YEAR-END REPORT

2019

JANUARY – DECEMBER

Sdiptech AB (publ) | Year-end Report January – December 2019 | Corp. id. no. 556672-4893

SELECTED FINANCIAL INFORMATION

Period 1)	Net sales	EBITA*	Earnings for the period	Earnings 2) per ordinary share
Oct - Dec 2019	**SEK 513.0 m** (419.2)	**SEK 83.7 m** (56.5)	**SEK 55.3 m** (25.5)	**SEK 1.65** (0.65)
Jan - Dec 2019	**SEK 1,825.4 m** (1,496.2)	**SEK 262.2 m** (177.2)	**SEK 165.2 m** (96.7)	**SEK 4.87** (2.59)

1) all numbers excl discontinued operations

2) after deduction of dividends to preference shareholders

FOURTH QUARTER 2019

- Operating profit EBITA* increased by 48% to SEK 83.7 m (56.5), corresponding to an EBITA* margin of 16.3% (13.5). The organic profit growth for the Group overall was +23%, of which +2% related to exchange rate differences.
- Net sales increased by 22% to SEK 513.0 m (419.2). For the Group overall, the organic growth was +3.3%, of which +1.6% related to exchange rate differences.
- Profit after acquisition costs before financial items (EBIT) increased by 89% and amounted to SEK 79.5 m (42.0).
- Earnings before tax increased by 105% and amounted to SEK 71.7 m (35.0).
- Earnings after tax for the Group amounted to SEK 55.3 m (25.5), of which SEK 53.5 m (23.3) was attributable to the Parent Company's shareholders.
- Cash flow from current operations amounted to SEK 104.0 m (58.4), corresponding to a cash conversion of 128% (112).
- Earnings per ordinary share, less minority interests and dividends on preference shares, was SEK 1.65 (0.65).

JANUARY - DECEMBER 2019

- Operating profit EBITA* increased by 48% to SEK 262.2 m (177.2), corresponding to an EBITA* margin of 14.4% (11.8). The organic profit growth for the Group overall was +9%, of which +1% related to exchange rate differences.
- Net sales increased by 22% to SEK 1,825.4 m (1,496.2). For the Group overall, the organic growth was +0.4%, of which +0.9% related to exchange rate differences.
- Profit after acquisition costs before financial items (EBIT) increased by 55% and was SEK 221.9 m (143.3).
- Earnings before tax increased by 65% to SEK 209.0 m (126.8).
- Earnings after tax for the Group, excluding discontinued operations, totalled SEK 165.2 m (96.7), of which SEK 161.4 m (92.5) was attributable to the Parent Company's shareholders.
- Cash flow from current operations amounted to SEK 312.7 m (88.6), corresponding to a cash conversion of 115% (56).
- During the period, Sdiptech AB completed four acquisitions: RedSpeed International Ltd, Water Treatment Products Ltd, Cryptify AB and Auger Site Investigations Ltd.
- Earnings per ordinary share, including discontinued operations, less minority interests and dividends on preference shares, amounted to SEK 4.87 (3.69), of which SEK 0 (1.10) was attributable to discontinued operations.

KEY RATIOS (for definitions, please refer to page 22)	3 months		12 months	
SEK million	**Oct-Dec 2019**	**Oct-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
EBITA* margin	16.3%	13.5%	14.4%	11.8%
Net debt/EBITDA, multiple	3.11	3.02	3.11	3.02
Net bank debt/EBITDA, multiple	1.21	0.59	1.21	0.59
Return on capital employed	12.6%	10.9%	12.6%	10.9%
Return on equity	15.1%	8.9%	15.1%	8.8%
Cash flow generation	128.3%	111.5%	114.7%	55.9%

) EBITA is the Group's operating profit and corresponds to EBITA before acquisition costs and before income from remeasurements of contingent consideration payments.

NB: The comparative figures for the previous year's periods are excluding the discontinued Support operations, unless otherwise stated.

COMMENTS BY THE CEO

CONTINUED PROFIT GROWTH IN LINE WITH CHALLENGING GOALS

Sdiptech's overriding goal is to increase the Group's profit through organic growth and acquisitions. During 2019, EBITA* profit increased with 48 percent, of which 8 percent were organic, 39 percent from acquisitions and 1 percent from currency effects. Meanwhile, the EBITA* margin in 2019 increased by 2.6 percentage points to 14.4 (11.8) percent. Cash flow generation during the year was a good 115 (56) percent and earnings per share increased by 88 percent to SEK 4.87 (2.59).

Several important ambitions were reached 2019
One of Sdiptech's financial goals is an average organic growth of 5-10 percent, we achieved 8 percent. We met our acquisition target of SEK 90 m. We exceeded our target of a cash flow generation of 100 percent per year. Finally, the operating margin was gradually strengthened during the year. Although a strong operating margin is not a financial goal in itself for Sdiptech, we are convinced that a good margin is a sign of strong market positions and scalable business models. The good margin improvement in 2019 is a result of profitable companies showing solid growth, combined with good profitability in acquired companies and implemented measures in our elevator operations.

FOURTH QUARTER – Continued good market situation and elevator operations at the highest annual levels since 2016
The market situation was good in our three business areas with strong demand generally and good organic profit growth.

Special Infrastructure Solutions increased its net sales organically by 6 percent and EBITA* increased organically by a strong 20 percent, thanks to growth in product companies with scalable business models.

Water & Energy performed well and managed to repeat the strong close to 2018. Net sales developed by -1 percent while EBITA* developed organically by 4 percent after growth in the most profitable companies.

In Property Technical Services, the business unit's net sales increased by 5 percent organically, while EBITA* showed an increase of 72 percent. The strong improvement in earnings was related to our elevator operations where in 2019 we were able to reap the positive effects from the completed profitability programme. In 2019, the profits in absolute terms were considerably higher in our elevator operations than they were before Sdiptech was listed in 2017. This is an important milestone for us and a confirmation of the inherent competence and strength in our organisation.

ACQUISITIONS – Four new quality companies in line with goals and strategy
We acquired four well-managed companies during the year equivalent to a total of SEK 93 m in additional EBITA. The companies all have a clear connection to the UN's Sustainable Development Goals and in different ways contribute to more sustainable, efficient and safer societies.

OUTLOOK – The business model is working well and continued strong demand
The strong trend during 2019 is a confirmation that our business model is working well and that it is generating strong value growth. By acquiring and developing companies that offer solutions to critical needs within the infrastructure sector, we can also take an active role in the shift towards more sustainable, efficient and safer societies. With our focus on infrastructure, we are building detailed market insights and technical knowledge that creates added value for our subsidiaries and we can proudly state that we are continuing to attract owners of quality companies within infrastructure.

Our debt is calibrated against annual acquired growth of SEK 90 m EBITA and after a quieter acquisition period during the autumn, we can continue to work untiringly with unchanged growth targets during 2020. The long-term demand in our segments is solid as the investment needs are significant. Much of the current infrastructure is neglected, while society's consumption of energy, water and transports is continuing to rise. Demand in our business areas is overall good and we are not seeing any strong indications of an economic slowdown.

We have met our own ambitious expectations for both 2019 and the fourth quarter and we are continuing to work with unchanged goals. By way of conclusion, I want to express a big thank you to all our dedicated employees for your commitment and strong efforts. I also want to welcome the 1,100 new shareholders who joined Sdiptech during the year.

Jakob Holm
CEO, Sdiptech AB (publ.)

OVERVIEW OF OPERATIONS

GROUP

As of January 2019, the operations are reported according to new business areas, better adapted to the markets in which the Group's business units operate: Water & Energy, Special Infrastructure Solutions and Property Technical Services.

Disposal of the Support operations
On 31 May, the Support operations were divested and are therefore reported on a separate line, Discontinued operations. The Support operations were previously included in the segment Central units.

Group EBITA* (SEK m)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Water & Energy	39.0	29.4	122.8	64.2
Special Infrastructure Solutions	38.6	24.2	105.9	70.6
Property Technical Services	16.0	9.3	60.5	61.7
Business areas	**93.7**	**62.9**	**289.2**	**196.4**
Central units	-10.0	-6.4	-27.0	-19.2
Total, remaining operations	**83.7**	**56.5**	**262.2**	**177.2**
Discontinued operations	-	-	-	69.5
Total	**83.7**	**56.5**	**262.2**	**246.7**

EBITA*

* consists of EBITA before acquisition costs, and before remeasurements of contingent consideration payments.

The purpose of EBITA* is to clarify the development in the Group's operating profit. Due to the irregular nature of when acquisition expenses arise and are booked, EBITA* shows more clearly the underlying operational development of the business. Remeasurement of liabilities for contingent consideration payments is also excluded to clarify the earnings trend in the operations. See the tables to the right for the historical outcome.

Acquisition costs related to a specific acquisition are recorded in full at the time of completion of the acquisition. Accordingly, transaction costs arise as acquisitions are completed, and not as costs are incurred.

During 2019, Sdiptech has built its own acquisition team, which will replace the external team that has been gradually phased out. This phase-out has now been completed, which means that our external acquisition costs will be significantly lower going forward. Although, it will to some extent be replaced by internal employee expenses which are included in head office costs.

Adjustment items for EBITA*
The costs and revenues that are excluded when calculating EBITA* have historically amounted to the amounts to the right.

The remeasurement of liabilities relating to contingent consideration payments may entail corresponding revenues if liabilities have been written-down, or an expense if the liabilities have been written-up.

Effects on EBITA*, compared with EBITA, are distributed as follows:

Acquisition cost	Q1	Q2	Q3	Q4	Total
2019	18.8	2.0	10.8	0.3	**31.9**
2018	11.9	4.4	2.1	2.7	**21.1**
2017	1.4	-	0.3	10.2	**11.9**

Adjustment of liability for earnouts	Q1	Q2	Q3	Q4	Total
2019	-	51.0	-	9.3	**60.3**
2018	-	-	14.7	19.2	**33.9**
2017	-	-	-	78.0	**78.0**

EBITA* to EBIT bridge	Jan-Dec 2019	Full year 2018
EBITA*	**262.2**	**177.2**
Adjustment of liability for earnouts	60.3	33.9
Acquisition costs	-31.9	-21.1
EBITA	**290.7**	**189.9**
Depreciation and amortisation of intangible non-current assets	-68.8	-46.6
EBIT	**221.9**	**143.3**

BUSINESS AREAS

For many reasons, infrastructure is in focus around the world. Examples of areas we have identified as particularly important for societal development, and that therefore are showing good demand, are water, energy, air and climate control, transportation and security, and we have focused our acquisition strategy on these areas for a long time. As of January 2019, three new business areas have been established: Water & Energy, Special Infrastructure Solutions and Property Technical Services. For information regarding what companies are included in each business area, see Companies per business area, page 21. When the business areas were new for 2019, it was also guided by what profit margins these areas were expected to have during 2019. These guidelines have now been adjusted slightly after new acquisitions were made during the year, which are described below for each business area.

WATER & ENERGY

The companies within Water & Energy provide niche products and services focused on the water and energy infrastructure segments. The companies address specialised needs in water and water purification, as well as electricity supply and electrical automation. The principal geographic markets today are Sweden and the UK.

Growth opportunities for the business area are expected to be strong. The water segment is characterised by neglected investment and growing water scarcity, combined with increasing needs for water treatment and consumption in our geographic markets. In the energy segment, there are good growth opportunities as a direct consequence of the power shortage impeding regional development in parts of Europe, as well as an effect of pervasive trends in digitisation, automation and electrification in society.

The goal of the business area is to achieve long-term growth of both sub-segments by continued organic growth as well as acquisitions in our focus markets in Western Europe. The EBITA* margin for the business area is expected to amount to about 17–20 percent for the full year 2020, an increase compared to the 2019 guidance due to acquired units. The spread in margins is mainly due to the normal variations in orders received by the included companies during the year.

SUB-SEGMENTS:
- Water & Sanitation
- Power & Energy

EXAMPLE AREAS OF APPLICATION
- Installations and components for water treatment in industry and municipalities
- Installation and service of smaller water and sewage treatment plants
- Production of ultra-pure water
- Advanced electrical cabinets and customised electric automation
- Monitoring of electricity quality
- Temporary infrastructure such as temporary electricity, water, fire protection and lighting

Comment:
The business area's sales increased by 25 percent in the fourth quarter to SEK 170.7 m (136.3) compared to the previous year. In comparable units, sales decreased by 1 percent, which is in line with the previously communicated expectations about high comparative figures year-on-year, while EBITA* increased by 3.9 percent in these units.
Including acquisitions EBITA* for the fourth quarter increased by 33 percent to SEK 39.0 m (29.4). The EBITA* margin increased during the first quarter to 22.8 percent (21.6). Despite high comparative figures year-on-year, the EBITA* margin strengthened in the fourth quarter. The stronger margins came partly from strong demand in comparable units with scalable business models and high profitability, and partly from acquired units with higher profit margins than the average. In particular, the companies with products for monitoring of electricity quality and control of water treatment, as well as the companies with projects deliveries within temporary infrastructure, showed a good organic development compared to the previous year.

Water & Energy (SEK m)	**Oct-Dec 2019**	**Oct-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
Net sales	170.7	136.3	641.4	427.9
EBITA*	39.0	29.4	122.8	64.2
EBITA* margin %	22.8%	21.6%	19.1%	15.0%

SPECIAL INFRASTRUCTURE SOLUTIONS

The companies within Special Infrastructure Solutions provide niched products and services for specialised needs in air and climate control, security and surveillance and transport systems. The principal geographic markets are Sweden, Northern Europe and the UK.

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

The goal of the business area is to achieve long-term growth in the sub-segments by continued organic growth as well as continued acquisitions in our focus markets in Western Europe. The EBITA* margin for the business area is expected to amount to about 20–22 percent for the full year 2020, an increase compared to 2019 guidance due to acquired units.

SUB-SEGMENTS:
- Air & Climate control
- Safety & Security
- Transportation

EXAMPLE AREAS OF APPLICATION
- Monitoring of indoor climate, ventilation and energy efficiency
- Systems for the evacuation of toxic gases
- Installation and service of cooling systems
- Integrated security systems for public and private environments
- Cameras for traffic control and security
- Solutions for secure mobile telecommunications
- Claims management of underground infrastructure
- High-frequency radio communication services for aircraft operators

Comment:
The business area's sales increased by 49 percent in the fourth quarter to SEK 152.4 m (102.5) compared to the previous year. In comparable units, sales increased by 6 percent primarily due to continued strong growth within Safety & Security followed by Transportation.

EBITA* for the fourth quarter increased by 60 percent to SEK 38.6 m (24.2). The EBITA* margin increased during the fourth quarter to 25.3 percent (23.6). The stronger earnings and margins came partly from strong demand in comparable units with scalable business models and high profitability in Air & Climate control, and partly from acquired units with higher profit margins than the average.

Special Infrastructure Solutions (SEK m)	**Oct-Dec 2019**	**Oct-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
Net sales	152.4	102.5	479.4	319.6
EBITA*	38.6	24.2	105.9	70.6
EBITA* margin %	25.3%	23.6%	22.1%	22.1%

PROPERTY TECHNICAL SERVICES

The companies within Property Technical Services offer specialised technical services for property owners. Customers are spread across several segments, including public functions (schools, hospitals, etc.), commercial properties (offices, warehouses, etc.), as well as housing (municipal and private). Assignments are performed throughout the lifecycle of a property, including service, renovation, modernisation and new construction. The principal geographic markets today are Stockholm and major cities in Germany, the Benelux countries and Austria. The business models are generally project-based and include associated aftermarket services and framework agreements.

The long-term underlying demand for our services is considered favourable. In the metropolitan areas in which populations and economies are being concentrated, there is a long-term need for renovation, modernisation and new construction. Although variations in demand in individual markets can affect demand in specific sub segments, these fluctuations are simultaneously stabilised by the fact that customers are spread among several customer segments and geographies and because the offering includes all stages in the lifecycle of a property.

The business area's objective is primarily to develop the existing companies in order to further strengthen our market positions in each market segment. The EBITA* margin for the business area in 2020 is expected to be the same as for the full year 2019, i.e. around 8-10 percent.

SUB-SEGMENTS:
- Elevators
- Other Property Technical Services

EXAMPLE AREAS OF APPLICATION
- Renovation, modernisation and service of lifts
- Manufacturing of special lifts and resource supply to global elevator manufacturers
- Renovation of roofs and installation of roof safety
- Contracts for shell competition and plaster interior walls

Comment:
The business area's sales increased by 5 percent in the fourth quarter to SEK 190.0 m (180.5). EBITA* for the fourth quarter increased by 72 percent to SEK 16.0 m (9.3). EBITA* margin for the quarter was 8.4 percent (5.2). Organically, sales increased by 5 percent and EBITA* by 72 percent. This was a result of the completed action programme within the elevator operations, and which now means that the profit levels within elevators are higher than before the listing on the stock exchange in 2017. The elevator operations outside of Sweden displayed a good performance, while the operations within roof renovations and shell completion found it difficult to match last year's good profitability.

Property Technical Services (SEK m)	**Oct-Dec 2019**	**Oct-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
Net sales	190.0	180.5	704.8	749.0
EBITA*	16.0	9.3	60.5	61.7
EBITA* margin %	8.4%	5.2%	8.6%	8.2%

CENTRAL UNITS – GROUP-WIDE FUNCTIONS AND ELIMINATIONS

Central units previously included the Support operations but, after the divestment on 31 May, this area has now been moved to Discontinued operations. Subsequently, Central units consist of the Group's parent company, Sdiptech AB, the Group's holding company.

Comment:
EBITA* amounted to a negative SEK 10.0 m (negative 6.4) for the third quarter. Staffing in the Group's Parent Company has gradually increased during the year, aimed at supporting continued acquisition-led growth.

The costs for the internal acquisition team will, as a step in the shift from external to internal, be higher during 2020 than 2019, due to the full-year effect of the recruitments carried out during the year. However, the total cost is significantly lower than for the external team, which was previously reported under Acquisition costs. During the quarter, earnings were also charged with extra costs for consulting and auditing.

Group-wide functions and eliminations (SEK m)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
EBITA*	-10.0	-6.4	-27.0	-19.2

DISCONTINUED OPERATIONS

The former Support operations, which were organised within S.Professionals AB ("Sprof"), provided administrative services to the Group and also to external customers.

On 31 May 2018, Sdiptech AB sold its entire shareholding of 60 percent in Sprof and its subsidiaries.

The positive result from the discontinued operations during the previous year mainly came from the capital gain from Sprof's divestment of InsiderLog in January 2018.

For further information on the background and grounds for this, see the press release from 13 April.

Discontinued operations (SEK m)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	-	-	-	15.0
EBITA*	-	-	-	69.5

COMMENTS ON THE FINANCIAL DEVELOPMENT

Comments on the financial development refer to the remaining operations, unless otherwise stated.

OCTOBER - DECEMBER

Net sales

Net sales for the Group amounted to SEK 513.0 m (419.2) during the fourth quarter. Net sales in comparable units, i.e. companies that were part of the Group during the whole period and the whole comparative period, amounted to SEK 416.1 m (402.7), which corresponded to an organic change of 3 percent for the period. Non-comparable units contributed SEK 96.9 m (16.5) to net sales for the period. Also see Business areas, page 5-6.

Earnings

During the fourth quarter EBITA* amounted to SEK 83.7 m (56.5). EBITA* in comparable units, i.e. companies that were part of the Group during the whole period and the whole comparative period, amounted to SEK 69.8 m (56.9), which corresponded to an organic change of 23 percent for the period. Non-comparable units contributed SEK 23.9 m (4.8) to EBITA* for the period.

During the fourth quarter, profit after tax amounted to SEK 55.3 million (25.5).

JANUARY - DECEMBER

Net sales

Net sales for the Group amounted to SEK 1,825.4 m (1,496.2) for the year. Net sales in comparable units, i.e. companies that were part of the Group during the whole period and the whole comparative period, amounted to SEK 1,279.5 m (1,274.5), which corresponded to an organic change of 0.4 percent for the period. Non-comparable units contributed SEK 545.9 m (221.7) to net sales for the period.

Earnings

EBITA* amounted to SEK 262.2 m (177.2). EBITA* in comparable units, i.e. companies that were part of the Group during the whole period and the whole comparative period, amounted to SEK 156.2 m (143.6), which corresponded to an organic change of 9 percent for the period. Non-comparable units contributed SEK 133.1 m (51.6) for the period.

Total EBITA* for the Group including discontinued operations amounted to SEK 262.2 m (246.7, of which SEK 69.5 from discontinued operations, see page 7).

During the period January to December, profit after tax amounted to SEK 165.2 m (96.7). Profit after tax including discontinued operations amounted to SEK 165.2 m (173.7, of which SEK 77.0 from discontinued operations).

FINANCIAL POSITION JANUARY - DECEMBER

Cash flow

Cash flow from operating activities after changes in working capital amounted to SEK 317.2 m (88.6) during year. A contributory factor to the improved cash flow, apart from the good result, was mainly the reduction of outstanding operating receivables, and lower tax payments due to use of intra-group loss carryforwards. The introduction of IFRS 16 also had a positive impact on cash flow from operating activities, as items that previously were included in this metric are now presented as Investments in property, plant and equipment. However, the cash flow generation expressed as a percentage was not significantly impacted and amounted to 114.7 percent (55.9) during the period January to December.

Cash flow from investing activities was negative in the amount of SEK 643.9 m (negative 328.4). The cash flow effect of completed acquisitions (see also Note 5) amounted to a negative SEK 547.1 m (negative 293.4) for the period, of which SEK 473.0 m relates to the year's acquisitions and SEK 72.7 m to payment on acquisitions from previous years. Investments in tangible non-current assets amounted to a negative SEK 88.1 m (negative 22.2) where the introduction of IFRS 16 had a negative impact equivalent to the positive effect on cash flow from operating activities.

Cash flow from financing activities amounted to SEK 159.2 m (238.6). Loans raised amounted to SEK 239.4 m (331.3), most of which are related to acquisitions during the period. Amortisation of loans has been made by a negative SEK 65.7 m (negative 80.7), of which the majority related to redemption of previous acquisition loans in connection with the new financing. Dividends on preference shares amounted to a negative SEK 14.0 m (negative 14.0) and dividends to non-controlling interests amounted to SEK -1.1 m (0.0).

Liabilities

Interest-bearing liabilities including earnouts and finance leases amounted to SEK 1,332.5 m (1,018.3). The two largest items within interest-bearing liabilities amounted to SEK 655.4 m (481.9) in liabilities to credit institutions, and SEK 550.7 m (500.2) in deferred payments of purchase considerations for acquisitions.

These contingent consideration payments are classified as interest-bearing as they are presented at net present value, but they do not give rise to any actual interest payments that are charged to the Group's cash flow until final settlement. However, a discounted interest rate is booked as a financial expense for the period. The Group's Financial expenses includes this interest rate of SEK negative 9.4 m (negative 6.3) in the period January – December 2019.

Remeasurement of liabilities relating to contingent consideration payments occurred during the first half of 2019 of SEK -60.9 m (-33.9), which resulted in an equivalent revenue item. The contingent consideration payments are remeasured in line with remaining terms and expected outcomes. In connection with acquisitions, the liability is usually measured highly for reasons of prudence and is then adjusted during the term. During the period, major adjustments were made in the form of a write-down of contingent consideration payments for the acquisition of Castella AB of SEK -25 m and Redspeed Ltd of SEK -19 m, and a write-up of a contingent consideration payment related to the acquisition of Metus d.o.o. of SEK +22 m. In other respects, a few minor adjustments were made for individual acquisitions. In addition to this, an adjustment of preliminary acquisition analyses was made during the year of SEK -18.3 m, which has been adjusted against goodwill.

Discounting also occurs of the assets that are classified as rights-of-use under IFRS 16. During the period, earnings were charged with SEK 2.5 m related to interest under IFRS 16.

Net debt, consisting of interest-bearing liabilities less cash and cash equivalents in remaining operations, amounted to SEK 1,176.2 m (693.5). The net debt was impacted by the introduction of IFRS 16 by the fact that liabilities for finance leases increased by approximately SEK 90 m, also see Accounting principles, page 17.

Net bank debt, in accordance with the calculation method above but only for liabilities to credit institutions, amounted to SEK 499.1 m (157.1).

The key ratio Net debt/EBITDA, which is calculated on a twelve-month basis, amounted to 3.11 (3.02) on 31 December.

During the full year of 2019, impairment testing of goodwill occurred, for the companies whose earnouts were remeasured, which resulted in an impairment loss of a negative SEK 60.9 million (negative 44.7) being recognised.

Parent Company

The Parent Company Sdiptech AB's internal net sales for the financial year amounted to SEK 8.2 m (3.8) and profit after financial items amounted to SEK 15.1 m (56.1). The result includes dividends from subsidiaries of SEK 5.0 m (65.1) and the outcome of the earnout for the divestment of Sprof of SEK 25.8 million, which was previously capitalised at Group level.

OTHER INFORMATION

Employees

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

Risks and uncertainty factors

Through its operations, the Group and the Parent Company are exposed to various types of financial risks, mainly related to loans and receivables. The financial risks consist of:

- Liquidity- and financing risk
- Interest rate risk
- Currency risk
- Customer- and counterparty risk

See Note 15 from the 2018 Annual Report for further detailed information.

Related-party transactions

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

Events after the reporting date

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

Sdiptech Annual General Meeting 2020

The Annual General Meeting 2020 (AGM) will be held on 18 May 2020, at 4.00 p.m. at the Swedish Royal Academy of Engineering Sciences (IVA Conference Centre), Grev Turegatan 16, Stockholm. To have a matter addressed at the AGM, requests from shareholders must be received no later than 3 April 2020. The Annual Report is published in the middle of April 2020. Notice convening the AGM shall be published on the company's website no later than four weeks before the AGM. All shareholders whose names are recorded in the share register five days before the AGM can participate in person, or by proxy. Notice of participation must be given to the company in accordance with the convening notice.

Nomination Committee

A Nomination Committee has been appointed for the 2020 AGM. Proposals to the Nomination Committee from shareholders may be sent by e-mail to valberedningen@sdiptech.com or by post to the company's address. More information is available on www.sdiptech.com

Dividend

The Board of Directors proposes that the Annual General Meeting resolve on a dividend to the preference shareholders in accordance with the articles of association. The Board of Directors further proposes that no dividend be paid on ordinary shares of Class A or ordinary shares or Class B but that the remaining profits should be carried forward.

CONSOLIDATED INCOME STATEMENT

(SEK m)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	513.0	419.2	1,825.4	1,496.2
Other operating income	15.4	27.4	82.9	58.2
Total income	**528.4**	**446.6**	**1,908.3**	**1,554.4**
Operating expenses				
Materials, contracting and subcontracting	-185.9	-181.4	-720.4	-664.2
Other external expenses	-57.3	-49.3	-219.3	-182.7
Employee expenses	-171.1	-137.7	-610.8	-494.5
Depreciation and amortisation of tangible non-current assets	-21.44	-5.3	-67.1	-23.0
Depreciation and amortisation of intangible non-current assets	-13.2	-30.9	-68.8	-46.6
Operating profit	**79.5**	**42.0**	**221.9**	**143.3**
Profit/loss from financial items				
Financial income	-	0.1	16.9	2.6
Financial expenses	-7.9	-7.1	.-29.7	-19.1
Profit/loss after financial items	**71.7**	**35.0**	**209.0**	**126.8**
Tax on profit for the period	-16.3	-9.5	-43.8	-30.0
Profit/loss for the period from remaining operations	**55.3**	**25.5**	**165.2**	**96.7**
Discontinued operations				
Profit/loss for the period from discontinued operations	-	-	-	77.0
Profit/loss for the period	**55.3**	**25.5**	**165.2**	**173.7**
Profit/loss attributable to remaining operations:				
Parent Company's shareholders	53.3	23.3	161.4	92.5
Non-controlling interests	1.8	2.2	3.8	4.2
Profit/loss attributable to discontinued operations:				
Parent Company's shareholders	-	-	-	33.2
Non-controlling interests	-	-	-	43.8
Earnings per share for remaining operations, attributable to the Parent Company's shareholders during the period, after deduction of dividends to preference shareholders (in SEK per share)	1.65	0.65	4.87	2.58
Earnings per share including discontinued operations, attributable to the Parent Company's shareholders during the period, after deduction of dividends to preference shareholders (in SEK per share)	1.65	0.65	4.87	3.69
EBITA*	**83.7**	**56.5**	**262.2**	**177.2**
Number of ordinary shares at end of period (million)	30.3	30.3	30.3	30.3
Average number of ordinary shares (million)	30.3	30.3	30.3	30.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK m)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit/loss for the period	**55.3**	**25.5**	**165.2**	**173.7**
Other comprehensive income for the period				
Components that will be reclassified to profit/loss in the period				
Changes in accumulated translation differences	-0.2	-4.1	-	1.5
Total components that will be reclassified to profit/loss in the period	**-0.2**	**-3.1**	**-**	**1.5**
Comprehensive income for the period	**55.1**	**21.4**	**165.2**	**175.2**
Attributable to:				
Parent Company's shareholders	53.3	19.3	161.4	127.3
Non-controlling interests	1.8	2.1	3.8	47.9
Total comprehensive income attributable to Parent Company's shareholders has arisen from				
-Remaining operations	53.3	19.3	161.4	94.1
-Discontinued operations	-	-	-	33.2

CONSOLIDATED BALANCE SHEET

(SEK m)	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Intangible non-current assets			
Goodwill	3	1,870.1	1,451.9
Other intangible assets		99.0	25.2
Tangible non-current assets			
Tangible non-current assets		257.9	108.2
Financial non-current assets			
Other financial non-current assets		14.0	1.9
Total non-current assets		**2,241.1**	**1,587.1**
Current assets			
Completed products and goods for resale		117.1	96.4
Accounts receivable		333.3	308.8
Other receivables		45.8	62.4
Current tax assets		25.4	18.2
Prepaid expenses and accrued income		66.8	55.3
Cash and cash equivalents		156.3	324.8
Total current assets		**744.7**	**865.9**
Assets in disposal group		**2,985.8**	**2,453.0**
Total assets			
Shareholders' equity			
Shareholders' equity attributable to Parent Company's shareholders			
Share capital		0.8	0.8
Other contributed capital		715.2	714.6
Reserves		0.9	11.5
Profit/loss brought forward including earnings for the period		505.8	361.6
Total equity attributable to Parent Company's shareholders		**1,222.7**	**1,088.6**
Non-controlling interests		35.8	32.7
Total shareholders' equity		**1,258.5**	**1,121.2**
Liabilities			
Interest-bearing long-term liabilities	4	1,266.3	663.3
Non-interest-bearing long-term liabilities		16.3	14.2
Interest-bearing short-term liabilities	4	66.2	355.0
Non-interest-bearing short-term liabilities		378.5	299.3
Total liabilities		**1,727.3**	**1,332.2**
Total shareholders' equity and liabilities		**2,985.8**	**2,453.0**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Shareholders' equity attributable to Parent Company shareholders						
(SEK m)	**Share capital**	**Other contr. capital**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Share-holders' equity**
Opening balance, 1 January 2018	**0.8**	**712.6**	**0.8**	**259.0**	**973.2**	**33.2**	**1,006.4**
Comprehensive income for the period	-	-	-	125.7	125.7	48.0	173.7
Other comprehensive income for the period	-	-	1.6	-	1.6	-0.1	1.5
Comprehensive income for the period	**-**	**-**	**1.6**	**125.7**	**127.3**	**47.9**	**175.2**
Dividend paid to preference shareholders	-	-	-	-14.0	-14.0	-	-14.0
Acquisitions of subsidiaries	-	-	-	-	-	1.1	1.1
Sales of subsidiaries	-	-	-	-	-	-49.2	-49.2
Dividend paid to non-controlling interests	-	-	-	-	-	-0.1	-0.1
Change in non-controlling interests	-	-	-	-	-	-0.3	-0.3
Option premiums	-	2.0	-	-	2.0	-	2.0
Development reserve	-	-	9.1	-9.1	-	-	-
Closing balance, 31 December 2018	**0.8**	**714.6**	**11.5**	**361.1**	**1,088.5**	**32.7**	**1,121.2**
Opening balance per 1 January 2019	**0.8**	**714.6**	**11.5**	**361.6**	**1,088.6**	**32.7**	**1,121.2**
Comprehensive income for the period	-	-	-	161.4	161.4	3.8	165.2
Other comprehensive income for the period	-	-	-	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-**	**161.4**	**161.4**	**3.8**	**165.2**
Change in non-controlling interests	-	-	-	-0.3	-0.3	0.3	-
Option premiums	-	0.6	-	-	0.6	-	0.6
Exchange differences	-	-	-	10.5	10.5	0.1	10.6
Sales of subsidiaries	-	-	-10.6	-13.4	-24.0	-	-24.0
Dividend paid to non-controlling interests	-	-	-	-	-	-1.1	-1.1
Dividend paid to preference shareholders	-	-	-	-14.9	-14.0	-	-14.0
Closing balance per 31 December 2019	**0.8**	**715.2**	**0.9**	**505.8**	**1,222.7**	**35.9**	**1,258.5**

CONSOLIDATED CASH FLOW STATEMENT

(SEK m)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Continued operations				
Earnings after financial items	71.7	35.0	209.0	126.8
Adjustment for items not included in cash flow	9.4	17.4	63.7	31.6
Paid taxes	15.6	-2.8	-41.0	-45.7
Cash flow from continuing operations before change in working capital	**96.7**	**49.6**	**231.7**	**112.7**
Cash flow from change in working capital				
Increase(-)/decrease(+) in stock	-1.2	4.6	-13.6	-16.7
Increase(-)/decrease(+) in operating receivables	24.6	-8.7	73.5	-37.6
Increase(+)/decrease(-) in operating liabilities	-16.1	12.9	21.1	30.2
Cash flow from current operations	**104.0**	**58.4**	**312.7**	**88.6**
Investing activities				
Acquisitions of subsidiaries	-48.0	-34.7	-547.1	-293.4
Disposal of subsidiaries	-	-	3.3	-
Acquisitions of intangible non-current assets	-4.0	-6.4	-12.0	-13.7
Acquisitions of tangible non-current assets	-39.7	-3.8	-88.1	-22.2
Disposal of non-current financial assets	-	-	-	0.9
Cash flow from investing activities	**-91.7**	**-44.9**	**-643.9**	**-328.4**
Financing activities				
Option premiums	0.3	-	0.6	2.0
Loans raised	19.1	99.5	239.4	331.3
Amortisation of loans	-47.9	-20.5	-65.7	-80.7
Dividends paid	-3.5	-3.5	-15.1	-14.0
Cash flow from financing activities	**-32.0**	**75.5**	**159.2**	**238.6**
Cash flow for the period from remaining operations	**-19.7**	**89.0**	**-172.0**	**-1.2**
Cash flow for the period from discontinued operations	-	-	**-**	-4.4
Cash and cash equivalents at beginning of year	175.9	237.1	324.8	330.0
Exchange rate difference in cash and cash equivalents	0.1	-1.3	3.5	0.4
Cash and cash equivalents at end of period from remaining operations	**156.3**	**324.8**	**156.3**	**324.8**

PARENT COMPANY INCOME STATEMENT

(SEK m)	Note	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales		2.0	1.1	8.2	3.8
Other operating income		26.2	0.1	27.8	1.8
Total income		**28.2**	**1.2**	**36.0**	**5.6**
Operating expenses					
Other external expenses		-5.5	-2.9	-14.9	-11.1
Employee expenses		-6.1	-5.1	-21.7	-16.6
Depreciation of tangible and intangible non-current assets		-	-	-0.2	-0.2
Operating profit		**16.6**	**-6.9**	**-0.7**	**-22.2**
Profit/loss from financial items					
Result from participation in Group companies		-	-	5.0	65.1
Financial income		-	0.9	15.8	14.7
Financial expenses		-2.2	-4.7	-4.9	-1.5
Profit/loss after financial items		**14.4**	**-10.7**	**15.1**	**56.1**
Group contributions received		28.1	50.3	28.1	50.3
Group contributions provided		-	-	-3.1	-
Tax on profit for the period		-0.3	-	-0.3	-
Profit/loss for the period		**42.3**	**39.6**	**39.8**	**106.5**

PARENT COMPANY BALANCE SHEET

(SEK m)	31 Dec 2019	31 Dec 2018
Non-current assets		
Intangible non-current assets		
Other intangible non-current assets	0.4	0.1
Tangible non-current assets		
Tangible non-current assets	0.2	-
Financial non-current assets		
Financial non-current assets	83.8	513.3
Receivables, Group companies	960.7	476.5
Total non-current assets	**1,045.0**	**989.9**
Current assets		
Receivables, Group companies	61.5	61.7
Trade receivables	0.3	0.3
Other receivables	16.8	14.0
Prepaid expenses and accrued income	8.4	8.6
Cash and cash equivalents	223.0	124.8
Total current assets	**310.0**	**209.5**
Total assets	**1,355.0**	**1,199.4**
Shareholders' equity		
Share capital	0.8	0.8
Share premium reserve	715.2	714.6
Retained earnings including profit/loss for the period	217.7	189.8
Total shareholder's equity	**933.8**	**905.2**
Liabilities		
Long-term liabilities to Group companies	106.2	81.0
Short-term liabilities to Group companies	308.3	17.6
Short-term liabilities	6.8	195.5
Total liabilities	**421.3**	**294.2**
Total equity and liabilities	**1,355.0**	**1,199.4**

NOTES

ACCOUNTING PRINCIPLES IN ACCORDANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (EU). This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions in the Annual Accounts Act.

The Interim Report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, which is in accordance with the provisions of RFR 2, Accounting for Legal Entities. In the Parent Company, the same principles are applied as in the preparation of the latest annual report.

Compared with the latest published annual report, changes in accounting principles and methods of calculation with regard to segment reporting and hedge accounting have occurred at a Group level. A new division of business areas has been made in the segment reporting. For more information about the new division, see the 2018 Annual Report and the press release from 29 March 2019.

The Group applies hedge accounting as of 30 September 2019, because part of the external borrowing has been raised in foreign currency. The fluctuation in exchange rates is recognised against equity. In connection with the change, an overview was conducted of the Group's internal balances regarding financing of acquisitions and internal borrowing regarding transaction costs. These have been defined as current with the effect that the previous adjustment to equity at a Group level is discontinued. The effect of the change on the year will be SEK 1 m in positive net financial items.

From 1 January 2019, the Group applies IFRS 16 Leases. The standard has replaced IAS 17 Leases and related interpretations. The new standard means a uniform leasing model for both finance and operating leases compared to before when the operating leases did not require any recognition of assets and liabilities in the balance sheet.

The standard requires recognition of:

- right-of-use assets and
- lease liability, which represents the obligation to pay leasing fees

Sdiptech has opted to use the modified retrospective method, which means that identified leases are not restated retrospectively and thus comparative figures for periods before 2019 are not impacted. As of 1 January 2019, an opening lease liability is reported and a right of use amounting to the same amount.

The following exemptions were applied during the transition:

- The standard applies to all leases including contracts that were defined as leases under previous accounting rules
- Exemptions are made for leases of less than 12 months and leases relating to assets, which have a low value.

For Sdiptech, the new standard implies an increase in right-of-use assets and lease liabilities in the balance sheet, which represents the value of the future assets and future payments, respectively. Recognised assets in the balance sheet related to leases amounted to SEK 101 m on 1 January 2019. Obligations for operating and finance leases in the 2018 Annual Report amounted to SEK 98.4 m. Differences between obligations for future leasing fees and the opening lease liability as of 1 January 2019 are mainly due to the discount effect and short-term leases and lease assets that have a low value.

The effect of the new standard is an increase in the opening balances for rights of use and leasing liabilities of approximately SEK 70 m. In the income statement, a change has occurred compared to previous accounting principles as costs previously booked as lease expenses are now recognized as depreciation and interest expense.

Jan-Dec 2019 (SEK m)	**IFRS 16**	**IAS 17**
Sales	1,825.4	1,825.4
EBITDA	357.8	315.5
EBITDA%	19.6%	17.3%
EBITA*	262.2	260.8
EBITA*%	14.4%	14.3%

Carrying amount 31 December 2019	**IFRS 16**	**IAS 17**
Finance lease assets	120.3	28.9
Non-current liabilities finance leases	-69.2	-19.4
Current liabilities finance leases	-52.1	-9.5

The Group's assets under IFRS 16 essentially consist of rental of office premises as well as vehicles and equipment used in the operations.

NOTE 1 IMPORTANT ESTIMATES AND ASSUMPTIONS ON APPLICATION OF THE GROUP'S ACCOUNTING PRINCIPLES

Estimates and assumptions are continuously assessed on the basis of historical experience and other factors, including expectations of future events considered reasonable under prevailing conditions.

Calculation of fair value

Estimates of fair value in the operations primarily affect the Group's goodwill, liabilities related to deferred payments on acquisitions and the Parent Company's shareholdings in subsidiaries. Financial assets and liabilities in the balance sheet are reported at acquisition value, unless otherwise stated, which is judged to be a good approximation to the fair value of the items.

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

NOTE 2 SEGMENT REPORTING

As of January 2019, Sdiptech will report profits from its operations in new segments: Water & Energy, Special Infrastructure Solutions and Property Technical Services.

WATER & ENERGY

The companies within Water & Energy provide niche products and services focused on the water and energy infrastructure segments. The companies address specialised needs in water and water purification, as well as electricity supply and electrical automation. The principal geographic markets today are Sweden and the UK.

SPECIAL INFRASTRUCTURE SOLUTIONS

The companies within Special Infrastructure Solutions provide niched products and services for specialised needs in air and climate control, security and surveillance and transport systems. The principal geographic markets are Sweden, Northern Europe and the UK.

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

PROPERTY TECHNICAL SERVICES

The companies within Property Technical Services offer specialised technical services for landlords. Customers are spread across several segments, including public functions (schools, hospitals, etc.), commercial properties (offices, warehouses, etc.), as well as housing (municipal and private). Assignments are performed throughout the lifecycle of a property, including service, renovation, modernisation and new construction. The principal geographic markets today are Stockholm and major cities in Germany, the Benelux countries and Austria. The business models are generally project-based and include associated aftermarket services and framework agreements.

Central units – Group-wide functions and eliminations

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

Discontinued operations

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

Segment information, Group

The Group **Net sales (SEK m)**	**Oct-Dec 2019**	**Oct-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
Water & Energy	170.7	136.3	641.4	427.9
Special Infrastructure Solutions	152.4	102.5	479.4	319.6
Property Technical Services	190.1	180.5	704.8	749.0
Segments total	**513.1**	**419.3**	**1,825.6**	**1,496.4**
Central units	-0.1	-	-0.2	-0.1
Total	**513.0**	**419.3**	**1,825.4**	**1,496.3**
Discontinued operations	-	-	-	15.0
Total	**513.0**	**419.3**	**1,825.4**	**1,511.3**

Group **Operating profit (SEK m)**	**Oct-Dec 2019**	**Oct-Dec 2018**	**Jan-Sep 2019**	**Jan-Dec 2018**
Water & Energy	38.6	29.3	120.6	64.0
Special Infrastructure Solutions	38.0	23.7	104.4	69.3
Property Technical Services	15.8	9.1	59.7	61.4
Segments total	**92.4**	**62.1**	**284.7**	**194.7**
Central units	-12.8	-20.0	-62.8	-51.4
Total	**79.6**	**42.1**	**221.9**	**143.3**
Discontinued operations	-	-	-	77.7
Water & Energy	**79.6**	**42.1**	**221.9**	**221.0**

NOTE 3 GOODWILL

	(SEK m)
Carrying amount 31 December 2018	**1,451.9**
Acquisitions Jan 2019 – Dec 2019	541.2
Adjustment acquisition analyses	-18.3
Amortisation	-60.9
Discontinued operations	-71.0
Currency translation effects	27.3
Carrying amount 31 December 2019	**1,870.1**

Compared to 31 December 2018, goodwill increased by a total of SEK 418.2 m and amounted to SEK 1,870.1 m as per 31 December 2019. Between December 2018 and December 2019, four business acquisitions were carried out, which together increased goodwill by SEK 541.2 m.

In the period January to December 2019 impairment requirements have been identified for previous acquisitions of SEK 60.9 m. Preliminary acquisition analyses were adjusted by negative SEK 18.3 m.

Divestment of AVA Monitoring and the discontinued operations contributed a negative SEK 71.0 m, and the remaining change of SEK 27.3 m relates to currency effects.

Contingent consideration payments relate to different types of covenants to the seller that are linked to terms based on the acquired company's profit for a specified period after the acquisition. Liabilities are reported at the present value of expected outflows. On the acquisition date, the liability is normally measured highly for reasons of prudence and is then continually adjusted during the term. Thus, we normally see a dissolution of expected liabilities. The remeasurement is recognised net as other income in the income statement. During the period January – December 2019, we have had major revisions of expected outcomes in Castella AB and Redspeed Ltd, which generated a write-down of SEK -44 m in total, and of the expected outcome in Metus d.o.o., which generated a write-up of SEK +22 m.

Contingent consideration	(SEK m)
Carrying amount 31 December 2018	**500.2**
Additional for acquisitions Jan-Dec 2019	232.1
Paid purchase considerations	-72.7
Interest expenses (discount effect due to present value calculation)	9.4
Remeasurement through operating profit	-60.9
Sold units	-65.7
Exchange differences	8.2
Carrying amount 31 December 2019	**550.7**

NOTE 4 INTEREST-BEARING LIABILITIES

(SEK m)	31 Dec 2019	31 Dec 2018
Liabilities to credit institutions	646.8	206.0
Accrued borrowing costs	-3.6	-3.8
Finance leases	69.6	20.7
Contingent consideration	550.7	439.3
Other non-current liabilities	2.8	1.1
Total non-current interest-bearing liabilities	**1,266.3**	**663.3**
Liabilities to credit institutions	12.1	279.7
Finance leases	52.1	12.9
Contingent consideration	-	60.9
Other current liabilities	2.0	1.5
Total current interest-bearing liabilities	**66.2**	**355.0**

NOTE 5 BUSINESS ACQUISITIONS

Accounting of acquisitions
When a subsidiary is acquired, and the former owners remain as minority owners, the agreement contains, in some cases, an option that allows the minority owner to sell the remaining holdings, and Sdiptech's ability to purchase, at a later date. In these cases, no non-controlling interest is reported, but instead a financial liability is reported. The debt is reported at the present value of the estimated redemption amount of the shares.

Description of the year's acquisitions
On 24 January 2019, Sdiptech AB acquired all of the shares in RedSpeed International Ltd. The company is a leading provider of solutions for traffic safety, including manufacture and maintenance of digital cameras for speed control and traffic monitoring. The primary focus is on the UK market, where the company holds a strong market share, as well as within the EU. The company generates annual sales of around GBP 5.6 m, with an operating profit of approximately GBP 1.6 m.

On 18 February 2019, Sdiptech AB acquired all of the shares in Water Treatment Products Limited and its holding company Water Treatment Products Holdings Limited. Water Treatment Products is a leading company in the preparation and manufacture of chemical products for water treatment in the UK. The company generates annual sales of around GBP 9.4 m, with an operating profit of approximately GBP 2.5 m.

Om 31 May 2019, Sdiptech AB acquired all the shares in Cryptify AB. Cryptify is a Swedish-based software product company offering solutions for secure mobile communication primarily in Sweden and the UK. Current net sales are approximately SEK 18 m with good profitability.

On 28 August 2019 Sdiptech acquired all the shares in Auger Site Investigations Ltd. Auger Site Investigations serves the insurance industry and is specialised in claims management of underground infrastructure (water, drainage, subsidence) in the UK. The company currently generates annual net sales of approximately GBP 12.5 m and a pre-tax operating profit of approximately GBP 2.9 m.

BUSINESS ACQUISITIONS, January – December 2019 (SEK m)	
Intangible non-current assets	78.4
Tangible non-current assets	61.4
Inventories and work in progress	14.5
Cash and cash equivalents	136.8
Other current assets	103.2
Deferred tax liability	-0.6
Other current liabilities	-62.9
Net identifiable assets and liabilities	**330.8**
Consolidated goodwill	511.2
Transferred consideration	**842.0**
Transferred consideration	
Cash and cash equivalents	609.8
Contingent consideration	232.2
Total transferred consideration	**842.0**
Liquidity impact on the Group	
Acquired cash and cash equivalents	136.8
Transferred consideration	-609.8
Total liquidity impact	**-473.0**

COMPANIES PER BUSINESS AREA

The companies that are included in the business areas Water & Energy, Special Infrastructure Solutions and Property Technical Services are shown below:

Business areas 2019

WATER & ENERGY (in alphabetical order):

• CentralByggarna i Åkersberga AB	Producer of customised switching stations and electrical automation
• Centralmontage i Nyköping AB	Producer of customised switching stations and electrical automation
• EuroTech Sire System AB	Installation and service of uninterruptible power supply
• Hansa Vibrations & Omgivningskontrol AB	Performs vibration measurements in infrastructure projects
• Hydrostandard Mätteknik Nordic AB	Replacement, renovation and calibration of water meters
• Multitech Site Services Ltd	Temporary infrastructure such as temporary electricity, water, fire protection and lighting
• Polyproject Environment AB	Installations and components for water treatment in industry and municipalities
• Pure Water Scandinavia AB	Producer of ultra-pure water products
• Rogaland Industri Automasjon AS	Control and regulating systems for water and sewerage systems
• Topas Vatten AB	Installation and service of smaller water and wastewater treatment plants
• Unipower AB	Measuring systems for monitoring of power quality
• Vera Klippan AB	Producer of large-dimension cisterns for larger water and sewerage systems
• Water Treatment Products Ltd (from Feb 2019)	Preparation and manufacture of water treatment products

SPECIAL INFRASTRUCTURE SOLUTIONS (in alphabetical order):

• Auger Site Investigations Ltd (from Aug 2019)	Specialised in claims management of underground infrastructure
• CliffModels AB	Prototypes for industrial product development
• Cryptify AB (from May 2019)	Software solution for secure communication
• Frigotech AB	Installation and service of refrigeration units
• KSS Klimat & Styrsystem AB	Indoor climate control, ventilation and energy efficiency
• Medicvent AB	System for evacuation of noxious gases
• Optyma Security Systems Ltd	Integrated security systems for public and private environments
• RedSpeed International Ltd (from Jan 2019)	Digital cameras for speed monitoring and traffic enforcement
• Storadio Aero AB (formerly Aviolinx AB)	Infrastructure and operational liaison centre for backup air traffic communications
• Thors Trading AB	Durable products in carbon steel material for racing and harness racing

PROPERTY TECHNICAL SERVICES (in alphabetical order):

• Aufzuge Friedl GmbH	Renovation, modernisation and service of elevators in Vienna (Austria)
• Castella Entreprenad AB	Contracts for shell completion and internal plaster walls
• HissPartner i Stockholm AB	Renovation, modernisation and service of elevators in Stockholm
• ManKan Hiss AB	Renovation, modernisation and service of elevators in Stockholm
• Metus d.o.o.	Production of special elevators for customer-specific needs Supply of resources to global elevator manufacturers
• St. Eriks Hiss AB	Renovation, modernisation and service of elevators in Stockholm
• ST Lift GmbH	Production of compact elevators
• Stockholms Hiss- & Elteknik AB	Renovation, modernisation and service of elevators in Stockholm
• Tello Service Partner AB	Roof renovations and installation of roof safety equipment

DEFINITIONS KEY FIGURES

EBITDA	Operating profit before depreciation and impairment losses.
EBITA*	Operating profit before amortisation and impairment of intangible non-current assets. In order to clarify the underlying operating profit, acquisition-related transaction expenses relating to acquisitions, which are incurred and booked regularly, are also excluded. The results of the remeasurement of liabilities relating to contingent consideration payments are also excluded. EBITA* is indicated with an asterisk.
EBITA* margin	EBITA* in relation to net sales.
Net debt/EBITDA	Calculated as average net debt for the past four quarters, in relation to EBITDA for the last four quarters. Net debt includes short-term and long-term interest-bearing liabilities less cash and cash equivalents. Parts of the interest-bearing liabilities are debt related to the contingent consideration payments for acquisitions, which are regulated at the end of the earnout periods depending on the earnings trend during those periods. A payment of the debt at the current booked value requires higher earnings levels than the current level.
Net bank debt/EBITDA	Calculated as average net debt to credit institutions for the past four quarters, in relation to EBITDA for the past four quarters. Net debt to credit institutions includes short-term and long-term interest-bearing liabilities less cash and cash equivalents.
Capital employed	Calculated as average shareholders' equity and interest-bearing net debt for the past four quarters less cash and cash equivalents and short-term investments.
Return on capital employed	Calculated as EBITA for the four most recent quarters on closing day, in relation to average capital employed for the four most recent quarters on closing day.
Return on equity	Calculated as average profit after tax, adjusted for dividend to preference shares, for the four most recent quarters in relation to average equity, adjusted for preference capital, for the four most recent quarters on closing day.
Cash flow generation	Calculated as cash flow from continuing operations in relation to profit before tax adjusted for non-cash items.
Earnings per ordinary share	Calculated as profit after tax attributable to the Parent Company's shareholders less dividends to preference shareholders divided by the average number of ordinary shares outstanding during the period.

ALTERNATIVE PERFORMANCE MEASURES

To facilitate monitoring of the Group's operations, alternative performance measures are presented in the interim report. The alternative performance measures presented in this interim report relate to EBITDA, EBITA, EBITA*, net debt/EBITDA, net bank debt/EBITDA, return on capital employed, cash flow generation and earnings per ordinary share.

EBITDA

Operating profit before depreciation and impairment losses.

EBITDA (SEK m)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating profit	79.5	42.0	221.9	143.3
Depreciation and amortisation of tangible non-current assets	21.4	5.3	67.1	23.0
Depreciation and amortisation of intangible non-current assets	13.2	30.9	68.8	46.6
EBITDA	**114.1**	**78.2**	**357.8**	**213.0**

EBITA*

Operating profit before amortisation and impairment of intangible non-current assets. In order to clarify the underlying operating profit, acquisition-related transaction costs, which are incurred and booked regularly, are also excluded. Also, the result from remeasurement of liabilities relating to contingent consideration payments is excluded. EBITA* is indicated with an asterisk.

EBITA* (SEK m)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating profit	79.5	42.0	221.9	143.3
Depreciation and amortisation of intangible non-current assets	13.2	30.9	68.8	46.6
EBITA	**92.7**	**72.9**	**290.7**	**189.9**
Acquisition costs	0.3	2.7	31.9	21.1
Adjustment of liability for earnouts	-9.3	-19.2	-60.3	-33.9
EBITA*	**83.7**	**56.4**	**262.2**	**177.2**

EBITA* margin

EBITA* in relation to net sales.

EBITA* in relation to net sales (SEK million)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
EBITA*	83.7	56.4	262.2	177.2
Net sales	513.0	419.2	1,825.4	1,496.2
EBITA* margin %	**16.3**	**13.5**	**14.4**	**11.8**

Net debt/EBITDA

Calculated as average net debt for the last four quarters, in relation to EBITDA for the last four quarters. Net debt includes short-term and long-term interest-bearing liabilities less cash and cash equivalents. Parts of the interest-bearing liabilities are debt related to the contingent consideration payments for acquisitions, which are regulated at the end of the earnout periods depending on the earnings trend during those periods. A payment of the debt at the current booked value requires higher earnings levels than the current level.

Average interest-bearing net debt (SEK m)	Average	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest-bearing liabilities	1,304.6	1,332.5	1,462.2	1,222.4	1,237.4
Cash and cash equivalents	-191.0	-156.3	-175.9	-224.3	-207.4
Interest-bearing net debt	**1,113.6**	**1,176.2**	**1,250.3**	**998.1**	**1,030.0**

Average net debt in relation to EBITDA (SEK m)	Full year 2019	Full year 2018
Interest-bearing net debt	1,113.6	642.2
EBITDA	357.8	213.0
Net debt/EBITDA	**3.11**	**3.02**

Net bank debt/EBITDA

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

Average interest-bearing net liabilities to credit institutions (SEK m)	Average	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Liabilities to credit institutions	624.3	655.4	690.4	588.3	563.4
Cash and cash equivalents	-191.0	-156.3	-175.9	-224.3	-207.4
Interest-bearing net liabilities to credit institutions	**433.4**	**499.1**	**514.4**	**364.0**	**365.0**

Average net bank debt in relation to EBITDA (SEK m)	Full year 2019	Full year 2018
Interest-bearing net liabilities to credit institutions	433.4	125.3
EBITDA	357.8	213.0
Net bank debt/EBITDA	**1.21**	**0.59**

Capital employed

Calculated as average shareholders' equity and interest-bearing liabilities for the last four quarters, less cash and cash equivalents and short-term investments.

Average capital employed (SEK m)	Average	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest-bearing net debt	1,113.6	1,176.2	1,250.3	998.1	1,030.0
Shareholders' equity	1,188.2	1,258.5	1,205.0	1,161.6	1,127.9
Capital employed	**2,301.8**	**2,434.7**	**2,455.2**	**2,159.7**	**2,157.9**

Return on capital employed

Calculated as EBITA for the most recent four quarters on closing day, in relation to average capital employed for the four most recent quarters on closing day.

Average EBITA in relation to average capital employed (SEK m)	Full year 2019	Full year 2018
EBITA	290.7	189.9
Capital employed	2,301.8	1,744.6
Return on capital employed %	**12.6**	**10.9**

Return on equity

Calculated as average profit after tax, adjusted for dividend to preference shares, for the four most recent quarters in relation to average equity, adjusted for preference capital, for the four most recent quarters on closing day.

Average adjusted net profit in relation to average equity (SEK m)	Full year 2019	Full year 2018
Profit after tax, adjusted	147.4	78.6
Equity	978.6	885.4
Return on capital employed %	**15.1**	**8.9**

Cash flow generation

Calculated as cash flow from continuing operations in relation to profit before tax adjusted for non-cash items

Cash flow generation %	Q4 2019	Q4 2018	Full year 2019	Full year 2018
EBT	71.7	35.0	209.0	126.8
Adjustment for items not included in cash flow	9.4	17.4	63.7	31.6
Adjusted EBT	**81.1**	**52.4**	**272.7**	**158.4**
Cash flow from continuing operations	104.0	58.4	312.7	88.6
Cash flow generation %	**128.3**	**111.5**	**114.7**	**55.9**

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.

Earnings per ordinary share (SEK m)	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit/loss attributable to Parent Company's shareholders	53.5	23.3	161.4	125.7
Dividend paid to preference shareholders	-3.5	-3.5	-14.0	-14.0
Profit/loss attributable to Parent Company's shareholders	**50.0**	**19.8**	**147.4**	**111.7**
Number of ordinary shares outstanding	30.3	30.3	30.3	30.3
Earnings per ordinary share	**1.65**	**0.65**	**4.87**	**3.69**

STOCKHOLM, 11 FEBRUARY 2020

Jakob Holm
President and CEO

This Year-end Report has not been subject to review by the Company's auditors.

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Sdiptech AB (publ) is required to disclose this information pursuant to EU Market Use Regulation 596/2014. The information was provided by the above contact persons for publication on 11 February 2020 at 08.00 CET.

UPCOMING REPORTS

Annual Report	17 April 2020
Interim Report Jan-Mar 2020	29 April 2020
Annual General Meeting 2020	18 May 2020
Interim Report Apr-Jun 2020	22 July 2020
Interim Report Jul-Sep 2020	3 November 2020
Year-end Report for 2020	11 February 2021

Payment of dividends to preference shareholders

For each preference share, an annual dividend of SEK 8.00 is paid, divided into four quarterly payments of SEK 2.00 each. The record dates for receipt of dividends of preference shares are (dates from June 2020 shall be proposed to the Annual General Meeting):

- 13 March 2020
- 12 June 2020
- 11 September 2020
- 11 December 2020