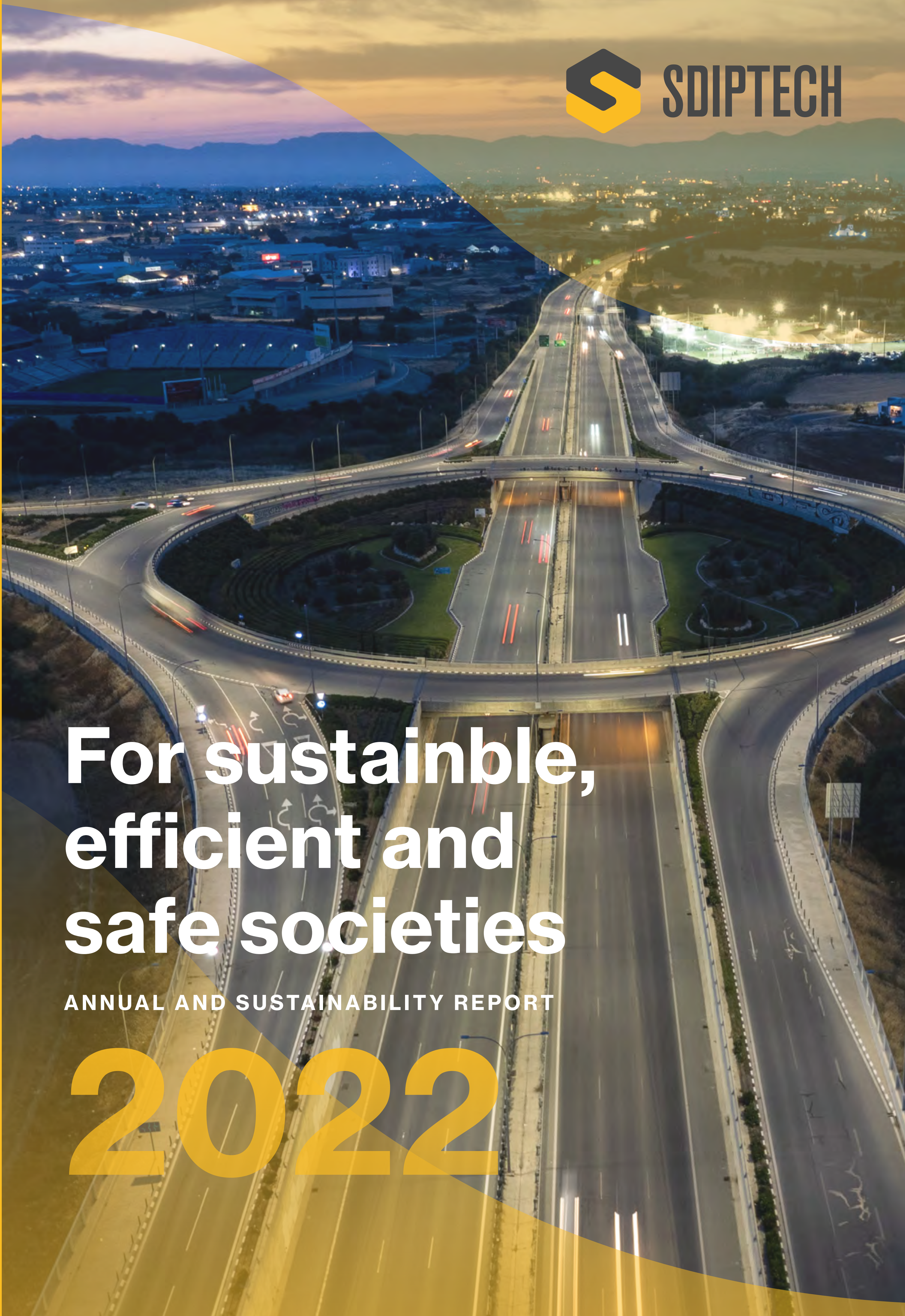

SDIPTECH

For sustainble, efficient and safe societies

ANNUAL AND SUSTAINABILITY REPORT

2022

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CEO'S STATEMENT

I am proud of how we as a group have been able to performunder these continued market conditions.


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SUSTAINABILITY

In addition to our efforts to develop the sustainability work of our existing business units, a thorough ESG DD of the company is now being carried out prior to each acquisition.


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SDIPTECH AS AN INVESTMENT

Sdiptech creates long-term shareholder value via the about 40 independent business units within the Group.

FINANCIAL CALENDAR

Annual Report 2022:	24 April 2023
Interim report January–March 2023:	4 May 2023
Interim report April–June 2023:	21 July 2023
Interim report July–September 2023:	27 October 2023
Year-end report for 2023	9 February 2024

Annual General Meeting

Sdiptech AB (publ.) will be holding its Annual General Meeting at 4pm 22 May at IVA (Ingenjörsvetenskapsakademien), Grev Turegatan 16 in Stockholm. Registration must take place as specified in the invitation to attend.

INVESTOR RELATIONS CONTACT PERSON

Bengt Lejdström, CFO
bengt.lejdstrom@sdiptech.com

This is Sdiptech

Sdiptech is a technology group that acquires and develops niche infrastructure companies with the vision of creating safer, more sustainable, more efficient communities.

Europe's infrastructure is largely outdated and neglected. Constantly growing and increasingly complex urban areas are affected by capacity shortages. New environmental and welfare problems place demands on sustainable solutions, which drives technological development. All this means that the demand for investment in infrastructure for effective and prosperous societies is growing.

Sdiptech is well positioned to meet this growing demand by offe-ring niche services and products that meet critical needs in the infrastructure sector.

Our business concept is to acquire and develop market-leading niche businesses with high-quality products and services for both the public and private sectors in the growing infrastructure sector. Our overall goal is to create long-term value growth by constantly evaluating new acquisition opportunities and actively developing our business units in order to drive organic growth. The strength of our business model is that we are able to offer secure, long-term ownership through a clear, decentralised structure.

Based in Stockholm, Sdiptech's main markets are Sweden and the UK. We also have operations in Finland, Norway, Denmark, the Netherlands, Italy and Croatia.

3,505
MILLION NET SALES

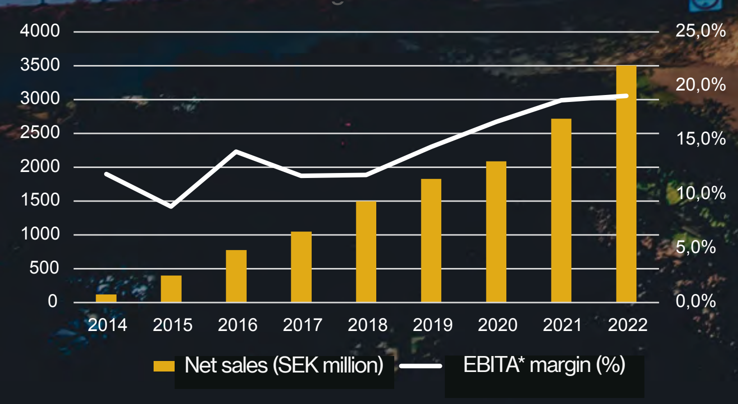
19,1%
EBITA* MARGIN

32%
EBITA* GROWTH

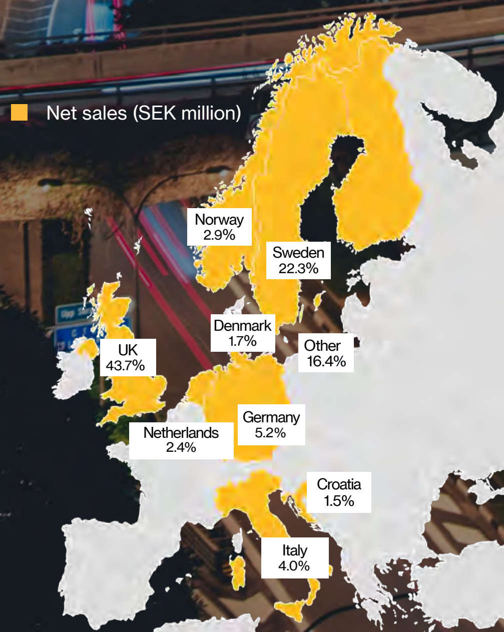
2,127
EMPLOYEES

37
BUSINESS UNITS

NET SALES AND EBITA* MARGIN



NET SALES PER MARKET, INCL. SHARE

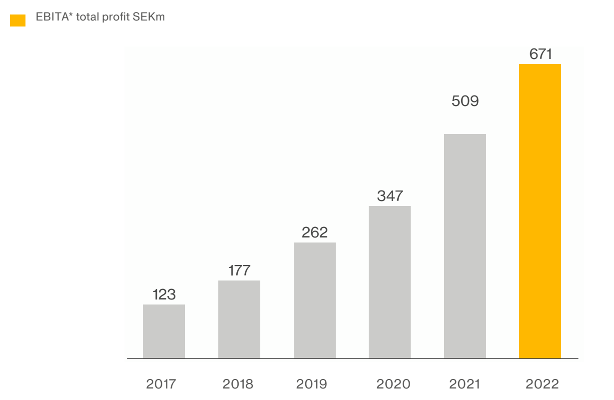


Targets

Financial targets

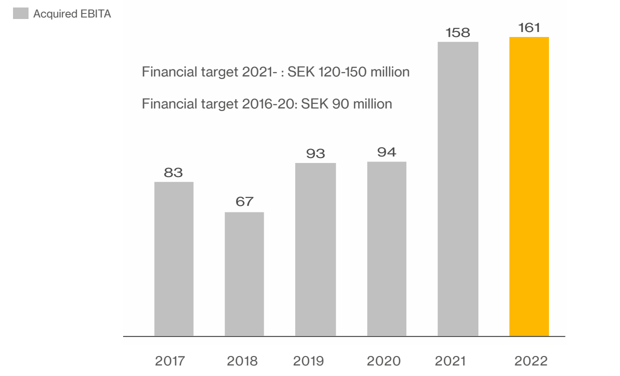
Profit growth

Target: To achieve average annual organic EBITA growth of 5–10%.
Outcome: Organic EBITA* growth in 2022 was -10.0% (8).



Acquired earnings growth

Target: To achieve an average annual acquisition rate of SEK 120–150 million EBITA*.
Outcome: SEK 161 million (158) EBITA* was acquired in 2022.



Capital structure

Target: The financial net debt in relation to adjusted EBITDA on a rolling 12-month basis should not exceed 2.5.
Outcome: The financial net debt in relation to EBITDA amounted to 1.79 (1.20).

Dividend policy

Target: 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: Sdiptech's cash generation from current operations in relation to the profit before tax amounted to 80% (71) in 2022. With the exception of the annual dividend to preference shareholders, generated cash flow has been reinvested in the business and used for new acquisitions.

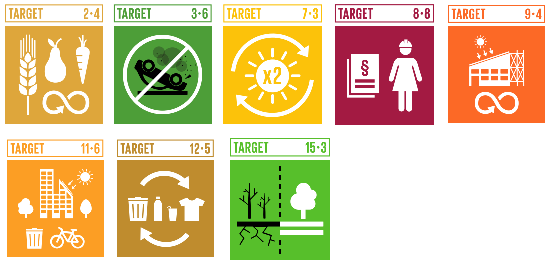
) EBITA is the Group's operating result and corresponds to EBITA before acquisition costs and before results from revaluation of contingent considerations. For more information, see page 87

Sustainability goals

Economic sustainability

Target: All companies acquired by Sdiptech must contribute to one or more of the UN's Global Sustainable Development Goals.

Outcome: All of the companies acquired by Sdiptech in 2022 contribute to one or more of the UN's Global Sustainable Development Goals. The companies contribute to targets: 2.4, 3.6, 7.3, 8.8, 9.A, 11.6, 15.3, 12.5, see more on p. 44–51



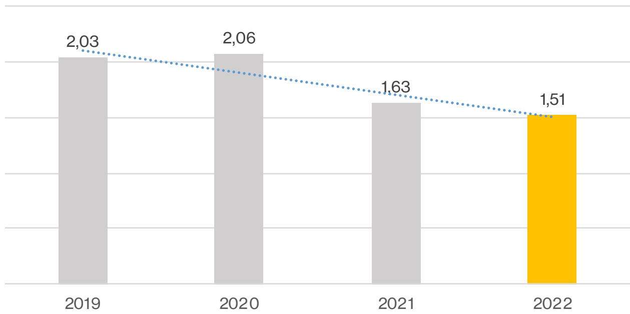
Environmental sustainability

Target: Sdiptech must reduce its carbon intensity. (CO2e/turnover) from its own operations by 50 per cent within five years (between 2021 and 2026).

Outcome: Sdiptech has reduced its carbon intensity from scope 1 and 2 in 2022 in comparable units by 6.9 per cent

*Refers to full year 2022 for the companies that were in the group on 31/12/2021

tCO2e/turnover scope 1–2



Social sustainability

Target: By 2030, Sdiptech must be gender equal (men and women represented in the range of 40–60 per cent) in senior positions

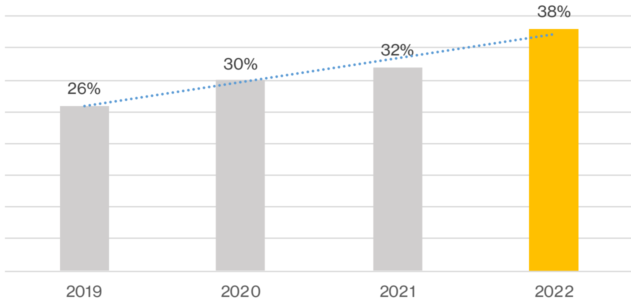
Outcome: Sdiptech has:

17 per cent women on the Group executive

40 per cent women on the Group board

38 per cent of Sdiptech's business units have an equal distribution of men and women in senior positions

Proportion of business units with an equal distribution of men and women in management positions



Corporate governance

Target: All companies within the Sdiptech Group must have incentives that are linked to sustainability-related goals.

Outcome: All CEOs within the Sdiptech Group, which has a Short-Term-Incentive-Program, including Sdiptech's management team, have incentives linked to sustainability-related goals.

The year in brief

Sdiptech is able to sum up another successful year in which we have continued to deliver on our vision – to be a leading European provider of niche offerings to the infrastructure sector and help to bring about safer, more sustainable and more efficient societies. The year was characterised by good demand for our business units' technology solutions, while we made major strategic investments in one of our largest business units, which had a short-term negative effect on organic development. We have also made seven carefully selected acquisitions.

To make the best possible use of future growth opportunities, we further enhanced the organisation at the beginning of the year and broadened the choice of niches to include more infrastructure segments. With our current business areas, we can more effectively capture the future growth potential with attractive acquisitions.

Last but not least, we have further developed our sustainability work with business development, training and structured efficiency work. To summarise, it has been a very important year for Sdiptech.

-10%
ORGANIC PROFIT GROWTH

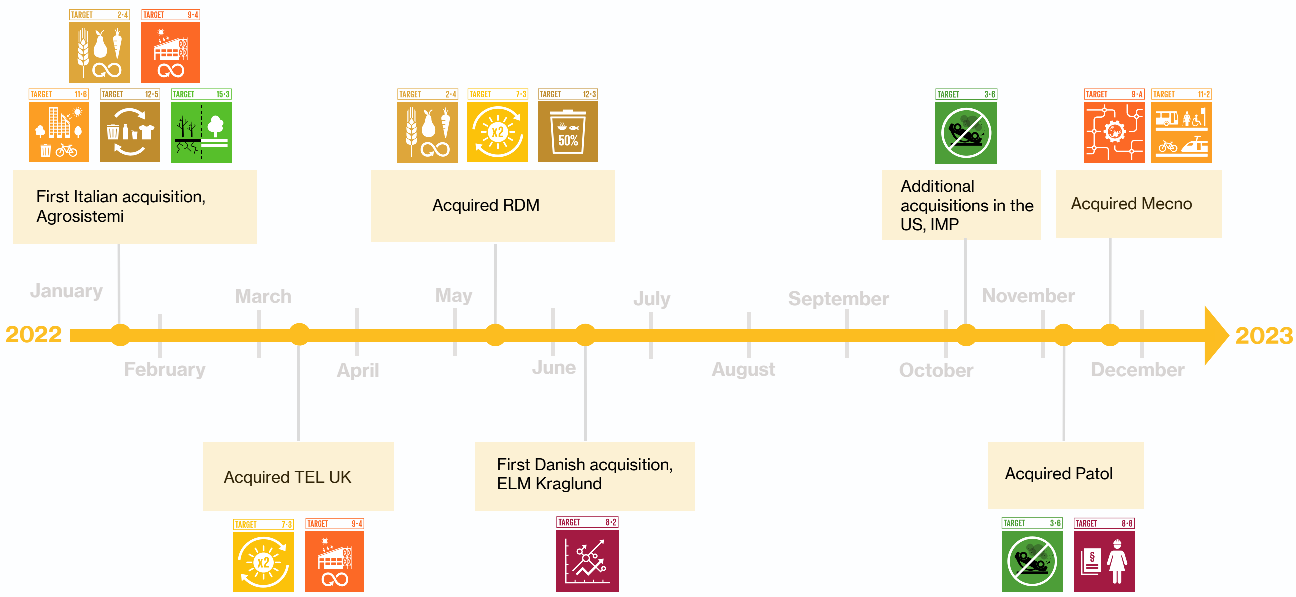
+29.0%
NET SALES
SEK 3 505 (2 719) million

+32%
EBITA* SEK 671.1 (509.3) MILLION

+19%
EBITA* MARGIN (17)

+75%
EARNINGS PER SHARE
SEK 11,48 (6,55) million

ALL BUSINESS UNITS ACQUIRED BY SDIPTECH SINCE 2017 CONTRIBUTE TO ONE OR MORE OF THE UN GLOBAL GOALS.



Acquired companies

Company	Operations	Business area	Date of acquisition	Country	EBITA SEK million	Contribution to UN Global Goals
Agrosistemi Srl	Treatment and recycling of biological sludge derived from wastewater treatment	Resource Efficiency	Q1 2022	IT	21	TARGET 2-4, TARGET 9-4, TARGET 11-6, TARGET 12-5, TARGET 15-3
Temperature Electronics Ltd	Design and manufacture of electronic airflow control and monitors	Special Infrastructure Solutions	Q1 2022	UK	16	TARGET 7-3, TARGET 9-4
Resource Data Management Ltd	A specialised product supplier in refrigeration management and control and building management systems	Special Infrastructure Solution	Q2 2022	UK	43	TARGET 2-4, TARGET 7-3
E-l-m Kragelund A/S	Develops and manufactures innovative tools for forklift trucks	Special Infrastructure Solutions	Q2 2022	DK	45	TARGET 8-2
Patol Ltd	Designs and manufactures special products for fire, smoke and heat detection	Special Infrastructure Solution	Q4 2022	UK	9	TARGET 3-6, TARGET 8-8
Mecno Service S.r.l.	Construction, design and service of grinding machines for rails and turnouts on tramways, metros and railways lines	Special Infrastructure Solution	Q4 2022	IT	25	TARGET 11-2

CEO's statement

The year 2022 will forever be associated with the war in Ukraine with devastation consequences for people's lives. This also diluted that wave of challenges that followed the pandemic, such as shortages of raw materials, higher energy and fuel prices, constraints in the supply chain and great difficulty in maintaining a stable supply of goods. So we can sum up 2022 as a turbulent year of rising inflation and major challenges to it global economy. I can at the same time state that Sdiptech has handled these challenges satisfactorily way. We have had good growth, strengthened ours position and maintained a high pace in our future investments. Inflation and height raw material prices we have managed through close dialogues with customers and suppliers. I am proud of how we as a group have performed under these continuing challenges market conditions.

GOOD DEMAND FOR SUSTAINABLE INFRA-STRUCTURE

Infrastructure is the foundation that supports our societies. Other functions of society cannot work properly without functioning roads, power grids, digital networks and water supply. There has been underinvestment in many infrastructures in Europe, so they are in dire need of maintenance, expansion and modernisation. An effective way to save jobs and support a declining economy is to invest in infrastructure. In the short term, this can help to bring about increased employment and reduced unemployment; in the long term, it can result in recovery and growth. Sdiptech contributes to this on a daily basis by providing solutions and technology that are critical for important infrastructures to function well.

We saw continued favourable demand from our customers in 2022. However, revenue was negatively affected by the fact that our EV charger unit experienced problems with the launch of a new product generation in the last two quarters of the year. Excluding the electric vehicle charger unit, the Group showed positive organic turnover growth of +6.2 per cent and organic EBITA* growth of +4.3 per cent, excluding currency effects, in the last two quarters of the year. This demonstrates that we have grown organically in the remaining business units in a satisfactory manner.

Our profitability has continued to increase for the fifth consecutive year and the EBITA* margin was 19.1 per cent, compared to 18.7 per cent last year. New acquisitions contributed to our continued margin strengthening, and we feel confident that the Group's profitability will continue to grow and be established at an EBITA* margin of around 20 per cent.

As the world changes, so do infrastructures across society. The definition of infrastructure, once mainly associated with roads, water and energy systems, is now much more complex than that. All components and systems needed for effective societies and improved living conditions with the surrounding environment are a form of infrastructure. During the beginning of 2022, we therefore chose to expand the Water & Energy business area from 2022 to Resource Efficiency, which now includes water and energy, as well as bioeconomy, circularity, waste management and recycling.

EXCEEDING OUR ACQUISITION TARGET AND WIDENING GEOGRAPHIC MARKETS

Our unique acquisition model continues to create value. We have acquired seven well-managed businesses in 2022, corresponding to a total of SEK 161 million in added EBITA*. We have thus exceeded our acquisition target of SEK 120–150 million. Through these acquisitions, we have further established ourselves in the UK, our biggest growth market, and broken new ground in Italy, Denmark and the US. All business units that became part of Sdiptech in 2022 contribute to the UN Sustainable Development Goals in different ways, while also reinforcing our position as a cohesive group in the infrastructure sector.

SEVERAL IMPORTANT SUSTAINABILITY INITIATIVES

Our important work to achieve our sustainability goals continues. During the year, we have reduced our CO2e emissions through our turnover compared to 2021 in comparable units* by 6.9 per cent. In addition, the proportion of companies with an equal distribution of women and men in leading positions in the group has increased from 32 per cent in 2021, to 38 per cent in 2022. During 2022, we have carried out several invest-

*Refers to full year 2022 for the companies that were in the group on 31/12/2021

ments and efforts in sustainability. To name a few activities, we have worked with resource efficiency, as well as reviewing our business units' electricity contracts and vehicle fleets. In addition, all employees at the head office, including Sdiptech's board, as well as selected people in leading positions among our business units have undergone a sustainability certification with Sustademy.

CONTINUED GOOD PROSPECTS FOR ORGANIC AND ACQUIRED GROWTH

Our almost 40 different businesses in various segments provide good risk diversification, and our decentralised structure ensures quick decisions close to our customers and suppliers. The current economic situation does not affect the demand from our customers in infrastructure to any great extent. In addition, there are several strong and long-temr driving forces towards increased sustainability, efficiency and safety, which speaks for continued growing demand. We are better equipped than ever thanks to important sustainability steps and a scalable business model, and there are very good opportunities for us to continue our profitable growth.

Finally, I would like to thank all our dedicated staff for what we have achieved together during the year. I am very impressed by everyone's contribution to our collective success.

Jakob Holm
CEO, Sdiptech AB

Drivers & growth

Macro trends such as climate change, technological development, demographic change, globalisation, urbanisation and digitalisation are shaping much of Europe. This is placing new demands on infrastructure. While these trends pose major challenges for society, they are driving forces that create new business opportunities for Sdiptech.

LONG-TERM INVESTMENT NEED

Several factors are helping to bring about an increasing demand for infrastructure products and services in the foreseeable future. There is a great need for capacity expansion and modernisation.

Outdated infrastructure

Much of the western world's infrastructure was built in the 1950s, 1960s and 1970s. Lack of adequate maintenance has led to important and extensive parts becoming obsolete. Moreover, the modernisation of society is lagging behind and is taking time to achieve, driving long-term demand in Sdiptech's segment.

Increased consumption

Population growth and a growing middle class are leading to increased use of resources, putting pressure on infrastructure, which is currently operating at maximum capacity in many parts of Europe.

Increased urbanisation

As more and more people move to big cities, the pressure increases and urban areas become more complex. This further increases the need for capacity expansion in cities, while putting greater strain on existing infrastructure.

GREAT NEED FOR SUSTAINABLE INFRASTRUCTURE SOLUTIONS

Climate change is one of the greatest long-term challenges of our age, and there is an underlying drive and demand for solutions that are functional, climate-smart and socially safe. The pace of the climate transition has accelerated in recent years. Customer behaviour is changing, environmental requirements are tightening up and new technologies are accelerating development. At the same time, more capital is being allocated to investments in solutions that increase social and climate sustainability.

Today, nearly 80 per cent of all greenhouse gas emissions and almost 90 per cent of all adaptation costs are estimated to come from infrastructure. So what is built today will have a crucial impact on the future.
Resources have to be managed more efficiently throughout their life cycle, from extraction, transport, processing and consumption, to their disposal as waste. We can use resource-efficient products and services to help create societies that are more economically, socially and environmentally sustainable.

SDIPTECH'S ROLE

Besides stricter legal requirements, companies are expected to take sustainability aspects into account at all stages. Sdiptech's focus on sustainable operations creates lasting value by seizing opportunities incorporating innovation and technology, with a positive impact on people and communities. A few specific examples from Sdiptech's operations that offer a solution to some of society's most critical problems can be found on the next page.

INCREASED DEMAND FOR WATER

Demand for clean water will increase by around 40 per cent by 2030

TOPAS VATTEN

Installation and servicing of small water and wastewater treatment plants

TARGET 6-3 TARGET 6-4 TARGET 6-6 TARGET 6-B

INFORMATION & CYBER-SECURITY

High demand for security systems to protect sensitive information

cryptify

Software products for secure communication

TARGET 8-8 TARGET 16-4

POWER GRID CAPACITY

Electricity quality control increases as the share of renewable energy sources increases

UNIPOWER

Power quality measurement solutions

TARGET 7-1 TARGET 7-2 TARGET 7-2 TARGET 7-B TARGET 9-A

MONITORING & OPTIMI-SATION

Increased need for indoor climate monitoring, inc. sensing technologies to optimise energy consumption and air quality

KSS Klimat & Styrsystem | Service Entreprenad Energioptimering

Control systems for climate control, ventilation and energy efficiency

TARGET 7-3 TARGET 8-6 TARGET 11-6

EVS AND CHARGING INFRASTRUCTURE

The transition to EVs is rapid, and most European countries will only be allowing the sale of fully electric vehicles by 2030

ROLEC

EVs & outdoor charging equipment

TARGET 9-4 TARGET 12-1

PERSONAL SAFETY

Increased need for applications and products related to personal safety, especially in the workplace

Alerter group

Emergency communication sys-tems for disabled people

TARGET 4-A TARGET 8-5 TARGET 8-6 TARGET 10-2

CLEAN, SMART AND SECURE ENERGY

Increased demands to meet so-ciety's need for clean energy, with efficient application to reduce the carbon footprint

IDE

Temporary electricity & electricity consumption monitoring systems

TARGET 7-1 TARGET 7-2

BIOECONOMY

The need for resource efficien-cy is increasing as the world's population grows. The efficiency of how we use the world's resources must increase if we are to ensure sustainable growth and develop-ment capacity in society

Agrosistemi s.r.l.

Treatment and recycling of biological sludge resulting from wastewater treatment

TARGET 7-3 TARGET 9-4

LAST-MILE DELIVERIES

E-commerce expected to grow by 41 per cent in the UK by 2025

GAH

Designs, manufactures & serves transport refrigeration solutions forlast-mile deliveries

TARGET 9-4 TARGET 12-3

Sdiptech's strategy

For us, growth, profitability and sustainability are interlinked. Our investment philosophy is that companies with a sustainable business model and few sustainability risks have better conditions for long-term profitability and growth. Sustainability is thus embedded in our core business and a fundamental part of our efforts to achieve better business performance. All the companies we acquire must contribute to the UN Sustainable Development Goals, which means that the more societies are transformed towards greater sustainability, the higher the demand for our products.

Growth

Demand for infrastructure

Modern, effective infrastructure is a necessary prerequisite for growth and prosperity. The level of infrastructure investment in Sweden and many other European countries has been too low for a long time. Population growth, urbanisation and climate change are placing further pressure on the systems.

Grow by acquisition

We are actively looking for more niche solutions to critical needs in the infrastructure sector. We acquire companies that help to bring about safer, more sustainable, more efficient societies, and are constantly expanding our presence and offering in our target segments.

Development of business units

With industry-specific knowledge and experience, our business area managers can provide strategic support and further develop our businesses. At the same time, we can adapt operational support depending on the needs and phases of our business units' development.

Profitability

Niche market positions

The basis for our value creation lies in profitable market positions in growing segments. We believe that sustainable profitability comes from providing high value to our customers through specialisation and competitive market positions. Our business units can outperform their competitors by offering something unique that they can maintain and protect over time.

Value creation as a group

With sector-specific knowledge and experience, we can provide strategic support and help our business units to further develop their business. At the same time, we can adapt operational support according to the needs and phases of the company's development. We can use knowledge synergies to streamline our processes and continue to increase our margins.

Profitable and complementary acquisitions

Profitable acquisitions continue to make a positive contribution to our long-term margin expansion. At the same time, they broaden our expertise and our offering, further strengthening our opportunities for both growth and margin expansion through economies of scale and cross-selling.

Sustainability

Sustainable investment

Our investment philosophy is that companies with a sustainable business model and few sustainability risks have better potential for long-term profitability and growth. We include sustainability criteria in the selection process for acquisitions so as to ensure that our investments remain responsible.

Developing existing business units

We are convinced that sustainable processes not only make us feel good deep down, but are also good for business. As well as driving innovation, this can also enhance resource efficiency and be the most profitable option. We can improve our operations by developing and helping our business units to make even more long-term sustainable decisions.

Working towards our goals

We work daily with our long-term sustainability goals, which are integrated into both the acquisition process of new companies and the development of existing ones. Linking incentives to sustainability goals, both for individual business units and the Group as a whole, has an important signal value that fits well with our decentralised model.

Business model

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

ACQUISITIONS

Sdiptech defines clear requirements when evaluating new acquisition opportunities. They are profitable, often market-leading and entrepreneurial niche infrastructure companies in prioritised geographical areas that meet Sdiptech's investment criteria. We are looking for companies that:

- Contribute to one or more of the UN Sustainable Development Goals, as well as to safer, more sustainable and/or more efficient societies
- Deliver solutions to critical needs in the infrastructure sector
- Operate in sustained trends with low cyclicality
- Have strong historical profit performance and stable cash flows
- Have a differentiated market position with limited competition and low risk of disruption
- Have unique value offerings and robust business models
- Are not critically dependent on a small number of customers or suppliers
- Have an EBIT margin above 15 per cent
- Have an EBIT level around SEK 20–50 million
- Scalable business models

Acquisition process

Sdiptech works with a process developed in-house several years ago that is led by the internal acquisition team, whose job is to continuously identify, get to know and evaluate companies against our acquisition criteria. The fact is that in several cases we are in contact with companies for several years before the opportunity arises for acquisition. The work is divided into two phases.

Phase 1 Sourcing is a proprietary process that distinguishes Sdiptech and gives us important competitive advantages.

Sourcing consists of quantitative process steps to identify companies that meet our basic requirements from databases in our target markets. In a regular working week, we scan companies and about 20 are approved for further contact. A qualitative analysis is then carried out to identify the companies that best meet our stringent criteria. Our focus on sustainable infrastructure solutions plays an important role in this analysis as we benefit from the collective expertise of the Group's acquisition team, as well as our business area managers and business units. For example, each acquisition is preceded by a thorough sustainability assessment of the company. The analysis includes mapping which global sustainability goals the company contributes to, and in what way. Our approach also allows time to get to know the owners of the companies we have selected, so that we have a common idea of the company's future and development.

Our in-house acquisition organisation means we have control of the inflow of acquisition candidates, which is then supplemented with suggestions from external stakeholders and Sdiptech's business units. Sdiptech's acquisition model thereby creates an independence in relation to external parties and also leads to exclusive dialogues with owners of companies that are of interest to us.

Phase 2 Implementation follows accepted industry practice with the aim of reviewing risks and opportunities in detail.

DEVELOPMENT

Sdiptech buys for long-term ownership. This means securing the future of the business units, which in many cases is the decisive factor for the realisation of a purchase. So being part of the Sdiptech Group means that the company will be allowed to retain its original identity, while also gaining access to the collective experience and knowledge of Group colleagues through strategic support. All Sdiptech business units have clearly decentralised responsibilities and authority. Stable and long-term value creation in the Group stems from the organic profit growth created in each individual company. Our business units are profitable thanks to the strength of their individual niches. That is why we have a decentralised structure – so that development takes place and key decisions are made closest to our customers. Our business development principles are focused on developing and strengthening the individual market positions of our businesses, with continuity and conscious risk analysis.

Differentiation

A differentiated competitive position is the source of sustainable and profitable growth. Our priority is to strengthen market positions without taking unnecessary risks that could jeopardise a successful niche and its profitability.

Local responsibility

Each business unit is unique in its own way. Each business unit bears clear responsibility for results so as to ensure strong ownership to drive and develop our offerings.

Leadership

Each business unit has a skilful and dedicated CEO who leads our businesses through both positive phases and challenges. This is an important component of stability and growth. When a company is acquired, it is usually continued by the previous owner to ensure continuity after the acquisition is completed. Succession to successors then takes place according to the agreed plan. Helping to find a new CEO and implement a successful succession is an important cornerstone of our model.

Segment knowledge

Our focus on infrastructure gives us in-depth market insight and technical expertise in the segments that we target. This applies both to business area managers who focus on their specific areas, and to our acquisition organisation, which maps markets and value chains in depth in our selected segments. Within the framework of our decentralised model, we work actively to take advantage of cooperation opportunities between our business units when it comes to sales, product development, knowledge sharing and deliveries, for example. In this way, we can realise cost savings through collaboration between our various business units in cases where this is commercially justified, thereby increasing our value creation as a technology group.

STRATEGIC SUPPORT AND DEVELOPMENT

- Sdiptech companies develop as part of a group, with sister companies and a central organisation, where specific industrial focus and infrastructure know-how are available to reinforce and develop the business.
- There is close cooperation between the CEO and its business area manager, who is also the chairman of the company's board. As well as leading the work of the board, the business area manager also acts as a sounding board for the CEO.
- The strategy is reviewed annually with the business unit's CEO and management. The strategy is translated into an activity plan that is then followed up during the year.
- Groupwide meetings between the business units are also arranged in order to develop leadership, such as theme meetings for CEOs and CFOs.

COMMON INCENTIVES

In our model, the CEO must have the same objectives as their business area manager. That is why the CEO's remuneration is linked to the achievement of targets in their own subsidiary. Organic profit growth is always an important target, but there are always complementary targets, such as e.g. environmental and equality goals.

MONITORING AND COMPLIANCE

- Financial outcomes in relation to set targets are followed up on a monthly basis. An "early warning" system is used to detect anomalies.
- Group policies are implemented in each business unit. For a small company, adapting to the compliance requirements of a listed company may require some adjustment. In the long run, this alignment will improve control and increase quality, which is positive.

Why become part of Sdiptech?

Sdiptech is a home for entrepreneurs and can help your business continue to develop safely.

Sdiptech offers an attractive alternative for many founders who want to sell their companies, because our decentralised business model means that companies continue to operate independently. Sdiptech's management approach means that companies retain their unique characteristics and distinctiveness.

Sdiptech offers secure, long-term ownership, and its business model is based on a clearly decentralised structure. This was crucial for us when we decided to sell to Sdiptech, because it meant securing the future of our staff while maintaining the identity of the organisation. Moreover, Sdiptech's focus on small and medium-sized enterprises in niche markets has meant that they have been a good partner for supporting and continuously developing the company. There is also a genuine desire to constantly raise the bar in the field of sustainability, which is fully in line with Auger's solutions and endeavours.

David Brewster, CEO and founder, Auger

Being part of Sdiptech means long-term and secure ownership with a decentralised business model – two important aspects for us. Moreover, Sdiptech, with its infrastructure expertise, is a value-creating partner that offers us an opportunity to further develop our business and solutions. The support of the Group has enabled us to take Hilltip to the next level, including through our expansion in the US. Sdiptech is a committed owner, with clear goals and tools for both development and long-term profitability.

Tom Mäenpää, CEO and founder, Hilltip

For companies undergoing a generational shift, having Sdiptech as an owner can ensure continued operation and development. In addition, Sdiptech can provide companies looking for the next step in their development with access to expertise, experience and networks. Helping to find a new CEO and conducting a successful succession is an important cornerstone of our model.

There are many advantages to having a strong owner like Sdiptech. On the one hand, there is solid expertise in all aspects of a company's operation and expansion within the group of companies, while at the same time you always have a sounding board in your business area manager, who has in-depth expertise in their segment. We can also use the Sdiptech CEO network to help each other with specific solutions to specific challenges. Moreover, being part of a larger context helps us to see the bigger picture and constantly challenge ourselves to improve what we have to offer.

Jenny Jansson, CEO, Pure Water Scandinavia

Business areas

Effective infrastructure is essential for our societies and our day-to-day lives. Sdiptech currently has two business areas: Resource Efficiency and Special Infrastructure Solutions. The areas identified by Sdiptech as particularly important for the development of society and thus showing good demand are water and sanitation, power and energy, bioeconomy, waste management, air and climate control, transport and security.

Resource Efficiency

Water & Sanitation

Power & Energy

Bioeconomy

Waste Management

Special Infrastructure Solutions

Air & Climate

Safety & Security

Transportation

Resource Efficiency

The world's population has doubled in the last 50 years. Use of resources has tripled at the same time, and the growth of the world economy is placing unsustainable pressure on the Earth's resources. This has created worldwide problems such as climate change, water stress, resource scarcity and biodiversity loss. Green technologies, renewable energy and recycling are all measures that can increase the resource efficiency of our societies. The efficiency of how we use the world's resources must increase if we are to ensure sustainable growth and development capacity in society. Resource-related problems extend across many areas in need of investment, and according to a BCG analysis, investment in resource efficiency is estimated to reach USD 7.7 billion by 2030. Sdiptech has a natural role to play in helping to bring about development by investing in and developing companies that help in various ways to bring about safer, more sustainable, more efficient societies. So in addition to Water & Sanitation and Power & Energy, we decided in 2022 to add two more segments within the business area: Bioeconomy and Waste Management.

"If we continue to utilise resources as we do now, we will need a planet twice the size in just 30 years' time. Resources have to be managed more efficiently throughout their life cycle, from extraction, transport, processing and consumption, to their disposal as waste. We can use resource-efficient products and services to help create societies that are more economically, socially and environmentally sustainable. Sdiptech's Resource Efficiency company specialises in several of these critical challenges that societies have to resolve."
- Fredrik Navjord,
Head of Resource Efficiency

Sdiptech's Resource Efficiency business area focuses on niche products and services that help to bring about efficient and sustainable use of resources such as water, energy, minerals, forests and food. Northern Europe and the UK are the main geographical markets.

Water & Sanitation

The water segment is characterised by growing water scarcity, increasing water consumption and new water treatment requirements. Sdiptech's businesses offer niche products and services for wastewater treatment, water systems and water treatment. There is an ever-growing need for products and services that address the challenges facing society. According to World Bank projections, demand will increase by around 40 per cent by 2030. Demand already exceeds sustainable supply in many places; and in others, water scarcity is an obstacle to economic growth.

Europe is increasingly experiencing a shortage of clean water as a result of growing demand; but also as a result of climate change. More stringent regulatory efforts are placing more stringent demands on solutions that meet society's water and wastewater needs in an energy-efficient way. This provides good opportunities for long-term growth in water treatment, distribution efficiency, measurement and analysis.

Power & Energy

There are excellent opportunities for growth in the energy segment as a direct result of the power shortage that is hampering regional development in parts of Europe. Growth is also driven by the ever-increasing digitalisation, automation and electrification of society. Within the segment, Sdiptech's business units offer niche products and services for power supply, electrical automation, temporary electricity and charging equipment for electric vehicles.

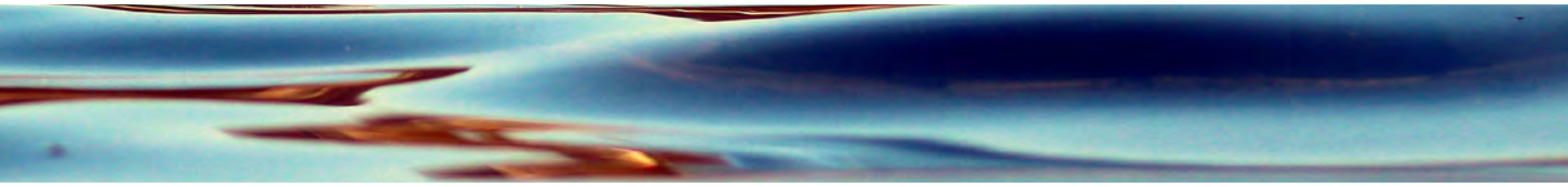
Growth in the energy segment is largely driven by an increased focus on efficiency, digitalisation, automation, electrification and renewable energy. Energy demand is growing at a significantly faster rate than production, resulting in a growing gap between supply and demand. The use of electricity as an energy source is expected to increase steadily in the coming years. One driving factor is the growth in electric cars. At the same time, electrification is necessary for the transport sector to be able to make the transition and ultimately achieve established climate targets.

Moreover, the transition from nuclear to renewable energy in large parts of Europe places more stringent demands on infrastructure – in terms of both capacity and system stability. Electricity networks are underdeveloped in much of Europe, and are in need of maintenance and upgrades to meet growing energy demand.

Bioeconomy

Bioeconomy essentially involves being able to manage the Earth's finite resources in order to meet the social challenges of the future. It consists of those parts of the economy that use renewable biological resources such as forests, crops, fish, animals and micro-organisms to produce food, materials and energy. The bioeconomy will play a significant role in the global economy to allow us to create a carbon-neutral future. New value can be created in the form of food, bioproducts or bioenergy by harnessing and maximising the value of biological resources from agriculture, forests and oceans. For instance, agricultural residues can be used to create fuel for the transport sector, which can reduce emissions by up to 95 per cent. Research has shown that as much as 60 per cent of material inputs could be made from biogenic inputs in practice, but only one third of these inputs are currently biogenic. That is why major investments are needed in components and systems that enable the acceleration of the bioeconomy. The EU has developed the **Bioeconomy strategy** action plan to stimulate industry and scale up bio-based sectors through initiatives such

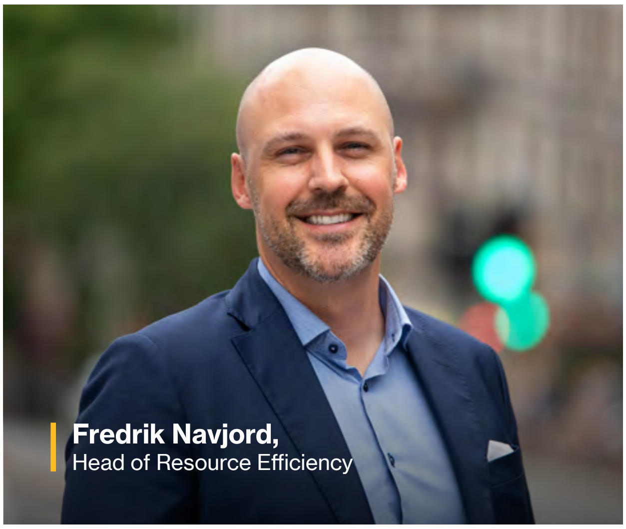
[1] European Environment Agency



as grants, standards and pilot projects. Sdiptech perceives several advantages in including bioeconomy in the business area as a new segment.

Waste management:
As the population and use of resources increase, so does the need for responsible waste management. Waste needs to be reduced by increasing resource efficiency, and then as much waste as possible needs to become part of a cycle. Only 11.8 per cent of European waste is recycled at present, and over 60 per cent of household waste is still sent to landfill in many European countries. For the EU to reach its goal of becoming the world's first climate-neutral continent, these figures need to be significantly revised. For that, communities need to be guided by the EU's waste hierarchy, which puts landfill last after reuse and recycling.

Companies involved in waste management play an important role in the circular economy. When handled responsibly, there is massive potential to extend the life of materials. This means utilising unused resources, which can turn waste streams into income streams. It also reduces carbon emissions and pressure on our natural resources and creates new jobs. Moreover, safer and more efficient waste management can lead to energy savings and reduce the risk of toxic waste entering the environment. Going forward, we will see increasing regulation of waste, increased customer demand and the cost of extracting virgin materials, which will also increase the demand for processes that refine used materials and give them new life. Components and systems that support the transition to a circular economy are essential if societies are to be able to make the transition. Sdiptech perceives a major opportunity in investing in and developing companies working with waste management.

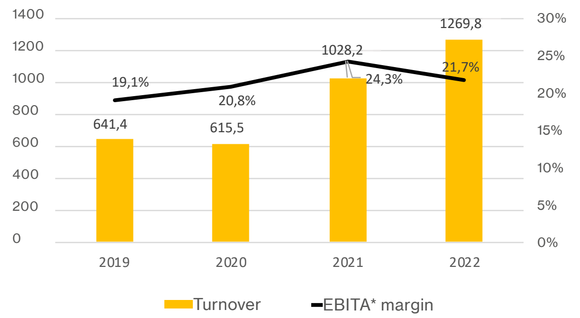


The business area's turnover increased by 23.5 per cent during the year to SEK 1,270 (1,028) million compared to the previous year. The increase in turnover is attributable to acquisitions and good sales in most of the business area's units, especially those related to electricity. However, the Group's electric vehicle charger business experienced a drop in turnover and earnings, which contributed to a lower profitability and profit margin compared to the previous year. This is because the production launch of a new technology platform was delayed due to component shortages. Production and delivery of the new chargers are since the beginning of 2023 back in business.

EBITA* for 2022 increased by 10.6 per cent to SEK 276 (249.6) million, which was mainly due to good organic profit development in most other units in the business area, as well as acquisitions, which were affected by the weaker development in the Group's electric vehicle charger business.

The EBITA* margin for the year fell to 21.7 per cent (24.3).

RESOURCE EFFICIENCY*



*formerly known as Water & Energy

FACTS IN BRIEF

Resource Efficiency (SEK million)	2022	2021	2020
Net sales	1,269.8	1,028.2	615.5
EBITA*	276.0	249.6	127.8
EBITA margin, %	21.7%	24.3	20.8%
Number of business units	16	15	13
Number of acquisitions during the year	1	2	0

Special Infrastructure Solutions

Products and services in Special Infrastructure Solutions span a relatively wide range of different niches. Common to all business units is their deeply specific infrastructure market segment with favourable underlying growth, low cyclicality and a gradual introduction of stricter environmental, energy and safety regulations. The willingness of both public and private customers to invest in better and niche solutions creates a good market position for our businesses that deliver specialised solutions.

The Special Infrastructure Solutions business units provide niche products and services to meet specialised needs in terms of air and climate control, security and surveillance and transportation systems. Northern Europe and the UK are the main geographical markets.

"In 2022, the demand for primary energy optimization within the air and climate segment has accelerated and contributed to stable growth during the year."
– Anders Mattson,
Head of Special Infrastructure Solutions

Air & Climate Control

Our companies in the air and climate segment offer products and services to monitor, control and optimize indoor climate, air quality and energy efficiency. Total energy consumption for all Swedish buildings (apartment blocks, single-family housing and premises) has remained relatively constant for several decades at around 160 TWh per year. This means that the entire settlement sector accounts for just over a third of total Swedish energy use. In the UK, the government is investing £2.5 billion to upgrade public buildings, schools and hospitals to more affordable, low-carbon heating and other energy efficiency measures over the next 15 years. That is why improvements in this area will help to bring about underlying growth for a long time to come that will remain strong over economic cycles.

Sdiptech's solutions in air and climate control contribute to lower energy use in heating, ventilation, air conditioning, cooling and sanitation, as well as reduced and improved indoor climate for people in vulnerable environments. In connection with the fact that the market is largely controlled by the gradual introduction of stricter environmental and energy regulations, in Sweden as well as Europe, as well as rampant energy prices, the demand for many of Sdiptech's products and services in the area is increasing.

Safety & Security

In the security segment, Sdiptech's businesses offer software and technology for secure communication and integrated security systems in both public and private environments. The market for security systems has long been in a strong upward trend, with a growing need to increase the security of mission-critical applications. Sdiptech's security solutions in critical communication and integrated systems not only help to bring about increased security, but also provide end users with greater efficiency and business benefits. Around one in six people in the UK suffer from some form of hearing loss.

Sdiptech has operations that provide a radio-based emergency alarm and messaging system for the deaf and hard of hearing and a digital radio-based voice communication system for the disabled that can be used in emergencies. These systems are now installed in thousands of buildings all over the UK, and there is an underlying need to create a safe and secure environment for everyone in the community.

Patol Ltd, recently acquired by Sdiptech, specializes in fire safety and provides tailored solutions for various critical applications. Fire safety shows robust growth and rising demand from society, making it an attractive area for investment.

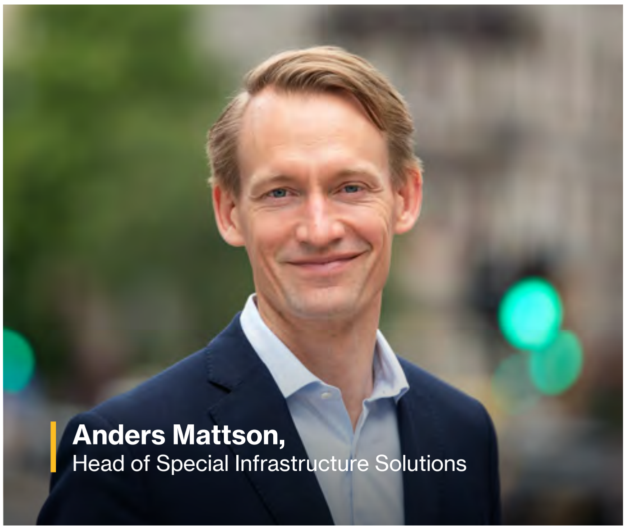
Transportation

Population growth, urbanisation, digitalisation and an ever-growing middle class are underlying trends that are leading to an increase in the need for socially and climatically sustainable transport and transportsystem. Most cities and countries have also adopted a long-term vision of zero deaths and serious injuries as a result of road accidents. This vision provides a basis for many new innovations and technological solutions integrated into transport systems. Digital speed monitoring and specific winter road maintenance are examples of Sdiptech's activities in this area.

Another noticeable trend in the transport segment is the need for automation and effectivity in logistics networks. Increasing volumes and increased complexity require higher efficiency and fewer errors. Both Certus (automation for ports and logistics terminals) and ELM (specially adapted and integrated lifting equipment) contribute to increased efficiency and to minimizing the risk of errors and personal injuries.

"We see clear drivers in energy optimization, increased investments and tax breaks in energy-saving measures in climate adaptation in everything from the food industry to the real estate and transport sectors. Partly to reduce energy consumption, but also to switch to more sustainable alternatives and minimize the carbon footprint and to ensure, for example, food safety in line with increasingly stringent legislation. Our digital tools and solutions are well suited to solving the challenges customers face in these areas. These are some examples of areas where we see favorable underlying growth and stable long-term market trends."

– Anders Mattson,
Head of Special Infrastructure Solutions

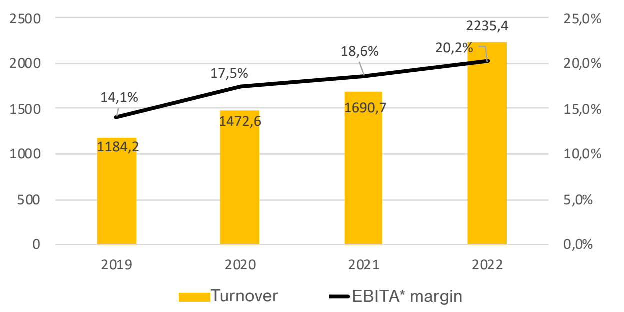


The business area's turnover increased by 32.2 per cent to SEK 2,235.4 (1,690.7) million. This increase in turnover is mainly due to acquisitions and good sales in a number of units in the business area.

EBITA* increased by 44.1 per cent to SEK 452.1 (313.8) million, mainly due to contributions from acquired units and continued favourable development in several of the Group's existing units.

The EBITA* margin increased during the quarter to 20.2 per cent (18.6), mainly through contributions from acquired units, but also from organic profit development in most other units in the business area.

SPECIAL INFRASTRUCTURE SOLUTIONS



FACTS IN BRIEF

Special Infrastructure Solutions (SEK million)	2022	2021	2020
Net sales	2 235,4	1 690,7	705,2
EBITA*	452,1	313,8	191,7
EBITA margin, %	20.2%	18.6%	27.2%
Number of business units	21	16	13
Number of acquisitions during the year	5+1	2	4

Sdiptech as an investment

Sdiptech creates long-term shareholder value through the almost 40 independent business units within the Group. We are an active owner, taking care of and developing our business units for sustainable and profitable growth.

Sdiptech's the share, Sdip B, has seen an average price increase of about 28 per cent per year since the company was listed in May 2017, and we are continuing to deliver value through organic and acquired growth. This is due to a number of reasons, including the ways in which we differentiate ourselves from other companies with a similar business model. Our focus on infrastructure, our internal acquisition team and our payment model are the three main ways in which we differentiate ourselves.

> *Sdiptech has an internal acquisition team that works every day to find new companies with additive products and customer segments that complement us as a group. The solid process for finding and conducting acquisitions differentiates us from other stakeholders in the market and gives us a head start in building valuable relationships with potential acquisitions. Our primary task as owners is to support our companies so that they can focus on continuing their successful development by utilising Sdiptech's network and our resources in terms of expertise, experience and financing.*
>
> Bengt Lejdström, CFO, Sdiptech

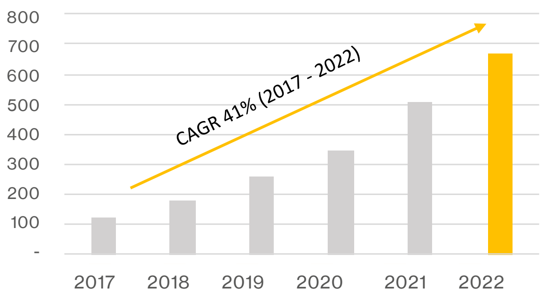
Increased profits, increased profitability, every year

Sdiptech's overall goal is to increase profits through both organic growth and acquisitions. We have had an average annual profit growth rate of 41 per cent since 2017.

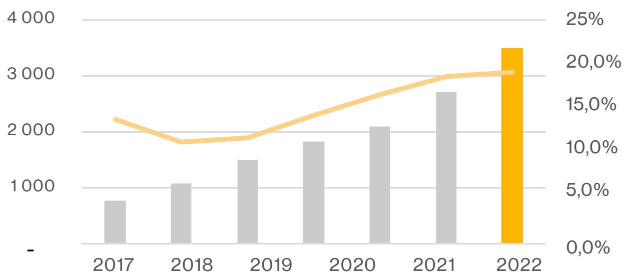
Financial target, acquired profit:
SEK +120–150 million EBITA* per year (increased target since 2021, from the previous SEK 90 million)
Outcome: SEK 161 (158) million in 2022

Financial target, organic profit development:
+5–10% EBITA*
Outcome: -10% (8%) in 2022

EBITA*



TURNOVER AND EBITA MARGIN



) EBITA is the group's operating profit and corresponds to EBITA before acquisition costs and before results from the revaluation of conditional purchase prices. For more information, see page 87.

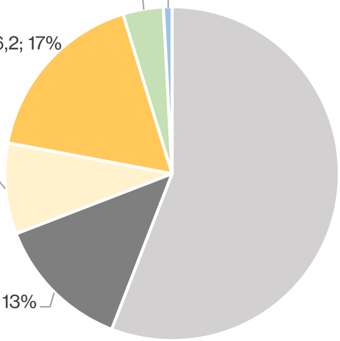
Purpose-driven business model

Sdiptech only invests in companies that help to bring about safer, more sustainable, more efficient societies. In accordance with our goals, the companies that Sdiptech acquires must contribute to one or more UN Global Sustainable Development Goals. As a value-creating owner, we help our existing companies to develop by making decisions that are sustainable in the long term.

High growth at a manageable risk with a clear focus

We can deliver high growth at a manageable risk with a diversified portfolio of around 40 business units in different niche markets across multiple geographical areas, combined with our decentralised model where decisions are made closest to customers, employees and suppliers. Our entrepreneurial business units all strive to be market leaders in their niches and operate in growing infrastructure markets with high investment and development needs. Our scalable model allows us to grow geographically and create greater diversity among customer segments. This makes us less vulnerable to isolated trends and downturns as a broader spread creates good resilience, thereby providing good opportunities for organic growth.

DISTRIBUTION OF REVENUE



One way we differentiate ourselves from others is through our payment model. We have an additional consideration that usually continues for 4–5 years, where we pay part of the company's valuation on day one. The remainder of the valuation is paid out if the company performs at or above expectations during these years, with the possibility of further upside. But all or part of the remaining payment is withheld if the company performs worse than expected. There is a greater potential upside in this way, while Sdiptech and the acquired company can share the downside risk together. Our financial net liabilities to EBITDA ratio was 1.79 (1,20) in 2022, which is well within our financial target of 2.5 and continues to give us plenty of scope for acquisitions. The total net liabilities, i.e. including provisions for future additional consideration payments, amounted to 3.55 in relation to EBITDA. However, these additional considerations assume an increase in profits from current levels. The book liability for additional considerations would decrease by 40 per cent if profits were to remain at 2022 levels going forward.

Bengt Lejdström, CFO, Sdiptech

About the share

Sdiptech's class B ordinary shares have been traded on Nasdaq Stockholm Large Cap since 11 June 2021 under the ticker SDIP B and ISIN code SE0003756758. Prior to that, shares were traded on Nasdaq First North Premier Growth Market since 12 May 2017 under the same ticker and ISIN code.

The company's preference shares have been listed on Nasdaq Stockholm Large Cap since 11 June 2021 and are traded under the ticker SDIP PREF and ISIN code SE0006758348. Prior to that, shares were listed on Nasdaq First North Premier Growth Market under the same ticker and ISIN code on 4 March 2015.

The company's largest owners are Vulcan Value Partners and Swedbank Robur Fonder, whose holdings as of 31 December 2022 amounted to 13.56 and 8.44 per cent of capital and 9.15 and 5.80 per cent of votes, respectively. Ashkan Pouya (19.14) and Saeid Esmaeilzadeh (19.02) have the highest number of votes.

DIVIDEND POLICY

Sdiptech has a dividend policy which means that no dividends are paid on the company's ordinary shares as the company prioritises growth over dividends. Dividends on Sdiptech's preference shares are paid quarterly in accordance with Sdiptech AB's Articles of Association.

SHAREHOLDER INFORMATION

Annual reports, interim reports and other information can be ordered from Sdiptech via the website or by email.
Website: **www.sdiptech.com**
Email: **info@sdiptech.com**

ANALYSTS WHO FOLLOW SDIPTECH

Robert Redin, Carnegie
Karl-Oskar Vikström, Berenberg
Karl Bokvist, ABG Sundal Collier
Niklas Sävås, Redeye
Victor Hansen, Nordea

Shareholders, 31/12/2022	Class A	Class B	Pref	Capital, %	Votes, %
Vulcan Value Partners, LLC		5,061,617		13.6%	9.1%
Swedbank Robur Fonder		3,339,909		8.4%	5.8%
Handelsbanken Fonder		3,272,212		8.3%	5.7%
Ashkan Pouya	1,000,000	1,016,967		5.1%	19.1%
Invesco		1,952,861		4.9%	3.4%
Saeid Esmaeilzadeh	1,000,000	945,811		4.9%	19.0%
Cliens Fonder		1,467,478		3.7%	2.5%
Vanguard		1,022,548		2.6%	1.8%
Danske Invest		911,082		2.3%	1.6%
SEB Fonder		798,820		2.0%	1.4%
Total others		16,012,043	1,750,000	44.1%	30.5%
Total	**2,000,000**	**35,801,348**	**1,750,000**	**100.0%**	**100.0%**

FIVE LARGEST COUNTRIES

	Number of shares	Capital, %	Votes, %	Number of known owners
Sweden	21,544,663	54.5%	68.7%	11081
US	10,813,420	28.2%	19.2%	35
Denmark	1,150,388	2.9%	2.0%	104
Germany	961,372	2.5%	1.7%	14
United Kingdom	552,202	1.4%	1.0%	21
Other	4,529,303	10.5%	7.4%	321

OWNERSHIP STRUCTURE

Number of shares	Number of known owners	Percentage of known owners
1 – 500	10,111	88.4%
501 – 1000	570	5.0%
1001 – 5000	559	4.9%
5001 – 10000	82	0.7%
10001 – 20000	30	0.3%
20001-	89	0.8%

Source: Modular Finance. Data as of 31 December 2022.

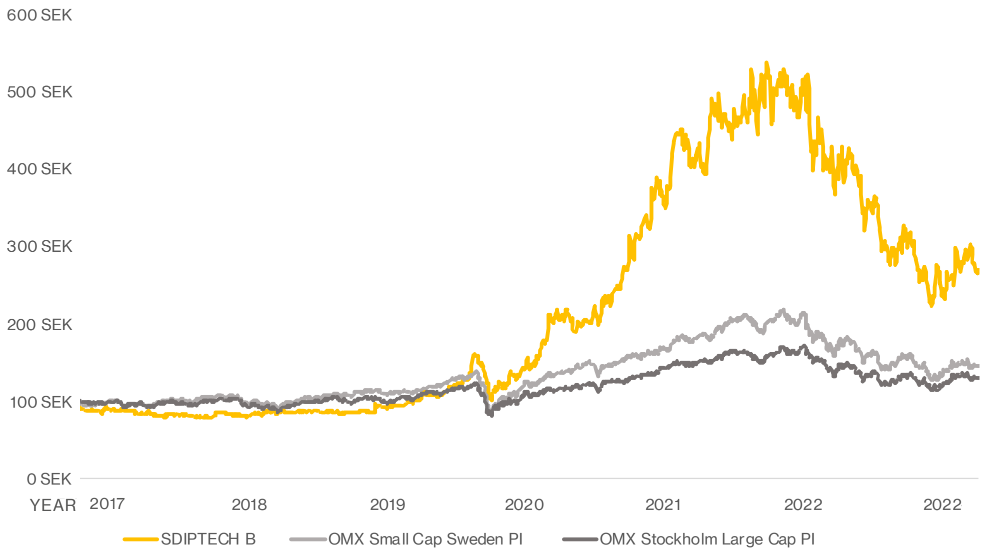
DISTRIBUTION*

	Class A	Class B	Pref	Total
Number of shares	2,000,000	35,801,348	1,750,000	39,551,348
No. of votes	20,000,000	35,801,348	1,750,000	57,551,348
Capital, %	5.39%	89.90%	4.72%	100.00%
Votes, %	36.29%	60.54%	3.18%	100.00%

*At 31 December 2022

ORDINARY SHARES

OMX Small Cap Sweden PI and OMX Stockholm Large Cap PI have been used as benchmark indices for Sdiptech B. These are portfolio indices that represent the segment for Swedish small to medium-sized enterprises, which Sdiptech was classified as until the list change in June 2021, and Swedish major corporations, which Sdiptech has since been classified as.



*For comparability, OMX Small Cap Sweden PI and OMX Stockholm Large Cap PI have been normalised to the starting value of Sdiptech's ordinary share price, i.e. SEK 56.

PREFERENCE SHARE

The SIXPREFSWGI SIX Preference Share Sweden Index has been used as a benchmark index for Sdiptech's preference share. This index is an index family that reflects the performance of preference shares listed on the Stockholm Stock Exchange.

Highest price, 2022
SEK 130.0 – (14 January)

Closing price on last trading day, 2022
SEK 113.5 – (30 December)

Total number of trades, 2022
14,282

Lowest price, 2022
SEK 109.5 – (1 July)

Total trade shares volume, 2022
790,287

Summary of conditions	
Amount issued	SEK 175 million
First day of trading	4 March 2015
Issue price	SEK 100
Dividends	SEK 8.00 per year, divided into quarterly payments
Redemption price	SEK 105

RECORD DATES FOR PREFERENCE SHARES

The record dates for dividends on preference shares up to and including publication of the 2022 annual report were June 15, 2022, September 15, 2022, December 15, 2022, and March 15, 2023. Provided that decisions are made by the 2023 annual general meeting, future record dates will be June 15 2023, 15 September 2023, 15 December 2023, and 15 March 2024.

Sustainability Report 2022

This report is submitted as a separate report attached to the annual report, in accordance with the Annual Accounts Act (1995:1554), Chapter 6 (10–14).

Sdiptech AB (publ)
Company registration number: 556672-4893
Registered office: Stockholm
Sdiptech.com
This report is also available in English.

Contents

SUSTAINABILITY

About Sdiptech's sustainability report

This report describes how Sdiptech works with its most important sustainability issues. The sustainability report includes activities and results for all companies in the group for the financial year 2022. A complete content index-and the appendix according to GRI can be found on pages 138-142. Sdiptech's Statutory sustainability report can be found in the group's annual report on pages 31–62 as well as as a separate attachment on the company's website. Sdiptech reports its COP report on outcomes and progress towards the UN's Global Compact. The group's auditors have submitted a special opinion regarding the statutory sustainability report.

Sustainability activities

2021

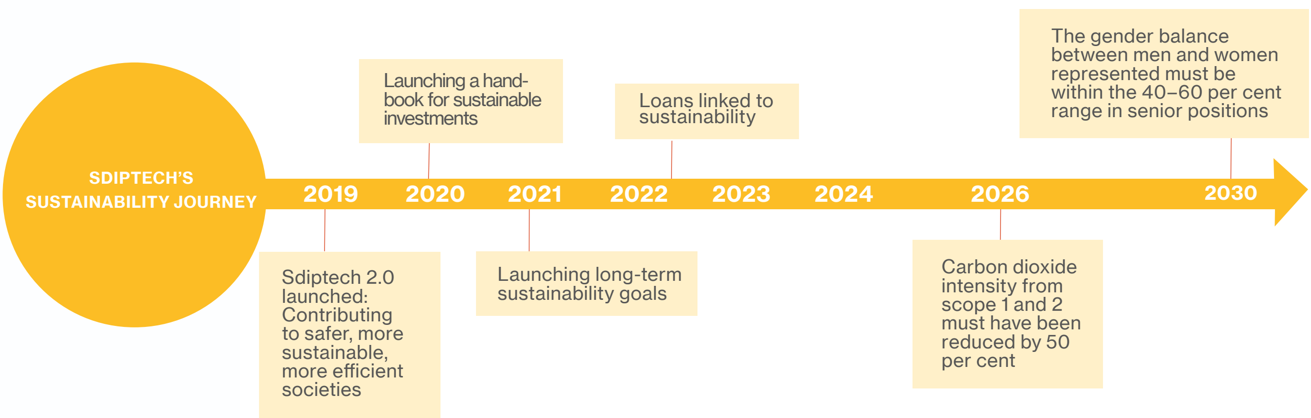
- Launch of long-term sustainability goals
- Training courses and workshops in fields such as climate, gender equality and diversity, with a business perspective in order to identify business opportunities
- Development of ESG reporting with more key performance indicators and increased support to our business units
- Production of a sustainability handbook for all business units
- Sustainability activities for business units as part of strategy and development planning to set up incentives linked to sustainability goals
- Management training
- Supplier mapping
- Mapping the share of turnover contributing to the UN Sustainable Development Goals (SDGs)
- Continued work and development under the TCFD framework to manage our sustainability risks
- Signatory of the Global Compact
- Continued cooperation with Global Challenge
- Reporting (Eligibility) according to the Taxonomy

2022

- Sustainability certification with Sustademy of all employees at Sdiptech's head office, including the Board of Directors, and selected individuals in senior positions at Sdiptech's business units
- Added the option of submitting a whistleblowing report verbally over the phone in all countries in which we operate
- Strengthened the sustainability team at head office
- Training courses and workshops in fields such as climate, gender equality and diversity, with a business perspective in order to identify business opportunities
- Developed ESG reporting with more key performance indicators and increased support to our business units
- Developed our GRI reporting
- Sustainability activities with our business units as part of the strategy
- Supplier mapping
- Loans linked to sustainability
- Continued work and development under the TCFD framework in order to manage our sustainability risks
- Continued cooperation with Global Challenge and Global Compact
- Reporting (Alignment) according to the Taxonomy
- Energy mapping
- Carry out an ESG-DD before each acquisition

2023

- Develop our reporting and mapping of our suppliers
- Launch a code of conduct that all suppliers must comply with
- Work even more actively on the potential of our business units to make more sustainable decisions
- Continue sustainability certification with Sustademy
- Implement internal CO2e pricing
- Interim reporting of ESG data
- Further develop our ESG-DD
- Add more key performance indicators and metrics to our scope 3
- Report Alignment on all environmental goals (1–6) according to the Taxonomy
- Update and develop our double materiality analysis



Chat between the CEO and the Sustainability Manager

Another year has passed in which the company has made clear progress towards continued sustainable growth. This is how Jakob Holm, Sdiptech's CEO and President, and My Lundberg, Sustainability and IR Manager, view the Group's sustainability work.

JAKOB: We have implemented a number of important sustainability activities in 2022, and we are continuing to work towards our sustainability goals. All the companies we have acquired contribute to several of the UN Sustainable Development Goals. We have reduced our CO2e emissions through turnover in comparable units* by 6.9 per cent. The proportion of companies with an equal distribution of women and men in senior positions in the Group has increased from 32 per cent in 2021 to 38 per cent in 2022, and the total proportion of women in senior positions in the Group has increased to 30 per cent, compared with 25 per cent last year. Last but not least, we have set up an incentive structure for Sdiptech's executive team and our business units. All this is helping us to prepare for the future by creating value for our business units and enhancing our activities as a group.

MY: The IPCC and IPBES reports paint a bleak picture of the future. Several tipping points have already been crossed, and we are confronted every day with statistics showing a worsening climate crisis and increasing social inequalities. The geopolitical situation, led by the tragic war in Ukraine, has shifted the markers for what is considered socially and climatically sustainable. This has created additional challenges for those of us working on sustainability issues, not least when it comes to responsible investments and acquisitions. But sustainability is not something we can take a break from. Failing to reduce our emissions now will make the situation even worse and simply postpone the problem until later. However, there are several glimmers of light: we are in daily contact with new companies that are contributing to safer, more sustainable, more efficient societies. At the same time, there is strong demand for our products that help to achieve a reduced carbon footprint and more social sustainability in society. We are also seeing how major customers are increasingly making more stringent demands in terms of sustainability. All this, together with the demands made, both in legal terms and by other stakeholders, is driving the agenda forward.

JAKOB: We are seeing several new directives and guidelines that require companies to adapt. During the year, we have placed major emphasis on integrating sustainability into our corporate strategies when developing both products and processes in our around 40 business units. By helping our companies to develop, remain at the cutting edge of development and create competitive advantages, as a group we can also increase our value creation in respect of both existing and new companies.

MY: We are in the midst of a major regulatory shift, and legislation in respect of sustainability is being stepped up in order to support the transition to more sustainable businesses. All of these initiatives and directives, such as the EU taxonomy, CSRD, HRDD, CSDD, TCFD and TNFD, impose stricter legal requirements. Every day we work to prepare for new rules and expectations. At the same time, we are absolutely certain that these initiatives, regulations and directives will both indirectly and directly enhance our operations through both resource efficiency and increased innovation, as well as reducing risks and increasing engagement. Besides further integrating sustainability into our business units' strategies, we will focus in 2023 on developing our double materiality analysis, which will form the basis of our strategy and focus going forward. We will also develop our reporting and mapping of our suppliers still further so as to ensure social and climate aspects in our supply chains. We will go on training our employees in selected areas relating to sustainability and upcoming legislation. We are also looking into the possibility of setting an internal carbon price in order to simplify decisions on green investments.

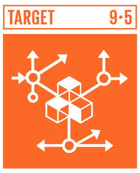
*Refers to full year 2022 for the companies that were in the group on 31/12/2021

Sdiptech's vision

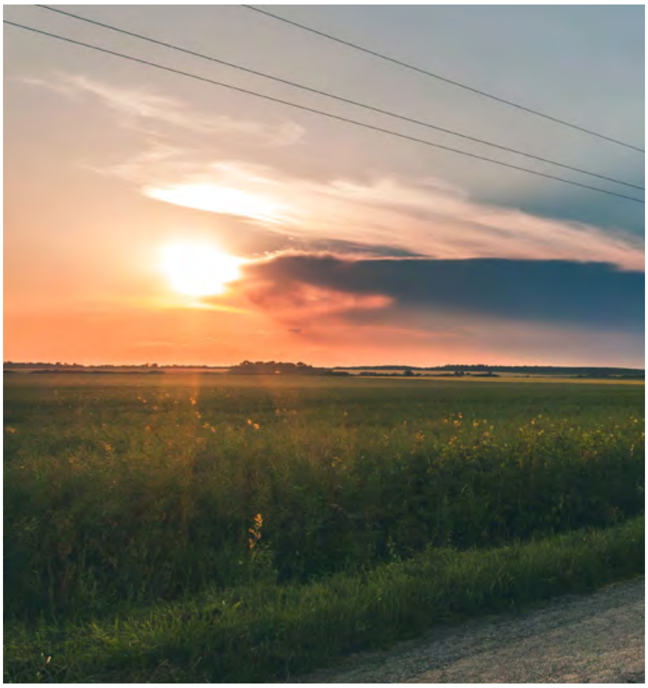
Sdiptech's business units provide the company's primary opportunity to contribute to society and the 17 Sustainable Development Goals and their 169 targets: see pages 44–52 for a detailed review. Our vision aligns with and contributes to three of the UN's targets:

9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.



9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including encouraging innovation and substantially increasing the number of research and development workers.



Sdiptech's sustainability goals




Economic sustainability	Environmental sustain-	Social sustainability	Corporate governance
Goals and framework	**Goals and framework**	**Goals and framework**	**Goals and framework**
All companies acquired by Sdiptech shall contribute to one or more of the UN's Global Sustainable Development Goals.	Sdiptech shall reduce its carbon intensity (CO2e/ turnover) from Scope 1 and 2 by 50 per cent within five years (between 2021 and 2026).	By 2030, Sdiptech shall achieve an equal gender distribution (men and women represented within the 40–60 per cent range) in senior positions.	All companies within the Sdiptech Group shall have incentives that are linked to sustainability-related goals.
Goal achievement	**Goal achievement**	**Goal achievement**	**Goal achievement**
All of the companies acquired by Sdiptech in 2022 contribute to one or more of the UN's Global Sustainable Development Goals. The companies contribute to targets 2.4, 3.6, 7.3, 8.8, 9.4, 11.6, 12.5, 15.3	Sdiptech has reduced its carbon intensity from scope 1 and 2 in 2022 in comparable units by 6.9 per cent	Executive team: 17% women 83% men Board of Directors: 40% women 60% men Senior positions in business units: 38 per cent of Sdiptech's business units have an equal distribution of men and women in senior positions	All CEOs within the Sdiptech group, which has a so-called Short-Term Incentive Program, including Sdiptech's management team, have incentives linked to sustainability-related goals.

*Refers to full year 2022 for the companies that were in the group on 31/12/2021

Economic sustainability

All companies acquired by Sdiptech must contribute to one or more of the UN's global Sustainable Development Goals.

Sdiptech's investment philosophy is that companies with a sustainable business model and few sustainability risks have better prerequisites for long-term profitability and growth. Sdiptech invests in companies that contribute to safer, more sustainable and/or more efficient societies. Our main contributions to society are made through the products and services our companies offer.

Focus areas to achieve the goal:

EXCLUDE

Sdiptech excludes companies involved in the production or distribution of controversial products or services.
See Sdiptech's responsible investment guide on the Sdiptech website for more information about this.

INCLUDE

Sdiptech selects companies that help to create safer, more sustainable, more efficient societies without having a significant negative impact on any other sustainability challenge.

CONTROL

Sdiptech conducts a sustainability analysis and mapping with a TCFD analysis, SDG mapping and Taxonomy review of each company before the acquisition is completed.

Ecological sustainability

Sdiptech must reduce its carbon intensity (CO2e/turnover) from its own operations by 50 per cent within five years (between 2021 and 2026).

Most of Sdiptech's climate contribution comes from our business units. At the same time, it is important for us to practise what we preach and work on our impact. That is why we must increase our control and reduce our carbon footprint. This transition includes increasing resource efficiency, reducing emissions and shifting the share of energy to renewables.

Focus areas to achieve the goal:

USE OF ELECTRICITY

Strive to achieve 100 per cent renewable energy for all electricity contracts signed by Sdiptech and Sdiptech's business units. In 2022, 48 per cent of Sdiptech's electricity consumption was driven byrenewable energy, compared to 28 per cent in 2021 and 35 per cent in 2020.

INDIRECT EMISSIONS

Include, evaluate and reduce indirect emissions (scope 3). Sdiptech currently measures all business travel, waste, IT equipment, water and paper consumption for the business units within scope 3.

ELECTRIC VEHICLE FLEET

Strive to make the vehicle fleet 100 per cent electric. In 2022, 11 per cent of Sdiptech's vehicle fleet was powered by electricity (fully or partially), compared to 9 per cent in 2021 and 8 per cent in 2020.

Social sustainability

By 2030, Sdiptech must achieve an equal gender distribution (men and women represented within the 40–60 per cent range) in senior positions.

Sdiptech must offer all its employees an inclusive working environment that is safe and healthy. We believe in capitalising on one another's differences and working towards gender balance.

Focus areas to achieve the goal:

GENDER EQUALITY

Increase the proportion of women recruited to senior positions.

DIVERSITY

Increase the proportion of people with international backgrounds in senior positions within the Sdiptech Group.

INTERNAL RECRUITMENT

Work even more actively on career and succession planning. And increase the proportion of internal recruitment of Sdiptech's CEOs.

ZERO TOLERANCE

Continuous monitoring of attendance rates and a zero tolerance approach to serious injuries or incidents in the workplace.

Corporate governance

All companies within the Sdiptech Group must have incentives linked to sustainability-related goals.

Sdiptech strives to have a responsible and transparent corporate governance that can ensure that our operations are managed in the most sustainable, responsible and efficient way possible in order to realise strategies and create value for our stakeholders.

Focus areas to achieve the goal:

CODE OF CONDUCT AND COMPLIANCE

Ensure that all new and existing employees receive training on Sdiptech's business culture and sign the Code of Conduct.

TRANSPARENCY

Increase the proportion of metrics and ESG data.

SUPPLIERS

Sdiptech maps the Group's suppliers annually. More thorough mapping of all the company's suppliers will be carried out in 2023.

Governance of sustainability

ACCOUNTING POLICIES

The scope, content and quality of Sdiptech's sustainability reporting has been developed by applying GRI and Nasdaq ESG reporting, including accounting policies such as addressing social and climate-related risks and opportunities under the TCFD framework, but also stakeholder engagement and materiality. The sustainability report has been prepared in accordance with the GRI Standards. The report has also been inspired and prepared in accordance with the UN Guiding Principles on Business and Human Rights. Furthermore, Sdiptech is a signatory of the Global Compact and submits its COP report on outcomes and progress to the UN Global Compact. Further reports on Sdiptech's sustainability work are available to view on the company's website: **www.sdiptech.com.**

GUIDELINES AND METHODOLOGY

At the end of the financial year, all Sdiptech business units report sustainability data as part of their non-financial reporting. The companies that have not been part of Sdiptech for the entire financial year report only the ESG data applicable to the period for which they have been part of Sdiptech.

SUSTAINABLE GOVERNANCE WITH DECENTRALISED RESPONSIBILITY

Sdiptech's sustainability work is primarily governed by the Group's Code of Conduct, which was updated in 2020. Sdiptech also established a Sustainability Council in 2020, made up of employees with different positions and skills and representing all parts of the Group. This allows for well-designed strategies while continuing to make agile decisions. The Group has a sustainability manager who is responsible for developing a strategy, and also for reporting and ongoing communication on sustainability work. Sdiptech's Board of Directors, through the Sustainability Council and Group executive, is ultimately responsible for the sustainability work and, subsequently, the company's sustainability report. The Sustainability Council conducts stakeholder discussions that lay the foundation for decisions on long-term overall goals in key focus areas. This is complemented by targets and action plans being developed by each business area manager for their respective companies.

Sustainability work is presented to the Board once a year, or more frequently if necessary. Senior executives within the Group are responsible for developing and implementing sustainability strategies, policies, guidelines, targets, processes and tools. Sdiptech has Group policies and guidelines related to sustainability. These include the Code of Ethical Business Conduct,the responsible investment guide, Sdiptech's

100 per cent of employees, including customers and suppliers, have access to an anonymous whistleblowing function managed by an external party

Green Office Handbook and the Group-level steering documents relating to issues such as safety, equal opportunities and fair working conditions, company property, confidential information, privacy, business ethics, human rights and environmental issues.

PURPOSE AND GOALS

The purpose of Sdiptech's sustainability report is to describe our goals, strategies and governance in a transparent way, as well as responsibilities, risks and opportunities from a sustainability perspective. Both Sdiptech and others must be able to follow the development of the Group's sustainability initiatives. This report should provide customers, employees and shareholders with an understanding and knowledge of our sustainability work.

BUSINESS ETHICS AND CODE OF CONDUCT

Sdiptech's Code of Conduct sums up basic Group policies and guidelines and includes rules to ensure that business is conducted with a feel for ethics and privacy. The Code applies to all Sdiptech Group employees and reflects the company's commitments to the ten principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights. The Code is reviewed regularly, and all employees and others working for Sdiptech must commit to reading, following and understanding it. Everyone working for Sdiptech bears personal responsibility for ensuring that work is carried out in accordance with the Code of Conduct. The Code is available in Swedish and English so as to ensure that the entire workforce, as well as other Sdiptech stakeholders, can understand and adopt it. All staff members are asked each year to read it and confirm their consent by providing a digital signature. This is also done on an ongoing basis every time a company is acquired.

100 per cent of employees are informed about the Code of Conduct each year

Sdiptech's Board of Directors

Assign, support and control

Reporting

Sdiptech's executive team

Assign, support and control

Regular reporting

Sdiptech's Sustainability Council

My Lundberg
Sustainability and IR Manager
Convener of meetings of Sdiptech's Sustainability Council and member of the executive team

Peter Stegersjö
Investment Manager
Represents Sdiptech's acquisition team

Astrid Karlefors
Sustainability Analyst

Fredrik Navjord
Head of Resource Efficiency
Represents Sdiptech's business units and sits on the executive team

Stakeholders

- Staff and Board
- Shareholders and the general public
- Customers and suppliers

MATERIALITY ANALYSIS

Sdiptech in society
- Ensuring long-term competitiveness
- Growing through organic growth and acquisitions
- Use of resources
- Climate adaptation of activities
- Total CO_2e emissions of the Group
- Responsible investment

Sdiptech as an employer
- Leadership
- Diversity and inclusion
- Gender equality
- Health and safety in the workplace
- Employee well-being

Sdiptech's business culture
- Anti-corruption and business ethics
- Human rights and working conditions
- Transparency in reporting

→

- Sdiptech's long-term sustainability goals
- Targets for achieving the long-term goals
- Activities to achieve targets and goals

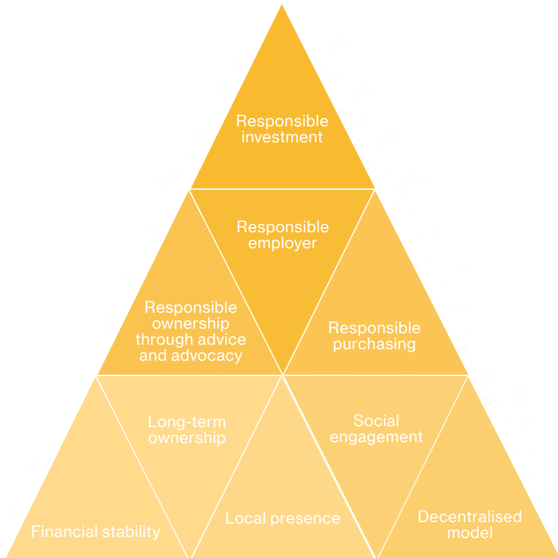
Approach to sustainability

We believe in a future based on safer, more sustainable, more efficient societies. To achieve this, it is crucial to expand and improve the infrastructure around us. We intend to play an active part in this development by acquiring and developing leading niche companies that offer solutions to meet the most critical infrastructure needs. Our sustainability focus is integrated throughout the organisation and is becoming an increasingly fundamental part in our efforts to achieve better business performance. Our focus on sustainability and responsible investment helps us create lasting value and has two main purposes: to mitigate risks and capitalise on opportunities, while also allowing us to create a positive impact and build internal pride. According to our investment philosophy, the companies that Sdiptech invests in should have strong offerings that meet critical infrastructure needs, while its products and services help to bring about safer, more sustainable and/or more efficient societies. This combination of drivers in our business units' core activities ensures long-term demand. For Sdiptech, economic sustainability is synonymous with social and ecological sustainability. Conversely, companies whose offerings or activities conflict with these drivers will eventually encounter reluctance from both authorities and the general public, and thus possess more risks. More information about Sdiptech's sustainability risks can be found in the Sdiptech TCFD analysis on pp. 56–59.

SUSTAINABILITY WORK

Sdiptech's sustainability work can be described as a pyramid. This is based on important foundations such as financial stability, long-term ownership, our strong local roots and decentralised working methods. The fact that we constantly work with our climate impact, take responsibility for ensuring that our working environment is characterised by respect and engage in the local communities that our business units are part of are important building blocks. The biggest impact on sustainability is in our responsible investments and existing business unit offerings, which contribute in various ways to safer, more sustainable, more efficient societies.

As of 2021, we have started working more actively to develop our business units' transactions and strategies from a sustainability perspective. Today, all companies with external CEOs within the Sdiptech Group, which has a Short-Term Incentive-Program, including the Sdiptech executive team, have incentives linked to sustainability-related goals. Furthermore, separate and unique strategies, plans and targets have been defined for each business unit.



SUSTAINABILITY GUIDELINES

1. As a serial acquiring company, we must always follow our responsible investment guide
2. Ensure that sustainability is integrated into the business model
3. Analyse sustainability risks and opportunities
4. Regularly assess key sustainability areas and have an active dialogue with stakeholders
5. Comply with the UN Global Compact, the UN Sustainable Development Goals and the OECD Guidelines for Multinational Enterprises
6. Comply with policies and a code of conduct that address relevant sustainability areas
7. Formulate relevant, measurable goals and continuously develop our social, environmental and economic impact on society
8. Manage and monitor sustainability efforts using appropriate processes and resources
9. Have a secure reporting channel for whistleblowing
10. Report on sustainability in a transparent manner

Focus on the essentials

STAKEHOLDER DIALOGUE

Our sustainability efforts are influenced by a number of stakeholders who have expectations of us. We want to be a sustainable actor that is perceived as relevant. To do this, we need to be responsive to our stakeholders' expectations of our sustainability work, so that we can ensure that we define our priorities correctly. This is why we work actively and systematically with stakeholder dialogues.

Sdiptech's main stakeholder groups have been identified on the basis that they are significantly influenced by or influence Sdiptech's operations: employees, shareholders, the Board of Directors, suppliers and customers. Sdiptech also maintains continuous dialogue with other stakeholder groups, such as industry organisations, sustainability analysts and the media. Sdiptech maintains continuous contact with its stakeholders on issues related to sustainability. An updated stakeholder dialogue was conducted in 2020 through targeted surveys and other measures. The analysis has been further updated in both 2021 and 2022 following continued dialogues with some of the company's main stakeholders.

DOUBLE MATERIALITY ANALYSIS

Alongside our continued dialogue with our main stakeholders, we have worked on the basis of our TCFD analysis to create a double materiality analysis in order to identify both the sustainability issues that Sdiptech mainly influences, but also the areas that Sdiptech is most influenced by. In 2023, we will further develop our double materiality analysis to ensure that we continue to focus on our most material areas. Our stakeholder dialogue shows that sustainability issues closely linked to our business, i.e. ensuring Sdiptech's long-term competitiveness, and growing through organic growth and acquisitions are highly prioritised topics. Other key areas ranked highly are the Group's total CO2e emissions and climate adaptation of operations. At the same time, the TCFD analysis – in which we also mapped social risks – shows that we should focus mainly on occupational health and safety, employee well-being, anti-corruption and business ethics, and responsible investment.

In summary, we have grouped the most material sustainability issues into three categories in line with the outcome of our stakeholder dialogues:

Sdiptech in society

3. Ensuring Sdiptech's long-term competitiveness
4. Growing through organic growth and acquisitions
5. Use of resources (e.g. energy, water and waste)
6. Climate adaptation of activities
11. Management of waste and hazardous waste
12. The Group's total CO2e emissions
24. Responsible investment

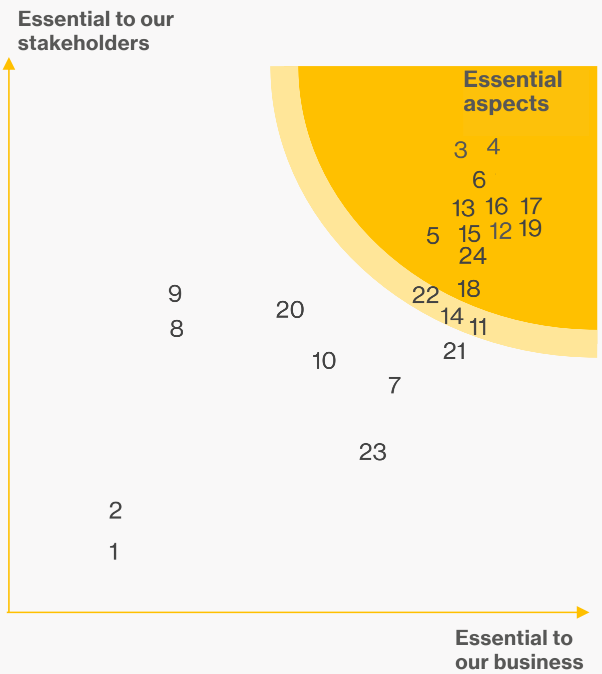
Sdiptech as an employer

13. Leadership
14. Diversity and inclusion
15. Gender equality
17. Health and safety in the workplace
19. Employee well-being

Sdiptech's business culture

16. Anti-corruption and business ethics
18. Human rights and working conditions
22. Transparency in reporting

*** The aspects ranked highest for our stakeholders and our business**
* Additional key aspects that we have chosen to work on



1. Increase the number of jobs
2. Promote local employment and investment
3. Ensuring Sdiptech's long-term competitiveness
4. Growing through organic growth and acquisitions
5. Use of resources (e.g. energy, water and waste)
6. Climate adaptation of activities
7. Circular cycles through e.g. reuse/recycling/sharing
8. Climate impact from employee transport
9. Environmental requirements for products and suppliers
10. Life cycle costs (LCC) of products
11. Management of waste and hazardous waste
12. The Group's total CO2e emissions
13. Leadership
14. Diversity and inclusion
15. Gender equality
16. Anti-corruption and business ethics
17. Health and safety in the workplace
18. Human rights and working conditions
19. Employee well-being
20. Sustainability skills among employees
21. Governance of sustainability issues
22. Transparency in reporting
23. Code of Conduct for Suppliers
24. Responsible investment

Sdiptech in society

Environmental and climate impact

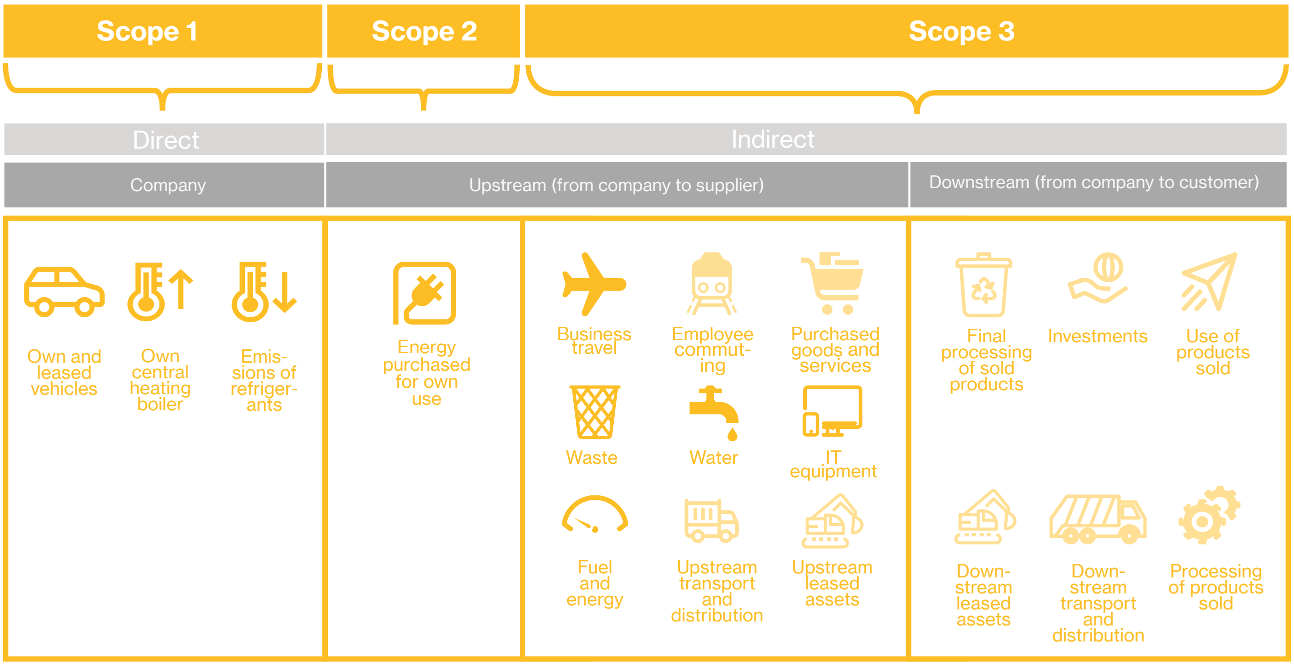
The investments made today affect the volume of greenhouse gases that we will emit in the future. Reducing emissions is essential, both for the environment and to combat global poverty. As an investor, we play an important role in reducing greenhouse gas emissions. Most of Sdiptech's climate contribution and impact comes from our business units. That is why our investments should follow an investment philosophy that aims to be a driving force in the transition to more climate-smart infrastructures and societies. In 2019, we started work on calculating the Group's greenhouse gas emissions. Sdiptech measures direct emissions (scope 1), indirect emissions from purchased electricity, steam, heating and cooling (scope 2) and other indirect emissions (scope 3) which are limited to emissions from business travel, waste, IT equipment, water and office supplies. This is calculated in accordance with the Greenhouse Gas Protocol (GHG). Several of Sdiptech's business units help their customers to reduce their environmental impact through their offerings. A detailed overview of how Sdiptech's companies contribute to the UN's 17 Global Goals is presented on pages 44–52.

Responsibility for improving the environment and contributing to lasting sustainable development is an important starting point for the Group's activities. Sdiptech's impact on the environment is limited and related mainly to the transport of inputs, finished products, business travel and energy consumption. Group companies are working constantly to reduce the environmental impact of their operations. Environmental work is conducted locally on the basis of the specific conditions of each company. Group companies strive for high efficiency in the use of energy and natural resources, favour systems for the reuse and recycling of materials and energy, and prevent and limit environmental pollution. The ambition is to be highly responsive to the wishes of customers and suppliers and thus be able to meet the market's requirements regarding proactive environmental work. All business units in the Group work with quantitative targets in their environmental efforts, such as switching electricity contracts to renewable energy, switching petrol vehicles to electric and hybrid vehicles, and developing recycling systems and processes.

The majority of our business units are ISO certified, of which 22 per cent are certified under the ISO 14001 environmental management system. In four of its units, the Group conducts activities subject to authorisation under the Environmental Code with regard to wastewater management. There are no known threats that would jeopardise operations from an environmental standpoint. Around 30 per cent of our business units carried out climate-related activities and investments in 2022. In addition, around 10 per cent of our companies have offset their carbon emissions during the year. Examples of completed projects include installation of solar cells and wind turbines, shift towards an electrical vehicle fleet, installation of charging stations, advice on achieving net zero emissions, and product development for energy optimisation.

- Sdiptech's total emissions (scope 1, 2, 3) are 5,684 tonnes of CO2e
- Sdiptech's emissions from scope 1 and 2 are 4,940 tonnes of CO2e
- Sdiptech's vehicle fleet accounts for 64 per cent of all emissions,
  comprising 847 vehicles, of which:
  - *765 petrol and diesel vehicles*
  - *45 hybrid vehicles*
  - *37 electric vehicles*
  - *11 per cent of Sdiptech's fleet is electric (fully or partly hybrid), compared to 9 per cent in 2021*
- Sdiptech's second biggest emissions villain is electricity consumption, about **6,283,043** kWh, of which:
  - *Renewable: 3,003,058 48%*
  - *Non-renewable: 3,279,985 52%*
- *48 per cent of Sdiptech's electricity consumption is powered by renewable energy, compared to 38 per cent in 2021*
- *In 2022, 23 companies had fully or partially renewable energy in their electricity contracts, compared to 15 in 2021*

	2022	2021	2020
Proportion of renewable energy	48%	38%	35%
Proportion of Sdiptech's vehicle fleet running on electricity	11%	9%	8%



Carbon dioxide emissions

Sdiptech's impact on the climate consists mainly of carbon dioxide emissions, which we consider to be the largest negative environmental impact of our operations. Besides emissions related to the internal use of fossil fuels and electricity, carbon dioxide emissions are also generated from different types of transport, such as the transport of materials and products and passenger transport.

During the financial year, our total emissions from scope 1, 2 and 3 amounted to **5,684** tonnes of CO2e. In scope 1 and 2, our emissions amounted to **4,940** tonnes of CO2e, and in comparable units* to 4,512 (4,419).

The emission intensity of greenhouse gases in scope 1 and 2, measured as tonnes of CO2e per million SEK in net sales, amounted to 1.51 in comparable units (1.62, and 1.41 in total, including units* acquired in 2022).

The graph below shows the distribution of emissions within different scopes and categories. In Scope 1, we have reduced our CO2e/turnover, mainly by replacing fossil-fuelled vehicles with electric and hybrid vehicles. At the same time, we have worked to plan our customer and service visits more efficiently. However, we had more face-to-face meetings with customers during the year, which generated more kilometres driven.

In Scope 2, our indirect emissions have been reduced to 0.24 CO2e/turnover per cent, mainly by switching to renewable energy sources in the operation of our warehouses and offices. We have also worked on energy efficiency at several of our units.

In Scope 3, we have increased our greenhouse gas emissions. This is largely due to an increase in travel after two years of the pandemic. To some extent, there may have been a pent-up need to meet with customers, and we are working hard to find the perfect combination of customer interaction with what is as sustainable as possible.

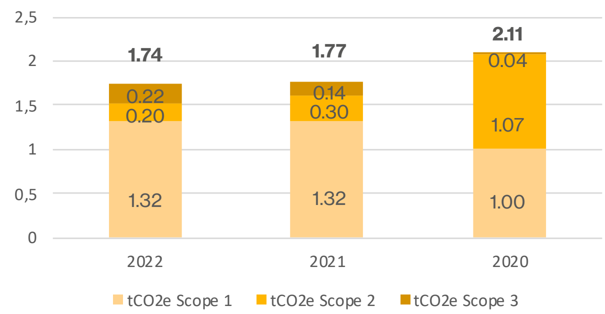
*Refers to full year 2022 for the companies that were in the group on 31/12/2021

Sdiptech's greenhouse gas emissions (tonnes of CO2e)	2022	2022*	2021	2020
Total tCO2e Scope 1	4,086	3,922	3,598	2,084
Total tCO2e Scope 2	854	590	820	2,224
Total tCO2e Scope 3	744	650	393	93
Total Scope 1-2 tCO2e	4,940	4,512	4,419	4,308
Total Scope 1-3 tCO2e	5,684	5,162	4,807	4,401
Sdiptech's tCO2e/turnover				
Total tCO2e Scope 1	1.17	1.32	1.32	1.00
Total tCO2e Scope 2	0.24	0.20	0.30	1.07
Total tCO2e Scope 3	0.21	0.22	0.14	0.04
Total Scope 1-2 tCO2e	1.41	1.51	1.63	2.06
Total Scope 1-3 tCO2e	1.62	1.74	1.77	2.11

*Avser helår 2022 för de bolag som fanns i koncernen 2021-12-31

Sdiptech's tCO2e	2,022
Total tCO2e Scope 1	**4,086**
Vehicle fleet	**3,617**
Diesel	3,416
Petrol	122
Hybrid	79
Electricity	-
Combustion	**340**
Fossil gas	190
Biogas	n/a
Fuel oil	134
Biomass	16
Refrigerants	**129**
R410A	125
R407C	4
Total tCO2e Scope 2	**854**
Indirect energy	**854**
Non-renewable electricity	828
Renewable electricity	-
District heating and cooling	26
Purchased steam	n/a
Total tCO2e Scope 3	**744**
Business travel	**496**
Taxi	32
Long-distance flights	213
Short-haul flights	179
Rail travel	6
Hotel accommodation	66
Waste	**147**
Recycled materials	16
Combustible waste	10
Landfill	119
Hazardous waste	2
Office supplies	**80**
Computers	38
Mudguards	25
Mobile phones	17
Other	**21**
Water consumption	4
Paper consumption	17
Total Scope 1-2 tCO2e	**4,940**
Total Scope 1-3 tCO2e	**5,684**

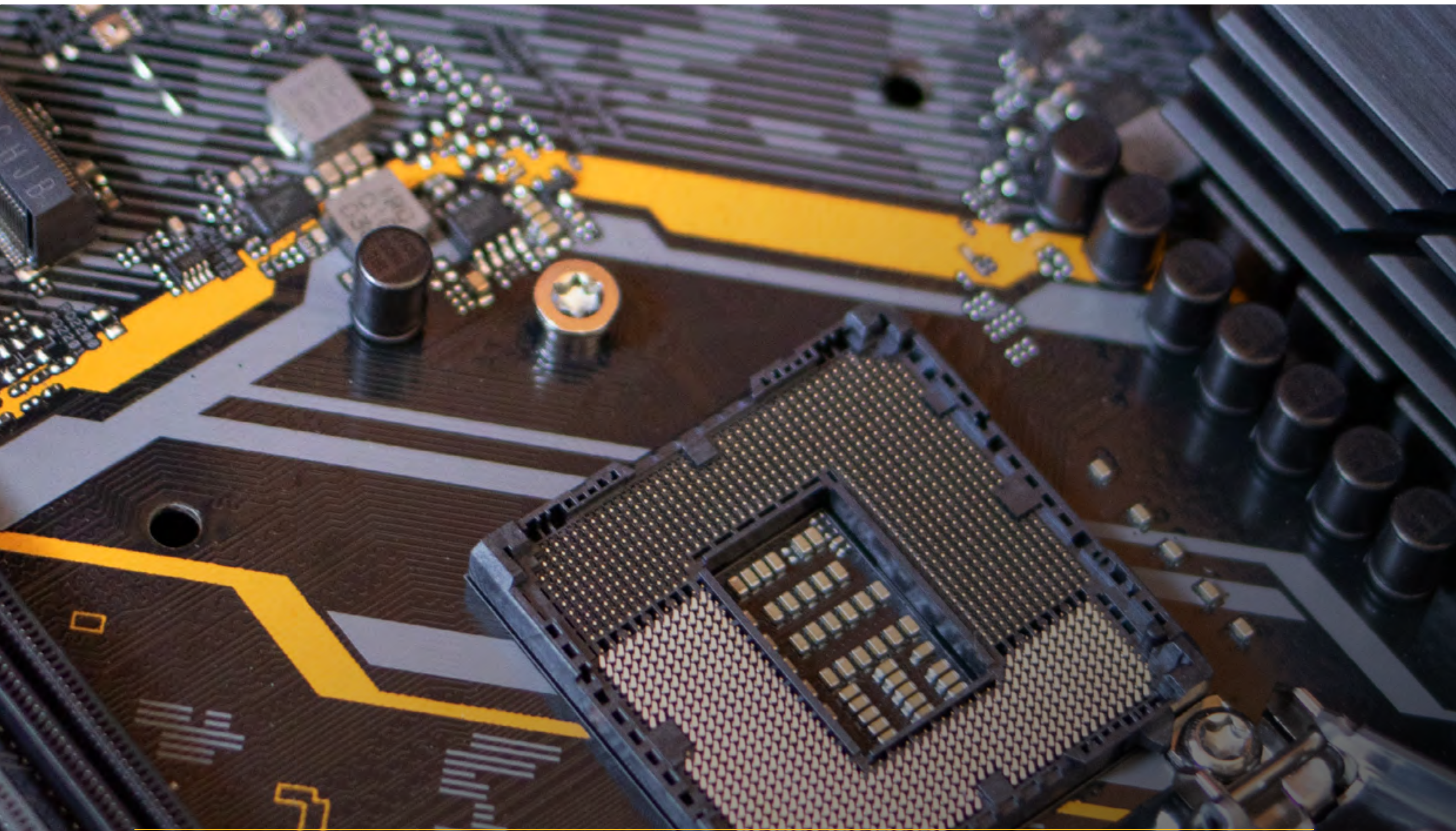
TONNES OF CO2E EMISSIONS/TURNOVER



Waste

Consumers, regulators, businesses and financial institutions are increasingly focused on raw materials, carbon emissions, circularity and waste reduction. In addition, governments around the world are increasingly regulating the use of fossil-based materials. More products can be made from less material in a circular economy, while waste is minimised as materials are reused and recycled.

Sdiptech is applying precautionary management measures to reduce potential negative effects on the environment and people. Sdiptech manageschemicals, waste, residues and air emissions. Water and energy management and resource efficiency are supported by the ISO 14001 environmental management system, to which 22 per cent of Sdiptech's business units are certified. This ensures continuous improvement in the most prioritised environmental issues for each unit.



Generating financial value

Financial stability and strength are basic requirements for investing 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 Sdiptech, we focus on earnings growth rather than sales growth. Sdiptech's growth target is to achieve an average annual organic EBITA growth of 5–10 per cent.
Such a continuous improvement in performance requires us to work constantly on initiatives, improvements and streamlining. We need to increase sales to existing customers, launch new products, find new customers and segments and enter new markets. Besides organic growth, other ways of generating growth include making acquisitions or establishing partnerships with different actors.

Development: Each business unit is expected to be at the forefront of developing the business in its sub-sector. Development issues may involve new technology, new products, improved work processes, new IT systems and other things that help the company move forward. We know that companies that are able to identify and address such issues before their competitors create long-term competitiveness.

Goals in economic value creation To realise Sdiptech's business concept and vision, most companies translate it into goals and targets. At Sdiptech, we have translated the vision into financial goals for the entire group which are then broken down at subsidiary level. The Group's three main financial goals are as follows, all of which were achieved in 2021:

- Organic earnings growth: An average annual organic EBITA* growth of 5–10 per cent.
- Acquired earnings growth: An annual average acquisition rate of SEK 120–150 million in EBITA*.
- Capital structure: Financial net liabilities in relation to adjusted EBITDA on a rolling twelve-month basis must not exceed 2.5 times.

Responsible investment

Our investment philosophy is that companies with a sustainable business model and few sustainability risks have better conditions for long-term profitability and growth. In 2020, Sdiptech produced a handbook for responsible investments, which by including sustainability criteria in the selection process of gainful employment can continue to ensure that the investments made are responsible. Read our handbook for responsible investments on Sdiptech's website: **www.sdiptech.se.** Sdiptech's responsible investments have generated around thirty companies that in various ways contribute to more sustainable, efficient and safe societies, which is presented below.

The 17 UN Sustainable Development Goals

The UN Sustainable Development Goals are the most ambitious sustainable development agenda ever adopted by the countries of the world and are designed to eradicate extreme poverty, reduce inequalities and injustices, promote peace and combat the climate crisis. Infrastructure has an obvious part to play in several of the UN Sustainable Development Goals and is a unifying issue across political boundaries. In total, Sdiptech contributes to 12 of the 17 goals and 38 of the 169 targets. Six of these targets are linked to Sdiptech's Group activities. But our most important contribution is through the products and services offered by our business units.

GOAL 2 aims to end hunger, achieve food security and improved nutrition and promote sustainable agriculture. Sdiptech contributes to target 2.4.

2.4: Sustainable food production and resilient agricultural practices

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality. **Agrosistemi** specialises in the treatment and recycling of biological sludge resulting from wastewater treatment. The company's by-product from sewage sludge is a fertiliser that helps restore and preserve healthy soil and strengthens the ability to adapt to climate change.

RDM's control system controls and monitors indoor environments and underground agricultural facilities, providing optimal light, heat and humidity conditions, while keeping energy use as low as possible for the prevailing conditions.

GOAL 3 is about ensuring healthy lives and promoting well-being for all. Sdiptech contributes to targets 3.1, 3.3, 3.6 and 3.9.

3.1: Reduce the global maternal mortality ratio to less than 70 per 100,000 live births:

Every 11 seconds, a pregnant woman or a newborn baby dies somewhere in the world, which is unacceptably high.[1] Despite this, in many cases the solutions are basic: clean water, sanitation, nutrition, immunisation and basic healthcare. Sdiptech's **Pure Water Scandinavia** business unit specialises in producing ultra-pure water and plans, designs, commissions and services the market's most reliable pure water plants. These solutions are delivered to hospitals around the world.

3.3: End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

The following Sdiptech business units are helping in the fight against infectious diseases:

- **Pure Water Scandinavia** installs, designs and services the market's most efficient pure water systems for hospitals and laboratories, as well as for various industries.

3.6: Reduce road traffic deaths and injuries

By 2020, halve the number of global deaths and injuries from road traffic accidents.

The following Sdiptech business units are helping to reduce road deaths and injuries:

- There is a clear link between speed and road accidents. Injuries are less severe and the risk of accidents occurring is reduced when people drive at lower speeds.
  Safety cameras are an important and well-documented traffic calming measure. **RedSpeed** manufactures digital cameras for measuring speed and promoting road safety.
- Accidents involving pedestrians increase significantly in November and December.[2] Winter conditions are an important aspect of road safety in northern Europe, mainly due to poor road conditions and darkness. **Hilltip** is one of Europe's leading manufacturers of road maintenance and de-icing equipment for minor roads, cycle paths and pavements.
- **Centralbyggarna** and **Centralmontage** manufacture and install custom switching stations and electrical automation for distribution boxes for controlling traffic lights and street lights, for example. Functioning street and traffic lights are an important preventive measure for reducing road accidents.
- **Patol's** heat detection cable for tunnel fire protection helps to reduce the risk of serious damage to tunnel structures caused by fires, thus contributing to target 3.6.

3.9: Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

The following Sdiptech business units help to reduce the number of illnesses and deaths caused by harmful chemicals:

- **Polyproject** is one of Scandinavia's leading environmental technology companies specialising in products for the purification of aggressive liquids, water, gases and air. They work with some of the largest flue gas cleaning companies in the industry both in Sweden and internationally.
- **Vera Klippan** manufactures large-scale tanks for major water and wastewater systems. The company's products are used for chemicals, water and sewage, as well as ventilation chimneys and scrubbers.

GOAL 4 aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Sdiptech contributes to targets 4.5 and 4.A.

[1] Unicef: https://unicef.se/fakta/modravard
[2] Swedish Transport Agency: https://transportstyrelsen.se/sv/Press/Pressmeddelanden/2019/fler-gaende-skadas-nar-vintertiden-borjar/

4.5: Eliminate eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations. and 4.A: Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

- Around one in six people in the UK suffer from some form of hearing loss.[3] Our **Alerter Group** business unit helps to achieve equal access to education and improves inclusive learning environments through its radio-based communication and fire alarm systems for people with disabilities, such as the deaf and hard of hearing, their main customers being schools and universities.

GOAL 6 is about ensuring availability and sustainable management of water and sanitation for all. Sdiptech contributes to targets 6.1, 6.4, 6.6 and 6B.

6.1: Achieve universal and equitable access to safe and affordable drinking water for all.

The following Sdiptech business units contribute to target 6.1:

- **Polyproject** and **Vera Klippan** play an important role in several water treatment processes by commissioning and servicing pure water plants.
- **Water Treatment Products** works with the preparation and manufacture of water treatment products that are supplied to water treatment plants and others.
- **RIA**, which supplies control systems for water treatment plants and other applications, helps to promote more efficient water consumption by monitoring conditions and determining when pumps should be switched on or off to minimise waste.

6.4: Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

The following Sdiptech business units contribute to target 6.4:

- Large parts of Europe's water infrastructure are outdated, and huge amounts of fresh water are escaping due to leaks in pipes and conduits.[4] Sdiptech's **Auger** business unit ensures a sustainable supply of drinking water through efficient case management of insurance claims relating to underground infrastructure such as pipes and conduits.
- **Polyproject** has unique expertise in treating wastewater, such as when there are by-products such as gypsum and highly contaminated aggressive wastewater that need to be dealt with.
- **Vera Klippan**, which commissions and services pure water plants, manufactures large-scale tanks for major water and sewage systems. The company's products are used for chemicals, water and sewage, as well as ventilation chimneys and scrubbers.
- **Hydrostandard** ensures that water use is metered accurately, thereby increasing the efficiency of water consumption and identifying potential water leaks.

6.6: Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes. And 6.B: Support and strengthen the participation of local communities in improving water and sanitation management.

Sdiptech's **Topas** business unit contributes to these two targets through its unique water and sewerage system, where purified wastewater is put to good use and can be used to irrigate crops in places with water shortages, for example. The company has participated in a plant that reverses the cycle, from pumping up groundwater, irrigation and ditching, which causes much of the water to flow into the sea, to taking Baltic Sea water, purifying it, using it in households, treating wastewater and using it for irrigation. Wastewater treatment plants are also dimensioned and designed to take wastewater from industries.

GOAL 7 aims to ensure access to affordable, reliable, sustainable and modern energy for all. Sdiptech contributes to targets 7.1, 7.2, 7.3, 7.A and 7.B.

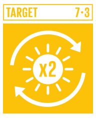
7.1: Ensure universal access to affordable, reliable and modern energy services. And 7.2: Increase substantially the share of renewable energy in the global energy mix.

Sdiptech's Unipower and Eurotech business units contribute to the two targets:

- High-quality electricity supply is critical to the functioning of societies, and is becoming more and more important as industries and communities become electrified. Power quality problems can occur with weak grids and fluctuating generation, such as renewable electricity. Continuous monitoring of the electricity supply plays an important part as the world moves towards renewable electricity generation. **Unipower** provides automated systems for the continuous control and metering of electricity supply – a key element in the safe and sustainable use and development of renewable energy without interruption.

[3] Hearinglink: https://www.hearinglink.org/your-hearing/about-hearing/facts-about-deafness-hearing-loss/
[4] Report from EurEau: https://www.eureau.org/resources/publications/1460-eureau-data-report-2017-1/file

- **Eurotech** offers custom solutions for an effective uninterruptible power supply. Their products in the Solar Power Solutions segment enable businesses to run entirely on solar energy, including storing the energy over time so that it can be utilised during power outages or when the solar panels are unable to deliver full power.

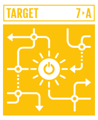


7.3: Double the increase in energy efficiency
By 2030, double the global rate of improvement in energy efficiency.

The following Sdiptech business units contribute to energy efficiency:

- The total energy use for all Swedish buildings accounts for just over a third of total Swedish energy use. At the same time, between 30-40 per cent of the energy needed to heat our buildings escapes. **KSS** helps property owners to optimise energy and power use based on a building's systems and operations. This can reduce both energy consumption and environmental impact.
- **Frigotech** provides refrigeration technology to food stores and data centres for the most part, but also to industry. Frigotech's solutions can help reduce energyuse with heat recovered from supermarket refrigeration systems.
- **IDE Systems** specialises in temporary electricity and electricity usage monitoring systems. IDE offers its own range of energy monitoring and management tools that enable energy usage to be reduced.
- **Hydrostandard** is a vital part of the chain for the roll-out of new modern, intelligent electricity meters, thereby helping to increase energy efficiency.
- **RDMs** offer a range of energy management control solutions to help organisations reduce their energy consumption: such as ActiveFM, which offers intelligent remote monitoring, incident management and energy management; or Kwheb, which is a cloud-based dashboard that presents energy data in an easy-to-use way.

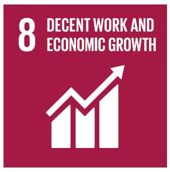
TEL UK designs and manufactures electronic control and monitoring of air flows. The company's products help its customers reduce the energy use by up to 85 per cent.



7.A: Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

And 7.B: By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries.

Sdiptech's **Unipower** business unit helps with attainment of these two targets by organising and participating in various projects and training courses on green cities and sustainable energy solutions in Africa and the Middle East. For instance, the company has been involved in public transport and energy development projects in Uganda. They were also part of a business delegation trip organised by the Sweden Sub-Saharan Africa Chamber of Commerce (SSACC). The theme was Green Cities and Sustainable Solutions, and the programme included business seminars as well as individual meetings and company visits in Rwanda, Botswana and Namibia. On a national level, a collaboration with Chalmers start-up Eneryield, which develops machine learning-based methods for intelligent power quality analysis, is allowing Unipower to identify the root cause and direction of disruptions more efficiently and accurately. This is an important step towards a smarter electricity network and paves the way for better stability and quality of supply. Another example is the collaboration between our **Polyproject** business and KTH Royal Institute of Technology and IVL Swedish Environmental Research Institute in an extensive development project to produce a new type of carbon fibre-based electrode that enables the efficient extraction of hydrogen from various types of wastewater with high ammonium levels. At the same time, the wastewater is purified to remove ammonium nitrogen, which is another environmental benefit.



GOAL 8 is about promoting inclusive and sustainable economic growth, employment and decent work for all. Sdiptech contributes to five of the targets: 8.1, 8.2, 8.5, 8.6 and 8.8.

8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

And 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

As a technology group with the overall goal of creating sustainable, long-term value growth by acquisition, development and long-term ownership of companies as they are with a decentralised strategy without mergers, Sdiptech contributes to these two targets.

8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Alerter Group helps to bring about to decent working conditions for all, including people with various disabilities, through their service that provides radio-based communication and fire alarm systems in workplaces for people who are deaf and hard of hearing, among others.

8.6: Substantially reduce the proportion of youth not in employment, education or training. Several of Sdiptech's business units, such as KSS and Multitech, bring in technicians from school through various apprenticeship programmes, which is an excellent way to bring more young people into the labour market.

8.8: Protect workers' rights and promoting a safe and secure working environment for all Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. The following Sdiptech business units have security solutions that contribute to target 8.8:

- **Optyma** designs, implements and manages security systems for both private companies and the public sector, such as hospitals and railway stations.
- **Multitech** works on temporary infrastructure and sets up safety stations, such as fire safety, at construction sites.
- **Cryptify** offers encrypted communication solutions for increased security. By protecting information using certified cryptographic technology, unauthorised persons are kept out and users can communicate securely, which is an important feature for personal security in sensitive communications.
- **Medicvent's** technology enhances the working environment in hospitals by maximising the uptake of unhealthy escaping gases.
- **Storadio** and **Stockholmradio** offer critical radio communications for air and sea travel.
- **Alerter Group** helps create safe working environments and secure employment for all through its communication systems and smoke alarms for the disabled.
- **Certus** works with automation solutions for operational flows in port and terminal logistics. These products automate identification, registration and positioning for enhanced efficiency and safety by limiting the need for high-risk situations.
- The integrated attachment solutions from **e-l-m Kragelund** generate good visibility and manoeuvrability for truck drivers, improving the overall level of safety and thereby reducing work site accidents.
- **Patol** designs, manufactures and supplies niche fire safety products and systems with applications in a variety of infrastructure sectors, including power generation, waste recycling, road infrastructure, food production and data centres. Patol products help to achieve a safer environment where early detection of potential fire incidents significantly reduces the risk of property damage and personal injury.

GOAL 9 is about building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation. Sdiptech as a group contributes to the three targets 9.1 and 9.5. Sdiptech's business unit Unipower contributes to 9.A.

9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

And 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including encouraging innovation and substantially increasing the number of research and development workers.
Much of the infrastructure in society is outdated. Population growth, urbanisation and climate change are placing further pressure on the systems. Sdiptech believes in a future based on safer, more sustainable, more efficient societies. To achieve this, it is crucial to expand and improve the infrastructure around us. We intend to play an active part in this development by acquiring and developing leading niche companies that offer solutions to meet the most critical infrastructure needs. Over the past five years, Sdiptech has invested more than SEK 3 billion in companies that contribute in various ways to safer, more sustainable, more efficient solutions to the most critical needs of infrastructure.

9.A: Facilitate sustainable and resilient infrastructure development in developing countries. Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States. Several African countries have major problems with grid reliability. The uncertainty of the electricity system has hindered the development of industry in countries such as Tanzania. **Unipower** is helping to improve the situation with products, systems and training in power quality measurement.

GOAL 11 is about making cities and human settlements inclusive, safe, resilient and sustainable. Sdiptech's business units contribute to targets 11.2 and 11.6.

11.2: Make sustainable transport systems accessible to all. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. The following Sdiptech business units contribute to safer, more sustainable transport systems:

[5] Swedish Government: https://www.regeringen.se/regeringens-politik/transportsektorn-staller-om-for-klimatet/

- **RedSpeed** specialises in digital cameras for monitoring speeds and traffic. Injuries are less severe and the risk of accidents occurring is reduced when people drive at lower speeds. Safety cameras are an important and well-documented traffic calming measure, creating smoother, more efficient traffic flow, which in turn results in less environmental impact and increases ecological sustainability. Reducing noise and improving mobility for cyclists and pedestrians can also increase social sustainability.
- Signal safety systems are used to ensure safe, efficient rail traffic. Sdiptech's **Centralbyggarna** business unit, which works with the design and manufacture of electrical automation equipment, ensures that signal safety systems can cope with the challenging environments in the form of vibration, interference, mixed power system types and integration with signalling systems.
- According to a report by Trafikanalys, women are more likely than men to refrain from travelling if they feel unsafe.[6] This means that road safety is also a question of gender equality. **Optyma** specialises in security systems for trains and railway stations to ensure safer public transport.
- **Mecno Service** designs, manufactures and sells grinding machines which are specialized for trams and subways. The company provides services for grinding rails with a proprietary, unique and patented technology that improves efficiency and improves the grinding process and results, especially on otherwise complex areas and tracks. In addition, it is reduced the proportion of grinding dust, which enables a lower environmental impact.

11.6: Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and the management of municipal and other waste.

The following Sdiptech business units help to reduce the adverse environmental impact of cities:

- **KSS** helps property owners to optimise energy and power use based on building's systems and operations.
- Refrigerants are substances used in refrigerators, freezers, air conditioning systems and heat pumps. Cooling systems emit large volumes of carbon dioxide equivalents. **Frigotech** helps to reduce leakage in refrigeration systems by means of pump circulation, subcritical and transcritical systems.
- Healthcare workers who come into daily contact with medical gases and flue gases in their workplace are exposed to unnecessary risks. **Medicvent** specialises in the evacuation of gases, local extraction. The aim of this is to minimise the risk of the gas spreading into the room and exposing healthcare workers to unnecessary risks.
- **Agrosistemi** utilises the sludge resulting from the municipal water treatment process. This allows important organic minerals to be returned to the soil, increasing the soil content and thus acting as a carbon sink.

GOAL 12 is about ensuring sustainable consumption and production patterns. Sdiptech contributes to targets 12.1, 12.2, and 12.5

12.1: Implement the 10-year framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries. The following Sdiptech business units contribute to target 12.1.

Rolec has over 30 years of experience in the development and manufacture of a wide range of charging equipment and systems for electric vehicles. More vehicles have to be powered by electricity for the transport industry to meet its transition goals. An attractive and functioning electric vehicle infrastructure, such as the availability of charging equipment, is an important building block in accelerating the transition. Sdiptech's **IDE Systems** business unit also supplies charging stations with temporary power for electric vehicles.

12.2: Achieve the sustainable management and efficient use of natural resources.

The following Sdiptech business units contribute to the target:

- **Polyproject** specialises in the purification of aggressive liquids, water, gases and air.
- **Water Treatment Products** works with the preparation and manufacture of water treatment products that are supplied to water treatment plants and others.

The following Sdiptech business units are helping to reduce food waste:

Around 100 million tonnes of food waste is discarded in the EU every year, which has a huge economic and environmental cost.[7] Refrigeration solutions are a critical part of the chain to reduce of fresh food and pharmaceuticals that need to be kept at a certain temperature.

- **GAH** is a leading UK company in the design, manufacture and service of last-mile transport refrigeration solutions.
- **Frigotech** offers efficient refrigeration systems for supermarkets and others, with continuous service and monitoring that helps prevent disruptions in supermarkets. This in turn reduces the risk of food spoilage and wastage in the shop in the event of prolonged power cuts affecting fridges and freezers.

[6] Report from Trafikanalys: https://www.trafa.se/globalassets/rapporter/2017/rapport-2017_16-sankt-bashastighet-i-tatort.pdf

- **RDM's** cold storage room controls and monitoring systems are designed to control food in shops and elsewhere, which is an important aspect of preventing food waste. HACCP is a standardised work method that describes how to systematically identify, assess and control food production risks with the aim of keeping food safe for consumers. These include microbiological, chemical, allergenic and physical hazards. That is why control and monitoring of temperature and humidity are very important in food production. RDM's solutions can be used at all stages of the cold chain, from processing, packing and storage, to ensure temperature-controlled environments.

12.4: Achieve achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their emissions to air, water and soil in order to minimise their adverse impacts on human health and the environment. The following Sdiptech business units contribute to target 12.4:

- **Medicvent**, which specialises in the evacuation of gases, local extraction to minimise the risk of gas escaping.
- **Polyproject** specialises in products for the purification of aggressive liquids, water, gases and air. Their product Polypump, for example, is an air-driven diaphragm pump that is ideal for flammable and explosive environments.
- **Vera Klippan** manufactures large-scale tanks for major water and wastewater systems. The company's products are used for chemicals, water and sewage, as well as ventilation chimneys and scrubbers.

12.5: Substantially reduce waste generation through prevention, reduction, recycling, and reuse.
Agrosistemi utilises the sludge produced by the municipal water treatment process. This allows important organic minerals to be returned to the soil, increasing the soil content and helping to recycle the sludge waste. The company thus contributes to target 12.5.

GOAL 14 aims to conserve and sustainably use the oceans, seas and marine resources for sustainable development. Sdiptech's business units contribute to targets 14.1 and 11.6.

14.1: Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.
The following Sdiptech business units are helping to reduce pollution in the oceans:

- The law requires wastewater to be collected and treated before it can be discharged. Otherwise, the pollutants and contaminants present in the wastewater may adversely affect the environment or human health. This has been a major problem in the Baltic Sea.
- **The Topas** system works the other way round, utilising every drop of water. Instead of being discharged into the Baltic Sea after use, the water from the Baltic Sea is piped to a plant where it is desalinated and achieves drinking water quality. Drinking water is pumped out in pipes to households. Once households have used the water for drinking, showering and flushing toilets, the wastewater is pumped away to a treatment plant where it is treated to "at least bathing water quality" and can be used to irrigate crops, for example.
- **Polyproject** supplies tanks and process equipment for scrubbing exhaust gas cleaning for ships.
- **Vera Klippan** manufactures large-scale tanks for major water and sewage systems which are used for chemicals, water and sewage, ventilation chimneys and scrubbers.

GOAL 15 is about protecting, restoring and promoting sustainable use of terrestrial ecosystems, sustainably managing forests, combating desertification, and halting and reversing land degradation and halting biodiversity loss. Sdiptech's Topas business unit contributes to targets 15.1, 15.3 and 15.5.

15.1: Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

And 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species.
Topas helps to achieve the targets by means of its water treatment plant on Gotland, which purifies freshwater and treats wastewater previously discharged into the Baltic Sea for local use. Besides helping to reduce pollution in the Baltic Sea, water resources are also utilised through the local wastewater treatment plant.

15.3: Combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.
Agrosistemi's by-product from sewage sludge is a fertiliser that helps to combat desertification and restore degraded land and soil.

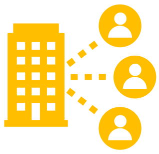
[7] Food and Agriculture Organization of the United Nations http://www.fao.org/3/CA1431EN/ca1431en.pdf

GOAL 16 is about promoting peaceful and inclusive societies for sustainable development, providing access to justice for all, and building effective, accountable and inclusive institutions at all levels. Sdiptech's business unit Cryptify contributes to target 16.4.

16.4: Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime. Complex cybercrime is becoming increasingly common in organised crime. According to the National Defence Radio Establishment (FRA), cyberattacks occur every day that risk harming people and societies in various ways. These range from well-planned attacks against public authorities, to threats against private companies and blackmail of individual citizens. FRA states that there has been a significant increase in aggressive network attacks against Swedish infrastructure, not least against authorities and state-owned companies.[8] Sdiptech's **Cryptify** business unit is a leading Swedish supplier of solutions for encrypted communication. Cryptify Call has been reviewed and approved for government use by both the UK Security Service and NATO. Most customers are in public authorities and defence, such as the Government Offices of Sweden and NATO HQ, which in many cases work to prevent organised crime and have a great need to protect their communications.

[8] Security User: https://www.securityuser.com/se/Nyheter/Samhalle/fra-dagliga-cyberattacker-mot-sverige

Sdiptech as an employer



Sdiptech wants to be an employer where employees thrive and develop. To achieve this, we endeavour to:

- Ensure our staff are happy.
- Be a workplace that promotes diversity, equality and inclusion.
- No employee should suffer physical or mental ill health as a result of their work.
- All employees must comply with our Code of Conduct.

Employee well-being, health and safety at work

Our most important asset is our staff, who all contribute to our collective success. Sdiptech must offer its employees a safe and healthy working environment that, together with good working conditions, creates a sustainable work climate with good health and low absence due to illness. Sdiptech'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, specific social responsibility efforts are highly decentralised within the framework of the guidelines adopted by Sdiptech.

Safety is deeply integrated into our core business, with several of our companies helping to protect workers and promote safe and secure working environments. We want to practise what we preach, with the safety of Sdiptech's employees coming first. All of Sdiptech's business units have their own safety policies. In addition, a couple of Sdiptech's operations involve working in vulnerable environments, and these business units have clear safety procedures on how employees should protect themselves. The development of individual incidents, injuries, staff turnover and attendance rates is closely monitored, providing us with a way to evaluate our employee health and working environment aspects. In total, 85 occupational accidents were reported in 2022, compared to 73 in 2021. We have a zero vision regarding occupational accidents, illnesses and incidents and an ambition to continuously work to improve the health and well-being of our employees. The aim is that no one should suffer physical or mental ill health because of their work situation.

Absence due to illness as a percentage of days worked was 4.1 per cent for the full year 2022, up from 2.4 per cent last year.

Type of employment

The majority of our workforce is permanent. Temporary staff are used primarily to replace regular employees in case of illness or other absences. Job security for our employees is not only a health and safety issue, but also an important factor in ensuring continuity in the organisation and building long-term relationships.

Staff turnover

Staff turnover and attendance rates are continuously monitored internally and communicated externally on an annual basis. Major discrepancies in staff turnover from previous periods can be an indication of shortcomings or dissatisfaction; and the earlier a discrepancy can be found, the more opportunity there is to investigate and remedy any problems. Total staff turnover was 12.4 per cent in 2022, excluding employees added through acquisitions.

Leadership

We strive to be a respected employer, and our business units must strive to be attractive employers with emphasis on the personal development of their employees. Relationships with and among employees must be based on mutual respect. To provide support in the development work, business area managers and other centrally placed employees are involved in various issues at the business units, such as leadership, sustainability, marketing and sales, financial follow-up and reporting, and project follow-up.

Gender equality, diversity and inclusion

We are convinced that we benefit from capitalising on one another's differences, and work towards gender balance and broad international representation among employees and managers. The different knowledge, skills, backgrounds and perspectives of employees create new opportunities and result in better decisions. That is why we appreciate an open and inclusive corporate culture that advocates diversity as a strength and strives for more of our leaders to have an international background, which we have defined as being born or having lived for at least five years in a country other than the one in which the employee works. The Group has a number of guidelines and policy documents that emphasise the importance of recognising the knowledge, skills, background and perspectives of different employees. This work is driven by transparency and continuous monitoring.

	2022	2021	2020
% with international background on the Sdiptech Board of Directors	20%	17%	33%
% with international background in the Group executive	17%	20%	17%
% with international background in senior positions at business units	8%	8%	4%

Gender equality is measured as the proportion of women in senior positions and is followed up internally for each company on an annual basis and communicated externally in the annual and sustainability report. Sdiptech does not permit discrimination or harassment in any form. We endeavour to ensure that Group employees have equal opportunities for career development, training, remuneration, job content and employment conditions, regardless of gender. Where pay gaps exist between men and women, we work actively to close them. We also work towards a more equal gender balance in recruitment. We offer equal opportunities for employment regardless of origin, religion, gender, age, disability, family circumstances or sexual orientation. We work to prevent any form of discrimination in the workplace, or in the treatment of employees in terms of pay and career development. No cases of discrimination have been reported in 2022.

While working to achieve a more even gender balance in a generally male-dominated industry, the percentage of women in the Group has continued to increase. Our goal is to have a gender balance of 40–60 per cent in senior positions by 2030. The proportion of business units with an equal distribution of men and women in senior positions has increased from 32 to 38 per cent in 2022. Succession planning is a way for us to address gender equality through internal recruitment, while retaining skills in the organisation. In addition, we work continuously on training. We want everyone to feel welcome, and we want to encourage more women to take an interest in technology and civil engineering at an early age. One way we do this is by supporting the Global Challenge. Their work includes the #Urbangirlsmovement initiative, which aims to prioritise young women's views on urban development to make cities inclusive and sustainable.

It is gratifying to see that both the proportion of women in the workforce as a whole and women in senior positions has continued to increase during the year. In addition, in order to find new target groups and diversify our final candidates, we work towards greater diversity and gender balance by:

- Mapping the current situation and setting ambitious diversity and gender equality targets.
- Performing quality reviews of our communications, including our recruitment materials, in order to create a more inclusive visual and written tone.
- Broadening our networks and opening up recruitment processes through new channels and ways of screening candidates.
- Continuously reviewing our forms of employment from a perspective that can attract more women, such as parental leave, flexible working hours, working from home and no qualifying period.
- Including both women and men in the recruitment team.

Total staff	2022	2021	2020
Total staff	2,127	1,673	1,499
Of whom women	369	282	200
% women	17%	17%	13%
% women on Sdiptech Board of Directors	40%	40%	33%
% women in Group executive	17%	17%	0%
% business units with 40–60 women/men in senior positions.	38%	32%	30%
% women in senior positions	30%	24%	31%

Sdiptech's business culture

Anti-corruption and business ethics

Business ethics is high on our agenda, and is an issue that is continuously addressed. We maintain a stated zero tolerance approach to corruption and do not accept bribes or unfair anti-competitive behaviour. No cases of corruption were identified during the year. We comply with all labour laws and regulations as a minimum, and we expect customers and suppliers to comply with current legislation as a minimum requirement. Moreover, we work actively to ensure that there are no regulatory breaches within our operations or our value chain.

Sdiptech follows the Swedish Business Code issued by the Swedish Institute Against Bribes (IMM), which aims to guide companies on how gifts, remuneration and other benefits can be used in business to promote the company's activities. All sales and marketing of our products and services must also comply with the applicable laws and regulations in each country. Sdiptech does not invest in companies that do not comply with transparency and accountability, or where there is the slightest sign of corruption.

Sdiptech must support and respect freedom of assembly and association, also known as freedom of organisation, which means the right of people to belong to and form organisations. Freedom of association is a fundamental right enshrined in our own constitution and the UN Convention on Civil and Political Rights. Freedom of assembly is also constitutionally protected. Freedom of assembly gives people the right to organise and attend meetings for the purpose of education and information, express their opinions, present artistic works and the like. We must apply fair labour practices and comply with applicable national and international labour standards. We must also provide fair wages and benefits in accordance with national legislation and applicable collective agreements.

It is important to safeguard and strive for transparency and good business ethics in order to maintain a high level of trust among customers, suppliers and other stakeholders. Everyone who performs work for Sdiptech or otherwise represents the Group is obliged to comply with the Group's code of ethics, as well as acting in accordance with applicable rules and laws. Sdiptech has an external whistleblowing service that helps monitor compliance with the Code of Conduct and enables anonymous reporting. The whistleblowing function is an important tool for maintaining good corporate governance and contributing to an effective process whereby the Group executive can quickly be made aware of risks and shortcomings in the organisation in order to investigate and address them. The whistleblowing service is managed by an external actor who takes the matter further.

Human rights

We must support and respect internationally recognised human rights wherever we work. We do not accept any form of forced, involuntary or unpaid labour. The UN Convention on the Rights of the Child, the ILO Convention on Minimum Age for Employment and the Convention on the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour are guidelines for all business activities conducted in our name.

Moreover, we do not invest in companies that contribute in any way to human rights violations. Even if the companies we look at are not directly involved in human rights abuses, we look at whether they have customers – through companies or states – that could. It is particularly important to check whether a prospective acquisition operates or has significant customers operating in regions where human rights violations are frequent.

Requirements for our suppliers

We work with a large number of suppliers. Most are domestic and based in the same country in which their business is conducted. In addition, our supplier relationships are often long-term and characterised by close cooperation, which gives us good conditions for dialogue and risk prevention. Under our decentralised model, it is up to each business unit to check that their suppliers comply with our Code of Conduct. In addition, Sdiptech conducts annual supplier mapping in order to review potential sustainability risks in the customer and supply chains. This is particularly important in contracts with non-Nordic customers and suppliers, specifically in what are known as high-risk countries, with poor visibility and compliance with human rights, working conditions, climate change, biodiversity, gender equality, animal welfare and corruption.

Transparency in reporting

Sdiptech has conducted Nasdaq ESG reporting since 2018 and is certified as a "Nasdaq ESG Transparency Partner". Sdiptech has increased reporting as below for improved sustainability work and increased transparency:

Nasdaq ESG reporting	2022	2021	2020
General info	100%	100%	100%
Environmental Metrics	100%	100%	86%
Social Metrics	100%	100%	100%
Corp Goverment Metrics	95%	95%	95%
Future Sustainable Goals	100%	100%	88%

Sdiptech also reports its sustainability work in accordance with the GRI Standard. See the full GRI index on pages 136–137. By applying the international GRI guidelines, Sdiptech aims to report on sustainability-related content that is relevant to its stakeholders in a transparent and balanced way.

TCFD analysis 2022

SDIPTECH'S SOCIAL AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

Social and climate-related sustainability risks span many areas, such as human rights, working conditions, environment and climate, corruption, and information and IT security. Our diversified structure, with almost 40 companies in different industries and geographical markets, gives us a good spread of risk, which creates conditions for stability. This breadth reduces dependence on individual business units, markets and risks. Many sustainability risks are eliminated because we have clear acquisition criteria and do not invest in companies or sectors that are contrary to our philosophy, i.e. companies whose activities are harmful to society. More information about this can be found in our responsible investment guide on the Sdiptech website. A separate sustainability survey, including a TCFD analysis, is also carried out for the company in question before each acquisition. We also perceive opportunities in the transition as sustainability is integrated into the business models of the companies we already own.

Nevertheless, it is of great importance for us – from both a financial and a legal perspective – to identify, manage and prevent sustainability risks. This is also crucial for public trust and our relationship with customers, employees, owners and investors. Responsible behaviour is thus a prerequisite for long-term value creation in Sdiptech. Our work to identify sustainability risks is conducted with Sdiptech's Sustainability Council together with the Group executive, where representatives from each business unit participate. Management, control and follow-up follow our decentralised model through Sdiptech's business area managers at Board meetings and other reconciliations with the business units, and within the framework of established risk management processes.

Sdiptech's analysis of sustainability risks and opportunities has been developed according to the Taskforce on Climate-related Financial Disclosure (TCFD) methodology, a framework that aims to guide organisations in identifying climate-related financial risks and opportunities. The application of the TCFD has allowed us to gain a better understanding of the financial implications that social and climate-related impacts can have on our business, in both the short and the long term. At the same time, the framework facilitates efforts to build robust strategies to manage these risks. As recommended by the TCFD, we have worked on the basis of governance, strategy, risk management, goals and metrics. Within these areas, we highlight how Sdiptech manages and assesses physical and transition-related climate risks. Moreover, we have chosen to follow the same methodology for social sustainability risks.

Sdiptech follows the precautionary principle and must implement measures or restrictions in its activities or take other precautionarymeasures to prevent, hinder or counteract damage or other adverse effects on the environment or health.

Sdiptech's resilience

We are already seeing an increase in extreme weather events that can be linked to climate change, and although global carbon emissions are being reduced in line with the Paris Agreement, carbon dioxide levels in the atmosphere remain high. We should therefore anticipate that damage from storms and extreme weather events will continue to increase, and continuously work on monitoring and improving preparedness against business continuity disruptions caused by physical climate risks such as storms and floods. Given the EU's ambitious climate policy, we must also work to prepare to manage transition risks. We need to increase our readiness to deal with regulatory changes in the coming decade, given the direct impact such changes may have on Sdiptech's operations, as well as the indirect impact they may have on supply chain lead times and prices. Sdiptech has been reporting under the TCFD framework for three years. In 2021, an analysis

was conducted to assess climate risks and opportunities based on two different climate scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) – RCP 8.5 and RCP 2.6.

RCP 8.5 is a business-as-usual scenario, where the world has failed to adapt and greenhouse gas emissions continue to increase at the current rate.

RCP 2.6 is a scenario where we manage to limit the temperature increase to 1.5–2 °C. Both scenarios present risks for Sdiptech, but also opportunities, and we need to prepare and adapt our operations to changing climate conditions.

Sdiptech conducts annual mapping of all its risks and their probability, impact, priority and evolution. A TCFD analysis of the company in question is also carried out before each acquisition.

Climate scenario "We reach the Paris Agreement" (RCP 2.6)

- Greenhouse gas emissions are halved by 2050.
- +1.5–3 °C national temperature increase in Sweden.
- New renewable energy technologies are introduced on a large scale.
- Low energy intensity.
- Significant transformations of society, infrastructure and buildings have taken place. The world's countries manage to work together on joint initiatives.
- Political decisions, taxes and regulations are imposed on greenhouse gases.
- Increased regulation with sustainability requirements for land use and building standards.
- Changing requirements from customers and investors.

Business-as-usual climate scenario (RCP 8.5)

- Emissions of greenhouse gases continue to increase at the current rate.
- +2–4 °C national temperature increase.
- Rising sea levels.
- More days of extreme weather and flooding.
- Increased number of forest fires.
- Unchanged behaviour and demands from customers and investors.
- High energy intensity and high dependence on fossil fuels.
- Political climate initiatives and partnerships are failing.
- Poorer indoor climate affects human health.
- Increased population and immigration to Sweden.
- Operations become more event-driven due to extreme weather.

Type	Risks	Potential financial impact	Actions (Planned = Pl, Ongoing = On)	Opportunity
	CLIMATE RISKS			
Physical risks	**Climate change**			
Physical risks	Rising average temperatures	Reduced need for winter-related products for e.g. slippery road conditions, such as studs and snow ploughs	Risk diversification through greater supply that is less dependent on weather and season (On)	Increased need for water treatment to eliminate e.g. algal blooms
Physical risks	Higher water levels and flooding	n/a	n/a	Changes in ground composition that may increase loads and thus demand for servicing of pipes and water mains and facilities
Physical risks	Storms	More damage from storms that may indirectly affect Sdiptech if electricity and other service providers suffer damage and disruption, which in turn may lead to delays in supply chains	Close dialogue and relationship with existing suppliers, and increase the percentage of suppliers to spread the risk (Pl)	Increased need for critical radio communications for aviation and maritime transport. Increased need to measure power quality, as well as solutions for efficient uninterruptible power supplies
Transition risks	**Laws and policies**			
Transition risks	Increased fuel prices/greenhouse gas emissions	Increased operating costs, e.g. for business units with a significant fleet of service vehicles	Target for increasing the percentage of vehicles using renewable fuels (On)	Increasing demand for charging equipment for electric vehicles
Transition risks	Extended emission reporting obligation	More reporting work where greater use of resources to carry out work can reduce efficiency in other areas	Efficient processes and investment in central resources to support reporting (On)	Increased demand for safe, sustainable and efficient solutions from more customers, development and improvement of our operations
Transition risks	Regulation of existing products and services	Increased costs and/or or reduced demand for products and services due to restrictions on the use of specific materials and substances	Spreading of risk with alternative materials and substances (On). Optimisation and efficiency of transport (On). Greater awareness and setting targets for energy efficiency in companies with own production (On).	Stricter regulation on emissions of e.g. harmful gases
Transition risks	Reporting and compliance requirements for third party providers	May have to change products or terminate contracts with suppliers and switch to more expensive suppliers if the existing ones do not comply with the requirements	Communicate our sustainability expectations to companies early on in the acquisition process (On)	Increased demand for safe, sustainable and efficient solutions from more customers
Transition risks		More reporting work where greater use of resources to carry out work can reduce efficiency in other areas	Efficient processes and investment in central resources to support reporting (On)	Developing and improving our activities
Transition risks	**Technology**			
Transition risks	Failed investments in new/old technologies	Lost customers and revenue due to new and alternative technologies	R&D, expert networks, advisory boards and continuous support with technical expertise at head office. Prospective assessment of how long a technology is relevant/attractive as early as the acquisition process (On)	n/a
Transition risks	Transition to lower emissions technologies	Resistance from founders to make climate investments during the earn-out period	Set clear expectations in the acquisition process and ongoing strategy discussions about investments that are right for the long term through training and incentives linked to the Group's sustainability goals (On)	Increased demand for safe, sustainable and efficient solutions from more customers, such as charging equipment for electric vehicles

Type	Risks	Potential financial impact	Actions (Planned = Pl, Ongoing = On)	Opportunity
		CLIMATE RISKS		
Transition risks	**Market**			
Transition risks	Altered customer behaviour	Changing ways of travelling, working and shopping can affect demand in different ways in the long run	Work actively with potential risks in each company with future analyses (On)	Increased demand for safe, sustainable and efficient solutions from more customers
Transition risks	**Reputation**			
Transition risks	Stigmatisation of the sector	More stringent demands from the public to take a stand and reject stigmatised industries by not delivering solutions to customers in these sectors	Comply with and continuously develop our responsible investment guide, which clarifies how we approach investment in specific sectors. Conduct a separate sustainability and TCFD analysis prior to each acquisition (On)	Increased demand for safe, sustainable and efficient solutions from more customers
		SOCIAL RISKS		
Social risks	**Operations**			
Social risks	Information and IT security	Loss of trust and possible financial consequences of failures in the handling of personal or business-sensitive information	Clear guidelines, instructions and technical security solutions. Continuous monitoring and internal control. Train staff to raise awareness of threats and risks in information security (On)	Increased need for secure communication solutions
Social risks	Financial crime	Loss of reputation and weakened financial position due to financial or legal consequences	External whistleblowing function, clear guidelines, compliance requirements and monitoring, especially in countries where regulation on these issues is weaker (On). Supplier mapping (On). Genuine screening for each acquisition (On)	n/a
Social risks	**Social conditions**			
Social risks	Human rights and social conditions	Loss of reputation and weakened financial position due to financial or legal consequences	External whistleblowing function, clear guidelines, compliance requirements and monitoring, especially in countries where regulation on these issues is weaker (On). Supplier mapping (On). Genuine screening for each acquisition (On)	n/a
Social risks	Working conditions	Loss of labour and difficulties in attracting talented people if competitors have higher standards in working conditions and we do not maintain attractive working conditions	Continuously conduct benchmark analyses and update working conditions (On)	n/a
Social risks	Employee safety	Accidents and incidents relating to occupational health and safety	Clear safety procedures in all workplaces, especially in high-risk workplaces (On)	Increased demand for workplace safety solutions from more customers
Social risks	Gender equality and diversity	Higher public expectations that can result in a loss of trust and reputation and a poorer image of us as an employer if we fail to live up to public expectations	Reporting and gender equality and diversity targets with a clear action plan on how to achieve the targets, e.g. by training employees to raise awareness (On)	n/a

EU taxonomy

In 2019, the European Commission presented a new growth strategy, the European Green Deal, which aims to make Europe climate neutral by 2050 and promote economic growth by maximising the efficient and sustainable use of natural resources. Regulation (EU) 2020/852 of the European Parliament and of the Council (EU Green Taxonomy Regulation) was established to create a common classification system for environmentally sustainable economic activities. The aim is to scale up sustainable investments and reallocate capital flows to technologies and activities that are considered sustainable.

Sdiptech supports the ambitious goals set by the EU taxonomy. The current regulation focuses on economic activities with a high impact on combating and mitigating climate change. This means that Sdiptech's services and goods are covered to some extent by the climate taxonomy criteria. The EU taxonomy is still under development, and it is important to recognise that current legislation does not cover all sustainable activities in the market. For the transition to zero carbon emissions, the Regulation focuses on the most carbon-intensive industries, as well as on green energy and innovation.

Sdiptech is not the main target group for the current regulation as the business units exposed to these industries mainly fall under activities that enable green energy and innovation, which is currently a very limited segment in the regulation. Sdiptech's operations are very niched and in most cases primarily enabling. In addition, a large part of Sdiptech's operations work within social sustainability, and mainly safety, which is not covered at all in the Taxonomy. Consequently, Sdiptech only has a few relevant activity categories to report, which means that the key figures covered by the taxonomy for 2022 are relatively low. Sdiptech's annual report 2022 describes the group's sustainability goals and current position, including information on greenhouse gas emissions and climate impact beyond the requirements of the climate taxonomy and the EU 's taxonomy in general. As the regulation is still under development and is expected to be extended to other areas more relevant to our products and our business, we will update our taxonomy reporting accordingly in the future.

Accounting policies Article 10 of the European Commission Regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council (published on 6 July 2021) states that non-financial corporations shall only disclose the share of economic activities covered by the taxonomy and not covered by the taxonomy in their total turnover and total capital and operating expenditure, as well as relevant qualitative information in the reporting for the 2022 financial year. One of the main goals of the EU taxonomy is to prevent greenwashing. Sdiptech has adopted a cautious approach in reporting taxonomy-eligible figures so that no items not specifically mentioned in the taxonomy are included.

Activities

Sdiptech has identified six taxonomy-eligible activities, which refer to the activities covered by the Taxonomy Regulation. The percentage of taxonomy-aligned activities is also reported – which is new for this year and in Sdiptech's 2022 annual report – and describes whether an economic activity fulfils the technical review criteria determining whether the activity is defined as sustainable. The "substantial contribution" criteria determine whether the economic activity has either a significant positive impact on the environment, or a significant reduction of negative impacts on the environment. The "no significant harm' criteria determine whether the economic activity does not prevent the attainmemt of the other environmental goals, i.e. has no significant negative impact on them.

Sdiptech has identified parts of five activities as aligned with the taxonomy. However, for activity **3.6. Manufacture of other low-carbon technologies**, we need to conduct robust life cycle assessments (LCAs) to determine whether these activities are also taxonomy-aligned. Similarly, a more thorough analysis of some of the activities falling under 5.1 and 5.2, which deal with energy efficiency related to water systems, needs to be performed to ensure that the turnover from these activities is aligned with the taxonomy.

Sdiptech has conducted the assessments for taxonomy eligibility and alignment to the best of its ability based on existing available guidance from the European Commission. In 2021, Sdiptech set up an internal working group for the EU taxonomy, consisting of Sdiptech's business area managers, sustainability manager and group controller. Sdiptech has relied on the support of external experts in the process to provide a second opinion, as well as the assessments and data. An assessment of "substantial contribution" and "no significant harm" criteria was carried out for each economic activity to determine taxonomy eligibility. Minimum protection measures were assessed at Group level. Sdiptech has systematically assessed all activities and whether they meet the technical review criteria (substantial contribution, DNSH, minimum safeguards). There are the activities that we believe to have good potential to meet the review criteria when Sdiptech has carried out more activities, such as life-cycle assessment, customer cases, etc.

Sdiptech has also mapped the potential risks associated with the "OECD Due Diligence Guidance for Responsible Business Conduct" and the "UN Guiding Principles for Business and Human Rights" in the entire value chain. This work continues in 2023, with follow-up and additional mitigation activities to reduce these risks.

Turnover

Turnover includes external turnover in taxonomy-eligible activities, presented separately: see Taxonomy-eligible activities. The denominator is Sdiptech's total turnover for 2022 (see Note 4 Segment reporting), including income according to IFRS 15 and 16 respectively, in accordance with the definition of turnover in the EU taxonomy.

Capital investments

Affected investments relate to taxonomy-eligible assets and economic activities that generate revenue, or activities that combat or prevent climate change by reducing greenhouse gas emissions. The denominator is the Group's total investments for 2022 as recognised in the notes, excluding additions for goodwill, in Note 11 Intangible assets, Note 12 Tangible assets and Note 13 Right-of-use assets. The percentage of taxonomy-eligible capital investments (numerator) is the capital investments directly attributable to the taxonomy-eligible activities and that drives turnover.

Operating expenditure

Relevant running costs relate to taxonomy-eligible assets and economic activities that generate revenue, and include all direct development costs to operate the asset that can be distinguished from others. It does not include the labour costs for employees carrying out repairs, maintenance and servicing of the fixed assets concerned. The amount in the denominator includes the Group's total short-term leases (according to IFRS 16), research and development costs expensed, materials and services related to the maintenance of fixed assets and property of others. The allocation of taxonomy-eligible operating expenditure (numerator) is determined on the basis of the external turnover generated. Taxonomy-compatible capex also exists regarding investments that are not directly linked to revenue-driving activity, for the financial year this has been for vehicles and is included in point 6.5 Transport with motorcycles, passenger cars and light motor vehicles.

Taxonomy-eligible activities

The Group's economic activities have been evaluated, and the following taxonomy-eligible economic activities that generate external turnover have been identified and included in the numerators:

3.1. Manufacturing of renewable energy technology: Power quality problems can occur with weak grids and variable production, such as renewable electricity. In connection with the world investing more and more in renewable electricity production, continuous monitoring of the electricity supply plays a decisive role. Unipower offers automated systems for uninterrupted control and measurement of electricity supply, enabling the use and development of renewable energy without interruption.

3.6 Manufacturing of other low-carbon technologies: The share of turnover identified as taxonomy applicable derives from:
- IDE's product Erica, as a proprietary series of energy monitoring and management tools that enables reduced energy use and thus reduced carbon dioxide emissions.
- RDM's products that enable reduced energy use and thus reduced carbon dioxide emissions.
-TEL's products Airflow controllers and Room controllers, VAV account for approximately 50 per cent of the total turnover, which enables reduced energy use and thus reduced carbon dioxide emissions.
- GAH's product eFridge is designed to supply electricity to refrigeration systems for all vehicle types, enabling the use of electric vehicles in last-mile deliveries.

5.1. Construction, expansion and operation of systems for the collection and purification of water and water supply systems: Polyproject plays an important role in several water purification processes by commissioning and servicing clean water plants.

5.2. Renewal of water collection and purification systems and water supply systems: Polyproject has a unique competence in cleaning waste water, for example when by-products such as gypsum and a heavily polluted aggressive waste water arise that must be taken care of.

6.15. Infrastructure that enables carbon-free road transport and public transport: Rolec develops, manufactures and installs charging equipment and systems for electric vehicles. In order for the transport industry to meet set conversion targets, more vehicles must be electric. An important building block in the acceleration of the transition is an attractive and functioning infrastructure for electric vehicles, such as the availability of charging equipment.

7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings: KSS helps property owners to optimize energy and power use based on a building's system and operations. In this way, both energy consumption and environmental impact can be reduced.

				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
Economic Activities Turnover	Code(s)	Absolute Turnover, SEK million	Proportion of Turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Climate change mitigation	Climate change adaptation	Water & marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Category (enabling activity)	Category (transitional activity)
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	3.1	18.5	0.5%	100%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.5%	Enabling	
Construction, extension and operation of water collection, treatment and supply systems, transport and public transport	5.1	0.6	0.0%	100%						n/a	Yes	Yes	Yes	n/a	n/a	Yes	0.0%		
Renewal of water collection, treatment and supply systems	5.2	0.6	0.0%	100%						Yes	Yes	Yes	Yes	n/a	n/a	Yes	0.0%		
Infrastructure enabling low-carbon road transport and public transport	6.15	238.8	6.8%	100%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	6.8%	Enabling	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	102.6	2.9%	100%						Yes	Yes	n/a	n/a	n/a	n/a	n/a	2.9%	Enabling	
Turnover of environmentally sustainable activities (Taxonomy-aligned) A.1		**361.1**	**10.3%**														10.3%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6	158.7	4.5%																
Construction, extension and operation of water collection, treatment and supply systems	5.1	7.5	0.2%																
Renewal of water collection, treatment and supply systems	5.2	61.8	1.8%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)		**228.0**	**6.5%**																
Total (A.1+A.2)		**589.1**	**16.8%**																
B. Taxonomy-non-eligible																			
Turnover of businesses that are not covered by the taxonomy (B)		2,927.2	83,2%																
TOTAL (A+B)1		**3,516.3**	**100%**														10.3%		

Economic Activities Capital Expenditures	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	DNSH criteria (Do No Significant Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year N	Category (enabling activity)	Category (transitional activity)
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Infrastructure enabling low-carbon road transport and public transport	6.15	47.8	4.2%	100%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	4.2%	Enabling	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0.7	0.1%	100%						Yes	Yes	n/a	Yes	Yes	n/a	Yes	0.1%		
Manufacture of renewable energy technologies	3.1	1.0	0.1%	100%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	0.1%	Enabling	
CapEx of environmentally sustainable activities (Taxonomy-aligned) A.1		**49.5**	**4.4%**														4.4%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6	13.7	1.2%																
Construction, extension and operation of water collection, treatment and supply systems	5.1	0.0	0.0%																
Renewal of water collection, treatment and supply systems	5.2	6.6	0.6%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)		**20.3**	**1.8%**																
Total (A.1+A.2)		**69.8**	**6.2%**																
B. Taxonomy-non-eligible																			
Capital expenditure in businesses that do not covered by the taxonomy (B)		1,056.4	93.8%																
covered by the taxonomy (B)		**1,126.2**	**100%**														4.4%		

Economic Activities Operating expenses	Code(s)	Absolute Operating expenses	Proportion of Operating expenses	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	DNSH criteria (Do No Significant Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity & ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Category (enabling activity)	Category (transitional activity)
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Infrastructure enabling low-carbon road transport and public transport	6.15	0.4	1.2%	100%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	1.2%	Enabling	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0.3	1.0%	100%						Yes	Yes	n/a	n/a	n/a	n/a	n/a	1.0%		
Operating expenses of environmentally sustainable activities (Taxonomy-aligned) A.1		**0.7**	**2.2%**														2.2%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6	4.6	14.5%																
Construction, extension and operation of water collection, treatment and supply systems	5.1	0.0	0.1%																
Renewal of water collection, treatment and supply systems	5.2	1.2	3.7%																
Operating expenses of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)		**5.9**	**18.4%**																
Total (A.1+A.2)		**6.6**	**20.6%**																
B. Taxonomy-non-eligible																			
Operating costs of businesses that are not covered the taxonomy (B)		25.4	79.4%																
TOTAL (A+B)1		**32.0**	**100%**														2.2%		

About the Sustainability Report

This Sustainability Report covers Sdiptech AB's operations from 1 January 2022 to 31 December 2022 and follows the guidelines of the international Global Reporting Initiative (GRI). This report has been prepared in accordance with the GRI Standards at Core application level and the ten reporting policies of the GRI Standards:

1. Stakeholder involvement
The sustainability aspect of stakeholder dialogue describes how we work to include our stakeholders.

2. Sustainability context
We include relevant comparative figures in the sections Sdiptech in society, Sdiptech as a workplace and Sdiptech's business culture in order to place our results in context. We also show how our work contributes to the UN Sustainable Development Goals at target level.

3. Materiality
The significance of sustainability aspects for our stakeholders and the impact on our business as summarised in the materiality analysis.

4. Completeness
Our fourteen sustainability aspects define our complete sustainability work, which we explain in the report under Sdiptech in society, Sdiptech as a workplace and Sdiptech's business culture.

5. Accuracy
The information provided in the report is accurate, and we have endeavoured to provide a reasonable level of detail.

6. Balance
We reflect on both positive and negative aspects of our outcome in the sections Sdiptech in society, Sdiptech as a workplace and Sdiptech's business culture.

7. Clarity
We have endeavoured to include and structure the information in the best and clearest way possible for our stakeholders.

8. Comparability
We have deliberately chosen established metrics with historical dates so that our stakeholders can compare our data with previous years.

9. Reliability
The Group's auditors have issued a separate opinion regarding the statutory sustainability report. The metrics we report are compiled centrally on an annual basis.

10. Time (timeliness)
Our latest sustainability report was launched in April 2022. We produce our sustainability report annually in conjunction with the annual report.

Contact person for the sustainability report:
My Lundberg,
Sustainability and IR Manager and convener of meetings of Sdiptech's Sustainability Council
my.lundberg@sdiptech.com

AUDITOR'S OPINION ON THE STATUTORY SUSTAINABILITY REPORT

Engagement and responsibility
The Board of Directors is responsible for the 2022 sustainability report on pages 28-62, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Focus and scope of the audit
Our audit has been conducted in accordance with FAR's recommendation RevR 12 Auditors report on the mandatory sustainability report. This means that our review of the sustainability report has a different focus and is substantially smaller in scope than the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this audit provides us with a reasonable basis for our opinion.

Opinions
A sustainability report has been prepared.

Stockholm, 17 April 2023
Öhrlings PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant
Principal Accountant

Andreas Skogh
Authorised Public Accountant
Co-signatory

Directors' Report

The Board of Directors and the Chief Executive Officer of Sdiptech AB (publ) with corporate identity number 556672-4893 hereby submit the annual report and consolidated financial statements for the 2022 financial year. The statutory annual report consists of the Directors' Report with the proposed appropriation of profits, the financial statements, notes and the Auditors' Report. The Directors' Report also includes a sustainability report and a corporate governance report.

Sdiptech's class B ordinary shares have been traded on Nasdaq Stockholm, Large Cap, since 11 June 2021 and were traded until then on Nasdaq First North Premier Growth Market (from 12 May 2017). The company's preference shares have been traded on Nasdaq Stockholm, Large Cap, since 11 June 2021, and were traded until then on Nasdaq First North Premier Growth Market (from 4 March 2015).

THE COMPANY

Sdiptech is a technology group specialising in infrastructure that acquires and develops companies that help to create safer, more sustainable, more efficient communities. Sdiptech's business concept is to offer niche technical solutions to the infrastructure sector, currently distributed over about 40 operating units. Growing population and higher utilisation, alongside demands for safer, more sustainable, more efficient infrastructure, ensure long-term market growth. Future infrastructures must be improved through technological progress and specialisation. Companies that specialise in a deep technology area or market are well placed to deliver this. The Group's market focus on infrastructure, products and services delivered by small to medium-sized niche companies provides solid underlying growth for the business.

In 2022, the Group has organised its operations into two business areas, with associated segment reporting. These are Resource Efficiency and Special Infrastructure Solutions, which together comprise the 40 or so operating units. Central Units includes the Group's parent company and related consolidated entries.

The Group is organised on the basis of a decentralised structure. Preserving the business units' unique brand, identity and independence are key elements in Sdiptech's business philosophy, the strength of entrepreneurship, flexibility and proximity to the customer being crucial factors in achieving financial results. In Sdiptech's case, the centralised management that is nevertheless necessary in a larger group is primarily aimed at increasing the predictability of earnings and supporting the specific companies that are facing new market conditions, for example, or that can benefit from central expertise to resolve internal challenges.

Although Sdiptech avoids Group-wide functions, there are opportunities to create collaborations between the different businesses within the Group, primarily with a view to achieving revenue synergies. Some of the Group's businesses work with overlapping customer relationships, which provides the conditions for developing competitive packaged offers. A good customer relationship within one Group company can also open the door for other Group companies to introduce their offerings, thereby leading to new business.

Sdiptech conducts active acquisition work in addition to its work with the existing operations. Potential acquisition candidates are continuously evaluated through internal functions and external channels, and the Group's ambition is for acquisitions to contribute a significant part of the Group's growth in the coming years. The outreach acquisition model that Sdiptech uses means that well-managed entrepreneurial companies with good profitability and stable cash flows can be identified without relying on external advisors. This leads to high quality acquisition discussions, where both buyers and sellers have the time and the opportunity to evaluate the impact of an acquisition and plan together for the continued robust development of the business. Besides the fact that each acquisition must fit in with Sdiptech's focus on infrastructure, the Group looks for committed entrepreneurs and leaders who continue in their roles even after a merger in order to create the conditions for good succession. Sdiptech's ownership is long-term, and there is no intention in the strategic plan to divest an acquired company at a later date.

EVENTS DURING THE YEAR

The effects of geopolitical tensions in 2022 – not least following the Russian invasion of Ukraine in February 2022 – have had a limited impact on Sdiptech's operations thanks to a strong position in critical infrastructure, stable customers and successful local leadership. The Group's goal is to grow EBITA organically by 5–10 per cent per year and an additional SEK 120–150 million on an annual basis through acquisitions. One growth target was exceeded in 2022, with around SEK 161 million in acquired EBITA on an annualised basis. However, organic EBITA growth in the operating units was -10.0 per cent, excluding currency effects. This was mainly due to difficulties in the Group's unit for electric vehicle charging products and systems when it came to matching the previous year's favourable profit levels. This was due to the extensive development of the next generation of products to meet new regulatory requirements, among other things, which took longer than expected due to disruptions for the supply of components.

The Group established itself in two new geographical regions during the year on account of the acquisition of two units in Italy and one unit in Denmark. The Group also strengthened its position to act proactively excellent acquisition opportunities thanks to good cash flow and a growth-oriented rights issue on 16 November 2022. Sdiptech then carried out a directed share issue of the Group's B shares, which provided around SEK 506 million (before issue costs) in additional growth capital for increased flexibility in its acquisition work. Demand for Sdiptech's offerings generally remained stable throughout 2022. However, some of the Group's operating units continued to experience delivery delays due to the component shortage that arose as a result of 2020 and 2021. Also the geopolitical tensions during the year had some impact on supply chains. Sdiptech worked continuously reviewing these risks and in particular the work with preventive stock building of critical components and material.

In 2022, inflation rose in most countries in which the Group's companies operate. This has resulted in higher prices for inputs and labour for Group companies. Most of its cost increases have been or will be compensated for by increasing prices to customers. However, there is a certain delay between these events as Group companies have some contracts with customers that regulate these processes over time. Rising inflation has also led central banks to raise their key interest rates, resulting in increased borrowing costs. This affects the Group insofar as loan interest rates are variable.

Despite the preventive stockpiling of critical components that took place mainly in the first six months of 2022, together with the increased sales and thus increased accounts receivable, cash generation was good, 80 per cent compared to 71 per cent for 2021. Moreover, cash generation strengthened in the second six months of the year, reaching 99 per cent in the fourth quarter of the year.

Sustainability report and goals

Sdiptech has four long-term sustainability goals which were established in 2021, and these are presented in more detail in the Group's Sustainability Report, se page 28 and forward. The Group's greatest opportunity to contribute to increased social and climate sustainability is through the business units' products and services: this has been the core of Sdiptech's business operations for a number of years. Sdiptech is now working just as much on developing and helping the existing companies to make decisions that are even more sustainable in the long term.

ACQUISITIONS

The main component of Sdiptech's growth strategy is the acquisition of niche infrastructure technology companies. Seven acquisitions were made in 2022. The acquired companies' full-year EBITA totalled SEK 161 million, which is above the level that is now the Group's target.

All shares in Agrosistemi Srl were acquired on 31 January. The company specialises in treatment and recycling of biological sludge resulting from wastewater treatment Agrosistemi has an annual turnover of EUR 8.5 million, with EUR 2.0 million in EBIT, and is Sdiptech's first business unit in Italy. Agrosistemi is part of the Resource Efficiency business area.

Acquisition of 91 per cent of shares in Temperature Electronics Ltd and TEL UK Ltd (TEL) was completed on 25 March 2022. These companies specialise in airflow control and monitors that can reduce energy use by up to 85 per cent for laboratories. TEL has an annual turnover of GBP 5.2 million, with good profitability. TEL is part of the Special Infrastructure Solutions business area.

Sdiptech acquired all shares in Resource Data Management Ltd (RDM) on 13 May 2022. This company specialises in refrigeration control and monitoring and building management systems. RDM has an annual turnover of GBP 14 million and a pre-tax operating profit of GBP 3.5 million. RDM is part of the Special Infrastructure Solutions business area.

Sdiptech acquired 80 per cent of shares in e-l-m Kragelund A/S in Denmark on 1 June 2022. This company develops and manufactures innovative attachments for forklift trucks. ELM has an operating profit of around DKK 32 million. ELM is Sdiptech's first business unit in Denmark and is part of the Special Infrastructure Solutions business area.

On 28 October 2022, Sdiptech AB (publ) acquired all assets in Industrial Metal Products Inc (IMP), which specialises in niche road maintenance products in the US. IMP is Sdiptech's first acquisition in the US and an add-on acquisition to Hilltip Oy and its subsidiary, Hilltip Inc.

Sdiptech AB (publ) acquired all shares in Patol Ltd and Linesense Fire Detection Ltd (Patol) on 9 November. Patol designs, manufactures and supplies niche fire safety products and systems with applications in a variety of infrastructure sectors. These companies have an annual turnover of over GBP 3.2 million and are profitable. The companies are part of the Special Infrastructure Solutions business area.

Sdiptech AB (publ) acquired all shares in Mecno Service on 23 November. This company designs, manufactures and sells specialised grinding machines for trams and metro lines and provides rail grinding services using a unique proprietary technology. Mecno Service has an annual turnover of EUR 13 million, with good profitability. This company is Sdiptech's second business unit in Italy. Mecno is part of the Special Infrastructure Solutions business area.

CORPORATE EVENTS

In accordance with the Articles of Association, Sdiptech AB paid four dividends totalling SEK 14 million to preference shareholders during the year: this took place in March, June, September and December.

Turnover and profit

Net sales during the period amounted to SEK 3,505.2 (2,718.9) million. Turnover in comparable units amounted to SEK 2,756.2 (2,622.2) million. This corresponds to an organic change of -0.4 per cent, excluding currency effects. However, excluding the Group's electric vehicle charger unit, organic growth was 2.8 per cent, excluding currency effects. Non-comparable units contributed SEK 749.0 (96.6) million to turnover for the period.

Operating profit for the period, EBIT, amounted to SEK 641.2 (364.4) million. Other income, relating to a revaluation of contingent considerations and a changed discount rate for contingent considerations, totalled SEK 61.6 (-43.0) million in the period.

Operating profit EBITA* totalled SEK 671.1 (509.3) million for the Group, corresponding to an EBITA* margin of 19.1 (18.7) per cent. EBITA* in comparable units totalled SEK 531.0 (557.5) million, corresponding to an organic decrease of -10.0 per cent, excluding currency effects. However, excluding the Group's electric vehicle charger unit, organic profit development was -2.0 per cent, excluding currency effects. Non-comparable units contributed SEK 197.3 (6.0) million to earnings for the period.

Acquisition costs amounted to SEK 22.2 (26.4) million in connection with acquisition activities during the period. Stamp duty for UK acquisitions charged to the period, totalling SEK 4.6 (6.8) million, is included in this cost.

Amortisation of tangible and intangible fixed assets amounted to SEK -217.1 (-141.6) million, of which amortisation of acquisition-related intangible fixed assets amounted to SEK -65.1 (-40.6) million.

Net financial items consist of exchange rate differences of SEK 4.9 (11.4) million for the year and SEK -108.6 (-47.4) million in interest expense, of which discount rates for contingent considerations amount to SEK -30.0 (-17.3) million. Other financial expenses amount to SEK -2.4 (-3.8) million.
Profit after tax increased by 73 per cent and amounted to SEK 428.1 (246.9) million.

Earnings per ordinary share (average number) after deductions for minority interests and dividend to preference shares of SEK 11.53 (6.62). After dilution, earnings amounted to SEK 11.48 (6.55) per ordinary share.

Financing

Cash flow from operating activities after changes in working capital during the period totalled SEK 564.6 (385.3) million. Cash flow generation, expressed as a percentage of profit before tax adjusted for non-cash items, increased during the period to 80 (71) per cent. During the year, the cash flow from this favourable result was burdened by continued stockpiling so as to ensure capacity for the increased sales, and also uncertainties linked mainly to potential component shortages. Stockpiling amounted to SEK 94.3 (39.4) million during the period. A decrease in operating receivables and an increase in operating liabilities made a positive contribution to cash flow totalling SEK 61.1 (-20.9) million in the period.

Cash flow from financing activities totalled SEK 1,138.6 (770.0) million. The Group received SEK 492.8 million in equity through a directed share issue on 16 November, after issue costs. During the period, the redemption of warrants series 2018/2022 contributed SEK 14.5 (13.3) million to equity. Gross borrowing was SEK 1,980.8 (1,190.4) million, while amortisation was SEK -1,275.1 (-736.3) million. Dividends on preference shares amounted to SEK -14.0 (-14.0) million, while dividends to non-controlling interests amounted to SEK -1.0 (-6.6) million.

The Group renewed its credit agreements in the second quarter of 2022. These agreements, with two different financial institutions, run for three years with an option to extend. Contracted credit volume currently totals SEK 2,100 million and GBP 36 million, corresponding to around SEK 455 million. These contracts carry variable interest rates at 3–6 month intervals. However, the Group has agreements on interest rate swaps, corresponding to about 20 per cent of the agreed credit volume, with a 2-year maturity. The Group also makes use of currency swaps for balanced exposure to GBP and EUR. These volumes totalled the equivalent of around SEK 615 million and SEK 340 million respectively at the end of the period.

Investments

Cash flow from investment activities amounts to SEK -1,700.4 (-1,083.6) million. The cash flow effect of completed acquisitions during the period amounted to SEK -1,125.7 (-1,160.4) million: see also Note 3. Cash flow relating to the payment of contingent considerations on acquisitions from previous years in respect of instalments as well as final settlement amounted to SEK -356.1 (-108.9) million during the period. Investments in tangible fixed assets amounted to SEK -123.2 (-42.2) million, and investments in intangible fixed assets during the period totalled SEK -84.4 (-8.9) million. The latter includes development of the next generation of electric car chargers.

Staff

The number of employees at the end of the period totalled 2,127 (1,673) at the end of December. Completed acquisitions in 2022 have increased the number of employees by 429.

BUSINESS AREAS

Infrastructure is in the spotlight all over the world for many reasons. Water, energy, climate control, communication, transport and security are examples of areas that Sdiptech has identified as particularly important for the development of society, and are thus showing good demand. Sdiptech has therefore focused its acquisition efforts on these particular areas for a long time. In 2022, operations were divided into two business areas: Resource Efficiency and Special Infrastructure Solutions.

Resource Efficiency

The business area's turnover increased by 23 per cent during the period January to December 2022 compared to the previous year and amounted to SEK 1,269.8 (1,028.2) million. The increase in turnover is attributable to acquisitions and good sales in most of the business area's units, particularly those related to electricity. However, the Group's electric vehicle charger business reported lower turnover and earnings than the previous year. This is because the production launch of a new technology platform was delayed due to component shortages. However, production and deliveries started on a smaller scale towards the end of the year. In addition to new features, the new technology is compliant with the UK regulatory framework for electric vehicle chargers, which was updated on 1 July and 30 December 2022.

Including acquisitions, the business area's total EBITA* increased by 11 per cent during the year to SEK 276.0 (249.6) million. The weaker development in the Group's electric vehicle charger business was not compensated for despite good organic profit development in most other units in the business area, as well as acquisitions. The EBITA* margin for the year fell to 21.7 (24.3) per cent, mainly due to the effect of lower sales in the Group's electric vehicle charger unit.

Special Infrastructure Solutions
The business area's turnover increased by 32 per cent during the period January to December 2022 compared to the previous year and amounted to SEK 2,235.4 (1,690.7) million. This increase in turnover is mainly due to acquisitions and good sales in a number of units in the business area. Not least, the Group's road maintenance equipment operations, particularly in winter, developed strongly. The Group's business unit working with automation of container ports, among other things, also showed strong sales in the second six months of the year, after a slightly more cautious start to the year due to the residual effects of the pandemic. The transport refrigeration solutions business gradually noticed more availability of transport vehicles among its customers during the year, which increased the chances of delivering on existing orders.

Including acquisitions and divestments, the business area's total EBITA* increased during the year by 44 per cent to SEK 452.1 (313.8) million, mainly through contributions from acquired units and continued good development in the Group's operations for road maintenance equipment and automation of container ports. The EBITA* margin increased to 20.2 (18.6) per cent, mainly through contributions from acquired units, but also from organic profit development in most other units in the business area.

Central Units
Besides the above main activities, the Group reports the Central Units segment, which includes the Group's parent company and consolidated items. Total net sales in Central Units amounted to SEK 18.3 (15.4) million, which refers mainly to management fees charged for work where parent company staff support the business units. The Central Units' EBITA* amounted to SEK -57.0 (-54.1) million for the full year. This cost increase consists mainly of costs for advisory services relating to financing and acquisition work, as well as increased staffing in the company's acquisition team and business area management.

REMUNERATION TO SENIOR EXECUTIVES

Sdiptech's policies for remuneration to senior executives mean that remuneration to the Chief Executive Officer and other members of the corporate executive can consist of basic salary, performance-related pay, pension, other benefits and financial instruments. Guidelines for remuneration to senior executives adopted by the 2022 Annual General Meeting and information on existing incentive programmes are presented in Note 6 of this annual report and are summarised below. Remuneration aims to be competitive, while also being aligned with shareholders' interests. Remuneration to executives shall consist of fixed and variable salary, the opportunity to participate in a long-term incentive programme, and pension benefits. These components shall together create well-balanced remuneration that reflects individual skills, responsibilities and performance, in both the short and the long term, as well as the overall performance of the Group. Performance-related pay must not exceed 50 per cent of the fixed annual salary. Long-term performance-related pay in the form of shares and/or share-related instruments in the company may be paid through participation in long-term incentive programmes decided by the Annual General Meeting. Such programmes must be performance-based and conditional on continued employment with the Group, and require personal investment from the participants.

Incentive schemes

An incentive programme for Group managers and senior executives in the form of warrants was introduced in 2018, divided into three series: series 2018/2021, series 2018/2022 and series 2018/2023. The warrants series 2018/2021 expired in March 2021 and a total of 222,100 class B shares were subscribed for through a new issue, which meant that the company received SEK 13.3 million in equity.

Series 2018/2022 was redeemed in March 2022 and newly issued shares were subscribed for, whereby the Group received SEK 14.5 million in equity.
The 2021 Annual General Meeting decided on a new incentive programme of Series B warrants for managers and senior executives. The programme comprises 350,000 warrants. Redemption is possible until 30 November 2024. The Group received a total of SEK 16.8 million in equity through these options.

190,590 warrants series 2018/2023 and 337,625 warrants series 2021/24 are outstanding as of 31 December, after repurchases. The subscription price for new class B shares subscribed for with the support of these warrants amounts to SEK 75.20 and SEK 463.00 per share, respectively.

The warrants series 2018/2023 expired in March 2023 and a total of 190,590 class B shares were subscribed for through a new issue, which meant that the company received SEK 14.3 million in equity.

A full description of the outstanding option programmes can be found in Note 6.

FINANCIAL POSITION

Cash and cash equivalents as of 31 December 2022 amounted to SEK 383.2 (368.8) million.

Interest-bearing liabilities

The contingent considerations are classified as interest-bearing when they are measured at present value, but they do not give rise to any actual interest payments that affect the Group's cash flow. However, discounted interest is recognised as a financial expense for the period. The Group's financial expenses include this interest of SEK -30.0 (-17.3) million for the period.

Revaluation of liabilities relating to contingent considerations, e.g. as an effect of profits lower than expected or an increase in the discount rate, has resulted in a net income of SEK 61.6 million, which also includes revaluation upon final settlement of agreed contingent considerations. The contingent consideration is recognised under IFRS at the present value of the estimated fair value based on the remaining term and expected outcome. The revaluation is recognised on a net basis under other income or other external expenses.

During the period, earnings were burdened with SEK -5.3 (-4.1) million for discount rates according to IFRS 16 in respect of leasing liabilities.

Net debt, consisting of interest-bearing liabilities less cash and cash equivalents, totalled SEK 3,202.7 (2,127.3) million.
The financial net debt, according to the calculation method above but only for liabilities to credit institutions, amounted to SEK 1,561.2 (798.1) million.

Equity

Equity attributable to the company's shareholders amounted to SEK 3,517.2 (2,524.4) million as of 31 December 2022. In addition to the profit for the year and the issue of class B shares, the dividend of SEK -14 million on the preference share has affected equity. Non-controlling interests totalled SEK 4.8 (4.8) million.

Share capital

As of 31 December 2022, Sdiptech's share capital amounted to SEK 988,784 and consisted of a total of 39,551,438 shares, divided into 2,000,000 class A ordinary shares, 35,801,348 class B ordinary shares and 1,750,000 preference shares. The quota value of the shares was SEK 0.025.

KEY FIGURES

The key figure Financial net debt in relation to EBITDA, calculated on a rolling twelve-month basis, was 1.79 (1.20) as of 31 December 2022. Return on capital employed was 12.2 (10.0) per cent for the full year 2022, and return on equity was 14.9 (10.3) per cent.

FINANCIAL TARGETS

The Group's financial objectives consist of:

- Organic earnings growth: An average annual organic EBITA* growth in the operating units of 5–10 per cent.
- Acquired earnings growth: An annual average acquisition rate of SEK 120–150 million in EBITA* per year.
- Capital structure: Financial net liabilities in relation to adjusted EBITDA on a rolling twelve-month basis must not exceed 2.5 times.

Besides the financial targets, Sdiptech will reinvest free cash flow in the business and new acquisitions, in addition to an annual dividend to preference shareholders of SEK 8.00 per share.

Outcomes

The Sdiptech Group met its targets to acquire companies (EBITA* of SEK 161 million was acquired) and reinvest free cash flow in the business and new acquisitions. The net financial debt in relation to adjusted EBITDA ratio on a rolling twelve-month basis was 1.79, well below the maximum level. However, organic EBITA growth was -10.0 per cent, excluding currency effects. This was mainly due to difficulties in the Group's unit for electric vehicle charging products and systems when it came to matching the previous year's favourable profit levels.

RISKS AND UNCERTAINTY FACTORS, AND RISK MANAGEMENT

The Group and the parent company are exposed to various types of risks through their activities; mainly market-related, strategic and operational, regulatory and financial risks. These risks are deemed to be of a similar nature for both the Group and the parent company. Financial risks consist of interest rate risk, credit risk and financing risk. See Note 16 for more detailed information on financial risks. See the corporate governance report for the company's risk management.

Market-related risks

Sdiptech is a technology group whose main focus is to offer high value to customers in the infrastructure sector by providing high quality technologies, solutions and services to both the public and private sectors, mainly in Europe. Macroeconomic factors such as growth, general economic development, population growth, interest rates and changes in political or regulatory conditions may adversely affect the company and the demand for the Group's services and products. An economic downturn may affect factors such as the ability to invest and the willingness to pay that are required in order to maintain demand for the Group's products and services.

The Russian military invaded Ukraine in February 2022, affecting global trade and financial markets as well as causing great human suffering. For Sdiptech, however, the direct business exposure in Russia and Ukraine has been negligible. Beyond this, we see no significant impact on demand. Ultimately, the long-term economic impact, including the impact on the financial markets in general and the Group in particular, will depend on the duration of the crisis and measures taken by governments, central banks and other authorities. Should the situation due to the war in Ukraine deteriorate, risks such as increased commodity and energy prices, component shortages and availability problems may ensue and have a negative impact on the Group's ability to conduct its business, which would have a negative effect on the Group's results and financial position.

Strategic and operational risks

The Group has communicated financial targets and intends to make further acquisitions and business expansions in the coming years in order to achieve these targets. As part of the company's financial targets, the ambition is for the annual average acquisition rate to amount to SEK 120–150 million in EBITA per year. The Group is aligning – and intends to continue to align – its financial position, leverage and operational infrastructure with its financial objectives and expansion strategies. Whether Sdiptech can successfully implement its strategy depends on factors such as the company's ability to identify and evaluate potential acquisitions and market conditions correctly. The Group's expansion is also reliant on its ability to finance acquisitions and/or operations on terms acceptable to the company. Therefore, if Sdiptech fails to meet its growth targets and implement its current expansion strategy successfully, there is a risk that Sdiptech will have to further adjust its financial position, indebtedness and operational infrastructure, which may be costly and time-consuming for the Group.

If Sdiptech cannot successfully implement its current expansion strategy, there is a risk that expected benefits will not be achieved and/or that this will result in significantly increased costs, which in turn could have a negative impact on the Company's operating profit and also result in the Company's growth rate decreases, stops or becomes negative, which in turn can mean that Sdiptech deviates from the financial goals that have been communicated.

The company has its own acquisition team so as to ensure that Sdiptech has control over the acquisition processes and the inflow of new potential acquisition candidates. Today, Sdiptech uses its own staff for the processes of identifying new candidates, as well as the processes of performing acquisitions from first contact to contract signing. This has proven particularly successful in that Sdiptech is often the first party, before Sdiptech's competitors, to contact the company and the entrepreneur in question, which leads to an in-depth discussion with the seller on an exclusive basis, providing a good opportunity to perform the acquisitions on reasonable terms for both parties.

Regulatory risks

Sdiptech's activities are subject to numerous complex laws, rules and standards, as well as processes and decisions. A number of Sdiptech's business units are subject to different types of certification. The Group operates in niche cooling applications, for instance, which exposes Sdiptech to a number of complex regulations. The company may acquire other companies operating in industries where certification is required. Accreditation places stringent demands on the company wishing to operate, and independent audits of the competences and working practices of accredited companies are carried out by accreditation bodies on an ongoing basis. An operational deficiency may lead to withdrawal of the relevant accreditation.

There is a risk that the Group's existing authorisations will be withdrawn, restricted or not renewed if the company's interpretation of the applicable regulations proves to be incorrect, or if the company violates the applicable regulations due to deficiencies in its operations or changes in the regulations, which can sometimes occur at short notice. This could result in the Group being subject to fines or administrative sanctions and related negative publicity, which in turn could have an adverse effect on the Group's business, profits and financial position.

Time and resources are devoted to identifying and understanding them applicable laws and regulations to ensure that Sdiptech complies with them. Using the decentralised corporate governance model, each entity takes responsibility for staying up to date, which they are best placed to do through their daily contacts with customers, suppliers and authorities. This also means that Sdiptech's business units can be quick to market with new solutions and services that are adapted to any new requirements and guidelines.

Financial risks

Through its operations, Sdiptech is exposed to financial risks of different nature:

Liquidity risk and financing risk

Sdiptech's acquisitions of companies and operations are partly financed through loans from external lenders, and interest costs are a significant cost item for the Group. In the case of the company's acquisitions, the payment of the purchase price is generally divided, part of the purchase price (known as the additional purchase price) being paid over time and only insofar as the acquired business achieves certain conditions set out in the agreement, such as levels of cash flow, earnings or similar.

Sdiptech's ability to make payments in accordance with the Group's financing and to finance planned investments is reliant on the company's future ability to generate cash. If Sdiptech cannot generate sufficient cash flow to make payments in accordance with its obligations and meet other commitments, the company may be forced to restructure or refinance all or part of the company's financing, sell important assets or operations or raise additional loans or additional equity.

Sdiptech carries out liquidity monitoring and planning at both local and central level to ensure access to financial resources.

This makes it possible to plan well ahead for any new funding needs. New credits are procured centrally and made available to the Group's entities through a multi-currency cash pool. This allows Sdiptech to ensure centrally that entities that need financial resources can access them on reasonable terms, and also that entities with excess liquidity can invest it on favourable terms in the short term. By pooling the Group's total liquidity in the cash pool, the companies that have a surplus can support those that currently have a deficit. Moreover, the total credit utilisation of the entire Group can be kept to a minimum.

Interest rate risk

Changes in market interest rates and credit margins affect net interest income. The speed and extent to which changes in these two components affect net interest income depend mainly on the capital selected and the duration of the interest rate. Sdiptech is financed with equity and liabilities, the majority of liabilities consisting of interest-bearing liabilities. Rising inflation in 2022 has also led central banks to raise their key interest rates, resulting in increased borrowing costs. This affects the Group insofar as loan interest rates are variable.

As of 31 December 2022, the Group's interest-bearing liabilities to credit institutions amounted to SEK 1,944.4 (1,166.9) million. In the future, the company intends to raise additional external financing in various forms and with varying interest rate exposure. Since changes in market interest rates and credit margins always have an impact on net interest income over time, there is thus a risk that changes in market interest rates and credit margins will have a negative cash flow impact on Sdiptech in the future. Based on the Group's liabilities to credit institutions as of 31 December 2022, a 1 per cent increase in the interest rate level on a full-year basis would result in around SEK 15.4 (11.7) million in higher interest expenses. If these risks were to materialise, this could have a negative effect on the Group's activities, profits and financial position.

The impact of higher interest rates can be minimised by not borrowing more than necessary and centralising all credit exposure to financial institutions. The Group also has agreements on interest rate swaps, corresponding to around 20 per cent of the agreed credit volume, with a 2-year maturity. These provide a fixed interest rate during this period.

Currency risk

Currency risk involves the fact that changes in exchange rates have an impact on the Group's earnings, balance sheet and cash flow. The risks arise in connection with transactions in foreign currency, which arise when the Group makes purchases and sales in foreign currency, and when assets and liabilities are held in foreign currency. Sdiptech's purchases and sales are made from suppliers and customers in countries with different currencies. The Group's results are most sensitive to changes in GBP/SEK and EUR/SEK. A 10 per cent change in the average exchange rate of these currencies against the Swedish krona during 2022 would have an effect of SEK 58.2 million on the Group's operating profit for 2022 excluding unrealized currency effects of central loans and currency futures. Future currency fluctuations may have a negative impact on the Group's results and financial position; and if any of the risks described above were to materialise, this could have a negative impact on the Group's results and financial position.

Sdiptech can reduce the effects of currency fluctuations by balancing the assets in foreign currency against liabilities in corresponding currencies, and by entering into agreements on currency futures, what are known as currency swaps (as of 31 December 2022 in GBP and EUR, at a value corresponding to around SEK 615 (607) million and SEK 340 (0) million respectively). However, the Group has net assets in all currencies, which means that the impact of exchange rate fluctuations cannot be completely avoided.

Customer and counterparty risk

The risk exposure to customers is continuously assessed within the Group; the credit risk is varied, as the customer base within the Group ranges from private to government operations. The Group's exposure to individual customers is small, and risk diversification is deemed to be good. Total accounts receivable amounted to SEK 687.0 (498.2) million on the balance sheet date, corresponding to an increase of 38 per cent, which was mainly due to the acquisition of operating companies. Provisions for future credit losses amount to SEK 6.3 (7.1) million.

Bad debt losses are rare as Sdiptech's customers are mostly large, stable counterparties, such as public authorities, government agencies and companies and other major players in the infrastructure sector. Credit checks and, in some cases, payment plans with advance payment are implemented to ensure that even small customers are able to pay.

Moreover, in 2022, inflation has risen sharply in most of the countries in which the Group's companies operate. This has resulted in higher prices for inputs and labour for Group companies. Most of its cost increases have been or will be compensated for by increasing prices to customers. However, there is a certain delay between these events as Group companies have some contracts with customers that regulate these processes over time.

Financial policy

Sdiptech's Board of Directors has adopted the company's financial policy. This policy sets out the company's financial strategy and internal responsibilities. The policy also regulates factors such as how funding, liquidity management and currency risk are managed within the Group, as well as the limitations to be considered regarding counterparties.

PARENT COMPANY

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

Profit

Operating income (EBIT) for the parent company amounted to SEK -51.4 (-52.7) million. A gradual increase in staffing in the Group's parent company has taken place during the year in order to support continued acquisition-driven growth. This cost increase consists mainly of costs for advisory services relating to financing and acquisition work, as well as increased staffing in the company's acquisition team and business area management.

The parent company's profit after financial items for the full year 2022 amounted to SEK -32.0 (-53.7) million. The parent company's profit before tax totalled SEK 30.5 (-6.3) million, which includes net Group contributions received and paid of SEK 62.0 (47.4) million.

Cash and cash equivalents and equity

The parent company's cash and cash equivalents amounted to SEK 3.5 (6.1) million at the end of the period. Equity amounted to SEK 2,302.6 (1,772.4) million. The positive change in equity for the year consists mainly of the profit for the year and a completed new share issue, less dividends to the company's preference shareholders.

TRANSACTIONS WITH RELATED PARTIES

There were no significant transactions with related parties in 2022, and there are no such current transactions with the Group's Board members, senior executives or their related parties.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On March 31, 2023, Sdiptech acquired 81.6 per cent of the shares in HeatWork AS, which is a leading manufacturer of mobile devices water-borne heating solutions. Heatwork has an annual turnover about NOK 120 million with good profitability. HeatWork is Sdiptech's second business unit in Norway and will be part of the business area Resource efficiency as of March 2023.

FUTURE DEVELOPMENTS

The goal for the Group's development is to continue to grow both organically and through acquisitions, and to create long-term and sustainable earnings growth. Growth will be achieved at a balanced risk, where the capital structure and debt/equity ratio are in line with the Group's financial targets.

Dividend

The Board of Directors proposes that the Annual General Meeting resolves to pay a dividend to preference shareholders in accordance with the Articles of Association. The Board of Directors further proposes, in line with the dividend policy, that no dividend be paid on class A ordinary shares or class B ordinary shares, but that the remaining profits be carried forward so that the company is financially prepared for further acquisitions.

PROPOSED APPROPRIATION OF PROFITS

The following earnings are available for appropriation by the Annual General Meeting:	**SEK**
Share premium reserve	2,068,910,662
Merger proceeds	524,825
Retained earnings	201,653,028
Net profit for the year	30,516,618
Total	**2,301,605,133**

The Board of Directors proposes the following appropriation of profits:	**SEK**
Dividend to preference shares*	14,000,000
Profit/loss carried forward**	2,287,605,133
Total	**2,301,605,133**

*Dividends on preference shares are regulated by the Articles of Association. The dividend amounts to SEK 14.0 million annually, divided into SEK 3.5 million per quarter, with payment in March, June, September and December.

**Of which SEK 2,068,910,662 is transferred to the share premium reserve.

ANNUAL GENERAL MEETING 2023

The 2023 Annual General Meeting will be held at 16:00 on 23 May 2023 at IVA (Ingenjörsvetenskapsakademien), Grev Turegatan 16 in Stockholm. Registration must take place as specified in the invitation to attend.

Corporate governance statement

The Board of Directors of Sdiptech AB (publ) hereby submits its corporate governance report in accordance with the Swedish Annual Accounts Act (1995:1554), Chapter 6 (6–9). This report is an integral part of the company's annual report for 2022. References made below refer to the 2022 Annual Report in its entirety. The report has been reviewed by the company's auditors. Sdiptech essentially applies the Swedish Corporate Governance Code (see www.bolagsstyrning.se) in accordance with the revised code that entered into force on 1 January 2020, which is a requirement for Sdiptech as an issuer on Nasdaq Stockholm, Large Cap. The report also includes an account of the Nomination Committee's work ahead of the 2023 Annual General Meeting.

CORPORATE GOVERNANCE STRUCTURE

Sdiptech is a Swedish public limited company based in Stockholm. Through its business units, the company sells niche technologies, solutions and services to the infrastructure sector. The Company has been listed on Nasdaq First North Premier Growth Market since March 2015 (preference share) and since May 2017 (class B ordinary share), and since June 2021 instead as an issuer on Nasdaq Stockholm, Large Cap, for both share classes. Governance and control of the company is governed by a combination of written rules and practices. The regulatory framework includes primarily the Companies Act and the Annual Accounts Act, but also the rules that apply on the market where the company's shares are admitted to trading. The Companies Act contains basic rules on the organisation of the company. The Companies Act states that there must be three decision-making bodies: the Annual General Meeting, the Board of Directors and the Chief Executive Officer, which are in a hierarchical relationship with one another. There must also be a control body, the auditor, appointed by the Annual General Meeting.

SHAREHOLDERS

The number of shareholders on 31 December 2022 was 11,128, compared to 12,427 at the beginning of the financial year. Swedish private individuals owned 23 per cent (24) of the shares and 47 per cent (49) of the votes in the company. The remaining share was owned by legal entities, mainly investment companies, mutual funds, insurance companies and pension funds. Foreign shareholders held 45 per cent (49) of the shares and 31 per cent (33) of the votes. The fifteen largest shareholders had a total shareholding of 65 per cent (60) of the shares and 75 per cent (73) of the votes.

The company's largest owners, and the only owners with more than one-tenth of the voting rights for all shares in the company, were Ashkan Pouya and Saeid Esmaeilzadeh, whose holdings as of 31 December 2022 amounted to 5.1 (5.9) and 4.9 (3.2) per cent of capital and 19.1 (20.3) and 19.0 (18.5) per cent of votes, respectively.

ANNUAL GENERAL MEETING AND ARTICLES OF ASSOCIATION

The Annual General Meeting is the highest decision-making body within Sdiptech. There, shareholders exercise their influence through discussions and decisions. The Annual General Meeting can decide on any matter in the company that does not expressly fall under the exclusive competence of another corporate body. Each shareholder is entitled to attend and vote on their shares at the Annual General Meeting in accordance with the provisions of the Articles of Association. Sdiptech's Annual General Meeting must be held in Stockholm within six months of the end of the financial year. The Annual General Meeting appoints the company's Board of Directors and auditors and determines their fees. Furthermore, the Annual General Meeting adopts the financial statements and decides on the appropriation of profits and discharge from liability for the Board of Directors and the CEO, and decides on other matters that are incumbent on the Annual General Meeting according to law or the Articles of Association. Articles of Association have been adopted by the Annual General Meeting. The Articles of Association state that the company's shares are divided into three share series, whereby class A shares have 10 votes, class B shares one vote per share and preference shares one vote per share. The company's share capital shall be not less than SEK five hundred thousand (500,000) and not more than SEK two million (2,000,000). The number of shares shall be no less than 20,000,000 and no more than 80,000,000. Class A and B shares carry the same rights to a share in the company's assets and profits. The preference shares have preferential rights to dividends: see also the section entitled "Terms of preference share", page 127. The Articles of Association authorise the conversion of class A shares into class B shares. The Articles of Association also state that the company's Board of Directors shall consist of at least three and no more than ten members, as well as the procedures for convening the Annual General Meeting. The Articles of Association do not contain any restrictions as to how many votes each shareholder can cast at an annual general meeting See the company's website for the full text of the Articles of Association, which were adopted in their current form by the Annual General Meeting on 18 May 2021. Notice of an Annual General Meeting and notice of an Extraordinary General Meeting at which amendments to the Articles of Association will be discussed shall be issued not earlier than six weeks and not later than four weeks before the meeting. Notice of other Extraordinary General Meetings shall be issued not earlier than six weeks and not later than two weeks before the meeting. The notice shall be published in Post och Inrikes Tidningar and on the company's website. The fact that notice has been given shall be announced in Dagens Industri at the same time. Shareholders who wish to attend the Annual General Meeting shall be listed in a printout or other presentation of the entire share register six banking days before the meeting, and shall notify the company of their attendance for themselves and a maximum of two assistants no later than 12.00 noon on the day specified in the notice of the meeting. The Annual General Meeting also determines the form of appointment of a Nomination Committee.

ANNUAL GENERAL MEETING 2022

The 2022 Annual General Meeting was held on 18 May in Stockholm. The Board of Directors had decided, pursuant to Article 12 of the Company's Articles of Association, that shareholders who could not, or did not wish to, attend the meeting in person could submit their votes in advance by what is known as postal voting.

Notice of the meeting was published in the form of a press release on 19 April 2022 and was available on the company's website on the same day. At the time of the notice to attend, an advertisement was also placed in Dagens Industri indicating that the notice to attend had been issued. The notice has also been published in Post och Inrikes Tidningar. The Annual General Meeting resolved on the following and other matters:

- The Annual General Meeting resolved, in accordance with the Board's proposal, on a dividend of SEK 8 per preference share to be paid quarterly with SEK 2 per preference share.
- The Annual General Meeting resolved, in accordance with the Board's proposal, that no dividend be paid on class A ordinary shares or class B ordinary shares and that the remaining profits be carried forward.
- The Board of Directors and Chief Executive Officer were discharged from liability for administration for 2021.
- The Annual General Meeting resolved in accordance with the Nomination Committee's proposal to (i) re-elect Johnny Alvarsson, Urban Doverholt, Birgitta Henriksson, Eola Änggård Runsten and Jan Samuelson as members of the Board of Directors, (ii) re-elect Jan Samuelson as Chairman of the Board of Directors.
- Fees to the Board of Directors and auditors were approved.
- Re-election of PwC as the audit firm.
- Procedures for appointing a Nomination Committee for the next Annual General Meeting were agreed.
- Policies for remuneration and other terms of employment for senior executives were adopted. Resolution to authorise the Board of Directors to issue shares, convertibles and warrants.
- Resolution to authorise the Board of Directors to issue shares, convertibles and warrants. Resolution to amend the Articles of Association.
- Resolution on a warrant programme for the company's employees.

BOARD OF DIRECTORS

The Board's task is to manage the company's affairs in the best possible way and to safeguard the interests of the shareholders in its work. In 2022, Sdiptech AB's Board of Directors consisted of five ordinary members, who together represent broad commercial, technical, financial and public experience:

- Jan Samuelson, Chairman of the Board
- Johnny Alvarsson,
- Birgitta Henriksson,
- Urban Doverholt, and
- Eola Änggård Runsten

A detailed presentation of the members of the Board, including information on other assignments, can be found under Board of Directors on page 78. Other Group executives may participate in Board meetings as rapporteurs or secretaries.

CHAIRMAN OF THE BOARD

The Chairman of the Board leads the work of the Board and has a particular responsibility to monitor the company's development between Board meetings and ensure that the Board members regularly receive the information necessary to fulfil their duties. The Chairman maintains regular contact with the corporate executive team and organises meetings with them as required. The Chairman is also responsible for ensuring that the work of the Board is evaluated with the help of an external party, and that the Nomination Committee receives the results of the evaluation.

WORK OF THE BOARD

The Board of Directors held 20 minuted meetings during the 2022 financial year, of which one was an inaugural meeting in connection with the Annual General Meeting and five were per capsulam meetings. The Board's work is governed by Rules of Procedure that are adopted annually. The Rules of Procedure set out the division of labour between the Board and the executive management, the responsibilities of the Chairman and the CEO, and the arrangements for financial reporting. The CEO is not a member of the Board, but reports at Board meetings. A quorum is constituted when at least three members are present and decisions are made, if possible, after discussion leading to consensus. The Board was in full attendance at all but one of its meetings during the year. Each ordinary meeting of the Board of Directors deals with the company's economic and financial position, the company's risks and internal control, and an item on acquisitions. The Board of Directors is regularly informed of the company's activities and other relevant information by means of written information. In 2022, the Board's work was characterised by issues related to acquisitions, market development, financing and the business model. The Board has also held a meeting that focused solely on the Group's position and strategy.

In accordance with the Code, the Board has evaluated the CEO's work at a meeting that was not attended by the CEO or other senior executives. The total board fee in Sdiptech for 2022 amounted to SEK 2,300,600 (2,000,000). As decided by the Annual General Meeting in May 2022, the Chairman of the Board received SEK 800,000 (800,000), and the other ordinary members received SEK 280,000 (270,000) each. For the company's Audit Committee, a fee of SEK 160,000 (150,000) was paid to the Chairman and SEK 55,000 (50,000) per member (one member). For the company's Acquisition Committee, a fee of SEK 50,000 (50,000) was paid to the Chairman and SEK 50,000 (50,000) per member (two members). For the company's Remuneration Committee, a fee of SEK 40,000 (0) was paid to the Chairman and SEK 20,000 (0) per member (one member). See also Note 6.

ACQUISITION COMMITTEE

The Board of Directors has appointed an acquisition committee that is tasked with remaining up to date on the current “acquisition pipeline”, familiarising itself with impending acquisitions by studying memoranda and declarations of intent regarding acquisitions, and formally deciding to carry out acquisitions. However, it is necessary to take into account the fact that decisions on making acquisitions must be made by the Board of Directors as a whole, in accordance with the Board’s Rules of Procedure, if either:

- the acquired company’s operating profit (EBIT) exceeds SEK 40 million annually, or
- the acquisition in question is outside the acquisition strategy established by the Board of Directors, can be considered extraordinary in relation to the company’s current business and/or involves the company taking on extraordinary obligations.

The Acquisition Committee consists of the Chairman of the Board and at least one additional member. The Chairman of the Board is the Chairman of the Acquisition Committee. In 2022, the committee consisted of Jan Samuelsson (chair), Johnny Alvarsson and Urban Doverholt, with the CEO as rapporteur. The Acquisition Committee shall meet as often as necessary to fulfil its duties. Meetings are held over the telephone or in person.

The Chairman of the Acquisition Committee shall regularly inform the other members of the Board of Directors about the work done and decisions made by the Committee. This shall be done at regular Board meetings or, if specifically requested, by other means.

AUDIT COMMITTEE

The Board has appointed an Audit Committee within itself. This committee works according to an agenda set annually and is tasked with monitoring and quality assurance of the company’s financial reporting and the effectiveness of the company’s internal control and risk management. The Audit Committee shall review the accounting policies on which the company’s accounts are based and stay abreast of the audit of the annual accounts and consolidated accounts. The Committee shall also review and monitor the auditor’s independence and impartiality and, in particular, whether the auditor provides non-audit services. Such additional services up to a maximum of SEK 100,000 per assignment must be authorised in advance by the company’s CFO. Assignments exceeding SEK 100,000 must be approved in advance by the Chair of the Audit Committee. In addition, the Committee shall assist the Nomination Committee in the preparation of proposals for the Annual General Meeting’s decision on the election of auditors as well as decisions on the remuneration of the auditors, whereby the Committee shall monitor that the auditor’s term of office does not exceed the applicable rules.

The Audit Committee establishes an annual cycle of the tasks and areas for which it is responsible. The work of the Audit Committee mainly follows Sdiptech’s external reporting calendar. The Committee shall regularly report on its work to the Board, both verbally and through the distribution of the minutes of each Committee meeting. The Audit Committee liaises with the company’s auditors to discuss the focus and scope of the audit work. In connection with the adoption of the annual accounts, the company’s auditors report their observations from the audit and their assessment of internal control.

In 2022, the Committee consisted of Eola Änggård Runsten (chair) and Birgitta Henriksson.

Sdiptech’s auditors perform a general review of the interim report for the third quarter. In connection with this, the Audit Committee has taken note of the auditors’ review report, analysed the auditors’ observations and made proposals to the company’s executive team for improvement of certain procedures.

REMUNERATION COMMITTEE

The Board of Directors has appointed a Remuneration Committee that is tasked with preparing the Board’s proposal to the Annual General Meeting on guidelines for remuneration to the CEO and other senior executives. The Committee is also tasked with following up on the Annual General Meeting’s decision regarding policies for remuneration to senior executives. In addition, the Committee shall monitor and evaluate potential, ongoing and completed variable remuneration programmes for the executive management, and monitor and evaluate potential, ongoing and completed share-based incentive programmes.

In 2022, the Remuneration Committee consisted of Jan Samuelsson (Chair) and Johnny Alvarsson. The CEO is the rapporteur, but does not participate in matters concerning himself. The Chairman of the Remuneration Committee shall inform the other members of the Board of Directors about the work done and decisions made by the Committee. This shall be done at regular Board meetings or, if specifically requested, by other means.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2022

Board member	Board	Investment Committee	Audit Committee	Remuneration Committee
Total number of meetings	20	8	8	2
Jan Samuelson	20	8		2
Johnny Alvarsson	19	8		2
Birgitta Henriksson	20		8	
Urban Doverholt	20	8		
Eola Änggård Runsten	20		8	

AUDITORS

The 2022 Annual General Meeting re-elected the registered audit firm PwC Sweden as auditor. The audit firm appointed Authorised Public Accountant Anna Rosendal as the principal auditor. The Board is given the opportunity to comment annually on the auditors' planning of the scope and focus of the audit so as to ensure Board transparency. After completing the review of internal controls and accounts, the auditors reported their findings to the February meeting of the Audit Committee and the March 2022 meeting of the Board of Directors. The auditors are also granted access to Board meetings when the Board or the auditors deem it necessary. The independence of the auditors is ensured by the audit firm's internal guidelines. Independence has been confirmed to the Board.

COMPANY EXECUTIVE

The Chief Executive Officer and Group executive prepare and implement Sdiptech's overall strategies and address issues relating to acquisitions, divestments and major investments. Such matters are prepared by the Group executive for decision by the parent company's Board of Directors or its Acquisition Committee. The President and CEO is responsible for the day-to-day management of the company in accordance with the Board's decisions and guidelines. Sdiptech's Group executive consists of the CEO, the Group's CFO, two business area managers, the head of the Group's acquisition function and the head of the Group's sustainability work, a total of six people. The four business unit heads also attend the meetings of the executive team. A detailed presentation can be found under Management on page 77. The executive team meets twice a month to discuss the performance and financial position of the Group and its business units, as well as issues relating to strategy, performance monitoring, forecasting and business development. Its duties also include issues related to acquisitions, joint projects, sustainability work, the Group's financial reporting, communication with the stock market, internal and external information, and coordination and monitoring of safety, environment and quality.

OPERATIONAL MANAGEMENT

The Group's operational activities are carried out at Sdiptech business units. There is active board work in all units under the leadership of the business area managers. The boards of the business units monitor day-to-day operations and define business plans. Operations are conducted in accordance with the rules, guidelines and policies established by the Group executive and the guidelines established by each business unit's board of directors. The heads of the business units are responsible for the performance of their respective companies, and for ensuring growth and development in their respective companies. The allocation of investment capital within the Group is decided by the Board of Directors of the parent company Sdiptech according to an annually updated investment policy. Operational governance is characterised by clear demands from the Group executive and a great deal of freedom for each business units to make decisions and act to achieve set targets.

DIVERSITY POLICY

The Code of Business Ethics (Code of Conduct) established by the Group's Board of Directors for the legal, fair and ethical treatment of employees, suppliers, customers and other stakeholders also includes guidelines on diversity. Sdiptech endeavours to ensure that Group employees have equal opportunities for career development, training, remuneration, job content and employment conditions, regardless of gender. Where pay gaps exist between men and women, we work actively to close them. We also work towards a more equal gender balance in recruitment. We offer equal opportunities for employment regardless of race, religion, gender, age, disability, family circumstances or sexual orientation. The Group's operational management ensures that the Board's guidelines are respected and developed by being involved in the recruitment process.

The Board of Directors shall have an appropriate composition with regard to the company's operations, stage of development and other circumstances, characterised by diversity and breadth in terms of the expertise, experience and background of the members elected by the Annual General Meeting. A gender balance should be sought.

INTERNAL CONTROL

At an overall level, internal governance and control can be described as a process influenced by the company's Board of Directors, management and other personnel, designed to provide reasonable assurance that the company's goals are achieved in the following areas:

(i) effective and efficient operations,
(ii) reliable reporting, and
(iii) compliance with applicable regulations and internal rules.

Effective internal governance and control consists of a number of interacting components and is achieved by managing risks related to business goals by eliminating, reducing, monitoring or insuring against them. This requires the organisation to identify its material risks and to design and implement internal rules that describe the organisation's approach to managing the risk areas. Effective controls shall be formulated and implemented in the various processes of the organisation on the basis of the intent of the internal rules.

The organisation shall continuously evaluate the functioning of internal governance and control and report any risk exposure, control shortcomings and actions taken to the Audit Committee and Board of Directors.

The Board of Directors is formally responsible for the company's internal governance and control and sets limits and the company's appetite for risk. The Board of Directors requires regular reporting (format, content and frequency) in order to monitor and assess the current state of the company's internal governance and control. The CEO is responsible for the day-to-day management of the company, and thus for the appropriate organisation of internal governance and control. This includes responsibility for designing the company's internal governance and control and evaluating the effectiveness of the organisation's internal governance and control system.

Based on identified risks, internal steering documents (policies and guidelines) are designed and implemented that describe the organisation's approach to managing the company's risks, compliance with applicable laws and regulations and the company's ethical behaviour in society. In accordance with the Swedish Code of Corporate Governance and listing requirements, internal steering documents are expected to be prepared, adopted and implemented in areas such as: corporate governance policy, financial policy, information policy, insider policy, IT policy, IT and information security, risk policy, HR policy, Code of Conduct, ethical guidelines and Finance Manual.

Internal controls are designed to ensure that the company's strategies and goals are followed and that shareholders' investments are protected. It also aims to ensure that information provided to the stock market is reliable, relevant and in accordance with generally accepted accounting policies; and that there is compliance with laws, regulations and other requirements for listed companies throughout the Group. Sdiptech's Board of Directors has delegated the practical responsibility to the CEO, who has distributed the responsibility to other members of the executive team and to managers at the business units. Control activities occur at all levels throughout the organisation. Monitoring is an integral part of management's ongoing work.

There are policies and guidelines for financial reporting, as well as automatic controls in the systems and a manual reasonability assessment of flows and amounts. The executive regularly assesses new financial risks and risks of errors in financial reporting. The executive reports its assessment of existing risks and any other relevant internal control issues to the Board. The Board may then call for further action if so deemed necessary.

The company shall have a process in place to evaluate the design and effectiveness of key controls in order to ensure the effectiveness of the company's system of internal governance and control. The evaluation considers two aspects when assessing whether or not the controls work (are effective):

Correct design: Sufficient controls are in place and properly designed/documented in order to manage the material risks. Furthermore, the controls are sufficiently documented in terms of why, how, when and who is to carry out the control. The type of documentation varies, but includes instructions, manuals, process descriptions, templates, etc.

Working: The controls are performed in accordance with the control design. To reach this conclusion, sufficient evidence is needed to show that the control was carried out, who carried it out and when. Evidence can take various forms, but should be clear and detailed enough for someone other than the person carrying out the control to understand that the control has been carried out in the way in which it has been designed and documented.

The Group's finance department, under the leadership of the Group CFO, carries out an annual assessment of the internal controls in the companies. This is done by each company as a self-assessment on the basis of predefined questions developed by the finance department in consultation with the Group's auditors. The purpose of this assessment is to highlight the Group's internal control procedures and compliance. The results are reviewed by the Group's finance department, which, through the respective business area managers, proposes potential improvement measures to the companies concerned. The Group's auditors also note the results, and in turn report their observations and recommendations to the Audit Committee and the whole Board.

The Board of Directors shall annually evaluate the appropriateness of this procedure and, in consultation with the company's auditors, call for any changes to the internal control process.

The Board of Directors also analyses Sdiptech's risk map at least once a year, summarising material risks, their impact and governing documents and processes. The focus is on material income statement and balance sheet items and areas where the consequences of any errors are likely to be significant. It is the Board's opinion that an operation of the scale of Sdiptech in a decentralised organisation, in a limited geographical market, does not require a more extensive audit function in the form of an internal audit department. The Board has adopted a Communication Policy and an Information Security Policy in order to ensure good capital market communication. These specify what is to be communicated, by whom and how. The basis is that regular financial information is provided by:

- Press releases about significant or events influencing prices
- Interim reports, year-end reports and Annual General Meeting reports
- Annual report

Sdiptech's Board and executive work to provide the company's owners and the stock market with relevant and accurate information by maintaining transparency and clarity.

NOMINATION COMMITTEE

The main duty of the Nomination Committee is to propose members of the Board of Directors, the Chairman of the Board and the auditors, as well as their fees, in such a way that the Annual General Meeting can make informed decisions. The 2022 Annual General Meeting decided on the policies for the Nomination Committee's assignment and how the Nomination Committee is appointed, and that these shall apply until the Annual General Meeting decides to amend them. This means that the Chairman of the Board was tasked with contacting the largest shareholders in terms of voting rights as of the end of September 2022 and asking them to appoint members to form a Nomination Committee together with the Chairman of the Board. A Nomination Committee has been appointed accordingly, consisting of:

- *Saeid Esmaeilzadeh, Chairman of the Nomination Committee*
- *Helen Fasth Gillstedt (representing Handelsbanken Fonder AB)*
- *Caroline Sjösten (representing Swedbank Robur Fonder)*
- *Jan Samuelson (Chairman of the Board)*

The Nomination Committee's proposals and reasoning are published in connection with the notice of the Annual General Meeting and are also made available on the company's website. The term of office of the Nomination Committee extends until the appointment of a new Nomination Committee. No fees are paid for Nomination Committee work. Sdiptech's strategic direction and business and governance model are based on a strong commitment from the company's main owners. This approach permeates Sdiptech's corporate culture and has proved important for the successful development of the Group. The Board and the Nomination Committee's opinion is that the majority of the members of the Board are independent in relation to the company and its executive, and that at least three of these members are also independent in relation to the company's major shareholders.

Management

JAKOB HOLM

BORN 1971

CEO since 2015

Jakob Holm has extensive business development experience in a variety of industries. As a senior advisor, he has worked with owners and executive teams of major international corporations as well as SMEs. He founded the management consultancy Axholmen in 2006, and before that he worked at General Electric and Accenture. Jakob joined Serendipity Innovations in August 2014. He holds a master's degree in systems engineering from KTH Royal Institute of Technology in Stockholm.

Shareholding: 411,228 class B shares (through Currussel AB), 2,840 preference shares and 50,000 warrants

BENGT LEJDSTRÖM

BORN 1962

CFO since 2018

Bengt Lejdström has solid financial expertise from listed companies and acquisition-intensive international groups, and has been CFO for Lagercrantz Group, Intrum Justitia and Acando, among others. He has also worked as a management consultant and run his own businesses. Bengt has an MSc in business and economics from Stockholm School of Economics.

Shareholding: 107,640 class B shares, 500 preference shares and 37,500 warrants

STEVEN GILSDORF

BORN 1978

Acquisition Manager since 2018

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

Shareholding: 66,179 class B shares and 37,500 warrants

FREDRIK NAVJORD

BORN 1980

Business area manager since 2017

Fredrik Navjord has extensive experience in business development and has worked with both growth companies and international groups. His last assignment was as CEO of Metric, where he gained experience in working with infrastructure and data communications. He has previously worked as a business developer at Addtech and investment manager at Volvo Ventures. Fredrik has an MSc in engineering from Chalmers University of Technology.

Shareholding: 67,724 class B shares and 25,000 warrants

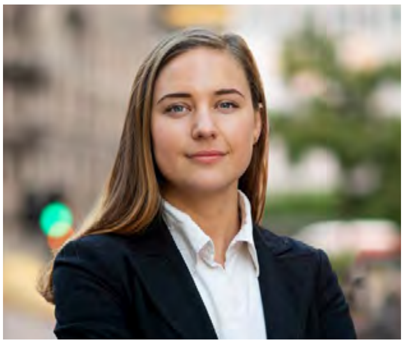
ANDERS MATTSON

BORN 1980

Business area manager since 2018

Anders Mattson has solid and extensive experience of leading and developing organisations in Sweden and internationally. Anders joins us from Munters, where he held a number of positions including global sales and marketing manager for one of the group's business areas and as CEO of an international subsidiary. He also started his career as a management consultant for five years. Anders has an MSc in engineering from Chalmers University of Technology.

Shareholding: 59,533 class B shares and 27,000 warrants



MY LUNDBERG

BORN 1988

Sustainability & IR Manager since 2020

My Lundberg has extensive experience in strategic communication, both in Sweden and internationally. My worked as a marketing manager in a media company and then as a communications consultant, where she was also responsible for the firm's diversity and equality work. My has an MSc in business and economics, specialising in international marketing, from Università Cattolica del Sacro Cuore and Mälardalen University.

Shareholding: 7,773 class B shares and 5,360 warrants

Holdings as of 31 March 2022

Board of Directors

JAN SAMUELSON
BORN 1963

Chairman since 2017

Jan Samuelson has solid experience of building medium-sized companies in several different industries, and has been active at all levels, from the operational to the role of active owner. Jan currently holds a number of board positions, including Chairman of Stillfront Group AB. Jan previously worked as a Senior Partner at Accent Equity Partners, and before that was Senior Vice President at EF Education. Jan holds an MSc in business and economics from Stockholm School of Economics and a law degree from Stockholm University.

Independent in relation to Sdiptech and its senior executive: Yes
Independent in relation to major shareholders: Yes
Shareholding: 326,000 class B shares

JOHNNY ALVARSSON
BORN 1950

Member since 2016

Johnny Alvarsson was previously CEO of Indutrade, Elektronikgruppen and Zeteco AB, and has previously held several senior positions at Ericsson. He is currently a board member at Beijer Alma and Instalco, and is also chairman of the board at VBG and FM Mattsson Mora. Johnny has an MSc in engineering from Linköping University.

Independent in relation to Sdiptech and its senior executive: Yes
Independent in relation to major shareholders: Yes
Shareholding: 8,000 class B shares

BIRGITTA HENRIKSSON
BORN 1963

Member since 2019

Birgitta Henriksson is a partner at Fogel & Partners, advising boards and executive teams on strategic communication and capital market issues. She is also a board member at Stillfront Group AB. She was previously a partner at Brunswick Group and Head of Investor Relations and Corporate Communications at Carnegie Investment Bank, and has also worked with corporate acquisitions and capital raising at Carnegie. Birgitta has a degree in business administration from Uppsala and Stockholm University.

Independent in relation to Sdiptech and its senior executive: Yes
Independent in relation to major shareholders: Yes
Shareholding: 4,600 class B shares

URBAN DOVERHOLT
BORN 1961

Member since 2019

Urban Doverholt has solid experience of IT and industrial companies. Urban is chairman of the board at Amido, Systeminstallation and SEM Group, and a board member at the Swedish Theft Prevention Association. He was previously CEO of ASSA AB, Certego, Enlight and EDB Business Partner. Urban has an MSc in engineering from KTH Royal Institute of Technology in Stockholm and further education at IMD Lausanne, Switzerland.

Independent in relation to Sdiptech and its senior executive: Yes
Independent in relation to major shareholders: Yes
Shareholding: 150 shares.

EOLA ÄNGGÅRD RUNSTEN
BORN 1965

Member since 2020

Eola Änggård Runsten is a consultant in her own company and a board member at Mentice AB, ACQ Bure, ILT Inläsningstjänst AB, Caybon Holding AB and DIB Services AB. Her previous positions include: CFO at AcadeMedia AB, CFO at EQT Management Sarl, HR Director at EQT Partners and additional positions as CFO and financial advisor.

Independent in relation to Sdiptech and its senior executive: Yes
Independent in relation to major shareholders: Yes
Shareholding: 600 class B shares

Holdings as of 31 March 2022

Financial information

Consolidated income statement

(SEK million)	Note	2022	2021
Net sales	4	3,505.2	2,718.9
Other operating income	5	79.9	23.1
Total revenues		**3,585.1**	**2,742.0**
Operating expenses			
Materials and general subcontract work		-1,387.5	-1,152.6
Other external expenses	7	-321.4	-317.9
Staff costs	6	-1,017.9	-765.5
Depreciation/amortisation and impairment of tangible and intangible assets	12-14	-217.1	-141.6
Operating profit	**4**	**641.2**	**364.4**
Financial income	8	6.7	11.8
Financial expenses	8	-111.1	-51.2
Net financial items		**-104.4**	**-39.4**
Profit after financial items		**536.8**	**325.0**
Tax	9	-108.7	-78.1
Profit/loss for the year		**428.1**	**246.9**
Profit attributable to:			
Holders of shares in the parent company		427.1	245.9
Non-controlling interests		1.0	1.0
Average number of ordinary shares		35,828,726	35,050,858
Average number of ordinary shares after dilution		35,969,623	35,385,015
Earnings per share (average number) attributable to the parent company's ordinary shareholders during the year (SEK)	**10**		
Earnings per share before dilution		11.53	6.62
Earnings per share after dilution		11.48	6.55

Consolidated report of comprehensive income

(SEK million)	Note	2022	2021
Profit/loss for the year		**428.1**	**246.9**
Other comprehensive income			
Components that can be reclassified to profit/loss for the year			
Exchange rate differences on translation of foreign operations		67.0	55.5
Other comprehensive income for the year		**67.0**	**55.5**
Total comprehensive income for the year		**495.1**	**302.4**
Total comprehensive income for the year attributable to:			
Parent company's shareholders		494.0	301.2
Non-controlling interests		1.1	1.2

Consolidated balance sheet

(SEK million)	Note	31/12/2022	31/12/2021
ASSETS			
Intangible non-current assets			
Goodwill	11	4,299.1	3,183.3
Other intangible assets	12	1,101.6	664.8
Property, plant and equipment			
Tangible fixed assets	13	403.4	239.6
Rights of use	14	377.2	195.9
Financial assets			
Shares and other securities		5.5	-
Deferred tax receivables	9	6.5	8.1
Other financial assets	16	3.2	2.5
TOTAL FIXED ASSETS		**6,196.5**	**4,294.2**
CURRENT ASSETS			
Inventories	17	562.4	323.7
Accounts receivable	18	687.0	498.2
Current tax receivables		38.5	40.9
Other receivables		47.7	66.3
Prepayments and accrued income	19	180.5	99.8
Cash and cash equivalents	20	383.2	368.8
TOTAL CURRENT ASSETS		**1,899.3**	**1,397.7**
TOTAL ASSETS		**8,095.8**	**5,691.9**

(SEK million)	Note	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
EQUITY	**21**		
Share capital		1.0	0.9
Other capital contributions		2,068.9	1,555.8
Reserves		0.9	0.9
Retained earnings including profit for the year		1,446.3	966.8
Total equity attributable to parent company shareholders		**3,517.1**	**2,524.4**
Non-controlling interests		4.8	4.8
TOTAL EQUITY		**3,521.9**	**2,529.2**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	22	3,317.6	2,082.9
Non-current non-interest-bearing liabilities		18.5	-
Deferred tax liabilities		220.7	141.9
Provisions		13.7	9.0
Non-current liabilities, total		**3,570.5**	**2,233.8**
CURRENT LIABILITIES			
Current interest-bearing liabilities	22	268.4	413.2
Accounts payable	16	257.7	179.1
Current tax liabilities		73.9	52.4
Other liabilities	16	147.3	128.0
Accrued expenses and prepaid income	23	256.1	156.2
Current liabilities, total		**1,003.4**	**928.9**
TOTAL LIABILITIES		**4,573.9**	**3,162.7**
TOTAL EQUITY AND LIABILITIES		**8,095.8**	**5,691.9**

See Note 25 for information on contingent liabilities and pledged assets.

Consolidated report of changes in equity

	Equity pertaining to the parent company's shareholders						
(SEK million)	Share capital	Other capital contributions	Provisions (Note 24)	Profit brought forward, including profit for the year	Total	Non-controlling interests	Total shareholders' equity
Opening balance as at 1 January 2021	**0.9**	**1,062.1**	**0.9**	**651.6**	**1,715.5**	**40.2**	**1,755.7**
Net profit for the year	-	-	-	245.9	**245.9**	1.0	**246.9**
Other comprehensive income for the year	-	-	-	55.3	**55.3**	0.2	**55.5**
Total comprehensive income for the year	**-**	**-**	**-**	**301.2**	**301.2**	**1.2**	**302.4**
Transactions with shareholders							
New issue of class B ordinary shares	-	485.7	-	-	**485.7**	-	**485.7**
New issue expenses	-	-8.9	-	-	**-8.9**	-	**-8.9**
Option premiums	-	16.9	-	-	**16.9**	-	**16.9**
Change in non-controlling interest	-	-	-	35.6	**35.6**	-35.6	**-**
Dividend paid to preference shareholders	-	-	-	-14.0	**-14.0**	-	**-14.0**
Dividends to non-controlling interests	-	-	-	-7.6	**-7.6**	-1.0	**-8.6**
Total transactions with shareholders	**-**	**493.7**	**-**	**14.0**	**507.7**	**-36.6**	**471.1**
Opening balance as at 1 January 2022	**0.9**	**1,555.8**	**0.9**	**966.8**	**2,524.4**	**4.8**	**2,529.2**
Net profit for the year	-	-	-	427.1	**427.1**	1.0	**428.1**
Other comprehensive income for the year	-	-	-	66.9	**66.9**	0.1	**67.0**
Total comprehensive income for the year	**-**	**-**	**-**	**494.0**	**494.0**	**1.1**	**495.1**
Transactions with shareholders					**-**		**-**
New issue of class B ordinary shares	0.1	522.6	-	-	**522.7**	-	**522.7**
New issue expenses	-	-9.2	-	-	**-9.2**	-	**-9.2**
Repurchase of options	-	-0.3	-	-	**-0.3**	-	**-0.3**
Dividend paid to preference shareholders	-	-	-	-14.0	**-14.0**	-	**-14.0**
Dividend paid to non-controlling interests Development fund	-	-	-	-0.5	**-0.5**	-1.0	**-1.5**
Total transactions with shareholders	**0.1**	**513.1**	**-**	**-14.5**	**498.7**	**-1.0**	**497.7**
Closing balance as at 31 December 2022	**1.0**	**2,068.9**	**0.9**	**1,446.3**	**3,517.1**	**4.8**	**3,521.9**

Group cash flow analysis

(SEK million)	Note	2022	2021
Cash flow from current operations			
Profit/loss after financial items	8	536.8	325.0
Adjustments for items not included in cash flow	20	171.6	214.7
Tax paid		-110.6	-94.1
Cash flow from operating activities before changes in working capital		**597.8**	**445.6**
Changes in working capital			
Change in inventories		-94.3	-39.4
Change in operating receivables		26.6	-45.7
Change in operating liabilities		34.5	24.8
Cash flow from current operations		**564.6**	**385.3**
Investing activities			
Acquisition of subsidiaries net of cash acquired	3	-1,117.8	-1,160.4
Acquisition of subsidiaries, contingent consideration paid	3	-356.1	-108.9
Disposal of subsidiaries		-11.0	-71.2
Consideration received from divested operations		-	381.7
Acquisition of minority shares		-	-73.7
Acquisition of intangible fixed assets	12	-84.4	-8.9
Acquisition of tangible assets	13	-123.2	-42.2
Acquisition of operating segment		-7.9	-
Cash flow from investment activities		**-1,700.4**	**-1,083.6**
Financing activities			
New issue after issue costs		513.8	463.7
Issue of warrants, premium		-0.3	30.1
Borrowing		1,980.8	1,090.4
Repayments of borrowings		-1,275.1	-736.3
Amortisation of leasing debt		-65.6	-57.3
Dividend paid to company's shareholders		-14.0	-14.0
Dividend paid to non-controlling interests in subsidiaries		-1.0	-6.6
Cash flow from financing activities		**1,138.6**	**770.0**
Cash flow for the period		**2.8**	**71.7**
Cash and cash equivalents at the start of the year		368.8	279.4
Exchange rate difference in cash and cash equivalents		11.6	17.7
CASH AND CASH EQUIVALENTS AT YEAR-END		**383.2**	**368.8**

Parent company income statement

(SEK million)	Note	2022	2021
Net sales		18.3	15.4
Other operating income	5	0.7	-
Total revenues		**19.0**	**15.4**
Operating expenses			
Other external expenses	7, 8	-21.4	-26.2
Staff costs	6	-48.2	-41.3
Depreciation of tangible and intangible assets	13	-0.8	-0.6
Operating profit		**-51.4**	**-52.7**
Profit/loss from financial investments	**8**		
Income from participations in Group companies		-	-19.0
Result from participations in associated companies		-	3.6
Other interest income and similar income statement items		19.7	14.8
Interest expenses and similar items		-0.3	-0.4
Net financial items		**19.4**	**-1.0**
Profit after financial items		**-32.0**	**-53.7**
Group contributions received		62.0	75.0
Group contributions paid		-	-27.6
Tax on profit for the year	9	0.6	-
Profit for the year and total comprehensive income for the year		**30.5**	**-6.3**

Parent company balance sheet

Assets (SEK million)	Note	31/12/2022	31/12/2021
FIXED ASSETS			
Intangible assets			
Other intangible assets	12	0.1	0.2
Tangible fixed assets			
Tangible fixed assets	13	1.2	1.5
Financial assets			
Participations in Group companies	15	0.3	25.7
Receivables from Group companies	27	2,061.7	1,683.0
TOTAL FIXED ASSETS		**2,063.3**	**1,710.4**
CURRENT ASSETS			
Receivables from Group companies		1,202.9	1,162.0
Accounts receivable	18	-	0.3
Other receivables		1.3	1.2
Prepayments and accrued income	19	2.8	3.3
Cash and cash equivalents	20	3.5	6.1
TOTAL CURRENT ASSETS		**1,210.5**	**1,172.9**
TOTAL ASSETS		**3,273.8**	**2,883.2**

EQUITY AND LIABILITIES (SEK million)	Note	31/12/2022	31/12/2021
EQUITY	21		
Share capital		1.0	0.9
Total restricted equity, parent company		**1.0**	**0.9**
Share premium reserve		2,068.9	1,555.8
Retained earnings including profit for the year		232.7	215.7
Total non-restricted equity in the parent company		**2,301.6**	**1,771.5**
TOTAL EQUITY		**2,302.6**	**1,772.4**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	22	841.7	664.0
Non-current liabilities, total		**841.7**	**664.0**
CURRENT LIABILITIES			
Current interest-bearing liabilities	22	110.1	341.3
Accounts payable		3.9	2.5
Liabilities to Group companies		3.1	91.4
Current tax liabilities		0.2	0.8
Other liabilities		2.7	2.5
Accrued expenses and prepaid income	23	9.6	8.3
Current liabilities, total		**129.5**	**446.8**
TOTAL LIABILITIES		**971.2**	**1,110.8**
TOTAL EQUITY AND LIABILITIES		**3,273.8**	**2,883.2**

See Note 25 for information on contingent liabilities and pledged assets.

Parent company statement of changes in equity

	Restricted equity	Non-restricted equity		
(SEK million)	Share capital	Share premium reserve	Retained earnings inc. profit for the year	Total equity
Opening balance as at 1 January 2021	**0.9**	**1,062.1**	**236.0**	**1,299.0**
Net profit for the year	-	-	-6.3	-6.3
Total comprehensive income	**-**	**-**	**-6.3**	**-6.3**
Transactions with shareholders				
New issue of class B ordinary shares	-	485.7	-	485.7
New issue expenses	-	-8.9	-	-8.9
Option premiums	-	16.9	-	16.9
Dividend paid on preference shares	-	-	-14.0	-14.0
Opening balance as at 1 January 2022	**0.9**	**1,555.8**	**215.7**	**1,772.4**
Net profit for the year	-	-	30.5	30.5
Merger proceeds	-	-	0.5	0.5
Total comprehensive income	**-**	**-**	**31.0**	**31.0**
Transactions with shareholders				
New issue of class B ordinary shares	0.1	522.6	-	522.7
New issue expenses	-	-9.2	-	-9.2
Option premiums	-	0.3	-	-0.3
Dividend paid on preference shares	-	-	-14.0	-14.0
Closing balance as at 31 December 2022	**1.0**	**2,068.9**	**232.7**	**2,302.6**

Parent company cash flow statement

(SEK million)	Note	2022	2021
Operating activities			
Profit after financial items		-32.0	-53.7
Adjustments for items not included in cash flow	20	1.1	0.6
Change in tax liability		-	-0.3
Cash flow from operating activities before changes in working capital		**-30.9**	**-53.4**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		0.7	5.9
Increase (+)/Decrease (-) in operating liabilities		2.9	1.0
Cash flow from current operations		**-27.3**	**-46.5**
Investing activities			
Acquisition of property, plant and equipment	13	-0.2	-0.9
Cash flow from investment activities		**-0.2**	**-0.9**
Financing activities			
New issue after issue costs		513.5	463.7
Issue of warrants, premium		-0.3	30.1
Repayments of loans from subsidiaries		-92.9	-
Loans to subsidiaries		-381.3	-451.8
Dividends paid		-14.0	-14.0
Cash flow from financing activities		**25.0**	**28.0**
Cash flow for the year		**-2.6**	**-19.4**
Cash and cash equivalents at the start of the year		6.1	25.5
CASH AND CASH EQUIVALENTS AT YEAR-END		**3.5**	**6.1**

Key figures and financial information

Financial information in summary	2022	2021	2020	2019	2018
Net sales	3,505.2	2,718.9	2,088.0	1,825.4	1,496.2
EBITDA	858.3	506.0	402.9	357.8	213.0
EBITA	728.6	415.6	330.2	290.7	189.9
EBITA*	671.1	509.3	347.3	262.2	177.2
EBITA* margin (%)	19.1%	18.7%	16.6%	14.4%	11.8%
EBIT	641.2	364.4	310.5	221.9	143.3
Profit for the year from continuing operations	428.1	246.9	220.2	165.2	96.7
Profit for the year after deduction of minority interests and dividend on preference shares	413.1	231.9	200.6	147.4	111.7
Interest-bearing liabilities	3,585.9	2,496.1	1,590.7	1,332.5	1,018.3
Interest-bearing liabilities to credit institutions	1,944.4	1,166.9	706.4	658.9	481.9
Equity capital including minority interests	3,522.0	2,529.1	1,755.8	1,258.5	1,121.2
Total assets	8,095.8	5,691.9	3,852.7	2,985.9	2,453.0
Key figures	**2022**	**2021**	**2020**	**2019**	**2018**
Net debt/EBITDA, times	3.55	3.38	2.74	3.11	3.02
Net bank debt/EBITDA, times	1.79	1.20	0.84	1.21	0.59
Equity/assets ratio (%)	43.5%	44.4%	45.6%	42.1%	45.7%
Return on capital employed (%)	12.2%	10.0%	12.1%	12.6%	10.9%
Return on equity (%)	14.9%	10.3%	14.3%	15.1%	8.8%
Cash flow generation (%)	79.7%	71.4%	109.4%	114.7%	55.9%
Earnings per share	**2022**	**2021**	**2020**	**2019**	**2018**
Earnings per ordinary share (SEK) before dilution[1]	11.53	6.62	6.24	4.87	3.68
Earnings per ordinary share (SEK) after dilution	11.48	6.55	6.18	4.87	3.68
Average number of ordinary shares	35,828,726	35,050,858	32,171,146	30.277.645	30,277,645
Average number of ordinary shares after dilution	35,969,623	35,385,015	32,457,112	30.277.645	30,277,645
Number of preference shares	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000

[1] Net income per ordinary share for continuing operations after deducting dividends on preference shares and minority interests.

Definitions of key figures and explanations

DEFINITIONS, ALTERNATIVE KEY FIGURES

EBITDA
Operating result before depreciation and amortisation.

EBITA
Operating profit after depreciation and amortisation of tangible fixed assets before impairment.

The key figure enables comparisons of profitability over time regardless of amortisation and impairment of acquisition-related intangible assets and independent of the corporate tax rate and the company's financing structure. That said, depreciation of tangible assets is included, which is a measure of the consumption of resources necessary to generate earnings.

EBITA*
EBITA* is the Group's operational performance measure and is calculated as EBITA before acquisition and divestment costs and before profit/loss from revaluation of contingent considerations and capital gains/losses from divestments, items affecting comparability relating to non-material corrections of previous years in the subsidiaries, and with deductions for depreciation, amortisation and impairment that are not acquisition-related but derive from the operating units' intangible assets. EBITA* is indicated with an asterisk.

This key figure increases the comparability of EBITA over time as it is adjusted for the impact of items affecting comparability. The key figure is also used in internal monitoring and constitutes a central financial target for the organisation.

EBITA* MARGIN
EBITA* in relation to net sales.

NET DEBT/EBITDA
Average net debt for the last four quarters, in relation to EBITDA for the last 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 the contingent consideration for acquisitions, which is settled at the end of the vesting periods depending on performance during these periods. A payment of the debt at the current book value requires a higher profit level than the current level

NET FINANCIAL DEBT/EBITDA
Calculated as the average net financial debt to credit institutions and other financial debt for the last four quarters, in relation to EBITDA for the last four quarters. Net financial debt includes current and non-current interest-bearing liabilities less cash and cash equivalents, but excludes interest-bearing liabilities related to the contingent considerations for acquisitions.

CAPITAL EMPLOYED
Calculated as average equity and interest-bearing net debt for the last four quarters, less cash and cash equivalents and short-term investments.

RETURN ON CAPITAL EMPLOYED
Calculated as EBITA for the last four quarters at the relevant closing date, in relation to the average capital employed for the last four quarters at the closing date.

RETURN ON EQUITY
Calculated as the average profit after tax attributable to shareholders, adjusted for dividends to preference shares, for the last four quarters, in relation to the average equity attributable to shareholders adjusted for preference capital for the last four quarters at the balance sheet date.

CASH FLOW GENERATION
Calculated as cash flow from operating activities against 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.

DEFINITIONS: SUSTAINABILITY

ESG
Environmental, Social and Governance covers environmental, social and governance criteria.

PHYSICAL CLIMATE RISKS
Physical climate risks arise as a consequence of global warming due to increased greenhouse gas emissions. They involve an increased incidence of extreme weather but also rising sea levels, soil erosion and other similar events.

GHG PROTOCOL (GREENHOUSE GAS PROTOCOL)
"GHG Protocol" stands for GREENHOUSE GAS PROTOCOL, which is the most widely used standard for calculating and reporting greenhouse gas emissions by companies.

SUSTAINABLE DEVELOPMENT GOALS
The Sustainable Development Goals are part of the 2030 Agenda. Each of the 17 Sustainable Development Goals has 169 targets. With the Sustainable Development Goals, world leaders have committed to ending extreme poverty, reducing inequalities and injustices in the world and resolving the climate crisis by 2030.

GRI (GLOBAL REPORTING INITIATIVE)
GRI stands for GLOBAL REPORTING INITIATIVE, an international standard for sustainability reporting.

GREEN FINANCE
Environmental finance with a view to contributing to a more sustainable society through green loans and green bonds, for example.

TRANSITION RISKS
Transition risks, also known as transformation risks, refer to risks arising from the transition towards a more sustainable society. Transition risks are risks that arise from changes in legislation, changes in demand for products and services, changes in customer behaviour or other structural changes that take place in order to transition to a climate-neutral economy so as to combat global warming.

SCOPE (1, 2 AND 3)
Scope 1 – All direct emissions from an organisation's activities or under its control. Including on-site fuel combustion such as petrol boilers, vehicle fleet and air conditioning leakage.

Scope 2 – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during energy production and gradually used by the organisation.

Scope 3 – All other indirect emissions from the organisation's activities, from sources it does not own or control. These are usually the largest share of the carbon footprint and cover emissions related to business travel, procurement, waste and water.

TCFD
TCFD stands for Taskforce on Climate-related Financial Disclosure. This is a framework for identifying companies' climate-related financial risks and opportunities.

WHISTLEBLOWER
When other channels are not appropriate, an employee who discovers or suspects irregularities or other misconduct in the Group may use Handelsbanken's special whistleblower system, where identity protection is guaranteed as far as legally possible.

Notes

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Swedish Financial Reporting Board recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups has also been applied.

The parent company applies the same accounting policies as the Group, except in the cases stated below under the "Parent company accounting policies" section.

The parent company's annual accounts and the consolidated accounts were approved for issue by the Board of Directors and the Chief Executive Officer on 13 April 2023. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be subject to adoption by the Annual General Meeting on 22 May 2023. The consolidated and annual accounts refer to 1 January–31 December for income statement-related items and 31 December for balance sheet-related items. All amounts are provided in millions of Swedish kronor (SEK) unless otherwise stated, and rounding differences may therefore occur.

Valuation policies applied in the preparation of the financial statements

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of investments in associates and contingent considerations. Receivables and liabilities and income and expenses are only offset if required or explicitly authorised by an accounting standard.

The preparation of the financial statements in accordance with IFRS requires the corporate executive to make certain assessments, estimates and assumptions in applying the Group's accounting policies and balance sheet and income statement items. The areas that include a high degree of assessment, which are complex, or areas where assumptions and estimates are of significant importance for the consolidated financial statements are set out in Note 2.

Events after the balance sheet date refer both to events occurring between the balance sheet date and to the date on which the financial statements are signed by the directors. Disclosures are made in the annual report about significant events after the balance sheet date that have not been taken into account in preparing the balance sheet and income statement. Only those events that confirm conditions existing at the balance sheet date are taken into account when finalising the accounts. Unless otherwise stated, the most significant accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Standards, amendments and interpretations effective in 2022

No changes to IFRS standards have been applied in 2022.

New standards and interpretations not yet in force

Other amended IFRSs that will become effective in future financial years or later have not been applied early in the preparation of this year's financial statements. The new standards and interpretations are not expected to have any significant impact on Sdiptech's financial reporting.

Consolidated financial statements and business combinations

The consolidated financial statements are prepared in accordance with the Group's accounting policies and include the accounts of the parent company and all Group companies. Group companies are consolidated from the date on which the Group obtains control of or a controlling interest in the company. Divested companies are included in the consolidated financial statements until the date on which the Group loses control of or a controlling interest in them. Any intra-Group transactions have been eliminated when preparing Sdiptech's consolidated financial statements.

Subsidiaries

Subsidiaries are companies over which Sdiptech AB exercises a controlling influence. A controlling influence exists if Sdiptech AB (publ) has influence over the investment object, is exposed to or has the right to variable returns from its commitment and can use its influence over the investment to influence the return. Potential voting shares and de facto control are taken into account when assessing whether control exists.

The consolidated accounts are prepared in accordance with the acquisition method. In business combinations, the assets acquired and liabilities assumed are identified and classified, and measured at fair value at the acquisition date (purchase price allocation). The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary, the difference is recognised directly in the income statement.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date it ceases. Where the subsidiary's accounting policies are not consistent with the Group's accounting policies, adjustments have been made in accordance with the Group's accounting policies. The net gain or loss is recognised in profit or loss if control is lost on disposal.

Transaction costs directly attributable to acquisitions are recognised directly in profit or loss under other operating expenses.

Contingent considerations are recognised as financial liabilities at fair value at the time of acquisition. The liability is revalued at each reporting date and the change is recognised in profit or loss.

When a subsidiary is acquired and previous owners remain as minority owners, the agreement in some cases contains an option that gives the minority owner the right to sell the remaining holdings and Sdiptech the opportunity to buy at a later stage. No non-controlling interest is recognised in these cases: a financial liability is recognised instead. The liability is recognised as a contingent consideration at the present value of the redemption amount for the shares: see also Note 3.

Non-controlling interests

Non-controlling interests are recognised as a separate item in consolidated equity.

Acquisitions from non-controlling interests are recognised as an equity transaction, i.e. between the owners of the parent company and the non-controlling interest. Therefore, goodwill does not arise in these transactions. Profit from sales to non-controlling interests are also recognised in equity.

Classification

Fixed assets and non-current liabilities consist essentially of amounts expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

Foreign currency translation

Functional and reporting currency

Items included in the financial statements of the various entities in the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements use the Swedish krona (SEK), which is the functional and reporting currency of the parent company. All amounts are in SEK million unless otherwise stated.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic sectors in which Group companies operate. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in force on the balance sheet date. Foreign exchange gains and losses arising from translation are recognised in the income statement. Exchange rate differences on lending and borrowing are recognised in net financial items, while other exchange rate differences are included in operating profit. Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate prevailing at the time of the transaction. Non-monetary assets and liabilities that are recognised at fair value are converted to the functional currency at the rate in effect at the time of the fair value valuation.

Group companies

The earnings and financial position of all Group companies with a functional currency other than the reporting currency are translated into the reporting currency of the Group as follows:

Assets and liabilities for each of the balance sheets of foreign operations are translated at the exchange rate prevailing on the balance sheet date. Income and expenses for each of the income statements of foreign operations are translated at the average exchange rate. None of the Group's companies have a hyperinflationary currency as their functional currency.

All resulting exchange rate differences are recognised as a separate component of equity in other comprehensive income. On disposal of a foreign operation, in whole or in part, the exchange differences recognised in equity are taken to the income statement and recognised as part of the capital gain/loss.

Goodwill and adjustments to fair value arising on the acquisition of a foreign company are treated as assets and liabilities in this company and translated at the exchange rate on the balance sheet date.

Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions involving payments in or out. Cash and cash equivalents in the cash flow statement are consistent with the definition of cash and cash equivalents in the balance sheet.

Materials and general subcontract work

"Materials and general subcontract work" refers to the direct costs of the goods or services delivered.

Parent company accounting policies
The parent company's annual report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL 1995:1554) and RFR 2 Accounting for Legal Entities. Under RFR 2, the parent company in the annual accounts of the legal entity must apply all of the EU-approved IFRS standards and statements provided this is possible within the framework of the Swedish Company Accounts Act and with due regard for the relationship between accounting and taxes. This recommendation specifies which exceptions and additions must be applied with regard to IFRS.

Changes to accounting policies
Unless otherwise stated below, the parent company's accounting policies in 2022 have been changed in accordance with what is stated above for the Group.

Classification and valuation
The parent company's income statement and balance sheet are presented in accordance with the Swedish Annual Accounts Act. The main differences between this and IAS 1 Presentation of Financial Statements as applied to the preparation of the consolidated financial statements relate to the presentation of financial income and expenses, fixed assets, equity and the presentation of provisions under a separate heading in the balance sheet.

Group contributions and shareholder contributions
Group contributions received and paid in the parent company are recognised as appropriations. Shareholders' contributions are recognised directly in the equity of the recipient and as an investment in shares in subsidiaries or, if no value is added, as an impairment of the shares through the income statement.

Difference between the Group's and the parent company's accounting policies
The parent company does not apply IFRS 16 Leases under the exemption in RFR 2. The parent company's rental agreements are recognised as operating leases.

The parent company has chosen not to apply IFRS 9 for financial instruments. However, some of the policies in IFRS 9 are still applicable, such as those relating to impairment. In the parent company, IAS are valued at cost less any impairment, and current financial assets are valued according to the lowest value principle.

New standards and interpretations that have not yet entered into force
No significant differences have been noted.

Form of presentation of the income statement and balance sheet
The parent company uses the formats specified in the Annual Accounts Act, which means that a different presentation of equity is applied. The parent company has different titles for the accounts compared to the Group.

Participations in Group companies
Participations in subsidiaries are reported in the parent company in accordance with the cost method. This means that transaction costs are included in the carrying amount of investments in subsidiaries and associates. Transaction costs relating to shares in Group companies are recognised directly in the income statement.

Dividends from subsidiaries are fully recognised as income in the income statement.

NOTE 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS WHEN APPLYING THE GROUP'S ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP and IFRS requires the corporate executive and the Board of Directors to make estimates and assumptions that affect the reported amounts of income and expenses, assets and liabilities and other disclosures. Estimates and assessments are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances. The actual amounts may differ from estimates made. The areas where estimates and assumptions that are considered to be significant to the understanding of the financial statements are discussed in the following section on the basis of the significance of assessments and uncertainty. The conditions for the Group are gradually changing, which means that these assessments will change.

Impairment testing of goodwill
The Group executive tests goodwill for impairment at least annually in accordance with the accounting policies described under "Impairment of non-financial assets".

Goodwill is monitored by the Group's operating segments, which in turn consist of groups of cash-generating units. The Group executive continuously monitors developments in the cash-generating units. The cash-generating unit to which goodwill has been allocated must be valued by discounting the unit's cash flows in order to determine whether the value of goodwill has been impaired. Sdiptech performs the impairment test on the basis of the grouping of the cash-generating units in the Group's operating segments, which is the lowest level of internal monitoring of financial position.

In applying this methodology, the Group executive relies on a number of factors including historical performance, strategic plans and forecasts and market data. A more detailed description of the methodology can be found in Note 11 Goodwill. As described, changes in the assumptions and estimates could have a significant effect on the value of goodwill.

Impairment testing of other fixed assets

The Group's tangible and intangible assets, excluding goodwill, are stated at cost less accumulated depreciation and any impairment losses. Apart from goodwill, no intangible assets with an indefinite useful life are recognised. They are amortised over their estimated useful life at an estimated residual value. Both useful life and residual value are reviewed at the end of each accounting period, as a minimum.

The carrying amount of the Group's non-current assets is reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of intangible assets not yet ready for use is tested annually. The recoverable amount of the asset is determined if such an analysis indicates an overstated carrying amount.

The recoverable amount is the fair value of an asset less costs to sell or its value in use, whichever is the higher. Value in use is calculated as the expected future discounted cash flow from the asset, or the cash-generating unit to which the asset belongs. A test of the carrying amount also arises when a fixed asset is classified as held for sale, when it is recognised at its carrying amount or its fair value less costs to sell, whichever is the lower.

Assumptions when calculating lease liability

When calculating lease liability, the corporate executive has made a number of estimates, assumptions and assessments that, if made differently, would affect the amount of the lease liability. Discounting at a marginal rate in cases where a fixed rate is not found in the underlying contract is a parameter of greater importance. The discount rate affects the size of the liability and right-of-use asset, as well as interest expense and depreciation, and thus a different assessment of the incremental discount rate would have an impact on the measurement of the lease liability.

The assessment of extension options is another aspect that is significantly affected by assessment. The Group assesses the probability that extension options will only be exercised when it is reasonably certain that the contract will be extended given a number of parameters relating to investments in premises and the company's growth: see Note 14 Right-of-use assets.

Valuation of acquisition-related liabilities

In the business combinations conducted by Sdiptech, part of the purchase price is normally linked to the acquired company's financial performance during a given period of time after closing. The carrying amount of the liabilities to the sellers in the form of contingent considerations is based on the same factors as for impairment testing of goodwill, including – but not limited to – historical performance, strategic plans and forecasts and market data. The time period for the assessment differs from impairment testing of goodwill in that only the fixed period of time that constitutes the remainder of the contingent consideration for each acquisition is included. The Group's earnings can thus be affected both positively and negatively as a result of the assessments made by the Group executive of each company's financial results during the remaining part of the conditional period.

NOTE 3 BUSINESS COMBINATIONS

ACCOUNTING POLICIES

Acquired companies are accounted for using the acquisition method and are included in the consolidated financial statements from the date on which control of the company is acquired. Accordingly, the sum of the consideration paid (including contingent consideration) and the acquired company's identifiable net assets are measured at fair value at the acquisition date. When a subsidiary is acquired and previous owners remain as minority owners, the agreement in some cases contains an option that gives the minority owner the right to sell the remaining holdings – and Sdiptech the opportunity to buy – at a later stage. No non-controlling interest is recognised in these cases: a financial liability is recognised instead. The liability is recognised as a contingent consideration at the present value of the redemption amount for the shares.

Transaction costs related to acquisitions are expensed as incurred under other external costs.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill and is tested for impairment at least annually. Divested companies are included in the consolidated financial statements until the date on which control is lost. The gain or loss on disposal, together with cumulative translation adjustments relating to disposed entities, is recognised in the consolidated income statement at the date on which control is lost.

Preliminary acquisition analyses 2022

Acquired net assets (SEK million)	Agrosistemi [1]	TEL UK [2]	RDM [3]	ELM [4]	Patol [5]	Mecno [6]	Other acquisitions	Total 2022
Intangible assets	5.1	-	-	-	-	1.6	-	**6.7**
Tangible fixed assets	24.8	0.6	35.9	45.0	0.5	133.8	1.7	**242.3**
Other fixed assets	1.0	-	-	-	-	0.1	-	**1.1**
Stocks and work in progress	-	11.1	59.8	34.7	9.3	8.6	4.5	**128.0**
Cash and cash equivalents	42.9	16.8	27.2	-	43.6	21.0	0.1	**151.6**
Accounts receivable [7]	28.3	27.5	45.1	40.8	9.3	41.8	4.2	**197.0**
Other current assets	14.7	20.7	53.3	0.1	3.0	21.2	0.3	**113.3**
Deferred tax liabilities	-	-	-0.6	-	-	-	-	**-0.6**
Other non-current liabilities	-5.8	-9.6	-	-31.8	-	-111.0	-	**-158.2**
Current tax liabilities	-4.9	-2.8	-3.2	-8.6	-3.4	-	-	**-22.9**
Other current liabilities	-26.6	-23.1	-34.2	-34.8	-4.8	-57.9	-5.1	**-186.5**
Net identifiable assets and liabilities	**79.5**	**41.2**	**183.3**	**45.4**	**57.5**	**59.2**	**5.7**	**471.8**
Group goodwill	72.7	142.8	286.7	287.9	19.7	131.5	21.1	**962.4**
Brands and trademarks	14.2	10.5	17.7	37.9	3.9	-	-	**84.2**
Customer relations	71.3	55.0	67.0	33.8	11.3	42.2	-	**280.6**
IP rights	-	-	-	28.2	-	14.4	-	**42.6**
Deferred tax liabilities	-20.5	-12.4	-16.1	-22.0	-2.9	-13.6	-	**-87.5**
Total estimated purchase price	**217.2**	**237.1**	**538.6**	**411.2**	**89.5**	**233.8**	**26.8**	**1,754.2**
Remuneration transferred								
Cash and cash equivalents	103.2	154.9	440.4	300.3	81.1	186.5	10.9	**1,277.3**
Contingent consideration	114.0	82.2	98.2	110.9	8.4	47.3	15.9	**476.9**
Total remuneration	**217.2**	**237.1**	**538.6**	**411.2**	**89.5**	**233.8**	**26.8**	**1,754.2**
Liquidity impact on the Group								
Cash and cash equivalents acquired	42.9	16.8	27.2	-	43.6	21.0	0.1	**151.6**
Remuneration transferred	-103.2	-154.9	-440.4	-300.3	-81.1	-186.5	-10.9	**-1,277.3**
Total cash impact	**-60.3**	**-138.1**	**-413.2**	**-300.3**	**-37.5**	**-165.5**	**-10.8**	**-1,125.7**
Other information [8]								
Run rate, turnover	89.1	64.5	172.9	274.7	39.7	142.6	32.1	**815.6**
Run rate, profit before tax	21.0	16.1	43.2	45.1	8.8	25.0	1.6	**160.8**

1) Agrosistemi S.r.l and Amaltea S.a.r.l.s
2) Temperature Electronics Ltd and TEL UK Ltd
3) Resource Data Management Group Ltd and subsidiaries
4) e-l-m Kragelund A/S
5) Patol Ltd and Linesense Ltd
6) Mecno Service Srl
7) Receivables are measured at fair value, no estimated bad debts are included
8) Run rate is based on turnover and operating profit before tax, on a twelve-month basis, at the time of acquisition. For foreign acquisitions, the results have been recalculated based on the exchange rate at the time of acquisition.
the date of acquisition.

The pre-acquisition analysis is preliminary and is kept open for 12 months from the closing date. During the period, adjustments can be made to the preliminary amounts recognised at the time of acquisition, e.g. adjustments linked to the determination of the access balance and the outcome of guarantees in the acquisition agreement.

Accounting for acquisitions

The estimated purchase price for the operations acquired during the financial year totalled SEK 1,754.1 (1,685.9) million. This amount includes an estimated contingent consideration of SEK 476.9 (435.4) million. The outcome of the contingent consideration is dependent on the net profit generated by the companies from the time of acquisition until the end of the contingent consideration period: the reference point for growth is calculated on normalised annual profit at the time of acquisition. The contingent consideration is initially measured at the present value of the probable outcome. This year's acquisition runs over 1.5 to 8 years and the outcome can be a maximum of SEK 456 (515) million. The outcome can be within the range of SEK 0–456 (0–515) million unless all the conditions are met. The exception is the acquisition of the outstanding shares in TEL and ELM, which are subject to current redemption agreements based on a multiple which varies in turn according to growth in relation to the reference net profit.

As a result of acquisitions during the financial year, goodwill in the Group has increased by SEK 962.4 (1,041.9) million and other intangible assets by SEK 407.4 (354.5) million.

The effect of the completed acquisitions on consolidated turnover during the financial year is SEK 525.8 (409.6) million, and SEK 134.4 (76.7) million on profit excluding acquisition costs before tax.

During the year, SEK 356.1 (108.9) million of contingent consideration was paid in respect of 13 acquisitions from previous years, of which eight relate to final settlement of the contingent consideration and the remainder, according to agreement, early partial settlement of the contingent consideration.

Acquired intangible assets

When preparing acquisition analyses, it is investigated whether there are any differences between the fair value of acquired assets and liabilities and the values recorded in the accounts of the acquired company. This analysis examines the existence of:

- IP rights (technology-related), such as patents and licence rights
- trademarks
- customer relations

A review of contingent liabilities and tax loss carryforwards is also included.

Assets that fulfil the requirements of separability and measurability have been identified in the companies acquired during the year. In some cases, the acquisitions are individually immaterial and so the information on the acquisitions is disclosed in an aggregated form.

Goodwill consists of the amount by which the consolidated cost of shares in acquired subsidiaries exceeds the fair value of the company's net assets recognised in the acquisition analysis at the time of acquisition, and is mainly attributable to synergies and other intangible assets that do not meet the criteria for separate recognition. Goodwill relates to the expected contribution of the acquired entity to complement and broaden the Group's offering, sales channels and synergies in infrastructure and contribute to the Group's continued growth.

The values allocated to intangible assets relating to the year's acquisitions are:

- IP rights SEK 42.6 (71.7) million
- Brands and trademarks SEK 84.2 (127.3) million
- Customer relations SEK 280.6 (155.5) million

The amortisation period is assessed by asset and acquisition. Annual estimated amortisation of intangible assets for the year's acquisitions amounts to around SEK 26.6 (23.5) million.

Acquisition-related expenses, known as transaction costs, are expensed as incurred. External advisors have been used to a limited extent, primarily for commercial, legal and financial due diligence, as the Group has an internal acquisition team that works with acquisitions on an ongoing basis.

Transaction costs for the year totalled SEK 20.7 (20.9) million, which also includes local stamp duty of SEK 4.6 (6.8) million, which is a non-recurring cost.

Acquisitions during the year

The Group's business model involves an active search for additional solutions to critical needs in the infrastructure sector, and the purpose of the Group's acquisitions is to expand the presence and the Group's offering in the Group's operating segments.

A total of 7 business acquisitions were made during the financial year.

Sdiptech AB (publ) acquired all shares in Agrosistemi Srl on 31 January 2022. This company specialises in the treatment and recycling of biological sludge resulting from wastewater treatment and has over 20 years of experience. Located in Piacenza, Italy, the company has developed a patented treatment process used to remove harmful substances from sludge and convert it into high quality organic fertiliser products. This makes it possible to replace synthetic fertilisers with organic ones, while recovering valuable resources that would otherwise be lost. Using more organic products in soils also helps combat desertification, which is a growing problem in many parts of the world. Agrosistemi has an annual turnover of EUR 8.5 million, with EUR 2.0 million in EBIT. Agrosistemi is Sdiptech's first business unit in Italy and brings complementary focus areas and expertise in waste management and bioeconomy to the Group.

At the date of the transaction, the company is valued at EUR 14 million on a cash- and debt-free basis, of which EUR 8.6 million is paid on the closing date and is financed with own funds and bank credits. The final purchase price, settled at the end of the earn-out period running until 31 December 2029, will amount to between EUR 7.0 and 25.7 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of EUR 8.6 million assumes a higher than current level of earnings. Agrosistemi has 22 employees at the time of the acquisition.

The estimated contingent consideration for Agrosistemi is estimated at SEK 114 million at the time of acquisition, after present value calculation. This assessment is made on the basis of an assessment of the likely outcome based on forecasts for the company from the time of acquisition until the end of the contingent consideration period. The reference point for growth is calculated on normalised annual profit at the time of acquisition. Agrosistemi is part of the Resource Efficiency business area.

Sdiptech acquired 91 per cent of shares in Temperature Electronics Ltd and TEL UK Ltd (TEL) on 25 March 2022. TEL has over 50 years of experience, specialising in the design and manufacture of electronic airflow controls and monitors. TEL's airflow monitors and controls operate in thousands of laboratories worldwide, ensuring a safe working environment for laboratory staff. The fume hood's airflow and room controllers also help customers reduce energy use by up to 85 per cent, as well as other operating costs. With a growing need for eco-friendly solutions, TEL's product range and services are evolving to meet the demand, introducing energy-saving products for new and existing laboratories and other industrial work environments. The company has an annual turnover of GBP 5.2 million, with good profitability.

At the transaction date, the company is valued at GBP 14 million on a cash- and debt-free basis. Financing is provided by own resources and bank credits. The final purchase price including earn-out costs for 91 per cent of the company's shares, settled after five years, will be between GBP 12.0 and 17.5 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of GBP 12 million assumes a higher than current level of earnings. Under the agreement, Sdiptech can purchase the remaining 9 per cent of shares between 2028 and 2034. The valuation of the remaining shares depends on the company's profit growth. TEL UK has 9 employees at the time of the acquisition.

The estimated contingent consideration for TEL UK amounts to SEK 82 million. The assessment is made on the basis of an assessment of the probable outcome based on forecasts for the company from the time of acquisition until the end of the period for the contingent consideration and for the acquisition of the remaining shares, whereby no holding is recognised for the minority shares: a financial liability is recognised instead. The liability is recognised as a contingent consideration at the present value of the redemption amount for the shares, which is dependent on the company's earnings trend. TEL UK is part of the Special Infrastructure Solutions business area.

On 13 May 2022, Sdiptech acquired all shares in Resource Data Management Ltd (RDM), a specialised product supplier in cooling management and control and building management systems. RDM has built a globally strong position in the grocery sector with customers such as major grocery chains in the UK, US and Asia. The products are used throughout the food value chain and are recognised for their high performance and ability to reduce energy consumption. All products, hardware and software, are developed and manufactured in-house. RDM is an interesting addition to Sdiptech's business in refrigeration, air and climate control, and its customer segments and technology complement the Group's current market and offerings. Headquartered in Glasgow, RDM has an annual turnover of GBP 14 million and a pre-tax operating profit of GBP 3.5 million.

At the transaction date, the company is valued at GBP 30 million on a cash- and debt-free basis. Financing is provided by own resources and bank credits. The final purchase price including earn-out costs, settled after 2 years, will be between GBP 30 and 41 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of GBP 30 million assumes a higher than current level of earnings. Of the initial purchase price of GBP 30 million, GBP 0.5 million is paid with class B shares in Sdiptech AB (publ.). The allocation is made through an issue in kind of 21,321 new class B ordinary shares, which was decided by Sdiptech's Board of Directors on 5 July 2022. RDM has 130 employees at the time of the acquisition.

The estimated contingent consideration for RDM amounts to SEK 98 million after present value calculation. The assessment is made on the basis of an assessment of the likely outcome based on forecasts for the company, from the time of acquisition until the end of the period for the contingent consideration. RDM is part of the Special Infrastructure Solutions business area.

Sdiptech acquired 80 per cent of shares in e-l-m- Kragelund A/S in Denmark (ELM) on 1 June 2022. ELM develops and manufactures innovative attachments for forklift trucks. Its customers are forklift truck manufacturers and distributors across Europe and the US, targeting the transport, logistics and warehousing industries. ELM is recognised for high quality in the market, and also for product innovation that helps to provide safer, more efficient cargo handling. ELM is headquartered in Kragelund, near Horsens, Denmark, and has an operating profit of DKK 32 million. ELM is Sdiptech's first business unit in Denmark and is part of the Special Infrastructure Solutions business area.

The company is valued at DKK 300 million at the date of the transaction. Financing is provided by own resources and bank credits. The final purchase price, including the redemption under option of the remaining 20 per cent of the company's shares, is dependent on the company's performance during the earn-out period. Under the agreement, Sdiptech can buy the remaining 20 per cent of shares after 4 years, with the valuation of the remaining shares depending on the company's profit growth. At the time of acquisition, the value of the remaining shares is estimated to amount to SEK 111 million after present value calculation. ELM has 167 employees at the time of the acquisition.

Sdiptech acquired all assets in Industrial Metal Products Inc (IMP), which specialises in niche road maintenance products in the US, on 28 October. IMP is Sdiptech's first acquisition in the US and an add-on acquisition to Hilltip Oy and its subsidiary, Hilltip Inc. Industrial Metal Products Inc, located in Fort Wayne, Indiana, is a respected US market player for the design, manufacture and installation of niche products and equipment for pickups and small trucks. The staff, products, supply chain and manufacturing will be valuable assets for Hilltip's continued expansion in the US.

The acquisition will have a limited effect on the Group's earnings and is included in the Hilltip Group, which is part of the Special Infrastructure Solutions business area, from October 2022.

At the date of the transaction, the business is valued at USD 750,000 and is financed with own funds. The final purchase price, settled at the end of the earn-out period running until 31 October 2027, will October between USD 750,000 and 2,500,000 depending on the company's performance during the earn-out period. A final total purchase price higher than the current value assumes a higher level of earnings than the current one. IMP has 12 employees at the time of the acquisition.

Sdiptech acquired all shares in Patol Ltd and Linesense Fire Detection Ltd (Patol) on 9 November 2022. Patol and Linesense design, manufacture and supply niche fire safety products and systems with applications in a variety of infrastructure sectors, including power generation, waste recycling, road infrastructure, food production and data centres. These companies have been active in the fire detection market since 1968. Patol and Linesense are well known for their high quality products and systems, as well as their technical support. The companies are headquartered in Reading, Berkshire, UK with an annual turnover in excess of GBP 3.2 million and good profitability. Patol and Linesense (collectively "Patol") is Sdiptech's twelfth business unit in the UK, and it will be part of the Special Infrastructure Solutions business area from November 2022.

At the date of the transaction, the company is valued at GBP 7.3 million and is financed with equity and bank loans. The final purchase price, settled at the end of the earn-out period running until 31 March 2024, will be between GBP 7.3 and 8.0 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of GBP 7.3 million assumes a higher than current level of earnings. Patol and Linesense have 21 employees at the time of the acquisition.

The estimated contingent consideration for Patol is estimated at SEK 8 million at the time of acquisition, after present value calculation. This assessment is made on the basis of an assessment of the likely outcome based on forecasts for the company from the time of acquisition until the end of the contingent consideration period. The reference point for growth is calculated on normalised annual profit at the time of acquisition.

Sdiptech acquired all shares in Mecno Service Srl on 23 November 2022. Mecno designs, manufactures and sells specialised grinding machines for trams and metro lines and provides rail grinding services using a unique proprietary technology. Its customers are mainly municipalities, cities and public transport companies all over the world, based on long-term relationships. The company is located in Venice, Italy, and since 2008 also has a presence in the monorail market, designing and manufacturing point switches and crossings for Translohr tramways. Strong international patents give Mecno Services' products a high degree of both quality and innovation. Mecno has an annual turnover of EUR 13 million, with good profitability. The company is Sdiptech's second business unit in Italy, and from November is part of the Special Infrastructure Solutions business area.

At the date of the transaction, the company is valued at EUR 17 million and is financed with equity and bank loans. The final purchase price, settled at the end of the earn-out period running until 31 December 2027, will amount to between EUR 17 and 22 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of EUR 17 million assumes a higher than current level of earnings. Mecno has 30 employees at the time of the acquisition.

The estimated contingent consideration for Mecno is estimated at SEK 47 million at the time of acquisition, after present value calculation. This assessment is made on the basis of an assessment of the likely outcome based on forecasts for the company from the time of acquisition until the end of the contingent consideration period. The reference point for growth is calculated on normalised annual profit at the time of acquisition.

Acquired companies' net assets at the time of acquisition (SEK million)	2022	2021
Net assets acquired	471.8	362.3
Intangible assets identified on acquisition	407.4	281.7
Goodwill	962.4	1,041.9
Estimated purchase price	**1,841.6**	**1,685.9**

Effect on cash flow (SEK million)	2022	2021
Cash and cash equivalents in the acquired operations	151.6	106.7
Remuneration transferred	-1,277.3	-1,267.1
Impact on the Group's cash and cash equivalents from the year's acquisitions	**-1,125.7**	**-1,160.4**
Purchase prices paid for acquisitions in previous years	-356.1	-108.9
Cash flow attributable to investments in operations	**-1,481.8**	**-1,269.3**

Contribution of the acquired entities to Group turnover and profit (SEK million)	2022	2021
Turnover	525.8	409.6
Profit contribution before acquisition costs and acquisition-related amortisation	149.8	106.5
Transaction costs	-20.7	-20.7
Amortisation and impairment of intangible assets	-15.4	-15.1
Profit before tax	**113.7**	**70.7**

Preliminary acquisition analyses were adjusted by SEK -13.4 (-9.4) million during the financial year, which refers to final access balances and net cash adjustments for IDE and Certus, which increased the Group's goodwill by SEK 13.4 million.

Valuation technique for contingent considerations

The executive team makes an assessment of the recognised contingent consideration at each reporting period after the acquisition date. The valuation is based on an assessment of historical results, strategic plans and forecasts, as well as market data and other known information, financial and non-financial, that is deemed to be capable of affecting the contingent consideration. Information that is deemed to materially affect the contingent consideration – regardless of whether this relates to the impact of the macro or micro environment – is also included. A general growth rate of 6 per cent is assumed for the remaining term in cases where the contingent consideration extends beyond the established budget and strategic plan, which normally covers three years from the balance sheet date.

The revaluation of the contingent considerations can occur both upwards – i.e. with an increase in the liability, driven by higher future estimated earnings in previous years' acquired entities – as well as downwards. The adjustment is recognised in the income statement under other income in the event of a decrease in the liability, and under other external charges in the event of an increase. Revaluation is carried out annually at the end of the financial year after the companies' strategic plan for the following year has been adopted, unless the conditions for any unit have changed significantly: this could require a revaluation during the current financial year. The total contingent consideration for the Group is discounted at a total level during the financial year, and at the end of the financial year is reversed to a present value calculation and discounting of the liability for future payments per acquisition.

The discount rate used in the assessment has been adjusted during the financial year from two to three percentage points, which for the full year, given the closing debt, resulted in a reduction in the debt of SEK 35.4 (-) million. The adjustment of the discount rate occurs when the Group's borrowing rate has increased, on account of the increase in the policy rate.

Acquisition analyses 2021

Acquired net assets (SEK million)	Rolec[1]	IDE[2]	Certus[3]	Other acquisitions	Adjustments	Total 2021
Intangible assets	1.2	24.7	72.0	-	-59.2	38.7
Tangible fixed assets	32.2	41.1	10.9	0.3	-	84.5
Stocks and work in progress	86.2	9.4	8.4	3.5	-	107.5
Cash and cash equivalents	101.7	1.8	2.2	1.0	-	106.7
Accounts receivable4	31.9	32.1	32.5	2.8	-	99.3
Other current assets	25.9	2.3	23.5	0.5	-	52.2
Deferred tax liabilities	-1.4	-6.1	-	-	-	-7.5
Other non-current liabilities	-	-1.4	-	-	-	-1.4
Current tax liabilities	-7.0	-3.1	-4.0	-	-	-14.1
Other current liabilities	-22.9	-25.4	-50.6	-4.7	-	-103.6
Net identifiable assets and liabilities	**247.8**	**75.4**	**94.9**	**3.4**	**-59.2**	**362.3**
Group goodwill	512.3	115.3	357.9	10.6	59.2	1,055.3
Brands and trademarks	62.6	18.9	43.2	2.6		127.3
Customer relations	82.4	33.5	36.5	3.1	-	155.5
IP rights	63.3	7.1	-	1.3	-	71.7
Deferred tax liabilities	-39.6	-11.3	-20.6	-1.3	-	-72.8
Total estimated purchase price	**928.8**	**238.9**	**511.9**	**19.7**	**-**	**1,699.3**
Remuneration transferred						
Cash and cash equivalents	784.1	124.8	354.9	16.7	-	1,280.5
Contingent consideration	161.3	114.1	157.0	3.0	-	435.4
Adjusted acquisition analysis	-16.6	-	-	-	-	-16.6
Total compensation	**928.8**	**238.9**	**511.9**	**19.7**	**-**	**1,699.3**
Liquidity impact on the Group						
Cash and cash equivalents acquired	101.7	1.8	2.2	1.0	-	106.7
Remuneration transferred	-784.1	-124.8	-354.9	-16.7	-	-1,280.5
Total cash impact	**-682.4**	**-123.0**	**-352.7**	**-15.7**	**-**	**-1,173.8**

1) Rolec Services Limited and One Stop Europe Limited
2) Wake Power Distribution Ltd
3) Certus Technologies Holding B.V
4) Receivables are measured at fair value, no estimated bad debts are included

A total of 4 business acquisitions were made during the financial year.

Sdiptech AB (publ) acquired all shares in Rolec Services Ltd and One Stop Europe Ltd (Rolec) on 19 February 2021. Rolec specialises in developing and manufacturing a wide range of charging equipment and systems for electric vehicles (EV). Rolec has a turnover of around GBP 23 million and an operating profit before tax of around GBP 7 million. The purpose of the acquisition is to complement and broaden the existing range of products and services in the Resource Efficiency business area.

At the date of the transaction, the company is valued at GBP 65.2 million on a cash- and debt-free basis, of which GBP 58.0 million is paid on the closing date and is financed with own funds and bank credits. The final purchase price, settled at the end of the earn-out period running until 31 January 2026, will be between GBP 58.0 and 80.0 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of GBP 65.2 million also assumes a higher than current level of earnings. Rolec had 139 employees at the time of the acquisition.

On 4 June 2021, Sdiptech AB (publ) acquired all shares in Ficon Oy, which specialises in hydraulic products for snow and ice removal on roads and land in Finland. Ficon has a turnover of about EUR 1.8 million, with good profitability. Ficon is an add-on acquisition to Hilltip Oy, with the aim of increasing product sales in Finland. Ficon had 13 employees at the time of the acquisition. The purchase price for the company includes a contingent consideration of SEK 3.1 million, which is linked to the sales development on the Finnish market over 2 years from the time of acquisition. The final purchase price, which will be settled after the earn-out period that runs until 31 May 2023, will amount to between SEK 15.1 and 18.9 million. The company is included in the Special Infrastructure Solutions business area from June 2021.

On 3 September, Sdiptech acquired all shares in Wake Power Distribution Ltd, owner of IDE Systems and IDE Rental (IDE), which specialises in temporary electricity and electricity usage monitoring systems in the UK. IDE has an annual turnover of around GBP 8.0 million and a pre-tax operating profit of around GBP 1.9 million. At the date of the transaction, the company is valued at GBP 18.0 million on a cash- and debt-free basis, of which GBP 5.6 million is paid on the closing date and external loans of GBP 4.9 million were repaid. Financing is provided by own resources and bank credits. The final purchase price, settled at the end of the earn-out period running until 31 August 2026, will be between GBP 10.5 and 25.5 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of GBP 18.0 million also assumes a higher than current level of earnings. IDE had 51 employees at the time of the acquisition. IDE is part of the Resource Efficiency business area from September 2021.

On 13 October, Sdiptech acquired 85 per cent of shares in Certus Technologies Holding B.V., including affiliated companies within the Group (together Certus). Certus is a global provider of solutions for automation at ports, terminals and logistics distribution centres. The company has an annual turnover of EUR 19 million and a pre-tax profit of EUR 5 million. At the date of the transaction, the company is valued at EUR 45 million on a cash- and debt-free basis, of which EUR 34.75 million is paid on the closing date, while external credits of EUR 10.7 million were redeemed. Financing is provided by own resources and bank credits. The final purchase price, including earn-out costs for 85 per cent of the company's shares, settled after three years, is expected to total EUR 40.75 million. Under the agreement, Sdiptech can buy the remaining 15 per cent of shares over the next six years. The valuation of the remaining shares depends on the company's profit growth. Certus had 51 employees at the time of the acquisition. Certus is part of the Special Infrastructure Solutions business area as of October 2021.

Divestments 2021

Seven of a total of nine units in the Property Technical Services business area were divested in the previous financial year. These divestments have entailed reorganisation of the Group's segments, resulting in the remaining operations in the former Property Technical Services segment being reported under Special Infrastructure Solutions as of the third quarter of 2021.

The divestments affect the Group through the receipt of a cash purchase price of SEK 381.7 million. In connection with the divestments, Sdiptech has acquired minority shares at a value of SEK -84.7 million, of which SEK -73.7 million was settled in cash during the year. The divestments have meant that the Group's net operating profit has been charged with a capital loss of SEK -31.4 million in connection with the amortisation of associated goodwill of SEK 244.9 million related to future expected cash flows.

NOTE 4 SEGMENT REPORTING

Accounting policies

The Group's segment reporting is based on the operating segments that reflect the Group's management structure and how financial information is regularly reviewed by Sdiptech's chief operating decision maker, who is responsible for allocating resources and evaluating the performance of the operating segments. At Sdiptech, this has been identified as the Chief Executive Officer.

The Group executive monitors the performance of the organisation and decides on the allocation of resources. Sdiptech's acquisition organisation maps markets and value chains in depth in the Group's selected business areas. Acquisition decisions and operational decisions are made and governance, control and follow-up are performed by the Group executive through the respective Business Area Manager, with the support of other central functions. Companies within a given business area often have common customers, suppliers and market dynamics. This leads to potential revenue synergies (cross-selling, joint tenders for complex projects, etc.) and corresponding potential cost synergies (joint procurement, larger volume contracts with suppliers, etc.). The expertise within each company in the business area also creates synergies.

The Group's operations are organisationally divided into two business areas, Resource Efficiency and Special Infrastructure Solutions.

Under IFRS, the part of the business that does not constitute separate operating segments is referred to as Other segments. At Sdiptech, unallocated items known as central costs arising in the Group's holding company are included in this concept and consist of overheads for the Group's parent company, interest and dividend income, interest expenses, tax expenses, certain administrative expenses, etc.

Operating segments are monitored on net sales, which include external and internal sales. Transactions between operating units are based on the arm's length principle and are eliminated on consolidation. Internal sales between business areas are very limited and of non-material amounts, as shown in the elimination column in the table below. The Group's performance measure is EBITA* (see Definitions of key figures and explanations on pages 87-88).

Segment information is provided for the Group only, in accordance with IFRS 8.

Resource Efficiency

The Resource Efficiency companies provide niche products and services that focus on the efficient and sustainable use of resources such as water, energy, minerals, forests and food. The main geographical markets are Northern Europe, the UK and Italy.

The growth opportunities for this business area are regarded as strong.

Special Infrastructure Solutions

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

Special Infrastructure Solutions products and services cover a relatively wide range of niche infrastructure solutions.

The common theme is market segments with growth, low cyclical sensitivity and the gradual introduction of stricter environmental, energy and safety regulations.

Central Units – Group-wide functions

Group-wide functions consist of the Group's parent company, Sdiptech AB, and the Group's holding company and include revaluation of liabilities relating to additional purchase prices.

Segment reporting

	Resource Efficiency		Special Infrastructure Solutions		Central Units		Eliminations		Total	
(SEK million)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Net sales	1,269.8	1,028.2	2,235.4	1,690.7	-	-	-	-	3,505.2	2,718.9
Internal customers	-	-	-	-	22.2	20.4	-22.2	-20.4	-	-
Operating profit**	**246.5**	**237.6**	**405.8**	**275.8**	**-100.5**	**-228.1**	**89.4**	**78.9**	**641.2**	**364.4**
Net financial items	4.5	1.9	-11.7	1.7	-68.9	-31.4	-28.3	-11.6	-104.4	-39.4
Profit/loss after net financial items	**251.0**	**239.5**	**394.1**	**277.5**	**-169.4**	**-259.5**	**61.1**	**67.3**	**536.8**	**325.0**
EBITA*	276.0	249.6	452.1	313.8	-57.0	-54.2	-	-	671.1	509.3
EBITA* margin, %	**21.7%**	**24.3%**	**20.2%**	**18.6%**	**et**	**et**	**et**	**et**	**19.1%**	**18.7%**
Goodwill	1,507.5	1,395.1	2,791.6	1,788.2	-	-	-	-	4,299.1	3,183.3
Other assets	1,773.2	1,382.6	3,008.5	1,642.7	332.2	158.3	-1,317.2	-674.8	3,796.7	2,508.8
Total assets	**3,280.6**	**2,777.6**	**5,800.1**	**3,431.0**	**332.2**	**158.3**	**-1,317.2**	**-674.8**	**8,095.7**	**5,692.0**
Liabilities	520.4	464.3	1,659.5	705.6	3,711.1	2,667.7	-1,317.2	-674.8	4,573.8	3,162.8
Other information										
Depreciation of tangible assets	-35.2	-17.8	-52.0	-33.2	-10.3	-151.9	10.0	151.7	-87.4	-51.2
of which attributable to acquisitions	-25.1	-14.5	-39.9	-26.1	-	-	-	-	-65.0	-40.6
Depreciation of property, plant and equipment	-51.6	-32.2	-74.1	-54.8	-3.9	-3.4	-0.1	-	-129.7	-90.4

Net turnover by country

	Resource Efficiency		Special Infrastructure		Total	
Net sales (SEK million)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Sweden	375.3	319.7	408.1	482.8	783.4	802.5
UK	622.9	552.8	906.2	805.4	1,529.0	1,358.2
Germany	0.3	0.3	181.2	147.7	181.4	148.0
Croatia	0.1	2.2	50.9	50.3	51.0	52.5
Austria	-	-	9.2	33.9	9.2	33.9
The Netherlands	7.5	6.7	77.1	21.7	84.6	-
Norway	55.5	51.9	45.6	14.1	101.1	66.0
Finland	0.8	0.6	41.9	24.1	42.7	24.7
Denmark	0.7	3.2	57.6	12.8	58.3	16.0
Italy	95.0	0.2	44.5	3.6	139.4	3.8
US	-	-	168.6	18.1	168.6	18.1
Other countries	111.8	90.5	244.5	76.2	356.3	166.7
Total	**1,269.8**	**1,028.2**	**2,235.4**	**1,690.7**	**3,505.2**	**2,719.0**

Right-of-use assets, tangible and intangible assets by country (SEK million)	2022	2021
Sweden	187.5	171.0
UK	905.1	656.9
Croatia	37.1	35.5
The Netherlands	134.9	135.1
Norway	6.2	3.9
Finland	93.2	90.1
Italy	322.0	-
Denmark	167.1	-
Other countries	29.1	7.8
Total	**1,882.2**	**1,100.3**

EARNINGS

Accounting policies

Sale of products

Sdiptech's revenues consist predominantly of sales of goods that are recognised as revenue at a certain point in time. Revenue is recognised when the Group fulfils a performance obligation, which is the time when a promised product or service is delivered to the customer and the customer takes control of the product or service. Control is found to pass to the customer when the following indicators are regarded as being met, but is not limited to these: the customer is in physical possession, the company is contractually entitled to payment, the customer has accepted the goods/services, significant risks and rewards have passed to the customer, or legal title has passed to the customer. In the sale of goods, control usually passes to the customer when significant risks and benefits have been transferred, which is normally regulated by Incoterms. In the case of the sale of services, control usually passes to the customer once the customer has accepted the service provided. Revenue is measured on the basis of the consideration specified in the contract with the customer.

Installation

Some contracts include services such as the installation of a product. Assignments are deemed to constitute a combined performance obligation unless each product is distinctly separate within the framework of the contracts. The transaction price normally consists of fixed amounts. If it is anticipated that the assignment will result in a loss, the loss is then immediately recognised in the income statement.

Service

The Group also has a share of revenue from service/maintenance contracts. This revenue is recognised on a straight-line basis over the contract period.

Revenue recognition over time

The Group also recognises revenue from major projects where the company's performance does not create an asset with an alternative use for the company and the company is entitled to payment for work performed to date. These revenues are recognised over time. Sdiptech applies both the input method and the output method to determine the progress of the projects and when to recognise the revenue. The output method is used only for service contracts and when the exception to recognise revenue is equivalent to an amount that represents the value transferred to the customer and for which the company has the right to invoice on an ongoing basis. Most of Sdiptech's revenue is recognised at one point in time. Increases or decreases in estimated revenues or expenses resulting from a change in estimate are recognised in the income statement in the period in which the circumstances became known.

In fixed price contracts, the client pays the agreed price at agreed payment times. A contract asset is recognised if the products/services delivered exceed the payment. If the payments exceed the services delivered, a contractual liability is recognised.

Variable payments such as discounts, credits, returns or similar are recognised on the basis of the probability of whether or not a significant reversal will occur using the expected value method or the most likely value method.

Guarantees exist and are predominantly of the "assurance" type, i.e. the guarantee does not constitute a separate performance obligation and therefore does not affect revenue recognition, but is recognised as an expense or provision. The right of return for customers exists only to a very limited extent in the Group.

The Group applies the relief rule of not capitalising costs to obtain contracts with customers, unless the contract extends beyond 12 months. The Group has no material assets arising from costs incurred to fulfil a contract, such as costs of obtaining contracts with customers, pre-contractual expenses and start-up costs.

No one customer accounts for more than 10 per cent of the Group's total turnover.

Payment terms within the Group vary between 30 and 120 days, with an average of 62 (60) days.

	Resource Efficiency		Special Infrastructure		Total	
(SEK million)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Products	858.9	780.8	1,100.1	646.5	1,959.0	1,427.3
Installation, direct	166.2	126.7	298.1	366.1	464.3	492.8
Installation, over time	86.8	69.1	222.3	189.7	309.1	258.8
Service, direct	97.2	13.6	509.0	392.4	606.2	406.0
Service, over time	42.2	23.4	95.0	82.1	137.2	105.5
Distribution	18.3	14.6	10.9	14.0	29.2	28.6
Total	**1,269.8**	**1,028.2**	**2,235.4**	**1,690.8**	**3,505.2**	**2,718.9**
Primary product categories						
Products	858.9	780.8	1,100.1	646.5	1,959.0	1,427.3
Execution of services	410.9	247.4	1,135.3	1,044.3	1,546.2	1,291.7
Direct sales	1,140.8	935.7	1,918.1	1,419.0	3,058.7	2,354.7
Sales over time	129.0	92.5	317.3	271.8	446.3	364.3

Contractual assets and liabilities

The Group recognises the following assets and liabilities in the balance sheet related to contracts with customers.

	Group	
(SEK million)	**2022**	**2021**
Accounts receivable	687.0	498.3
Accrued income	114.1	69.6
Total contract assets	**801.1**	**567.9**
Prepaid income	-108.1	-52.1
Total contract liabilities	**693.0**	**515.8**

Accrued income refers to the portion of income where performance obligations have been met but the invoice has been issued after the end of the period. Prepaid income refers to income that has been invoiced for a future period and where the income is recognised as the performance obligation is fulfilled, which includes service agreements.

The Group's order backlog runs over shorter periods on average and, as of the balance sheet date, the Group has order backlogs of around SEK 138 million extending over 12 months. As a result, the Group does not adjust the transaction price for the effects of a significant financing component.

NOTE 5 OTHER OPERATING INCOME

	Group		Parent company	
(SEK million)	**2022**	**2021**	**2022**	**2021**
Rental revenue	0.8	1.2	-	-
Gains on sale of fixed assets	2.1	3.3	-	-
Insurance compensation	2.4	0.6	-	-
Revaluation of contingent considerations	61.6	-		-
Capital gains on the sale of shares in associated companies	-	3.6	-	-
Sick pay benefits	1.3	3.6	-	-
Own work capitalised	2.6	5.5	-	-
State aid received, COVID-19	0.8	2.4	-	-
Exchange rate gains	0.8	0.3	-	-
Other items	7.5	2.6	0.7	-
Total other operating income	**79.9**	**23.1**	**0.7**	**0.1**

Government grants are reported in the Balance Sheet as prepaid income when there is a reasonable assurance that the funding will be received and that the company will meet the conditions attached to the funding. Government grants related to assets are recognised as a deduction of the grant from the carrying amount of the asset.

NOTE 6 EMPLOYEE REMUNERATION

Accounting policies

Compensation in the event of termination of employment

Compensation in the event of termination of employment is recognised in connection with the termination of employment only if the company is obliged to terminate employment earlier than normal or to pay compensation in the event of termination of employment through voluntary redundancy offers in exchange for such compensation. In the latter, a liability and an expense are recognised if it is likely that the offer will be taken up and a reliable estimate can be made. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Short-term employee benefits

Salaries, social security contributions, bonuses and other short-term employee benefits are recognised as an expense when the employee has rendered the service. The parent company and most subsidiaries have bonus or profit-sharing schemes, based on the performance of each unit. The Group recognises a liability and an expense for these programmes when the Group has an applicable legal or constructive obligation to make such payments as a result of services received from employees and the obligation can be measured reliably. It is recognised in the period to which the cost relates.

Pension obligations

The Group's pension plans consist of defined contribution plans for which insurance premiums are paid, and the employee bears the risk of the future pension level. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the fees are paid. The fees are recognised as staff costs when the related services are received. Prepaid charges are recognised when an invoice is received but the charge relates to a later period.

	2022		2021	
Number of employees	**Total**	**Of whom women**	**Total**	**Of whom women**
Parent company				
Sweden	18	6	18	5
Group companies				
Sweden	363	48	358	41
UK	936	213	815	187
Denmark	184	22	-	-
The Netherlands	58	10	41	12
Norway	19	-	21	1
Croatia	275	27	289	29
Finland	64	4	61	4
Italy	58	12	1	-
Other countries	152	27	69	3
Total in Group companies	**2,109**	**363**	**1,655**	**277**
Group total	**2,127**	**369**	**1,673**	**282**

	2022			2021		
Remuneration to employees (SEK million)	**Senior executives**	**Other employees**	**Total**	**Senior executives**	**Other employees**	**Total**
Group						
Salaries and remuneration	73.4	698.4	**771.8**	45.0	515.4	**560.4**
Of which performance-related pay	4.9	75.6	**80.5**	1.6	45.8	**47.4**
Social security costs	16.4	196.5	**212.9**	13.3	166.8	**180.1**
of which pension costs	4.2	64.5	**68.7**	3.8	53.1	**56.9**
Parent company						
Salaries and remuneration	18.1	12.5	**30.6**	16.9	10.1	**27.0**
Of which variable remuneration	2.0	0.7	**2.7**	3.1	-	**3.1**
Social security costs	5.6	9.2	**14.8**	4.3	7.7	**12.0**
Of which pension costs	3.4	1.8	**5.1**	2.5	1.5	**4.0**

Of the Group's pension costs, SEK 3.2 (3.9) million related to the Board of Directors and Chief Executive Officers.

Remuneration to the parent company's Board of Directors, Chief Executive Officer and other senior executives
The Annual General Meeting resolved in accordance with the nomination committee's proposal that a total of SEK 1,920,000 shall be paid in remuneration to the Board of Directors. Of this fee, each Board member shall receive SEK 280,000 per Board member and SEK 800,000 shall go to the Chairman. The Annual General Meeting further resolved that remuneration for work within the company's Audit Committee shall be paid at a rate of SEK 160,000 to the Chairman and SEK 55,000 per member (one to two members). For the company's Investment Committee, a fee of SEK 50,000 shall be paid to the Chairman and SEK 50,000 per member (one to two members). For the company's Remuneration Committee, a fee of SEK 40,000 shall be paid to the Chairman and SEK 20,000 per member (one member).

Guidelines for remuneration and other terms of employment for senior executives decided at the 2022 Annual General Meeting

Sdiptech's policies for remuneration to senior executives mean that remuneration to the Chief Executive Officer and other members of the corporate executive team may consist of basic salary, performance-related pay, pensions, other benefits and financial instruments. Guidelines for remuneration to senior executives adopted by the 2022 Annual General Meeting and information on existing incentive programmes are presented in Note 6 of this annual report and are summarised below. Remuneration aims to be competitive, while also being aligned with shareholders' interests. Remuneration to executives shall consist of fixed and variable salary, the opportunity to participate in a long-term incentive programme, and pension benefits. These components shall together create well-balanced remuneration that reflects individual skills, responsibilities and performance, in both the short and the long term, as well as the overall performance of the Group. Performance-related pay must not exceed 50 per cent of the fixed annual salary. Long-term performance-related pay in the form of shares and/or share-related instruments in the company may be paid through participation in long-term incentive programmes decided by the Annual General Meeting. Such programmes must be performance-based and conditional on continued employment with the Group, and require personal investment from the participants.

Remuneration and other benefits to senior executives 2022 (SEK thousand)	Basic salary	Performance-related pay	Other benefits	Pension costs	Total
Chief Executive Officer, Jakob Holm	4,553	699	5	1,383	6,641
Other senior executives (5 persons)	9,606	1,261	243	1,972	12,742
Total	**13,819**	**1,960**	**248**	**3,355**	**19,383**

Remuneration and other benefits in 2022 (SEK thousand)	Directors' fees/ base salary	Performance-related pay	Other benefits	Pension costs	Total
Jan Samuelsson, Chairman	873	-	-	-	873
Urban Doverholt, member	326	-	-	-	326
Johnny Alvarsson, member	341	-	-	-	341
Birgitta Henriksson, member	329	-	-	-	329
Eola Änggård Runsten, member	432	-	-	-	432
Total	**2,301**	**-**	**-**	**-**	**2,301**

Remuneration and other benefits to senior executives 2021 (SEK thousand)	Basic salary	Performance-related pay	Other benefits	Pension costs	Total
Chief Executive Officer, Jakob Holm	3,880	1,014	6	810	5,710
Other senior executives (4 persons)	7,598	2,041	303	1,688	11,630
Total	**11,478**	**3,055**	**317**	**2,498**	**17,348**

Remuneration and other benefits in 2021 (SEK thousand)	Directors' fees/ base salary	Performance-related pay	Other benefits	Pension costs	Total
Jan Samuelsson, Chairman	608	-	-	-	608
Ashkan Pouya, member	113	-	-	-	113
Urban Doverholt, member	278	-	-	-	278
Johnny Alvarsson, member	299	-	-	-	299
Birgitta Henriksson, member	299	-	-	-	299
Eola Änggård Runsten, member	399	-	-	-	399
Total	**1,996**	**-**	**-**	**-**	**1,996**

*Ashkan Pouya left the Board in May 2021.

Gender distribution in the Board of Directors and the Group executive	% women 31/12/2022	31/12/2021
Board	40%	40%
Other senior executives	17%	0%

Incentive schemes

At an Extraordinary General Meeting on 5 March 2018 in Stockholm, it was unanimously decided in accordance with the Board's proposal to implement an incentive programme through the issue of warrants and approval of the transfer of warrants. The incentive programme is aimed at employees of the parent company. There are no requirements for continued employment associated with the programme.

The incentive programme comprises a maximum of 756,000 warrants divided into three series: 252,000 warrants series 2018/2021, 252,000 warrants series 2018/2022 and 252,000 warrants series 2018/2023. With deviation from the shareholders' preferential rights, the warrants are subscribed for by a wholly owned subsidiary with the right and obligation for the subsidiary to transfer the warrants to participants in the incentive programme. Such transfers must be made at market price by valuation according to the Black & Scholes formula. This valuation will be conducted by a reputable investment bank, currently Nordea, appointed by the company.

Series 2018/2021 was redeemed in March 2021 and newly issued shares were subscribed for, whereby the Group received SEK 13.3 million in equity. Series 2019/2022 was redeemed in March 2022 and newly issued shares were subscribed for, whereby the Group received SEK 14.5 million in equity.

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

The 2021 Annual General Meeting decided on a new incentive programme of Series B warrants for managers and senior executives. This programme comprises 350,000 warrants. The warrants are transferred at a price of SEK 48.50 per warrant, which corresponds to the market value of the warrants according to a valuation performed by Nordea Bank Abp. It can be redeemed on three occasions from June 2024 until 30 November 2024.

The purpose of the incentive programmes, and the reason for deviating from the shareholders' preferential rights, is to create conditions for retaining and recruiting talented staff to the Group, to increase participants' motivation, encourage loyalty to the company and alignment with the company's shareholders, and to promote personal share ownership in the company and thereby promote shareholder value and the company's long-term value creation.

Upon full exercise of all outstanding warrants, the increase in the company's share capital will amount to a maximum of SEK 15,050, of which SEK 6,300 relates to series 2018/2023 and SEK 8,441 to series 2021/2024, corresponding to a dilution of a maximum of around 1.3 per cent of shares and around 0.9 per cent of votes.

	2022		2021	
Outstanding share options (SEK million)	**Exercise price***	**Number of options**	**Exercise price***	**Number of options**
As of 1 January	201.8	750,581	67.4	637,500
Allotments	-	-	463.0	342,481
Recovered	377.7	-6,410	71.2	-7,300
Forfeited	67.1	-216,100	59.8	-222,100
As of 31 December	**324.3**	**528,071**	**201.8**	**750,581**

*The exercise price is calculated as an average of the exercise price for issued warrants

Outstanding share options at year-end have the following expiry dates and exercise prices

Maturity	Exercise price (SEK)	2022	2021
12 March 2021	59.80	-	-
11 March 2022	67.10	-	14,500,310
10 March 2023	75.20	14,332,368	14,438,400
1 June – 30 November 2024	463.00	156,320,375	158,568,703
Total		**170,652,743**	**187,507,413**

As of the balance sheet date, 113,000 warrants are held by the Group's Chief Executive Officer and 220,360 warrants by other senior executives.

NOTE 7 REMUNERATION TO AUDITORS

Audit assignments refer to the examination of the annual report and accounting records and the administration of the Board of Directors and the Chief Executive Officer, other tasks incumbent on the company's auditor and advice or other assistance resulting from observations made during such examination or the performance of such other tasks. Everything else is divided into tax consultations and other assignments.

The Annual General Meeting on 18 May 2022 resolved by re-election to appoint PwC Sweden as the company's auditor.

	Group		Parent company	
(SEK million)	**2022**	**2021**	**2022**	**2021**
Audit engagement	-4.2	-3.4	-1.9	-1.9
Audit activities beyond the auditary assignment	-0.1	-0.8	-0.1	-0.7
Total PWC	**-4.3**	**-4.2**	**-2.0**	**-2.6**
Audit engagement	-4.8	-3.2	-	-
Audit activities	-0.5	-0.4	-0.6	-0.4
Tax advice	-0.8	-0.4	-	-
Total Other agencies	**-6.1**	**-4.0**	**-0.6**	**-0.4**
Total	**-10.4**	**-8.2**	**-2.6**	**-3.0**

NOTE 8 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and expenses

Financial income consists mainly of interest income on bank deposits.

Financial expenses consist of interest expenses to credit institutions and discount rates for lease liabilities and contingent considerations. The contingent considerations are classified as interest-bearing when they are measured at present value, but they do not give rise to any actual interest payments that affect the Group's cash flow.

Financial items also include realised and unrealised translation differences on internal and external loans in foreign currency. The Other financial expenses item includes costs related to borrowing.

	Group		Parent company	
(SEK million)	**2022**	**2021**	**2022**	**2021**
Profit from participations in Group companies				
Capital gain on disposal of shares in subsidiaries	-	-		-19.0
Total income from shares in Group companies	**-**	**-**	**-**	**-19.0**
Result from participations in associated companies	-	-	-	3.6
Other interest income and similar items				
Interest income and similar items	1.5	0.4	-	-
Interest income from Group companies	-	-	3.0	2.9
Exchange rate differences	4.9	11.4	16.6	11.8
Other items	0.2		-	-
Total financial income	**6.7**	**11.8**	**19.6**	**18.4**
Interest expenses and similar items				
Interest expense from credit institutions	-73.3	-26.0	-	-
Discount rate for lease liabilities	-5.3	-4.1	-	-
Interest rate component revaluation of contingent considerations at fair value	-30.0	-17.3	-	-
Interest expense from Group companies	-	-	-0.3	-0.3
Other items	-2.4	-4.0	-	-0.1
Total financial costs	**-111.1**	**-51.3**	**-0.3**	**-0.4**
Net financial items	**-104.4**	**-39.6**	**19.4**	**-1.0**

Interest received amounts to SEK 1.5 (0.4) million. All interest income relates to financial assets measured at amortised cost. Interest paid amounts to SEK 73.3 (26.0) million. All interest expenses are related to financial liabilities measured at amortised cost.

NOTE 9 TAXES

Accounting policies

The Group's income tax includes tax related to Group companies based on the taxable profit for the period, together with tax adjustments for previous periods and changes in deferred income tax. The tax is calculated according to the current tax rate in each country. Current tax liabilities are offset against current tax assets, and deferred tax assets are offset against deferred tax liabilities when the company has a legally enforceable right to offset these items and intends to do so.

Deferred tax attributable to temporary differences between the book and tax values of assets and liabilities is fully recognised in the Group. No deferred tax is recognised for initial recognition of goodwill and initial recognition of an asset or liability in a transaction that is not a business combination, and that affects neither reported nor taxable profit at the time of the transaction.

Deferred income tax is measured using tax rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, unless the tax effect of a future change is considered immaterial to the Group.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and tax losses can be utilised.

	Group		Parent company	
Tax expense for the year (SEK million)	**2022**	**2021**	**2022**	**2021**
Current tax				
Current tax expenses	-130.1	-86.0	-	-
Actual tax attributed to previous year	0.4	-1.6	0.6	-
Deferred tax				
Deferred tax related to temporary differences	-6.3	-1.1	-	-
Deferred tax relating to leases	0.3	0.2	-	-
Deferred tax relating to amortisation of acquired intangible assets	27.0	10.4	-	-
Total recognised tax expense	**-108.6**	**-78.1**	**0.6**	**-**

The Group reported a tax expense for the year of SEK 108.7 (78.1) million, or 20.2 (24.0) per cent of profit after net financial items. Adjusted for the non-taxable items relating to revaluation for contingent consideration, the tax rate is 22.9 (21.2) per cent of profit after financial items.

Reconciliation of effective tax

The Group's weighted average effective tax rate with the current geographical mix is around 19 (18) per cent. The relationship between tax at the average tax rate and recognised tax for the Group is shown in the following table:

	Group		Parent company	
(SEK million)	**2022**	**2021**	**2022**	**2021**
Profit before tax	536.8	325.0	30.0	-6.3
Tax according to the average tax rate, 19.0% for the Group and (18.4%) parent company 20.6% (20.6)	-101.9	-59.9	-6.2	1.3
Tax effects of:				
Earnings relating to business-related shareholdings	-	-0.8	-	-3.2
Other non-taxable income	13.1	-	4.1	-
Deduction for issue expenses	1.9	1.8	1.9	1.8
Non-deductible expenses	-21.7	-17.7	-0.2	-
Actual tax attributed to previous year	0.4	-1.6	0.6	-
Use of previously non-capitalised loss carryforwards	-0.5	-	0.4	-
Total actual tax recognised	**-108.7**	**-78.2**	**0.6**	**-**

Sdiptech AB's capital assets in the form of shares in subsidiaries and associated companies constitute what are known as business interests according to the definition in Chapter 24 (13) to (16) of the Income Tax Act. As a general rule, a capital gain on the disposal of business interests is tax-free. At the same time, the general rule is that capital losses on business interests are not deductible.

Tax losses are recognised as deferred tax assets in the balance sheet. The Group has capitalised tax losses in the balance sheet to a value of around SEK 25 million before tax. Most of the losses relate to the parent company and are to some extent covered by Group contribution restrictions, which affects the time frame for utilisation to an estimated 1–5 years.

Deferred tax

The item deferred taxes in the consolidated balance sheet relates to tax expense on untaxed reserves, acquired intangible assets, deferred tax on leases and deferred tax attributable to tax losses.

Deferred tax, net, at year-end	31/12/2022			31/12/2021		
Group (SEK million)	**Receivables**	**Liabilities**	**Net**	**Receivables**	**Liabilities**	**Net**
Deferred tax on loss carryforwards	4.6	-	**4.6**	7.6	-	**7.6**
Untaxed reserves	-	-4.1	**-4.1**	-	-11.3	**-11.3**
Leasing	1.9	-	**1.9**	0.5	-	**0.5**
Deferred tax, intangible assets	-	-199.0	**-199.0**	-	-125.2	**-125.2**
Other	-	-17.5	**-17.5**	-	-5.4	**-5.4**
Deferred tax, net, at year-end	**6.5**	**-220.6**	**-214.1**	**8.1**	**-141.9**	**-133.8**

	31/12/2022					
Group (SEK million)	**Opening amount**	**Recognised in income statement**	**Acquisitions and disposals**	**Recognised in other comprehensive income**	**Translation effect**	**Closing amount**
Deferred tax on loss carryforwards	7.6	-2.1	0.2	-	-	**5.7**
Untaxed reserves	-11.3	7.2	-	-	-	**-4.1**
Leasing	0.5	0.3	-	-	-	**0.8**
Deferred tax, intangible assets	-125.2	12.6	-87.5	-	1.1	**-199.0**
Other	-5.4	-11.0	-0.6	-	-0.5	**-17.5**
Deferred tax, net	**-133.8**	**7.0**	**-87.9**	**-**	**0.6**	**-214.1**

	31/12/2021					
Group (SEK million)	**Opening amount**	**Recognised in income statement**	**Acquisitions and disposals**	**Recognised in other comprehensive income**	**Translation effect**	**Closing amount**
Deferred tax on loss carryforwards	7.5	-	0.1	-	-	**7.6**
Untaxed reserves	-13.4	2.1	-	-	-	**-11.3**
Leasing	0.2	0.3	-	-	-	**0.5**
Deferred tax, intangible assets	-47.3	8.0	-80.4	-	-5.5	**-125.2**
Other	-3.8	-1.9	-1.5	-	1.8	**-5.4**
Deferred tax, net	**-56.8**	**8.5**	**-81.8**	**-**	**-3.7**	**-133.8**

NOTE 10 EARNINGS PER SHARE

Earnings per ordinary share before and after dilution (SEK)	2022	2021
Profit for the year attributable to the parent company's shareholders (SEK million)	427.1	245.9
Dividend to preference shareholders (SEK million)	-14.0	-14.0
Profit for the year attributable to the parent company's ordinary shareholders	**413.1**	**231.9**
Weighted average number of ordinary shares outstanding during the year before dilution	35,828,726	35,050,858
Effect of share options	140,897	334,157
Weighted average number of ordinary shares outstanding during the year after dilution	35,969,623	35,385,015
Earnings per average number of ordinary shares before dilution	11.53	6.62
Earnings per average number of ordinary shares after dilution	11.48	6.55

The average weighted number of shares amounted to 35,828,726 (35,050,858) and has been affected by the new share issue in November 2022, the non-cash issue in July and the redemption of warrants. The total number of ordinary shares has increased by 2,437,421 shares.

Earnings per share are calculated as profit after tax attributable to the parent company's shareholders less dividends to preference shareholders, divided by the weighted number of outstanding ordinary shares. Earnings per share after full dilution are calculated by adjusting the weighted number of ordinary shares plus the dilutive effect of dilution. Warrants under incentive programmes are included in the calculation only if the closing price exceeds the subscription price.

The preference share is excluded from the calculation, as the preference share in its format only entitles the holder to a dividend of SEK 8 per year: see Note 21 for more information.

Earnings per share after dilution refers to incentive programmes. See Note 6 for information on the programme.

NOTE 11 GOODWILL

Accounting policies

Goodwill represents the future economic benefits arising from assets that are not individually identifiable, and is recognised separately by the Group on acquisition. Goodwill is calculated as the part of the purchase price that exceeds the fair value of the share of the acquired company's assets that the Group acquires on the acquisition date. The cash flows from these individual acquisitions are directly and indirectly influenced by the coordination that takes place within the segment led by the segment manager. A subsidiary therefore contributes to the cash flows of other entities within the segment in accordance with IAS 36:81. Therefore, these Groups of cash-generating units are aggregated within the segment to which they belong for the purpose of monitoring goodwill under IAS 36:82. The two business areas represent the lowest level in Sdiptech at which goodwill is monitored in the internal governance of the Group. The groups of cash-generating units are not larger than the company's operating segments.

Under IFRS 3, the cost of acquisition is equal to the sum of the consideration paid, the value of the non-controlling interest in the acquisition and the fair value of the previously held interest in the acquired subsidiary. Goodwill arising from the acquisition of foreign entities outside the Eurozone is treated as an asset of the foreign entity and translated at the exchange rate prevailing on the balance sheet date.

Impairment testing of non-financial assets

Under IFRS, goodwill is not amortised but tested annually in accordance with IAS 36. Sdiptech tests goodwill for impairment at least annually by calculating the value in use of the cash-generating units on the basis of the grouping of the cash-generating units.

The future cash flows that each group of cash-generating units is expected to generate are discounted in order to determine the value in use of the asset. The basis for future cash flows consists of the companies' strategic plan for the next three years. Growth for the period after the end of the strategic plan (2023–2025) is assumed based on a general estimated sustainable GDP growth of 2 (2) per cent. Where the calculation indicates that the value in use is less than the carrying amount, the impairment test results in an impairment loss. The impairment assessment also takes into account additional volatility so as to ensure that no reasonably possible changes in the above-mentioned inputs are deemed to result in impairment.

The sales forecast is based on assessments of factors such as order intake, the economy and market conditions. The forecast of operating expenses is based on assessments of gross margin and the development of significant cost items for running the companies' operations, such as premises, current wage agreements and previous annual levels of gross margin and overheads, adapted to an expectation for the coming year on the basis of aspects such as those mentioned for the sales forecast. Anticipated investments in working capital and fixed assets are linked to historical data to which specific investment needs of a material nature are added on the basis of the strategic plan. Consideration is also given to lease assets and liabilities under IFRS 16 that are included in the impairment assessment. Significant factors expected to affect future outcomes are taken into account in addition to financial projections. Forecasts and assessments are made per group of cash flow generating units.

Estimated cash flows for cash-generating units are discounted using a discount rate of 8.5 (7.6) per cent after tax. The cash-generating units operate in several countries. The operational risk in the cash flows is considered to be similar, which is why the same discount rate (WACC) has been used. In terms of financial risk, the operations are in related industries and so the optimal financing structure is deemed to be similar.

The calculation for the year shows that the value in use exceeds the carrying amount, while a sensitivity assessment shows that the remaining goodwill value would still be defended if the discount rate were to be increased to 12 per cent. The result of the impairment test for the year is that no impairment has been recognised during the financial year (0).

The executive team believes that no reasonable changes in the key assumptions made will cause the estimated aggregate recoverable amount of the entities above to be less than their aggregate carrying amount.

Gains and losses on the disposal of a subsidiary include the goodwill attributable to the entity sold. If the Group's share of the net fair value of the investment exceeds its cost, after revaluation, the difference is recognised directly in the income statement.

The Group's goodwill of SEK 4,299.0 (3,183.3) million relates to the core business.

	Group	
Group (SEK million)	**2022**	**2021**
Opening acquisition cost	3,183.3	2,268.4
Investments	962.2	1,041.9
Adjustment of preliminary acquisition analysis*	12.8	-9.4
Units sold	-	-244.9
Translation difference for the year	140.7	127.3
Closing acquisition cost	**4,299.0**	**3,183.3**

*See Note 3 Business combinations for a specification

Allocation of goodwill within cash-generating groups

(SEK million)	2022	2021
Resource Efficiency	1,507.4	1,395.0
Special Infrastructure Solutions*	2,791.6	1,788.2

NOTE 12 OTHER INTANGIBLE FIXED ASSETS

Accounting policies

Intangible assets include capitalised development costs, IT software, patents, trademarks, licences and other rights. These are divided into acquired and internally generated intangible assets.

Development costs

The Group conducts certain development activities. Development expenditure is recognised as development costs in the income statement as incurred. If the requirements for internally generated intangible assets under IAS 38 are met, the development that has taken place is capitalised and included in the Other intangible assets item. The standard requires development costs to relate to identifiable and unique assets controlled by the Group. Capitalisation occurs if it is technically feasible to complete the asset, if the intention is to use or sell the asset, if it can be demonstrated that future economic benefits are likely, and if the expenditure can be measured reliably.

Other intangible assets

Acquired intangible assets are recognised separately from goodwill if they meet the definition of an asset, if they are either separable or arise from contracts or other legal rights and if their fair value can be measured reliably.

The Group identifies and measures intangible assets in major acquisitions on the basis of customer-related, brand or technology-based intangible assets and an assessment of the useful life of the asset. A simplified approach is adopted for smaller acquisitions whereby the most significant value is identified. Trade names, service marks, certification marks, customer records, order or production backlogs, long-term customer contracts and related customer relationships are typical customer-related and brand assets. Technology-based intangible assets normally consist of patented technology and software. The valuation of customer contracts and related customer relationships at fair value is based on the proportion of these which is expected to be retained and the expected remaining cash flow from the customer. Trademarks are valued using a discounted cash flow analysis according to the relief from royalty method.

Other intangible assets are recognised if it is probable that the future economic benefits attributable to the asset will flow to the Group and that the cost of the asset can be measured reliably.

Intangible assets normally have a limited useful life. These assets are recognised at cost less accumulated depreciation and any accumulated impairment losses.

Amortisation of intangible assets

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible assets at cost less accumulated amortisation and any accumulated impairment losses.

The following amortisation periods apply:

IPR, patents and licences	5–15 years
Trademarks	5–25 years
Customer relations	3–15 years

Impairment testing of intangible assets

Assets that are depreciated or impaired are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment made corresponds to the amount by which the book value of the asset exceeds its recovery value. The recovery value is the highest of asset's fair value minus sales costs and value in use. For intangible assets, the testing period is the remaining expected economic life of the asset.

For intangible assets, an assessment is made at each balance sheet date as to whether a reversal should take place. Impairment loss is only reversed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had if impairment had not been recognised – accounting for depreciation or amortisation that would have occurred.

		Group							Parent company
		Acquired intangible assets			Internally generated intangible assets			Total	Other intangible assets
Acquisition value (SEK million)		**IPR, patents and licences**	**Brands and trademarks**	**Customer relations**	**Capitalised tasks for R&D**	**Patents and licences**	**Other**		**Software**
As of 1 January 2021		**119.7**	**69.2**	**62.7**	**71.3**	**2.7**	**12.8**	**338.4**	**0.9**
Investments		-	-	-	16.2	0.1	2.0	18.3	-
Via business combinations	3	75.4	131.4	160.9	1.1	-	64.9	433.7	-
Sales / retirements		-	-	-	-6.8	-0.3	-1.3	-8.4	-
Reclassification		-	-	-	2.9	-	0.1	3.0	-
Translation difference		7.4	5.6	5.3	4.8	0.1	0.8	24.0	-
As of 1 January 2022		**202.5**	**206.2**	**228.9**	**89.5**	**2.6**	**79.3**	**809.0**	**0.9**
Investments		-	-	-	60.3	3.6	6.8	70.7	-
Via business combinations	3	44.5	87.8	279.3	5.4	4.4	6.0	427.4	-
Sales / retirements		-	-	-	-0.1	-	-0.1	-0.2	-
Reclassification		-	-	-	2.0	-	-1.7	0.3	-
Translation difference		7.1	10.2	10.1	2.2	0.1	6.2	35.9	-
As of 31 December 2022		**254.1**	**304.2**	**518.3**	**159.3**	**10.7**	**96.5**	**1,343.1**	**0.9**
Accumulated depreciation									
As of 1 January 2021		**-11.5**	**-2.5**	**-2.3**	**-45.5**	**-1.2**	**-5.4**	**-68.4**	**-0.6**
Depreciation/amortisation for the year		-17.8	-9.1	-13.8	-7.1	-0.4	-1.9	-50.1	-0.1
Via business combinations	3	-	-	-	-0.1	-	-21.0	-21.1	-
Sales / retirements		-	-	-	1.0	-	0.8	1.8	-
Reclassification		-	-	-	-0.3	-	0.1	-0.2	-
Translation difference		-1.0	-0.5	-0.4	-3.7	-0.1	-0.6	-6.3	-
As of 1 January 2022		**-30.3**	**-12.1**	**-16.5**	**-55.7**	**-1.7**	**-28.0**	**-144.3**	**-0.7**
Depreciation/amortisation for the year		-21.4	-17.0	-21.8	-14.6	-0.6	-5.4	-80.8	-0.1
Via business combinations	3	-	-	-	-	-2.4	-5.4	-7.8	-
Sales/ retirements		-	-	-	-	-	0.1	0.1	-
Reclassification		-	-	-	-0.5	-	-0.5	-1.0	-
Translation difference		-1.5	-0.9	-1.2	-1.6	-0.2	-2.5	-7.9	-
As of 31 December 2022		**-53.2**	**-30.0**	**-39.5**	**-72.4**	**-4.9**	**-41.7**	**-241.7**	**-0.8**
Book value									
31/12/2021		172.2	194.1	212.4	33.8	0.9	51.4	664.8	0.2
31/12/2022		200.9	274.2	478.8	86.9	5.8	54.8	1,101.6	0.1

The year's increase in intangible assets relates mainly to acquired intangible assets: see Note 3 Business combinations. Moreover, intangible assets have increased due to the capitalisation of research and development for proprietary products and services. Other intangible assets include software.

NOTE 13 FIXED ASSETS

Accounting policies

Tangible assets acquired by Group companies are recognised at cost. Assets coming into the Group in connection with the acquisition of new subsidiaries are recognised at fair value at the date of acquisition. They are amortised on a pro rata basis over their estimated useful life, adjusted for any impairment and disposal costs. The value in the consolidated statement of financial position represents expenses less grants and subsidies received, and less accumulated depreciation and any impairment losses. Interest costs on loans for financing the construction of such assets are capitalised as part of the acquisition cost when the facility is completed.

Land is considered to have an indefinite useful life and is not amortised, but is tested at least annually for impairment. Amortisation for other assets is based on the following expected useful lives:

Ordinary maintenance and repair costs are expensed as incurred, but more extensive renovation and upgrade costs are capitalised and depreciated over the remaining economic life of each asset. The carrying amount of any replaced part is removed from the balance sheet. The retirement, sale or disposal of tangible assets is accounted for by deducting the carrying amount and accumulated depreciation and recognising any remaining value as an impairment loss in the consolidated income statement. Capital gains are recognised under other operating income.

Spare parts are recognised as tangible fixed assets if they are significant and used over a year, or if they are only used for a specific fixed asset. In all other cases, spare parts are recorded as stocks and recognised in the income statement under other external costs.

The cost of tangible assets is depreciated over their estimated useful life, which results in the following average depreciation periods for the Group:

Equipment, tools, fixtures and fittings	3–10 years
Offices and industrial buildings	25–50 years

Impairment and reversal of impairment of tangible assets

Assets that are depreciated or impaired are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment loss of tangible assets is reversed if a change occurs in the assumptions that formed the basis of calculation of the recoverable amount. Impairment loss is only reversed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had if impairment had not been recognised – accounting for depreciation or amortisation that would have occurred.

		Group			Parent company
Acquisition value (SEK million)		Offices and industrial buildings	Equipment, tools, fixtures and fittings	Total	Equipment, tools, fixtures and fittings
As of 1 January 2021		**37.3**	**145.2**	**182.5**	**2.0**
Investments		6.2	68.0	74.2	0.9
Via business combinations	3	32.7	67.0	99.7	-
Sales/retirements		-8.2	-11.5	-19.7	-
Reclassification		-	-0.4	-0.4	-
Translation difference		0.3	11.2	11.5	-
As of 1 January 2022		**68.3**	**279.5**	**347.8**	**2.9**
Investments		20.5	64.7	85.2	0.2
Via business combinations	3	89.0	164.2	253.2	-
Sales/retirements		-	-8.7	-8.7	-
Reclassification		-	10.4	10.4	-
Translation difference		2.5	10.1	12.6	-
As of 31 December 2022		**180.3**	**520.2**	**700.5**	**3.1**
Accumulated depreciation					
As of 1 January 2021		**-2.6**	**-45.9**	**-48.5**	**-0.9**
Depreciation/amortisation for the year		-1.5	-41.8	-43.3	-0.5
Via business combinations	3	-4.3	-32.6	-36.9	-
Sales/retirements		0.2	27.4	27.6	-
Reclassification		-	1.0	1.0	-
Translation difference		-0.2	-7.8	-8.0	-
As of 1 January 2022		**-8.4**	**-99.7**	**-108.1**	**-1.4**
Depreciation/amortisation for the year		-6.6	-59.8	-66.4	-0.5
Via business combinations	3	-43.8	-78.4	-122.2	-
Sales/disposals		-	10.7	10.7	-
Reclassification		-0.1	-2.3	-2.4	-
Translation difference		-1.9	-6.7	-8.6	-
As of 31 December 2022		**-60.8**	**-236.2**	**-297.0**	**-1.9**
Book value					
31/12/2021		59.9	179.8	239.7	1.5
31/12/2022		119.5	284.0	403.5	1.2

NOTE 14 LEASES

Accounting policies

When a contract is signed, the Group must assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of a specific asset for a specified period of time in exchange for payment and there is no substantive right of exchange.

Right-of-use assets are initially measured at cost, which comprises the initial value of the lease liability assessed on the basis of the underlying contract. At the start of the lease or on reassessment of a lease containing multiple components, lease and non-lease components, the Group allocates the consideration under the lease to each component based on the stand-alone price. Expenditure related to non-lease components is expensed. Components that cannot be separated are recognised as a single lease component. Lease terms are negotiated on the basis of individual assessments and include a variety of conditions.

The leases are recognised as right-of-use assets and a corresponding liability. The right-of-use asset is amortised on a straight-line basis from the commencement date to the end of the asset's useful life or the end of the lease term, whichever is the earlier; which for the Group is normally the end of the lease term.

The lease liability – which is divided into long-term and short-term components – is initially measured at the present value of the remaining lease payments over the estimated lease term. The lease liability comprises the present value of the following charges over the estimated lease term:

• fixed charges, including fixed charges in substance; • any residual value guarantees expected to be paid; • the exercise price of a call option that the Group is reasonably certain to exercise; and
• penalties payable on termination of the lease if the estimated lease term reflects that such termination will occur.

Lease payments are discounted at the interest rate prevailing at the start of the contract, primarily the interest rate implicit in the contract. If this cannot be determined, the marginal borrowing rate is used instead, which is the rate the company would have been offered if the acquisition had been financed by a loan from a financial institution. For Sdiptech, the Group's marginal borrowing rate of 3 (2) per cent is used for the financial year.

The value of the liability is increased by the interest expense for each period and reduced by amortisation. The interest cost is calculated as the value of the liability times the discount rate. The rights of use are amortised over their estimated useful lives.

Sdiptech has chosen to apply two relief rules in connection with lease accounting; no right-of-use asset and lease liability are recognised for leases with a term of less than 12 months, or if the agreement relates to an underlying asset of low value. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term.

For impairment testing, see the section entitled Impairment and reversal of impairment in Note 3.

Leases where the Group is the lessee

The Group has many small and medium-sized subsidiaries in different countries and locations. As a result, there are a large number of contracts and many different terms and conditions. The majority of leases are not individually material to the Group.

Premises

Sdiptech has about 45 rental agreements related to premises for warehouses and offices. Lease agreements normally have a duration of between 3 and 25 years, the duration varying between types of premises, but also to a large extent between different geographical regions. Extension options exist to varying degrees as part of statutory security of tenure in some markets. The assessment of whether the extension option will be exercised is assessed on the balance sheet date on the basis of whether it can be assessed with reasonable certainty that the contract will be extended, given a number of parameters linked to the individual company's development and growth, such as investments made in the premises. The Group has variable lease payments in its lease agreements, such as property tax, VAT and other variable property costs such as maintenance costs, electricity, heating and water, etc. These are excluded from the lease liability calculation insofar as the costs can be easily separated from the rental cost. None of the leases include significant variable lease payments.

Vehicles

The Group leases vehicles with lease periods that normally run for 3–5 years. Most of the leases run until the end date of the underlying lease agreement. Extension options exist only to an insignificant extent. There are also residual value guarantees in some cases, which are treated as part of the asset and liability if it is deemed likely that they will be utilised.

Other contracts

There are also other leases for items such as machinery and IT equipment, with lease periods between two and ten years.

Leases where the Group is the lessor

There are a few units in the Group that offer rental of products, in addition to sales. Revenue from the rental of goods is recognised on a straight-line basis over the lease term. There is also one company that has an agreement regarding the rental of part of the office premises on the balance sheet date, which is not considered to be the companies' operating activities; revenue for remuneration is recognised under other income.

	Group				
Right-of-use assets (SEK million)	**Premises**	**Vehicles**	**Machinery**	**Other**	**Total**
As of 1 January 2021	**170.9**	**80.7**	**1.0**	**7.8**	**260.4**
New acquisitions	51.8	39.8	0.6	1.4	**93.6**
Revaluations	-	0.4	-		**0.4**
Disposals and retirements	-24.3	-50.8	-0.3	-2.4	**-77.8**
Translation differences for the year	5.1	3.4	-	-	**8.5**
As of 1 January 2022	**203.4**	**78.8**	**3.8**	**6.8**	**292.8**
New acquisitions	51.8	39.8	0.2	0.2	**80.9**
Acquisition of business	24.7	9.6	140.2	-	**208.8**
Disposals and retirements	-4.9	-18.4		-1.1	**-24.4**
Translation differences for the year	6.9	1.1	-	0.1	**-2.1**
As of 31 December 2022	**286.9**	**99.9**	**144.1**	**6.0**	**536.9**
Accumulated depreciation					
As of 1 January 2021	**-43.6**	**-29.1**	**-0.7**	**-1.6**	**-75.0**
Depreciation and amortisation for the year	-32.8	-19.7	-0.4	-2.2	**-55.1**
Disposals and retirements	15.0	16.8	0.1	0.9	**32.8**
Translation differences for the year	2.1	-0.9	-	-	**1.1**
As of 1 January 2022	**-59.4**	**-33.2**	**-1.5**	**-2.9**	**-96.9**
Depreciation and amortisation for the year	**-40.7**	**-18.5**	**-2.6**	**-2.2**	**-65.6**
Acquisition of business	**-**	**-**	**-14.5**	**-**	**-29.2**
Disposals and retirements	**4.9**	**13.3**	**-**	**1.1**	**15.0**
Translation differences for the year	**-1.7**	**-0.6**	**-1.4**	**-**	**-2.1**
As of 31 December 2022	**-96.9**	**-39.0**	**-20.0**	**-3.9**	**-178.7**
Book value					
31/12/2021	144.0	45.6	2.3	4.0	**195.9**
31/12/2022	190.0	60.9	124.2	2.1	**377.2**

Contractual maturities of financial liabilities	**2022**	**2021**
Maturity date within 1 year	93.5	62.2
Maturity date within 1–2 years	63.3	47.8
Maturity date within 2–5 years	107.2	54.4
Maturity date over 5 years	103.3	32.6
Total contractual cash flows	**367.3**	**197.0**

Amounts recognised in the income statement (SEK million)	**2022**	**2021**
Income from subletting of right-of-use assets	0.8	-
Amortisation of leases	-65.6	-55.1
Interest expense on lease liabilities	-5.3	-4.1
Expenses for short-term leases	-1.0	-0.4
Low value leasing costs	-0.2	-1.3
Total	**-71.3**	**-60.9**

Parent company

The parent company does not recognise leases under IFRS 16. In the parent company, the company's contracts are recognised as operating leases and include rental contracts for the head office and vehicles.

Non-cancellable lease payments amount to:

	Parent company	
(SEK million)	2022	2021
Within 1 year	3.9	3.2
2–5 years	4.1	8.1
Total payment commitments	**8.0**	**11.2**

	Parent company	
SEK million	2022	2021
The cost of operating leases of assets for the year amounts to:	3.8	3.3
Of which rental of premises	3.1	2.9
Of which vehicles	0.7	0.4

NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

	Parent company	
(SEK million)	2022	2021
At the beginning of the year	69.6	126.4
Investments	-	0.3
Mergers	-0.5	-
Disposals	-24.7	-57.1
Total value of acquisitions	**44.4**	**69.6**
Impairments		
At the beginning of the year	-43.8	-43.8
Impairments for the year	-0.2	-
Accumulated impairments	**-44.0**	**-43.8**
Carrying amount at year-end	**0.3**	**25.7**

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

Name, registered office	Town/city	Company registration number	Capital share 31/12/2022	Capital share 31/12/2021	Number of shares 31/12/2022	Number of shares 31/12/2021	Carrying amount in parent company 31/12/2022
Juno Ekonomi AB	Stockholm	556834-0235	-	100%	-	50,000	-
Sdip A AB	Stockholm	559142-5110	100%	100%	500	500	0.1
Sdip Holdings AB	Stockholm	559185-5696	100%	100%	50,000	50,000	0.1
Sdip Stratosfero AB	Stockholm	559131-0866	-	100%	-	50,000	-
Sdip Klimkontrolo AB	Stockholm	559134-9435	-	100%	-	50,000	-
Sdip Monitorado AB, Stockholm	Stockholm	559109-5293	-	100%	-	50,000	-
Sdip Crescent d.o.o.	Zagreb	06502018711	100%	100%	1	1	-
Sicada AB	Stockholm	559100-1762	100%	100%	50,000	50,000	0.2
Total							**0.3**

Specification of the parent company's indirect holdings of shares in Group companies

Name, registered office	Corporate ID number	Group holdings* 31/12/2022	Group holdings* 31/12/2021
Sweden			
Castella Entreprenad AB	556614-4043	100%	100%
Centralbyggarna i Åkersberga AB	556642-7984	100%	100%
Centralmontage i Nyköping AB	556709-3413	100%	100%
Cliff Models AB	556587-9193	100%	100%
Cryptify AB	556896-9090	100%	100%
Eurotech Sire System AB	556342-1071	100%	100%
Frigotech AB	556448-7121	100%	100%
GAP Experten AB	559156-8497	-	100%
Hansa Vibrations- och Omgivningskontroll AB	559076-6092	100%	100%
Hisstransporter ST AB	559152-8913	-	100%
Hydrostandard Mätteknik Nordic AB	559002-9947	100%	100%
KSS Klimat- & Styrsystem Aktiebolag	556522-1255	100%	100%
KSS Klimat & Styrsystem AB Uppsala	556890-3172	100%	100%
KSS Klimat och Styrsystem Syd AB	559298-6656	100%	100%
Medicvent AB	556867-2249	100%	100%
One Stop Europe AB	559332-1341	100%	100%
Polyproject Environment AB	556908-6282	100%	100%
Pure Water Scandinavia AB	556613-8037	100%	100%
Sdip Aguapura AB	559182-0542	100%	100%
Sdip Dinamito AB	559076-0996	100%	100%
Sdip Glacio AB	559074-5963	100%	100%
Sdip Holding 1 AB	559136-4194	100%	100%
Sdip Klimkontrolo AB	559134-9435	100%	100%
Sdip Metro AB	559016-4272	100%	100%
Sdip Modelo AB	559066-5641	100%	100%
Sdip Monto AB	559131-0874	100%	100%
Sdip Multev AB	559169-2214	100%	100%
Sdip Purigado AB	559086-4343	100%	100%
Sdip Sinuso AB	559084-7868	100%	100%
Sdip Stratosfero AB	559131-0866	100%	100%
Sdip Stucco AB	559022-1452	100%	100%
Sdip Telfero AB	556977-3343	-	100%
Stockholmradio AB	559240-7554	-	100%
Storadio AB	556569-9419	100%	100%
Strömsfors 1:3 Norrköping AB	556959-5449	100%	100%
Thors Trading AB	556277-0320	100%	100%
Topas Vatten AB	556400-0247	100%	100%
Topas Vatten Service AB	556819-9920	100%	100%
Torslanda Maskin AB	556871-8737	100%	100%
Torslanda Personaluthyrning AB	556839-3994	100%	100%
Unipower AB	556390-7491	100%	100%
Vera Klippan AB	556198-1746	100%	100%
Norway			
Agder Industri-Automasjon AS	976853970	51%	51%
Rogaland Industri Automasjon AS	920325637	100%	100%
Sdip Atlanta AS	820839412	100%	100%
Finland			
Ficon Oy	3147471-9	100%	100%
Oy Hilltip Ab	3108511-5	100%	100%
United Kingdom			
Alerter Group Ltd	04078512	100%	100%
Auger Site Investigations Ltd	3088958	100%	100%
Elasta Ltd	06314494	100%	100%
G.A.H. (Refrigeration Products) Ltd	04710309	100%	100%
G.A.H. (Refrigeration) Ltd	02778816	100%	100%
IDE Rental Ltd	09188454	100%	100%

IDE Systems Ltd	04973527	100%	100%
IDE Systems (Holdings) Ltd	09197148	100%	100%
Ingelby Ltd	12104532	100%	100%
Sdip Movebla Ltd	11103233	100%	100%
Multitech Site Holdings Ltd	08949049	100%	100%
Multitech Site Services Ltd	3595923	100%	100%
One Stop Europe Ltd	09374556	100%	100%
Optyma Holding Ltd	8055507	100%	100%
Optyma Security Systems Ltd	3151296	100%	100%
Patol Holdings Ltd	14398047	100%	-
Patol Ltd	1341651	100%	-
Linesense Fire Detection Ltd	10155155	100%	-
RedSpeed International Ltd	5152563	100%	100%
RedSpeed UK Ltd	10027452	100%	100%
Resource Data Management Group Ltd	SC472830	100%	-
Resource Data Management Ltd	SC208148	100%	-
Rolec Services Ltd	2294468	100%	100%
Sdip Aliro Ltd	11102789	100%	100%
SdipCharge Ltd	13182326	100%	100%
Sdip Holdings UK Ltd	12631252	100%	100%
Sdip Kimra Ltd	11726181	100%	100%
Sdip RoadSpeed Ltd	11722499	100%	100%
Temperature Electronics Holdings Ltd	13891420	100%	100%
Temperature Electronics Ltd	00968772	100%	100%
TEL UK Ltd	05096645	100%	-
Wake Power Distribution Ltd	11463510	100%	100%
Water Treatment Products Holding Ltd	10485079	100%	100%
Water Treatment Products Ltd	3896797	100%	100%
Netherlands			
CERTUS Technologies Holding B.V.	73261955	100%	100%
CERTUS Port Automation B.V.	58796762	100%	100%
Sdip Orange B.V.	84091398	100%	100%
Croatia			
Dizala Horvat d.o.o.	93851518284	-	100%
Gvir Servis dizala	080531191	-	100%
Larema d.o.o.	30645667250	-	100%
Lift Art d.o.o.	41416226397	-	100%
Marbo-dizala d.o.o.	233341316002	-	100%
Metus doo dizala	24690129373	100%	100%
Zagorje diazala	01768785527	-	100%
ZIG Servis d.o.o.	90806638841	-	100%
Bosnia			
Metus Bosnia	4272175160005	100%	100%
Serbia			
Metus Serbia	21228796	100%	100%
Germany			
Hilltip GmbH	HRB 26891	100%	100%
GAH Europe GmbH	HRB 128370	100%	-
US			
Hilltip Inc	7772738	100%	100%
Resouce Data Management-USA inc	480422400022	100%	-
Italy			
Sdip Italy S.r.l.	12025040960	100%	100%
Agrosistemi S.R.L.	1439280338	100%	-

Amaltea S.A.R.L.S	1718160334	100%	-
Mecno Services Srl	03876500277	100%	-
Israel			
Certus Imaging Technologies Ltd	515940559	100%	100%
Denmark			
ELM Kragelund AS	11477607	100%	-
Taiwan			
Resource Data Management Taiwan CO Ltd	et	100%	-
Malaysia			
Resource Data Management Asia Sdn Bhd	897998-H	100%	-
New Zealand			
RedSpeed NZ Ltd	8423242	100%	-

* Also includes shares that are not held by Sdiptech but that are covered by options that give the minority owner the right to sell and Sdiptech the opportunity to buy at a later stage, whereby non-controlling interests are not recognised according to IFRS.

NOTE 16 FINANCIAL RISKS AND RISK MANAGEMENT

Overview of the Group's financial assets and liabilities

Financial instruments recognised on the asset side in the Group's balance sheet include participations measured at fair value, trade receivables, short-term investments and cash and cash equivalents. Liabilities include loans, contingent considerations, other current liabilities and accounts payable.

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Accounts receivable are recognised when an invoice is sent. Debt is recognised when the counterparty has delivered and there is a contractual obligation to pay, even if the invoice has not yet been received. A financial asset, or part thereof, is derecognised in the balance sheet when the contractual rights to the cash flows expire. A financial liability, or part thereof, is derecognised in the balance sheet when the obligation in the contract is discharged or otherwise expires. A financial asset and a financial liability are offset and recognised with a net amount in the balance sheet only when there is a legal right to offset the amounts and there is an intention to offset the items.

A financial asset or financial liability is initially recognised at cost equal to the fair value of the instrument plus transaction costs for all financial instruments except financial assets and liabilities recognised at fair value through profit or loss, which are recognised at fair value excluding transaction costs.

Transaction costs related to financial assets and liabilities recognised at fair value in the income statement are expensed directly in the income statement. Trade receivables without a significant financing component are valued at the transaction price.

Classification and valuation

Financial instruments are classified in different categories. Financial assets are classified on the basis of the company's business model for managing the financial assets and the characteristics of the contractual cash flows from the financial asset.

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

Financial investments are either financial assets or short-term investments, depending on the purpose of the holding. They are financial assets if the maturity or expected holding period is longer than one year.

Financial assets measured at amortised cost

This category mainly comprises trade receivables, other current receivables and cash and cash equivalents. Assets are recognised at amortised cost less any provision for impairment. Amounts are not discounted when the effect is not material.

This category also includes financial investments and long-term receivables that are managed within a business model that can be described as "held to maturity", which means collecting the contractual cash flows from the financial assets. The contractual cash flows from all receivables within the category of financial assets measured at amortised cost are considered solely to be payments of principal and interest on the outstanding principal amount.

A loss allowance is assessed for financial assets measured at amortised cost. For all these financial assets, with the exception of trade receivables, an assessment of the loss allowance is made on the basis of 12 months of expected credit losses, or on the expected credit losses for the remaining term if the credit risk has increased significantly since initial recognition. The assessment is made at the balance sheet date.

For trade receivables, a simplified method is applied whereby a loss allowance is recognised corresponding to the expected credit losses for the remaining term of the contract. Companies estimate and evaluate credit risk using available information on historical credit events, current circumstances and forecasts of future developments. Impairment losses are recognised on a separate line in the income statement.

Financial assets measured at fair value through other comprehensive income

Sdiptech currently 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, including put options whereby Group companies are obliged to purchase their own equity instruments and then pay proceeds corresponding to the fair value of the equity instrument. The valuation of these belongs to valuation level 3, where the valuation is based on the expected future financial performance of the acquired business as assessed by the corporate executive.

Sdiptech has agreements on currency futures in GBP and EUR in order to balance the currency exposure. The fair value of forward exchange contracts is determined on the basis of the forward exchange rate on the balance sheet date. The derivatives mature within 12 months and are recognised at fair value through the income statement under financial income and expenses in accordance with IAS 39.

Financial liabilities measured at amortised cost

This category includes all financial liabilities other than those measured at fair value through profit or loss. Loans, accounts payable and certain other operating liabilities are included in this category. These are recognised at amortised cost, and any difference between the borrowing amount (net of transaction costs) and the repayment amount is recognised in profit or loss over the period of the loan using the effective interest method. Trade payables have short maturities and are measured at nominal value without discounting.

Risks and uncertainties

Financial risks

The Sdiptech Group is exposed to financial risks of various kinds through its operations. These risks are mainly

- Liquidity risk and financing risk
- Interest rate risk
- Currency risk
- Customer and counterparty risk

Financial policy

Sdiptech's Board of Directors has established the company's financial policy. This policy sets out the company's financial strategy and internal responsibilities. The policy also regulates factors such as how funding, liquidity management and currency risk are managed within the Group, as well as the limitations to be considered regarding counterparties.

Overview of the Group's financial assets and liabilities

Sdiptech has used generally accepted methods to calculate the fair value of the Group's financial instruments as at 31 December 2022 and 2021. The valuation of shares and participations in associated companies is recognised on the basis of estimated fair value. Promissory notes and contingent considerations refer to different types of obligations to the selling party and are linked to conditions based on the performance of the acquired companies over a certain period following the acquisition. The liabilities are recognised at the present value of the expected outflows, and revaluations are recognised in profit or loss. For more information, please see Note 3.

The carrying amount has been assumed to be a good approximation of the amortised cost or all other financial assets and liabilities, such as cash and cash equivalents, trade receivables and trade payables.

	Financial assets valued at accrued acquisition cost		Financial assets measured at fair value through the income statement	
	31/12/2022	**31/12/2021**	**31/12/2022**	**31/12/2021**
Assets in the statement of financial position				
Shares and other securities	5.5	-	-	-
Non-current receivables	3.2	2.5	-	-
Accounts receivable	687.0	498.2	-	-
Other receivables	47.7	66.3	-	-
Cash and cash equivalents	383.2	368.8	-	-
Total	**1,126.7**	**935.9**	**-**	**-**

	Financial liabilities measured at amortised cost		Financial liabilities measured at fair value through profit or loss	
	31/12/2022	**31/12/2021**	**31/12/2022**	**31/12/2021**
Liabilities in the statement of financial position				
Current liabilities to credit institutions	100.7	10.7	-	-
Long-term liabilities to credit institutions	1,932.9	1,158.3	-	-
Accounts payable	257.7	179.1	-	-
Liabilities related to contingent considerations	-	-	1,266.0	1,131.3
Other current liabilities	60.3	128.0	-	-
Total	**2,351.5**	**1,476.1**	**1,266.0**	**1,131.3**

Contingent considerations (SEK million)	**2022**	**2021**
Opening book value	1,131.4	694.8
Liabilities incurred during the year	476.9	435.4
Purchase prices paid	-356.1	-108.9
Revaluation through operating result	-61.6	43.0
Interest costs (discounting effect)	30.0	17.6
Exchange rate differences	45.5	49.5
Closing book value	**1,266.1**	**1,131.4**

Contingent considerations refer to different types of obligations to the selling party that are linked to conditions based on the performance of the acquired companies over a certain period following the acquisition. These liabilities are recognised at the present value of the expected outflows. See Note 3 for valuation techniques for contingent considerations.

At the revaluation for the financial year, the outcome was a positive adjustment attributable partly to an adjustment of the discount rate, but also to the estimated outcome of current contingent considerations during the remaining term. All obligations on the balance sheet date fall due within 1–8 years.

Credit risk in respect of receivables

Credit risks in accounts receivable

Credit risk exposure to customers is continuously assessed within the Group. The credit risk is varied, as the customer base within the Group ranges from private customers to government operations. The Group's exposure to individual customers is small, and risk diversification is deemed to be good. Total accounts receivable on the balance sheet date amounted to SEK 687.0 (498.2) million, corresponding to an increase of 38 per cent, which largely comes from newly acquired units. Provisions for future credit losses amount to SEK 6.3 (7.1) million.

Receivables older than 60 days amount to SEK 50.8 (60.1) million. Provision and utilisation of the provision for doubtful accounts receivable have been recognised in the income statement. Age analysis of trade receivables and provisions for expected credit losses are presented in Note 18.

Trade receivables and other receivables are assessed at each balance sheet date according to estimated credit risk and, if necessary, provisions are made according to assessed credit risk in accordance with IFRS 9. In addition to age analysis, the basis for assessment is made up of credit information, the customer's established payment patterns and other available information affecting credit, such as lost contracts, changes in management functions and other company-specific information. A macroeconomic assessment is also made of the future industry and country-specific outlook for the Group's customers. No loss allowance has been recognised for other receivables as the assessment corresponding to 12 months of expected credit losses is deemed to be immaterial.

Credit risk in treasury management mainly arises from the investment of cash and cash equivalents; no surplus liquidity was available for investment during the financial year, and no credit risk is deemed to exist.

Liquidity risk and financing risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting its obligations associated with financial liabilities, while financing risk is the risk that the financing of the Group's capital requirements is made more difficult or more expensive. Bank financing on the balance sheet date consists of what is known as a revolving credit facility (RCF) of SEK 800 million with Nordea and an agreement on a cash pool for efficient cash management within the Group and its companies. The Group renewed its credit agreements in 2022. These agreements, with two different financial institutions, run for three years with an option to extend. Contracted credit volume currently totals SEK 2,100 million and GBP 36 million, corresponding to around SEK 455 million. The Group's interest-bearing liabilities and maturities are shown in Note 22. The Group's interest-bearing liabilities and maturities are shown in Note 22.

The Group seeks to achieve a reasonable balance between equity, debt financing and liquidity so that the Group secures financing at a reasonable cost of capital. At year-end, interest-bearing liabilities amounted to 44.3 (43.9) per cent. Interest-bearing liabilities also include contingent considerations where the underlying liabilities do not bear interest, but are discounted in the Group and are viewed as a financial liability.

Interest rate risk

Interest rate risk is the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial position and results.

- The company may have invested in interest-bearing assets whose value changes when interest rates change.
- The cost of the company's borrowing changes when interest rates change.

Options to fix the interest rate for all or part of a loan are evaluated at regular intervals. Most of the Group's bank loans were at variable rates at year-end, as in the previous year. These contracts carry variable interest rates at 3–6 month intervals. However, the Group has agreements on what are known as interest rate swaps, corresponding to about 20 per cent of the agreed credit volume, with a 2-year maturity. Sdiptech has no long-term surplus liquidity and does not normally invest funds in anything other than short-term bank deposits. There is therefore no significant interest rate risk in the Group's short-term investments. Changes in interest rates mainly affect the company's borrowing costs, therefore. The Group measures interest rate risk as the change, based on liabilities to credit institutions at year-end, given a 1 per cent increase in interest rates on a full-year basis. According to this calculation, the interest rate risk on the balance sheet date is expected to result in around SEK 15.4 (11.7) million in higher interest expenses.

Currency risk

Currency risk refers to the risk that unfavorable exchange rate changes will affect the group's earnings and equity measured in SEK. Primarily, the group's currency risks are linked to the foreign business units partly through the translation exposure that arises when foreign business unit's assets and liabilities are converted to the parent company's functional currency. As well as having income and expenses in currencies other than the individual company's functional currency (so-called transaction exposure).

The Group's results are most sensitive to changes in GBP/SEK and in EUR/SEK. To balance the currency exposure, Sdiptech has entered into agreements on currency futures in GBP and EUR. At the end of the period, these volumes amounted to approximately SEK 615 million and SEK 340 million, respectively. The derivatives are reported at fair value above the income statement under the item financial income and expenses respectively. A change in the average exchange rate of underlying currencies against Swedish kronor of 10% for all would have an effect of SEK 58.2 M (30.2) on the group's operating profit and SEK 44.8 M (28.1) on the group's profit before tax excluding unrealized currency effects of loans and currency futures.

Currency exposure in operating result (Mkr)	2022	2021
GBP million	39.9	27.1
EUR million	12.7	2.4
NOK million	0.7	0.1
HRK million	0.2	0.4
DKK million	1.5	-

The total currency exposure for the Group is shown in the table below of the Group's gross exposure. The Group's assets and liabilities are shown per underlying accounting currency, of which the Group's central indebtedness is included in the SEK item below. Based on the exposure at the balance sheet date, a strengthening of the krona by 10% against the EUR would affect equity by approximately SEK -26.8m (-3.5). A strengthening of the krona by 10% against GBP would, when recalculating the currency exposure of net investment in foreign business units, affect equity by SEK -55.6m (-29.0).

Gross exposure in foreign currency (SEK million)

	Gross assets		Gross liabilities	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
GBP	4,483.2	3,177.5	3,733.4	2,795.2
EUR	1,797.4	827.1	1,675.6	810.9
SEK	8,879.3	6,896.7	6,286.6	4,850.0
Other currencies	626.8	305.1	569.2	221.0
Total	**15,786.7**	**11,206.4**	**12,264.8**	**8,677,1**

Foreign currency loans and forward exchange contracts (SEK million)

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
GBP	-	-	1,581.5	1,209.8
EUR	-	-	457.6	327.3
Total	**-**	**-**	**2,039.0**	**1,537.1**

In an international Group like Sdiptech, it is important to offer customers and suppliers payment options in their own currency. This means that the Group continuously takes foreign exchange risk with both trade receivables and trade payables in foreign currencies. However, the risk exposure is limited as most of the sales of products and services related to infrastructure take place locally in each country in which Sdiptech's operations are located and operate.

Translation exposure in the statement of financial position

Individual subsidiaries should not normally have any translation exposure on their own balance sheets. This means that a subsidiary's foreign currency assets and liabilities shall be balanced. Moreover, subsidiaries usually borrow in their own currency. In practice, this is only relevant when loans are raised in connection with the acquisition, and in the case of loans between subsidiaries and the parent company. Since a large part of the Group's assets in the form of equity are in foreign Group companies , a form of currency hedging is carried out by allocating the Group's loans partly to foreign currency, which in turn corresponds to a certain part of the loans raised when acquiring foreign Group companies. The translation exposure in the Group's equity may be significant for certain periods with strong exchange rate fluctuations. The largest exposures are in GBP and EUR. The table below shows the breakdown of currency exposure in equity for the most significant currencies.

Currency exposure in equity	31/12/2022	31/12/2021
GBP million	113.5	96.0
EUR million	15.1	10.0
NOK million	30.9	29.8
HRK million	52.9	58.6
DKK MILLION	24.3	-

The impact of the year's translation differences is shown in other comprehensive income.

NOTE 17 INVENTORIES

Accounting policies

Inventories are recognised at the lower of cost and net realisable value where cost is determined by the first-in-first-out (FIFO) principle, or by a weighted average value if it can be assumed to be close to the FIFO value. The cost of finished goods and work in progress consists of commodities, direct labour costs, depreciation, other direct costs and overheads related to the goods, but not interest costs. Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and sale.

Depreciation deductions are also made for finished goods and spare parts that are old, obsolete or have a low turnover rate. Such impairment loss is deducted from the carrying amount of the inventory in the consolidated statement of financial position.

	Group		Parent company	
(SEK million)	2022	2021	2022	2021
Commodities and consumables	427.9	225.5	-	-
Finished products and finished stocks	134.5	98.2	-	-
Total	**562.4**	**323.7**	**-**	**-**

Inventories increased by 74 per cent during the financial year, with units acquired during the year accounting for about 60 per cent of the increase, of which SEK 88 million relates to finished products and finished stocks.

NOTE 18 ACCOUNTS RECEIVABLE

Accounting policies

Trade receivables are initially recognised at fair value and then adjusted to the value expected to be received after an assessment of the provision for expected credit losses based on a forward-looking and objective review of all outstanding amounts at the end of the period. A simplified procedure has been introduced for trade receivables in accordance with IFRS 9, whereby the provisions recognised under other external costs in the consolidated income statement are based on expected credit losses over the remaining life of the receivables. Recovery of amounts previously written off is credited to other external charges in the income statement.

The trade receivables item consists of many smaller amounts as the Group consists of more than 50 operating companies. The Group's trade receivables normally have a remaining life of less than 6 months and are therefore classified as current assets.

	Group		Parent company	
(SEK million)	2022	2021	2022	2021
Accounts receivable not due for payment	415.0	296.7	-	-
Accounts receivable less than 30 days past due	179.0	102.9	-	-
Accounts receivable less than 31–60 days past due	48.4	45.7	-	-
Accounts receivable less than 61–90 days past due	15.7	22.4	-	-
Trade receivables more than 90 days past due	35.1	37.7	-	0.3
Total	**693.2**	**505.4**	**-**	**0.3**
Provisions for doubtful debts				
Opening balance reserve for doubtful debts	-7.1	-2.8	-	-
Provision for doubtful debts through profit or loss	-4.7	-5.0	-	-
Corporate acquisitions	-	-2.1	-	-
Reversed reserves	4.0	2.8	-	-
Recognised losses	1.6	-	-	-
Closing balance reserve for doubtful debts	**-6.2**	**-7.1**	**-**	**-**
Total trade receivables	**687.0**	**498.3**	**-**	**0.3**

The cost of customer losses and doubtful debts recognised in the income statement amounts to SEK 9.0 (5.0) million net.

Collateral for trade receivables is normally not held. The Group's customers consist of a good spread from private players to large companies, municipalities and public authorities, with low credit risk for the Group, which is reflected in the history, and the credit quality of outstanding accounts receivable is deemed to be very good. There are no significant credit concentrations. Provisions for doubtful trade receivables are made individually in accordance with internal regulations and on average when receivables are more than 60 days past due. The provision for doubtful debts and doubtful debt losses is included in Other external costs.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
(SEK million)	2022	2021	2022	2021
Prepaid rent/leasing	8.8	6.8	0.9	0.8
Prepaid insurance	9.3	5.0	0.1	-
Accrued income	114.1	69.6	-	-
Other items	48.3	18.4	1.8	2.5
Total	**180.5**	**99.7**	**2.8**	**3.3**

Other items essentially include prepaid expenses to suppliers.

NOTE 20 SUPPLEMENTARY INFORMATION ON THE CASH FLOW STATEMENT AND CASH AND CASH EQUIVALENTS

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash in banks and available cash.

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

	Group		Parent company	
(SEK million)	**2022**	**2021**	**2022**	**2021**
Cash and bank	383.2	368.8	3.5	6.1
Total	**383.2**	**368.8**	**3.5**	**6.1**

	Group		Parent company	
Interest paid and received (SEK million)	**2022**	**2020**	**2022**	**2020**
Interest received	1.5	0.3	3.1	3.0
Interest paid	-78.6	-30.1	-0.3	-0.3
Total	**-77.1**	**-29.8**	**2.8**	**2.6**

Adjustments to items that are not	Group of asset		Parent company	
included in cash flow (SEK million)	**2022**	**2021**	**2022**	**2021**
Depreciation and write-down of assets	217.1	141.7	0.8	0.5
Unrealised exchange-rate differences	-24.6	-2.4	-	-
Other provisions	1.8	4.4	-	-
Revaluation of contingent considerations	-34.2	59.2	-	-
Other	11.5	11.5	0.3	-
Total	**171.6**	**214.4**	**1.1**	**0.5**

NOTE 21 SHARE CAPITAL AND OTHER PAID-IN CAPITAL

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised in equity as a deduction from the issue proceeds.

Preference shares are classified as equity. Sdiptech has the option of deciding on the redemption of preference shares. Dividends on preference shares require a resolution of the general meeting. Holders of preference shares have no right to call for redemption or claim dividends.

Earnings per share

The calculation of earnings per share is based on the consolidated profit for the year attributable to the parent company's shareholders, and on the weighted average number of shares outstanding during the year. When calculating diluted earnings per share, the average number of shares is adjusted to take into account the effects of dilutive potential ordinary shares, which relate to share-based payment programmes issued to employees during the reported periods. Dilution occurs only when the exercise price is lower than the market price.

Group

A breakdown of changes in equity can be found in the consolidated statement of changes in equity, which follows the consolidated cash flow statement. The shares have a quota value of SEK 0.025 per share. Each class B ordinary share carries one vote, while each class A ordinary share carries 10 votes.

Shares

Sdiptech's shares have been issued in accordance with Swedish law and are registered with Euroclear Sweden AB, "Euroclear", in electronic form. Euroclear also maintains the company's share register. The company's shares are denominated in SEK and are fully paid up.

According to the Articles of Association, the company's share capital must amount to a minimum of SEK 500,000 and a maximum of SEK 2,000,000, divided into a minimum of 20,000,000 and a maximum of 80,000,000 shares. According to the Articles of Association, the company can issue three classes of shares: ordinary shares, class B ordinary shares and preference shares. Of these, there are a total of 2,000,000 class A ordinary shares (ISIN: SE0003756741), 35,801,348 class B ordinary shares (ISIN: SE0003756758) and 1,750,000 preference shares. As of 31 December 2022, the share capital in Sdiptech amounted to SEK 988,784 divided into 39,551,348 shares, each with a quota value of SEK 0.025.

	Group		Parent company	
Number of ordinary shares	**2022**	**2021**	**2022**	**2021**
Opening balance at 1 January	35,363,927	33,641,827	35,363,927	33,641,827
New share issue	2,416,100	1,722,100	2,416,100	1,722,100
Issue in kind	21,321	-	21,321	-
Closing balance at 31 December	37,801,348	35,363,927	37,801,348	35,363,927

	Group		Parent company	
Number of preference shares	**2022**	**2021**	**2022**	**2021**
Opening balance at 1 January	1,750,000	1,750,000	1,750,000	1,750,000
Closing balance at 31 December	1,750,000	1,750,000	1,750,000	1,750,000

Capital management

The business that Sdiptech conducts can be described in simple terms as a technology group that acquires and develops companies within infrastructure. The business has grown continuously over the past decade, and has shown good profitability. The business is organised into the Resource Efficiency and Special Infrastructure Solutions business areas. In recent years, Sdiptech's focus on infrastructure with in-depth market insight and technical expertise, combined with expertise in company development and an ambition for long-term ownership, has enabled the company to grow through favourable acquisitions of several entrepreneur-led and industry-leading companies in these business areas, in addition to organic growth.

In order to strengthen the company's financial preparedness to conduct acquisitions of the nature described above, the company's Board of Directors made a decision on 11 February 2015 to offer institutional investors and the general public in Sweden the opportunity to subscribe for preference shares corresponding to SEK 100 million, with deviation from shareholders' preferential rights. This offer was extended on 19 February 2015 to include 1,750,000 preference shares corresponding to SEK 175 million. The offer was directed to the general public and institutional investors and expired on 20 February 2015. Around 1,800 private individuals and institutional investors were allocated preference shares in Sdiptech within the framework of the offer. Sdiptech received SEK 175 million in total before issue costs.

In February 2016, additional raising of capital was carried out in the form of a directed share issue to key personnel at Sdiptech and shareholders in the related company Serendipity Ixora AB. A total of 1,076,924 class B ordinary shares were issued at a price of SEK 65 per share, whereby the company received SEK 70,000,060 and the share capital increased by SEK 26,923.1.

Sdiptech's class B ordinary share was listed on First North Premier on 12 May 2017, and at the same time a new share issue of SEK 500 million (before costs) was carried out in order to finance future acquisitions.

On 9 June 2020, a directed cash issue of 3,364,182 class B shares took place at a subscription price of SEK 105.00 per share. The Directed New Share Issue provided the company with proceeds of around SEK 353 million before deduction of issue costs.

On 3 March 2021, 222,100 class B shares were subscribed for through a new issue attributable to the exercise of warrants in the first of the three series introduced as a long-term incentive programme for Sdiptech managers and senior executives, and adopted in accordance with the extraordinary general meeting on 5 March 2018 (see also Note 6). This issue provided the company with SEK 13.3 million in equity.

On 9 March 2021, a directed cash issue of 1,500,000 class B shares took place at a subscription price of SEK 315 per share. The Directed New Share Issue provided the company with proceeds of around SEK 473 million before deduction of issue costs.

On 8 March 2022, 216,100 class B shares were subscribed for through a new issue attributable to the exercise of warrants in the second of the three series introduced as a long-term incentive programme for managers and senior executives in Sdiptech and adopted in accordance with the extraordinary general meeting on 5 March 2018 (see further Note 6). This issue provided the company with SEK 14.5 million in equity.

On 5 July 2022, a share issue in kind of 21,321 class B shares took place. This issue took place as part of the purchase price for the acquisition of Resource Data Management Ltd (see Note 3). The value of the shares was calculated at GBP 500,000, which at the time of acquisition corresponded to SEK 6,170,510.61 or SEK 289.41 per share. Payment has been made through the contribution of shares in RDM at an equivalent value.

On 16 November 2022, a directed cash issue of 2,200,000 class B shares took place at a subscription price of SEK 230 per share. The directed share issue took place with deviation from the existing owners' preferential rights following a decision made by the Board of Directors based on the authorisation from the Annual General Meeting on 18 May 2022. The

Directed New Share Issue increases the number of shares in the company to 39,551,348 (divided between 1,750,000 preference shares, 2,000,000 class A shares and 35,801,348 class B shares), and the share capital by SEK 55.00 to SEK 988,783.70. The Directed New Share Issue provides the company with proceeds of around SEK 506 million before deduction of issue costs.

The Directed New Share Issue increases the number of shares in the company to 37,113,927 (divided between 1,750,000 preference shares, 2,000,000 class A shares and 33,363,927 class B shares), and the share capital by SEK 37,500 to SEK 927,848.18. The Directed New Share Issue provides the company with proceeds of around SEK 473 million before deduction of issue costs.

Terms of preference share

In March 2015, 1,750,000 preference shares were issued at an issue price of SEK 100 per share. Dividends amount to SEK 8 per year, divided into quarterly payments. The redemption price is SEK 120 for 0–24 months after issue, SEK 110 for months 25–48, and SEK 105 thereafter. Dividends on preference shares require a resolution of the general meeting. Holders of preference shares have no right to call for redemption or claim dividends.

Dividends

After the balance sheet date, the Board of Directors has submitted the following proposal for the appropriation of profits.

The Annual General Meeting has at its disposal (SEK):

Share premium reserve	2,068,910,662
Merger proceeds	524,825
Retained earnings	201,653,028
Net profit for the year	30,516,618
Total	**2,301,605,133**
The Board of Directors proposes the following appropriation of profits	
Dividend to preference shares*	14,000,000
Profit/loss carried forward**	2,287,605,133
Total	**2,301,605,133**

*Dividends on preference shares are regulated by the Articles of Association. The dividend amounts to SEK 14.0 million annually, divided into SEK 3.5 million per quarter, with payments in March, June, September and December.
**Of which SEK 2,068,910,662 is transferred to the share premium reserve

NOTE 22 INTEREST-BEARING LIABILITIES

Group interest-bearing liabilities

Non-current liabilities (SEK million)	2022	2021
Liabilities to credit institutions	1,931.3	1,156.6
Leasing liabilities	286.4	135.0
Contingent considerations *	1,098.3	789.6
Other liabilities**	1.5	1.7
Total	**3,317.6**	**2,082.9**

Current liabilities (SEK million)	2022	2021
Liabilities to credit institutions	13.0	10.2
Leasing liabilities	87.1	60.8
Contingent considerations *	167.7	341.7
Other liabilities**	0.5	0.5
Total	**268.4**	**413.2**

* Present value of expected payment
** Includes non-interest bearing loans that are classified as interest bearing, as they are by their nature part of the Group's debt financing

Repayment periods, contractual values

As of 31 December 2022 (SEK million)	Less than 1 year	1–2 years	2–5 years	More than 5 years
Liabilities to credit institutions*	13.0	-	1,931.3	-
Leasing liabilities	98.7	67.7	124.1	102.0
Contingent considerations	168.5	257.6	685.5	262.7
Accounts payable	257.7	-	-	-
Other interest-bearing liabilities	0.5	1.5	-	-
Total	**538.5**	**326.8**	**2740.9**	**364.7**

*Group liabilities to credit institutions consist of several contracts with different maturities. An average interest rate on debt to credit institutions is estimated to be 3.1 per cent.

As of 31 December 2021 (SEK million)	Less than 1 year	1–2 years	2–5 years	More than 5 years
Liabilities to credit institutions*	10.2	1,146.4	10.2	-
Financial leasing	62.2	47.8	54.4	32.6
Contingent considerations	348.5	145.2	501.7	158.4
Accounts payable	136.0	-	-	-
Other liabilities	0.5	1.7	-	-
Total	**557.4**	**1,341.1**	**566.4**	**191.1**

*The Group's liabilities to credit institutions essentially consist of the Group's credit facility via Nordea, which at the balance sheet date is divided into SEK, NOK and GBP. An average interest rate on debt to credit institutions is estimated to be 2.1 per cent.

Loan agreements

Sdiptech renewed its credit agreements in 2022. The current credit agreement, with two different financial institutions, runs for three years with an option to extend. Contracted credit volume currently totals SEK 2,100 million and GBP 36 million, corresponding to around SEK 455 million. These contracts carry variable interest rates at 3–6 month intervals. However, the Group has agreements on interest rate swaps, corresponding to about 20 per cent of the agreed credit volume, with a 2-year maturity.

The interest rate for the facilities under the loan agreement is variable and based on IBOR (the IBOR applied is dependent on the currency in which lending takes place under the agreement), plus a variable margin based on the Group's net debt to EBITDA ratio. However, the IBOR can be at least 0, i.e. negative interest rates cannot be passed on.

The loan agreement contains conditions that require certain financial ratios (covenants) to be met. The loan facilities may be cancelled for repayment if the conditions are not met.

The variable interest margin on the loan agreement amounts to 2.0–3.1 per cent, of which the average interest rate for the financial year amounts to 3.1 (2.1) per cent. The loan is recognised under Long-term loans to credit institutions and Current liabilities to credit institutions. It also includes loans to credit institutions raised by the Group's subsidiaries outside the central credit facility. These loans amounted to SEK 58.5 (36.8) million as of 31 December 2022.

The amounts recognised, by currency, for the Group's borrowings are as follows:

	Group	
Borrowing	**2022**	**2021**
GBP	952.4	602.8
SEK	800.0	200.0
EUR	133.5	327.3
Total	**1,885.9**	**1,130.1**

*EUR and GBP have been converted to SEK in the table.

Group change in items in financing activities

	Group		
	Of which affecting cash flow		
(SEK million)	**Bank loans**	**Other liabilities**	**Leases**
Opening balance, 01/01/2021	**706.4**	**4.4**	**185.2**
Cash flow	354.1	-2.2	-57.3
New lease agreements	-	-	72.5
Items not affecting cash flow			
Acquisition	-	-	21.6
Divestment of companies	-	-	-31.0
Exchange differences	106.4	-	4.8
Closing balance, 31/12/2021	**1,166.9**	**2.2**	**195.7**
Cash flow	705.7	-	-65.6
New lease agreements	-	-	27.5
Items not affecting cash flow			
Acquisition	31.8	-	208.8
Exchange differences	40.0	-0.1	7.1
Closing balance, 31/12/2022	**1,944.4**	**2.1**	**373.5**

Parent company's change in cash flow affecting items in financing activities

(SEK million)	**Liabilities Group companies**
Opening balance, 01/01/2021	**35.2**
Cash flow	50.9
Items not affecting cash flow	
Exchange differences	2.4
Closing balance, 31/12/2021	**91.4**
Cash flow	-92.9
Items not affecting cash flow	
Accrued and capitalised interest	3.0
Exchange differences	1.6
Closing balance, 31/12/2022	**3.1**

NOTE 23 ACCRUED EXPENSES AND DEFERRED INCOME

The item reserves in equity in the Group relates entirely to translation differences.

	Group		Parent company	
SEK million	**2022**	**2021**	**2022**	**2021**
Accrued salaries and holiday pay	69.9	70.1	8.0	5.4
Accrued social security charges	13.1	10.7	1.9	0.8
Prepaid income	108.1	52.1	-	-
Accrued pension costs	2.2	2.2	-	-
Accrued interest expense	9.9	1.4	-	-
Short-term guarantees	6.8	-	-	-
Other accrued expenses	46.0	19.6	-0.3	2.1
Total	**256.1**	**156.1**	**9.6**	**8.4**

Other accrued expenses refer mainly to accrued expenses.

NOTE 24 RESERVES

The item reserves in equity in the Group relates entirely to translation differences.

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Provisions

Appropriations are recorded in the balance sheet when the Group has an existing legal or informal obligation as a result of an event occurring and it is likely that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the amount expected to be required to settle the obligation. Provisions for business restructuring are recognised when entities are closed and surplus staff are made redundant, and are recognised when there is a plan for restructuring that has either started or been publicly announced after calculating the costs. No provisions are made for future operating losses.

Contingent liabilities

A contingent liability is reported when there is a possible commitment that stems from events that have occurred and its existence is confirmed only by one or more uncertain future events or when there is a commitment that is not recognised as a liability or provision, because it is not likely that an outflow of resources will be required or a sufficiently reliable estimate cannot be made.

	Group	
(SEK million)	**2022**	**2021**
Corporate mortgages	37.7	37.7
Other contingent liabilities	0.1	4.4
Total	**37.8**	**42.1**

Pledged assets refers mainly to collateral linked to the Group's central credit facility. There are no pledged assets or contingent liabilities in the parent company.

NOTE 26 TRANSACTIONS WITH RELATED PARTIES

Intra-Group purchases and sales have occurred only to a limited extent. Investments with and borrowings from Group companies have been made on market terms.

There are transactions with related parties of the respective subsidiaries within the Group, mainly concerning the renting of premises. All contracts have been concluded under normal commercial conditions.

There are no other transactions with related parties within the Group.

Transactions with key senior executives

No transactions with related natural persons have taken place, apart from what is stated in Note 6 Remuneration to the Board of Directors and senior executives.

NOTE 27 RECEIVABLES FROM GROUP COMPANIES AND OTHER NON-CURRENT RECEIVABLES

Receivables from Group companies

	Parent company	
Parent company (SEK million)	**2022**	**2021**
Opening acquisition cost	1,682.8	1,352.7
Additional intra-Group loan receivables	629.1	966.0
Repayments	-528.5	-348.7
Reclassification from current to non-current	231.0	-327.9
Accrued and capitalised interest	3.0	2.9
Revaluation of foreign currency receivables	44.3	37.9
Closing acquisition cost	**2,061.7**	**1,682.8**

No credit loss reserve has been recognised for consolidated receivables, as future credit losses have been deemed immaterial for the parent company.

NOTE 28 INFORMATION ABOUT THE PARENT COMPANY

Information about the parent company, Sdiptech AB (publ.), corporate identity number 556672-4893, is the parent company of the Group. The company has its registered office in Stockholm in the County of Stockholm, and is a limited liability company under Swedish law.

Address of head office:
Sdiptech AB (publ.)
Nybrogatan 39
SE-114 39 Stockholm
Sweden

NOTE 29 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Acquisitions

On March 31, 2023, Sdiptech acquired 81.6 per cent of the shares in HeatWork AS, which is a leading manufacturer of mobile water-borneheating solutions. Heatwork has an annual turnover of NOK 120 million with good profitability. HeatWork is Sdiptech's second business unit in Norway and will be part of the business area Resource Efficiency as of March 2023.

Signatures

The Board of Directors and Chief Executive Officer certify that the annual accounts have been prepared in accordance with generally accepted accounting policies in Sweden, and that the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and the consolidated accounts provide a true and fair view of the position and earnings of the parent company and the Group. Nothing of material importance has been omitted that would 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 view of the development of the operations, financial position and earnings of the parent company and the Group and describes significant risks and uncertainties to which the parent company and Group companies are exposed.

As stated above, the annual accounts and consolidated accounts were approved for issue by the Board of Directors and the Chief Executive Officer on 13 April 2023. The consolidated statements of income and other comprehensive income and the statement of financial position and the parent company's income statement and balance sheet will be subject to approval by the Annual General Meeting on 22 May 2023.

STOCKHOLM, 13 APRIL 2023

Jakob Holm
Chief Executive Officer

Jan Samuelson
Chairman

Johnny Alvarsson
Board member

Urban Doverholt
Board member

Birgitta Henriksson
Board member

Eola Änggård Runsten
Board member

Our audit report was submitted on 17 April 2023

Öhrlings PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant
Principal Accountant

Andreas Skogh
Authorised Public Accountant
Co-signatory

Audit report

Unofficial translation
To the general meeting of the shareholders of Sdiptech AB, corporate identity number 556672-4893

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Sdiptech AB for the year 2022 except for the corporate governance statement on pages 72-76. The annual accounts and consolidated accounts of the company are included on pages 64-129 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 parent company and the group as of 31 December 2022 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 2022 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.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Sdiptech 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. Sweden and the United Kingdom are Sdiptech's main markets but the company also has operations in Finland, Norway, Denmark, the Netherlands, Croatia and Italy. The Group's operations have during 2022 been organized into two Business Areas – Resource Efficiency and Special Infrastructure Solutions, which in total consist of some 46 operating units and make up the Group's segments.

In order to tailor our overall audit approach, we have updated our understanding of how the Group's business is organized, about important systems and processes as well as the internal controls put in place to provide comfort to management and the directors with respect to precision of the financial reporting. For this purpose, we have held interviews with management at various levels of the Group, including management on Group level and obtained and read governing documents, reports, risk and control matrices and other relevant documentation.

With all of this as a starting point and for the purpose of expressing an opinion on the consolidated accounts, we decided that approximately 20 operating units were the most important and should be in scope for the Group audit. Most subsidiaries of the Group are also subject to statutory audit requirements. Our audit is carried out continuously during the year. In 2022, with respect to the closings for the third quarter and year-end, we reported our observations to Group management and the Audit Committee. At year-end, we also reported our main observations to the entire Board of Directors. For the third quarter 2022, we issued a limited review report.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not

Key audit matters

Measurement of goodwill and intangible assets with an indefinite life including acquired intangible assets

The majority of Sdiptech's intangible assets have been acquired externally, mostly through acquiring businesses and represent significant amounts. Assets with indefinite useful life such as goodwill are not subject to yearly depreciation. Instead, an annual test will show whether the carrying amount for the cash generating unit can still be supported. Sdiptech has acquired several businesses containing intangible assets during 2022. There are a number of instances where management's judgment is decisive for the accounting treatment in connection with acquiring businesses. Management's estimates of the intangible assets' potential to generate future cash flows and other assumptions are also decisive when preparing the annual impairment tests.

How our audit addressed the Key audit matter

Our audit included but was not limited to the following activities:

– Assessed the model used by the Group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance and the Group's forecasts and strategic planning as well as with external data sources when possible and relevant.

– Evaluated whether the purchase price allocations of the significant acquisitions made during the year meet the requirements of IFRS and have been prepared according to generally accepted practices. Assessed that significant assumptions used to measure values of acquired assets are reasonable.
– Traced disclosure information to accounting records and other supporting documentation

Note 11 contains additional information on the Group's intangible assets and the signifi-cant assumptions applied in the annual im-pairment tests. In note 3 there is additional information about business combinations, accounting principles and acquired intangible assets

Measurement of earn-out liabilities

With respect to acquisitions made by Sdiptech, there is usually an arrangement where part of the purchase price is linked to the acquired company's financial performance over a fixed period after the acquisition. Earn-out liabilities are reported as financial liabilities at fair value at the time of acquisi-tion and constitute significant amounts. The liability is revalued at each reporting date and the change is reported in profit for the year. Measurement of earn-out liabilities is based on calculations and assumptions that are associated with inherent complexity.

In notes 2, 3 and 22 there are disclosures linked to earn-out liabilities and underlying valuation methodology

Our audit included but was not limited to the following activities:

– Assessed the Group's valuation model of earn-out liabilities including key assumptions used when cal-culating fair value.
– Assessed management's judgements with respect to significant earn-out liabilities considering for in-stance updated forecasts.
– Traced disclosure information to accounting rec-ords and other supporting documentation
– Tested the note disclosures provided against accounting records and other accounting information.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-27, and the sustainability report on pages 28-63 and 134-140. 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 Director's 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Sdiptech AB for the year 2022 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 Director's 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.

provide a separate opinion on these matters.

Responsibilities of the Board of Director's 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' 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: **www.revisorsinspektionen.se/revisornsansvar.** This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sdiptech AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sdiptech AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 72-76 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 RevR 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 Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed as Sdiptech AB (publ)'s auditor by the general meeting on 18 May 2022 and has been the company's auditor since 18 May 2020.

Stockholm, 17 April 2023

Öhrlings PricewaterhouseCoopers AB

Anna Rosendal
Authorized public accountant
Auditor in charge

Andreas Skogh
Authorized public accountant
Co-signing auditor

GRI Index

The information presented in the report covers the most extensive and significant parts of the business. The materiality analysis carried out, which is described on page 39, has been the basis for the selection of GRI disclosures, where each material issue has been matched against at least one GRI disclosure. Exceptions or deviations from the GRI Standards appear in the reporting of the respective GRI disclosures. The report is not subject to external verification.

As a signatory to the UN Global Compact's ten principles in human rights, working conditions, environment and corruption, the sustainability report constitutes Sdiptech's report on improvements (Communication on Progress).

Indication of use - Sdiptech has reported in accordance with GRI Standards for the period January 1, 2022 to December 31, 2022
GRI 1 used - GRI1: Basis 2021
Applicable GRI Sector Standard(s) - Not currently available

GRI Standard		GRI reference	PAGE	COMMENT/DISCLOSURE
General information				
GRI 2: General information 2021	2-1	Organisational details	4	
	2-2	Entities included in the organisation's sustainability report	19-23	
	2-3	Reporting period, frequency and contact point	63, 136	
	2-4	Restatements of information	62	No significant changes have been made
	2-5	External assurance	6, 16-25, 44-51, 54	
	2-6	Activities, value chain and other business relationships	139-140	
	2-7	Employees	139-140	
	2-8	Workers who are not employees	72-73	
	2-9	Governance structure and composition	72-73	
	2-10	Nomination and selection of the highest governance body	73	
	2-11	Chair of the highest governance body	73	
	2-12	Role of the highest governance body in overseeing the management of impacts	73, 133-134	
	2-13	Delegation of responsibility for managing impacts	36	
	2-14	Role of the highest governance body in sustainability reporting	36	
	2-15	Conflicts of interest	70, 126, 129	Handled within the framework of work regulations and instructions. Sdiptech has had none conflicts of interest in 2022. Read more about related party transactions on pp. 70, 126 and 129.
	2-16	Communication of critical concerns	74-76	The board's description of internal control for the financial year can be found in the corporate governance report.
	2-17	Collective knowledge of the highest governance body	78	
	2-18	Evaluation of the performance of the highest governance body	72-76	
	2-19	Remuneration policies	67	
	2-20	Process to determine remuneration	73-74	
	2-21	Annual total compensation ratio	102	
	2-22	Statement on sustainable development	14-15	
	2-23	Policy commitments	54, 75	
	2-24	Embedding policy commitments	54, 75	
	2-25	Processes to remediate negative impacts	34, 41	
	2-26	Mechanisms for seeking advice and raising concerns	39	
	2-27	Compliance with laws and regulations	54, 134	
	2-28	Membership associations	36, 53	
	2-29	Approach to stakeholder engagement	39	
	2-30	Collective bargaining agreements	54	
Material Topics				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	37-39	
	3-2	List of material topics	39	

GRI Standard		GRI reference	PAGE	COMMENT/DISCLOSURE
Economic performance				
GRI 3: Material Topics	3-3	Management of material topics	36-39	
GRI 201: Company finances	201-1	Direct economic value generated and distributed	43	
	201-2	Financial implications and other risks and opportunities due to climate change	56-59	
Anti-corruption				
GRI 3: Material Topics	3-3	Management of material topics	36-39, 54	
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	54	
Energy				
GRI 3: Material Topics	3-3	Management of material topics	21, 36-39	
GRI 302: Energy	302-1	Energy consumption within the organisation	40-42	
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GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	42	
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Waste				
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GRI 306: Waste	306-1	Waste generation and significant waste-related impacts	43, 140	
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GRI 401: Employment	401-1	New employee hires and employee turnover	52, 139	
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GRI 403: Occupational health and safety	403-1	Occupational health and safety management system	35, 36, 52	
	403-2	Hazard identification, risk assessment, and incident investigation	35, 36, 52	
	403-3	Occupational health services	35, 36, 52	
	403-4	Worker participation, consultation, and communication on occupational health and safety	35, 36, 52	
	403-5	Worker training on occupational health and safety	35, 36, 52	
	403-6	Promotion on worker health	35, 36, 52	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	35, 36, 52	
Diversity and equal Opportunity				
GRI 3: Material Topics	3-3	Management of material topics	35-39, 52-53, 75	
GRI 405: Diversity and equal Opportunity	405-1	Diversity of governance bodies and employees	53, 139	
Non-discrimination				
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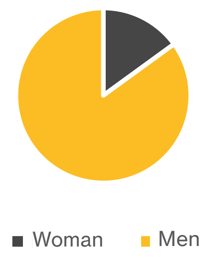
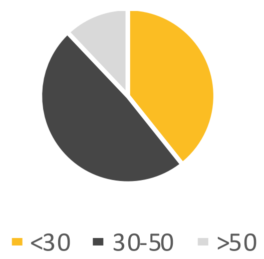
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	53	

GRI Appendix

GRI 401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

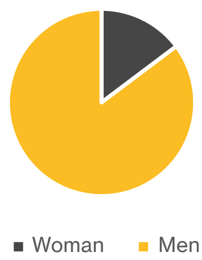
	Number	%
Total	**481**	**100**
Women	71	15%
Men	410	85%
Total	**481**	**100**
<30	189	39%
30-50	234	49%
>50	58	12%
Total	**481**	**100**
Sweden	83	17%
UK	225	47%
Norway	3	1%
Netherlands	7	1%
Italy	17	4%
Finland	24	5%
Denmark	21	4%
Croatia	101	21%

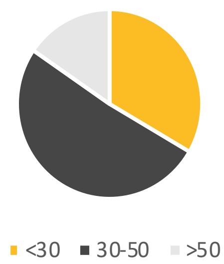




GRI 401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	Number	%
Total	**434**	**100**
Woman	64	15%
Men	370	85%
Total	**481**	**100**
<30	145	30%
30-50	222	46%
>50	67	14%
Total	**434**	**100**
Sweden	54	12%
UK	236	54%
Norway	3	1%
Netherlands	6	1%
Italy	7	2%
Finland	13	3%
Denmark	16	4%
Croatia	99	23%





GRI 405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

Gender equality, diversity and inclusion	2022	2021	2020
Total staff	**2,127**	**1,673**	**1,499**
of whom women	369	282	200
% women	17%	17%	13%
% women on Sdiptech Board of Directors	40%	40%	33%
% women in Group executive	17%	0%	0%
% women in senior positions across the Group	30%	24%	31%
% companies with gender-balanced executive teams	38%	32%	30%

Age of Sdiptech Board	2022	2021	2020
<30	0%	0%	0%
30-50	0%	0%	0%
>50	100%	100%	100%

Age of Group executive	2022	2021	2020
<30	0%	0%	0%
30-50	67%	67%	80%
>50	33%	33%	20%

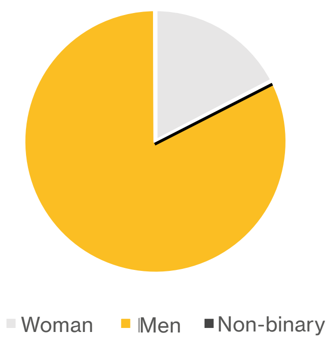
	Woman	Men	Non-binary
CEO (incl. business units) & boards	10%	90%	0%
Production	8%	92%	0%
Sale	20%	80%	0%
Administration	46%	54%	0%
Other	10%	90%	0%

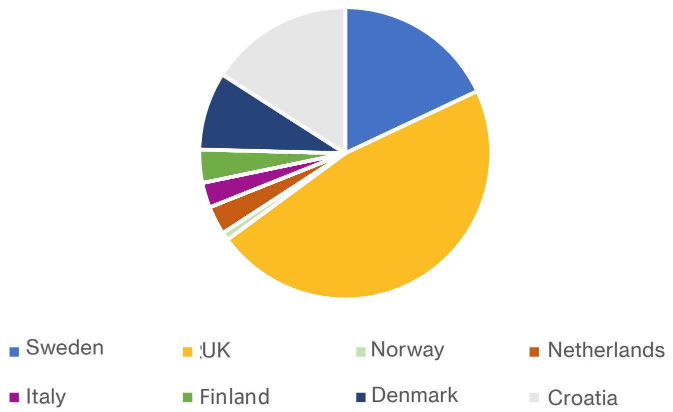
	2022	2021	2020
CEO (incl. busines units) & boards	79	55	49
Production	909	713	1,001
Sale	133	111	75
Administration	457	210	249
Other	549	584	125
Total staff	**2 127**	**1 673**	**1 499**

GRI 2-7 EMPLOYEES

Total staff	2,127	100%
Woman	369	17%
Men	1,757	83%
Non-binary	1	0%

Total personal	2,127	100%
Sweden	383	18%
UK	998	47%
Norway	19	1%
Netherlands	67	3%
Italy	59	3%
Finland	78	4%
Denmark	184	9%
Croatia	339	16%





Total staff	2,127	100%
Of whom permanent employees	**2,067**	**97%**
Women	360	17%
Men	1,706	83%
Non-binary	1	0%
Of whom employed on a temporary basis	**60**	**3%**
Women	9	15%
Men	51	85%
Non-binary	0	0%

Total staff	2,127	100%
Of whom full-time employees	**2,036**	**96%**
Women	320	16%
Men	1,715	84%
Non-binary	1	0%
Of whom part-time employees	**91**	**4%**
Women	49	54%
Men	42	46%
Non-binary	0	0%

GRI 306-3 WASTE GENERATED

Total (tons)	1,590	100%
Recycled material	754	47%
Combustible waste	482	30%
Landfill	255	16%
Hazardous waste	99	6%

GRI 303-1 WATER CONSUMPTION

Total m³	26,928

SDIPTECH

Nybrogatan 39
SE-114 39 Stockholm
www.sdiptech.com