewater treatment plants
- Production of ultra-pure water
- Advanced electrical cabinets and customised electrical automation
- Measuring systems for monitoring of power quality
- Temporary infrastructure such as temporary electricity, water, fire protection and lighting

Special Infrastructure Solutions

Companies in Special Infrastructure Solutions provide niche products and services for specialised needs within air and climate control, security and surveillance and transport systems. The main geographical markets are northern Europe and the UK.

The products and services in Special Infrastructure Solutions span a relatively broad range of niche infrastructure solutions. The common theme is market segments with good underlying growth, a low degree of cyclicity and a gradual introduction of stricter environmental, energy and safety regulations.

Examples of areas of application

- Indoor climate control, ventilation and improving energy efficiency
- System for evacuation of noxious gases
- Installation and service of refrigeration units
- Digital cameras for speed and traffic monitoring
- Solutions for encrypted communications
- Handling claims relating to underground infrastructure
- Radio communication and operational control for commercial air traffic.

Property Technical Services

Companies in Property Technical Services offer specialised technical services to property owners. Customers are spread across several segments such as public functions (schools, hospitals etc.), commercial properties (offices, warehouses etc.) and housing (municipal and private). Assignments are performed throughout the entire lifecycle of a property, i.e. service, renovation, modernisation and new construction. The main geographical markets are Stockholm as well as major cities in Europe. The business models are generally project-based with associated aftermarket services and framework agreements.

The long-term underlying demand for our services is considered to be positive. In metropolitan areas where populations and economies are concentrated, there is a long-term need for renovation, modernisation and new construction of property holdings. Variations in demand in individual markets can impact demand but this is stabilized by a distribution of customers across several different customer segments, in several geographical areas and by having an offer for all stages in a property's lifecycle.

Examples of areas of application

- Renovation, modernisation and service of elevators in Stockholm
- Production of special elevators and supply of resources to global elevator manufacturers
- Roof renovations and installation of roof safety equipment
- Contracts for shell completion and internal plaster walls

Central units – Group-wide functions and eliminations

Group-wide functions and eliminations consist of the Group's Parent Company, Sdipotech AB, the Group's holding company, as well as consolidated eliminations, including remeasurements of liabilities relating to earnouts.

Discontinued operations

Discontinued operations relate to the Support operations, which provided administrative services to the Group as well as to external customers. Sdipotech's Board of Directors resolved on 14 February 2018 to divest the Support operations and this was approved by the Annual General Meeting on 14 May 2018.

Segment reporting

Net sales (SEK million)	2019	2018
Water & Energy	641.4	427.9
Special Infrastructure Solutions	479.4	319.6
Property Technical Services	704.8	749.0
Total	1,825.6	1,496.4
Central units	-0.2	-0.1
Total	1,825.4	1,496.2
Discontinued operations	-	15.0
Total	1,825.4	1,511.2
EBITA (SEK million)*	2019	2018
Water & Energy	122.8	64.2
Special Infrastructure Solutions	105.9	70.6
Property Technical Services	60.5	61.7
Total	289.2	196.5
Central units	-27.0	-19.2
Total	262.2	177.3
Discontinued operations	-	-
Total	262.2	177.3
EBIT (SEK million)**	2019	2018
Water & Energy	120.6	64.0
Special Infrastructure Solutions	104.4	69.3
Property Technical Services	59.7	61.4
Total	284.7	194.7
Central units	-62.8	-51.4
Total	221.8	143.3
Discontinued operations	-	77.7
Total	221.8	221.0

* Calculating the present value of contingent considerations has led to an increase in other income of SEK 60 million (34), for more information see Note 15.

** Impairments of goodwill have reduced EBIT by SEK 61 million (45), for more information see Note 11.

2019-01-01 - 2019-12-31	Water & Energy	Special Infrastructure Solutions	Property Technical Services	Central units	Total
Intangible non-current assets	621.3	604.2	526.8	216.9	1,969.2
<i>of which goodwill</i>	605.1	532.2	516.2	216.6	1,870.1
Property, plant and equipment	95.2	90.1	71.7	0.9	257.9
Cash and cash equivalents	110.5	98.6	53.6	-106.4	156.3
Other assets	181.1	138.5	244.6	38.2	602.4
Current liabilities	-122.9	-112.4	-188.4	-20.9	-444.7
Non-current liabilities	-50.8	-33.5	-34.4	-1,164.0	-1,282.6
Net asset value	834.3	785.5	674.0	-1,035.3	1,258.5

2018-01-01 - 2018-12-31	Water & Energy	Special Infrastructure Solutions	Property Technical Services	Central units	Total
Intangible non-current assets	555.6	416.1	505.2	0.1	1,477.0
<i>of which goodwill</i>	546.6	404.9	500.3	-	1,451.9
Property, plant and equipment	47.7	25.8	34.7	0.0	108.2
Cash and cash equivalents	54.6	75.4	42.8	152.0	324.8
Other assets	152.7	117.3	218.9	54.0	542.9
Current liabilities	-89.9	-78.9	-139.5	-345.9	-654.3
Non-current liabilities	-24.5	-11.4	-24.5	-617.2	-677.6
Net asset value	696.1	544.4	637.7	-757.1	1,121.2

Impairment testing of goodwill has occurred based on an estimate of future revenue and expenses, see Note 10 Goodwill.

Net sales by country

The table below shows net sales by country, based on the customer's operating location. No single customer accounts for more than 10 percent of the Group's total sales.

(SEK million)	2019	2018
Sweden	996.1	1,008.4
UK	448.1	173.3
Germany	86.9	104.8
Austria	83.2	79.7
Norway	64.4	35.7
Other countries	146.7	94.3
Total	1,825.4	1,496.2

Revenue from contracts with customers

(SEK million)	2019	2018
Products	576.1	341.5
Installation, direct	575.6	168.7
Installation, over time	285.4	627.1
Service, direct	273.1	141.7
Service, over time	105.1	205.6
Distribution	10.1	11.6
Total	1,825.4	1,496.2

Property, plant and equipment and intangible assets by country

(SEK million)	2019	2018
Sweden	154.9	98.2
UK	147.9	15.5
Croatia	32.8	13.5
Austria	15.2	6.0
Norway	6.0	0.2
Other countries	0.2	0.0
Total	357.0	133.4

The Group's closing balances of contract assets on closing day were SEK 39.6 million (30.4), which corresponds to an increase of SEK 9.3 million. The closing balance for contract liabilities was SEK 43.7 million (17.3), an increase of SEK 26.5 million during the financial year. The increase in contract assets and contract liabilities mainly related to existing units.

The Group's order book consists essentially of contracts of up to 12 months.

NOTE 5 OTHER OPERATING INCOME

(SEK million)	Group		Parent Company	
	2019	2018	2019	2018
Rental income	2.7	2.5	1.8	1.3
Capital gain on sale of non-current assets	2.3	0.3	-	-
Insurance compensation	1.7	1.5	-	-
Remeasurement of earnouts	60.3	33.9	-	-
Rental income from Group companies	-	-	-	0.5
Capital gain/loss on sale of participations in associated companies	2.6	14.1	-	-
Other items	13.4	5.9	0.1	-
Total	82.9	58.2	2.0	1.8

Other items during the year included remeasurement of property in Croatia of SEK 5.0 million and adjustment of the previous net profit for the year in Austria of SEK 2.9 million.

NOTE 6 EMPLOYEE BENEFITS	2019		2018	
	Total	Of whom women	Total	Of whom women
Number of employees				
Parent Company				
Sweden	14	3	11	3
Group companies				
Sweden	492	54	513	51
UK	400	70	173	31
Austria	40	8	49	10
Norway	19	2	17	2
Croatia	242	18	232	17
Other countries	56	2	30	1
Total in Group companies	1,249	154	1,014	112
Group total	1,263	157	1,025	115

Employee benefits (SEK million)	Group		Parent Company	
	2019	2018	2019	2018
Salaries and remuneration	-449.1	-357.4	-14.0	-10.8
Social security expenses	-107.6	-93.9	-4.3	-3.2
Pension expenses	-34.0	-21.9	-1.6	-0.9
Other personnel expenses	-20.1	-21.4	-1.8	-1.6
Total	-610.8	-494.6	-21.7	-16.6

Remuneration to the parent company's Board of Directors, CEO and other senior executives

Remuneration and other benefits to senior executives in 2019 (SEK thousand)	Directors' fees/		Variable remuneration	Other benefits	Pension expense	Total
	Basic salary					
CEO, Jakob Holm	2,218	-	-	-	-	2 218
Other senior executives, (5 people)	6,432	125	-	-	1 156	7 713
Total	8,650	125	-	-	1,156	9,931

Remuneration and other benefits to the Board during 2019 (SEK thousand)	Directors' fees/		Variable remuneration	Other benefits	Pension expense	Total
	Basic salary					
Jan Samuelsson (chairman)	200	-	-	-	-	200
Ashkan Pouya (member)	200	-	-	-	-	200
Saeid Esmailzadeh (member)	83	-	-	-	-	83
Urban Doverholt (member)	117	-	-	-	-	117
Johnny Alvarsson (member)	200	-	-	-	-	200
Birgitta Henriksson (member)	117	-	-	-	-	117
Katarine Lundberg Pinnekamp (member)	200	-	-	-	-	200
Markus Sjöholm (member)*	200	-	-	-	-	200
Total	1,317	-	-	-	-	1,317

*Birgitta Henriksson and Urban Doverholt were elected as Board members at the Annual General Meeting on 13 May 2019. Saeid Esmailzadeh and Katarina Lundberg Pinnekamp Lönn resigned from the Board in May 2019.

Remuneration and other benefits to senior executives in 2018 (SEK thousand)	Directors' fees/		Variable remuneration	Other benefits	Pension expense	Total
	Basic salary					
CEO, Jakob Holm	1,685	-	-	-	-	1 685
Other senior executives, (5 people)	4,020	125	-	-	715	4 861
Total	5,705	125	-	-	715	4,361

Remuneration and other benefits to the Board during 2018 (SEK thousand)	Directors' fees/		Variable remuneration	Other benefits	Pension expense	Total
	Basic salary					
Ashkan Pouya (chairman)	141	-	-	-	-	140.5
Saeid Esmailzadeh (member)	141	-	-	-	-	140.5
Mikael Lönn (member)	93	-	-	-	-	93.2
Johnny Alvarsson (member)	210	-	-	-	-	210.4
Katarina Lundberg Pinnekamp (member)	210	-	-	-	-	210.4
Jan Samuelsson (member) *	210	-	-	-	-	210.4
Total	1,005	-	-	-	-	1,005

*Markus Sjöholm was elected as a Board Member at the Annual General Meeting on 14 May 2018 and Mikael Lönn resigned from the Board in April 2018

Gender distribution in the Board and Group Management	Proportion women	
	31 Dec 2019	2018-12-31
The Board of Directors	14%	17%
Other senior executives	0%	0%

Incentive programme

An Extraordinary General Meeting in Stockholm on 5 March 2018 unanimously approved in accordance with the Board of Directors' proposal, the introduction of an incentive programme through the issue of warrants, and also approved the transfer of warrants. The incentive programme is directed towards employees in the parent company. No requirement for continued employment is linked with the programme.

The incentive programme comprises a maximum of 756,000 warrants divided into three series: 252,000 warrants of series 2018/2021, 252,000 warrants of series 2018/2022 and 252,000 warrants of series 2018/2023. Deviating from shareholders' preferential rights, the warrants are subscribed by a wholly-owned subsidiary, which is entitled and obligated to transfer the warrants to participants in the incentive programme. Such transfers must be made at market prices through measurement according to the Black & Scholes model. The valuation should be made by a reputable investment bank, currently Nordea, or an accounting firm designated by the company.

Each series 2018/2021 warrant entitles the holder to subscribe for one new ordinary Class B share in the company ("B shares") during the period from (i) 1 February 2021 and (ii) the day after the publication of the company's year-end report for the 2020 financial year, whichever is later, and up to and including 12 March 2021. The subscription price for new B shares subscribed under these warrants shall amount to SEK 59.80, corresponding to 140 percent of the volume-weighted average price paid for the B share on Nasdaq First North during the period 19 February to 2 March 2018 (the "Reference Price")

Each series 2018/2022 warrant entitles the holder to subscribe for one new Class B share in the company during the period from (i) 1 February 2022 and (ii) the day after the publication of the company's year-end report for the 2021 financial year, whichever is later, and up to and including 11 March 2022. The subscription price for new B shares subscribed under these warrants shall amount to SEK 67.10, corresponding to 157 percent of the Reference Price.

Each series 2018/2023 warrant entitles the holder to subscribe for one new Class B share in the company during the period from (i) 1 February 2023 and (ii) the day after the publication of the company's year-end report for the 2022 financial year, whichever is later, and up to and including 10 March 2023. The subscription price for new B shares subscribed under these warrants shall amount to SEK 75.20, corresponding to 176 percent of the Reference Price.

The increase in the company's share capital will, if all warrants are fully exercised, amount to a maximum of SEK 18,900, of which SEK 6,300 for each series, corresponding to a dilution of at most about 2.4 percent of the shares and about 1.5 percent of the votes.

Outstanding share options (SEK million)	2019		2018	
	Redemption price*	Number of options	Redemption price*	Number of options
As of 1 January	67.4	568,200	67.4	–
Allocated	67.4	98,100	67.4	568,200
Forfeited	67.4	–	67.4	–
As of 31 December	67.4	666,300	67.4	568,200

*The redemption price is calculated as the average of the redemption price for issued warrants.

Outstanding share options at year-end have the following maturities and redemption prices

Maturity	Redemption price (SEK)	2019	2018
12 March 2021	59.8	13,281,580	11,326,120
11 March 2022	67.1	14,902,910	12,708,740
10 March 2023	75.2	16,701,920	14,242,880
Total		44,886,410	38,277,740

The purpose of the proposed incentive programme, and the reason for deviating from existing shareholders' preferential rights, is to create conditions for retaining and recruiting skilled personnel to the Group, increasing participants' motivation, company loyalty and shared interests with the company's shareholders, as well as promoting own share ownership in the company and thereby promoting shareholder value and the company's long-term value creation.

NOTE 7 REMUNERATION TO AUDITORS

Audit assignment refers to the review of the annual accounts and bookkeeping as well as the administration by the Board of Directors and the CEO, other tasks the company's auditors

are obliged to perform, as well as advice or other assistance prompted by observations in the course of such review or the implementation of such other duties. Everything else, is divided into tax consultancy and other assignments, respectively.

(SEK million)	Group		Parent Company	
	2019	2018	2019	2018
KPMG				
Audit assignment	-3.6	-2.2	-2.0	-0.5
Audit work	-0.1	-	-	-
Other services	-	-0.2	-	-0.2
Total KPMG	-3.7	-2.4	-2.0	-0.7
Other firms				
Audit assignment	-1.0	-0.4	-	-
Audit work	-0.3	-0.2	-	-
Tax consultancy	-	-0.2	-	-
Other services	-0.4	-0.8	-0.3	-0.7
Total Other firms	-1.7	-1.6	-0.3	-0.7
TOTAL	-5.4	-4.0	-2.3	-1.5

NOTE 8 FINANCIAL INCOME AND FINANCIAL EXPENSES

(SEK million)	Koncernen		Moderbolaget	
	2019	2018	2019	2018
Results from participations in Group companies				
Dividend from subsidiaries	-	-	5.0	65.1
Total profit from participations in Group companies	-	-	5.0	65.1
Other interest income and similar profit/loss items				
Capital gains/losses on disposal of subsidiaries	-1.3	-	-	7.3
Interest income and similar profit/loss items	0.7	0.3	0.1	-
Interest income from Group companies	-	-	3.4	3.6
Exchange differences	17.4	1.7	10.2	3.9
Other items	-	0.6	-	-
Total financial income	16.9	2.6	13.6	14.7
Interest expenses and similar profit/loss items				
Interest expenses from credit institutions	-16.1	-11.0	-1.9	-0.9
Interest component remeasurement contingent considerations at fair value	-9.4	-6.3	-	-
Other items	-4.3	-1.9	-0.9	-0.6
Total financial expenses	-29.7	-19.1	-2.8	-1.5
Net financial items	-12.9	-16.5	15.8	78.3

Interest received amounted to SEK 0.7 million (0.3).

Interest paid amounted to SEK 16.1 million (11.0).

All interest income is attributable to financial assets that are measured at amortised cost. All interest expenses are attributable to financial assets that are measured at amortised cost.

NOTE 9 TAXES

Tax expense for the year (SEK million)	Group		Parent Company	
	2019	2018	2019	2018
Current tax				
Current tax expense	-48.2	-29.2	-0.3	-
Current tax attributable to prior years	-0.3	-0.3	-	-
Deferred tax				
Deferred tax related to temporary differences	-3.0	-0.5	-	-
Deferred tax related to leases	0.2	-	-	-
Deferred tax related to capitalised loss carryforwards	7.5	-	-	-
Total recognised tax expense	-43.8	-30.0	-3.0	-

Reconciliation effective tax (SEK million)	Group		Parent Company	
	2019	2018	2019	2018
Profit before tax	209.0	203.8	40.1	106.5
Tax according to the Swedish tax rate (21.4-22%)	-44.7	-44.8	-8.6	-23.4
Tax effects of:				
Other tax rates for foreign subsidiaries	5.5	1.2	-	-
Profit regarding business-related shareholdings	21.1	7.6	6.6	14.3
Other non-taxable income	2.9	4.0	-	-
Non-deductible expenses	-29.8	-16.0	-0.2	-0.2
Current tax attributable to prior years	-0.3	-0.3	-	-
Tax effect regarding discontinued operations	-	14.5	-	1.6
Utilisation of previous non-capitalised loss carryforwards	3.0	10.3	1.9	7.7
Increase in loss carryforwards without corresponding capitalisation of deferred tax	-1.1	-5.7	-	-
Other items	-0.4	-0.8	-	-
Total recognised actual tax	-43.8	-30.0	-0.3	-

Sdiptech AB's capital assets in the form of shares in subsidiaries and associated companies are in accordance with the definition in Chapter 24, Sections 13-16 of the Income Tax Act, so-called business-related shares. As a general rule, a capital gain on the disposal of a business-related share is tax-exempt. Simultaneously, as a general rule, capital losses on a business-related share will not be deductible. Tax deficits are taken into account as deferred tax assets in the balance sheet. During the financial year, capitalisation of deficits for tax purposes amounted to SEK 77.8 million, corresponding to a tax value of SEK 16.6 million at the current

tax rate of 21.4 percent. Most of the deficits relate to the parent company and to a certain extent are covered by group contribution barriers, which affect the time frame for utilisation to an estimated within 1-5 years.

Deferred tax

The item deferred taxes in the consolidated balance sheet refers to tax expense on untaxed reserves, deferred tax relating to leases and reduced tax expense relating to capitalised loss carryforwards.

Deferred tax, net, at year-end Group (SEK million)	2019-12-31			2018-12-31		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Deferred tax relating to loss carryforwards	7.5	-	7.5	-	-	-
Untaxed reserves	-	-2.2	-2.2	-	-0.5	-0.5
Leases	0.2	-	0.2	-	-	-
Other	-	-0.8	-0.8	-	-0.5	-0.5
Deferred tax, net, at year-end	7.7	-3.0	4.7	-	-1.0	-1.0

Group (SEK million)	2019-12-31					
	Amount at beginning of the year	Recognised in the income statement	Acquisitions and divestments	Recognised in other comprehensive income	Translation effect	Amount at the end of the year
Deferred tax relating to loss carryforwards	-	7.5	-	-	-	7.5
Untaxed reserves	-0.5	-2.2	-	-	-	-2.7
Leases	-	0.2	-	-	-	0.2
Deferred tax, net	-0.5	5.5	-	-	-	5.0

Group (SEK million)	2018-12-31					
	Amount at beginning of the year	Recognised in the income statement	Acquisitions and divestments	Recognised in other comprehensive income	Translation effect	Amount at the end of the year
Untaxed reserves	-	-0.5	-	-	-	-0.5
Leases	-	-	-	-	-	-
Deferred tax, net	-	-0.5	-	-	-	-0.5

NOTE 10 GOODWILL

The Group's goodwill of SEK 1,870.1 million (1,451.9) relates in its entirety to the core operations.

Group (SEK million)	2019	2018
Opening acquisition value	1,451.9	1,055.1
Investments	541.2	463.5
Preliminary acquisition analysis adjustment*	-18.3	-25.5
Impairment losses	-60.9	-44.7
Sold units	-71.0	-
Discontinued operations	-	-0.6
Translation difference for the year	27.3	4.1
Closing acquisition value	1,870.1	1,451.9

*For specification see Note 3 Business combinations

Cash generating units that have significant goodwill are as follows:

(SEK million)	2019	2018
Stockholm hiss & Elteknik	26.8	26.8
Eurotech Sire System	21.1	21.1
Telfero gruppen*	67.1	67.1
Mankan	16.5	16.5
Medicvent	51.8	51.8
Centralbyggarna	18.0	18.0
Thors Trading	26.5	26.5
Crescent gruppen**	37.5	28.8
Hydrostandard	48.8	48.8
Castella	200.6	225.6
Cliff Models	34.2	34.2
Frigotech	3.8	3.8
Hansa Vibrations & Omgivningskontroll	52.7	62.7
Unipower	110.2	110.2
Topas Vatten AB och Topas Vatten Service AB	24.9	24.9
Aufzüge Friedl GmbH och ST Liftsystems GmbH	74.3	73.2
AVA Monitoring AB	-	71.0
Polyproject Environment AB och Strömfors 1:3 Norrköping AB	39.4	44.4
Tello Service Partner AB	62.3	62.3
Centralmontage i Nyköping	19.6	19.6
Storadio Aero	39.1	29.1
Optyma Security Systems	43.2	40.2
Multitech Site Services	107.4	99.8
KSS Klimat & Styrssystem	140.3	148.3
Rogaland Industri Automasjon	47.9	51.0
Vera Klippan	1.7	3.0
Pure Water Scandinavia	38.1	43.1
RedSpeed Ltd	97.0	-
Water Treatment Products Ltd	182.8	-
Cryptify	47.7	-
Auger Site Investigations Ltd	188.8	-
Total goodwill	1,870.1	1,451.9

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

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

Goodwill is not amortised under IFRS. Instead the value of goodwill is tested annually in accordance with IAS 36. Group Management continuously monitors the development in these companies and compares it with the business plan upon acquisition. An individual impairment test per company regarding goodwill takes place at the end of each financial year, unless there have been special circumstances during the year that give reason to also perform an examination during the financial year. The measurement is based on the operations' latest reported outcome as well as a business plan with a forecast for the following financial year, where the most important components of the cash flow are sales, various operating expenses and investments. The sales forecast is based on assessed factors such as order intake, the business cycle and market conditions. The forecast of operating expenses is based on current wage agreements and previous annual levels of gross margin and expenses, adjusted to an expectation for the coming year based on aspects such as those mentioned for the sales forecast. Expected investments in working capital and non-current assets are based on past experience.

After the end of the forecast period, growth has been based on an estimated sustainable GDP growth rate of 2 (2) percent for all companies except in cases when companies are expected to deviate sharply from this. Recoverable amounts for cash-generating units have been determined by estimating the value in use. The future cash flows that each company is expected to generate are computed at present value in order to determine the asset's value in use. The most important assumptions in the calculation are the forecast earnings trend in the business plan and thus the assumed sales growth and earnings trend, which, in turn, affect the operating margin. The growth and operating margin forecasts are based on past experience. In cases where the calculation shows that the value in use is less than the carrying amount, the impairment test results in a requirement to recognise an impairment loss. When assessing impairment, further volatility is also taken into account to ensure that no reasonably possible changes in the above mentioned input data are deemed to lead to an impairment requirement.

Estimated cash flows are discounted at a discount rate of 9.9 percent (10.6) before tax for all cash generating units as they are similar in character. Throughout the financial year, a general impairment test was carried out and a total impairment loss of SEK 60.9 million was recognised during the financial year.

Impairment of goodwill (SEK million)	2019	2018
Water & Energy	-27.9	-19.7
Special Infrastructure Solutions	-8.0	-
Property Technical Services	-25.0	-25.0
Total impairment losses	-60.9	-44.7

The company management's assessment is that no reasonable changes to the important assumptions will result in the estimated total recoverable value of the above units being lower than their total carrying amount.

NOTE 11 OTHER INTANGIBLE NON-CURRENT ASSETS

Acquisition value	Not	Koncernen	Moderbolaget
As of 1 January 2018		14.5	0.5
Investments		10.6	0.1
Via business combination	3	9.2	–
Sales/Disposals		–1.9	–
Reclassification		–	–
Translation difference		0.2	–
As of 1 January 2019		32.6	0.6
Investments		8.9	0.3
Via business combination	3	70.4	–
Sales/Disposals		–	–
Translation difference		0.1	–
As of 31 December 2019		112.0	0.9
Accumulated amortisation	Not	Koncernen	Moderbolaget
As of 1 January 2018		–1.2	–0.3
Amortisation for the year		–1.9	–0.2
Reclassification		–4.2	–
Translation difference		–0.1	–
As of 1 January 2019		–7.4	–0.4
Amortisation for the year		–6.8	–0.1
Via business combination	3	1.3	–
Translation difference		–	–
As of 31 December 2019		–12.9	–0.5
Book value		–	–
31 Dec 2018		25.2	0.2
31 Dec 2019		99.1	0.4

The year's increase in intangible assets in the form of investments relates to capitalised development costs for proprietary

products. In addition, intangible assets have increased through acquired intangible assets, see Note 3 Business combinations.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Acquisition value (SEK million)	Note	Group			Total	Parent Company
		Buildings and land	Assets with financial leases	Equipment, tools, fixtures and fittings		Parent Company Equipment, tools, fixtures and fittings
As of 1 January 2018		16.2	35.9	46.7	98.7	0.5
Investments		3.5	15.6	13.8	32.9	–
Via business combination	3	8.0	–	19.9	28.0	–
Sales/disposals		–	–12.5	–8.5	–20.9	–
Reclassification		–	–0.4	–0.1	–0.5	–
Translation difference		0.3	–	0.4	0.7	–
As of 1 January 2019		28.0	38.5	72.3	138.8	0.5
Investments		8.9	–0.1	38.3	47.1	0.4
Via business combination	3	–	–	60.9	60.9	–
Sales/disposals		–	–	–24.7	–24.7	–
Reclassification		–	–38.4	–3.7	–42.1	–
Translation difference		0.1	–	2.9	3.0	–
As of 31 December 2019		37.0	–	146.0	183.0	0.9

Accumulated depreciation

As of 1 January 2018	-0.6	-6.7	-10.6	-17.9	-0.5
Depreciation for the year	-1.0	-8.0	-14.3	-23.3	-
Sales/disposals	-	7.2	2.5	9.7	-
Reclassification	0.2	-0.1	0.5	0.5	-
Translation difference	-	-	0.4	0.4	-
As of 1 January 2019	-1.5	-7.5	-21.6	-30.6	-0.5
Depreciation for the year	-1.0	-	-26.1	-27.1	-0.2
Sales/disposals	-	-	4.7	4.7	-
Reclassification	-	7.5	0.6	8.1	-
Translation difference	-	-	-2.0	-2.0	-
As of 31 December 2019	-2.5	-	-44.4	-46.9	-0.7
Book value					
31 Dec 2018	26.5	31.0	50.7	108.2	-
31 Dec 2019	34.5	-	103.0	137.5	0.2

Reclassification of finance lease assets refers to the change in accounting principle from IAS 17 to IFRS 16, see Note 1 Accounting principles.

NOTE 13 LEASES

The effect of the transition to IFRS 16 on the Group's leases is described in Note 1 Significant accounting principles. The transition method that the Group has chosen to apply in the transition to IFRS 16 means that the comparative information

has not been restated to reflect the new requirements.

The Group leases several types of assets, including premises, vehicles, equipment and IT equipment.

(SEK million)	Premises	Vehicles	Equipment	Other	Total
Depreciation during the year	-25.1	-15.7	-0.7	-0.7	-42.2
Closing balance, 31 December 2019	75.2	41.2	3.0	1.0	120.4

The year's opening balance for leases after the amended accounting principle amounted to SEK 101.0 million. During the year, investments were made of newly acquired lease

assets of SEK 65.4 million, of which depreciation was made of SEK -42.3 million, resulting in a closing balance in the annual accounts of SEK 120.6 million.

Lease liabilities

For age analysis of lease liabilities, see Note 15 Financial risks

Amounts recognised in statement of profit and other comprehensive income (SEK million)

Depreciation of right-of-use assets	-42.3
Interest on lease liabilities	-2.5
Revenue from further letting of right-of-use assets	2.7
Costs for short-term letting	-1.3
Costs for low value leases, not short-term leases of low value	-0.5

Amounts recognised in cash flow statement (SEK million)

Total cash flow attributable to leases	-87.2
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The above cash outflow includes both amounts for leases that are recognised as lease liabilities, as well as amounts paid for short-term leases and leases of low value less revenue from further letting of right-of-use assets.

Lease of premises

The Group lets premises for stock and offices. The leases normally have a term of between three and twenty five years where the term varies among the type of premises but also among different countries, where the UK has very long lease terms. None of the leases contain significant variable lease payments. The Group lets a smaller part of the premises as operating leases.

Lease of vehicles, equipment and other leases

The Group leases vehicles with lease terms of two to five years in most cases. The majority of the leases run until the end date according to the underlying lease agreement. Extension options only exist to an insignificant extent. In some cases, there are also residual value guarantees, which are treated as part of the asset and liability if it is considered likely that they will be utilised. In addition, there are other leases such as for equipment and IT equipment, with lease terms between two and ten years.

IAS 17 Non-cancellable lease payments amount to:

SEK million	Group		Parent Company
	2018	2019	2018
Within 1 year	23.9	1.5	3.0
Between 2–5 years	36.9	–	1.5
More than 5 years	6.5	–	–
Total payment obligations	67.4	1.5	4.5

IAS 17 Expensed payments for operating leases amount to:

SEK million	Group		Parent Company
	2018	2019	2018
The year's expense for operating leases of assets amount to:	22.2	1.7	1.6
Of which rent for premises	21.0	1.7	1.6

Disclosure finance leases according to IAS 17

Acquisition value	Tillgångar med finansiell leasing
As of 1 January 2018	35.9
Investments	15.6
Via business combination (Note 3)	–
Sales/disposals	-12.5
Reclassification	-0.4
Translation difference	–
As of 31 December 2018	38.5
Accumulated depreciation	
As of 1 January 2018	-6.7
Depreciation for the year	-8.0
Sales/disposals	7.2
Reclassification	-0.1
Translation difference	–
As of 31 December 2018	-7.5
Book value	
31 Dec 2018	31.0

NOTE 14 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY (SEK million)	Note	Parent company	
		2019	2018
Opening balance		555.8	349.0
Investments ¹		0.4	206.8
Disposals ²		-429.8	–
Total acquisition value		126.4	555.8
Opening balance			
Impairment losses for the year		-43.8	-13.8
Accumulated impairment losses		–	-30.0
Carrying amount at the end of the year		-43.8	-43.8
Redovisat värde vid årets slut		82.5	512.0

¹ Investments relate to shareholders' contributions to Juno Ekonomi of SEK 0.1 million and to Sdip Monitorado of SEK 0.3 million.

² Divestments refer to participations in subsidiaries that have been sold at book value to the wholly-owned subsidiary Sdip Holdings as one of the Group's refinancing measures and conversion to a central credit facility.

Name	Corporate identity number	Registered office	Share of equity*	Carrying amount in the parent company
			2019-12-31	2019-12-31
Juno Ekonomi	556834-0235	Stockholm	100%	0.1
Sdip A	559142-5110	Stockholm	100%	0.1
Sdip Holdings AB	559185-5696	Stockholm	100%	0.1
Serendipity ES	556950-8624	Stockholm	95%	0
Stockholm Hiss & Elteknik	556167-4481	Stockholm	100%	0
Serendipity ATS	556937-7806	Stockholm	100%	0
Eurotech	556342-1071	Stockholm	100%	0
Sdip Telfero	556977-3343	Stockholm	51%	0
St Eriks Hiss	556167-4481	Stockholm	100%	0
Hisstransporter	559152-8913	Stockholm	100%	0
KM Hiss	556726-4683	Stockholm	100%	0
Hisspartner	556658-1251	Stockholm	100%	0
Sdip Cocello	556991-3790	Stockholm	100%	0
ManKan Hiss	556708-4883	Stockholm	100%	0
Sdip Metro	559016-4272	Stockholm	100%	0
Hydrostandard	559002-9947	Borlänge	100%	0
Sdip Modelo	559066-5641	Stockholm	100%	0
Cliff Models	556587-9193	Göteborg	100%	0
Torslanda Personaluthyrning	556839-3994	Göteborg	100%	0
Torslanda Maskin	556871-8737	Göteborg	100%	0
Sdip Skatolo	559015-2384	Stockholm	100%	0
Centralbyggarna	556642-7984	Stockholm	100%	0
Sdip Stucco	559022-1452	Stockholm	100%	0

Castella	556614-4043	Stockholm	100%	0
Sdip Glacio	559074-5963	Stockholm	100%	0
Frigotech	556448-7121	Stockholm	100%	0
Sdip Dinamito	559076-0996	Stockholm	100%	0
Hansa	559076-6092	Stockholm	100%	0
Sdip Sinuso	559084-7868	Stockholm	100%	0
Unipower	556390-7491	Stockholm	100%	0
Sdip Purigado	559086-4343	Stockholm	100%	0
Topas Vatten	556400-0247	Stockholm	100%	0
Topas Service	556819-9920	Stockholm	100%	0
Sdip Veldo	559015-9843	Stockholm	100%	0
Thors Trading	556277-0320	Stockholm	100%	0
Sdip Nitroso	559015-9819	Stockholm	100%	0
Medicvent	556867-2249	Umeå	100%	0
Sdip Holding 1	559136-4194	Stockholm	100%	0
Sdip Plafono	559124-0089	Stockholm	100%	0
Tello	556716-8744	Stockholm	100%	0
Sdip Monto	559131-0874	Stockholm	100%	0
Centralmontage	556709-3413	Nyköping	100%	0
Sdip Multe	559120-5025	Stockholm	100%	0
Polyproject	556908-6282	Norrköping	100%	0
Strömsfors	556959-5449	Norrköping	100%	0
GAP Experten	559156-8497	Norrköping	100%	0
Sdip Multev	559169-2214	Stockholm	100%	0
Vera Klippan	556198-1746	Klippan	100%	0
Sdip Aguapura	559182-0542	Stockholm	100%	0
Pure Water Scandinavia	556613-8037	Falun	100%	0
Cryptify	556896-9090	Göteborg	100%	0
Sdip Aliro Ltd	1102789	London	100%	0
Optyma Holding Ltd	805507	London	100%	0
Optyma Security Systems Ltd	3151296	London	100%	0
Sdip RoadSpeed	11722499	Birmingham	100%	0
RedSpeed UK Ltd	10027452	Birmingham	100%	0
RedSpeed International Ltd	5152563	Birmingham	100%	0
Sdip Kimra	11726181	Wales	100%	0
WTP Holding	10485079	Wales	100%	0
Water Treatment Products	3896797	Wales	100%	0
Ingelby	12104532	Liverpool	100%	0
Auger	3088958	Liverpool	100%	0
Sdip Klimkontrolo	559134-9435	Stockholm	100%	14.3
KSS Stockholm	556522-1255	Stockholm	100%	0
KSS Uppsala	556893-3172	Stockholm	100%	0
Sditech Holding GmbH	468733p	Wien	100%	20.0
Aufzuge Friedl GmbH	274338p	Wien	100%	0
ST Liftsystems GmbH	11.215	Wien	100%	0
Sdip Stratosfero	559161-0866	Stockholm	100%	10.5
Storadio	556569-9419	Stockholm	100%	0
Sdip Monitorado	559109-5293	Stockholm	100%	0.4
Sdip Crecent d.o.o.	06502018711	Zagreb	100%	0
Metus doo dizala	24690129373	Zagreb	100%	0
Metus Bosnia	4272175160005	Bosnia	100%	0
Zagorje diazala	'01768785527	Zagreb	100%	0
Metus Serbia	21228796	Serbia	100%	0
Gvir Servis dizala	'080531191	Zagreb	100%	0
Sdip Movebla Ltd	1103233	Birmingham	100%	25.0
Multitech Site Holding Ltd	8949049	Birmingham	100%	0
Multitech Site Services Ltd	3595923	Birmingham	100%	0
Sdip Atlanta AS	820839412	Stavanger	100%	12.1
Rogaland	920325637	Stavanger	100%	0
Agder	976853970	Stavanger	100%	0
Total Group companies				82.5

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

NOTE 15 FINANCIAL RISKS AND RISK MANAGEMENT

Risks and uncertainty factors

Financial risks

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

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

Financial policy

Sdipotech's Board of Directors has adopted the company's financial policy. 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 are managed within the Group as well as what restrictions should be taken with regard to counterparties.

Overview of the Group's financial assets and liabilities

Accounting principles

Financial instruments recognised in the consolidated balance sheet comprise, on the asset side, shares and participations measured at fair value, other financial investments, trade receivables, investments in securities and cash and cash equivalents, which are measured at amortised cost. On the liability side, there are loan liabilities, other current liabilities, contingent considerations and trade payables.

Sdipotech has applied generally accepted methods to calculate the fair value of the Group's financial instruments as of 31 December 2019 and 2018. Promissory note liabilities and contingent considerations refer to different types of commitments towards the selling party and are linked to terms based on the acquired companies' results during a set period of time after the acquisition. Liabilities are recognised at the present value of expected outflows and remeasurements are booked over profit or loss. Please see Note 3 for more information.

For all other financial assets and liabilities, such as cash and cash equivalents, trade receivables and trade payables, the book value is assumed to represent a good approximation of the amortised cost.

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
31 Dec 2019			
Assets in the statement of financial position			
Shares and other securities	–	0.3	0.3
Non-current receivables	6.0	–	6.0
Trade receivables	333.3	–	333.3
Other receivables	45.8	–	45.8
Cash and cash equivalents	156.3	–	156.3
Total	541.4	–	541.7

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
31 Dec 2019			
Liabilities in the statement of financial position			
Current liabilities to credit institutions	12.1	–	12.1
Non-current liabilities to credit institutions	646.0	–	646.0
Trade payables	123.9	–	123.9
Liabilities relating to contingent considerations	–	550.7	550.7
Other current liabilities	86.3	–	86.3
Total	868.4	550.7	1,419.1

	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
31 Dec 2018			
Assets in the statement of financial position			
Shares and other securities	–	0.3	0.3
Non-current receivables	1.6	–	1.6
Trade receivables	308.8	–	308.8
Other receivables	62.4	–	62.4
Cash and cash equivalents	324.8	–	324.8
Total	697.6	–	697.9

31 Dec 2018	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
Liabilities in the statement of financial position			
Current liabilities to credit institutions	279.7	–	279.7
Non-current liabilities to credit institutions	202.2	–	202.2
Trade payables	108.7	–	108.7
Liabilities relating to contingent considerations	–	500.2	500.2
Other current liabilities	73.9	–	–
Total	664.5	500.2	1,164.7

Measurement of financial assets and liabilities at fair value

The Group's liabilities relating to contingent considerations are measured at fair value via profit or loss. The table above shows assets and liabilities regarding continuing operations measured at fair value. There has not been any change in the levels between 2018 and 2019.

The different levels are defined as follows:

Level 1: Quoted, unadjusted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs for the asset or liabilities other than quoted prices included in level 1, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices).

Level 3: Data for the asset or liability that is not based on observable inputs. Shares and other securities and contingent considerations are included in level 3. For more information on the valuation principles for the division of levels, refer to Note 1.

Contingent considerations (SEK million)	2019	2018
Opening book value	500.2	320.5
Liabilities raised during the year	232.2	213.1
Considerations paid	-72.7	-5.8
Revaluation via operating profit/loss	-60.9	-33.9
Interest expenses (discounting effect)	9.4	6.3
Sold units	-65.7	–
Exchange differences	8.2	–
Closing book value	550.7	500.2

Contingent considerations refer to different types of commitments towards the selling party, which are linked to terms based on the acquired companies' results during a set period of time after the acquisition. Liabilities are recognised at the present value of expected outflows. For measurement techniques of contingent considerations, see Note 3.

Credit risk related to receivables

Credit risks in accounts receivable. The credit risk exposure to customers is assessed on an ongoing basis within the Group, and the credit risk varies since the customer base within the Group ranges from private customers to governmental operations. The Group's exposure to individual customers is small and the diversification of risks is deemed to be good. On the balance sheet date, trade receivables totalled SEK 333.3 million (308.8), equivalent to an increase of 8 percent. Provisions for future credit losses amounted to SEK 4.3 million (3.7), equivalent to an increase of 16 percent. The increased provision in respect of future credit losses mainly relates to ongoing disputes.

Receivables older than 60 days amounted to SEK 35.4 million (23.3). For other receivables, credit risk is deemed to be of insignificant value. Provisions and allocations of provisions for doubtful trade receivable have been recognised through profit or loss. An age analysis of trade receivables as well as allocated provisions for expected credit losses is provided in Note 16.

Trade receivables and other receivables are assessed on each balance sheet date according to estimated credit risk and, if necessary, provisions are made for the estimated credit risk in accordance with IFRS 9. The assessment is based on the age distribution of receivables and a risk factor per unit based on historical data. For trade receivables and contract assets with and without significant financing components, loss risk provisions are always made for the entire life of the asset. No loss provision has been recognised for other receivables, as the assessment corresponding to 12 months expected credit losses is considered to be non-material.

Credit risk in the financial management arises primarily in connection with investments of cash and cash equivalents. During the financial year, no surplus liquidity arose for investment and no credit risk is deemed to exist.

Accounting principles are described in Note 1, Financial instruments.

Liquidity risk and financing risk

Liquidity risk is the risk that the Group will have problems fulfilling its obligations that are linked to financial liabilities while financing risk is the risk that financing of the Group's capital requirements may become more difficult or more expensive. During the financial year, Sdipotech changed its financing from diverse, separate acquisition loans into a central credit facility. The bank financing consists of a so-called revolving credit facility (RCF) with Nordea of SEK 800 million and an agreement on a so-called cash pool for efficient cash management within the Group and its companies. These central agreements replace scattered credit agreements to date totalling approx. SEK 480 million (as of 31 Dec 2018).

The company's interest-bearing liabilities and maturity structure are shown in Note 21.

The Group strives for a reasonable balance between shareholders' equity, loan financing and liquidity so that the Group secures financing at a reasonable cost of capital. At year-end, the interest-bearing liabilities amounted to 44.6 percent (41.5). Interest-bearing liabilities also includes current interest-free loans that, due to their character, are a financial liability. The interest-bearing liabilities were also impacted by the introduction of IFRS16, which increased the interest-bearing liabilities in comparative figures by about SEK 98 million.

Interest rate risk

Interest rate risk refers to the risk that disadvantageous changes in interest rate levels may have too large of an impact on the Group's net financial items and earnings.

- The company may have invested in interest-bearing assets, the value of which changes when interest rates are changed.
- The cost of the company's borrowing changes when the interest rate scenario changes.

Evaluation of alternatives to fix interest rates for all or part of loans is conducted regularly. However, at year-end, as in the previous year, all of the Group's bank loans ran on the basis of a variable interest rate.

Sdipotech has no long-term surplus liquidity and normally does not invest funds in anything but short-term bank deposits. The interest rate risk in the Group's investments in securities is therefore minimal. Changes in interest rates therefore primarily affects the company's borrowing costs.

Based on liabilities to credit institutions at year-end, a 1 percent rise in the interest rate on a full-year basis would generate approximately SEK 6.5 million (4.8) in higher interest expenses. Profit after tax would be impacted negatively by SEK 5.1 million (3.7)

Foreign exchange risk

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

The Group's foreign exchange risk is mainly connected to the foreign subsidiaries, which partly have revenue and costs in other currencies than the individual company's functional currency (so-called transaction exposure) and partly through the translation exposure that arises when foreign subsidiaries' assets and liabilities are translated to the parent company's functional currency. Since the majority of the Group's companies are based and operate in Sweden, direct foreign exchange risk is limited.

During the year, a hedging instrument was acquired in the form of reallocating a certain portion of the Group's external borrowing to foreign currency. In previous years, all external loans were raised in SEK. The conversion of the loan from SEK

refers to NOK 17 million and GBP 8.3 million corresponding to part of the acquisition loans relating to acquisitions in corresponding currencies, with the intention of mitigating the currency translation risk arising from the subsidiaries' net assets being in foreign currency. The hedged risk consists of the risk of a weakening of NOK and GBP in relation to the Swedish krona, leading to a decrease in the Group's recognised net assets in the subsidiaries. The loan has been identified as a hedging instrument for changes in value of net investments attributable to changes in the SEK/NOK and in the SEK/GBP spot rate.

To assess hedge efficiency, the Group determines the financial relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the liability attributable to changes in the spot rate with changes in the investment in the foreign operation due to changes in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the liability's capital amount.

Net investment hedge (SEK million)	Loans denominated in foreign currency
Opening balance, 1 January 2019	–
Amount recognised in the hedging reserve during the period	–1,1
Closing balance 31 December 2019	–1,1

The Group's results are most sensitive to fluctuations in GBP/SEK and to a lesser extent to fluctuations in EUR/SEK, NOK/SEK and HRK/SEK. A change in the average rate of these currencies in relation to the Swedish kronor of 10 percent would have an effect of SEK 12.6 million (4.3) on the Group's operating profit and of SEK 8.9 million (2.9) on the Group's profit after tax.

Currency exposure in operating profit	2019	2018
GBP million	9,6	1,4
EUR million	1,1	0,8
NOK million	1,4	0,4
HRK million	0,4	1,5

The total currency exposure for the Group is shown in the table below. A strengthening of the krona by 10 percent against the EUR would affect shareholders' equity by SEK-0.8 million. A strengthening of the krona by 10 percent against the GBP would affect shareholders' equity by SEK -9.7 million.

Transaction exposure

Gross exposure in foreign currency (SEK million)	Gross assets		Gross liabilities	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
GBP	773	194	676	184
EUR	125	105	117	101
Currencies, rest of Europe	246	175	216	154
Total	1 144	474	1 009	439

In a group operating internationally like Sdipotech, it is important to offer customers and suppliers payment options in their own currencies. This means that the Group continually assumes foreign exchange risks, including trade receivables and trade payables in foreign currency. However, since most of the sales of products and services related to infrastructure take place locally within each country where Sdipotech's operations are located, Sdipotech's risk exposure is limited.

Translation exposure in the statement of financial position

An individual subsidiary normally should have no translation risk in its own balance sheet. This means that a subsidiary's receivables and liabilities in foreign currency should be balanced. Subsidiaries also normally conduct their borrowing in their own currency. In practice, this only occurs when loans are raised in connection with the acquisition and in the case of loans between subsidiary and parent company. Shareholders' equity in foreign Group companies has not been hedged historically but during the year, hedging occurred in the form of partial allocation of the Group's loans to foreign currency equivalent to part of the loans raised during acquisitions of foreign Group companies. The translation exposure in consolidated equity can be substantial during certain periods with sharp currency fluctuations. The largest exposures are in GDP, EUR and HRK. The table below shows the distribution of currency exposure in shareholders' equity for the most significant currencies.

Currency exposure in equity	2019-12-31	2018-12-31
GBP million	58	16
EUR million	9	9
NOK million	26	25
HRK million	36	20

A strengthening of the krona by 10 percent against all currencies would, when translating the currency exposure of net investments in foreign subsidiaries, affect shareholders' equity by approximately SEK 76 million.

The impact of the year's translation differences and the year's translation differences attributable to hedging instruments on shareholders' equity is shown in other comprehensive income.

NOTE 16 INVENTORIES

(SEK million)	Group		Parent company	
	2019	2018	2019	2018
Raw materials and consumables	78.9	78.3	-	-
Finished products and stocks	38.2	18.1	-	-
Total	117.1	96.4	-	-

NOTE 17 TRADE RECEIVABLES

(SEK million)	Group		Parent company	
	2019	2018	2019	2018
Trade receivables not due	203.9	212.5	-	-
Trade receivables due less than 3 months	109.3	88.3	-	-
Trade receivables due more than 3 months	24.4	11.7	0.3	0.3
Total	337.6	312.5	0.3	0.3
Provisions for doubtful trade receivables	-4.3	-3.7	-	-
Total	333.3	308.8	0.3	0.3

Costs for bad debt losses and doubtful receivables amounted to SEK 9.6 million (2.1) net.

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

SEK million	Group		Parent company	
	2019	2018	2019	2018
Prepaid rent/leasing	7.5	6.3	0.4	0.4
Prepaid insurance	4.3	2.0	-	-
Accrued income	39.6	30.4	-	-
Other items	15.4	16.6	8.0	8.2
Total	66.8	55.3	8.4	8.6

NOTE 19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and cash flow statement include the following:

SEK million	Group		Parent company	
	2019	2018	2019	2018
Cash and bank balances	156.3	324.8	223.0	124.8
Total	156.3	324.8	223.0	124.8

NOTE 20 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Group

A specification of changes in equity is provided in the Statement of Changes in Equity, immediately after the statement of financial position. The shares have a quotient value of SEK 0.025 per share. Each ordinary class B share carries one vote, each ordinary class A share carries 10 votes.

Shares

Sdiptech's shares are issued in accordance with Swedish law and are registered in electronic form to owners at Euroclear Sweden AB "Euroclear". Euroclear also maintains 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 among 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, issue three classes of shares, ordinary shares, ordinary shares of class B and preference shares. Of these, on 31 December 2019, there were a total of 2,000,000 ordinary class A shares (ISIN: SE0003756741) as well as 28,277,645 ordinary class B shares (ISIN: SE0003756758) and 1,750,000 preference shares. On 31 December 2018, the share capital of Sdiptech amounted to SEK 800,691 distributed among 32,027,645 shares, each with a quotient value of SEK 0.025.

Capital management

Quite simply, the operations Sdiptech conducts can be described as a technology Group that acquires and develops companies within the infrastructure sector. During the last decade, the operations have grown continuously and showed good profitability. The operations are organised in the business areas Water & Energy, Special Infrastructure Solutions and Property Technical Services. Sdiptech's focus on infrastructure with specialised market insights and technical know-how combined with expertise within company development as well as its ambitions for long-term ownership has, in recent years, enabled the company, in addition to organic growth, to also grow through advantageous acquisitions of several entrepreneurial and sector-leading companies within these business areas.

In order to strengthen the company's financial preparedness to carry out acquisitions of the above-mentioned character, the company's Board decided on 11 February 2015 to invite institutional investors and the Swedish public to subscribe for preference shares equivalent to SEK 100 million with deviation from existing shareholder's preferential rights. The offer was extended on 19 February to cover 1,750,000 preference shares equivalent to SEK 175 million. The offer was aimed at the public and institutional investors and the Offer expired on 20 February 2015. Within the framework of the Offer, preference shares in Sdiptech were allocated to approximately 1,800 private individuals and institutional investors. In total, Sdiptech received SEK 175 million before issue expenses. In February 2016, another raising of capital was carried out

in the form of a directed new issue to key personnel within Sdiptech and shareholders in the related company Serendipity Ixora AB. A total of 1,076,924 ordinary class B shares were issued at a price of SEK 65 per share, whereupon the company was provided with SEK 70,000,060 and the share capital increased by SEK 26,923.1.

Sdiptech's ordinary class B share was listed on First North Premier on 12 May 2017 and simultaneously a new issue of SEK 500 million (before costs) was carried out for 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, divided into 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 preference shares require AGM resolutions. The holders of the preference shares have no right to call for redemption or demand a dividend.

Dividend

After the closing day, the Board of Directors has proposed the following appropriation of profits

At the disposal of the Annual General Meeting (SEK):

At the disposal of the Annual General Meeting (SEK):

Share premium reserve	715,397,976
Accumulated profit or loss	177,744,441
Net profit for the year	39,825,410
Total	932,967,827

The Board of Directors proposes the following appropriation of profits:

Dividend for preference shares*	14,000,000
To be carried forward**	918,967,827
Total	932,967,827

*The dividend on preference shares is regulated in the articles of association. The dividend amounts to SEK 14.0 million annually, divided into SEK 3.5 million per quarter, with dividends paid in March, June, September and December.

**Of which SEK 715,397,976 is transferred to the Share premium reserve

NOTE 21 INTEREST-BEARING LIABILITIES

Non-current liabilities (SEK million)	2019	2018
Liabilities to credit institutions	646.8	206.0
Capitalised borrowing costs*	-3.6	-3.8
Leases (2018 Finance leases)	69.6	20.7
Contingent considerations **	550.7	439.3
Other liabilities ***	2.8	1.1
Total	1,266.3	663.3

Current liabilities (SEK million)	2019	2018
Liabilities to credit institutions	12.5	279.7
Leases (2018 Finance leases)	52.1	12.9
Contingent considerations	-	60.9
Other liabilities***	1.6	1.5
Total	66.2	355.0

* Allocated over the term of each underlying loan liability

** Present value of expected payment

*** Includes loans that run without interest but which are classified as interest-bearing as they are, by their nature, part of the Group's loan financing.

Payback period

As of 31 December 2019 (SEK million)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions*	12.5	643.2	-	-
Lease agreements	50.7	26.6	28.6	13.4
Contingent considerations	-	412.9	127.0	-
Trade payables	123.9	-	-	-
Other liabilities	1.6	2.8	-	-
Total	188.7	1,085.5	155.6	13.4

*The Group's liabilities to credit institutions essentially consist of the Group's credit facility via Nordea, which on the balance sheet date was divided into SEK, NOK and GBP. The average interest rate on liabilities to credit institutions is 3 percent.

As of 31 December 2018 (SEK million)	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 4 years
Liabilities to credit institutions*	279.7	88.8	112.7	4.5
Financial leasing	12.9	18.6	2.1	-
Contingent considerations	60.9	145.2	190.4	103.7
Trade payables	108.7	-	-	-
Other liabilities	1.5	1.1	-	-
Total	463.7	253.7	305.2	108.2

*The Group's liabilities to credit institutions consist of several agreements with different maturities. The average interest rate on liabilities to credit institutions is 3 percent.

Change in items affecting cash flow in financing activities (SEK million)	Non-cash items						2019-12-31
	2018-12-31	Cash flow	New leases	Acquisitions	Sale of subsidiaries	Exchange difference	
Bank loans	485.7	173.7	-	52.9	-65.7	12.7	659.3
Leases	33.6	-42.3	99.9	30.5	-	-	121.7
Other liabilities	2.6	-	-	-	-	1.8	4.4
Total liabilities arising from financing activities	521.9	131.4	99.9	83.4	-	14.5	785.4

Change in items affecting cash flow in financing activities (SEK million)	Non-cash items						2018-12-31
	2017-12-31	Cash flow	New leases	Acquisitions	Sale of subsidiaries	Exchange difference	
Bank loans	232.3	250.7	-	-	-	2.7	485.7
Leases	30.9	-	2.7	-	-	-	33.6
Other liabilities	2.6	-	-	-	-	-	2.6
Total liabilities arising from financing activities	265.8	250.7	2.7	-	-	2.7	521.9

Parent Company, (SEK million)	Non-cash items					2019-12-31
	2018-12-31	Cash flow	New loans to Group companies	Other*	Exchange difference	
Liabilities Group companies	96.7	261.1	101.8	-	-	459.6
Bank loans	189.4	-190.0	-	0.6	-	0.0
Total liabilities arising from financing activities	286.1	71.1	101.8	0.6	-	459.6

Parent Company, (SEK million)	Non-cash items					2018-12-31
	2017-12-31	Cash flow	New loans to Group companies	Other*	Exchange difference	
Liabilities Group companies	7.8	-	88.9	-	-	96.7
Bank loans	-	190.0	-	-0.6	-	189.4
Total liabilities arising from financing activities	7.8	190.0	88.9	-0.6	-	286.1

*Relates to capitalised borrowing costs

NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Group		Parent company	
	2019	2018	2019	2018
Accrued salaries and holiday pay	36.5	25.9	1.2	1.2
Accrued social security contributions	9.7	8.8	0.4	0.3
Deferred income	47.7	17.3	–	–
Accrued pension expenses	4.2	3.4	–	–
Other accrued expenses	34.4	40.1	1.7	0.7
TOTAL	132.5	95.5	3.3	2.2

Other accrued expenses mainly relate to expenses allocated to different periods.

NOTE 23 PROVISIONS

The item provisions in shareholders' equity in the Group refers in its entirety to translation differences.

NOTE 23 DISCONTINUED OPERATIONS

Sdipotech's Board of Directors resolved on 14 February 2018 to divest the Support operations, subject to approval by the Annual General Meeting.

When a self-sufficient line of business or important operation within a geographical area 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 a holding for sale, determine when the operation should be classified as a discontinued operation.

Profit after tax for discontinued operations is recognised as a separate line item in the income statement. The income statement will be adjusted to the comparative period as if the discontinued operation had already been liquidated at the beginning of the comparative period.

The table below illustrates the outcome for the preceding year as if the Support operations had been classified as discontinued operations.

Profit/loss from operations in the discontinued operation (SEK million)	2019	2018
Revenue	–	85.7
Expenses	–	-8.0
Net financial items	–	-0.1
Profit before tax	–	77.6
Tax	–	0.6
Profit after tax	–	77.0

NOTE 25 PLEDGED ASSETS

Group (SEK million)	Group	
	2019	2018
Shares in subsidiaries	–	949.1
Chattel mortgages	58.2	24.4
Skills development	58.2	974

NOTE 26 RELATED-PARTY TRANSACTIONS

Through an agreement, Sdipotech retains its financial interest in the divested business InsiderLog even after the divestment regarding the future purchase price for the remaining holdings.

Related-party transactions refer to rent of premises for S Fund 1 AB, whose main owner is a Board member of Sdipotech AB.

NOTE 26 RECEIVABLES FROM GROUP COMPANIES AND OTHER NON-CURRENT RECEIVABLES

Receivables from Group companies

Parent Company, (SEK million)	2019	2018
Opening acquisition value	476.5	258.1
Additional intra-Group receivables	473.3	209.8
Accrued and capitalised interest	3.1	6.0
Currency revaluation receivables in foreign currency	7.6	2.7
Closing acquisition value	960.7	476.5

Other non-current receivables

Parent Company, (SEK million)	2019	2018
Opening acquisition value	1.3	1.3
Closing acquisition value	1.3	1.3

No credit loss provision was recognised for Group receivables as future credit losses have been estimated as insignificant for the parent company.

NOTE 28 PARENT COMPANY DISCLOSURES

Information about the parent company Sdipotech AB, corporate identity number 556672-4893, is the parent company in the Group. The company's registered office is in Stockholm, Stockholm County, and it is a limited liability company according to Swedish legislation:

The address of the head office:
Sdipotech AB (publ.)
Stureplan 13
111 45 Stockholm
Sweden

NOTE 29 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In January 2020, My Lundberg was recruited as IR & PR Manager for the Sdipotech Group. In February, Erik Hedenryd was recruited as a Business Unit Manager in order to strengthen the expanding Water & Energy business area. In other respects, no significant events have been noted after the end of the reporting period.

In early 2020, the outbreak of the Covid-19 virus has had a major negative impact on the whole of society. At present, it is difficult to judge the effects. Sdipotech is monitoring developments carefully and is taking proactive measures, both to reduce the risks for its employees and in order to ensure that the operations can continue. The effects of this will be reported in the Group's interim report for the quarter January to March 2020.

SIGNATURES

The Board of Directors and the CEO assure that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards IFRS referred to in the European Parliament's and Council's regulation (EC) No. 1606/2002 from 19 July 2002 on application of the international accounting standards. The annual accounts and consolidated accounts provide a true and fair view of the parent company's and Group's financial position and results of operations. Nothing of material significance has been omitted that could affect the view of the company created by the Annual Report. The directors' report for the parent company and the Group provides 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 other companies included in the Group.

The Annual Report and consolidated accounts have, as stated above, been approved for issue by the Board of Directors and the CEO on 17 April 2019. The consolidated statement of profit and other comprehensive income and the consolidated statement of financial position and the parent company's income statement and balance sheet will be the subject of adoption at the Annual General Meeting held on 18 May 2019.

STOCKHOLM, 17 APRIL 2020

Jakob Holm
CEO

Jan Samuelson
Chairman of the Board

Johnny Alvarsson
Board member

Ashkan Pouya
Board member

Markus Sjöholm
Board member

Birgitta Henriksson
Board member

Urban Doverholt
Board member

Our audit report was submitted on 17 April 2020.
KPMG AB
Duane Swanson
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Sdiptech 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 Sdiptech AB (publ.) for the year 2019, except for the corporate governance statement on pages 34-38 and the sustainability report on pages 30-33. The annual accounts and consolidated accounts of the company are included on pages 25-77 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 2019 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 34-38 and sustainability report on pages 30-33. 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 statement of comprehensive income and statement of financial position for 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

4-24. 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to

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

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 Sdipotech AB (publ.) for the year 2019 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34-38 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted

auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 30-33, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm 17 April 2020

KPMG AB

DUANE SWANSON

Authorized Public Accountant



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