For sustainable, efficient and safe societies.

Annual and Sustainability Report 2023

SDIPTECH

Contents

The audited annual and consolidated accounts can be found on pages 5, 16, 40–47, 52–57, 59–62, 66 and 96. The financial statements with notes and comments can be found on pages 59–96.

• The Directors' report is part of the annual report and can be found on pages 5, 16, 40–47, 52–57, 59–62, 66 and 96.

The corporate governance report, reviewed by the auditors, can be found on pages 52–57.

Pages 22–38, 48–51 and 101–117 of the annual report constitute Sdiptech's statutory sustainability report, in accordance with the Swedish Annual Accounts Act. The report covers the financial year 1 January – 31 December 2023.

This is a copy of the official original version of Sdiptech's Annual Report 2023, which is prepared in Swedish in the European Single Electronic Format (ESEF). See https://www.sdiptech.se/investor-relations/financial-information

Production: Sdiptech in cooperation with Sthlm Kommunikation & IR

Financial calendar

Annual Report 2023:	19 April 2024
Interim report January–March 2024:	25 April 2024
Interim report April–June 2024:	19 July 2024
Interim report July–September 2024:	25 October 2024
Year-end report for 2024:	11 February 2025

Annual General Meeting
At 16:00 on 22 May 2024 at IVA (the Royal Swedish Academy of Engineering Sciences), Grev Turegatan 16, Stockholm. Registration must take place as specified in the invitation to attend.

This is Sdiptech

TWO BUSINESS AREAS

Resource Efficiency

- Water & Sanitation
- Power & Energy
- Bioeconomy & Waste management

Special Infrastructure Solutions

- Air & Climate
- Safety & Security
- Transportation & Logistics

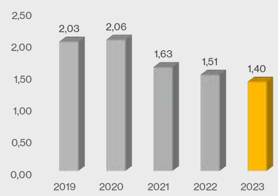
BUSINESS UNITS
40

EMPLOYEES
2,301

NET SALES, MSEK
4,818

ADJUSTED EBITA, MSEK
922

TCO2E/TURNOVER



BUSINESS MODEL

Sustainable value growth

Acquisitions

Internal M&A team with a sector know-how

Solutions or markets with important needs for the infrastructure sector

Niched and high-quality solutions with strong historical performance

Organic Development

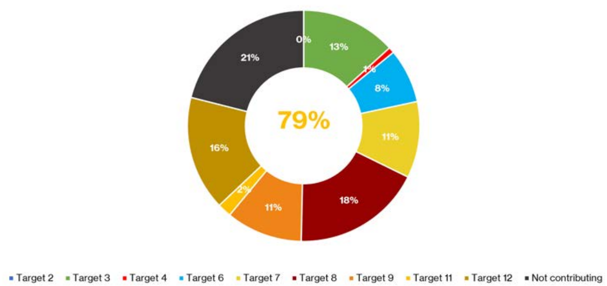
Decentralised responsibility and authority closest to the business

Active owner with an infrastructure know-how and strategic support

Long-term ownership with no divestment strategy

Sdiptech is a technology Group that acquires and develops niche infrastructure companies that contributes to more sustainable, efficient and safe societies.

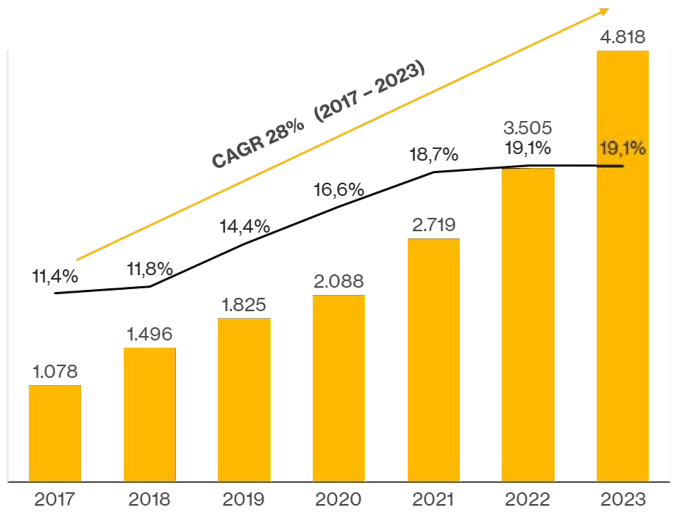
Sdiptech's turnover contributing to an SDG



Europe's infrastructure is to a large extent outdated and neglected. Constantly growing and increasingly complex urban areas are affected by capacity shortages. New environmental and welfare problems place new demands on sustainable solutions, which drives technological development. All this means that the demand for infrastructure solutions for effective and prosperous societies is growing. We are well positioned to meet this growing demand.

Sdiptech's overall goal is to create long-term value growth by constantly evaluating new acquisition opportunities and which contributes our business units in order to drive organic growth. The strength of our business model is that we can offer secure, long-term ownership through a decentralised structure and clear, strategic, value-creating contributions. Sweden and the UK are Sdiptech's main markets, and the head office is located in Stockholm. The company also operates in Finland, Norway, Denmark, Italy, the Netherlands and Croatia.

NET SALES MSEK AND ADJUSTED EBITA MARGIN



The year in brief

> We are proud that all the business units acquired since 2017 are contributing to one or more of the UN Sustainable Development Goals. In 2023, 79 per cent of Sdiptech's turnover contribute to one of the targets.
> *-Bengt Lejdström, CEO*

ORGANIC SALES GROWTH	ORGANIC ADJUSTED EBITA GROWTH	ADJUSTED EBITA MARGINS	CASH FLOW GENERATION
18%	13%	19.1%	67%

Key milestones and events in 2023

2023 was a successful year for Sdiptech, characterised by a number of significant events with good growth and strong organic development. The underlying demand in the markets in which we operate has proven to be strong, which has led to organic sales and profit growth of 18 and 13 per cent respectively. This is evidence of Sdiptech's ability to grow profitably and adapt in a dynamic and in many ways challenging market. This growth was also reinforced by strategic acquisitions totalling SEK 50 million in added profit on an annual basis.

As always, acquisitions are a key part of the growth strategy, although the pace did slow down during the half of the year. Sdiptech welcomed two new companies to the Group in 2023; Kemi-tech and HeatWork, which both complement and reinforce our offering in the Resource Efficiency business area.

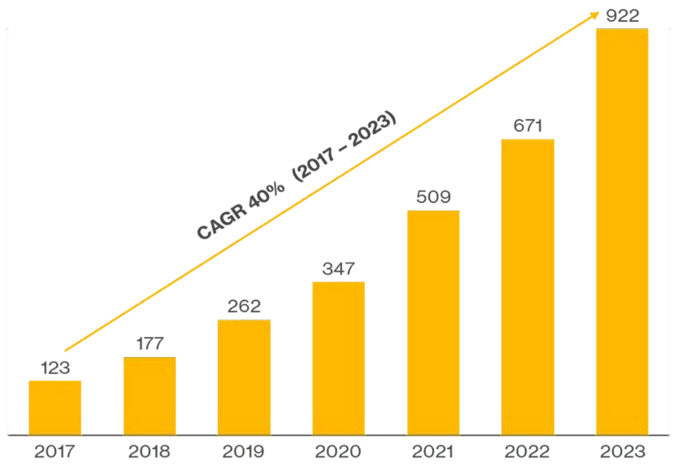
Sdiptech's focus on acquiring companies that contribute to more sustainable, efficient and safe societies is reflected in several of the ESG rankings available in the market. This is evidence of the Group's efforts to integrate sustainability throughout the organisation.

Notable progress can be observed in Sdiptech's sustainability work in the reduction of the Group's total carbon intensity, which has been reduced by 13.8 per cent from the base year 2021. This indicates the ability to reduce environmental impact in relation to how the Group is growing, but also that Sdiptech is able to help more new companies that have become part of the Group to accelerate their sustainability efforts.

Sdiptech issued a sustainability-linked bond in 2023, which not only emphasises the Group's commitment to contribute to more sustainable societies, but also its ability to link the funding to the work towards the Group's long-term sustainability goals.

The year was also marked by a significant change in the executive team. Jakob Holm, who successfully led Sdiptech through a number of development phases, handed over the role as CEO to Bengt Lejdström. After five years as CFO at Sdiptech, Bengt has been a key person in shaping the company and the strategy that will continue to apply going forward.

ADJUSTED EBITA MSEK



CEO'S STATEMENT

"Demand remains strong"

2023 was a strong year for Sdiptech. Market conditions were favourable in most of our business units, customer segments and geographical areas, which resulted in high organic sales growth and good profitability. At the same time, we have successfully coped with a complex environment. This once again demonstrates the strength of our model, alongside the hypothesis that the underlying drivers that we have identified and that underpin our focus areas have made us resilient and protect us from cyclicality.

Demand remains strong

Despite another turbulent year in which the world faced a number of challenges and uncertainties, Sdiptech is strong both financially and in terms of demand. While dealing with short-term challenges, we have achieved record organic growth and further reinforced our position as a technology group with niche offerings in the infrastructure sector. I am proud of how well we have performed in these challenging market conditions.

There has been underinvestment in many infrastructures in Europe, leading to a great need for maintenance, expansion and modernisation. At the same time, the population is growing and we are consuming more. Modern systems that work well and keep infrastructures and societies up and running are a prerequisite for growth and prosperity. Demand from our customers remained strong in 2023, with organic revenue growth of 18 per cent. We are maintaining a good position in the infrastructure sector with niche solutions focusing on increased sustainability, efficiency and safety, and the strong demand and growth are proof of this. At the same time, our scalable business models have enabled us to maintain profitability, with organic profit growth of 13 per cent in adjusted EBITA.

Two strong business areas

Sdiptech's two business areas both made positive contributions to the Group's development. Resource Efficiency turnover increased by 30 per cent in 2023, mainly on account of good demand and sales from the majority of comparable units. The business area's electricity and water meter replacement and refurbishment organisation (Hydrostandard) and our temporary electricity rental unit (IDE Systems), both experienced strong demand, for instance. Our EV charger unit (Rolec) recovered very well compared to the previous year, which was impacted by delays on account of regulations and the relocation of production from China to the UK. The full-scale rollout of the new generation of EV chargers took place from January 2023 onwards and the products have been well received, with the company remaining a strong player in the B2B market in particular. Finally, acquisitions also contributed positively to sales growth; and in particular HeatWork, which manufactures mobile waterborne heating solutions, saw strong sales at the end of the year.

The turnover for Special Infrastructure Solutions increased by 42 per cent, mainly due to strong sales in a number of the large comparable units. The Group's unit that handles claims relating to underground pipelines on behalf of insurance companies (Auger) saw an increase in demand, driven in part by climate change with periods of prolonged drought, which caused subsidence and damage to pipes. ELM Kragelund, the Group's unit for high-quality custom forklift accessories for enhanced safety and efficiency, has also had a strong year and been able to go on consolidating its market position. GAH Refrigeration, which manufactures refrigeration systems and refrigerated transport solutions for vehicles, which are used to keep food and other delicate products at the right temperature during transportation, also had a strong year. There is still a great need to renew the fleet of smaller vans and lorries in the UK, not least because of electrification and a growing market for more but smaller vehicles, particularly in urban areas. Finally, Hilltip, the Group's unit manufacturing road maintenance equipment for pre-winter conditions, had a good year. Establishing the organisation in North America has paid off, and we are now investing in new premises in the US so that we can produce more products locally.

High-quality Nordic acquisitions

We completed two high-quality Nordic acquisitions during the year. The new members of the Sdiptech family are HeatWork of Norway and Kemi-tech of Denmark, both renowned for high quality, innovative solutions in their respective fields. HeatWork is a leading developer and manufacturer of sustainable mobile heating solutions used in a wide range of sectors. Kemi-tech specialises in water treatment technology and provides advanced chemical products and custom solutions for treating water in industrial processes. Their expertise and commitment to innovation make them valuable assets for Sdiptech, which has other units with similar activities. This is particularly important at a time when sustainable water use and management has become increasingly important.

Our business model is flexible and allows us to adapt the pace of our acquisition efforts to market changes, which is a valuable strategic advantage. Despite a slower pace of acquisitions in the second half of 2023, there has been no decrease in our commitment and work on potential acquisitions. We are continuing to actively engage in dialogue with companies that are profitable and sustainable and also have strong market positions. These discussions indicate that sellers' expectations are beginning to converge with our strict requirements on returns, which is a positive development.

CEO'S STATEMENT CONTINUED

"Good prospects for continued organic and acquired growth"

In early 2024, we were pleased to be able to welcome JR Industries, a leading British niche manufacturer of roller shutter doors for commercial vehicles. This acquisition is an excellent example of our ability to identify and integrate companies that complement and reinforce our business. JR Industries, which is renowned for its expertise and innovation in its segment, contributes not only to our product portfolio, but to our collective expertise. Their strong market position and commitment to safety and quality are aligned with our vision and strategy. We are looking forward to the opportunities and the increase in value that this acquisition will bring to both our customers and our shareholders.

Our position in the value chain
We are often asked about our sales mix, and where we are in the value chain. There are a few clear similarities that characterise a Sdiptech company. Besides high-quality products that help to create more sustainable, efficient and safe infrastructures and societies, we look for companies with a differentiated market position, limited competition and low risk of disruption. Our solutions normally comprise self-manufactured or assembled products in combination with software. We often offer associated installation and servicing as well. We enjoy servicing and installation; but mainly of our own products, providing good margins and recurring revenue.

To further clarify our position, it is worth mentioning that we are not infrastructure operators. Instead, Sdiptech's solutions are profoundly niche products and services that are often tailored to meet the specific needs of a customer or industry. The infrastructure segments on which we focus are water and water treatment, electricity and energy, bioeconomy, air and climate, security, and transport and logistics. Needs in these areas are associated with sustained trends and low cyclicality.

Finally, our customer mix mainly comprises stable and solvent large companies and government customers. Our exposure to B2C is very limited (< 5 per cent). Another important criterion that we verify before acquiring a company is that they should not be dependent on a small number of customers or suppliers.

Besides high-quality products that help to create more sustainable, efficient and safe infrastructures and societies, we look for companies with a differentiated market position, limited competition and low risk of disruption.

A number of key sustainability initiatives
Our work to achieve our sustainability goals is continuing. We have reduced our carbon intensity in comparable units by 13.8 per cent during the year, compared to 2021. In addition, the proportion of companies with an even distribution of men and women in senior positions in the Group has increased from 38 per cent in 2022 to 44 per cent in 2023.

We have made a number of investments and vigorous efforts in terms of sustainability during the year. We have worked on energy and resource efficiency, for example, and reviewed our business units' electricity contracts and vehicle fleets.

At the same time, work is continuing on the implementation of our reporting under the Corporate Sustainability Reporting Directive (CSRD). This will enhance the understanding of Sdiptech's sustainability risks and opportunities, and define a foundation for the strategy with which the company will be working going forward, in general and in connection with sustainability issues. In 2024, we will go on working on our long-term plan towards achieving our reduction targets. We will also explore the possibility to commit to Science Based Targets initiative (SBTi).

Change in executive team at the end of the year
We made a change to our group executive board towards the end of the year. Jakob Holm, who skilfully guided the company through a number of expansive phases, resigned as CEO and handed over the baton to me. In my almost six years as Sdiptech's CFO, I have immersed myself in the business and, together with the rest of the executive team, have been involved in the strategy that has not only defined Sdiptech in recent years, but will also show us the way forward.

In line with this transition, we have also recruited Susanna Zethelius as our new CFO. Susanna has extensive experience of financial matters from listed companies, and I am looking forward to continuing our work together with her and the rest of the team at Sdiptech.

Good prospects for organic and acquired growth
Our approximately 40 different businesses in various segments provide good risk diversification, and our decentralised structure ensures quick decisions close to our customers and suppliers. We are still seeing no signs that the prevailing economic situation would affect demand from our customers to any great extent.

Moreover, there are a number of strong drivers, such as increased consumption, infrastructure suffering from underinvestment and a growing desire for more sustainability, efficiency and safe solutions, suggesting that demand will continue to grow. We are very well equipped to continue our profitable growth thanks to good demand, a scalable business model and important sustainability steps.

Finally, I would like to thank all our shareholders for their continued trust in us. I would also like to take this opportunity to express my gratitude to all our dedicated staff for what we have managed to achieve together throughout the year. I am very impressed with everyone's contribution to our collective success, and I am looking forward to continuing my work together with you all.

Bengt Lejdström
President and CEO

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, so the faster the transition takes place, the higher the demand the higher their demand for our products will be.

PROFITABILITY

Niche market positions
Our value creation is based on profitable market positions in growing areas. We believe that sustainable profitability comes from providing high value to our customers through specialisation and competitive market positions.

Scalability and value creation
Scalable business models and capitalising on the expertise we have within the Group allow us to create collaborations and knowledge synergies, streamline our processes and go on increasing our margins.

Supplementary and profitable acquisitions
Profitable acquisitions are continuing to contribute positively to Sdiptech's margin growth. 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.

GROWTH

Long-term demand
There is a constant need to update infrastructures in our societies. Increased consumption and demand for sustainable infrastructure investments place further pressure on systems.

Growth through acquisition
We are actively looking for more niche solutions to critical needs in the infrastructure sector. We acquire companies that help to create safer, more efficient, more sustainable societies, and are constantly expanding our presence and offering in our focus areas.

Developing business units
With their industry specific knowledge, our business area managers and sister companies can provide strategic support and develop our operations still further. At the same time, we can adapt operational support depending on the needs and phases of our business unit's development.

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 to ensure that our investments remain responsible.

Supporting our business units in their sustainability journey
We can use knowledge, advice, policies, processes, training and systems to support our business units, helping them develop even more sustainably and thereby enhancing quality and becoming more attractive to our customers.

Long-term strategic efforts towards our goals
We work with long-term sustainability goals, which are integrated into both the acquisition process of new companies and the development of existing ones. Both the parent company and our business units have incentives linked to the sustainability goals, which fits well into our decentralised model.

Drivers and trends

There are a number of important drivers and trends in society that affect Sdiptech positively. Three long-term drivers that benefit us are the general efforts to bring about safer, more efficient, more sustainable societies, growing population and increasing consumption, and obsolete infrastructure suffering from underinvestment. Moreover, Sdiptech and others benefit from three important long-term trends: the trends towards automation, electrification and digitalisation.

Long-term drivers

Sustainable, efficient and safe societies
In a rapidly changing world, societies are increasingly endeavouring to achieve greater safety, sustainability and efficiency and security so that they can remain resilient in the face of new challenges. There is now greater emphasis on sustainable development as awareness of climate change has increased, with societies and organisations actively working to reduce their negative impact on the environment. At the same time, there is a growing demand for solutions that can increase efficiency, convenience and, not least, safety in society. Regulatory requirements and legislative changes are driving these changes still further.

Population growth and increased consumption
The world's population has more than tripled since 1950 and now numbers 8 billion people. Projections show that population growth will continue until 2100, when we are expected to reach 11 billion. A growing population and middle class is leading to increased demand for resources, placing further stresses on existing infrastructures, which in many instances have already reached maximum capacity. It is necessary to invest in making infrastructural systems more efficient so as to ensure that societies can manage and meet today's needs and the increasing demand for resources.

Obsolete infrastructure suffering from underinvestment
A significant percentage of the infrastructure in the Western world took shape during the decades of growth following the Second World War. The average infrastructure investment as a percentage of GDP for EU countries peaked at 4.1 per cent in 1975. Investment then declined steadily to 2.1 per cent in 1995 and has since stabilised at that level. A lack of maintenance over the years has resulted in large parts of the infrastructure becoming obsolete. At the same time, the technological development of safe, sustainable and efficient infrastructure solutions is driving the need for further replacement and renewal.

Long-term trends

System automation is a global trend in response to the need for greater efficiency, reduced costs and enhanced quality and safety. Technological developments are enabling greater efficiency in automating processes and improving decision-making, and are capable of handling large data volumes and complex tasks. Sdiptech has a number of operations that are benefiting from the automation trend, Certus Automation being one of many examples. This company is a leading stakeholder in the field of optical character recognition (OCR), image processing and software development. Certus solutions automate and optimise logistics processes in port and terminal environments, thereby increasing safety and streamlining processes. The volume of containers in ports all over the world has increased by more than 40 per cent in the last decade, resulting in an increased need for automated logistics solutions.

Electrification of societies refers to the transition from systems and technologies powered by fossil fuels to those powered by electricity instead. This trend is particularly evident in sectors such as transport, energy production, industry and households, where a number of Sdiptech business units are benefiting from the trend. The infrastructure for charging electric cars in Europe has expanded significantly in recent years. Around 530,000 public charging points were recorded at the end of 2022, up 50 per cent compared to the previous year. The number of charging stations in Europe is expected to increase to 2.9 million by 2030, and by 2035, electric cars are predicted to account for half of all vehicles on the roads in major European countries. This emphasises the need for a robust charging network. Sdiptech's IDE System and Rolec Service units offer charging infrastructure of various types to meet different needs. Rolec has an extensive portfolio of EV charging equipment and has installed more than 330,000 charging points across the UK.

Digitalisation has transformed the way in which businesses and societies operate by integrating advanced technology into daily processes, thereby leading to more efficient workflows, better information management and increased data availability. A number of Sdiptech's business units, such as Unipower, IDE System, Resource Data Management, GAH Refrigeration and TEL UK, are benefiting from the digitalisation trend by offering their customers digital control and monitoring systems for data analysis that generate important insights, often linked to more efficient use of energy and other resources.

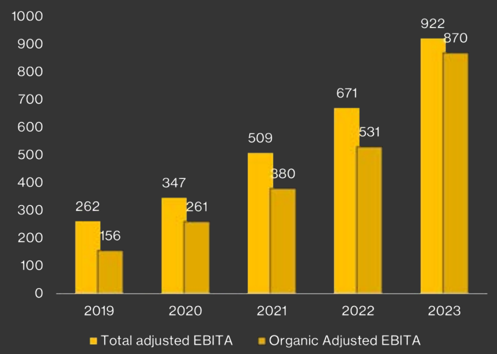
Goals and outcomes

Financial targets

Organic profit growth

TARGET
To achieve average annual organic adjusted EBITA growth of 5–10 per cent

OUTCOME 2023
Adjusted EBITA has increased organically by 13.0 per cent (-10.0) compared to 2022

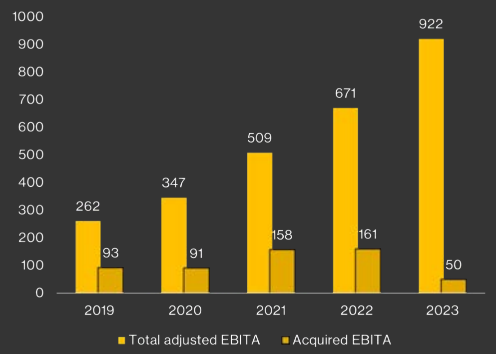


COMMENTS
Strong demand and good cost control have resulted in a double-digit organic profit increase of 13 per cent in adjusted EBITA

Acquired profit growth

TARGET
To acquire companies with a total EBITA of SEK 120–150 million on an annual basis

OUTCOME 2023
SEK 50 (161) million in acquired EBITA on an annual basis

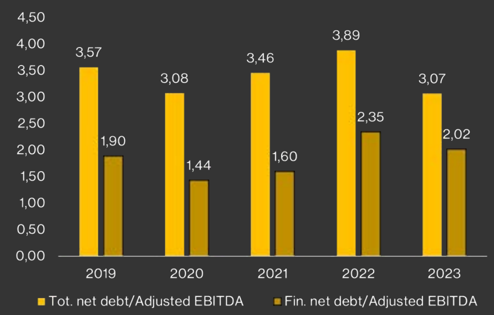


COMMENTS
During the second half of the year, we were of the opinion that a slower acquisition pace created most value for our shareholders, which resulted in two acquisitions of SEK 50 million in acquired EBITA over a rolling 12-month period

Capital structure

TARGET
Net financial liabilities as of the balance sheet date/adjusted EBITDA must not exceed 2.5 times

OUTCOME 2023
Net financial liabilities as of the balance sheet date/adjusted EBITDA was 2.02 times (2.35)



COMMENTS
Strong growth, good cash generation and a slower acquisition pace have resulted in lower indebtedness. The definition of the key figure was updated to include lease liabilities of the debt as of the balance sheet date

Dividend policy

TARGET
In addition to an annual preference share dividend of SEK 8.00 per share, the remaining free cash flow must be reinvested back into the business and used for acquisitions

OUTCOME 2023
Sdiptech's cash generation from operating activities in relation to profit before tax amounted to 67 per cent (80) in 2023. With the exception of the annual dividend to preference shareholders, the cash flow generated has been reinvested in the business

COMMENTS
Cash generation of 67 per cent is below Sdiptech's normal levels. Hard work on managing trade receivables, which was a result of the strong increase in sales, and work on optimising inventory levels resulted in cash generation of 90 per cent in the second half of the year

Goals and outcomes

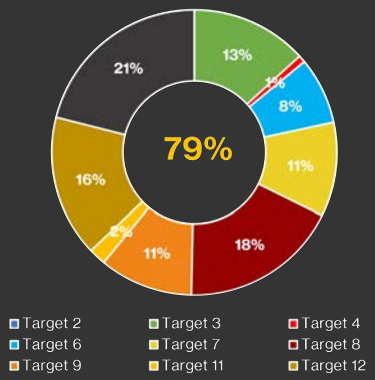
Sustainability targets

Economic sustainability

TARGET
All companies acquired by Sdiptech must contribute to at least one of the UN's Global Sustainable Development Goals

OUTCOME 2023
The two companies acquired in 2023 are contributing to one or more of the UN Sustainable Development Goals (SDGs)

% of turnover contributing to the UN SDGs



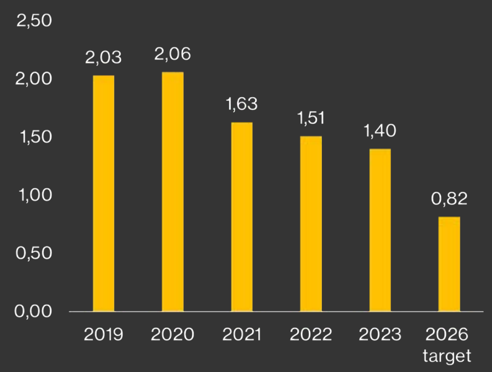
COMMENTS
HeatWork contributes to targets *7.3. Increased energy efficiency* and *12.4 Responsible management of chemicals and waste.* Kemi-tech contributes to targets *7.3. Increased energy efficiency* and *12.2. Sustainable management and efficient use of natural resources*

Environmental sustainability

TARGET
Sdiptech must reduce its carbon intensity (CO2e/turnover) in scope 1 and 2 by 50 per cent within five years, between 2021 and 2026

OUTCOME 2023
Sdiptech has reduced its scope 1 and 2 carbon intensity in comparable units by 13.8 per cent from the base year 2021

Tonnes CO2e/turnover in scope 1 and 2



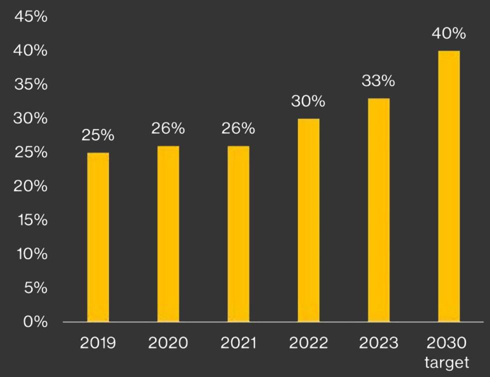
COMMENTS
Sdiptech has reduced its emissions in relation to turnover within scope 1 and 2 by streamlining energy use, increasing the proportion of renewable energy, route planning and switching to a more electric vehicle fleet

Social sustainability

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

OUTCOME 2023
33 per cent of employees in senior positions are women

Percentage of women in senior positions



COMMENTS
Sdiptech's Group Executive Board during the year was made up of 17 per cent women, and Sdiptech's Board of Directors consists of 40 per cent women. 44 per cent of Sdiptech's business units have an even gender distribution in senior positions

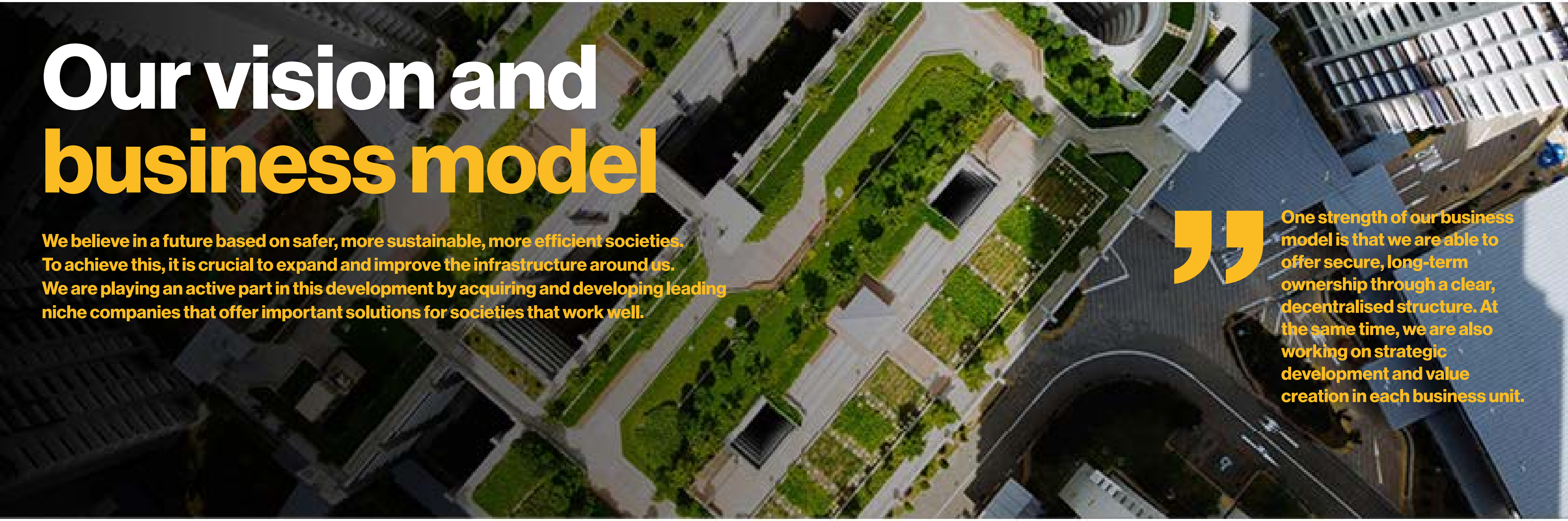
Corporate governance

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

OUTCOME 2023
Sdiptech's executive team and a majority of all the Managing Directors within the Group are incentivised to achieve sustainability-related targets by means of:

1) an additional bonus,
2) salary progression, or
3) as part ofthe targets for the earn out

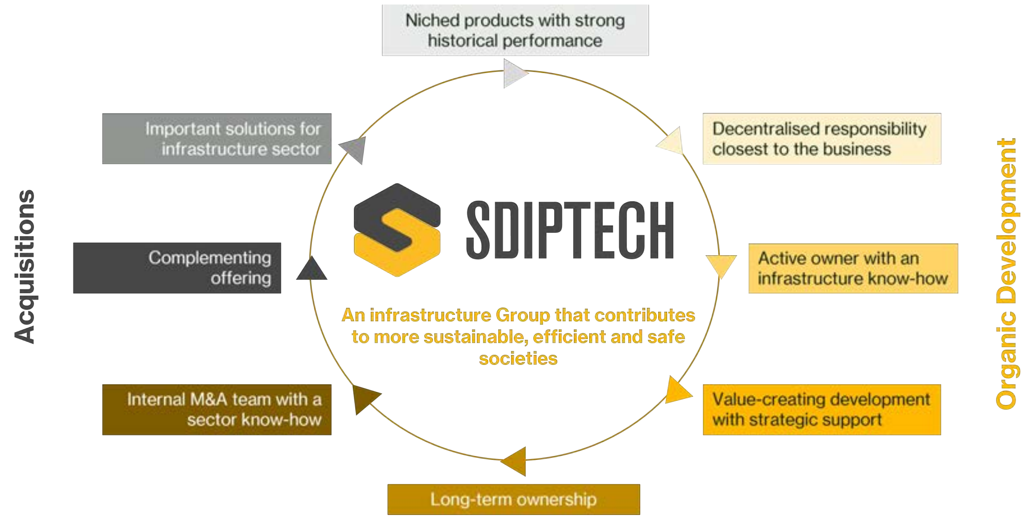
COMMENTS
Sdiptech is working with and applies individual goals and plans for each business unit in order to tailor the objectives and incentives to the specific needs, challenges and opportunities of each unit



Our vision and business model

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 are playing an active part in this development by acquiring and developing leading niche companies that offer important solutions for societies that work well.

> **"One strength of our business model is that we are able to offer secure, long-term ownership through a clear, decentralised structure. At the same time, we are also working on strategic development and value creation in each business unit.**



Our business model

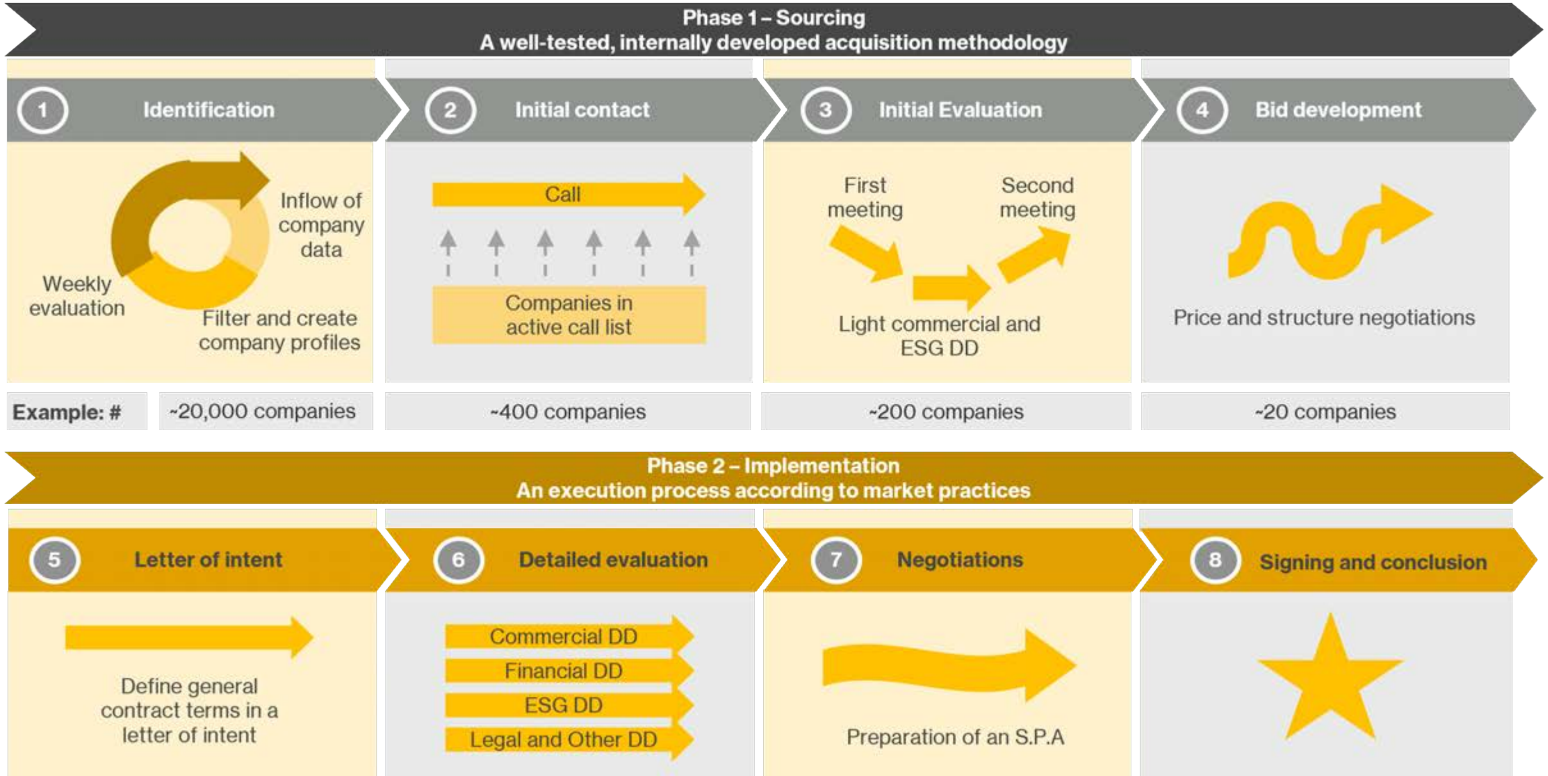
Sdiptech's business concept is to acquire and develop market-leading niche businesses with products and services in the growing infrastructure sector. Our overall goal is to create long-term value growth by constantly evaluating new acquisition opportunities and actively developing our business units in order to drive organic growth. One strength of our business model is that we are able to offer secure, long-term ownership through a clear, decentralised structure. At the same time, we are also working on strategic development and value creation in each business unit.

Sdiptech's business model is divided into two parts, **Acquisitions** and **Development**. Find out more on the following pages.

Our vision

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 are playing an active part in this development by acquiring and developing leading niche companies offering important solutions for societies that work well.

Acquisitions



Acquisition process
Sdiptech defines clear requirements when evaluating acquisition opportunities. They must be profitable, ideally market-leading, entrepreneur-led niche infrastructure companies in prioritised geographical areas.

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. In fact, in many instances we are in contact with companies for a number of years before an opportunity to acquire them arises. This work is divided into two phases: *sourcing* and *implementation*.

Phase 1 Sourcing
Sourcing is a proprietary process that sets Sdiptech apart and gives us important competitive advantages. Companies that meet our basic requirements are identified for further analysis by means of quantitative process steps. Around 20 companies are presented in a normal working week, of which 10 or so are contacted for further dialogue. A qualitative analysis is then carried out to identify the companies that meet our stringent criteria. Our focus on sustainable solutions for the infrastructure sector plays an important role in this analysis as we benefit from the collective expertise of the Group's acquisition team, Business Unit Managers and business units.

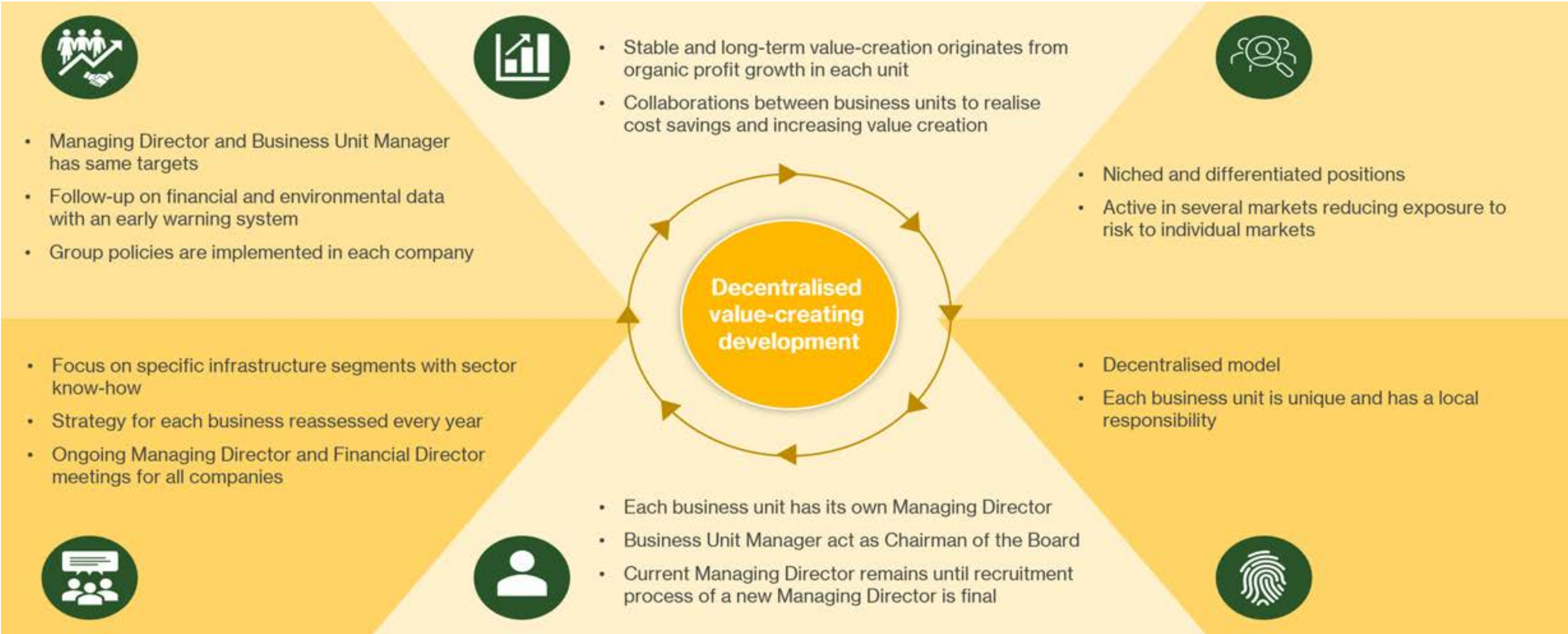
A thorough evaluation of the commercial, financial, legal and sustainability aspects of the company is performed prior to each acquisition. Our approach gives us time to get to know the owners of the companies that we have selected.Our in-house acquisition organisation means we have control of the inflow of acquisition candidates, which is then supplemented with suggestions from external stake-holders and our business units. Sdiptech's acquisition model creates independence from external parties and also leads to exclusive dialogues with owners.

Phase 2 Implementation
Implementation follows accepted industry practice with a view to analysing risks and opportunities in detail.

Sdiptech looks for companies that fulfil the following criteria

- **Delivering solutions to important needs in the infrastructure sector**
- **Contributing to safer, more sustainable, more efficient societies and at least one of the UN Sustainable Development Goals**
- **Operating in a market or niche with persistent trends, with low cyclicality**
- **Having strong historical profit performance and stable cash flows**
- **Having a differentiated market position with limited competition and low risk of disruption**
- **Having unique value offerings and a robust business model**
- **Offering a combined solution of hardware and software with associated servicing and installation**
- **Not being critically dependent on a small number of customers or suppliers**
- **Have an EBIT margin above 15 per cent and an EBIT level of around SEK 20–50 million**
- **Having a scalable business model**
- **Operating in Sdiptech's prioritised geographical areas**

Development



Developed at Sdiptech
Sdiptech Group companies retain their original identity while also gaining access to the collective experience and expertise of their 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 a key component of sustainable and profitable growth. We prioritise strengthening the market positions of our business units without taking unnecessary risks that could jeopardise a successful niche and its profitability.

Local responsibility
Every business unit is unique. Every unit bears clear responsibility for results so as to ensure strong ownership to drive and develop our offerings.

Leadership
When a company is acquired, its management usually remains with the previous by the previous owner to ensure continuity after the acquisition is completed. A handover to a successor usually takes place within a couple of years according to an agreed schedule. Helping to find a new Managing Director and conducting a successful succession is an important element in the value we offer.

Focus areas
We have deep market insight and technical expertise in our focus areas. This is true of both our business unit managers in their specific areas and our acquisition organisation, which surveys markets and value chains in depth in our selected areas.

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. This allows us to implement cost savings through collaboration between our various business units, thereby increasing our value creation as a Group.

Strategic support and development
- There is close cooperation between the Business Unit Manager and the business unit's Managin Director. The Business Unit Manager is also Chairman of the Board at the subsidiary and therefore provides an important strategic sounding board for the Managin Director.
- The strategy is reviewed with the business unit's Managin Director and executive every year. The strategy is translated into an activity plan that is then followed up regularly during the year.
- Groupwide meetings between the business units are also arranged in order to develop leadership, such as theme meetings for Managing Directors and Financial Directors.

Common incentives
In our model, the Managing Director should have the same goals as the business unit manager. That is why the Managing Director's remuneration is linked to the achievement of targets in their own company. Organic profit growth and profit margin are always an important goal, but there are always complementary goals such as goals for gender equality, reduced carbon intensity and cash flow.Moreover, the units parent company has similar goals and incentives so as to ensure that everyone works with the same focus and ambition.

Follow-up 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.
- The company's carbon emissions divided into scope 1, 2 and 3 are followed up on a quarterly basis. Additionally, other ESG data is reported annually.
- Group policies are implemented in each business unit. For a small company, this often involves adapting to the compliance requirements involved in being part of a listed company. However, this alignment will improve control and increase quality in the long run, which is positive.

Becoming part of Sdiptech

Sdiptech is a home for entrepreneurs and can help companies continue to develop safely. We offer an attractive option for many company founders who want to sell their companies, because our decentralised business model means that companies can go on operating independently and retain their unique characteristics.

Isabell Lindahl, Managing Director at Polyproject Environment

For us and our sister company Vera Klippan, having Sdiptech as an owner has allowed us to strengthen our market position significantly. Throughout the year, Polyproject and Vera Klippan, with Sdiptech's support, worked on a merger that ensured competitive prices for locally made products, reduced lead times, and expanded our product range. Being part of a larger group, and now a larger joint venture as well, has been beneficial for our staff as it offering more opportunities for growth in new and exciting roles. As part of Sdiptech, Polyproject is becoming even more sustainable for our customers, employees, and partners.

Maarten de Vries, Managing Director at Certus Automation

Being part of Sdiptech means that we have a secure, long-term owner with a decentralised business model, which are two key aspects for us. Certus was acquired by Sdiptech in 2021, and they have been a great partner for us in our growth journey. As an international company and a supplier with major customers all over the world, there is increasing pressure on us to maintain robust plans on how we are to improve in respect of sustainability. Sdiptech has supported us in complying with policies, implementing systems to measure our ESG data, inc. emission calculations, and conducting supplier assessments. But it has also helped us by defining targets, a direction and action plans on how we can benefit from our sustainability opportunities, reduce risks to a minimum and refine our operations in areas where there is room for improvement.

Frankie Mellon, Managing Director at Rolec Service

Being part of Sdiptech has brought significant benefits. Sdiptech always brings with it commercial expertise, professionalism and integrity. These qualities were particularly valuable as we implemented a successful generational shift, built up a robust organisation and established a strong executive team. Rolec has made a number of important advances over the past couple of years, establishing a development department, improving our supply chain and bringing production of all key components back to the UK. Furthermore, Rolec has created an EU logistics hub for smooth internationalisation by taking advantage of Sdiptech's extensive European network.

INDUSTRIAL FOCUS

All companies that join Sdiptech become part of a group of industry colleagues and specialists in a number of selected areas. Clear knowledge synergies, expertise and experience are all available to share.

DECENTRALISED STRUCTURE

We work within a decentralised structure in order to reinforce each business unit's individual niche and unique characteristics. This allows each business unit to develop its business and make decisions as close as possible to customers.

STRATEGIC SUPPORT

With their industry-specific knowledge and experience, our Business Unit Managers can provide strategic support and help our companies with further development of their operations. At the same time, we can adapt operational support according to the needs and phases of the company's development.

Business areas

Effective infrastructure is essential for our societies and our day-to-day lives. Sdiptech is divided into the two business areas of Resource Efficiency and Special Infrastructure Solutions, which include a couple of areas that are of particular importance for the development of society, with strong underlying driving forces. Water and sanitation, power and energy, and bioeconomy and waste management are all Resource Efficiency areas. The Special Infrastructure Solutions business area covers air and climate control, transport and automation, and safety and security.

Resource Efficiency

Companies in the business area focus on niche products and services that help to bring about efficient and sustainable use of resources, such as water, sanitation, power, energy, minerals, forests, crops and waste.

Higher living standards and increasing needs for resources create a long-term demand for new solutions and innovations.

The Nordic countries, the UK and Italy are the most important geographical markets for the business area.

Number of business units: 18

Special Infrastructure Solutions

Companies in this business area provide niche products and services for specialised needs in air and climate control, security and surveillance, and transport systems and automation.

The niches in these areas all have good underlying growth, low cyclical dependence and progressively stricter ESG rules.

The Nordic countries, the UK and Italy are the most important geographical markets for the business area.

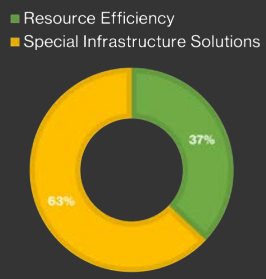
Number of business units: 22

Turnover by business area

Resource Efficiency's turnover increased by 30 per cent to SEK 1,650 (1,270) million compared with the previous year. This increase in turnover is mainly attributed to healthy demand and sales from most comparable business units. Acquisitions also made a positive contribution.

Turnover for Special Infrastructure Solutions increased by 42 per cent to SEK 3,169 (2,235) million. This increase in turnover is mainly due to acquisitions and good sales in a number of comparable units in the business area.

Adjusted EBITA by business area



Resource Efficiency's adjusted EBITA increased by 33 per cent to SEK 366 (276) million, mainly due to good organic profit development in a number of the Group's business units, particularly in the electric vehicle charger business. Acquisitions also contributed positively to profit growth.

The adjusted EBITA for Special Infrastructure Solutions increased by 38 per cent to SEK 623 (452) million, mainly due to contributions from acquired units and continued good development in a number of the Group's existing units.

Resource Efficiency

Water & Sanitation
Power & Energy
Bioeconomy & Waste management

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 sustainable waste management are all areas 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 different areas, with major investment needs.

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.

Green technologies, renewable energy and sustainable waste management are all areas that can increase the resource efficiency of our societies.

"The stability and constant demand for our companies' products and services confirm our view that investments in sectors such as clean water, energy supply and waste management are resilient and constantly prioritised. The demand reflects not only a growing need, but also global insight into the importance of sustainable development and responsible use of resources. This is further reinforced by stricter regulations, which is well-suited to niche and high-quality companies like ours."
Fredrik Navjord, Head of Resource Efficiency

Water & Sanitation
Our existing businesses offer niche products and services for wastewater treatment, water systems and water treatment. We have identified three important trends in respect of water where we have a number of companies operating and where we see particularly clear potential for growth, driven by strong external factors such as population growth, urbanisation, climate change and technological advances.

1) Digitalisation and smart water management:
Digital technology is playing an increasingly important role in water management, with solutions such as smart meters, sensors and advanced data analysis tools. These technologies facilitate more effective monitoring and management of water use and water quality, thereby helping to optimise use of resources, reduce waste and improve the delivery of clean water.

2) Advanced water treatment methods:
New and improved water treatment methods such as reverse osmosis, membrane technologies and advanced oxidation are becoming more and more common as ways of meeting growing demands in terms of water quality. These technologies are particularly important for desalinating seawater, purifying wastewater to return it to a reusable standard and removing contaminants such as pharmaceutical residues and microplastics from drinking water. Developing cost-effective, energy-efficient treatment systems is crucial as a way of extending access to clean water globally.

3) Sustainable water use and circular economy:
As awareness grows of the fact that water is a limited resource, there is increasing interest in sustainable water use strategies and circular economy principles in water management. This includes measures for the reuse and recycling of water in industrial processes, agriculture and societies. Integrating water reuse and recycling will allow societies to reduce their dependence on fresh water supply, improve drought resilience and help bring about more sustainable use of water resources.

These trends reflect a growing understanding of the value of water and the need to invest in innovative solutions to ensure a sustainable water future.

Power & Energy
Our energy units offer niche products such as power supply, electrical automation, temporary electricity and charging equipment for electric vehicles. Besides a strong electrification trend, we have identified three key trends where we perceive particularly clear potential for growth, driven by strong external factors such as climate change, technological innovation, policies and changing consumer behaviour.

1) Transition to renewable energy:
The shift from fossil fuels to renewable energy sources is one of the most prominent trends in respect of energy. This transition is being driven by the need to reduce emissions, while technological advances are making renewable energy more accessible and cost-effective. Policy initiatives and incentives such as carbon taxes and green energy subsidies are also playing an important role in development.

2) Decentralisation, digitalisation and streamlining:
Digitalisation enables better monitoring, control and optimisation of energy flows by means of smart grids and energy management platforms, thereby increasing the efficiency of energy supply. Advances in smart grids mean that systems are becoming more decentralised too, which means that energy production can be brought closer to end users thanks to small-scale devices such as solar panels, small wind turbines and local energy storage systems. *3) Energy storage and grid stability:*
Development of energy storage technology such as batteries and other storage systems is crucial for managing the intermittency of renewable energy production and improving grid stability. Energy storage permits more efficient use of renewable energy by storing excess electricity when supply is high and releasing it when demand is higher.

These trends reflect a sector undergoing rapid change in which the emphasis is on reducing environmental impact, increasing energy efficiency and meeting energy needs in a sustainable manner.

The shift from fossil fuels to renewable energy sources is one of the most prominent trends in energy.

Bioeconomy and waste management
We have identified three important trends in respect of this field where we have a number of companies operating and where we see particularly clear potential for growth, driven by strong external factors such as increased environmental awareness, global sustainability goals and technological innovations.

1) Circular bioeconomy:
This trend involves the transition from a linear economy, where resources are used once and then disposed of, to a circular model that focuses on reusing and recycling bio-based materials. The circular bioeconomy seeks to create value throughout the entire life cycle of the product, from raw material extraction to production, use and recycling. This helps to reduce waste, ensure more efficient use of resources and reduce environmental impact.

2) Renewable materials and bio-based products:
As concerns grow about environmental degradation and depletion of fossil resources, the demand for renewable and bio-based materials is increasing. This includes everything from bioplastics and biofuels to biochemicals and other products made from renewable biological resources. This trend is being driven by technological advances that are enabling new and innovative bio-based products to be developed, and also by policy initiatives and increasing consumer demand for sustainable alternatives.

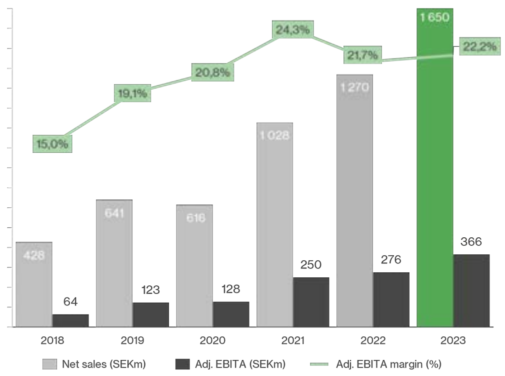
3) Waste management and recycling technologies:
As the population grows and consumption increases, more stringent demands are placed on efficient waste management systems. This has led to an increase in advanced recycling technologies and waste management strategies such as mechanical and biological treatment, waste-to-energy technologies and advanced sorting technology. These innovations aim to maximise the recovery of materials and energy from waste, thereby reducing the need for landfill and helping to bring about more sustainable use of resources.

These trends reflect growing emphasis on resource efficiency in the fields of bioeconomy and waste management. By turning biological resources and waste into energy, these trends are helping to reduce environmental impacts and promote more sustainable and resilient societies.

Business area development, 2023
Sales increased by 30 per cent to SEK 1,650 (1,270) million compared with the previous year. This increase in turnover is mainly attributed to healthy demand and sales from most comparable units. Acquisitions also made a positive contribution.

Adjusted EBITA increased by 33 per cent to SEK 366 (276) million, mainly due to good organic profit development in a number of the Group's business units, particularly in the electric vehicle charger business. Acquisitions also contributed positively to profit growth.

The EBITA margin increased to 22.2 per cent (21.7), mainly on account of contributions from organic profit development in a number of other units in the business area, but also from acquired units.



Facts in brief

	2023	2022	2021
Net sales	1,650	1,270	1028
Adjusted EBITA	366	276	250
Adjusted EBITA margin, %	22.2	21.7	24.3
Number of business entities	18	16	15
Number of acquisitions during the year	2	1	2

"Areas such as renewable energy, efficient waste management and reliable water supply are essential to society and also provide a route to economic growth. Sdiptech's strong position in these sectors confirms not only our strategic direction, but also our capacity to create value in a world that is increasingly appreciating emphasis on sustainability and innovation.

We are looking forward to continuing our expansion and actively contributing to a more sustainable future, while also creating long-term value for our shareholders."

Fredrik Navjord,
Head of Resource Efficiency

Special Infrastructure Solutions

Air & Climate

Safety & Security

Transportation & Logistics

The solutions offered by Special Infrastructure Solutions span a relatively wide range of different niches. Common to all business units are the specific infrastructure focus areas 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 such solutions.

The business units within the business area provide niche products and services for specialised needs in respect of air and climate control, security and surveillance, and transport systems and logistics. Northern Europe and the UK are the main geographical markets.

"All in all, our differentiated solutions offer strong resilience to fluctuating macroeconomic factors. In 2023, the demand for our products and services in the field of transport and logistics has developed well, with an obvious need to find reliable and more efficient solutions."

Anders Mattson, Head of Special Infrastructure Solutions

Air & Climate Control
We have identified three key trends in the field of air and climate control where we have a number of companies operating and where we see particularly clear potential for growth, driven by increased awareness of environmental and health risks, technological development and political and regulatory changes.

1) Connected systems and monitoring:
We see more and more advanced sensor systems and intelligent control devices that can monitor and regulate air quality and temperature in real time, helping to improve energy efficiency and the indoor environment. The use of data analytics and machine learning in order to predict and adapt systems to user needs is another growing trend.

2) Sustainability and energy efficiency:
There is strong demand for solutions that make buildings more energy-efficient, which includes everything from highly efficient HVAC systems to the use of renewable energy to power these systems. Development of technologies such as heat recovery and the use of more eco-friendly refrigerants are other potential growth areas.

3) Improved indoor air quality and regulatory measures:
Regulations on energy efficiency and emission reductions are becoming increasingly stringent, driving innovation and implementation of more sustainable air and climate control solutions. This includes international agreements such as the Paris Agreement and local and regional initiatives aimed at reducing emissions and improving air quality.

These trends demonstrate a rapidly evolving sector where innovation is helping to tackle climate change and also creating healthier, more comfortable indoor environments.

Safety & Security
We have identified three key trends in the field of security, with strong drivers underpinned by technological advances, increased security requirements and changing societal needs.

1) Physical security, fire safety and access control:
We are seeing more and more sophisticated solutions and improved technology for increasing fire safety in complex environments. Access control solutions such as biometric systems (fingerprints, facial recognition, iris scans) and electronic access control systems are also being developed in order to enhance security in public buildings, business premises and homes.

Illustration: Optyma Security Systems Ltd

We are seeing more and more sophisticated solutions and improved technology for increasing fire safety in complex environments.

2) Cybersecurity:
The risk of cyberattacks is on the increase as more and more devices and systems become connected. This has led to greater awareness and demand for cybersecurity solutions to protect critical infrastructure, corporate data and personal information against cyberthreats. Development of advanced encryption technologies, firewalls and intrusion detection systems is also on the increase.

3) Safety in public spaces:
Increasing security requirements in public environments are driving innovative solutions for mass surveillance, behavioural analysis and threat detection, often using AI and video analysis technologies. We are seeing an increasing demand for integrated security systems involving interaction between different security solutions such as video surveillance, intruder alarms and smoke detectors that improve efficiency and reaction time in the event of security threats.

The trends show strong developments in terms of safety and security, with technology playing a crucial part in fulfilling growing and changing demands in both private and public environments.

“The need to create more sustainable, reliable and efficient supply chains are clear drivers in this business area. Our Transport and Logistics focus area is continuing to develop well, and the underlying trends are creating long-term value for us.

We are also continuing to see clear drivers in terms of energy optimisation and energy-saving measures in climate change adaptation, in everything from the food industry to the property sector to reduce energy consumption, but also to switch to more sustainable alternatives and reduce our carbon footprint.”

Anders Mattson, Head of Special Infrastructure Solutions

Transportation & Logistics
We have identified three significant trends in the transport and logistics sector, driven by factors such as technological innovations, globalisation, environmental awareness and changing consumer behaviour. Sdiptech has a number of companies operating in these areas, in which we perceive particularly clear potential for growth.

1) Digitalisation and smart logistics solutions:
Digital technology is transforming the entire logistics chain, from warehouse management to transport planning and customer service. Connected devices permit real-time tracking of shipments, optimisation of routes and inventory management and improved communication with customers. The rapid growth of e-commerce is also having a major impact on the logistics landscape, with increased demand for fast and flexible delivery options. Continued globalisation of supply chains also increase complexity.

2) Transport security:
Investing in safe transport systems continues to be a high-priority trend in the transport sector. With too many injuries and deaths in the current transport system, it is of utmost importance for both authorities and the private sector to reduce these numbers. This will be achieved by means of a long-term commitment to improving safety through innovation and more effective solutions.

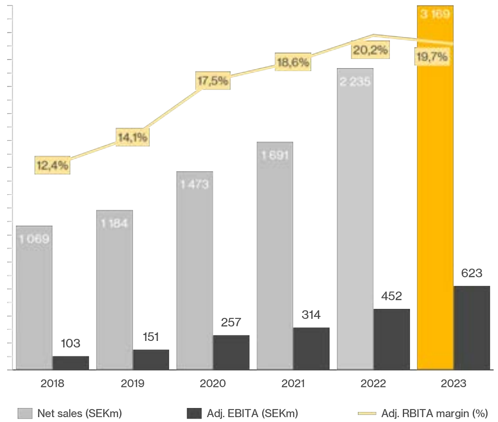
3) Sustainability and green logistics:
Environmental awareness in transport and logistics has increased in recent years. This includes measures such as optimising routes to reduce fuel consumption, using more sustainable transport methods and electrifying vehicle fleets, and investing in circular economy solutions such as reusing and recycling packaging materials.

These trends reflect a sector that is facing major changes, where companies have to continuously adapt in order to remain competitive and meet the expectations of both customers and society for sustainability and efficiency.

Business area development, 2023
Sales increased by 42 per cent to SEK 3,169 (2,235) million. This increase in turnover is mainly due to acquisitions and good sales in a number of units in the business area.

Adjusted EBITA increased by 38 per cent to SEK 623 (452) million, mainly due to contributions from acquired units and continued good development in a number of the Group's existing units.

The adjusted EBITA* margin increased during the quarter to 19.7 per cent (20.2), mainly through contributions from acquired units, but also from organic profit development in most other units in the business area.



Facts in brief

	2023	2022	2021
Net sales	3,169	2,235	1691
Adjusted EBITA	623	452	314
Adjusted EBITA margin, %	19.7	20.2	18.6
Number of business entities	21+1	21	16
Number of acquisitions during the year	0+1	5	2

+ includes acquisitions made after the end of the financial year (in 2024)

Illustration: RedSpeed International Ltd

Investing in safe transport systems continues to be a priority trend in the transport sector. The current transport system sees too many injuries and deaths, and so it is of utmost importance for both public authorities and the private sector to bring down these figures. This will be achieved by means of a long-term commitment to improving safety through innovation and more effective solutions.

Sustainability Report

Contents

Interview

with the CEO and the Head of Sustainability

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

Bengt: We have implemented a number of important activities in 2023. We have started reporting environmental data on a quarterly basis, for instance, which allows us to monitor our development more effectively and gives us more opportunity to influence our outcome. We have also refined our process and analysis of ESG aspects prior to acquisitions, and the ESG DD now forms part of the commercial DD. We have also launched a couple of important policies and governance documents for the Group. Finally, we have issued a sustainability-linked bond, which means that our entire funding mix is now linked to our sustainability goals.

My: We have reduced our scope 1 and 2 carbon intensity in comparable units by 7.0 per cent, which is down 13.8 per cent from the base year 2021. This puts us on track to reduce our scope 1 and 2 emissions by 50 per cent between 2021 and 2026, in line with our goal. Another focal point in 2023 has involved preparing for the implementation of CSRD, which will not only provide a valuable foundation for our strategy and the way forward in our continued ESG work: it will also lead to more detailed and comprehensive reporting of our sustainability risks and opportunities linked to us as a company and our impact on the wider world.

Bengt: With regards to social aspects, an updated plan for our gender equality and diversity efforts was established and launched in 2023. By way of example, we launched a DE&I (Diversity, Equity and Inclusion) toolkit as part of the plan which was distributed throughout the Group. We also rolled out a separate gender equality policy, with clear guidelines in the event of non-compliance. Two people from the head office have completed a six-month gender equality programme with the Global Compact in order to extend our in-house knowledge. Our goal is to have a gender balance of 40–60 per cent in leading positions by 2030. The proportion of women in leading positions in the Group in 2023 has increased to 33 per cent, compared to 30 per cent in 2022. The proportion of business units with gender equal management has increased from 38 to 44 per cent. We are continuing to work on our diversity and gender equality plan, and during the year we will be rolling out training packages to all staff in senior positions within the Group.

> **Our goal is to have a gender balance of 40–60 per cent in leading positions by 2030. The proportion of women in leading positions in the Group in 2023 has increased to 33 per cent, compared to 30 per cent in 2022.**

My: Another important social issue for us involves the fact that our value chain is becoming ever more complex as more people join us, with organisations in more countries, while the proportion of products in our sales mix has increased. This means more production and exports, thereby increasing the importance of identifying upstream and downstream risks. We have developed our supplier mapping in connection with this, and we are analysing this on an ongoing basis and will continue to monitor the situation in 2024.

Bengt: We are carrying on our work with our value chain, partly by surveying and mitigating risks, while also focusing on the opportunities we have identified through our focus on products that help to create more sustainabile, efficient and safe societies. 79 per cent of Sdiptech's turnover contributes to the UN Sustainable Development Goals, more information on this can be found in our sustainability notes. Furthermore, 13 per cent of Sdiptech's turnover is aligned with the EU's green taxonomy. However, we need to conduct comprehensive life cycle assessments if more of our taxonomy-eligible turnover is to be aligned, which we hope to start working on this in 2024. Sdiptech is not the main target group of the Taxonomy Regulation though, as we do not manufacture or operate infrastructure. Sdiptech's entities with exposure in industries covered by the regulatory framework instead fall under enabling activities, which is currently a very limited part of the taxonomy.

> **We have defined specific targets for resource efficiency, climate change adaptation of our operations and energy use; three areas that our stakeholders want us to prioritise and deem to be material to us.**

My: We are planning to further intensify our efforts to reduce our carbon footprint by investing in energy efficiency measures and increasing the proportion of renewable energy. We have defined specific targets for resource efficiency, climate change adaptation of our operations and energy use; three areas that our stakeholders want us to prioritise and deem to be material to us. We have worked even more with our companies and supported them in their efforts in respect of important local sustainability issues at each of the unit. One way in which we can simplify and justify green investments within the Group is to develop an internal carbon price that will start to be rolled out across the Group in 2024. In more practical terms, this works as a cost that is included in the investment calculation, what is known as a shadow price. Besides the sustainability goals linked to incentives for each Managing Director's bonus or additional purchase price, this will be yet another way in which to encourage all business units to prioritise sustainable decisions.

Interview with the CEO and the Head of Sustainability continues

Bengt: Improving infrastructure is a key aspect in social development. This means that as our societies endeavour to achieve greater sustainability, efficiency and safety, so the demand for our solutions is increasing. Sdiptech's business units benefit from a number of the investments being made by governments all over Europe in terms of climate, energy efficiency and more sustainable infrastructure. We will be stepping up our efforts to reduce our negative impact in 2024, and our ambition is to join the Science Based Targets initiative (SBTi).

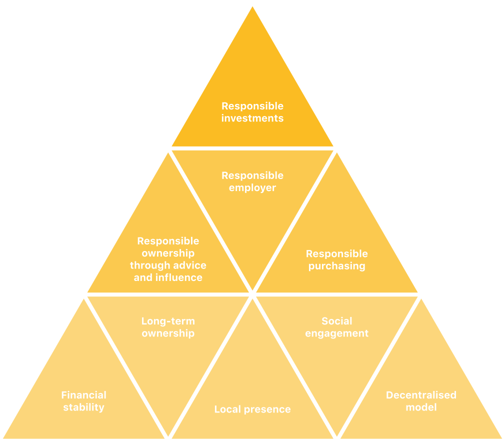
My: We will go on engaging our stakeholders by means of regular discussions and collaboration, particularly by working with customers in order to understand and meet their needs for sustainable solutions. That said, we are planning to intensify our efforts to train and engage our staff on various sustainability issues. All of these initiatives are important from a number of perspectives. Not only do they mitigate risk, they also make us more attractive to sustainability-conscious investors and customers – an increasingly large part of our shareholder base. Our belief and ambition is that our sustainability efforts will help to enhance operational efficiency, as well as increasing long-term profitability and leading to higher valuation.

> **Sdiptech's business units in Europe are benefiting from a number of the investments in climate, energy efficiency and more sustainable infrastructure that are being adopted by governments. We will be stepping up our efforts to reduce our negative impact in 2024, and our ambition is to join the Science Based Targets initiative (SBTi).**

Approach to Sustainability

We believe in a future based on safer, more efficient, more sustainable societies. To ensure this, it is crucial to expand and improve the infra-structure around us. We are playing an active part in this development by acquiring and developing leading niche companies offering important solutions for enhanced sustainability in society.

Our 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. We are constantly working with climate impact while also taking responsibility for ensuring that our business culture is characterised by respect: these are important building blocks. Our greatest impact on sustainability is in our responsible investments and existing business unit offerings that contribute in a variety of ways to safer, more efficient, more sustainable societies.



Our focus on sustainability and responsible investment helps us create lasting value, with 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 in which Sdiptech invests must have strong offerings that meet important needs for their customers, while also ensuring that these products and services make positive contributions to society. This combination of drivers in our business units' core activities ensures long-term demand. Conversely, companies whose offerings or activities conflict with these drivers will eventually encounter resistance from both authorities and the general public, and thus possess more risks.

Goal: financial sustainability

All companies acquired by Sdiptech must contribute to at least one of the UN's Global Sustainable Development Goals.

Outcome

All the companies acquired by Sdiptech since 2017 are contributing to one or more of the UN Sustainable Development Goals. Two companies were acquired in 2023.

HeatWork contributes to targets *7.3. Increased energy efficiency* and *12.4. Responsible management of chemicals and waste*

Kemi-tech contributes to targets *7.3. Increased energy efficiency* and *12.2. Sustainable management and efficient use of natural resources*

Comments

79 per cent of Sdiptech's turnover contributed to the UN Sustainable Development Goals in 2023. As part of the process of ensuring our role as a responsible owner, and to ensure that the investments we make are sustainable, we apply three approaches: exclusion, inclusion and influence & control:

1) Exclude
Sdiptech actively chooses not to work with companies that are involved in the production or distribution of controversial products or services in accordance with our Responsible Investment Guide.

2) Include
Sdiptech is actively on the lookout for companies that are helping to create safer, more efficient or more sustainable societies, and that are subsequently contributing to at least one of the UN Sustainable Development Goals without having a significant negative impact on any other sustainability challenge.

3) Influence & control
Sdiptech conducts a sustainability analysis and survey with a TCFD analysis (climate risk analysis), a survey of the UN Sustainable Development Goals and a Taxonomy review prior to each acquisition. As a long-term owner, we also have the opportunity to influence our companies. Sdiptech's business units monitor and are monitored on our policies within the framework of our internal control efforts. Additionally, annual sustainability surveys take place at each company, with defined goals, strategy, roadmaps and proposals for improvements that will continue throughout the financial year.

Sustainability guidelines

1. Ensure compliance with the Responsible Investment Guide
2. Ensure that ethics and sustainability are 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 essential sustainability areas
7. Have relevant, measurable goals and continuously improve 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

Governance

Sustainability

Accounting policies

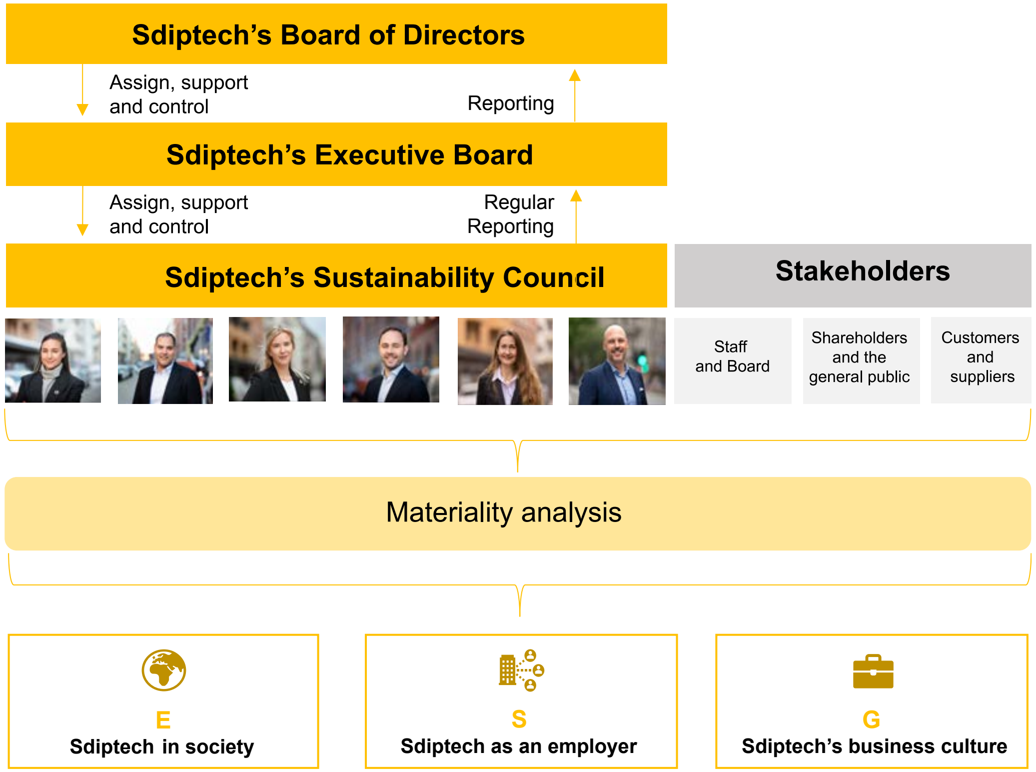
The scope and content of Sdiptech's sustainability reporting has been devised by applying accounting policies such as GRI, working with social and climate-related risks and opportunities according to TCFD, and implementing stakeholder participation and materiality.

The report has also been inspired and prepared in accordance with the UN Guiding Principles on Busi-ness and Human Rights. Sdiptech also reports on climate change to CDP. We are also affiliated with the Global Compact and submit our COP report on outcomes and progress each year.

Guidelines and methodology

All business units report their total scope 1, 2 and 3 carbon emissions in accordance with the GHG protocol on a quarterly basis when they submit their financial statements. All units report the remaining sustainability data at the end of the financial year. The companies that have not been part of Sdiptech for the entire financial year report only the ESG data for the period for which they have been part of Sdiptech.

All our employees are informed each year about the Sdiptech Code of Conduct



Sustainable governance

Sdiptech's sustainability efforts are guided by the following governing documents:

- Code of Conduct (including anti-corruption policy and whistleblowing instructions)
- Code of Conduct for Suppliers
- Sustainability policy
- Gender equality policy
- Human rights policy
- Responsible Investment Guide
- HR policy
- Corporate governance policy
- IT policy
- Policy on transactions with related parties
- Information security policy
- Risk management policy
- Insider policy
- Communication policy
- Green Office Guide

Sdiptech's policies and codes of conduct summarise basic guidelines and include rules so as to ensure that operations are conducted with ethics and integrity in mind. Sdiptech's governance documents are reviewed regularly.

Regarding the Sdiptech Code of Conduct, all employees and others working for Sdiptech have to 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 stakeholders,
can understand and adopt it. All staff members are asked each year to read the Code of Conduct and confirm their consent by providing a digital signature. This is also done on an ongoing basis every time a company is acquired.

Work and responsibilities

The Group has two people who work solely with sustainability and are responsible for driving the work forward. Sdiptech established a Sustainability Council in 2020, which includes employees with different positions and skills and who represent all parts of the Group. This allows for well-designed strategies while making it easier to make quick decisions.

Sdiptech's Board of Directors, through the Sustainability Council and Group Executive Board, 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 reported regularly to the Board, with a more in-depth review of the strategy 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.

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's employees and the world around us should gain an understanding and knowledge of our sustainability efforts and how these are developing.

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

Materiality analysis

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 succeed in this, we have to be responsive to our stakeholders' expectations of our sustainability work. This will enable us to ensure that we are defining our priorities correctly; and this is why we actively engage in discussions with stakeholders.

Sdiptech's main stakeholder groups are those that significantly affect or are affected by our operations, i.e. employees, shareholders, the Board of Directors, suppliers and customers. We also maintain regular discussions with other stakeholders such as equity analysts, rating agencies, industry organisations and the media.

We regularly engage with our stakeholders on issues relating to sustainability. A detailed discussion was held with stakeholders in 2021 in the form of surveys and in-depth interviews. These are supplemented and updated regularly on the basis of the continued dialogue with Group stakeholders.

The areas that Sdiptech's stakeholders feel are most important for us to focus on include:

the Group's total CO2e emissions,

- anti-corruption and business ethics,
- health and safety in the workplace,
- responsible investment,
- diversity and gender equality, and
- streamlining our use of resources.

Materiality analysis
Besides our stakeholder dialogue, we have worked on the basis of our TCFD analysis to identify the sustainability issues on which we mainly exert an influence, but also the areas that mainly affect us. Our physical and transition-related climate risks and opportunities are highlighted, and social risks and opportunities are also analysed.

The materiality analysis shows that the Group's total CO2e emissions, anti-corruption and business ethics, occupational health and safety, climate change adaptation of operations and streamlining of resource use are the most important areas assigned the highest rankings.

In summary, we have grouped the most material sustainability issues into three categories in line with the outcome of our stakeholder dialogues:
E (Environment: Sdiptech in society),
S (Social: Sdiptech as an employer,
G (Corporate governance: Sdiptech's business culture)

We have worked further on our double materiality analysis in 2023 and added what we refer to as the "impact" perspective in accordance with the CSRD, which looks at materiality from two perspectives. The first looks at how sustainability issues affect our performance and risks (financial impact). The second looks at how our operations affect the environment and society (external influence). This dual perspective helps us to identify and focus on the most critical sustainability aspects, both internally and externally. The updated dual materiality analysis will be presented in the annual report for 2024.

E

Sdiptech in society
1. The Group's total CO2e emissions
3. Streamline our use of resources.
4. Increase the percentage of renewable energy
6. Climate change adaptation of activities

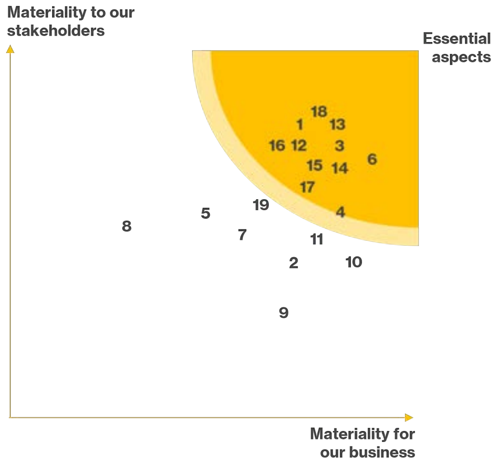
S

Sdiptech as an employer
12. Diversity and gender equality
13. Health and safety in the workplace
14. Human rights and working conditions
15. Employee well-being

G

Sdiptech's business culture
16. Responsible investment
17. Code of Conduct and defining requirements for suppliers
18. Anti-corruption and business ethics

1. The Group's total CO2e emissions
2. Biodiversity
3. Streamline our use of resources
4. Increase the percentage of renewable energy
5. Greater circularity
6. Climate adaptation of activities
7. Climate impact from the transportation of goods
8. Environmental requirements for products&suppliers
9. Map the life cycle costs (LCC) of products
10. Management of waste and hazardous waste
11. Leadership
12. Diversity and gender equality
13. Health and safety in the workplace
14. Human rights and working conditions
15. Employee well-being
16. Responsible investment
17. CoC and defining requirements for suppliers
18. Anti-corruption and business ethics
19. Sustainability skills among employees



Focus area Environment (E)
Sdiptech in society

Goal: environmental sustainability

Sdiptech must reduce its carbon intensity (CO2e/turnover) from scope 1 and 2 by 50 per cent within five years (between 2021 and 2026).

Outcome

Sdiptech has reduced its carbon intensity from scope 1 and 2 in 2023 in comparable unit s* by 7.0 per cent Sdiptech has reduced the same figure by 13.8 per cent compared with the base year 2021.

Comments

In 2023, Sdiptech has mainly worked on reducing emissions by increasing resource efficiency, increasing the percentage of renewable energy and working on route planning, eco driving and gradually increasing the number of electrified vehicles within the Group.

**Comparable units refer to all companies that were part of the Group on 31 December 2021*

Environmental focus areas
- The Group's total CO2e emissions
- Streamline our use of resources
- Climate change adaptation of activities
- Increase the percentage of renewable energy

What we did in 2023
- Increased the Group's percentage of renewable energy to 53 per cent, compared to 48 per cent in 2022
- Reduced the percentage of energy consumed in operations per Swedish krona of turnover from 1.79 in 2022 to 1.48 in 2023
- Increased the Group's percentage of electric vehicles to 13 per cent, compared to 11 per cent in 2022
- Started reporting environmental data on a quarterly basis
- A plan for internal CO2e pricing in order to incentivise green investments
- Established targets for resource efficiency, climate change adaptation of our operations and energy use

Our plans for 2024
- Join the Science Based Target initiative (SBTi)
- Reduce the percentage of energy consumed per Swedish krona of turnover by means of resource efficiency measures
- Increase the percentage of renewable energy
- Set up Group-wide forums for sharing intelligence on the rollout of electric vehicles and eco driving
- Implement an internal price on carbon emissions
- Add more key performance indicators and metrics to our scope 3
- Perform life cycle assessments
- Implement internal CO2e pricing

"We are actively working to reduce environmental impact for our customers by means of our products and solutions, and at the same time we are focusing on reducing the carbon footprint from the manufacture of our own products by selecting sustainable materials and streamlining our production processes. We have also improved our ability to be more proactive in our work by starting to report our environmental data on a quarterly basis and adding scope 3 metrics. We will go on adding more relevant metrics in 2024."

My Lundberg,
Head of Sustainability & IR

Environmental impact and contributions

Our impact on the environment is mainly related to the extraction, production and transport of goods, energy consumption and business travel using our own and leased vehicles, alongside business travel by air and other modes of transport. We are constantly working to reduce the environmental impact of our operations. This work is being done on a local level, on the basis of each company's specific circumstances with support in respect of strategy, roadmaps and systems from us in our capacity as a Group. Most of Sdiptech's climate contribution and impact is brought about by our business units, and we play an important part in making responsible decisions in our capacity as an investor in companies. That is why our investments and acquisitions should follow an investment philosophy that seeks to be a driving force in the transition to more sustainable infrastructures and societies.
A number of Sdiptech's business units are helping their customers to reduce their environmental impact by means of their offerings. Examples of these are presented below.

Kemi-tech develops and manufactures special chemicals that optimise the operation of steam boilers, cooling systems, process plants and district heating plants, with a view to removing and avoiding corrosion, limescale deposits, grease, coatings, sludge, biofilm and bacterial problems, while reducing the consumption of water, chemicals, gas and energy, for example. Kemi-tech has a unique environmental profile and is self-sufficient in terms of water thanks to an innovative solar-powered evaporation pyramid that recycles 100 per cent of the wastewater from production, which is evaporated and treated. This innovative process means that Kemi-tech has no wastewater emissions from production. The recycled water is complemented by rainwater collection and treatment, which means that all water in the company's products is a mixture of collected and treated rainwater and evaporated wastewater.

UN Target 7.3 seeks to double the global rate of improvement in energy efficiency: this is particularly important for industrial processes as industrial plants are often major consumers of energy. Kemi-tech's products and services are designed to make steam boilers, cooling systems and district heating plants more energy efficient by removing and preventing the formation of deposits and reducing emissions from steam and cooling processes. The service life of the system is also extended when using this technology. All Kemi-tech products and 100 per cent of the company's turnover help to increase energy efficiency.

Agrosistemi specialises in the treatment and recycling of biological sludge resulting from wastewater treatment. The company's by-product from the sewage sludge is a fertiliser that helps to restore and preserve healthy soil. Agrosistemi utilises the sludge resulting from the municipal water treatment process. This allows important organic minerals to be returned to the soil, which increases soil fertility and helps to ensure that not only is sludge waste recycled, it also acts as a carbon sink. Carbon dioxide in the air is utilised by plants through photosynthesis, and the carbon is sequestered in the plants. When plants decompose, some of that carbon is released back into the atmosphere as carbon dioxide, but 10–20 per cent of the carbon remains in the soil and is converted into humus. Humus makes the soil more fertile while also increasing soil biodiversity.

Soil is home to lots of land animals such as springtails and mites, which fulfil important functions for soil and plants. Large areas of the soil across in the plains of Europe are in dire need of increased soil fertility. Sequestering carbon in the ground is one of the few methods that removes carbon dioxide from the atmosphere while not causing any harm: instead, it contributes positively to a number of environmental aspects.

UN Target 12.5 seeks to substantially reduce waste generation through prevention, reduction, recycling and reuse. Agrosistemi has more than 20 years' experience of treating and recycling biological sludge from municipal wastewater. The company has developed a patented treatment process that is used to remove harmful substances from sludge and convert it into high quality organic fertiliser products. This makes it possible to replace artificial fertilisers with organic agents, while recovering valuable resources that would otherwise be lost. The use of more organic products in soils is also helping to combat desertification, which is a growing problem throughout much of the world. 100 per cent of Agrosistemi's turnover contributes to this target, as all revenue comes from municipal water treatment plants where sludge is treated by Agrosistemi.

Resource Data Management provides energy efficiency and indoor climate optimisation solutions for various industries, including temperature control for the entire cold chain and building management systems for heating, ventilation and air conditioning (HVAC).

RDM's control system controls and monitors indoor environments and underground agricultural facilities, providing optimal light, heat and humidity conditions, while optimising energy use for the prevailing conditions. RDM's advanced cold room controls and monitoring systems also streamline food storage management.

The system ensures that food is stored at the correct temperatures; a critical aspect in extending the shelf life and quality of food. RDM ensures that optimal conditions are in place throughout the cold chain, from processing and packaging to storage and final sale, thereby helping its customers to reduce food waste.

UN Target 7.3 seeks to double the global rate of improvement in energy efficiency. RDM's various energy management control solutions are helping organisations to reduce their energy consumption. The company offers intelligent remote monitoring, incident management and energy management, as well as a cloud-based dashboard that displays energy data in a way that is easy to use. 100 per cent of RDM's products and turnover help to increase energy efficiency.

RDM is also covered by the Taxonomy, where 100 per cent of the company's turnover is eligible under activity 3.6 Manufacture of other low-carbon technologies. However, we have not conducted a life cycle assessment of the company's products, and so we are unable to define the turnover as aligned.

Rolec specialises in developing and manufacturing a wide range of charging equipment and systems for electric vehicles. The electrification of society is a crucial step towards a sustainable future, with electric vehicles playing a key role. The infrastructure for charging electric cars in Europe has expanded significantly in recent years. Around 530,000 public charging points were recorded at the end of 2022, representing a 50 per cent increase compared to the previous year. The number of charging stations in Europe is expected to increase to 2.9 million by 2030, and by 2035, electric cars are predicted to account for half of all vehicles on the roads in major European countries. This emphasises the need for a robust charging network.
Rolec is helping to bring about this transition by developing and manufacturing a comprehensive product portfolio of charging equipment for electric vehicles. In total, Rolec has installed over 330,000 private and public charging points across the UK. Hence the company is playing an important role in supporting the growing electric vehicle market.

At the same time, Rolec is integrating a number of environmental aspects into the design process for new products. 100 per cent of the company's packaging consists of recycled and recyclable materials for all products, for instance. Rolec also recycles metal waste. The company plans to switch to solar power and battery storage for the factory in 2024.

UN Target 9.4 seeks to 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. The UK transport sector accounted for 24 per cent of the country's total greenhouse gas emissions in 2020, making it the country's biggest sector for emissions. The majority (91 per cent) of these emissions came from road vehicles. Rolec has more than 30 years' experience of developing and manufacturing a wide range of charging equipment. More vehicles have to be powered by electricity for the transport industry to meet its transition goals. A functioning infrastructure for electric vehicles, such as the availability of charging equipment, is an important building block in the acceleration of the transition. 84 per cent of Rolec's turnover comes from their sales of electric car chargers and contributes to Target 9.4.

Rolec is also covered by the Taxonomy, where 84 per cent of the company's turnover is eligible under the activity *6.15 Infrastructure enabling low carbon road transport and public transport.* An equal proportion of Rolec's turnover, 84 per cent, meets the screening criteria according to the activity and is classified as aligned under the Taxonomy.

Climate change adaptation

Our companies endeavour to achieve 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. Our ambition is to be highly responsive to the wishes of customers and suppliers in respect of proactive environmental efforts. All business units in the Group work with quantitative objectives in their environmental efforts, such as switching electricity contracts to renewable energy, switching the vehicle fleet to electric and hybrid vehicles, energy streamlining measures and developing recycling systems and processes. These targets are linked to incentives.

Examples of projects completed in 2023 include the installation of solar panels, switching the vehicle fleet to electric vehicles, installing charging points for customers and employees, eco driving programmes to reduce the percentage of miles driven per Swedish krona of turnover, energy efficiency measures, switching to renewable energy, reduction of packaging, increasing the proportion of environmental certifications, recyclable products and packaging, shorter deliveries due to new partnerships and suppliers, and product development for energy optimisation.

The majority of our business units, 60 per cent, are ISO certified to various standards, of which 36 per cent are certified according to an environmental management system such as ISO 14001 or similar. In four of its subsidiaries, 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.

60 per cent of our business units are ISO certified by various standards

Carbon dioxide emissions

In 2019, we started work on calculating the Group's greenhouse gas emissions. Sdiptech measures direct emissions from its own and leased vehicles, its own boilers and refrigerants (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, parts of purchased goods and services, waste, fuel and energy-related activities and water (upstream under other). This is calculated in accordance with the Greenhouse Gas Protocol (GHG). Sdiptech will be adding more reporting points within scope 3 in 2024, such as all upstream and downstream purchases and deliveries.

The emission intensity of greenhouse gases in scope 1 and 2 was 1.40 in comparable units, and 1.38 in total, including all units acquired in 2023

Sdiptech's impact on the climate mainly involves carbon dioxide emissions. 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.

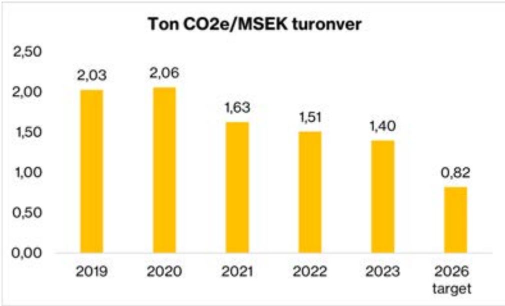
During the financial year, our total emissions from scope 1, 2 and 3 amounted to 9,960 tonnes of CO2e. In scope 1 and 2, emissions amounted to 6,761 tonnes of CO2e, and in comparable units* to 5,088. The emission intensity of greenhouse gases in scope 1 and 2, measured as tonnes of CO2e per million SEK in turnover, amounted to 1.40 in comparable units* and 1.38 in total, including units acquired in 2023. Note that the increase in scope 3 emissions is due in part to the addition of more metrics in 2023, such as fuel-related activities (Sdiptech's biggest scope 3 emission item).

**Comparable units refer to all companies that were part of the Group on 31 December 2021*

Within scope 1, we have reduced our carbon intensity by 25 per cent, mainly by means of eco driving programmes and by switching our vehicle fleet to include a larger percentage of electric and hybrid vehicles. At the same time, we have been working on route planning in order to reduce the number of kilometres travelled.

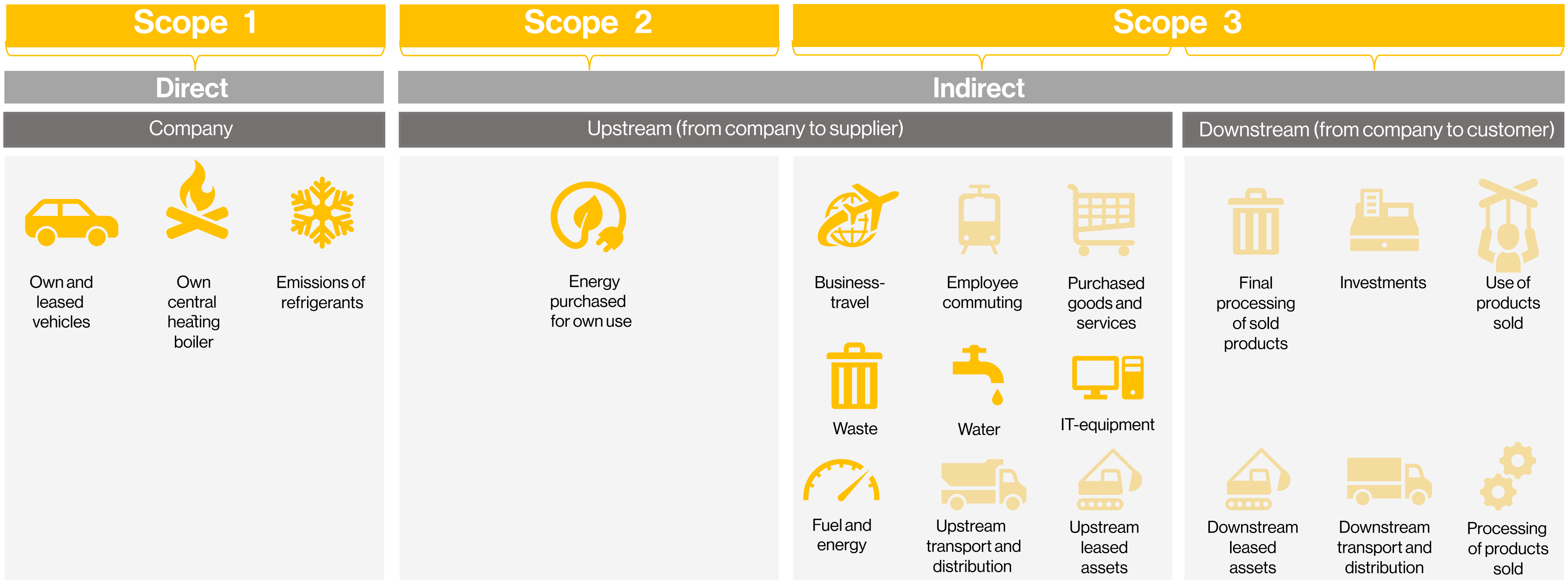
Within scope 2, our indirect emissions have fallen by 31 per cent to 0.14 tonnes CO2e/turnover. T his is mainly due to the fact that we have shifted to a greater percentage of renewable energy sources for running our premises. We have also worked on energy efficiency measures at several of our units.

In Scope 3, we have increased our greenhouse gas emissions. The main reason for this is that we added more metrics in 2023, such as fuel-related activities (our biggest scope 3 emission item).



*Refers to comparable units for the companies that were part of the Group on 31 December 2021

Sdiptech's greenhouse gas emissions (tonnes of CO2e)	2023	2023*	2022*	2021
total tCO2e scope 1	5,567	4,704	3,922	3,598
total tCO2e scope 2	1,194	500	590	820
total tCO2e scope 3	3,200	2,297	650	393
total scope 1–2 tCO2e	6,761	5,204	4,512	4,419
total scope 1–3 tCO2e	9,960	7,501	5,162	4,807
Sdiptech's tCO2e/turnover				
total tCO2e scope 1	1.15	1.30	1.62	1.32
total tCO2e scope 2	0.25	0.14	0.20	0.30
total tCO2e scope 3	0.66	0.63	0.22	0.14
total scope 1–2 tCO2e	1.38	1.40	1.51	1.63
total scope 1–3 tCO2e	2.04	2.04	1.74	1.77



Increase share renewable energy

Sdiptech's ambition and goal is for 100 per cent of the Group's energy to be renewable by 2025. As things stand at present, almost all of Sdiptech's business units, 90 per cent, have entirely or partially green electricity contracts. 53 per cent of Sdiptech's total energy consumption is renewable at present, as a small number of entities with a larger percentage of energy consumption have only a smaller percentage of renewable energy. However, two of Sdiptech's major entities and energy consumers have switched to renewable energy in early 2024. In our Nordic units , 75 per cent of the Group's energy consumption is renewable. It is more difficult in the UK to obtain renewable energy, and to guarantee that the energy purchased is renewable. The market for renewable energy is still developing in certain respects. There may be limitations in terms of the number of suppliers available and the types of renewable energy options offered. This presents a challenge for Sdiptech, as more than 40 per cent of our turnover comes from the region. However, we are constantly working to increase the percentage of renewable energy in the UK and our other markets.

	Goal 2025	2023	2022	2021	2020
Proportion of renewable energy	100%	53%	48%	38%	35%

	2023	2022	2021
Total energy consumption, kWh	7,127,583	6,283,058	5,086,114
Of which renewable	3,790,115	3,003,058	2,289,192
Energy consumption/turnover	1.48	1.79	1.87

More efficient use of resources

We are working on streamlining our operations in a number of respects. Each of our 40 units faces different challenges and opportunities. Some of the areas that Sdiptech has identified as most important when it comes to improving resource efficiency are presented below. Moreover, each business unit is able to focus on additional initiatives.

Energy use

While our ambition is for 100 per cent of our energy consumption to be renewable by 2025, it is important to ensure that we work in parallel on energy efficiency measures. This may involve reviewing our premises and specifically the needs of each unit, such as lighting, heating, ventilation, insulation, compressed air, etc. We have conducted night walks, for example, to ensure that everything that is supposed to be switched off is indeed switched off. We have also installed energy management systems in order to optimise energy use in buildings.

Kilometres travelled, fuel consumption, vehicle fleet

Besides endeavouring to implement an electric vehicle fleet, a number of our units have introduced eco driving programmes which aim to increase fuel efficiency and reduce environmental impact. Ec odriving offers many benefits for drivers, society and the environment. Drivers are able to reduce fuel consumption by means of techniques such as smooth acceleration and braking, as well as maintaining a steady speed. This leads to direct cost savings in the form of lower fuel costs and reduced carbon emissions.

Road safety is also enhanced by applying a calmer, more predictable driving style as drivers who practise eco driving often pay more attention to traffic, thereby reducing the risk of accidents. Moreover, the service life of vehicles is extended and less frequent servicing is needed as smoother driving reduces wear and tear on the vehicle's engine, brakes and other components. This can help to reduce maintenance costs and extend vehicle life. Ultimately, eco driving also helps to reduce noise levels from traffic, which is beneficial for both drivers and people who live near busy roads.

Switching to an electric vehicle fleet offers a number of advantages such as reduced emissions, lower operating costs and a quieter driving environment. However, challenges include range restrictions and long charging times, which can be particularly problematic for units that transport heavy loads over long distances. In the UK, the challenges are compounded by the fact that the charging network is very underdeveloped. However, our ambition and target is for at least 30 of our vehicle fleet to consist of electric and hybrid cars by 2025.

	Goal 2025	2023	2022	2021	2020
Percentage electric and hybrid vehicles	30%	13%	11%	9%	8%

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. A number of Sdiptech's business units are working with optimisation of packaging by reducing the size and amount of packaging, and by using recycled or biodegradable materials.

A number of units are also working on designing their products with reduced waste in mind, including easier dismantling for recycling or reuse of components. Sdiptech altered the measurement method and added more metrics in the waste category in 2023, which is why the percentage of waste for the year is higher than before.

	Number of tonnes
Total waste	6253
Recycled materials	3047
Landfill	1654
Combustible waste	1465
Hazardous waste	87

Water consumption

The few units that consume water in their production operations are working on water reduction measures. Examples include conducting a water audit to identify where and how water is used within the organisation and to identify areas in which savings can be made. Other initiatives include investing in water-saving technology and equipment, educating employees on the importance of saving water and encouraging responsible use, as well as regularly checking and maintaining water infrastructure in order to detect and repair leaks.

Total water consumption	m^3
	23,788

Social responsibility focus area (S)
Sdiptech as an employer

Goal: social responsibility

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

Outcome

In 2023, Sdiptech increased the proportion of women in senior positions to 33 per cent (30):
17 per cent (17) women form part of the Sdiptech Group Executive Board
40 per cent (40) women on the Sdiptech Board of Directors
44 per cent (38) of Sdiptech's business units have an equal gender distribution in senior positions

Comments

Sdiptech conducted a number of gender equality initiatives in 2023. This has allowed it to increase the proportion of women in senior positions to 33 per cent, from the previous 30 per cent. With this noticeable improvement, where 44 per cent of our business units now have a gender balance in senior positions, this reflects a commitment to promoting diversity and gender equality in all parts of our organisation.

Social responsibility focus areas
- Diversity and gender equality
- Health and safety in the workplace
- Human rights and working conditions
- Employee well-being

What we did in 2023
- Launched a Groupwide DE&I toolkit
- Groupwide training packages relating to gender equality, human rights and DE&I
- Implemented two new Group policies covering human rights and gender equality and diversity
- Developed our reporting and surveying of our suppliers
- Launched a Code of Conduct for Suppliers
- Increased the proportion of companies with ISO 45001, an occupational health and safety management system

Our plans for 2024
- Roll out Groupwide employee surveys
- Continue working on and developing our HRDD (Human Rights Due Diligence) process
- Increase the proportion of companies holding ISO certification to ISO 45001 (Occupational health and safety management systems)
- Develop our surveying, analysis and follow-up of our supplier surveys
- Work even more actively on the potential of our business units to make more sustainable decisions
- Continue working on our Group-wide training packages on gender equality, human rights and DE&I

"In 2023, we have taken important steps towards strengthening our sustainability agenda by developing our reporting, introducing a Code of Conduct for Suppliers and implementing Group policies on human rights and gender equality and diversity. We have also launched a DE&I tool and a training package in order to promote an inclusive work culture. Additionally, we have increased the proportion of ISO 45001 certifications within the Group. We plan to expand these initiatives for 2024, which includes introducing employee surveys, while also continuing to reinforce our relationships with suppliers and promote sustainable decisions within our business units."

My Lundberg,
Head of Sustainability & IR

Health and safety

Our most important asset is our staff, who all contribute to our collective success. Sdiptech must offer everyone 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.

A total of 72 work-related accidents (70 of which involved low severity injuries) were reported in 2023, compared to 85 in 2022. We have a goal and a zero tolerance approach to 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 2.6 per cent for the full year 2023, down from 4.1 per cent the previous year.

The safety of our employees always comes first. Sdiptech's business units have their own safety policies that are customised for each entity. In addition, a small number of Sdiptech's operations involve working in vulnerable environments, and these business entities 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 work relating to health and working environment aspects. Most of our business entities (60 per cent) hold ISO certification to various standards, with just over a fifth specifically holding certification to ISO 45001 or similar systems in order to ensure a safe and healthy working environment and minimise risks of work-related injuries and illnesses.

Safety is deeply integrated into everything we do, with products and solutions from a number of our units helping their customers to protect workers and promote safe working environments. A few examples follow.

Alerter Group specialises in radio-based rescue and fire alarm systems for wheelchair users, the deaf and hearing-impaired, and other adaptive communication systems for what are known as high-risk workplaces.

There are over 1 million active wheelchair users in the UK at present. Additionally, around one in five adults in the UK are deaf or have hearing loss or tinnitus. All in all, 12 million adults in the UK are deaf or have hearing loss or tinnitus. More than 40 per cent of people over 50 and 70 per cent of people over 70 have hearing loss. According to statistics published by the UK government, there were more than 185,000 fires in 2022. Companies and public institutions often have a legal obligation to provide accessible safety equipment for all, including adapted fire alarm systems for the deaf, the hearing-impaired and wheelchair users. This is important in order to ensure equal access to safety and protection for all, as specially adapted fire alarm systems for the deaf, the hearing-impaired and wheelchair users can be crucial as a way of guaranteeing the safety and well-being of all.

Illustration: Alerter Group

UN Target 4.A seeks to build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

Alerter Group's main customers are schools and universities. The company helps to bring about equal access to education and improves inclusive learning environments thanks to its radio-based communication and fire alarm systems that are specially adapted and designed for people with disabilities, focusing on the deaf and hearing impaired.

85 per cent of Alerter Group's turnover comes from customers in learning environments.

UN Target 8.8 seeks to protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment. Alerter Group helps to create safe working environments and secure employment for all by means of adaptive communication systems, including for what are known as high-risk workplaces. Alerter Group's entire turnover promotes a safe and secure working environment.

Medicvent offers hazardous gas evacuation systems, particularly in hospital environments. It is important to ensure that medical gas and waste are managed properly in healthcare settings so as to prevent environmental contamination and public health risks.

Target 3.9 seeks to reduce the number of deaths and illnesses from hazardous chemicals and pollution and contamination. The medical risks for healthcare workers due to constant exposure to anaesthetic gas, nitrous oxide and surgical smoke, for instance, are serious and well documented. Healthcare workers who come into contact with medical fumes at their place of work every day are exposed to health risks. Medicvent's technology enhances the working environment and reduces pollution in hospitals by maximising the uptake of unhealthy gas emissions occurring during surgery, for instance. 100 per cent of the company's turnover helps to reduce emissions of harmful chemicals and pollutants.


Illustration: Medicvent

RedSpeed manufactures digital cameras for measuring speed and promoting road safety. It was reported that 1,766 people died in road traffic accidents in the UK in 2023, with 28,941 people seriously injured in road traffic-related accidents during the same period. Traffic cameras play an important role in reducing road traffic accidents in a number of ways. First of all, speed cameras help to enforce speed limits, which is one of the most effective ways of reducing the risk of accidents. By discouraging speeding, cameras can reduce the number of high-speed accidents, where the risk of serious injury or death is greatest. Traffic flow monitoring cameras can also be used to control traffic, thereby reducing the risk of accidents caused by traffic jams, dangerous lane changes and other high-risk traffic situations. Analysing data from traffic cameras allows transport authorities to identify high-risk road sections and take action to improve safety by altering the road design or introducing additional safety measures, for example .


Illustration: RedSpeed

Target 3.6 seeks to halve the number of deaths and injuries from road traffic accidents worldwide. Speed and accident risk are linked. This is why road safety cameras play an important part in reducing speeds, and can save lives. RedSpeed offers traffic monitoring systems, including speed cameras and red-light cameras in order to increase road safety. By deterring dangerous driving behaviour, RedSpeed helps to reduce traffic violations and. Potentially, the number of accidents as well, which supports the goal of reducing traffic-related injuries and deaths. 100 per cent of RedSpeed's turnover comes from the company's traffic cameras designed to enhance road safety.

Employee well-being

Employment type
The majority of our workforce is permanent. Temporary staff are contracted primarily to replace 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. In 2023, 97 per cent of Sdiptech's workforce were full-time employees.

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 21.4 (12.4) per cent in 2023, excluding employees added through acquisitions. The reason for this large increase is the fact that a labour-intensive business entity had to make staff redundant during the year.

Leadership
We endeavour 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 entity heads and other centrally placed employees are involved in various issues at the subsidiaries, such as leadership, sustainability, marketing and sales, financial follow-up and reporting, and project follow-up.

Human rights and working conditions

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 analyse whether they have customers – through companies or states – that could. It is particularly important to check whether any potential acquisition operates or has significant customers operating in regions where human rights violations are frequent.

Sdiptech has a human rights policy that is inspired by the principles of the Universal Declaration of Human Rights. We have also signed the UN Global Compact. Additionally, we follow human rights instruments that include the eight fundamental conventions of the ILO and the OECD Guidelines for Multinational Enterprises. If we are to provide top quality products that will last a long time, we know that we need to pay attention to responsible purchasing and manufacturing standards and ethical business practices that do not violate human rights. This is why we are committed to providing open, inclusive workplaces for our diverse workforce, and to minimising human rights risks in all our business activities in the value chain.

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 opportunities and result in better decisions. That is why we advocate an open and inclusive corporate culture in which diversity is viewed as a strength, and we endeavour to ensure that more of our leaders 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. One of the ways of measuring gender equality is to consider the proportion of women in senior positions, and each company is measured and monitored on an annual basis. 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 2023. While we are working towards a more equal gender balance in a generally male-dominated industry, we are working to alter this in our organisation, and the proportion of women in senior positions in the Group is continuing to increase.

Our goal is to have a gender balance of 40–60 per cent in senior positions by 2030. The proportion of business unit with an equal distribution of men and women in senior positions has increased from 38 to 44 per cent in 2023.

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. In order to find new target groups and diversify our final candidates, we are working towards greater diversity and gender balance by means of:

- Policies and training sessions and materials. Surveying the current situation and setting ambitious diversity and gender equality targets.
- Working on training and inclusive recruitment processes.
- Performing quality reviews of our communications, including our recruitment materials, in order to create a more inclusive visual and written tonality.
- 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.

	2023	2022	2021
Total staff	2,301	2,127	1,673
Of whom women	451	369	282
% women	20%	17%	17%
% women on Sdiptech Board of Directors	40%	40%	40%
per cent women on the Group Executive Board	17%	17%	17%
% business entities with 40–60 women/men in senior positions	44%	38%	32%
% women in senior positions	33%	30%	24%

Corporate governance focus area (G)

Sdiptech's business culture

Goal: corporate governance

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

Outcome

In 2023, Sdiptech's Group Executive Board and most of the Managing Directors within the Group have had incentives linked to sustainability-related goals:

- through an additional bonus,
- through salary development, or
- as part of the earn out.

Comments

To define fair goals that are adapted to each business unit, sustainability analyses and strategies are implemented and followed up regularly at Board meetings throughout the year.

Focus areas in the field of corporate governance
- Responsible investment
- Code of Conduct and defining requirements for suppliers
- Anti-corruption and business ethics

What we did in 2023
- Developed our reporting and surveying of our suppliers
- Launched a Code of Conduct for Suppliers
- Work even more actively on the potential of our business units to make more sustainable decisions
- Continued sustainability certification with Sustademy
- Further developed our ESG-DD
- Added more key performance indicators and metrics to our scope 3
- Reported Eligibility on all environmental goals (1–6) according to the Taxonomy
- Updated and developed our materiality analysis

Our plans for 2024
- Complete our double materiality analysis
- Continue preparations for the CSRD
- Develop our reporting and surveying of our suppliers
- Work even more actively on the potential of our business units to make more sustainable decisions
- Add more key performance indicators and metrics to our scope 3
- Report Alignment on all environmental goals (1–6) according to the Taxonomy

"Sdiptech endeavours to maintain responsible and transparent corporate governance that can ensure that our operations are managed in the most sustainable, most responsible, most efficient way possible in order to realise strategies and create value for our stakeholders. Business ethics are 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 in any form. No cases of corruption were identified during the year."

My Lundberg,
Head of Sustainability & IR

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 in any form. 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. One way of ensuring this is by excluding acquisitions of companies with operations, suppliers or customers in countries with a score of less than 30 in the Transparency International Corruption Perception Index (CPI), which ranks countries according to perceived levels of corruption, as determined by expert assessments and public opinion surveys. Sdiptech's Code of Conduct and Code of Conduct for Suppliers also include whistleblowing instructions and basic principles on anti-corruption.

Sdiptech follows the Swedish Business Code issued by the Swedish Institute Against Bribes (IMM), which seeks to guide companies on how gifts, remuneration and other benefits can be used in business to promote the company's activities. Sdiptech also has a policy relating to transactions with related parties. All sales and marketing of our products and services must also comply with the applicable laws and regulations in each country. Sdiptech supports and respects the freedom of assembly and association, also known as freedom of organisation, which means the right for 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 and 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 apply fair labour practices and comply with applicable national and international labour standards. Sdiptech's Code of Conduct and Code of Conduct for Suppliers also include basic principles on freedom of association.

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 Conduct and code of ethics, as well as acting in accordance with applicable rules and laws.

Requirements for our suppliers

We work with a large number of suppliers. A large proportion of these are domestic and based in the country in which the operation 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. However, our value chain is becoming increasingly complex as we become more numerous, with operations in more countries, while the proportion of products in our sales mix has increased. This means more production and exports, which increases the importance of identifying risks in our customer and supply chain.

Besides scrutinising the company's business relationships in connection with acquisitions, Sdiptech conducts annual supplier surveys in order to identify, review and act on 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. We work systematically with Position Green as our evaluation system. This involves our suppliers responding to an evaluation form containing a number of questions on sustainability. Suppliers also sign our Code of Conduct for Suppliers through this tool.

Minimum safeguards
In order to comply with the minimum safeguards referred to in Article 18, companies must comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as the principles and rights set out in the eight fundamental conventions indicated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Convention for the Protection of Human Rights and Fundamental Freedoms. Sdiptech has worked on the basis of this to set up a two-pronged strategy that includes a human rights due diligence process, and ensuring that Sdiptech is able to confirm that the company has not been involved in any activities or incidents related to non-compliance from an OECD National Contact Point.

Human Rights Due Diligence process
Human Rights Due Diligence (HRDD) is an ongoing process that seeks to identify, assess, prevent and mitigate adverse human rights impacts that the company's operations may cause or contribute to. To summarise, the HRDD process involves the following steps, where the starting point may differ but where Sdiptech has chosen the following order of priority:

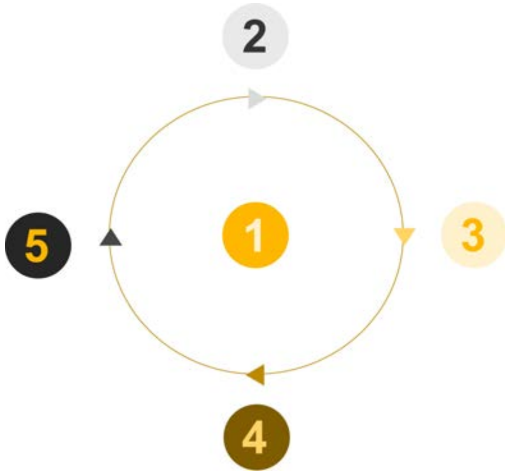
1. Policies: Implement corporate responsibility by means of policies, guidelines and management systems

2. Identification: Identify areas of the organisation where there are risks of negative impacts on human rights

3. Assessment: Analyse and assess the extent, nature and context of the potential risks

4. Actions: Develop and implement strategies and measures to prevent, minimise or entirely eliminate identified risks

5. Communication: Report openly and transparently on how negative impacts are dealt with, both internally and to relevant external parties



The risk-based due diligence process is prescribed by both the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Although this is a dynamic and cyclical process that is constantly evolving, the policy step has been regarded as the first step for Sdiptech, where we describe our approach and commitments in respect of human rights. This is then followed by ongoing surveying of the areas in which there may be risks of negative impacts on human rights. This is followed by analyses and assessments of the situation, which also includes continuous monitoring and evaluation of the effectiveness of the measures implemented. Strategies and measures are developed in order to prevent, minimise or eliminate risks for Sdiptech in cases where risks arise. This has included in-depth analyses of customers and suppliers in certain countries, audits, additional guidelines and requirements or termination of a partnership. The final step involves reporting on the risks identified and indicating what we have done to address them.

The Sdiptech value chain
With 40 different business units, Sdiptech has value chains that differ slightly depending on the company's business model and nature. Sdiptech owns software companies without a physical product, for example. We also have business unit ties that have a larger proportion of services. However, the value chain of Sdiptech's business unit is generally as set out in the illustration below. These are the areas in which we primarily keep an eye out for potential risks, both before an acquisition and on an ongoing basis after the company has become part of Sdiptech.

There are also certain risks related to countries in which we initially perform an assessment of the risks at a high level before examining them in greater depth. We use indices as a tool and guide to survey country and sectoral risks in order to help us better understand where the risks may lie in our operations.

For example:

- Rule of Law Index
- World Press Freedom Index
- Transparency International's Corruption Perceptions Index
- International Trade Union Confederation's Global Rights Index
- Freedom House's index
- US State Department's High Risk List

Whistleblowing service

All employees, including third parties, have access to an anonymous whistleblowing function that is available 24 hours a day. Only an external lawyer is responsible for the whistleblowing service and has access to the messages received via the whistleblowing channel. If necessary, people providing expertise can be included in the investigation. These people are given access to the relevant data and undertake to maintain confidentiality.

The communication channel is encrypted and password-protected, and all messages are handled in confidence. The whistleblowing function is an important tool for maintaining good corporate governance and contributing to an effective process whereby the Group Executive Board can quickly be made aware of risks and shortcomings in the organisation in order to investigate and address them. Sdiptech informs employees about the whistleblowing service each year and encourages the Group's subsidiaries to post the information about the function on their local websites for further distribution, too. Sdiptech has received two cases in 2023. However, these cases have not involved irregularities and have been handled according to the applicable process.

Find out more about the use of the Sdiptech whistleblowing channel and the investigation process in the Guidelines for the Sdiptech whistleblowing service under Corporate Governance on the company's website.

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. Sdiptech developed a Responsible Investment guide in 2020, which, by including sustainability criteria in the acquisition selection process, can continue to ensure that the investments made are responsible.

According to our investment philosophy, companies with a sustainable business model and few sustainability risks are better equipped to deliver long-term profitability and growth. Including sustainability criteria in the selection process allows us to ensure that our investments remain responsible. We have held discussions with stakeholder organisations working on issues such as the environment, social sustainability and peace issues in our efforts to establish our selection criteria. Based on these discussions, we have identified a number of sectors in which we perceive no long-term sustainability or societal benefit where we actively refrain from investment. As part of the process of ensuring we are a responsible owner and that the investments we make are sustainable, we apply three approaches: integration, influence and exclusion.

More information about our responsible investment guide can be found on the company's website.

About the sustainability report

This Sustainability Report covers Sdiptech AB's operations from 1 January 2023 to 31 December 2023 and follows the guidelines of the international Global Reporting Initiative (GRI). The report has been compiled with reference to the GRI Standards and the ten reporting principles 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 material 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 data 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 2023. We produce our sustainability report annually in conjunction with the annual report.

Contact for the sustainability report:

My Lundberg,
Head of Sustainability and IR
Convener of Sdiptech's Sustainability Council

my.lundberg@sdiptech.com

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders of Sdiptech AB (publ), corporate identity number 556672-4893

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2023 on pages 22-38, 48-51, and 101-116 and that it has been prepared in accordance with the Annual Accounts Act.

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

Opinions
A statutory sustainability report has been prepared.

Stockholm, 16 April 2024

Öhrlings PricewaterhouseCoopers AB

Anna Rosendal
Authorized public accountant
Auditor in charge

Andreas Skogh
Authorized public accountant
Co-signing auditor

Sdiptech as an investment

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

”Sdiptech offers profoundly niche solutions for the infrastructure sector. This protects us from cyclicality and ensures stable demand as the need for our products and services is constant in these areas that must always work. Our solutions are based on a combination of products that we have manufactured or assembled in-house together with custom software, often combined with installation and servicing. Not only does this help us to achieve good margins, it also creates recurring revenue and reinforces our customer offering.”

Bengt Lejdström, CEO, Sdiptech

Increased demand and turnover

Sdiptech has seen an average annual revenue growth of 28 per cent since being listed on the stock exchange in 2017. We differ from other companies with a similar business model in three primary ways:
1) our focus on infrastructure,
2) our internal acquisition team, and
3) our model relating to how we fund our acquisitions.

Total sales growth in 2023: 37%
Organic sales growth in 2023: 18%

Profits growing year-on-year

Sdiptech's overall goal is to increase its profits through organic growth and acquisitions. We have seen an average annual profit growth, adjusted EBITA, of 40 per cent since 2017.

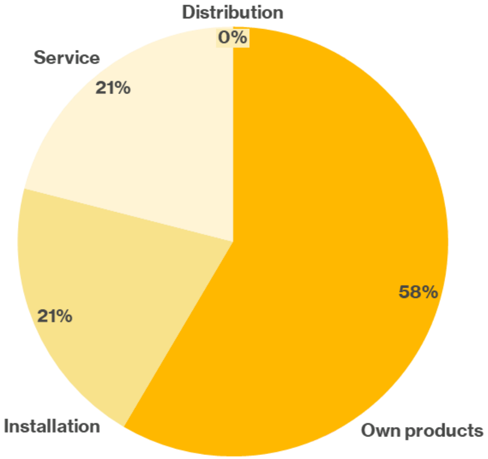
Financial goal, profit acquired:
SEK 120–150 million of added EBITA per year
Outcome for 2023: SEK 50 (161) million due to an active decision to temporarily slow our acquisition activities in order to reduce the debt ratio.

Financial goal, organic profit growth:
5–10 per cent adjusted EBITA growth
Outcome for 2023: 13 per cent.

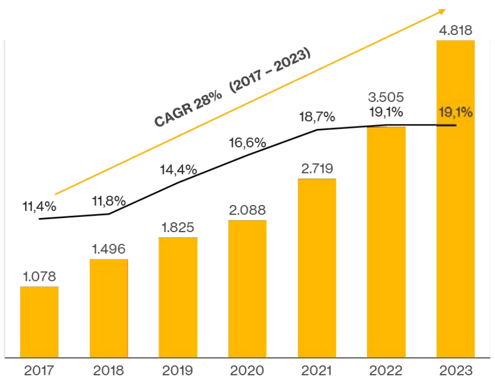
Diversification spreads risk

With around 40 business entities in various niche markets across multiple geographical areas, combined with our decentralised model in which decisions are made closest to customers, employees and suppliers, we are able to deliver high growth with balanced risk. Our entrepreneurial business entities endeavour to be market leaders in their niches and operate in growing infrastructure markets with high investment and development needs. Our scalable model gives us the opportunity to grow geographically and create a greater spread of different customer segments through new acquisitions. This makes us less vulnerable to isolated trends and downturns as a broader spread creates good resilience and favourable conditions for organic growth.

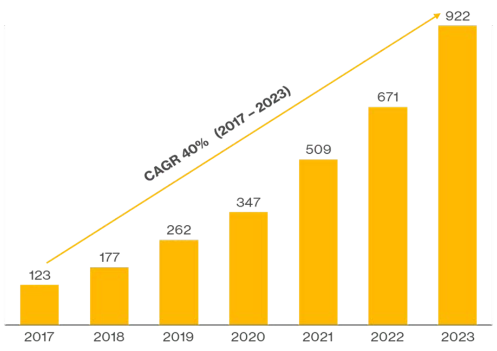
BREAKDOWN OF TURNOVER BY REVENUE TYPE



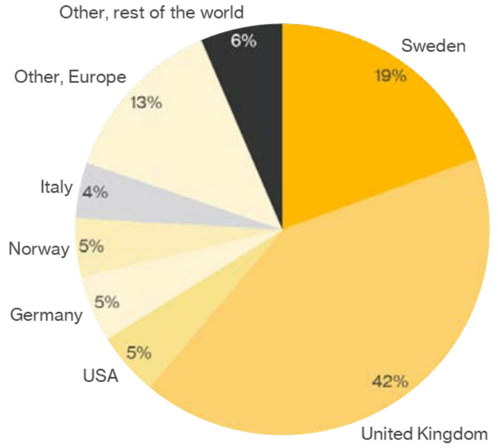
TURNOVER AND ADJUSTED EBITA MARGIN



ADJUSTED EBITA



BREAKDOWN OF TURNOVER BY GEOGRAPHY



Sdiptech as an investment, cont.

Sdiptech's funding of acquisitions

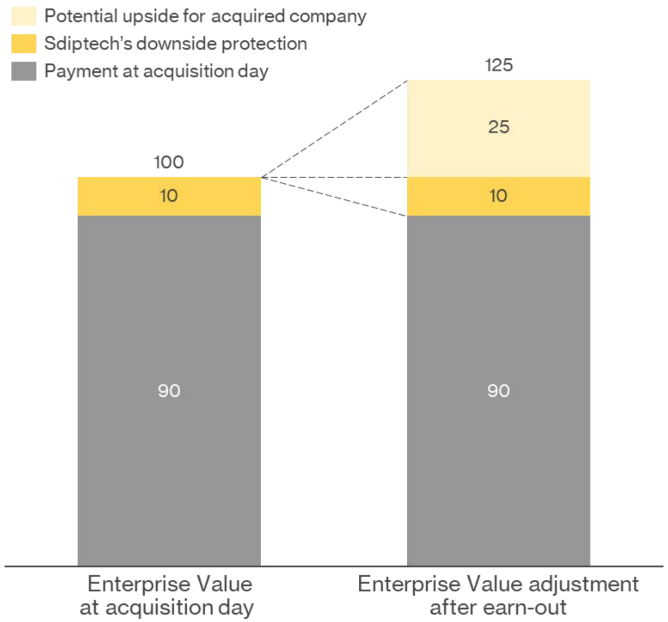
Sdiptech is growing through both organic growth and acquisitions. We primarily use our own cash flow to fund our acquisitions, followed by credits and loans. Moreover, earn outs are also an important part of the funding for which no interest is paid: see also the description of Sdiptech's earn outs on this page.

Sdiptech is able to continue funding its acquisition goals in an appropriate manner thanks to good relationships with creditors and a presence on the bond market since the autumn of 2023. Our model is not based on issuing shares as a means of payment, as this creates a continuous flow of new issues. Furthermore, sellers rarely ask to be paid in shares.

Sdiptech's acquisition goals do not require the company to issue shares in order to fund the acquisitions, as the financial goals for organic growth, indebtedness and acquisition volume are calibrated against one another and create stable conditions for long-term growth.

Historically, Sdiptech has issued shares on a few occasions in order to take advantage of extraordinary opportunities to make good acquisitions.

Sdiptech's earn out model



Contingent earn out liability

- Final payment is adjusted on the basis of profit growth
- Downside protection is paid only if the acquisition goes according to plan
- Potential upside is paid only in the event of significant profit growth
- The probable outcome of total earn out is recognised in the balance sheet; although the outcome is based on a higher profit, which is not recognised
- If the recognised outcome of theearn out does actually occur, this will involve a higher profit and subsequently a lower net debt/EBITDA
-

  Sdiptech has no actual interest on these liabilities even though the probable outcome of the total earn out is recognised as a liability
- Sdiptech reviews the debt on a quarterly basis and measures it at market value (IFRS)

"We have an earn out that normally extends over four to five 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 we and the acquired company can share the downside risk. Our total net debt, including provisions for future payments for earn outs, amounted to 3.07 in relation to EBITDA in 2023. However, these earn outs assume an increase in profits from current levels. The recognised liability for earn outs would fall by 35–40 per cent if profits were to remain at 2023 levels going forward."

Bengt Lejdström, CEO, Sdiptech

The share

Sdiptech's class B ordinary shares have been traded on Nasdaq Stockholm 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.

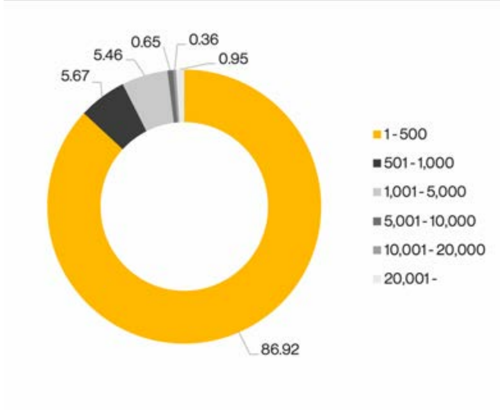
The company's largest owners are Vulcan Value Partners, Handelsbanken Fonder and Swedbank Robur Fonder, whose holdings as of 31 December 2023 amounted to 10.08, 8.14 and 8.01 per cent of capital and 7.63, 6.15 and 6.06 per cent of votes, respectively. Ashkan Pouya has the largest percentage of the vote with 28.22 per cent.

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.

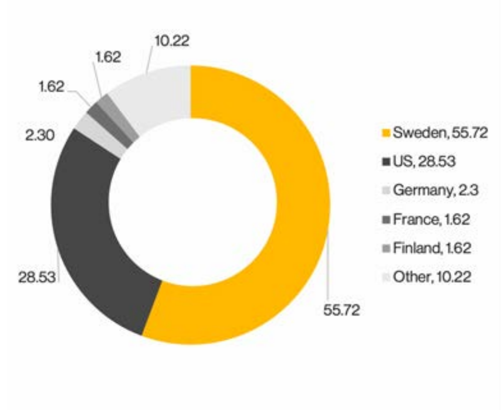
Shareholder information
Annual reports, quarterly reports and other information are available to download from Sdiptech via
Website: www.sdiptech.com
Email: info@sdiptech.com

Analysts who follow Sdiptech
Robert Redin, Carnegie
Karl-Oskar Vikström, Berenberg
Karl Bokvist, ABG Sundal Collier

Ownership structure, size of holdings, %



Five largest countries



Shareholders

Shareholders, 31/12/2022	Class A	Class B	Pref	Capital	Votes
Vulcan Value Partners, LLC		4,007,831		10.08%	7.63%
Handelsbanken Fonder		3,233,107		8.14%	6.15%
Swedbank Robur Fonder		3,184,909		8.01%	6.06%
Invesco		2,324,838		5.85%	4.42%
Cliens Fonder		2,043,478		5.14%	3.89%
Ashkan Pouya	1,424,000	592,967		5.08%	28.22%
Nordnet Pension Insurance		1,133,889	64,875	3.02%	2.28%
Avanza pension		1,008,611	161,699	2.94%	2.23%
Vanguard		1,115,404		2.81%	2.12%
SEB Fonder		1,076,306		2.71%	2.05%
Total others		13,851,136	1,523,426	46.22%	34.95%
Total	**1,424,000**	**36,567,938**	**1,750,000**	**100.00%**	**100.00%**

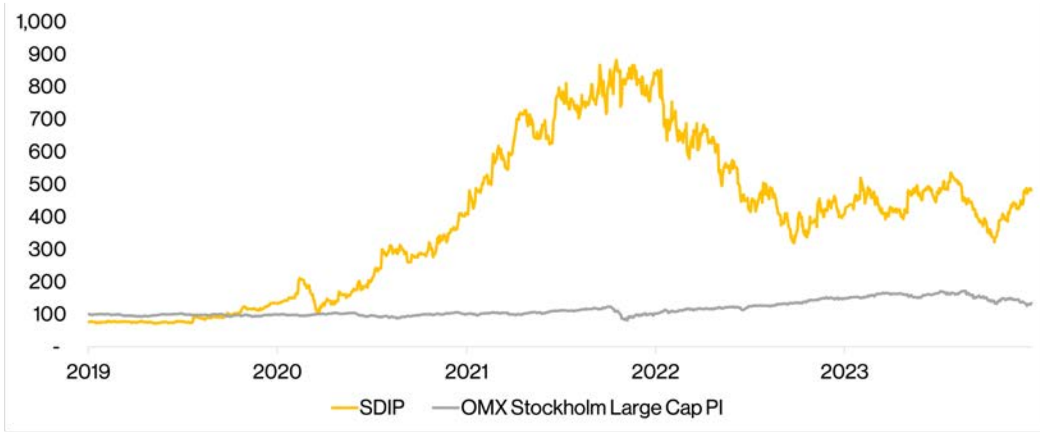
Distribution

	Class A	Class B	Pref	Total
Number of shares	1,424,000	36,567,938	1,750,000	39,741,938
No. of votes	14,240,000	36,567,938	1,750,000	52,557,938
Capital, %	3.60	92.00	4.40	100.00

Price performance

OMX Stockholm Large Cap PI has been used as a benchmark index for Sdiptech B.

Evolution of the class B share, May 2017–2023



Preference share

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

Record dates for dividends on preference shares up to and including the publication of the 2023 annual report

15 June 2023
15 September 2023
15 December 2023
15 March 2024

Subject to a decision being made by the 2023 Annual General Meeting, the next record dates will be as follows

15 June 2024
15 September 2024
15 December 2024
15 March 2025

Development 2023

Highest listing
SEK 120.0

Lowest listing
SEK 111.0

Volume-weighted average price
SEK 115.5

Daily average: turnover
SEK 216,666

Daily average: number of shares traded
1,876

Sdiptech's preference shares have been listed on Nasdaq Stockholm 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.

B shares

Development 2023

Highest listing
SEK 305.6

Lowest listing
SEK 177.3

Volume-weighted average price
SEK 244.01

Daily average: turnover
SEK 18,437,324

Daily average: number of shares traded
75,537

The share, Sdip B, has seen an average price increase of about 54 per cent per year since Sdiptech was listed on the stock exchange in May 2017. Sdiptech is continuing to deliver value through organic and acquired growth.

Proposed appropriation of profits

Share premium reserve	2,094,236,582
Retained earnings	218,694,471
Net profit for the year	5,741,011
Total	**2,318,672,064**
The Board of Directors proposes the following appropriation of profits:	
Dividend to preference shares*	14,000,000
Profit/loss carried forward**	2,304,672,064
Total	**2,318,672,064**

*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 2,094,236,582 is transferred to the share premium reserve.

Remuneration

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 2023 Annual General Meeting and information on existing incentive programmes are presented in Note 7 of this annual report and are summarised below. Remuneration seeks 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 series 2018/2021 warrants expired in March 2021 and a total of 222 warrants were subscribed
100 class B shares through a new issue, providing the company with 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. Series 2018/2023 was redeemed in March 2023 and a total of 190,590 shares were subscribed for, providing the Group with SEK 14.4 million in equity.

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. Redemption is possible until 30 November 2024. The Group received a total of SEK 16.8 million in equity through these options.

The 2023 Annual General Meeting decided on a new incentive programme of Series B warrants for managers and senior executives. This programme comprises 350,000 warrants. Redemption is possible until 30 November 2026. The Group received a total of SEK 11.6 million in equity through these options.

337,625 Warrants series 2021/24 and 305,150 warrants series 2023/26 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 463.00 and SEK 326.40 per share, respectively. A full description of the outstanding option programmes can be found in Note 7.

Risks 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 17 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.

In an ever-evolving economic environment, characterised by changes in the geopolitical landscape and market conditions, our risk management strategy is designed to be prudent and adaptive, thereby ensuring resilience and stability in our operations.

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 limited.

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.

The ongoing tensions between Israel and its neighbours have had limited impact to date, but if the conflict accelerates and shipping is affected to an even greater extent in the Red Sea, there is a risk that logistics chains will be affected and deliveries to Sdiptech's companies may delay customer deliveries.

To summarise, our market-related risk management strategy is focused on flexibility, informed decision-making and proactive adaptation to regional market changes.

Strategic 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 around 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 correctly evaluate potential acquisitions and market conditions. 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.

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.

Operational risks
Operational risks in Europe relate to daily activities such as supply chain management, production processes and human resources.

Sdiptech's decentralised organisational structure, where each subsidiary holds significant responsibility for its own operations, places stringent demands on financial reporting and monitoring.

The accuracy of this reporting and monitoring is crucial, and any shortcomings in these areas may result in inadequate governance and control over the Group's overall operations. Sdiptech implements an active board structure and applies common policies and guidelines for all subsidiaries in order to manage these operational risks and ensure consistent governance. This structured board work provides an overall direction and creates a consistent understanding of the company's overall goals and strategies.

Sdiptech's success and continuous development are closely interlinked with the ability to both retain experienced staff with specific skills and recruit talented new individuals. Within Sdiptech, key individuals are identified among senior executives and other employees who play a key part in the company's success. The risk of one or more of these key individuals leaving the Group at short notice due to stress, the working environment or limited development opportunities, for example, is identified as a possible but not significant operational risk.

Sdiptech has implemented strategies and initiatives in order to address these challenges and minimise potential negative impacts on the company's financial position and performance. This includes active efforts to create a favourable working environment and offer development opportunities for staff. Sdiptech endeavours to be an attractive employer, a Group where employees enjoy working and where they have opportunities for development within the Group. Sdiptech's acquisition strategy includes the objective of ensuring that key individuals in acquired companies have plenty of motivation and have the ability to run the organisationand have the ability to run the organisation independently as an integral part of the Group. Sdiptech has established Sdiptech Academy, an internal training platform, to further promote knowledge transfer and development within the organisation. This training platform seeks to reinforce the internal knowledge base, ensure further development of employees and refine the corporate culture.

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 subsidiaries are subject to different types of certification. The Group operates in niche cooling applications and electrification, 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 entities can be quick to market with new solutions and services that are adapted to any new requirements and guidelines.

IT and cyber risks
Digital risks are constantly on the increase throughout society. Like most companies, Sdiptech is reliant on various information systems and other technologies to run and develop its operations. Unplanned downtime and cybersecurity incidents such as ransomware attacks, sabotage and other cybercrimes, can result in both loss of revenue and high costs to remedy the situation and restore an operation. IT incidents or cyber incidents among third parties such as suppliers or customers could affect Sdiptech's delivery capacity and earning capacity. Sdiptech conducts regular risk analyses in order to ensure its IT environments are stable and prevent incidents. Additionally, regular maintenance and IT security reviews are carried out at Group and subsidiary level. The risks are limited by the decentralised organisational model, where the individual subsidiaries work with individual solutions and separate IT infrastructures. Sdiptech also engages external IT experts to ensure that the security level is adapted and updated on the basis of the current threat scenario and growing cybersecurity demands.

Artificial intelligence
The use of AI is growing at a phenomenal pace, and Sdiptech is evaluating and identifying potential opportunities and risks related to the use of AI in its operations. These risks may include incorrect implementation, vulnerabilities in AI algorithms or the possibility of unintended consequences.
Sdiptech is analysing the threats to our AI systems, which may include attacks on AI models, manipulation of training data or attempts to sabotage AI-based systems. We are also considering the integrity and quality of the data used when our AI models are involved in decision-making processes.
Sdiptech works actively with training in the field of AI through Sdiptech Academy, thereby ensuring that staff are aware of the specific security risks and best practices for working with AI.

Financial risks
Sdiptech is exposed to financial risks of various kinds through its activities:

Liquidity risk and financing risk
Sdiptech's acquisitions of companies and businesses are partly funded through loans from external lenders and the issuing of bonds linked to sustainability.

The interest costs for this are a significant cost item for the Group. In the case of company acquisitions, the payment of the purchase price is generally split, with part of the purchase price being paid at the time of acquisition and part (what is known as an earn outs) being paid over time, and only insofar as the business acquired fulfils certain conditions set out in the agreement, such as profit growth, cash flow levels 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. Inflation has shown signs of weakening in 2023, but central banks are expected to maintain a relatively tight interest rate policy, which will result in high borrowing costs.

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.

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 25 per cent of the agreed credit volume, with a 0.5 to 3-year maturity. These provide a fixed interest rate during this period.

Exchange rate risk
Exchange rate risk involves the fact that changes in exchange rates 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 rates. A 10 per cent change in the average exchange rate of these currencies against the Swedish krona in 2023 would have an impact of SEK 75.3 (58.2) million on the Group's operating profit for 2023, excluding unrealised 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 2023 in GBP and EUR, at a value corresponding to around SEK 402 (615) million and SEK 355 (340) 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
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.

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 2023, inflation has remained high 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 is exposed to various types of financial risks through its international operations. Sdiptech endeavours to achieve structured and effective management of the financial risks arising in the organisation in accordance with the financial policy established by the Board of Directors. This financial 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. The financial policy provides a foundation for proactive risk management.

ESG risks and risk management

TCFD analysis 2023

Sdiptech's social and climate-related risks and opportunities
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 seeks 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.

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 entities, 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.

A separate sustainability survey, including a TCFD analysis, is also carried out for the company in question prior to 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 Board, where representatives from each business entity 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 entities, and within the framework of established risk management processes.

Sdiptech follows the precautionary principle and must implement measures or restrictions in its activities or take other precautionary measures 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 the past three years. An analysis was carried out in 2021 to evaluate climate risks and opportunities on the basis of two different climate scenarios developed by the UN Climate Panel (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 and 2 °C. Both scenarios present risks for Sdiptech, but also opportunities, and we need to prepare and adapt our operations to changing climate conditions.

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.

TCFD Sustainability risks

Climate risks: Physical risks

Risk impact at Group level	Low	Mean	High
Risks	**Potential financial impact**	**Actions (Planned = PL, Ongoing = ON)**	**Opportunity**
Climate change			
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
Higher water levels and flooding	Production stoppages and destruction of materials and machinery	Work actively with potential risks and future analyses at the company in question (ON) Risk mitigation measures are implemented in instances where there are material risks (ON)	Changes in ground composition that may increase loads and thus demand for servicing of pipes and water mains and facilities
Storms	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

Climate risks Transition risks

Risk impact at Group level	Low	Mean	High
Risks	**Potential financial impact**	**Actions (Planned = PL, Ongoing = ON)**	**Opportunity**
Laws and policies			
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
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
Regulation of existing products and services	Increased costs and/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).	Stricter regulation on emissions of e.g. harmful gases
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
	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)	n/a
Technology			
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 to lower emission technologies	Resistance from founders to make climate investments during the earn-out period	Define clear expectations in the acquisition process and hold regular strategy discussions on investments that are correct in the long term, e.g. internal CO2 price (ON)	Increased demand for safe, sustainable and efficient solutions from more customers, such as charging equipment for electric vehicles
Market			
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
Reputation			
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

Climate risks: Social risks

Risk impact at Group level	Low	Mean	High
Risks	**Potential financial impact**	**Actions (Planned = PL, Ongoing = ON)**	**Opportunity**
Operations			
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
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 surveys (ON). ESG-DD prior to each acquisition (ON)	n/a
Social conditions			
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). ESG-DD prior to each acquisition (ON)	n/a
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
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
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	Clear guidelines, compliance requirements and monitoring, as well as reporting and gender equality and diversity goals with an action plan on how to achieve them (ON)	n/a

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 2023 and forms part of the Directors' report. References made below refer to the 2023 Annual Report in its entirety. The report has been reviewed by the company's auditors. Sdiptech 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, Mid Cap.

The report also includes an account of the Nomination Committee's work ahead of the 2024 Annual General Meeting.

Corporate governance structure

Sdiptech is a Swedish public limited company based in Stockholm. Through its subsidiaries, 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 for both share classes. Ordinary shares and preference shares were listed on Nasdaq Stockholm, Large Cap during 2023, but were transferred to Nasdaq Stockholm, Mid Cap since 2 January 2023. 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 2023 was 10,336, compared to 11,128 at the beginning of the financial year. Swedish private individuals owned 14 per cent (23) of the shares and 35 per cent (47) 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 39 per cent (45) of the shares and 30 per cent (31) of the votes. The fifteen largest shareholders had a total shareholding of 63 per cent (65) of the shares and 72 per cent (75) of the votes.

The company's largest owner, and the only owner with more than one-tenth of the voting rights for all shares in the company, was Ashkan Pouya, whose holdings as of 31 December 2023 amounted to 5.1 (5.1) per cent of capital and 28.2 (19.1) per cent of votes.

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 percentage in the company's assets and profits. The preference shares have preferential rights to dividends: see also the section entitled "Terms of preference share". 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

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 format for appointing a Nomination Committee. 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.

Annual General Meeting 2023

The 2023 Annual General Meeting was held in Stockholm on 22 May. 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 2023 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 2022.
- 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.
- 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 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 2023, 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 in the section entitled Board of Directors. Other senior 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 16 minuted meetings during the 2023 financial year, of which one was an inaugural meeting in connection with the Annual General Meeting and 1 was a per capsulam meeting. 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 2023, 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 2023 amounted to SEK 1,990,000 (1,920,000). As decided by the Annual General Meeting in May 2023, the Chairman of the Board received SEK 830,000 (800,000), and the other ordinary members received SEK 290,000 (280,000) each. For the company's Audit Committee, a fee of SEK 160,000 (160,000) was paid to the Chairman and SEK 55,000 (55,000) per member (one member). For the company's Investment 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 (40,000) was paid to the Chairman and SEK 20,000 (20,000) per member (one member). See also Note 6.

Investment Committee
The Board of Directors has appointed an Investment 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 Investment Committee consists of the Chairman of the Board and at least one additional member. The Chairman of the Board is the Chairman of the Investment Committee. In 2023, the committee consisted of Jan Samuelsson (chair), Johnny Alvarsson and Urban Doverholt, with the CEO as rapporteur. The Investment Committee shall meet as often as necessary to fulfil its duties. Meetings are held over the telephone or in person. The Chairman of the Investment 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 2023, 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 2023, 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.

Auditors

The 2023 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 2023 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 Audit Committee.

Company executive

The Chief Executive Officer and Group Executive Board 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 Board for decision by the parent company's Board of Directors or its Investment 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 Board 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 6 people. The four business entity heads also attend the meetings of the executive team. A detailed presentation can be found in the section entitled Management. The executive team meets twice a month to discuss the performance and financial position of the Group and its subsidiaries, 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 subsidiaries. There is active board work in all subsidiaries under the leadership of the business area managers. The boards of the subsidiaries 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 Board and the guidelines established by each subsidiary's Board of Directors.

The heads of the subsidiaries 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 Board and a great deal of freedom for each subsidiary 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. Attempts must be made to ensure gender balance.

Internal audit

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:

- effective and efficient operations,
- reliable reporting and 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.

Attendance at Board and Committee meetings in 2023

Board member	Board	Investment committee	Audit Committee	Remuneration Committee
Total number of meetings	16	7	7	1
Jan Samuelson	16	7		1
Johnny Alvarsson	15	7		1
Birgitta Henriksson	16		7	
Urban Doverholt	16	7		
Eola Änggård Runsten	16		7	

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 seeks 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 subsidiaries. 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

At the 2023 Annual General Meeting, the Chairman of the Board was instructed to contact the largest shareholders in terms of votes as of 30 September 2023 and ask them to appoint members to a Nomination Committee. This Nomination Committee shall comprise three members.

The Chairman of the Board shall be a co-opted member of the Nomination Committee and shall convene the meetings of the Nomination Committee. A Nomination Committee for the 2024 Annual General Meeting has now been appointed accordingly, comprising:

- Helen Fasth Gillstedt (representing Handelsbanken Fonder) – Chairman of the Nomination Committee
- Caroline Sjösten (representing Swedbank Robur Fonder)
- Ashkan Pouya

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 Nomination Committee has access to information on the company's operations and strategic direction.

The Nomination Committee's proposals are published by the time of the notice to attend the Annual General Meeting and are also made available on the company's website together with a description of its work. 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.

Board of Directors

JAN SAMUELSON
Born in 1963
Chairman since 2017

Jan has extensive experience of acquiring and developing companies from an ownership perspective in both listed and unlisted environments. Has extensive experience of board work from companies such as KappAhl AB, Stillfront AB and Resurs Holding AB.

Education: MSc in business and economics from Stockholm School of Economics and a law degree from Stockholm University.

Other Board memberships: Chairman of the Board of Max Mathiessen Holding AB, etc.

Previous positions: Senior Partner at Accent Equity Partners and Senior Vice President at EF Education.

Independent in relation to Sdiptech and its senior executive
Independent in relation to major shareholders

Shareholdings: 326,000 class B shares

JOHNNY ALVARSSON
Born in 1950
Member since 2016

Johnny has extensive experience of both senior positions and Board memberships at large listed companies.

Education: Degree of Master of Science in Engineering from Linköping University.

Other Board memberships: Board member of Beijer Alma and Instalco, among others, and Chairman of the Board at VBG and FM Mattsson Mora.

Previous positions: CEO of Indutrade, Elektronikgruppen and Zeteco AB, and has previously held several senior positions within Ericsson.

Independent in relation to Sdiptech and its senior executive
Independent in relation to major shareholders

Shareholdings: 8,000 class B shares

BIRGITTA HENRIKSSON
Born in 1963
Member since 2019

Birgitta is a partner at Fogel & Partners. Provides advice on strategic communication, sustainability and capital market issues.

Education: Degree in Business Administration from the Universities of Uppsala and Stockholm.

Other Board memberships: Board member of Stillfront Group

Previous positions: Partner at Brunswick Group and Head of IR and Corporate Communications at Carnegie, where she also worked on corporate acquisitions and raising of capital.

Independent in relation to Sdiptech and its senior executive
Independent in relation to major shareholders

Shareholdings: 4,600 class B shares

URBAN DOVERHOLT
Born in 1961
Member since 2019

Urban has extensive experience and a background in various senior positions in IT and at industrial companies.

Education: Degree of Master of Science in Engineering from KTH Royal Institute of Technology in Stockholm and further education at IMD Lausanne, Switzerland.

Other Board memberships: Chairman of the Board of Amido, Garda Sikring Group and SI.

Previous positions: Previously CEO of ASSA AB, Certego, Enlight and EDB BusinessPartner.

Independent in relation to Sdiptech and its senior executive
Independent in relation to major shareholders

Shareholdings: 150 class B shares

EOLA ÄNGGÅRD RUNSTEN
Born in 1965
Member since 2020

Eola is a consultant with her own company and has extensive experience as CFO and financial advisor at a number of Swedish companies.

Education: Degree of Master of Science in Business and Economics from Stockholm School of Economics.

Other Board memberships: Board member of Mentice AB, Yubico, ILT Inläsningstjänst AB, Caybon Holding AB and DIB Services AB.

Previous positions: 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
Independent in relation to major shareholders

Shareholdings: 600 class B shares

Auditors

PricewaterhouseCoopers AB

ANNA ROSENDAL
Authorised Public Accountant
Born in 1975

Signatory auditor at Sdiptech since 2020.

Other audit assignments at listed companies:

Indutrade, Addnode, Nobia

Holdings as of 31 March 2024

Group Executive Board

Jakob Holm was CEO of Sdiptech between 2015 and December 2023.

BENGT LEJDSTRÖM
Born in 1962
VD sedan dec 2023
(CFO 2018 - dec 2023)

Bengt has extensive experience in the financial sector, particularly in relation to listed companies and international groups with an intense acquisition agenda. Bengt has been CFO of Lagercrantz Group and Intrum Justitia, and CFO and acting CEO of Acando. He has also worked as a management consultant and run his own businesses.

Education: Degree of Master of Science in Business and Economics from Stockholm School of Economics.

Shareholdings: 83,590 class B shares, 500 preference shares and 87,500 warrants

SUSANNA ZETHELIUS
Born in 1980
CFO sedan april 2024

Susanna has more than a decade of experience in various senior positions in finance, most recently as CFO at the listed company Pricer. She held a number of senior roles prior to that, including CFO of Clear Channel in Scandinavia. She also has experience of management consultancy and banking.

Education: Degree of Master of Science in Business and Economics from Stockholm School of Economics.

Shareholdings: 0 class B shares and 0 warrants

ANDERS MATTSON
Born in 1980
Business area manager since 2018

Anders has a solid track record of leading and developing organisations both 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 with five years as a management consultant.

Education: Degree of Master of Science in Engineering from Chalmers University of Technology.

Shareholdings: 50,533 class B shares and 52,000 warrants

MY LUNDBERG
Born in 1988
Head of Sustainability and IR since 2020

My has extensive experience of strategic communication, both in Sweden and internationally. My has run her own company, worked as a head of marketing at media companies and as a communications consultant. My has also led diversity and gender equality initiatives at previous workplaces.

Education: Degree of Master of Science in Business and Economics, specialising in international marketing, from Mälardalen University and Università Cattolica del Sacro Cuore.

Shareholdings: 6,937 class B shares and 18,360 warrants

FREDRIK NAVJORD
Born in 1980
Business area manager since 2018

Fredrik 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 also worked as a business developer at Addtech and investment manager at Volvo Ventures.

Education:: Degree of Master of Science in Engineering from Chalmers University of Technology.

Shareholdings: 68,594 class B shares and 50,000 warrants

STEVEN GILSDORF
Born in 1978
Acquisition Manager since 2018

Steven 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.

Education:: MBA from London Business School and B.Sc. in Business Economics from Arizona State University in the US.

Shareholdings: 67,429 class B shares and 62,500 warrants

Holdings as of 31 March 2024

Financial information

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Consolidated income statement

	Note	2023	2022
Net sales	4.5	4,818.3	3,505.2
Other operating income	6	69.6	79.9
Total revenues		**4,887.9**	**3,585.1**
Operating expenses			
Materials and general subcontract work		-1,925.8	-1,387.5
Other external expenses	8	-441.5	-321.4
Staff costs	7	-1,374.5	-1,017.9
Depreciation/amortisation and impairment of tangible and intangible assets	13-15	-310.6	-217.1
Operating profit	4	**835.5**	**641.2**
Financial income	9	6.5	6.7
Financial expenses	9	-230.5	-111.1
Net financial items		**-224.0**	**-104.4**
Profit after financial items		**611.5**	**536.8**
Tax	10	-165.9	-108.7
Net profit for the year		**445.6**	**428.1**
Profit attributable to:			
Holders of shares in the parent company		444.2	427.1
Non-controlling interests		1.4	1.0
Average number of ordinary shares		37,960,086	35,828,726
Average number of ordinary shares after dilution		37,960,086	35,969,623
Earnings per share (average number) attributable to the parent company's ordinary shareholders during the year (SEK)	11		
Earnings per share before dilution		11.33	11.53
Earnings per share after dilution		11.33	11.48

Consolidated report of comprehensive income

	2023	2022
Net profit for the year	**445.6**	**428.1**
Other comprehensive income		
Components that can be reclassified to profit/loss for the year		
Exchange rate differences on translation of foreign operations	-19.2	67.0
Other comprehensive income for the year	**-19.2**	**67.0**
Total comprehensive income for the year	**426.4**	**495.1**
Total comprehensive income for the year attributable to:		
Parent company's shareholders	425.0	494.0
Non-controlling interests	1.4	1.1

Consolidated balance sheet

ASSETS	Note	2023-12-31	2022-12-31
Intangible assets			
Goodwill	12	4,625.9	4,299.1
Other intangible assets	13	1,223.3	1,101.6
Tangible fixed assets			
Tangible fixed assets	14	431.4	403.4
Rights of use	15	440.0	377.2
Financial assets			
Shares and other securities		5.5	5.5
Deferred tax receivables	10	7.5	6.5
Other financial assets	17	3.0	3.2
Total fixed assets		**6,736.6**	**6,196.5**
Current assets			
Inventories	18	645.5	562.4
Accounts receivable	19	827.3	687.0
Current tax receivables		27.2	38.5
Other receivables		62.7	47.7
Prepayments and accrued income	20	248.6	180.5
Cash and cash equivalents	21	557.0	383.2
Total current assets		**2,368.3**	**1,899.3**
Total assets		**9,104.9**	**8,095.8**

EQUITY AND LIABILITIES	Note	2023-12-31	2022-12-31
Equity	22		
Share capital		1.0	1.0
Other capital contributions		2,094.1	2,068.9
Reserves		-	0.9
Retained earnings including profit for the year		1,856.7	1,446.3
Total equity attributable to parent company shareholders		**3,951.8**	**3,517.1**
Non-controlling interests		5.0	4.8
Total equity		**3,956.8**	**3,521.9**
Non-current liabilities			
Non-current interest-bearing liabilities	23	3,690.2	3,317.6
Non-current non-interest-bearing liabilities		246.3	18.5
Deferred tax liabilities		15.9	220.7
Provisions		17.8	13.7
Non-current liabilities, total		**3,970.2**	**3,570.5**
Current liabilities			
Current interest-bearing liabilities	23	376.5	268.4
Accounts payable	17	329.8	257.7
Current tax liabilities		38.4	73.9
Other liabilities	17	156.3	147.3
Accrued expenses and prepaid income	24	276.9	256.1
Current liabilities, total		**1,177.9**	**1,003.4**
Total liabilities		**5,148.1**	**4,573.9**
Total equity and liabilities		**9,104.9**	**8,095.8**

Consolidated cash flow statement

	Note	2023	2022
Cash flow from current operations			
Profit after financial items	9	611.5	536.8
Adjustments for items not included in cash flow	21	315.1	171.6
Tax paid		-198.0	-110.6
Cash flow from operating activities before changes in working capital		**728.6**	**597.8**
Changes in working capital			
Change in inventories		-20.1	-94.3
Change in operating receivables		-182.9	26.6
Change in operating liabilities		93.0	34.5
Cash flow from current operations		**618.6**	**564.6**
Investing activities			
Acquisition of subsidiaries net of cash acquired	3	-403.4	-1,125.7
Acquisition of subsidiaries, contingent consideration paid	3	-182.4	-356.1
Disposal of subsidiaries		-	-11.0
Acquisition of intangible fixed assets	13	-77.6	-84.4
Acquisition of property, plant and equipment	14	-111.7	-123.2
Cash flow from investment activities		**-775.1**	**-1,700.4**
Financing activities			
New issue after issue costs		13.7	513.8
Issue of warrants, premium		11.6	-
Repurchase of warrants		-	-0.3
Borrowing		1,627.7	1,980.8
Repayments of borrowings		-1,227.5	-1,275.1
Amortisation of leasing debt		-81.7	-65.6
Dividend paid to company's shareholders		-15.0	-14.0
Dividend paid to non-controlling interests in subsidiaries		-1.4	-1.0
Cash flow from financing activities		**327.4**	**1,138.6**
Cash flow for the period		**170.9**	**2.8**
Cash and cash equivalents at the start of the year		383.2	368.8
Exchange rate difference in cash and cash equivalents		2.9	11.6
Cash and cash equivalents at year-end		**557.0**	**383.2**

Consolidated report of changes in equity

	Equity pertaining to the parent company's shareholders					
	Share capital	Other capital contributions	Profit brought forward, including profit for the year	Total	Non-controlling interests	Total shareholders' equity
Opening balance as at 1 January 2022	**0.9**	**1,555.8**	**967.8**	**2,524.4**	**4.7**	**2,529.1**
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**
Dividends to non-controlling interests	-	-	-0.5	**-0.5**	-1.0	**-1.5**
Total transactions with shareholders	**0.1**	**513.1**	**-14.5**	**498.7**	**-1.0**	**497.7**
Opening balance as at 1 January 2023	**1.0**	**2,068.9**	**1,447.3**	**3,517.1**	**4.8**	**3,521.9**
Net profit for the year	-	-	444.2	**444.2**	1.4	**445.6**
Other comprehensive income for the year	-	-	-19.2	**-19.2**	-	**-19.2**
Total comprehensive income for the year	**-**	**-**	**425.0**	**425.0**	**1.4**	**426.4**
Transactions with shareholders						
New issue of class B ordinary shares	-	14.4	-	**14.4**	-	**14.4**
New issue expenses	-	-0.7	-	**-0.7**	-	**-0.7**
Option premiums	-	11.6	-	**11.6**	-	**11.6**
Dividend paid to preference shareholders	-	-	-14.0	**-14.0**	-	**-14.0**
Dividends to non-controlling interests	-	-	-1.4	**-1.4**	-1.2	**-2.6**
Total transactions with shareholders	**-**	**25.3**	**-15.4**	**9.9**	**-1.2**	**8.7**
Closing balance as at 31 December 2023	**1.0**	**2,094.1**	**1,856.7**	**3,951.8**	**5.0**	**3,956.8**

Parent company income statement

	Note	2023	2022
Net sales		25.2	18.3
Other operating income	6	1.0	0.7
Total revenues		**26.2**	**19.0**
Operating expenses			
Other external expenses	8.9	-23.0	-21.4
Staff costs	7	-61.2	-48.2
Depreciation of tangible and intangible assets	14	-0.6	-0.8
Operating profit		**-58.6**	**-51.4**
Profit/loss from financial investments	9		
Other interest income and similar items		14.3	19.7
Interest expenses and similar items		-18.6	-0.3
Net financial items		**-4.3**	**19.4**
Profit after financial items		**-62.9**	**-32.0**
Group contributions received		70.5	62.0
Tax on profit for the year	10	-1.8	0.6
Profit for the year and total comprehensive income for the year		**5.7**	**30.5**

Parent company balance sheet

ASSETS	Note	2023-12-31	2022-12-31
Fixed assets			
Intangible assets			
Other intangible assets	13	-	0.1
Tangible fixed assets			
Tangible fixed assets	14	0.9	1.2
Financial assets			
Participations in Group companies	16	0.1	0.3
Receivables from Group companies	28	2,578.0	2,061.7
Total fixed assets		**2,579.1**	**2,063.3**
Current assets			
Receivables from Group companies		1,318.6	1,202.9
Other receivables		1.8	1.3
Prepayments and accrued income	20	14.1	2.8
Cash and cash equivalents	21	7.2	3.5
Total current assets		**1,341.7**	**1,210.5**
Total assets		**3,920.8**	**3,273.8**

EQUITY AND LIABILITIES	Note	2023-12-31	2022-12-31
Equity	22		
Share capital		1.0	1.0
Total restricted equity, parent company		**1.0**	**1.0**
Share premium reserve		2,094.2	2,068.9
Retained earnings including profit for the year		224.4	232.7
Total non-restricted equity, parent company		**2,318.6**	**2,301.6**
Total equity		**2,319.7**	**2,302.6**
Non-current liabilities			
Non-current interest-bearing liabilities	23	1,309.9	841.7
Non-current liabilities, total		**1,309.9**	**841.7**
Current liabilities			
Current interest-bearing liabilities	23	261.4	110.1
Accounts payable		4.1	3.9
Liabilities to Group companies		-	3.1
Current tax liabilities		2.8	0.2
Other liabilities		2.1	2.7
Accrued expenses and prepaid income	24	20.9	9.6
Current liabilities, total		**291.2**	**129.5**
Total liabilities		**1,601.1**	**971.2**
Total equity and liabilities		**3,920.8**	**3,273.8**

Parent company statement of changes in equity

	Restricted equity		Non-restricted equity	
	Share capital	**Share premium reserve**	**Retained earnings inc. profit for the year**	**Total equity**
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**
Repurchase of options	-	-0.3	-	**-0.3**
Dividend paid on preference shares	-	-	-14.0	**-14.0**
New issue expenses				
Opening balance as at 1 January 2023	**1.0**	**2,068.9**	**232.7**	**2,302.6**
Net profit for the year	-	-	5.7	**5.7**
Total comprehensive income	**-**	**-**	**5.7**	**5.7**
Transactions with shareholders				
New issue of class B ordinary shares	-	14.4	-	**14.4**
New issue expenses	-	-0.7	-	**-0.7**
Option premiums	-	11.6	-	**11.6**
Dividend paid on preference shares	-	-	-14.0	**-14.0**
Closing balance as at 31 December 2023	**1.0**	**2,094.2**	**224.4**	**2,319.6**

Parent company cash flow statement

	Note	2023	2022
Operating activities			
Profit after financial items		-62.9	-32.0
Adjustments for items not included in cash flow	21	0.6	1.1
Tax paid		0.8	-
Cash flow from operating activities before changes in working capital		**-61.5**	**-30.9**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		11.7	0.7
Increase (+)/Decrease (-) in operating liabilities		10.1	2.9
Cash flow from current operations		**-39.7**	**-27.3**
Investing activities			
Acquisition of subsidiaries, contingent consideration paid		-182.4	-356.1
Acquisition of property, plant and equipment	14	-0.2	-0.2
Cash flow from investment activities		**-182.6**	**-0.2**
Financing activities			
New issue after issue costs		11.6	513.5
Issue of warrants, premium		13.7	-0.3
Borrowing		600.0	-
Loans granted to subsidiaries		-382.2	-25.2
Repayments of loans from subsidiaries		-3.1	-92.9
Dividends paid		-14.0	-14.0
Cash flow from financing activities		**226.0**	**25.0**
Cash flow for the year		**3.7**	**-2.5**
Cash and cash equivalents at the start of the year		3.5	6.1
Cash and cash equivalents at year-end		**7.2**	**3.5**

Key figures and financial information

Financial information in summary	2023	2022	2021	2020	2019
Net sales	4,818.3	3,505.2	2,718.9	2,088.0	1,825.4
EBITDA	1,146.1	858.3	506.0	402.9	357.8
Adjusted EBITDA	1,142.6	823.3	610.5	426.0	329.4
EBITA	963.0	728.6	415.6	330.2	290.7
Adjusted EBITA (1)	921.6	671.1	509.3	347.3	262.2
Adjusted EBITA margin, %	19.1%	19.1%	18.7%	16.6%	14.4%
EBIT	835.5	641.2	364.4	310.5	221.9
Profit for the year from continuing operations	445.6	428.1	246.9	220.2	165.2
Profit for the year after deduction of minority interests and dividend on preference shares	430.2	413.1	231.9	200.6	147.4
Interest-bearing liabilities	4,066.7	3,585.9	2,496.1	1,590.7	1,332.5
Interest-bearing liabilities to credit institutions, incl. leases	2,870.5	2,317.9	1,362.7	891.6	780.6
Equity capital including minority interests	3,956.8	3,522.0	2,529.1	1,755.8	1,258.5
Capital employed	7,429.3	5,995.9	4,145.5	2,725.5	2,301.8
Total assets	9,104.9	8,095.8	5,691.9	3,852.7	2,985.9

Key figures	2023	2022	2021	2020	2019
Net debt/Adjusted EBITDA, times	3.07	3.89	3.46	3.08	3.57
Financial net debt/Adjusted EBITDA, times	2.02	2.35	1.60	1.44	1.90
Equity/assets ratio, %	43.5%	43.5%	44.4%	45.6%	42.1%
Return on capital employed (ROCE), %	13.0%	12.2%	10.0%	12.1%	12.6%
Return on equity, %	11.6%	14.9%	10.3%	14.3%	15.1%
Cash flow generation, %	66.8%	79.7%	71.4%	109.4%	114.7%

Earnings per share	2023	2022	2021	2020	2019
Earnings per ordinary share (SEK) before dilution	11.33	11.53	6.62	6.24	4.87
Earnings per ordinary share (SEK) after dilution	11.33	11.48	6.55	6.18	4.87
Average number of ordinary shares	37,960,086	35,828,726	35,050,858	32,171,146	30,277,645
Average number of ordinary shares after dilution	37,960,086	35,969,623	35,385,015	32,457,112	30,277,645
Number of preference shares	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000

(1) Adjusted EBITA/Adjusted EBITA margin corresponds to the previous designation EBITA*

Notes

Note 1 Material accounting policies

Statement of compliance
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 Corporate 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 11 April 2024. 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 25 May 2024. 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 that came into force in 2023
In 2023, amendments have been adopted in respect of IAS 1 Presentation of Financial Statements and IAS 12 Deferred Tax Assets and Deferred Tax Liabilities. The amendment affects the consolidated report insofar as only accounting policies that are considered material to the Group are to be disclosed.

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.

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.

Translation of foreign currency
Functional currency 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.

Note 1, cont.

- 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 refer to the direct costs of the goods or services supplied.

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 2023 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, financial assets are valued at cost less any impairment, and current financial assets are valued according to the lowest value principle.

No significant differences have been noted in respect of new standards and interpretations that have not yet come into force.

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 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 Board tests goodwill for impairment at least annually in accordance with the accounting policies described under "Impairment testing of other fixed assets".
Goodwill is monitored within the Group's operating segments, which in turn consist of groups of cash-generating entities. The Group Executive Board constantly monitors developments in the cash-generating entities. The cash-generating entity to which goodwill has been allocated must be valued by discounting the entity'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 entities in the Group's operating segments, which is the lowest level of internal monitoring of financial position.

In applying this methodology, the Group Executive Board 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 12 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 entity 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 stated in the underlying contract is a parameter of greater importance. The discount rate affects

Note 2, cont.

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 15 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 book value 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 Board of each company's financial results during the remaining part of the conditional period.

Note 3 Business acquisitions

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 percentage of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill and is tested for impairment at least annually.

Preliminary acquisition analyses 2023

Net assets acquired	HeatWork (1)	Kemi-tech (2)	Total 2023
Intangible assets	27.7	-	27.7
Tangible fixed assets	10.8	1.5	12.3
Right-of-use assets	47.9	4.8	52.7
Other fixed assets	0.1	0.5	0.6
Stocks and work in progress	55.1	4.0	59.1
Cash and cash equivalents	20.2	5.4	25.6
Trade receivables (3)	15.9	10.0	25.9
Other current assets	7.5	0.6	8.1
Deferred tax liabilities	0.2	-	0.2
Other non-current liabilities	-62.3	-1.8	-64.1
Current tax liabilities	-3.4	-	-3.4
Other current liabilities	-29.2	-30.1	-59.3
Net identifiable assets and liabilities	**90.5**	**-5.1**	**85.4**
Group goodwill	105.4	189.8	295.2
Brands and trademarks	30.8	12.5	43.3
Customer relations	19.5	52.4	71.9
IP rights	-	27.5	27.5
Deferred tax liabilities	-11.1	-20.3	-31.4
Total estimated purchase price	**235.1**	**256.8**	**491.9**
Remuneration transferred			
Cash and cash equivalents	189.0	218.4	407.4
Contingent consideration	46.2	38.4	84.6
Total renumeration	**235.2**	**256.8**	**491.9**
Liquidity impact on the Group			
Cash and cash equivalents acquired	20.2	5.4	25.6
Remuneration transferred	-189.0	-218.4	-407.4
Total cash impact	**-168.8**	**-213.0**	**-381.8**
Other information	**HeatWork (1)**	**Kemi-tech (2)**	
Annual turnover at the time of acquisition	119.4	58.5	177.9
Annual profit before tax at the time of acquisition	24.1	25.6	49.7

(1) HeatWork AS with subsidiaries
(2) Kemi-tech A/S with subsidiaries
(3) Receivables are measured at fair value, no estimated bad debts are included

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 491.9 (1,754.1) million. This amount includes an estimated contingent consideration of SEK 84.6 (476.9) 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 4 to 6 years and the outcome can be a maximum of SEK 189 (456) million. The outcome can be within the range of SEK 0–189 (0–456) million unless all the conditions are met. The exception is the acquisition of the outstanding shares in HeatWork, which are subject to current redemption agreements by 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 295.2 (962.4) million and other intangible assets by SEK 142.7 (407.4) million.

The effect of the completed acquisitions on consolidated turnover during the financial year is SEK 142.0 (525.8) million, and SEK 37.6 (134.4) million on profit excluding acquisition costs before tax.

During the year, SEK 185.8 (356.1) million of contingent consideration was paid in respect of 9 acquisitions from previous years, of which three relate to final settlement of the contingent consideration and the remainder, according to agreement, early partial settlement of part of the contingent consideration.

Acquired intangible assets
When preparing acquisition analyses, it is investigated whether there are any differences between the fair value of the acquired assets and liabilities and the values recognised in the accounts of the acquired company. The 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.

Note 3, cont.

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 27.5 (42.6) million
- Brands and trademarks SEK 43.3 (84.2) million
- Customer relations SEK 71.9 (280.6) 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 9 (27) 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 amount to SEK 13.4 (20.7) million.

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 2 business acquisitions were made during the financial year.

HeatWork AS
On 31 March 2023, Sdiptech acquired 81.6 per cent of shares in HeatWork AS, with subsidiaries in Sweden and Finland. HeatWork has 20 years of experience of development of specialised hydronic heating products. Its mobile heating plants are specially designed to meet the needs of many applications, such as energy production, agriculture and horticulture, pest control, construction, emergency response and municipal water protection. HeatWork focuses strongly on innovative, sustainable and qualitative solutions, and the technology helps to make a significant reduction in energy consumption, cost and CO2 emissions. The company has an annual turnover of NOK 120 million with good profitability, with an annual operating profit of about NOK 23 million at the time of acquisition.

HeatWork operates globally, with a head office and production facilities in Narvik in Norway, and is a strong addition to the Group in respect of energy solutions. This company is Sdiptech's second business entity in Norway. HeatWork has 42 employees at the time of acquisition.

At the transaction date, the company is valued at NOK 225 million on a cash- and debt-free basis. Financing is provided by own resources and bank credits. The final purchase price, including the redemption under option of the remaining 18.4 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 shares after 6 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 46 million after present value calculation. The company is part of the Resource Efficiency business area.

Kemi-tech AS
Sdiptech acquired all shares in Kemi-tech A/S on 11 July 2023. Based in Hedensted in Denmark, Kemi-tech is a leading supplier of custom chemical products for industrial water treatment and specialises in chemical treatment of all types of water-bearing systems. The company's products ensure that steam boilers, cooling systems and district heating plants operate more efficiently, save energy and extend their service life. The company has an annual turnover of DKK 34 million, with an annual operating profit of around DKK 16 million at the time of acquisition. This company is Sdiptech's second business entity in Denmark, and its strong track record in the field of environmental solutions is an addition to Sdiptech's efforts to deliver sustainable and innovative technologies supported by long-term growth trends.

At the transaction date, the company is valued at DKK 146 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 the earn-out period ending in July 2027, will be between GBP 146 and 196 million, depending on the company's performance during the earn-out period. A final total purchase price higher than the current value of DKK 146 million assumes a higher than current level of earnings. Kemi-tech has 15 employees at the time of acquisition.

The estimated contingent consideration for Kemi-tech amounts to SEK 38 million at the time of acquisition, 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. Kemi-tech is part of the Resource Efficiency business area.

Acquired companies' net assets at the time of acquisition

	2023	2022
Net assets acquired	85.4	471.8
Intangible assets identified on acquisition	142.7	407.4
Goodwill	295.2	962.4
Estimated purchase price	**523.3**	**1,841.6**

Effect on cash flow

	2023	2022
Cash and cash equivalents in the acquired operations	25.6	151.6
Remuneration transferred	-407.4	-1,277.3
Impact on the Group's cash and cash equivalents from the year's acquisitions	**-381.8**	**-1,125.7**
Adjusted remuneration, previous years' acquisitions	-21.6	-
Purchase prices paid for acquisitions in previous years	-182.4	-356.1
Cash flow attributable to investments in operations	**-585.8**	**-1,481.8**

Contribution of the acquired entities to Group turnover and profit

	2023	2022
Turnover	142.0	525.8
Profit contribution before acquisition-related costs and amortisation	38.5	149.8
Transaction costs	-5.5	-20.7
Amortisation and impairment of intangible assets	-4.8	-15.4
Profit before tax	**28.2**	**113.7**

Preliminary acquisition analyses were adjusted by SEK 21.6 (-13.4) million during the financial year, which refers to final access balances and net cash adjustments for Patol Ltd and Mecno Srl, which increased the Group's goodwill by SEK 21.6 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.

Note 3, cont.

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 entity 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 three to four percentage points, which for the full year, given the closing debt, resulted in a reduction in the debt of SEK 26.9 (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 2022
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. Agrosistemi has an annual turnover of EUR 8.5 million, with EUR 2.0 million in EBIT. Agrosistemi is Sdiptech's first company 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.

Acquisition analyses 2022

Net assets acquired	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 assets and right-of-use assets	24.8	0.6	35.9	45.0	0.5	133.8	1.7	**242.3**
Other fixed assets	1.0	0.0	0.0	0.0	0.0	0.1	0.0	**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	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	36.3	136.5	21.1	**984.0**
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**	**106.1**	**238.8**	**26.8**	**1,775.8**
Remuneration transferred								
Cash and cash equivalents	103.2	154.9	440.4	300.3	97.7	191.5	10.9	**1,298.9**
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**	**106.1**	**238.8**	**26.8**	**1,775.8**
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	-97.7	-191.5	-10.9	**-1,298.9**
Total cash impact	**-60.3**	**-138.1**	**-413.2**	**-300.3**	**-54.1**	**-170.5**	**-10.8**	**-1,147.3**

(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 S.r.l.

Note 3, cont.

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. 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.
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 is an interesting addition to Sdiptech's cooling, air and climate control operations. 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 was paid with class B shares in Sdiptech AB (publ.) 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.
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. ELM's head office is in Kragelund, near Horsens in Denmark, and the company has an operating profit of about DKK 32 million. ELM is Sdiptech's first business entity in Denmark and is part of the Special Infrastructure Solutions business area.

At the date of the transaction, the company is valued at DKK 300 million and is financed with equity and bank loans. 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. 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. 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. The companies are headquartered in Reading, 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 entity in the UK, and it is 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.

Sdiptech acquired all shares in Mecno Service Srl on 23 November 2022. Mecno designs, manufactures and sells specialist grinding machines for trams and metro trains, and provides rail grinding services using a unique proprietary technology. 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 entity 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.

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. This has been identified as the Group Executive Board at Sdiptech.

The Group Executive Board monitors the performance of the organisation and makes decisions 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 Board 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 operational entities 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. Adjusted EBITA is the Group's performance measure (see Definitions of key figures and explanations).

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

Resource Efficiency

Companies within Resource Efficiency provide niche products and services that help to bring about efficient and sustainable use of resources such as water, energy, minerals, forests and food.

Segment reporting

	Resource Efficiency		Special Infrastructure Solutions		Central Units		Eliminations		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net sales	1,649.8	1,269.8	3,168.5	2,235.4	-	-	-	-	4,818.3	3,505.2
Internal customers	-	-	-	-	29.3	22.2	-29.3	-22.2	-	-
Adjusted EBITA	**366.2**	**276.0**	**622.8**	**452.1**	**-67.3**	**-57.0**	**-**	**-**	**921.6**	**671.2**
Adjusted EBITA margin, %	22.2%	21.7%	19.7%	20.2%	et	et	et	et	19.1%	19.1%
Amortisation of acquired intangible assets	-31.5	-25.1	-57.7	-39.9	-0.3	-	-	-	-89.5	-64.9
Adjustment in respect of contingent considerations	-	-	-2.2	1.1	19.1	60.5	-	-	16.9	61.6
Transaction costs	-1.2	-	-0.1	-1.5	-12.3	-20.7	-	-	-13.6	-22.2
Other comparison-obstructing items	-3.0	-4.4	-4.1	-	7.1	-	-	-	-	-4.4
Operating profit	**330.5**	**246.5**	**558.7**	**405.8**	**-53.7**	**-100.5**	**0.0**	**89.4**	**835.5**	**641.2**
Net financial items	-4.0	4.5	-22.6	-11.7	-158.5	-68.9	-38.9	-28.3	-224.00	-104.4
Profit before tax	**326.5**	**251.0**	**536.1**	**394.1**	**-212.2**	**-169.4**	**-38.9**	**61.1**	**611.5**	**536.8**
Goodwill	1,800.4	1,507.5	2,825.4	2,791.6	0.1	-	-	-	4,625.9	4,299.1
Other assets	2,106.8	1,773.2	2,990.7	3,008.5	674.3	332.2	-1,292.8	-1,317.2	4,479.0	3,796.7
Total assets	**3,907.2**	**3,280.7**	**5,816.1**	**5,800.1**	**674.4**	**332.2**	**-1,292.8**	**-1,317.2**	**9,104.9**	**8,095.8**
Liabilities	770.4	520.4	1,614.0	1,659.5	4,056.5	3,711.1	-1,292.8	-1,317.2	5,148.0	4,573.9
Other information										
Amortisation of intangible assets	-54.9	-35.2	-72.0	-52.0	-0.4	-10.3	-0.2	10.0	-127.5	-87.4
of which attributable to acquisitions	*-31.5*	*-25.1*	*-57.7*	*-39.9*	*-0.3*	-	-	-	*-89.5*	*-65.0*
Depreciation of tangible assets	-69.5	-51.6	-108.9	-74.1	-4.7	-3.9	-	-	-183.1	-129.6

Special Infrastructure 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.

Central entities – Groupwide functions

Groupwide 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.

Note 4, cont.

Net turnover by market

	Resource Efficiency		Special Infrastructure Solutions		Total	
	2023	2022	2023	2022	2023	2022
Sweden	489.8	375.3	444.5	408.1	934.3	783.4
UK	775.9	622.9	1,229.2	906.2	2,005.2	1,529.0
Germany	1.1	0.3	250.9	181.2	252.1	181.4
Croatia	-	0.1	57.2	50.9	57.2	51.0
Austria	0.0	-	10.5	9.2	10.5	9.2
Netherlands	8.3	7.5	125.3	77.1	133.6	84.6
Norway	125.8	55.5	94.6	45.6	220.4	101.1
Finland	20.3	0.8	46.1	41.9	66.3	42.7
Denmark	30.0	0.7	100.5	57.6	130.6	58.3
Italy	118.3	95.0	95.8	44.5	214.1	139.4
US	0.1	-	245.0	168.6	245.1	168.6
Other countries in Europe	24.2	22.6	218.3	117.5	242.5	140.1
Other countries outside Europe	60.7	89.2	245.7	127.0	306.4	216.2
Total	**1,654.5**	**1,269.8**	**3,163.7**	**2,235.4**	**4,818.2**	**3,505.2**

Rights of use, tangible and intangible assets by market

	2023	2022
Sweden	216.5	187.5
UK	899.7	905.1
Croatia	23.7	37.1
Netherlands	126.8	134.9
Norway	129.0	6.2
Finland	132.1	93.2
Italy	266.9	322.0
Denmark	267.8	167.1
Other countries	32.0	29.1
Total	**2,094.6**	**1,882.2**

Note 5 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 percentage of revenue from service and maintenance contracts. This revenue is recognised either directly if it relates to a separate delivery of a service or on a straight-line basis over the contract period if it relates to an ongoing service over a 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. Revenue is recognised on an ongoing basis in an amount that represents the value transferred to the customer and that the company is entitled 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 57 (62) days.

Note 5, cont.

Turnover by revenue type

	Resource Efficiency		Special Infrastructure Solutions		Total	
	2023	2022	2023	2022	2023	2022
Products	1,155.8	877.2	1,661.8	1,111.0	2,817.7	1,988.2
Installation, direct	299.5	166.2	292.0	298.1	591.5	464.3
Installation, over time	18.3	86.8	378.5	222.3	396.8	309.1
Service, direct	121.6	97.2	726.7	509.0	848.3	606.2
Service, over time	54.6	42.2	109.6	95.0	164.2	137.2
Total	**1,649.9**	**1,269.8**	**3,168.6**	**2,235.4**	**4,818.5**	**3,505.2**
Primary revenue types						
Products	1,155.8	877.2	1,661.8	1,111.0	2,817.7	1,988.2
Execution of services	494.1	392.6	1,506.8	1,124.4	2,000.8	1,517.0
Direct sales	1,577.0	1,140.6	2,680.6	1,918.1	4,257.5	3,058.7
Sales over time	72.9	129.0	488.0	317.3	561.0	446.3

Contractual assets and liabilities

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

	2023	2022
Accounts receivable	827.3	687.0
Accrued income	170.1	114.1
Total contract assets	**997.4**	**801.1**
Prepaid income	-90.8	-108.1
Total contract liabilities	**906.6**	**693.0**

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 100 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 6 Other operating income

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.

	Group		Parent company	
	2023	2022	2023	2022
Rental revenue	0.2	0.8	-	-
Gains on sale of fixed assets	5.7	2.1	-	-
Insurance renumeration	0.5	2.4	-	-
Revaluation of contingent considerations	26.9	61.6	-	-
Sick pay benefits	3.4	1.3	-	-
State aid received	6.8	0.8	-	-
Exchange rate gains	4.1	0.8	-	-
Other items	21.9	10.1	1.0	0.7
Total	**69.5**	**79.9**	**1.0**	**0.7**

Note 7 Remuneration to employees

Accounting policies

Salaries, social security contributions, bonuses and other short-term employee benefits are recognised as an expense when the employee has rendered the service. On termination, 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. The Group's pension plans are essentially defined contribution plans for which insurance premiums are paid, and employees bear the risk in respect of the future pension level.

Remuneration to employees

	2023			2022		
	Senior executives	Other employees	Total	Senior executives	Other employees	Total
Group						
Salaries and remuneration	70.4	990.8	**1,061.2**	73.4	698.4	771.8
Of which variable remuneration	7.0	134.2	**141.2**	4.9	75.6	80.5
Social security costs	18.1	196.1	**214.2**	16.4	196.5	212.9
of which pension costs	*6.7*	*55.3*	*62.0*	*4.2*	*64.5*	*68.7*
Parent company						
Salaries and remuneration	20.3	18.4	**38.7**	18.1	12.5	30.6
Of which variable remuneration	5.4	3.4	**8.8**	2.0	0.7	2.7
Social security costs	6.7	12.0	**18.7**	5.6	9.2	14.8
of which pension costs	*3.9*	*2.6*	*6.5*	*3.4*	*1.8*	*5.1*

Of the Group's pension costs, SEK 4.2 (3.4) million related to the Board of Directors and Chief Executive Officers. The group of other senior executives in the parent company is made up of 5 (5) individuals.

Remuneration to the parent company's CEO and other senior executives (SEK thousand)

	CEO, Jakob Holm (1)		Other senior executives	
	2023	2022	2023	2022
Basic salary	4,768	4,553	10,128	9,266
Performance-related pay	1,643	699	3,790	1,261
Other benefits	5	5	219	243
Pension costs	1,441	1,383	2,426	1,972
Total	**7,858**	**6,641**	**16,564**	**12,742**

(1) Bengt Lejdström took over as Chief Executive Officer on 15 December 2023.

Number of employees

	2023		2022	
	Total	Of whom women	Total	Of whom women
Parent company				
Sweden	21	10	18	6
Group companies				
Sweden	386	50	363	48
UK	999	187	936	213
Denmark	221	27	184	22
Netherlands	67	12	58	10
Norway	61	6	19	-
Croatia	237	33	275	27
Finland	68	4	64	4
Italy	65	15	58	12
Other countries	176	30	152	27
Total in Group companies	**2,280**	**364**	**2,109**	**363**
Group total	**2,301**	**374**	**2,127**	**369**

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 1,990,000 shall be paid in remuneration to the Board of Directors. Of this fee, each Board member shall receive SEK 290,000 per Board member and SEK 830,000 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 were adopted at the 2023 Annual General Meeting.

The guidelines are to be applied to remuneration agreed and changes made to remuneration already agreed after the adoption of the guidelines by the 2023 Annual General Meeting.

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Note 7, cont.

Remuneration to the parent company's Board of Directors (SEK thousand)

Directors' fees/base salary	2023	2022
Jan Samuelsson, Chairman	908	873
Urban Doverholt, member	336	326
Johnny Alvarsson, member	352	341
Birgitta Henriksson, member	341	329
Eola Änggård Runsten, member	446	432
Total	**2,382**	**2,301**

Gender distribution on the Board and Group Executive Board, percentage of women

	2023-12-31	2022-12-31
Board	40%	40%
Other senior executives	17%	17%

Preparation and decision-making process in respect of remuneration to the Board of Directors, the CEO and the Group Executive Board

The guidelines that were applicable during the 2023 financial year for remuneration to senior executives were adopted at the 2023 Annual General Meeting and essentially correspond to the guidelines presented in the proposal for future years. The principle for remuneration to the Board of Directors, the CEO and the Group Executive Board is that this should be competitive.

The Nomination Committee submits a proposal to the Annual General Meeting regarding remuneration for the Board of Directors. Remuneration to the Board of Directors is paid as decided by the Annual General Meeting. With regard to remuneration to the CEO, the Group Executive Board and other senior Group executives, the Board of Directors has appointed a Remuneration Committee comprising the Chairman of the Board of Directors and one of the members of the Board of Directors, with the CEO as rapporteur. The CEO, Group Executive Board and other senior executives receive a fixed salary, variable remuneration and normal employment benefits. There are also pension benefits and incentive programmes as described below. The Remuneration Committee considers the guidelines on remuneration for senior executives as adopted by the Annual General Meeting of Sdiptech AB.

Long-term incentive schemes

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.

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 was aimed at employees of the parent company. There are no requirements for continued employment associated with the programme. 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.

The programme included 756,000 warrants divided into three series: 252,000 series 2018/2021 warrants, 252,000 series 2018/2022 warrants and 252,000 series 2018/2023 warrants. The purchase price for shares on exercising the option was calculated as corresponding to 120 per cent of the volume-weighted average of the price paid for the Company's class B share on NASDAQ Stockholm during a specified period in 2018, where the premium for the call options has to correspond to the market value of the call options according to an external independent valuation in accordance with the Black & Scholes model. 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 2018/2022 was redeemed in March 2022 and newly issued shares were subscribed for, whereby the Group received SEK 14.5 million in equity. Series 2018/2023 was redeemed in March 2023 and newly issued shares were subscribed for, whereby the Group received SEK 14.4 million in equity.

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 exercise price was set at 126 per cent of the volume-weighted average price paid for Sdiptech's class B share for the period from 19 May 2021 up to and including 1 June 2021, where the premium for the call options has to correspond to the market value of the call options according to an external independent valuation in accordance with the Black & Scholes model. It can be redeemed on three occasions from June 2024 until 30 November 2024.

The 2023 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 exercise price was set at 126 per cent of the average share price during the measurement period from 23 May 2023 to 5 June 2023, where the premium for the call options has to correspond to the market value of the call options according to an external independent valuation in accordance with the Black & Scholes model. It can be redeemed on three occasions from June 2026 until 30 November 2026.

Upon full exercise of all outstanding warrants, the increase in the company's share capital will amount to a maximum of SEK 17,500 relating to series 2021/2024 and 2023/2026, corresponding to a dilution of a maximum of around 1.8 per cent of shares and around 1.3 per cent of votes.

Outstanding share options

	2023		2022	
	Exercise price (1)	Number of options	Exercise price (1)	Number of options
As of 1 January	324.3	528,071	201.8	750,581
Allotments	326	305,150	-	-
Recovered	-	-	377.7	-6,410
Forfeited	75.2	-190,590	67.1	-216,100
As of 31 December	**398.2**	**642,631**	**324.3**	**528,071**

(1) 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)	2023	2022
11 March 2022	67.10	-	14,332,368
1 June – 30 November 2024	463.00	156,320,375	156,320,375
1 June – 30 November 2026	326.40	99,600,960	-
Total		**255,921,335**	**170,652,743**

As of the balance sheet date, 87,500 warrants are held by the Group's Chief Executive Officer, Bengt Lejdström, and 182,860 warrants by other senior executives.

Note 8 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 22 May 2023 resolved by re-election to appoint PwC Sweden as the company's auditor.

Remuneration to auditors

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Audit engagement	-4.8	-4.2	-2.0	-1.9
Audit activities in addition to the tasks of the audit engagement	-0.2	-0.1	-0.2	-0.1
Total PWC	**-5.0**	**-4.3**	**-2.2**	**-2.0**
Other agencies				
Audit engagement	-7.4	-4.8	-1.9	-
Audit activities in addition to the tasks of the audit engagement	-0.5	-0.5	-	-0.6
Tax advice	-0.6	-0.8	-	-
Other services	-1.1	-	-	-
Total Other agencies	**-9.6**	**-6.1**	**-1.9**	**-0.6**

Note 9 Financial income and financial expenses

Financial income and expenses
Financial income consists mainly of interest income on bank deposits and dividends from associated companies.

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 income consists mainly of interest income on bank deposits and dividends from associated companies.

Financial items also include realised and unrealised translation differences on internal and external loans in foreign currency, as well as currency futures and currency interest rate futures in GBP, EUR and NOK. The Other financial expenses item includes costs related to borrowing.

Interest received amounts to SEK 4.7 (1.5) million. All interest income relates to financial assets measured at amortised cost. Interest paid amounts to SEK 159.6 (73.3) million. Interest expenses are attributable to both financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss

Financial income and expenses

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Other interest income and similar items				
Interest income and similar items	4.7	1.5	0.0	-
Interest income from Group companies	-	-	14.3	3.0
Exchange rate differences	-	4.9	-	16.6
Other items	1.8	0.2	-	-
Total financial income	**6.5**	**6.7**	**14.3**	**19.6**
Interest expenses and similar items				
Interest expense from credit institutions	-159.6	-73.3	-18.2	-
Discount rate for lease liabilities	-12.7	-5.3	-	-
Interest rate component revaluation of contingent considerations at fair value	-39.0	-30.0	-	-
Interest expense from Group companies	-	-	-	-0.3
Exchange rate differences	-14.0	-	-0.4	-
Other items	-5.2	-2.4	-	-
Total financial costs	**-230.5**	**-111.1**	**-18.6**	**-0.3**
Net financial items	**-224.0**	**-104.4**	**-4.3**	**19.4**

Note 10 Taxes

Accounting policies

Deferred tax assets are recognised insofar as it is probable that future taxable profits will be available against which the temporary differences and tax losses can be utilised. In the Group, only significant deferred tax assets are held by the parent company.

Tax expenses for the year

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Current tax				
Current tax expenses	-172.7	-130.1	-1.8	-
Actual tax attributed to previous year	-11.3	0.4	-	0.6
Deferred tax				
Deferred tax related to temporary differences	-1.7	-6.3	-	-
Deferred tax relating to leases	1.0	0.3	-	-
Deferred tax relating to internal profit in inventory	2.2	-	-	-
Deferred tax relating to amortisation of acquired intangible assets	16.6	27.0	-	-
Total recognised tax expense	**-165.8**	**-108.6**	**-1.8**	**0.6**

Reconciliation of effective tax

The Group's weighted average effective tax rate with the current geographical mix is around 23.4 (19) 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	
	2023	**2022**	**2023**	**2022**
Profit before tax	611.5	536.8	7.6	30.0
Tax according to average tax rate for the Group 23.4% (19.0), parent company 20.6% (20.6)	-142.8	-101.9	-1.6	-6.2
Tax effects of:				
Other non-taxable income	5.8	13.1	-	4.1
Deduction for issue expenses	0.1	1.9	0.1	1.9
Non-deductible expenses	-17.3	-21.7	-0.4	-0.2
Actual tax attributed to previous year	-11.3	0.4	-	0.6
Use of previously non-capitalised loss carryforwards	-0.3	-0.5	-	0.4
Total actual tax recognised	**-165.8**	**-108.7**	**-1.8**	**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 one to five years.

Deferred tax

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

Net deferred tax at year-end, Group

	2023-12-31			2022-12-31		
	Receivables	**Liabilities**	**Net**	**Receivables**	**Liabilities**	**Net**
Deferred tax on loss carryforwards	3.4	-	3.4	5.7	-	5.7
Untaxed reserves	-	-5.7	-5.7	-	-4.1	-4.1
Leases	39.9	-38.0	1.9	23.5	-22.6	0.9
Deferred tax, intangible assets	-	-211.5	-211.5	-	-199.0	-199.0
Other	2.2	-29.1	-26.9	-	-17.5	-17.5
Deferred tax, net, at year-end	**45.5**	**-284.3**	**-238.8**	**29.2**	**-243.2**	**-214.0**

Note 10, cont.

2023-12-31	Opening amount	Recognised in the income statement	Acquisitions and disposals	Translation effect	Closing amount
Deferred tax on loss carryforwards	5.7	-0.6	0.1	0.3	5.5
Untaxed reserves	-4.1	-1.2	-0.4	-	-5.7
Leases	0.8	1.0	0.2	-	2.0
Deferred tax on acquired intangible assets	-199.0	17.8	-31.4	1.1	-211.5
Other	-17.5	-11.8	0.2		-29.1
Deferred tax, net	**-214.1**	**5.2**	**-31.3**	**1.4**	**-238.8**

2022-12-31	Opening amount	Recognised in the income statement	Acquisitions and disposals	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
Leases	0.5	0.4	-	-	0.9
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**	**-214.0**

Note 11 Earnings per share

Earnings per ordinary share before and after dilution

(SEK)	2023	2022
Profit for the year attributable to the parent company's shareholders (SEK million)	444.2	427.1
Dividend to preference shareholders (SEK million)	-14.0	-14.0
Profit for the year attributable to the parent company's ordinary shareholders (SEK million)	430.2	413.1
Weighted average number of ordinary shares outstanding during the year before dilution	37,960,086	35,828,726
Effect of share options	-	140,897
Weighted average number of ordinary shares outstanding during the year after dilution	37,960,086	35,969,623
Earnings per average number of ordinary shares before dilution	11.33	11.53
Earnings per average number of ordinary shares after dilution	11.33	11.48

The average weighted number of shares amounted to 37,960,086 (35,828,726) and has been affected by the new share issue in November 2022 and the redemption of warrants. The total number of ordinary shares increased by 190,590 shares during the year.

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 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 22 for more information.

Earnings per share after dilution refers to incentive programmes. Please refer to Note 7 for information on the programme.

Note 12 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 percentage 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 entities 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 entities 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 entities on the basis of the grouping of the cash-generating entities.

The future cash flows that each group of cash-generating entities is expected to generate are discounted in order to determine the value in use of the asset. The companies' strategic plan for the next three years constitutes the basis for future cash flows; for the period thereafter, growth is assumed based on a generally assessed sustainable GDP growth of 2 per cent (2). 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 entities.

Estimated cash flows for cash-generating entities are discounted using a discount rate of 8.7 (8.5) per cent after tax. The cash-generating entities 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 by 2 pp. The result of the impairment test for the year is that no impairment has been recognised during the financial year (0).

The corporate executive believes that no reasonable changes in the significant 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 4,625.9 (4,299.0) million relates to the core business.

Group goodwill

	2023	2022
Opening acquisition cost	4,299.1	3,183.3
Investments	295.3	962.2
Adjustment of preliminary acquisition analysis*	21.6	12.8
Translation difference for the year	9.9	140.7
Closing acquisition cost	**4,625.9**	**4,299.1**

*See Note 3 Business combinations for a specification

Allocation of goodwill between segments

	2023	2022
Resource Efficiency	1,800.4	1,507.4
Special Infrastructure Solutions	2,825.4	2,791.6

Note 13 Other intangible assets

Accounting policies
Intangible assets include capitalised development costs, IT software, patents, trademarks, licences and other rights. These are broken down into acquired intangible assets and intangible assets generated internally

Development costs
The Group conducts certain development activities in the form of development and patenting of both products and technologies. 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 must be 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 assesses 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 contracts with customers 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 contracts with customers 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.

Note 13, cont.

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. Goodwill is not amortised.

The following depreciation periods are applied:
IPR, patents and licences: 5–15 years Trademarks: 5–25 years
Customer relations: 3–15 years
R&D: 5–20 years
Software: 5–10 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 was 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.

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.

Intangible assets

		Group							Parent company
		Acquired intangible assets			Internally generated intangible assets				Other intangible assets
Acquisition value	**Note**	**IPR, patents and licences**	**Brands and trademarks**	**Customer relations**	**Capitalised expenditure for R&D**	**Patents and licences**	**Other**	**Total**	**Software**
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	2.0	0.6	**419.6**	-
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 1 January 2023		**254.1**	**304.2**	**518.3**	**159.3**	**8.3**	**91.1**	**1,335.3**	**0.9**
Investments		-	-	-	51.9	-	14.3	**66.2**	-
Via business combinations	3	25.7	42.2	68.3	16.3	9.6	0.2	**162.3**	-
Retirements		-	-	-	-0.4	-	-	**-0.4**	-
Reclassification		-	-	-	23.5	-	-11.7	**11.8**	-
Translation difference		2.1	2.3	4.1	1.8	-	-0.1	**10.2**	-
As of 31 December 2023		**281.9**	**348.7**	**590.7**	**252.4**	**17.9**	**93.8**	**1,585.4**	**0.9**
Accumulated depreciation									
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
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 1 January 2023		**-53.2**	**-30.0**	**-39.5**	**-72.4**	**-2.5**	**-36.3**	**-233.9**	**-0.8**
Depreciation/amortisation for the year		-25.3	-22.1	-38.0	-31.7	-1.6	-6.7	**-125.4**	-0.1
Retirements		-	-	-	0.2	-	-	**0.2**	-
Reclassification		-	-	-	-5.5	-	-0.4	**-5.9**	-
Translation difference		0.3	0.4	1.6	0.3	0.1	0.2	**2.9**	-
As of 31 December 2023		**-78.2**	**-51.7**	**-75.9**	**-109.1**	**-4.0**	**-43.2**	**-362.1**	**-0.8**
Book value									
2022-12-31		200.9	274.2	478.8	86.9	5.8	54.9	**1,101.6**	0.1
2023-12-31		203.7	297.0	514.8	143.3	13.9	50.6	**1,223.5**	0.1

Note 14 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 funding the construction of such assets are capitalised as part of the acquisition cost when the facility is completed.

		Group			Parent company
Acquisition value	**Note**	**Offices and industrial buildings**	**Equipment, tools, fixtures and fittings**	**Total**	**Equipment, tools, fixtures and fittings**
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	45.2	85.8	131.0	-
Sales/disposals		-	-8.7	-8.7	-
Reclassification		-	10.4	10.4	-
Translation difference		2.5	10.1	12.6	-
As of 1 January 2023		**136.5**	**441.8**	**578.3**	**3.1**
Investments		3.1	132.9	136.0	0.2
Via business combinations	3	1.6	10.1	11.7	-
Sales/disposals		-9.8	-41.7	-51.5	-
Reclassification		-	-17.3	-17.3	-
Translation difference		-	2.9	2.9	-
As of 31 December 2023		**131.4**	**528.7**	**660.1**	**3.3**
Accumulated depreciation					
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
Sales/disposals		-	10.7	10.7	-
Reclassification		-0.1	-2.3	-2.4	-
Translation difference		-1.9	-6.7	-8.6	-
As of 1 January 2023		**-17.0**	**-157.8**	**-174.8**	**-1.9**
Depreciation/amortisation for the year		-8.6	-80.1	-88.7	-0.5
Sales/disposals		1.1	35.0	36.1	-
Reclassification		-0.4	-1.3	-1.7	-
Translation difference		0.1	0.3	0.4	-
As of 31 December 2023		**-24.8**	**-203.9**	**-228.7**	**-2.4**
Book value					
2022-12-31		119.5	284.0	403.5	1.2
2023-12-31		106.6	324.8	431.4	0.9

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:

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: 3–15 years
Office 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.

Note 15 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 (see Note 23 in respect of lease liabilities) and there is no substantive right of exchange.

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.

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 14.

Leases where the Group is the lessee
The Group has many small and medium-sized subsidiaries in various countries and locations. As a result, there are a large number of contracts and many different terms and conditions. There are no individually significant leases for the Group.

Note 15, cont.

Premises
Sdiptech has about 70 rental agreements related to premises for warehouses and offices. Lease agreements normally have a duration of between 3 and 20 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 instances. These 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 such as machinery and IT equipment, with lease periods of between two and ten years.

Leases where the Group is the lessor
There are a few entities 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. The contracts are deemed immaterial for the Group.

Right-of-use assets

	Group				
Acquisition value	**Premises**	**Vehicles**	**Machinery**	**Other**	**Total**
As of 1 January 2022	**203.4**	**78.8**	**3.8**	**6.8**	**292.8**
New acquisitions	56.8	21.3	0.2	0.2	**78.5**
Acquisition of business	24.7	9.6	125.7	-	**160.0**
Disposals and retirements	-4.9	-10.9	-	-1.1	**-16.9**
Translation differences for the year	6.9	1.1	-	0.1	**8.1**
As of 1 January 2023	**286.9**	**99.9**	**129.6**	**6.0**	**522.4**
New acquisitions	99.6	22.9	10.8	0.8	**134.1**
Acquisition of business	51.6	1.3	-	-	**52.9**
Disposals and retirements	-	-1.0	-37.1	-5.2	**-43.3**
Translation differences for the year	1.2	0.1	-0.3	-	**1.0**
As of 31 December 2023	**439.3**	**123.2**	**103.0**	**1.6**	**667.1**
Accumulated depreciation					
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	**-64.0**
Disposals and retirements	4.9	13.3	-	1.1	**19.3**
Translation differences for the year	-1.7	-0.6	-1.4	-	**-3.7**
As of 1 January 2023	**-96.9**	**-39.0**	**-5.5**	**-3.9**	**-145.3**
Depreciation and amortisation for the year	-54.3	-26.9	-10.9	-2.4	**-94.5**
Reclassifications	-	-	-		**-**
Disposals and retirements	12.7	-6.4	-	5.2	**11.5**
Translation differences for the year	0.4	0.3	0.3	-	**1.0**
As of 31 December 2023	**-138.1**	**-72.0**	**-16.1**	**-1.1**	**-227.3**

Contractual maturities of lease liabilities

	2023	**2022**
Maturity date within 1 year	100.5	93.5
Maturity date within 1–2 years	77.8	63.3
Maturity date within 2–5 years	130.8	107.2
Maturity date over 5 years	133.1	103.3
Total contractual cash flows	**442.2**	**367.3**

Amounts recognised in the consolidated income statement

	2023	**2022**
Income from subletting of right-of-use assets	0.2	0.8
Amortisation of leases	-85.7	-65.6
Interest expense on lease liabilities	-12.7	-5.3
Expenses for short-term leases	-1.8	-1.0
Low value leasing costs	-0.3	-0.2
Total	**-100.3**	**-71.3**

Parent company
The parent company applies the exemption in RFR2, whereby the company's rental contracts are recognised as operating leases: these contracts include rental contracts for head office and vehicles.

Non-cancellable lease payments amount to:

	2023	**2022**
Within 1 year	4.2	3.9
2–5 years	2.5	4.1
Total payment commitments	**6.7**	**8.0**

	2023	**2022**
The cost of operating leases of assets for the year amounts to:	4.3	3.8
Of which rental of premises	3.5	3.1
Of which vehicles	*0.8*	*0.7*

Note 16 Participations in Group companies

Specification of the parent company's direct holdings of shares in Group companies

	Parent company	
	2023	2022
At the beginning of the year	44.4	69.6
Mergers	-	-0.5
Disposals	-0.2	-24.7
Total value of acquisitions	**44.2**	**44.4**
Impairments		
At the beginning of the year	-44.0	-43.8
Impairments for the year	-	-0.2
Accumulated impairments	**-44.0**	**-44.0**
Carrying amount at year-end	**0.1**	**0.3**

Specification of the parent company's direct holdings of shares in Group companies

			Capital share(1)		Number of shares(1)		Carrying amount in the parent company
Name, registered office	Town/city	Company registration number	2023-12-31	2022-12-31	2023-12-31	2022-12-31	2023-12-31
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 Crescent d.o.o.	Zagreb	06502018711	100%	100%	1	1	0.0
Sicada AB	Stockholm	559100-1762	-	100%	-	50,000	-

Specification of the parent company's indirect holdings of shares in Group companies

Name, registered office	Company registration number	2023-12-31	2022-12-31
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%
Hansa Vibrations- och Omgivningskontroll AB	559076-6092	100%	100%
HeatWork Sweden AB	556720-9571	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%
Rolec Services AB	559451-2823	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%

Note 16, cont.

Name, registered office	Company registration number	2023-12-31	2022-12-31
Sweden, cont.			
Sdip Klimkontrolo AB	559134-9435	-	100%
Sdip Metro AB	559016-4272	-	100%
Sdip Modelo AB	559066-5641	100%	100%
Sdip Monto AB	559131-0874	100%	100%
Sdip Multev AB	559169-2214	-	100%
Sdip Purigado AB	559086-4343	100%	100%
Sdip Sinuso AB	559084-7868	100%	100%
Sdip Stratosfero AB	559131-0866	-	100%
Sdip Stucco AB	559022-1452	100%	100%
Storadio Aero 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%
Finland			
Ficon Oy	3147471-9	100%	100%
HeatWork Oy	555	100%	-
Oy Hilltip Ab	3108511-5	100%	100%
Norway			
Agder Industri-Automasjon AS	976853970	51%	51%
HeatWork A/S	555	100%	-
Rogaland Industri Automasjon AS	920325637	100%	100%
Sdip Atlanta AS	820839412	100%	100%
Denmark			
ELM Kragelund AS	11477607	100%	100%
Kemi-tech ApS	555	100%	-
Kemi-tech A/S	555	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%

Name, registered office	Company registration number	2023-12-31	2022-12-31
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%	100%
Patol Ltd	1341651	100%	100%
Linesense Fire Detection Ltd	10155155	100%	100%
RedSpeed International Ltd	5152563	100%	100%
RedSpeed UK Ltd	10027452	100%	100%
Resource Data Management Group Ltd	SC472830	100%	100%
Resource Data Management Ltd	SC208148	100%	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%	100%
Wake Power Distribution Ltd	11463510	100%	100%
Water Treatment Products Holding Ltd	10485079	100%	100%
Water Treatment Products Ltd	3896797	100%	100%

Note 16, cont.

Name, registered office	Company registration number	2023-12-31	2022-12-31
Italy			
Sdip Italia S.r.l.	12025040960	100%	100%
Agrosistemi S.R.L.	1439280338	100%	100%
Amaltea S.A.R.L.S	1718160334	100%	100%
Mecno Services Srl	03876500277	100%	100%
Croatia			
Metus doo dizala	24690129373	100%	100%
Miconic doo	555	100%	100%
Bosnia			
Metus Bosnia	4272175160005	100%	100%
Serbia			
Metus Serbia	21228796	100%	100%
Germany			
GAH Europe GmbH	HRB 128370	100%	100%
Hilltip GmbH	HRB 26891	100%	100%
US			
Hilltip Inc	7772738	100%	100%
Resouce Data Management-USA Inc	480422400022	100%	100%
Israel			
Certus Imaging Technologies Ltd	515940559	100%	100%
Taiwan			
Resource Data Management Taiwan CO Ltd		100%	100%
Malaysia			
Resource Data Management Asia Sdn Bhd	897998-H	100%	100%
New Zealand			
RedSpeed NZ Ltd	8423242	100%	100%

Note 17 Financial risks and risk management

Financial instruments
Financial instruments recognised on the asset side in the consolidated balance sheet include trade receivables, short-term investments and cash and cash equivalents. Liabilities include loans, contingent considerations, other current liabilities and trade payables.

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:

They are financial assets if the maturity or expected holding period is longer than one year.

Financial assets valued at accrued acquisition 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 non-current 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 related to a business model in this category.

Financial liabilities measured at fair value through profit or loss
Liabilities for contingent additional purchase prices 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, currency interest rate futures in GBP, EUR and NOK and interest rate futures in SEK and EUR in order to balance the currency and interest rate exposure. The fair value of forward 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.

Financial liabilities measured at amortised cost
This category includes all financial liabilities other than those measured at fair value through profit or loss. Loans to credit institutions as well as bonds, trade payables 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 uncertainty factors
Financial risks
Sdiptech is exposed to financial risks of various kinds through its activities:

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

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.

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 2023 and 2022. 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 book value 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	
	2023-12-31	**2022-12-31**	**2023-12-31**	**2022-12-31**
Assets in the statement of financial position				
Shares and other securities	-	-	5.5	5.5
Non-current receivables	3.1	3.2	-	-
Accounts receivable	827.3	687.0	-	-
Other receivables	62.7	47.7	-	-
Cash and cash equivalents	557.0	383.2	-	-
Total	**1,450.1**	**1,121.2**	**5.5**	**5.5**

Note 17, cont.

	Financial liabilities measured at amortised cost		Financial liabilities measured at fair value through profit or loss	
	2023-12-31	**2022-12-31**	**2023-12-31**	**2022-12-31**
Liabilities in the statement of financial position				
Current liabilities to credit institutions	115.1	100.7	-	-
Long-term liabilities to credit institutions	2,758.7	1,932.9	-	-
Accounts payable	329.8	257.7	-	-
Liabilities related to contingent considerations	-	-	1,193.0	1,266.0
Other current liabilities	156.4	60.3	-	-
Total	**3,359.9**	**2,351.5**	**1,193.0**	**1,266.0**

	2023	**2022**
Opening book value	1,266.0	1,131.4
Liabilities incurred during the year	84.6	476.9
Purchase prices paid	-185.8	-356.1
Revaluation through operating result	-16.2	-61.6
Interest costs (discounting effect)	38.7	30.0
Exchange rate differences	5.7	45.5
Closing book value	**1,193.0**	**1,266.0**

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.

The valuation of the financial year noted increases in the expected outcome from a number of entities, which resulted in an adjustment of the increased liability. This has been recognised in the income statement under Other external costs. All obligations at the balance sheet date fall due within 1–8 years.

Credit risk in respect of receivables

Credit risks in trade receivables.

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 to government operations. The Group's exposure to individual customers is small, and risk diversification is deemed to be good. Total trade receivables on the balance sheet date amounted to SEK 827.3 (687.0) million, corresponding to an increase of 20 per cent, which largely comes from comparable entities. Provisions for future credit losses amount to SEK 10.4 (6.3) million. Receivables older than 60 days past due amount to SEK 54.6 (50.8) million. Provision and utilisation of the provision for doubtful trade receivables have been recognised in the income statement. Age analysis of trade receivables and provisions for expected credit losses are presented in Note 19.

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. During the period, the Group increased its agreed long-term credit line by SEK 500 million to a total of SEK 2,600 million and GBP 36 million, corresponding to about SEK 460 million. The total utilised credit volume as at 31 December 2023, within this credit line, totalled SEK 1,823.4 million. The Group's interest-bearing liabilities and maturities are shown in Note 23.

In August, Sdiptech issued senior secured sustainability-linked bonds of SEK 600 million under a framework of SEK 1,000 million. These bonds carry a variable interest rate of 3m Stibor +4.90 per cent and mature in August 2027. The link to the Group's sustainability goals affects the final redemption amount at maturity, depending on the outcome.

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 44.7 (44.3) per cent of the balance sheet total. 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. However, all of the Group's bank loans carried variable interest rates at 3 to 6-month intervals at year-end, as in the previous year. The Group also has agreements on interest rate swaps, corresponding to around 25 per cent of the agreed credit volume, with a 2 to 3-year maturity. Part of the contracted credit volume is linked to the Group's sustainability goals, which may increase or decrease the contracted interest margin depending on the outcome.

Note 17, cont.

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. Hence changes in interest rates mainly affect the company's borrowing costs.

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 12.8 (15.4) million in higher interest expenses, including the effect of interest rate futures.

Currency risk
Currency risk is the risk that unfavourable changes in exchange rates will affect the Group's earnings and equity measured in SEK. The Group's currency risks are mainly linked to the foreign subsidiaries, which have income and expenses in currencies other than the individual company's functional currency (what is known as transaction exposure), and through the translation exposure that arises when foreign subsidiaries' assets and liabilities are translated into the parent company's functional currency.

The Group's earnings are most sensitive to changes in the GBP/SEK exchange rate. A 10 per cent change in the average exchange rate of all currencies against the Swedish krona would have an impact of SEK 75.3 (58.2) million on the Group's operating profit and SEK 45.6 (44.8) million on the Group's profit before tax, excluding unrealised currency effects of internal and external loans and currency futures.

Sdiptech has entered into agreements on currency futures in GBP and EUR in order to balance the currency exposure. These volumes totalled the equivalent of around SEK 402 million and SEK 355 million respectively at the end of the period. Derivatives are recognised at fair value under financial income and expenses in the income statement.

Currency exposure in operating result

	2023	2022
GBP	42.8	39.9
EUR	16.6	12.7
NOK	3.1	0.7
DKK	7.7	1.5
Other currencies	5.1	3.4

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 is constantly 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.

The total currency exposure of the Group is shown in the following table of the Group's gross exposure. The Group's assets and liabilities are shown for each underlying accounting currency, of which the Group's central debt is included in the SEK item below. A 10 per cent strengthening of SEK against EUR would affect equity by around SEK -13.2 (-26.8) million. A 10 per cent strengthening of SEK against GBP would affect equity by SEK -101.7 (-55.6) million when translating the currency exposure of net investments in foreign subsidiaries.

Gross exposure in foreign currency (SEK million)

	Gross assets		Gross liabilities	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
GBP	4,607.3	4,483.2	3,567.7	3,733.4
EUR	2,056.4	1,797.4	1,907.8	1,675.6
SEK	9,978.0	8,879.3	7,322.7	6,286.6
Other currencies	826.0	626.8	712.8	569.2
Total	**17,467.7**	**15,786.7**	**13,511.0**	**12,264.8**

Foreign currency loans and swaps presented in SEK (SEK million)

	Gross liabilities	
Currency	**2023-12-31**	**2022-12-31**
GBP	1,493.0	1,581.4
EUR	865.5	356.1
NOK	172.7	-
Total	**2,531.2**	**1,937.5**

Translation exposure in the statement of financial position
A single subsidiary should not normally have any translation risk in its own balance sheet. 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. The exposures are in GBP and EUR. The table below shows, in local currency, the breakdown of currency exposure in equity for the most significant currencies.

Currency exposure in equity

	2023-12-31	2022-12-31
GBP million	127.6	123.3
EUR million	38.7	26.4
NOK million	117.3	30.9
HRK million	0.0	52.9
DKK million	94.0	37.5

The impact of the year's translation differences is shown in other comprehensive income.

Note 18 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 book value of the inventory in the consolidated statement of financial position.

	Group	
	2023	**2022**
Commodities and consumables	458.6	427.9
Finished products and finished stocks	186.9	134.5
Total inventories	**645.5**	**562.4**

Inventories increased by 15 per cent during the financial year, with entities acquired during the year accounting for about 60 per cent of the increase. SEK 4.7 million was written off for obsolescence during the year.

Note 19 Trade receivables

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 60 operating companies. The Group's trade receivables are classified as current assets as they normally have a remaining service life of less than 6 months.

The cost of customer losses and doubtful debts recognised in the income statement amounts to SEK 5.8 (9.0) million net.

Collateral is not normally held for trade receivables. 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 trade receivables 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 normally when receivables are more than 60 days past due. The provision for doubtful debts and doubtful debt losses is included in Other external costs**.**

	Group	
	2023	**2022**
Accounts receivable not due for payment	549.7	415.0
Accounts receivable less than 30 days past due	188.7	179.0
Accounts receivable less than 31–60 days past due	44.7	48.4
Accounts receivable less than 61–90 days past due	14.0	15.7
Trade receivables more than 90 days past due	40.3	35.1
Subtotal, trade receivables	**837.4**	**693.2**
Provisions for doubtful debts		
Opening balance reserve for doubtful debts	-6.2	-7.1
Provision for doubtful debts through profit or loss	-3.2	-4.7
Reversed reserves	0.2	4.0
Recognised losses	-0.9	1.6
Closing balance reserve for doubtful debts	**-10.1**	**-6.2**
Total trade receivables	**827.3**	**687.0**

Note 20 Prepayments and accrued income

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Prepaid rent/leasing	11.3	8.8	0.9	0.9
Prepaid insurance	11.1	9.3	0.2	0.1
Accrued income	170.1	114.1	-	-
Advance payments	7.8	1.0	-	-
Prepaid credit fees	14.4	5.9	11.0	-
Other items	33.9	41.4	2.0	1.8
Total	**248.6**	**180.5**	**14.1**	**2.8**

Note 21 Supplementary information, 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 cash and bank balances as shown in the table below.

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Cash and bank	557.0	383.2	7.2	3.5
Total	**557.0**	**383.2**	**7.2**	**3.5**

Interest paid and received

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Interest received	4.7	1.5	14.3	3.1
Interest paid	-172.3	-78.6	-18.2	-0.3
Total	**-167.6**	**-77.1**	**-3.9**	**2.8**

Adjustments for items not included in cash flow

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Depreciation and write-down of assets	310.6	217.1	0.6	0.8
Unrealised exchange-rate differences	-28.6	-24.6	-	-
Other provisions	0.5	1.8	-	-
Revaluation of contingent considerations	22.6	-34.2	-	-
Other	10.00	11.5	-	0.3
Total	**315.1**	**171.6**	**0.6**	**1.1**

Note 22 Share capital and other contributed 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 and increases as the difference increases.

Group

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 1,424,000 class A ordinary shares (ISIN: SE0003756741), 36,567,938 class B ordinary shares (ISIN: SE0003756758) and 1,750,000 preference shares as at 31 December 2023. As of 31 December 2023, the share capital in Sdiptech amounted to SEK 993,548 divided into 39,741,938 shares, each with a quota value of SEK 0.025.

Number of ordinary shares

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
Opening balance at 1 January	37,801,348	35,363,927	37,801,348	35,363,927
New share issue	190,590	2,416,100	190,590	2,416,100
Issue in kind	-	21,321	-	21,321
Closing balance at 31 December	**37,991,938**	**37,801,348**	**37,991,938**	**37,801,348**

Number of preference shares

	Group		Parent company	
	2023	**2022**	**2023**	**2022**
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**

Management of capital

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.

Note 22, cont.

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 provides the company with proceeds of around SEK 506 million before deduction of issue costs.

On 3 March 2023, 190,590 class B shares were subscribed for through a new issue attributable to the exercise of warrants in the third 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 also Note 7). This issue provided the company with SEK 14.4 million in equity.

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	2,094,236,582
Retained earnings	218,694,471
Net profit for the year	5,741,011
Total	**2,318,672,064**

The Board of Directors proposes the following appropriation of profits:

Dividend to preference shares*	14,000,000
Profit/loss carried forward**	2,304,672,064
Total	**2,318,672,064**

*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 2,094,236,582 is transferred to the share premium reserve

Note 23 Interest-bearing liabilities

Group interest-bearing liabilities

Non-current liabilities	2023	2022
Liabilities to credit institutions	2,406.8	1,931.3
Leasing liabilities	349.4	286.4
Contingent considerations *	931.6	1,098.3
Other liabilities**	2.5	1.5
Total	**3,690.2**	**3,317.6**

* 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 *** Includes non-interest bearing loans that are classified as interest bearing, as they are by their nature part of the Group's debt financing: see also Note 25

Current liabilities	2023	2022
Liabilities to credit institutions	16.7	13.0
Leasing liabilities	97.6	87.1
Contingent considerations *	261.4	167.7
Other liabilities**	0.8	0.5
Total	**376.5**	**268.4**

* Present value of expected payout
** Includes loans that run without interest but are classified as interest-bearing as they are by their nature part of the group's loan financing
*** Includes loans that run without interest but are classified as interest-bearing as they are by their nature part of the group's loan financing, see also note 25

Repayment periods, contractual values

As of 31 December 2023	Less than 1 year	1–2 years	2–5 years	More than 5 years
Liabilities to credit institutions*	16.7	-	2,667.6	-
Leasing liabilities	100.5	77.8	130.8	133.1
Contingent considerations	267.6	327.2	606.2	111.8
Accounts payable	329.8	-	-	-
Other interest-bearing liabilities	0.8	2.5	-	-
Total	**715.4**	**407.5**	**3,404.6**	**244.9**

*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, EUR and GBP. An average interest rate on debt to credit institutions is estimated to be 4.9 per cent.

As of 31 December 2022	Less than 1 year	1–2 years	2–5 years	More than 5 years
Liabilities to credit institutions*	13.0	-	2,069.9	-
Financial leasing	98.7	67.7	124.1	102.0
Contingent considerations	168.5	257.6	685.5	262.7
Accounts payable	257.7	-	-	-
Other liabilities	0.5	1.5	-	-
Total	**538.5**	**326.8**	**2,879.5**	**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.

Loan agreements

During the period, the Group increased its agreed long-term credit line by SEK 500 million to a total of SEK 2,600 million. The total utilised credit volume as at 31 December 2023, within this credit line, totalled SEK 1,800 million. 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 25 per cent of the utilised credit line, with a 2–3 year term and maturing in 2024–2026, with a view to reducing interest rate exposure.

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. Part of the contracted credit volume is linked to the Group's sustainability goals, which may increase or decrease the contracted interest margin depending on the outcome. The loan facilities may be cancelled for repayment if the conditions are not met.

The variable interest margin on the loan agreement amounts to 2.2–7.5 per cent, of which the average interest rate for the financial year amounts to 4.9 (3.1) 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 63.8 (58.5) million as of 31 December 2023.

In August, Sdiptech issued senior secured sustainability-linked bonds of SEK 600 million under a framework of SEK 1,000 million. These bonds carry a variable interest rate of 3m Stibor +4.90 per cent and mature in August 2027. The link to the Group's sustainability goals affects the final redemption amount at maturity, depending on the outcome.

The amounts recognised, by currency, for the Group's borrowings are as follows:

	Group 2023	Group 2022
GBP	573.7	952.4
SEK	1,900.0	800.0
EUR	-	133.5
Total	**2,473.7**	**1,885.9**

* EUR and GBP have been converted to SEK in the table.

Group's change in cash flow affecting items in financing activities

	Of which affecting cash flow		
	Bank loans	Other liabilities	Leases
Opening balance, 01/01/2022	**1,166.9**	**2.2**	**195.7**
Cash flow	705.7	-	-65.6
New lease agreements	-	-	27.5
Items not affecting cash flow			
Acquisitions	31.8	-	208.8
Exchange differences	40.0	-0.1	7.1
Closing balance, 31/12/2022	**1,944.4**	**2.1**	**373.5**
Cash flow	413.0	1.3	-81.7
New lease agreements	-	-	96.2
Items not affecting cash flow			
Acquisitions	18.3	-	52.9
Exchange differences	47.7	-0.1	6.1
Closing balance, 31/12/2023	**2,423.4**	**3.3**	**447.0**

Parent company's change in cash flow affecting items in financing activities

	Liabilities, Group companies
Opening balance, 01/01/2022	**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**
Cash flow	-3.1
Closing balance, 31/12/2023	**0.0**

Note 24 Accrued expenses and prepaid income

	Group		Parent company	
	2023	2022	2023	2022
Accrued salaries and holiday pay	81.4	69.9	9.9	8.0
Accrued social security charges	18.1	13.1	3.1	1.9
Prepaid income	90.8	108.1	-	-
Accrued pension costs	3.5	2.2	-	-
Accrued interest expense	19.5	9.9	4.6	-
Short-term guarantees	9.0	6.8	-	-
Accrued discounts	16.2	-	-	-
Accrued costs, subcontractors	3.0	-	-	-
Other accrued expenses	35.3	46.0	3.3	-0.3
Total	**276.9**	**256.0**	**20.9**	**9.6**

Other accrued expenses refer mainly to accrued expenses.

Note 25 Pledged collateral and contingent liabilities

	Group	
	2023	2022
Corporate mortgages	37.7	37.7
Other contingent liabilities	2.5	0.1
Total	**40.2**	**37.8**

Pledged assets refers mainly to collateral linked to the Group's central credit facility.

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.

Transactions with key senior executives
Apart from what is stated in Note 7 Remuneration to the Board of Directors and senior executives, there have been no significant transactions with related natural persons.

Note 27 Receivables from Group companies and other non-current receivables

Receivables from Group companies

	Parent company	
	2023	2022
Opening acquisition cost	2,061.7	1,682.8
Additional intra-Group loan receivables	676.2	629.1
Repayments	-52.5	-528.5
Reclassification from current to non-current	-66.5	231.0
Accrued and capitalised interest	9.8	3.0
Revaluation of foreign currency receivables	-50.7	44.3
Closing acquisition cost	**2,578.0**	**2,061.7**

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 24 January 2024, Sdiptech AB (publ.) acquired all shares in the British company JR Industries Ltd, a leading British niche manufacturer of roller shutter doors for commercial vehicles. This company offers a wide range of custom products that increase efficiency and safety when loading and unloading goods from vehicles. The company has an annual EBIT of around GBP 4.5 million.

JR Industries will form part of the Special Infrastructure Solutions business area as of January 2024. Sdiptech will pay GBP 25.6 million on the closing date, which will be financed from its own funds and an existing credit facility. The final purchase price, which will be settled at the end of a four-year additional purchase price period, is dependent on the company's performance.

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 11 April 2024. 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 2024.

Stockholm, 16 April 2024

Bengt Lejdström
Chief Executive Officer

Eola Änggård Runsten
Board member

Johnny Alvarsson
Board member

Jan Samuelsson
Chairman

Urban Doverholt
Board member

Birgitta Henriksson
Board member

Our audit report was submitted on 16 April 2024
Öhrlings PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant, Principal Accountant

Andreas Skogh
Authorised Public Accountant, co-signatory

Definitions of key figures and explanations

Definitions, alternative key figures

EBITDA
Operating result before depreciation and amortisation.

Adjusted EBITDA
Adjusted EBITDA is calculated as EBITDA before acquisition costs and divestment costs and before results from revaluation of contingent considerations and capital gains/losses from divestments, items affecting comparability regarding non-material corrections of previous years in the subsidiaries.

EBITA
Operating profit after depreciation of tangible assets before impairment.

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

Adjusted EBITA(1)
Adjusted EBITA is the Group's operational performance measure and is calculated as EBITA before acquisition costs and divestment costs and before results 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 less depreciation, amortisation and impairment losses that are not related to acquisitions but originate from the operational entities' intangible assets.

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.

(1) Adjusted EBITA/Adjusted EBITA margin corresponds to the previous term EBITA*

Adjusted EBITA margin
Adjusted EBITA in relation to net sales.

Net debt/adjusted EBITDA
Net debt at the balance sheet date, in relation to adjusted 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. Payment of the debt at the full current book value requires a higher level of earnings than the current level.

Net financial debt/EBITDA
Calculated as net financial debt on the balance sheet date to credit institutions and other financial liabilities, e.g. outstanding bonds, as well as lease liabilities, which for the Group are largely made up of discounted rental contracts in respect of premises, in relation to adjusted 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 (ROCE)
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 responsibility and corporate governance.

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
"GHG Protocol" stands for the GREENHOUSE GAS PROTOCOL and is the most widely used standard for calculating and reporting a corporate greenhouse gas emissions.

Definitions of key figures and explanations, cont.

Global 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
GRI stands for GLOBAL REPORTING INITIATIVE, which is an international sustainability reporting standard.

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 arising from changes in legislation, changes in demand for products and services, changes in customer behaviour or other structural changes that occur in order to make the switch to a climate-neutral economy in order to counteract global warming.

SBTi
The Science Based Targets initiative provides a clearly defined route for companies to reduce greenhouse gas emissions. Targets are regarded as being science-based if they are in line with what the latest climate science considers necessary to fulfil the goals of the Paris Agreement: to limit global warming to 1.5 °C above pre-industrial levels. Science-based targets come from the Science-Based Targets initiative.

SDG
The Sustainable Development Goals (SDGs) were adopted by UN member states in 2015 as part of the 2030 Agenda. These goals represent a universal call for action to eradicate poverty, protect the planet and ensure that all people experience peace and prosperity by 2030. The 17 goals are integrated, meaning that progress in one area affects outcomes in others, and they are designed to leave no one behind.

CSRD
The Corporate Sustainability Reporting Directive (CSRD) is an EU initiative aimed at improving and standardising companies' reporting on social and environmental issues. The Directive, which came into force in January 2023, expands the scope of companies that have to report on sustainability issues, including large companies, listed SMEs and certain non-EU companies operating in the EU. The CSRD introduces the concept of "dual materiality", which means that companies have to report both how sustainability issues affect their operations and how their operations in turn affect society and the environment.

Scope (1, 2 and 3)
Scope 1 – All direct emissions from an organisation's activities or under their 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 Disclosures. This is a framework for identifying companies' climate-related financial risks and opportunities.

Whistleblowers
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.

Audit report

To the general meeting of Sdiptech AB, co. reg. no. 556672-4893

Opinions
We have audited the annual accounts and consolidated accounts of Sdiptech AB (publ) for the year 2023 except for the corporate governance statement on pages 52-57. The annual accounts and consolidated accounts of the company are included on pages 5, 16, 40-47, 52-57 and 59-96 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 52-27. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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 2023 been organised 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 25 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 2023, 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 2023, 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above [insert amount] as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 provide a separate opinion on these matters.

Key Audit Matters

Measurement of goodwill and intangible assets with an indefinite life including acquired intangible assets

The 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 2023. 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.

Notes 12 and 13 contains additional information on the Group's intangible assets and the significant assumptions applied in the annual impairment tests. In note 3 there is additional information about business combinations, accounting principles and acquired intangible assets.

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

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 acquisition 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 calculating fair value.
- Assessed management's judgements with respect to significant earn-out liabilities considering for instance updated forecasts.
- Traced disclosure information to accounting records and other supporting documentation

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4, 6-15, 17-21, 39, 97-100, and 117-118 as well as the statutory sustainability report on pages 22–38, 48-51 and 101–116The 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 responsibilities
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 statutory requirements

The auditor's examination 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 (publ) for the year 2023 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.

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 responsibilities
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 2023.

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 Opinions
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 ensuring that the Esef report has been prepared 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 responsibilities
Our responsibility is to form an opinion with 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 reasonable assurance engagement 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. 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 reasonable assurance engagement 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 technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 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 Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52-57 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.

Stockholm 16 April 2024
Öhrlings PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant
Auditor in charge

Andreas Skogh
Authorised Public Accountant
Co-signing auditor

Sustainability notes

Contents

EU's Green Taxonomy Disclosures for 2023

In 2019, the European Commission presented a new growth strategy, the European Green Deal, which seeks 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. Sdiptech's services and goods are covered by the taxonomy criteria to some extent. However, 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 of the current Regulation, as our business entities exposed to these industries are profoundly niche and mainly fall under the activities enabling green energy and innovation, which is currently a very limited segment in the Regulation. Moreover, a large part of Sdiptech's operations are involved in social sustainability; particularly security, which is not covered at all in the Taxonomy. Consequently, Sdiptech has only a few relevant activity categories to report, which means that the key performance indicators covered by the taxonomy for 2023 are relatively low. Sdiptech's 2023 annual report describes the Group's sustainability goals and current position, including data on greenhouse gas emissions and climate impact beyond the requirements of the EU taxonomy in general. We will regularly update our taxonomy reporting accordingly in the future as the Regulation is still under development and is expected to be extended to other areas more relevant to our products and activities.

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 2023 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 seven taxonomy-eligible activities in 2023 which relate to the activities covered by the Taxonomy Regulation in environmental goals: 1) *climate change mitigation*, and 2) *climate change adaptation*. The taxonomy-eligible activities within the remaining four environmental goals are also reported for the first time this year, and in Sdiptech's Annual Report for 2023: 3) *sustainable use and protection of water and marine resources*, 4) *transition to a circular economy*, 5) *pollution prevention and control*, and 6) *protection and restoration of biodiversity and ecosystems*, for which Sdiptech has identified a taxonomy-eligible activity in 2023.

Additionally, Sdiptech also reports the percentage of taxonomy-aligned activities that describe whether an economic activity fulfils the technical screening 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 attainment of the other environmental goals, i.e. has no significant negative impact on them.

Sdiptech has identified parts of seven activities as aligned with the taxonomy. 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 in-depth analysis of some of the activities covered by *5.1* and *5.2*, which deals with energy efficiency linked to water systems, needs to be carried out to ensure that the turnover from these activities is aligned with the taxonomy.

Sdiptech has carried out the assessments for taxonomy eligibility and alignment to the best of our ability to interpret, based on existing available guidelines from the European Commission. In 2021, Sdiptech set up an internal working group for the EU taxonomy, comprising 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 of data. An assessment of "substantial contribution" and "no significant harm" criteria was carried out for each economic activity to determine taxonomy eligibility. Activities in the "no significant harm" category that have been ensured for the entities with significant positive contributions include ensuring, for example, that energy efficiency measures do not contain materials or processes that are harmful to the environment or human health, that activities aimed at efficient water use do not degrade water quality or damage aquatic ecosystems, and that recycling and reuse of materials do not result in increased pollution or unsustainable use of resources.

Minimum safeguards
Minimum protection measures were assessed at Group level. In order to comply with the minimum safeguards referred to in Article 18, companies must comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as the principles and rights set out in the eight fundamental conventions indicated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Convention for the Protection of Human Rights and Fundamental Freedoms. Sdiptech has worked on the basis of this to set up a two-pronged strategy that includes a human rights due diligence process, and ensuring that Sdiptech is able to confirm that the company has not been involved in any activities or incidents related to non-compliance from an OECD National Contact Point.

Human Rights Due Diligence (HRDD) is a process that seeks to identify, assess, prevent and mitigate adverse human rights impacts that the company's operations may cause or contribute to. To summarise, the HRDD process involves the following steps:

1) Policies: Implement corporate responsibility by means of policies, guidelines and management systems
2) Identification: Identify areas of the organisation where there are risks of negative impacts on human rights
3) Assessment: Analyse and assess the extent, nature and context of the potential risks
4) Actions: Develop and implement strategies and measures to prevent, minimise or entirely eliminate identified risks
5) Communication: Report openly and transparently on how negative impacts are dealt with, both internally and to relevant external parties

The risk-based due diligence process is prescribed by both the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Although this is a dynamic and cyclical process that is constantly evolving, the policy step has been regarded as the first step for Sdiptech, where we describe our approach and commitments in respect of human rights. This is then followed by ongoing surveying of the areas in which there may be risks of negative impacts on human rights. This is followed by analyses and assessments of the situation, which also includes continuous monitoring and evaluation of the effectiveness of the measures implemented. Strategies and measures are developed in order to prevent, minimise or eliminate risks for Sdiptech in cases where risks arise. This has included in-depth analyses of customers and suppliers in certain countries, audit controls, additional guidelines and requirements or termination of a partnership. The final step involves reporting on the risks identified and indicating what we have done to address them.

There are also certain risks related to countries in which we initially perform an assessment of the risks at a high level before examining them in greater depth. We use indices as a tool and guide to survey country and sectoral risks in order to help us better understand where the risks may lie in our operations. For example:

- Rule of Law Index
- World Press Freedom Index
- Transparency International's Corruption Perceptions Index
- International Trade Union Confederation's Global Rights Index
- Freedom House's index
- US State Department's High Risk List

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 2023 as recognised in the notes, excluding additions for goodwill, in Note 11 Intangible assets, Note 12 Tangible fixed 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.

Turnover
Turnover includes external turnover in taxonomy-eligible activities, presented separately: see Taxonomy-eligible activities. The denominator is Sdiptech's total turnover for 2023 (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.

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. 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. There is also taxonomy-aligned CapEx for investments that are not directly linked to revenue-generating activities; for the financial year, this relates to vehicles and is included in item *6.5 Transport using motorcycles, cars and light motor vehicles.* Ten business entities have leased a total of 22 new electric vehicles in 2023, generating almost 2% taxonomy-aligned operating expenditure.

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. Manufacture of renewable energy technologies:
Power quality problems may occur with weak grids and variable generation, such as renewable electricity. Continuous monitoring of the electricity supply is playing a crucial role as the world becomes increasingly reliant on renewable electricity generation. Unipower offers automated systems for uninterrupted control and metering of the electricity supply, enabling the uninterrupted use and development of renewable energy.

3.6. Production of other low-carbon technologies:
the percentage of turnover identified as taxonomy-eligible is derived from:

IDE's Erica product, which is a proprietary suite of energy monitoring and management tools that enable energy use and hence carbon emissions to be reduced.

RDM's products that help to reduce energy use, and hence carbon emissions.

TEL's products Airflow controllers and Room controllers, VAV account for around 50 per cent of total turnover, helping to reduce energy use, and hence carbon emissions.

GAH's eFridge product is designed to supply electricity to cooling systems for all vehicle types, making it possible to use electric vehicles for last-mile deliveries.

HeatWork's products are a greener alternative thanks to 100 per cent hydronic heating that is more efficient than competing technologies, with low energy use and high recovery efficiency.

4.1. Provision of data-driven IT and OT solutions in order to reduce leakage
Hydrostandard ensures that water use is metered accurately, thereby increasing the efficiency of water consumption and identifying potential water leaks. Hydrostandard is part of the chain for the rollout of modern and intelligent water meters that can help reduce water leakage.

5.1. Construction, extension and operation of water collection, treatment and supply systems:
Polyproject play an important role in several water treatment processes by commissioning and servicing pure water plants. That part of the turnover and OpEx identified as taxonomy-eligible is derived from the company's business from water treatment installations and components in industry and municipalities.

5.2. Renewal of water collection and treatment systems and water supply systems:
Auger provides efficient case management of insurance claims relating to underground infrastructure such as pipes and water mains. The percentage of turnover and OpEx identified as taxonomy-eligible is derived from the company's percentage accounting for the renewal of water supply systems.

6.15. Infrastructure enabling low-carbon road transport and public transport:
Rolec develops, manufactures and installs 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.

6.5. Transport using motorcycles, cars and light motor vehicles: Ten business entities have purchased or leased a total of 22 new electric vehicles in 2023, generating almost 2% taxonomy-aligned operating expenditure.

7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.
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.

Find out more on the following pages about Sdiptech's business entities contributing to the EU Taxonomy and the UN Sustainable Development Goals.

EU Taxonomy Regulation – turnover

Portion of turnover from products or services related to economic activities that are compatible with taxonomy requirements – information covering 2023.

				Substantial contribution criteria						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover (3)	Percentage of turnover (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources	Contamination	Circular economy	Biodiversity (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources	Contamination	Circular economy	Biodiversity (16)	Minimum safeguards	Taxonomy-aligned portion (A.1.) or portion covered by the taxonomy (A.2.) of turnover, year N-1 (18)	Category (enabling activities)	Category (transitional activities)
		SEK million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	M	O
A. ACTIVITIES COVERED BY THE TAXONOMY			**17.81%**																
A.1. A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Manufacture of renewable energy technologies	CCM3.1	9.8	0.20%							-	Y	Y	Y	Y	Y	Y		M	
Manufacture of other low carbon technologies	CCM3.6	0.0	0.00%							-	Y	Y	Y	Y	Y	Y		M	
Construction, extension and operation of water collection, treatment and supplysystems	CCM5.1	1.6	0.03%							-	Y	Y	-	-	Y	Y			
Renewal of water collection and treatment systems and water supply systems	CCM5.2	70.0	1.44%							-	Y	Y	-	-	Y	Y		M	
Transport using motorcycles, cars and light motor vehicles	CCM6.5	0.5	0.01%							-	Y	-	Y	Y	-	Y			O
Infrastructure enabling low carbon road transport and public transport	CCM6.15	295.4	6.09%							-	Y	Y	Y	Y	Y	Y		M	
Installation, maintenance and repair of instruments and devices for measuring,regulation and controlling energy performance of buildings	CCM7.5	99.9	2.06%							-	Y	-	-	-	-	Y		M	
Provision of data-driven IT and OT solutions in order to reduce leakage	WTR4.1	148.0	3.05%							-	Y	-	Y	Y	-	Y		M	
Turnover of environmentally sustainable (taxonomy-aligned) activities (A.1)		**625.2**	**12.89%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		
Of which enabling activities		623.1	12.85%	0%	0%	0%	0%	0%	0%									M	
Of which transitional activities		0	0.01%	0%	0%	0%	0%	0%	0%										O
A.2. A.2 Activities that are covered by the taxonomy but are not environmentally sustainable (not taxonomy-aligned)																			
Manufacture of other low carbon technologies	CCM3.6	238.6	4.92%																
Turnover of activities that are covered by the taxonomy but are not environmentally sustainable (not taxonomy-aligned) (A.2)		**238.6**	**4.92%**																
Total (A.1+A.2)		**863.8**	**17.81%**																
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Turnover of activities not covered by the taxonomy (B)		**3,986.6**	**82.19%**																
TOTAL		**4,850.4**	**100.00%**																

The EU Taxonomy Regulation – CAPEX

Portion of capital expenditure from products or services related to economic activities that are compatible with taxonomy requirements – information covering 2023.

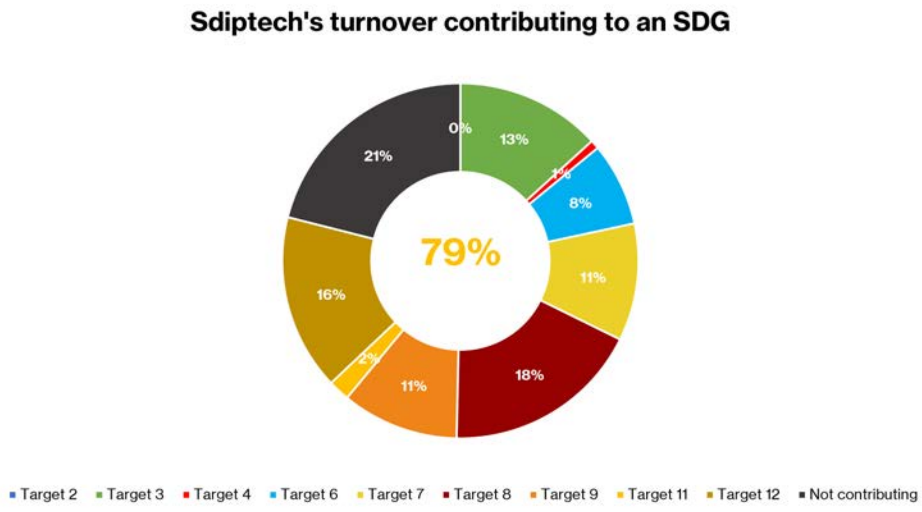
				Substantial contribution criteria						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover (3)	Percentage of turnover (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources	Contamination	Circular economy	Biodiversity (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources	Contamination	Circular economy	Biodiversity (16)	Minimum safeguards	Taxonomy-aligned portion (A.1.) or portion covered by the taxonomy (A.2.) of turnover, year N-1 (18)	Category (enabling activities)	Category (transitional activities)
		SEK million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	M	O
A. ACTIVITIES COVERED BY THE TAXONOMY			**7.58%**																
A.1. A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Manufacture of renewable energy technologies	CCM3.1	0.6	0.11%							-	Y	Y	Y	Y	Y	Y		M	-
Manufacture of other low carbon technologies	CCM3.6	0.0	0.00%							-	Y	Y	Y	Y	Y	Y		M	-
Construction, extension and operation of water collection, treatment and supplysystems	CCM5.1	0.1	0.01%							-	Y	Y	-	-	Y	Y		-	-
Renewal of water collection and treatment systems and water supply systems	CCM5.2	5.9	1.04%							-	Y	Y	-	-	Y	Y		-	-
Transport using motorcycles, cars and light motor vehicles	CCM6.5	9.8	1.74%							-	Y	-	Y	Y	-	Y		-	O
Infrastructure enabling low carbon road transport and public transport	CCM6.15	11.3	1.99%							-	Y	Y	Y	Y	Y	Y		M	-
Installation, maintenance and repair of instruments and devices for measuring,regulation and controlling energy performance of buildings	CCM7.5	0.0	0.00%							-	Y	-	-	-	-	Y		M	-
Provision of data-driven IT and OT solutions in order to reduce leakage	WTR4.1	0.0	0.00%							-	Y	-	Y	Y	-	Y		M	-
Turnover of environmentally sustainable (taxonomy-aligned) activities (A.1)		**27.7**	**4.89%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		
Of which enabling activities		11.9	2.10%	0%	0%	0%	0%	0%	0%									M	
Of which transitional activities		9.8	1.74%	0%	0%	0%	0%	0%	0%										O
A.2. A.2 Activities that are covered by the taxonomy but are not environmentally sustainable (not taxonomy-aligned)																			
Manufacture of other low carbon technologies	**CCM3.6**	**15.2**	**2.69%**																
Turnover of activities that are covered by the taxonomy but are not environmentally sustainable (not taxonomy-aligned) (A.2)		**15.2**	**2.69%**																
Total (A.1+A.2)		**43.0**	**7.58%**																
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Turnover of activities not covered by the taxonomy (B)		**524.0**	**92.42%**																
TOTAL		**567.0**	**100.00%**																

The EU Taxonomy Regulation – OPEX

Portion of operating expenditure from products or services related to economic activities that are compatible with taxonomy requirements – information covering 2023.

				Substantial contribution criteria						Do no significant harm (DNSH) criteria									
Economic activities (1)	Code (2)	Turnover (3)	Percentage of turnover (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources	Contamination	Circular economy	Biodiversity (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources	Contamination	Circular economy	Biodiversity (16)	Minimum safeguards	Taxonomy-aligned portion (A.1.) or portion covered by the taxonomy (A.2.) of turnover, year N-1 (18)	Category (enabling activities)	Category (transitional activities)
		SEK million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	M	O
A. ACTIVITIES COVERED BY THE TAXONOMY			**19.96%**																
A.1. A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Manufacture of renewable energy technologies	CCM3.1	0.0	0.00%							-	Y	Y	Y	Y	Y	Y		M	-
Manufacture of other low carbon technologies	CCM3.6	0.0	0.00%							-	Y	Y	Y	Y	Y	Y		M	-
Construction, extension and operation of water collection, treatment and supplysystems	CCM5.1	0.0	0.03%							-	Y	Y	-	-	Y	Y		-	-
Renewal of water collection and treatment systems and water supply systems	CCM5.2	4.2	6.33%							-	Y	Y	-	-	Y	Y		-	-
Transport using motorcycles, cars and light motor vehicles	CCM6.5	0.1	0.18%							-	Y	-	Y	Y	-	Y		-	O
Infrastructure enabling low carbon road transport and public transport	CCM6.15	1.2	1.79%							-	Y	Y	Y	Y	Y	Y		M	-
Installation, maintenance and repair of instruments and devices for measuring,regulation and controlling energy performance of buildings	CCM7.5	0.0	0.00%							-	Y	-	-	-	-	Y		M	-
Provision of data-driven IT and OT solutions in order to reduce leakage	WTR4.1	0.0	0.00%							-	Y	-	Y	Y	-	Y		M	-
Turnover of environmentally sustainable (taxonomy-aligned) activities (A.1)		**5.5**	**8.33%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		
Of which enabling activities		1.2	1.79%	0%	0%	0%	0%	0%	0%									M	
Of which transitional activities		0.1	0.18%	0%	0%	0%	0%	0%	0%										O
A.2. A.2 Activities that are covered by the taxonomy but are not environmentally sustainable (not taxonomy-aligned)																			
Manufacture of other low carbon technologies	CCM3.6	7.6	11.62%																
Turnover of activities that are covered by the taxonomy but are not environmentally sustainable (not taxonomy-aligned) (A.2)		**7.6**	**11.62%**																
Total (A.1+A.2)		**13.1**	**19.96%**																
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Turnover of activities not covered by the taxonomy (B)		**52.6**	**80.04%**																
TOTAL		**65.7**	**100.00%**																

Sdiptech's contribution to the taxonomy and the UN Sustainable Development Goals, broken down by business unit



The UN Sustainable Development Goals are the most ambitious sustainable development agenda ever adopted by the countries of the world and are designed to combat 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. All companies that have become part of Sdiptech since 2017 contribute, and 79% of Sdiptech's total turnover contributed to the targets in 2023. A list of Sdiptech's main contributors is presented below. Sdiptech has removed any double counting for companies that contribute to multiple targets: a company cannot have more than 100% SDG contribution from its turnover.

AGROSISTEMI specialises in the treatment and recycling of biological sludge resulting from wastewater treatment. The company's by-product from the sewage sludge is a fertiliser that helps to restore and preserve healthy soil.
Target 2.4 is about ensuring sustainable food production systems and implementing 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 utilises the sludge resulting from the municipal water treatment process. This allows important organic minerals to be returned to the soil, which increases soil fertility and helps to ensure that not only is sludge waste recycled, it also acts as an important carbon sink.

Carbon dioxide in the air is utilised by plants through photosynthesis, and the carbon is sequestered in the plants. When plants decompose, some of that carbon is released back into the atmosphere as carbon dioxide, but 10–20% of the carbon remains in the soil and is converted into humus. Humus makes the soil more fertile while also increasing soil biodiversity. Soil is home to lots of land animals such as springtails and mites, which fulfil important functions for soil and plants. Large areas of all soils in the plains of Europe are in dire need of increased soil fertility. Sequestering carbon in the ground is one of the few methods that removes carbon dioxide from the atmosphere while not causing any harm: instead, it contributes positively to a number of environmental aspects. <u>Agrosistemi contributes to the target, but with 0% of its turnover as the company currently gives away the biological sludge to farmers free of charge.</u>

Target 12.5 seeks to substantially reduce waste generation through prevention, reduction, recycling, and reuse. Agrosistemi has more than 20 years' experience of treating and recycling biological sludge from municipal wastewater. The company has developed a patented treatment process that is 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. <u>100% of Agrosistemi's turnover comes from municipal water treatment plants and contributes to the target.</u>

ALERTER GROUP specialises in radio-based fire alarm systems for the deaf, the hearing-impaired and wheelchair users. They also offer radio-based rescue systems for emergencies, as well as other customisable communication systems for what are known as high-risk workplaces. The importance of being able to get out of a building quickly and safely can be crucial in the event of a fire. Everyone has the right to feel safe in the knowledge that reliable and safe warning systems are available in case of fire and evacuation.

Target 4.A seeks to build and enhance learning environments that are adapted for children and people with disabilities, taking into account gender equality aspects as well, thereby providing a safe, inclusive and appropriate learning environment for all. Alerter Group's main customers are schools and universities. The company contributes to education and improves inclusive learning environments thanks to its radio-based communication and fire alarm systems that are specially adapted and designed for people with disabilities, with particular emphasis on wheelchair users and the deaf and hearing-impaired. <u>85% of Alerter Group's turnover comes from customers in learning environments, and an equal percentage of the company's turnover thereby contributes to the target.</u>

Target 8.8 seeks to protect labour rights and promote safe and secure working environments for all workers. Alerter Group helps to create safe working environments and secure employment for all by means of adaptive communication systems for various workplaces. <u>Alerter Group's entire turnover promotes a safe and secure working environment for all workers.</u>

AUGER works with the management of insurance claims relating to pipes and underground infrastructure. The UK has some of the oldest water infrastructure in the world, and major investments are needed in order to address leakage problems and avoid wasting water. The renewal rate of the pipe network has been low, which increases the risk of cracks in pipes, resulting in leakage of drinking water and discharge of sewage. Cracks in pipes are often associated with temperature changes and extreme weather conditions such as drought and heavy rainfall, which have increased in recent years. On average, 23% of fresh water leaks out because of leaking pipes and mains, and the Public Accounts Committee claims that some parts of England will run out of water unless something changes.

Target 6.4 is all about substantially increasing 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. Auger helps to reduce leaks and water wastage by means of fast and efficient handling of insurance claims relating to pipes and water mains. 100% of Auger's turnover comes from customers who urgently need to repair leaking pipes.

Covered by the taxonomy

Auger is covered by activity *5.2. Renewal of water collection and treatment systems and water supply systems* by implementing effective case management of insurance claims relating to underground infrastructure such as pipes and water mains. The percentage of turnover and OpEx identified as taxonomy-eligible is derived from the company's percentage accounting for the renewal of water supply systems, which is 24.1%. Auger meets the taxonomy's screening criteria and 24.1% of the company's turnover is classified as green (aligned).

ELM KRAGELUND manufactures innovative forklift tools aimed at the transport, logistics and warehousing industries. ELM is renowned for high quality, long service life and product innovation that helps to promote safer, more efficient freight handling.

Target 8.8 seeks to protect labour rights and promote safe and secure working environments for all workers. ELM's integrated tool solutions are specially adapted for greater ease of use and safety for forklift operators, designed to create good visibility, high manoeuvrability, higher load capacity and better flexibility, for example, compared to standard tools, thereby increasing the level of safety and improving the working environment. 100% of ELM's turnover helps to bring about a safer working environment.

EUROTECH delivers, installs and maintains UPSs for uninterrupted power supply to companies, authorities, industries and healthcare all over Sweden, and to most of Sweden's 290 municipalities.

Target 7.1 seeks to ensure universal access to affordable, reliable and modern energy services. Outages caused by voltage drops in the power grid can cause material and economic harm to businesses and societies every year. Eurotech specialises in safe power supply and prevents problems arising from the power grid in the event of overvoltage or undervoltage. 100% of Eurotech's turnover helps to ensure universal access to reliable energy services.

FRIGOTECH offers installation and servicing of refrigeration entities and works with refrigeration technology, mainly for supermarkets and data centres, but also for industry. Air conditioning and refrigeration technologies are major contributors to emissions on account of refrigerants and energy consumption.

Target 7.3 seeks to double the global rate of improvement in energy efficiency by 2030. Reducing environmental impact and meeting energy targets for heating buildings requires more efficient ways of designing, building and managing. Existing buildings, which account for the largest percentage, offer the greatest potential. It is estimated that existing buildings are responsible for 40% of energy use and an almost equal percentage of carbon emissions in the EU. One way of reducing energy demand in buildings is to make the most of and expand energy exchanges between tenants and property owners. Food refrigeration is currently found in buildings where food is stored, prepared, served and sold. If there is a refrigeration system, heat is also available. The heat is usually blown away using air-cooled condensers or refrigerant coolers set up outdoors. Frigotech's heat recovery system utilises the heat generated by the refrigeration system. Either the residual heat can be used as the sole heat supply in the property, or the heat is sold on to the property owner in the case of larger facilities such as shopping centres or larger offices. Frigotech's sophisticated heat recovery system can also pump heat into the rock during the summer when it is not needed for heating, before then recovering the energy in winter using the system's heat pump system. 100% of Frigotech's turnover contributes to the target.

Target 11.6 seeks to reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality, municipal and other waste management. Carbon dioxide has become one of the most widely used refrigerants in modern refrigeration technology. Frigotech is at the forefront when it comes to mastering this technology. Frigotech also uses pumped circulation, subcritical and transcritical plants to help reduce leakage in refrigeration systems that typically emit large amounts of carbon dioxide equivalents. 100% of Frigotech's turnover comes from reducing leaks in refrigeration systems.

GAH Refrigeration designs, manufactures and services transport refrigeration solutions for last-mile deliveries. Food waste comes at a high economic and environmental cost, and refrigeration solutions are an important part of the chain when it comes to reducing waste of fresh food and pharmaceutical products that need to be stored at certain temperatures.

Target 12.3 seeks to halve per capita global food waste at the retail and consumer level by 2030, and reduce food losses along production and supply chains including post-harvest losses Around 100 million tonnes of food waste are discarded in the EU every year, at massive huge economic and environmental cost. GAH's solutions are an important element when it comes to avoiding wastage of fresh food and pharmaceutical products that need to be stored at certain temperatures. Moreover, GAH is one of the few players on the market – and in fact, the only one that we know of – that can offer cooling systems for electric vehicles. 80% of GAH's turnover helps to mitigate the risk of food waste during transport.

Covered by the taxonomy

GAH is covered by activity *3.6 Production of other low-carbon technologies* within the Taxonomy's environmental goals *Climate change mitigation* through the company's product eFridge, which is specifically designed to manage cooling systems for electric vehicles. This otherwise poses a number of challenges, mainly due to electric vehicles' energy requirements as cooling systems require a significant amount of energy to operate. This makes it possible for electric vehicles to be used for last-mile deliveries, which is a growing and necessary solution if we are to make the transition to more sustainable transport systems and societies. The percentage of turnover and OpEx identified as taxonomy-eligible from the company's eFridge product is 3.4%. However, GAH has not conducted a life cycle assessment on the product and so cannot classify it as sustainable according to the taxonomy and technical screening criteria.

HEATWORK is a leading manufacturer of mobile hydronic heating solutions designed specifically for a variety of applications such as energy production, agriculture and horticulture, pest control, construction, emergency response and municipal water protection. HeatWork focuses strongly on innovative, sustainable and quality solutions and products, and the technology helps to bring about a significant reduction in energy consumption compared to other options available on the market.

Target 7.3 seeks to double the global rate of improvement in energy efficiency. HeatWork uses liquid-borne technology that is up to 90% more energy efficient than traditional methods such as electricity, gas or oil. They also use recycled waste heat from their machinery to heat other areas or processes. Finally, they use machinery powered by fossil-free energy such as electricity, biogas or hydrogen. <u>99% of HeatWork's turnover helps to increase energy efficiency.</u>

Target 12.4 aims for environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment. The most common way to control pests nowadays is to use chemicals. The HeatWork pest control system is a heating solution used to control pests. This system consists of a liquid-borne heater that delivers heated water to an air exchanger that distributes the heat in the infested area. The heat kills pests at all stages, from eggs to adults, without the use of toxic chemicals. The system is environmentally sound, efficient and safe for both humans and animals. <u>1% of HeatWork's turnover comes from its pest control system.</u>

Covered by the taxonomy
All HeatWork products are covered by activity *3.6 Production of other low-carbon technologies* within the Taxonomy's environmental goals *Climate change mitigation*. HeatWork delivers a unique and environmentally sound alternative by means of 100% hydronic heating that is more efficient than competing technologies, with low energy use and high recovery efficiency. The percentage of turnover and OpEx identified as taxonomy-eligible from the company's product is 100%. However, HeatWork has not conducted any life cycle assessments on its products and so is unable to classify its turnover as sustainable according to the taxonomy and technical screening criteria.

HILLTIP manufactures road maintenance equipment, mainly winter-related, that is adapted for pickups and smaller trucks and tractors which are well suited to smaller roads that are more difficult for larger vehicles to maintain.

Target 3.6 seeks to reduce the number of deaths and injuries from road traffic accidents worldwide. There is an increasing need to de-ice minor roads, cycle paths and pavements as greater emphasis is placed on environmentally sound modes of transport, as well as increasing problems with weather transitions during the winter months in Europe. Winter conditions are an important road safety aspect in northern Europe, with poor road conditions being a major factor. Hilltip's equipment focuses mainly on road maintenance and de-icing for smaller roads, cycle paths and pavements that are not managed or maintained by central or local authorities. <u>98% of Hilltip's turnover helps to improve road safety</u>.

HYDROSTANDARD works with control and auditing of cold water and district heating meters.

Target 6.4 seeks to substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity. Hydrostandard ensures that water use is metered accurately, thereby increasing the efficiency of water consumption and identifying potential water leaks. <u>22% of Hydrostandard's turnover helps to streamline water use.</u>

Target 7.3 seeks to double the global rate of improvement in energy efficiency. Hydrostandard is a part of the chain for the roll-out of new modern, intelligent electricity meters, thereby helping to increase energy efficiency. <u>60% of Hydrostandard's turnover comes from the company's electricity meters.</u>

Covered by the taxonomy
Hydrostandard products are covered by activity *4.1. Provision of data-driven IT and OT solutions in order to reduce leakage*. Hydrostandard ensures that water use is metered accurately, thereby increasing the efficiency of water consumption and identifying potential water leaks. Hydrostandard is part of the chain for the rollout of modern and intelligent water meters that can help reduce water leakage.

IDE SYSTEMS specialises in designing and manufacturing power distribution solutions for data centres, construction sites, events and other public places, as well as for load testing. The company focuses on supplying temporary electricity distribution equipment, including temporary charging stations for electric vehicles.

IDE also offers its proprietary range of energy monitoring and management tools that enable energy usage to be reduced.

Target 7.3 seeks to double the global rate of improvement in energy efficiency. Erica, IDE's proprietary energy monitoring and management tool, is installed in the electrical distribution unit, where it collects power consumption data that is sent directly to the user's computer. The amount of energy that can be saved and the measures that can be implemented vary from customer to customer, but in many cases can exceed 50%. This may, for example, include measures to improve the timing of heating and lighting, or ensuring that heaters are maintained properly. <u>5% of IDE's turnover comes from the company's Erica product line, which helps to increase energy efficiency.</u>

Target 12.1 seeks to increase sustainable consumption and production patterns. IDE provides temporary electricity distribution, but also custom EV charging stations in places where quick and temporary access to electricity is needed, such as at events or construction sites, in order to facilitate the use of electric vehicles.
<u>5% of IDE's turnover comes from the company's EV charging stations and supports sustainable consumption and production patterns.</u>

Covered by the taxonomy
IDE's Erica product is covered by activity *3.6 Production of other low-carbon technologies* within the Taxonomy's environmental goals *Climate change mitigation*. The percentage of turnover and OpEx identified as taxonomy-eligible from the company's product is 5%. However, IDE has not conducted a life cycle assessment on Erica and so cannot classify the turnover as sustainable according to the taxonomy and technical screening criteria.

KEMI-TECH develops and manufactures special chemicals that optimise the operation of steam boilers, cooling systems, process plants and district heating plants, with a view to removing and avoiding corrosion, limescale deposits, grease, coatings, sludge, biofilm and bacterial problems, while reducing the consumption of water, chemicals, gas and energy, for example. Kemi-tech has a unique environmental profile and is self-sufficient in terms of water thanks to an innovative solar-powered evaporation pyramid that recycles 100% of the wastewater from production, which is evaporated and treated. This innovative process means that Kemi-tech has no wastewater emissions from production. The recycled water is complemented by rainwater collection and treatment, which means that all water in the company's products is a mixture of collected and treated rainwater and evaporated wastewater.

Target 7.3. seeks to double the global rate of improvement in energy efficiency. Kemi-tech's products are designed to perform with energy optimisation in mind. This means that the products remove and prevent the formation of deposits and reduce emissions from vapour and cooling processes. The service life of the system is also extended when using this technology. 100% of Kemi-tech's turnover helps to increase energy efficiency.

Target 12.2 seeks to achieve sustainable management and efficient use of natural resources. The food, brewing and animal feed industries produce a range of different products that have been heat-treated in advance in one way or another. These types of companies often use vast amounts of water. Kemi-tech helps its customers to reduce consumption of both water and chemicals. The company's Blue Line product, for instance, saves up to 30 per cent make-up water, 50 per cent drainage and 50 per cent chemical usage in cooling water. The solution also prevents corrosion, deposits and bacterial contamination in order to ensure optimal operation.

KSS offers control systems for climate control, ventilation and energy efficiency. Buildings account for more than a third of Swedish energy use. At the same time, between 30 and 40 per cent of the energy needed to heat buildings escapes.

Target 7.3 seeks to double the global rate of improvement in energy efficiency. KSS helps property owners to optimise energy and power use based on a building's systems and operations through energy analysis using an optimisation tool that identifies the potential for energy savings. KSS has a number of reference projects that present examples of how much energy has been saved in different types of buildings. Exactly how much energy a property is able to save by using KSS solutions is dependent on a number of factors, such as the property's size, age, condition, use and existing installations and can vary between 10 and 50%. 100% of KSS's turnover helps to increase energy efficiency.

Covered by the taxonomy
KSS helps property owners to optimise energy and power use on the basis of a building's systems and operations and so is covered by activity *7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.* The percentage of turnover and OpEx identified as taxonomy-eligible is 100%. KSS also meets the taxonomy's screening criteria and 100% of the company's turnover is classified as green (aligned).

MENCO SERVICE designs, manufactures and sells specialist grinding machines for trams and metro trains, and provides services for grinding rails using a unique proprietary technology. Municipalities, cities and public transport companies all over the world are among its customers.

Target 9.4 seeks to upgrade infrastructure and retrofit industries to make them sustainable and resilient. The transport sector accounts for about a quarter of global emissions, and rail is one of the most energy-efficient and climate-smart modes of transport. Grinding rails reduces friction and noise between the rail and the wheels, resulting in lower energy consumption and emissions from rail services. Rail grinding also increases railway network capacity, safety and reliability, as well as extending the service life of rails and reducing maintenance costs. Moreover, rail grinding improves comfort for train passengers and reduces noise pollution for residents and businesses along the railway. Mecno's proprietary technology makes it easier to grind difficult railway point switches with high accuracy and reliability. 100% of Mecno's turnover helps to upgrade infrastructure to provide sustainable and resilient industries.

MEDICVENT offers hazardous gas evacuation systems, particularly in hospital environments. It is very important to ensure that medical gas and waste are managed properly in healthcare settings so as to prevent environmental contamination and public health risks.

Target 3.9seeks to reduce the number of deaths and illnesses from hazardous chemicals and pollution and contamination. The medical risks for healthcare workers due to constant exposure to anaesthetic gas, nitrous oxide and surgical smoke, for instance, are serious and well documented. Healthcare workers who come into contact with medical fumes at their place of work every day are exposed to health risks. Medicvent's technology improves the working environment and reduces pollution in hospitals by maximising the capture of unhealthy gas emissions occurring during surgeries and other procedures. 100% of Medicvent's turnover helps to reduce emissions of harmful chemicals and pollutants.

MULTITECH provides temporary infrastructure, such as temporary electricity, water, fire protection and lighting, and sets up safety stations at construction sites and other locations.

Target 8.8 seeks to protect labour rights and promote safe and secure working environments for all workers. Multitech provides temporary infrastructure that improves working conditions and safety for workers on construction sites. For instance, temporary electricity and lighting can increase productivity and reduce the risk of accidents, temporary water and fire protection can prevent fire and heatstroke, and safety stations can administer first aid and provide emergency equipment when needed. 100% of Multitech's turnover promotes a safe and secure working environment.

OPTYMA offers integrated security systems, such as access control, surveillance and intrusion detection for public and private environments such as railways, healthcare, higher education and critical national infrastructure.

Target 11.2 seeks to provide access to safe, affordable, accessible and sustainable transport systems for all. This involves 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. Optyma specialises in security systems for trains and railway stations to ensure safer, more inclusive public transport. Camera surveillance can make public transport safer by deterring potential criminals from committing violence, theft, vandalism or other crimes on public transport. It also increases the ability to quickly detect and deal with accidents, fires, emergencies or other incidents that may place passenger safety at risk. 45% of Optyma's turnover promotes safe and secure public transport.

PATOL Patol designs, manufactures and supplies niche fire safety products and systems with applications in a variety of sectors, including power generation, waste recycling, road infrastructure, food production and data centres.

Target 8.8 seeks to protect labour rights and promote safe and secure working environments for all workers. Patol's products help to achieve a safer environment where early detection of potential fire incidents significantly reduces the risk of property damage and personal injury. 100% of Patol's turnover promotes a safe and secure working environment.

PURE WATER SCANDINAVIA creates installations and components for water treatment in order to produce ultra-pure water. WTP designs, constructs, commissions and services the most reliable clean water systems on the market and provides these solutions to hospitals, heating plants, laboratories, municipalities and industries all over the world.

Target 3.3 seeks to end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases. Pure Water Scandinavia installs, designs and services the market's most efficient clean water systems for hospitals and laboratories. Their products help to fight infectious diseases by providing ultra-pure water. 90% of Polyproject's turnover comes from hospitals and laboratories.

RESOURCE DATA MANAGEMENT provides energy efficiency and indoor climate optimisation solutions for various industries, including temperature control for the entire cold chain and building management systems for heating, ventilation and air conditioning (HVAC). 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. RDM's advanced cold room controls and monitoring systems also streamline the food storage management and reduce the risk of food waste. Systems ensure that food is stored at the correct temperatures; a critical aspect in extending the shelf life and safety of food. RDM ensures optimal conditions throughout the entire cold chain, from processing and packing to storage and final sale.

Target 7.3. seeks to double the global rate of improvement in energy efficiency. RDMs offer a range of energy management control solutions to help organisations reduce their energy consumption: RDM offers intelligent remote monitoring, incident management and energy management, as well as a cloud-based dashboard that displays energy data in a manner that is easy to use. 100% of RDM's products and turnover help to increase energy efficiency.

Covered by the taxonomy
RDM's products are covered by activity *3.6 Production of other low-carbon technologies* within the Taxonomy's environmental goals *Climate change mitigation*. The percentage of turnover and OpEx identified as taxonomy-eligible from the company's product is 78.9%. However, RDM has not conducted any life cycle assessments and so is unable to classify its turnover as sustainable according to the taxonomy and technical screening criteria.

REDSPEED manufactures digital cameras for measuring speed and promoting road safety.

Target 3.6 seeks to halve the number of deaths and injuries from road traffic accidents worldwide. Speed is a key factor in road safety, and a number of studies have shown clear links between speed and the risk of accidents. RedSpeed offers traffic monitoring systems, including speed cameras and red light cameras in order to improve road safety. By deterring dangerous driving behaviour, RedSpeed helps to reduce traffic offences and potentially reduces the number of accidents, thereby helping to improve road safety and support the goal of reducing traffic-related injuries and deaths. 100% of RedSpeed's turnover comes from the company's traffic cameras designed to improve road safety.

ROGALAND INDUSTRI AUTOMASJON specialises in electronics and automation services, with emphasis on the water and sanitation sector. They offer solutions including installation, automation and control system design.

Target 12.2 seeks to achieve sustainable management and efficient use of natural resources. RIA helps to streamline water management and wastewater systems. Their automation services can reduce water losses and improve water quality, which is an important element in ensuring access to clean water. Their energy-efficient control systems also help to improve energy efficiency. 60% of RIA's turnover contributes to sustainable management and efficient use of natural resources.

ROLEC specialises in developing and manufacturing a wide range of charging equipment and systems for electric vehicles.

Target 9.4 seeks to 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. The transport sector in the UK accounted for 24% of the country's total greenhouse gas emissions in 2022, making it the country's biggest sector for emissions. Most (91%) of these emissions came from road vehicles. Rolec has extensive 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. 84% of Rolec's turnover comes from its sales of EV chargers.

Covered by the taxonomy
Rolec's EV charging stations are covered by activity *6.15. Infrastructure enabling low-carbon road transport and public transport*. The percentage of turnover and OpEx identified as taxonomy-eligible from EV chargers is 84%. Rolec meets the taxonomy's screening criteria, and 84% of the company's turnover is classified as green (aligned).

STORADIO provides a critical communications and operational communications centre for aviation and maritime communications.

Target 8.8 seeks to protect labour rights and promote safe and secure working environments for all workers. Storadio provides reliable communication solutions and promotes a safe and secure working environment for everyone working aviation and shipping. Their technology plays an important part in ensuring effective and safe communication, which can be crucial in order to avoid accidents and dangerous situations in these environments. 100% of Storadio's turnover helps to bring about a safe and secure working environment for aviation and maritime workers.

TEL UK specialises in airflow control and monitoring technology for use in various environments such as laboratories, kitchens and industrial environments. TEL ensures that staff are not exposed to hazardous chemicals and vapours by effectively controlling and monitoring airflow in laboratories and industrial environments. TEL's technology allows this to be done with enormous energy efficiency in mind.

Target 7.3 seeks to double the global rate of improvement in energy efficiency by 2030. TEL helps to increase energy efficiency by means of its advanced airflow control systems. These systems optimise airflow in laboratories and industrial environments, which reduces the need for unnecessary ventilation and energy consumption. Adapting airflow to actual needs allows TEL products to reduce energy consumption by up to 85%. 100% of TEL's turnover helps to increase energy efficiency.

Covered by the taxonomy
TEL's products are covered by activity *3.6 Production of other low-carbon technologies* within the Taxonomy's environmental objectives *Climate change mitigation*. The percentage of turnover and OpEx identified as taxonomy-eligible from the company's product is 100%. However, TEL has not conducted any life cycle assessments and so is unable to classify its turnover as sustainable according to the taxonomy and technical screening criteria.

TOPAS works with the installation and servicing of small water and wastewater treatment plants for properties outside the municipal water and sanitation networks. 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. Topas also offers water treatment systems that purify wastewater, which can then be used on farms, for example, so as not to cause problems with drinking water in places where water is in short supply.

Target 6.B seeks to support and strengthen the participation of local societies in improving water and sanitation management. Topas has a technical organisation designed to maintain a holistic approach to sanitation infrastructure for smaller societies. 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. 100% of Topa's turnover comes from the sale of treatment plants that are outside the municipal water and sanitation networks.

UNIPOWER offers measurement systems for monitoring power quality. High-quality electricity supply is critical to the functioning of societies, and is becoming more and more important as industries and societies become electrified. Power quality problems may occur with weak grids and variable generation, such as renewable electricity. Continuous monitoring of the electricity supply is playing an important role as the world becomes increasingly reliant on renewable electricity generation. Unipower is using products, systems and training in power quality measurement to help improve the situation for a number of African countries that have major problems with grid reliability. The uncertainty of the electricity system has hindered the development of industry in countries such as Tanzania. Unipower has arranged and participated in a series of projects and training programmes relating to green cities and sustainable energy solutions.

Target 7.2 seeks to increase substantially the share of renewable energy in the global energy mix. High-quality electricity supply is critical to the functioning of societies, and is becoming more and more important as industries and societies become electrified. Power quality problems may occur with weak grids and variable generation, such as renewable electricity. Continuous monitoring of the electricity supply is playing an important crucial role as the world becomes increasingly reliant on 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. 100% of Unipower's turnover is helping to enable and increase the share of renewable energy.

Covered by the taxonomy
Unipower's solution is covered by activity *3.1. Manufacture of renewable energy technologies.* Power quality problems may occur with weak grids and variable generation, such as renewable electricity. Continuous monitoring of the electricity supply is playing a crucial role as the world becomes increasingly reliant on renewable electricity generation. Unipower offers automated systems for uninterrupted control and metering of the electricity supply, enabling the uninterrupted use and development of renewable energy. The percentage of turnover and OpEx identified as taxonomy-eligible is 38%. Unipower meets the taxonomy's screening criteria, and 38% of the company's turnover is classified as green (aligned).

WATER TREATMENT PRODUCTS are experts in water treatment technologies for various sectors, such as water treatment plants, energy companies and other industries that need advanced water treatment solutions. WTP also supplies products and services to sectors requiring disinfection and treatment of water: this may include healthcare, the food industry and municipal waterworks.

Target 3.3 seeks to end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases. WTP produces pesticides against Legionella and other infectious agents, which accounts for 17% of the company's turnover.

Target 6.1 seeks to achieve universal and equitable access to safe and affordable drinking water for all. WTP manufactures and supplies water treatment products used in processes to improve water quality, which is essential to provide safe drinking water. WTP helps to treat and secure drinking water supplies by providing water treatment plants with effective water treatment solutions. 37% of the company's turnover comes from water treatment plants.

GRI index

The information presented in the financial statements covers the most extensive and significant parts of the business. The completed materiality analysis has formed a basis for the selection of GRI disclosures where each material issue has been matched to at least one GRI disclosure.

Exceptions or deviations from the GRI Standards are shown in the presentation of the respective GRI disclosures. The report is not subject to external assurance. As a signatory to the UN Global Compact's ten principles with regard to human rights, labour, environment and corruption, the sustainability report is Sdiptech's Communication on Progress.

Indication of use - Sdiptech AB has provided the information set out in this GRI Content Index for the period January 2023 – December 2023 with reference to the GRI Standards

GRI 1 applied - GRI 1: Base 2021

Applicable GRI Sector Standard(s) - Not available at present

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GRI 2: GENERAL INFORMATION	**2-1**	**Details on the organisation**	**4**	
	2-2	Entities included in the organisation's sustainability report	16-20	
	2-3	Accounting period, regularity and contact person	38, 115	
	2-4	Explanation of the effect of changes to information provided in previous financial statements and the reasons for such changes		No significant changes have been made
	2-5	External assurance	39	
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	2-7	Employees	117-118	
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	2-14	Function of the highest governance body in sustainability reporting	25	

GRI standard	Term		Page	Comments
GRI 2: GRI 2: General information, continued	2-15	Conflicts of interest	25, 36, 95	To be dealt with within the framework of instructions and rules of procedure. Sdiptech has had no conflicts of interest in 2023. Find out more about transactions with related parties on pages 25 and 36. 25, 36
	2-16	Communication of critical issues	53-55	The Board's description of internal control for the financial year can be found in the corporate governance report
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GRI 401: Employment	401-1	Appointments and staff turnover	117	
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	403-2	Identification of hazards, risks and incident investigation	25, 33	
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GRI 406: Non-discrimination	406-1	Incidents of discrimination and actions taken	34	

GRI appendix

GRI 2-7

Employees, 2023

Employees by type of employment contract		Permanent employment	Fixed-term employment	Full-time employment	Part-time employment	Total
Number		2,266	59	2,221	104	2,325
Gender	**Women**	395	12	356	51	407
	Men	1871	47	1865	53	1918
	Non-binary	0	0	0	0	0

GRI 2-7, cont.

Number of employees by country		Number
Total		**2,325**
Country	Germany	3
	Israel	12
	Malaysia	21
	Taiwan	28
	US	34
	Netherlands	56
	Norway	57
	Italy	65
	Finland	73
	Slovakia	105
	Denmark	112
	Croatia	331
	Sweden	438
	United Kingdom	990

GRI 401-1

Appointments, 2023

		Number	%
Total		**494**	**100%**
Age groups	<30	162	33
	30-50	262	53
	>50	70	14
Gender	Women	99	20
	Men	395	80
	Non-binary	0	0

Number of appointments by country		Number
Total		**494**
Country	Malaysia	1
	Taiwan	2
	US	4
	Croatia	5
	Norway	6
	Italy	10
	Netherlands	10
	Finland	16
	Denmark	24
	Slovakia	64
	Sweden	78
	United Kingdom	274

GRI 401-1, cont.

Staff turnover, 2023		Number	%
Total		**354**	**100**
Age groups	<30	95	27
	30-50	186	53
	>50	73	21
Gender	Women	73	21
	Men	281	79
	Non-binary	0	0

Staff turnover by country		Number
Total		**354**
Country	Israel	1
	Malaysia	2
	Norway	3
	Croatia	4
	Italy	4
	US	4
	Netherlands	7
	Finland	13
	Denmark	16
	Slovakia	42
	Sweden	67
	United Kingdom	191

GRI appendix, cont.

GRI 405-1

Diversity in governing bodies, 2023

Gender equality, diversity and inclusion	2023	2022	2021	2020
Total number of employees	**2,325**	**2,127**	**1,673**	**1,499**
Of whom women	**407**	**369**	**282**	**200**
% women	18	17	17	13
% women on Sdiptech Board of Directors	40	40	40	33
% women in Group executive	17	17	0	0
% women in senior positions across the Group	33	30	24	31
% business entities with gender-balanced executive teams	44	38	32	30

Age of Sdiptech Board, %	2023	2022	2021	2020
<30	0	0	0	0
30-50	0	0	0	0
>50	100	100	100	100

Age of Group Executive Board, %	2023	2022	2021	2020
<30	0	0	0	0
30-50	67	67	67	80
>50	33	33	33	20

GRI 303-5

Water consumption, 2023

Total water consumption	m^3
	23,788

GRI 306-3

Waste volumes generated, 2023

	Number of tonnes
Total waste	6253
Recycled materials	3047
Landfill	1654
Combustible waste	1465
Hazardous waste	87

GRI 403-9

Number of workplace accidents, 2023

Types of work-related injuries	Number
Work-related deaths	0
Serious work-related injuries	2
Low severity work-related injuries	70

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