SDIPTECH

INTERIM FINANCIAL REPORT

Q2

APRIL–JUNE 2017

SELECTED FINANCIAL INFORMATION

2017	Net sales	EBITA	Earnings after tax*	Earnings per ordinary share*
April to June	SEK 245.9 million (195.2)	SEK 16.4 million (25.1)	SEK 2.9 million (18.0)	SEK −0.04 (0.50)
January to June	SEK 483.1 million (308.4)	SEK 44.2 million (31.4)	SEK 23.0 million (20.2)	SEK 0.60 (0.49)
RTM per 30 June 2017	SEK 950.1 million (557.5)	SEK 123.7 million (57.1)	SEK 82.2 million (35.4)	SEK 2.66 (0.64)

*Earnings after tax from remaining operations, less dividends to preferred shares and minority deductions.

SECOND QUARTER

- Net sales rose to SEK 245.9 million (195.2)
- EBITA decreased to SEK 16.4 million (25.1)
- Profit/loss for the period after tax was SEK 2.9 million (17.4)
- Profit for the period attributable to the Parent Company's shareholders amounted to SEK 2.4 million (13.5)
- Earnings per ordinary share, less dividends on preferred shares, were negative in the amount of SEK 0.04 (0.47)
- Sdiptech's Series B share was listed on First North Premier as of May 12, 2017, in conjunction with which a new issue of SEK 500 million (before costs) was carried out to finance future acquisitions
- During the period, acquisitions were completed of the Austrian companies ST Liftsystem GmbH and Aufzüge Friedl GmbH, with total annual sales of approximately SEK 70 million.

FIRST HALF OF YEAR

- Net sales increased by 57 percent to SEK 483.1 million (308.4)
- EBITA increased by 40 percent to SEK 44.1 million (31.4)
- Earnings after tax for the period for remaining operations amounted to SEK 23.0 million (20.2)
- Profit for the period attributable to the Parent Company's shareholders amounted to SEK 21.3 million (21.1)
- Cash flow from continuing operations amounted to SEK 21.5 million (27.6) in the first half of the year
- Earnings per ordinary share for remaining operations, less dividends on preferred shares, were SEK 0.60 (0.49)

EVENTS AFTER THE REPORTING DATE

- As of 5 July, Sdiptech acquired AVA Monitoring, a manufacturer of cloud-based measurement systems for monitoring vibration and noise in conjunction with infrastructure projects, with annual revenue of approximately SEK 28 million.

KEY FIGURES

SEK million	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	RTM 30 June 2017	Full year 2016
Net sales	245.9	195.2	483.1	308.4	950.1	775.5
EBITDA	19.9	27.1	50.5	34.4	135.5	119.4
EBITA	16.4	25.1	44.2	31.4	123.7	110.9
EBITA margin %	6.7 %	12.9 %	9.1 %	10.2 %	13.0 %	14.3 %
Operating earnings (EBIT)	16.3	25.1	44.0	31.3	123.5	110.8
Net debt/EBITDA, times	2.93	2.49	2.93	2.49	2.93	2.60
Net bank debt/EBITDA, times	0.81	0.92	0.81	0.92	0.81	1.08
Return on capital employed	12.7 %	8.8 %	12.7 %	8.8 %	0.13	13.6 %
Cash flow generation %	133 %	174 %	79 %	115 %	70 %	79 %
Earnings per ordinary share, SEK	−0.04	0.47	0.60	0.67	2.66	2.82
Average number of ordinary shares outstanding	26 156 766	21 349 074	23 766 201	21 035 464	22 547 704	21 195 649
Ordinary shares outstanding	30 277 645	21 349 074	30 277 645	21 349 074	30 277 645	21 349 074
Preferred shares outstanding	1 750 000	1 750 000	1 750 000	1 750 000	1 750 000	1 750 000

See Note 8 for definitions of key figures.

COMMENT BY THE CEO

DEAR SHAREHOLDERS,

During the first half of the year, we allocated an extensive amount of resources to preparing to list our Series B share on Nasdaq First North Premier in conjunction with a new share issue of SEK 500 million. With this, we have created the financial conditions to continue on our course with acquisitions and further development of the operational organization, in order to achieve our growth target of growing EBITA to SEK 600–800 million in 2021.

Good conditions for continued expansive growth

Sdiptech is a long-term effort developed from smaller volumes relatively recently. But the acquisition operations have been thoroughly developed, and relative to its size, Sdiptech is well-equipped to deliver high growth contributions from acquisitions in the coming years. The market strategy is focused on metropolitan areas where there is a long-term growth trend and sustainable demand within our core areas of operation. We have high goals for the coming years, which are reasonable, given our prerequisites and position.

Earnings variation is a natural effect that characterizes us

Sdiptech is in an expansive growth phase in which we have, and will continue to have in the foreseeable future, quarterly fluctuations in earnings compared with larger corresponding companies. The fluctuations can arise from many different events, such as investments in increased production capacity, organizational growth initiatives, delivery dates for larger orders or natural profitability variations in the product- and services mix. The bigger a company is, the greater its critical mass available to absorb these types of business events and their resulting impacts. Earnings variation is a natural effect that characterizes us but which will gradually decrease as the Group grows.

Reduction of earnings in the second quarter

During the second quarter, net sales increased by SEK 50.7 million while earnings were significantly lower than in the previous year. The decline in earnings is linked to investments in the second quarter within our core functions to support the operations of subsidiaries as well as for internationalization of our acquisition efforts. Otherwise, the earnings deviation can be attributed to two companies in the core business. From Metus, which is part of our global elevator business, where the company actively worked to increase capacity for meeting a strong worldwide demand for new installations. And from Castella Entreprenad, where profitability varies in accordance with fluctuations in the mix of active projects.

Good development rolling twelve months

Despite a weak second quarter, we are increasing both earnings and sales long-term, and this is reflected in our calculations for the rolling twelve months. The entire organization and I are focused on continuing to drive strong and sustainable growth, thereby building long-term shareholder value.

The Group's run rate on a rolling twelve-month basis (RTM run rate) for net sales currently amounts to SEK 1.073 million and SEK 143 million for EBITA, with an EBITA margin of 14.3 percent.

ACQUISITIONS

During the first half of the year, the Group has acquired three companies as well as an additional company after the end of the period, totaling SEK 18 million EBITA.

New niche in wastewater treatment

With Topas Water and Service, acquired in the first quarter, we are taking an important step in the installation and operation of wastewater treatment.

Geographic expansion in elevator industry

With Aufzüge Friedl GmbH and ST Liftsystems GmbH, acquired during the second quarter, we are establishing ourselves in the Vienna elevator market and complementing our global elevator offering with a new export of our own.

Extended offering in vibration monitoring

Through the acquisition of AVA Monitoring, acquired after the second quarter, we are strengthening our presence in vibration monitoring through strong products for measurement systems for vibration and environmental control in conjunction with infrastructure projects.

FUTURE PROSPECTS

Several ongoing acquisition processes

The size of our total pipeline is good, about 350 companies at the time of writing. The influx of new companies is stable and the conversion process is moving forward with good momentum. Currently, we have entered into an agreement of intent regarding an additional acquisition with an EBITA of approximately SEK 10 million, run rate. In addition, bidding with around ten companies is being conducted, half of which are active since the previous quarter's report, by which prospects are good for exceeding the first half of the year in the second half.

Long-term growth

Despite having quarterly variation, Sdiptech has had good growth over time, driven by acquisitions. RTM run rate reflects where the Group including acquisitions stands on a full-year basis and is therefore an appropriate measurement to reflect our growth. In terms of RTM run rate, we increased sales by 44.7 percent in the past year, of which 7.9 percent was organic growth. The corresponding figure for EBITA shows a greater variety, both upwards and downwards, but over the past year, growth has been 63.3 percent, of which 1.5 percent is organic.

In conclusion, I would like to warmly welcome all our new shareholders to Sdiptech. My most important message to you and to any future shareholder is that Sdiptech's growth model is strong and we have high, achievable objectives for expansion – and this is a long-term journey that creates significant value for shareholders.

Jakob Holm
CEO, Sdiptech AB (publ.)

FUTURE CALENDAR EVENTS

Interim report July–Sept 2017:	15 November 2017
Year-end report 2017:	15 February 2018

Dividends paid to preferred shareholders

For each preferred share, SEK 8.00 is paid per year, divided into four quarterly payments of SEK 2.00. Record dates to receive dividends on preference shares are:

- 15 September 2017
- 15 December 2017
- 15 March 2018

OPERATIONAL REVIEW

OPERATIONS:

NICHE TECHNICAL SERVICES AND PRODUCTS

Sdiptech focuses on metropolitan areas to supply services and products that are essential for the functioning of society. The Group's niche technical services and products cover the entire life cycle from:

1. new installation; to
2. service and maintenance; to
3. renovation, modernization and rebuilding

Our product groups for infrastructure are: Electrical automation, ventilation solutions, elevators, uninterrupted power supply, water/district heating meters, advanced product development, cooling, vibration and environmental control, electrical power quality control, and water purification.

MARKET FOCUS:

URBANIZATION AND METROPOLITAN AREAS

Urbanization is one of the strongest and most sustainable global trends in the world. Our marketing strategy is to focus primarily on metropolitan areas where demand for technical installations, maintenance and service is expanding rapidly. Pressure from the growing population and expanding economy create an uninterrupted need for the renovation and expansion of well-functioning critical societal functions and infrastructures.

BUSINESS MODEL:

DECENTRALIZATION IN DEEP NICHES

Sdiptech focuses exclusively on deeply niched segments.

- Sdiptech bases its work on a decentralized model by which each individual business has its own extensive specialization and independence to develop and sell its customer offering.

- Specialization creates barriers towards smaller players, because Sdiptech's niche customer solutions are complex and costly to compete against. Sdiptech's niche segments are less interesting to larger market players, which prefer large-scale deliveries and standardization.

- Our specialization also creates important comparative benefits and clear added value for customers, creating strong margins for the long-term.

SYNERGIES:

NATURAL COLLABORATIONS

Synergy opportunities arise in the Group as a result of Sdiptech's geographical focus on metropolitan areas. With common customers such as county councils, municipalities and property owners, the Group's companies can naturally find common service and product deliveries that boost the customer offering. At the same time, the dynamic is maintained that allows for smaller and independent companies to flexibly work close to each customer.

CORE BUSINESS

The core business provides niche technical services and products in various forms focused on urban infrastructure. The companies within the core business have been acquired by Sdiptech, and the first acquisition was carried out in 2013. At the time of reporting, 17 operations were included in the core business. The core business can be described as two primary areas: Tailored installations and Niche products and services.

The core business's organic change in EBITA for the rolling twelve months (EBITA RTM) amounted to 1.5 percent compared to 30 June 2016. In addition, EBITA RTM decreased by SEK 3.8 million for comparable core units, while non-comparable units increased by SEK 70.1 million. The Group's total EBITA RTM was subsequently SEK 123.7 million at 30 June 2017.

EBITA, change RTM	RTM June 2017	RTM June 2016	Change
Comparable units:			
Core business	25.4	25.1	1.5%
Support and Group-wide functions/eliminations	-15.5	-11.7	
Non-comparable units:			
Core business	106.9	45.5	
Support and Group-wide functions/eliminations	-2.1	-1.8	
Items affecting comparability*	9.0	-	
Total	**123.7**	**57.1**	

*Refers on non-recurring items within comparable units. These have been reported under Other income in 2016 and consist of (i) sale of property and (ii) earnings from revaluation of additional purchase considerations.

Core business (SEK million)	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	RTM 30 June 2017	Full-year 2016
Net sales	239.3	188.4	469.5	297.3	920.3	748.1
EBITA	27.0	27.9	59.8	37.8	132.5	110.5
EBITA margin %	11.3%	14.8%	12.7%	12.7%	14.4%	14.8%

TAILORED INSTALLATIONS:

The companies within Tailored installations provide tailor-made installations for extensively specialized needs in urban infrastructure. The primary geographical market is Stockholm, and the global elevator operations are primarily in the European elevator market. Customers comprise, for example, construction companies, property developers, global elevator companies, major grocery chains, energy distributors, data centres, airports, hotels and municipalities.

The business area's niches are:

- Elevators Stockholm – installation, renovation and service
- Elevators global – installation
- Cooling
- Uninterrupted power supply
- Wastewater treatment
- Electric automation

Net sales increased by 31.4 percent in the first half of 2017 compared with the previous year. EBITA and EBITA margin also continued to develop positively during the first half of the year.

In the second quarter alone, net sales increased while the EBITA margin declined. The margin decrease is primarily a result of increased costs in the subsidiary Metus (elevators global).

During the period, Metus actively worked to increase capacity by providing an internal school for elevator installers, which has led to an expansion of its workforce. The expanded workforce is expected to have a positive effect on earnings particularly during the fourth quarter, and overall EBITA for Metus for the full-year is expected to be in line with the previous year.

During the second quarter, the presence in Europe was strengthened by the acquisition of 51 percent of the shares ST Liftsystems GmbH shares and 51 percent of the shares in Aufzüge Friedl GmbH. ST Liftsystems manufactures compact elevators that can be installed in tight spaces in existing properties as well as in newly constructed ones. The business model is designed to cost-efficiently size and package easy-to-install elevators to installation companies worldwide. Aufzüge Friedl provides installation and servicing of elevators in Vienna and the surrounding areas.

The business area is affected by seasonal variations, as well as how many installation assignments are obtained. In addition, the organization has grown during the quarter to meet increased demand for products and services.

Tailored installations (SEK million)	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	RTM 30 June 2017	Full-year 2016
Net sales	148.6	117.7	284.4	216.4	529.8	461.8
EBITA	9.3	11.1	24.9	17.5	51.5	44.1
EBITA margin %	6.3%	9.4%	8.8%	8.1%	9.7%	9.5%

NICHE PRODUCTS AND SERVICES:

The companies within Niche products and services are product- and service companies, five of which are within niches that target urban infrastructure. The primary geographic market is primarily Greater Stockholm as well as export markets. Customers comprise construction companies, property developers, hospitals, veterinarians, municipalities and energy distributors.

The business area's niches are:

- Electrical power monitoring
- Shell completion
- Vibration monitoring
- Gas evacuation
- Water monitoring and district heating monitoring
- Other (metalworking, prototype manufacturing)

Net sales increased by 128.8 percent in the first half of 2017 compared with the previous year. EBITA has developed well, while the EBITA margin is lower than the corresponding period last year. The reduced EBITA margin for the six months is mainly a result of lower profitability in Castella, the largest company in the business area.

In the second quarter alone, net sales increased while the EBITA margin declined. The margin decline is primarily a result of lower profitability in the subsidiary Castella Entreprenad. Castella's operations consist of shell completion projects, and the profitability of the company varies as the mix of active projects changes. EBITA for Castella is expected to be in line with, or slightly better than, the previous year.

The outcome in the business area is generally affected by delivery dates for orders and the mix in project portfolios within the service area.

The business area has been strengthened after the end of the period by acquisition of all shares in AVA Monitoring AB on 5 July 2017. AVA Monitoring develops fully-automated cloud-based measurement systems for vibration and environmental control in conjunction with infrastructure projects.

Niche products & services (SEK million)	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	(RTM 30 June 2017	Full-year 2016
Net sales	90.8	70.7	185.1	80.9	390.5	286.3
EBITA	17.7	16.8	34.9	20.3	81.0	66.4
EBITA margin %	19.5%	23.8%	18.9%	25.1%	20.7%	23.2%

CORE UNITS: SUPPORT OPERATIONS AND GROUP-WIDE FUNCTIONS AND ELIMINATIONS

In addition to the core business, the Group reports for the two segments of Support operations and Group-wide functions and eliminations. These units together form the central organization. Support operations provides administrative services to the Group as well as to external customers. Group-wide functions and eliminations consists of the Group's Parent Company Sdiptech AB and Group-wide eliminations.

Support services mainly supplies services within:

- Acquisitions
- Legal advice
- Communication
- Recruitment

EBITA for the first half of the year for two segments in total decreased by SEK 9.2 million to SEK negative 15.7 million (negative 6.5). The decline consists of four main items: (i) recruitment to the core business, (ii) costs related to international acquisitions; (iii) costs related to the listing of the company's ordinary shares; and (iv) a deteriorated outcome in the support operations regarding accounting services.

Recruitments has been conducted centrally to create the conditions for continued growth, by providing the resources to support the operations of the subsidiaries as well as increased internal work regarding international acquisitions.

As part of the internationalization of the acquisition business, the internal acquisition team was expanded from the previous year, and expenses for external consultants have been added. In addition, external transaction costs have increased by SEK 2.0 million, primarily linked to the acquisition in Austria.

Non-recurring items in the quarter amounted to SEK 1.2 million in costs related to the listing of the company's ordinary share, as well as a negative outcome in a support function that was subsequently discontinued.

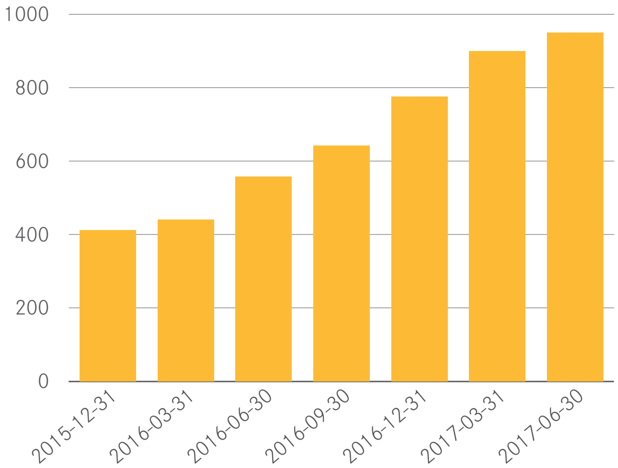
EBITA RTM amounts to SEK negative 8.7 million, before adjustment for items affecting comparability, and SEK negative 17.7 million after these. At the reporting date, RTM includes SEK 5.0 million in both net sales and EBITA for external transaction-based revenue within the acquisition organization that occurred in the second half of 2016. This type of revenue is recurring to the extent that the organization is continuously working on assignments, but the outcome is irregular in nature as compensation is paid for any acquisitions made.

Support, Group-wide functions and eliminations (SEK million)	Apr–Jun 2017	Apr–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	(RTM 30 June 2017	Full-year 2016
Net sales	6.6	6.8	13.6	11.1	29.8	27.4
EBITA	-10.7	-2.8	-15.7	-6.5	-8.7	0.5
Adjustment for items affecting comparability*	–	–	–	–	-9.0	-9.0
EBITA excluding items affecting comparability	**-10.7**	**-2.8**	**-15.7**	**-6.5**	**-17.7**	**-8.5**

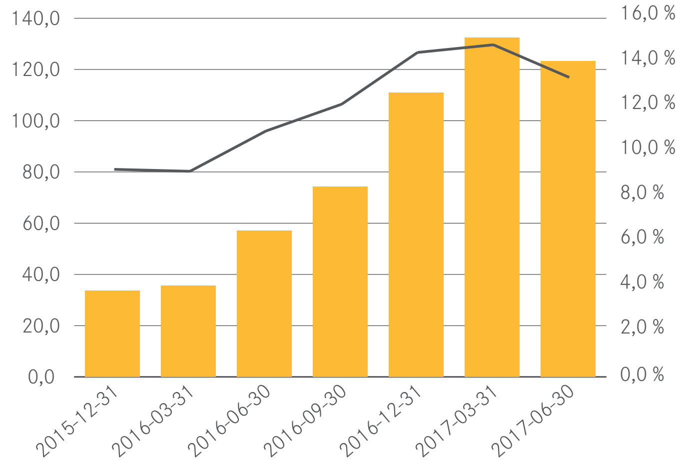
*Refers to (i) revaluation of liabilities for additional purchase considerations and (ii) Group profit on divestment of property in the fourth quarter of 2016. Both items are listed under Other income in the consolidated accounts for 2016.

ROLLING TWELVE MONTHS

SALES



EBITA AND EBITA %



	31 December 2015	31 March 2016	30 June 2016	30 September 2016	31 December 2016	31 March 2017	30 June 2017
Sales	412.4	440.8	557.5	641.8	775.5	899.4	950.1
Quarterly earnings growth %	-	6.9%	26.5%	15.1%	20.8%	16.0%	5.5%
CAGR, quarterly, 12 months %							**14.3%**

	31 December 2015	31 March 2016	30 June 2016	30 September 2016	31 December 2016	31 March 2017	30 June 2017
EBITA	33.7	35.7	57.1	74.3	110.9	132.5	123.7
EBITA margin%	8.2%	8.1%	10.2%	11.6%	14.3%	14.7%	13.0%
Quarterly EBITA growth%	-	5.9%	59.9%	30.1%	49.4%	19.4%	-6.6%
CAGR, quarterly, 12 months %							**21.3%**

ROLLING TWELVE MONTHS

The above diagrams and tables show the Group's reported net sales and EBITA in the last four quarters for each period in time.

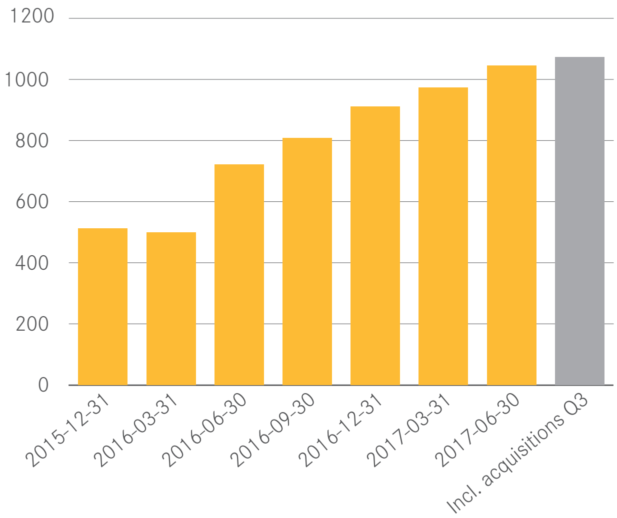
Sales have increased gradually for all periods based on a fundamental growth in the business comprising both acquisition growth and organic sales growth. EBITA shows a higher variation, which can arise from many different events, such as investments in increased production capacity, organizational growth initiatives, delivery dates for larger orders or natural profitability variations in the product- and services mix. The larger a company, the greater critical mass to absorb these types of business events and their resulting impacts. Earnings variation is a natural effect that characterizes us but which will gradually decrease as the Group grows. Performance variations are a natural effect that characterize Sdiptech's operations but will gradually decrease as the Group grows.

The development for the Group's sales and EBITA is primarily based on acquisitions, but also underlying growth in existing companies. In 2016, seven acquisitions were carried out, which together contributed SEK 47.4 million to the Group's reported EBITA result, excluding transaction costs of SEK 1.0 million. Other operations increased EBITA by SEK 30.7 million in 2016.

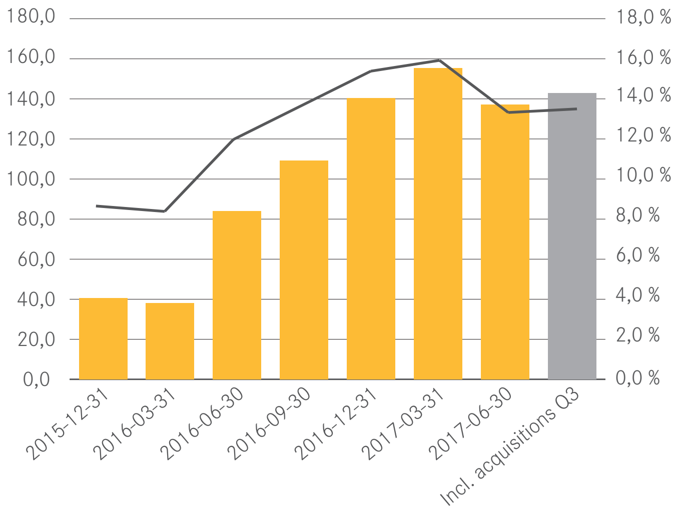
During the current year until 30 June, two acquisitions have been completed, comprising three operations: Topas Water (water purification), as well as Aufzüge Friedl (elevator service, Austria) and ST Liftsystem (elevator manufacturer). These acquisitions contributed SEK 4.4 million in reported EBITA in the first half of the year, excluding transaction costs of SEK 3.3 million, while other operations increased their EBITA by SEK 11.7 million.

RUN RATE ROLLING TWELVE MONTHS

SALES



EBITA AND EBITA %



	31 December 2015	31 March 2016	30 June 2016	30 September 2016	31 December 2016	31 March 2017	30 June 2017	Incl. acquisitions Q3
Sales	513.1	499.1	722.4	808.1	911.1	973.0	1 045.3	1 073.5
CAGR, quarterly, 12 months %							9.7%	

	31 December 2015	31 March 2016	30 June 2016	30 September 2016	31 December 2016	31 March 2017	30 June 2017	Incl. acquisitions Q3
EBITA	40.6	38.0	84.0	109.1	140.3	155.3	137.2	142.9
EBITA %	7.9 %	7.6 %	11.6 %	13.5 %	15.4 %	16.0 %	13.1 %	13.3 %
Quarterly EBITA growth %	-	-6.5 %	121.1 %	29.9 %	28.5 %	10.7 %	-11.6 %	4.2 %
CAGR, quarterly, 12 months %							**13.0 %**	

RTM RUN RATE

In conjunction with the report, Sdiptech is updating its method for calculating the Group's annual rate (run rate) for sales and EBITA. To provide a more current overview, Sdiptech has opted to use RTM (rolling twelve months) run rate. The above charts and tables show the RTM run rate at different closing dates as well as the date of publication of this report.

RTM run rate is calculated as:

- Outcome for the last four quarters of the companies that have been part of the Group during one year or more per the end of the accounting period, plus

- The most recent annual financial statement for companies that have been part of the Group for less than four quarters

- Positive or negative earnings impacts from changes in contingent considerations are excluded from the calculations

The previous method was instead based of the most recent annual accounts for the Group pro forma, after which acquisitions for the current year were added based on the latest annual report for each company in the same manner as in the updated method.

The updated method thereby provides a more current overview of how the Group's sales and earnings have evolved, as changes in results during the current year are directly included for all companies that have been part of the Group for one year or more. In the previous method, these were adjusted only once a year after a new annual financial statement for the Group was prepared.

Earnings effects, positive or negative, from contingent considerations are excluded when such effects are based on a forward-looking estimate over a longer period and thus become comparative distortions for the RTM period.

FINANCIAL TARGETS

Sdiptech's financial targets are focused on profit growth, both through acquisition and through organic profit growth. The development should take place with a balanced capital structure that is in line with that for similar players and with a good return on capital employed.

Performance goals: To achieve EBITA of SEK 600–800 million before the end of 2021.	**Status:** SEK 143 million (RTM Run Rate)	*Comment:* The target is equivalent to annual growth of approximately 40–50 percent of reported EBITA from the end of 2016 to the end of 2021.
Organic earnings growth: To achieve average annual organic EBITA growth of 5–10 percent.	**Status:** 42 procent (RTM)	*Comment:* Adjusted for other income affecting comparability of SEK 9.0 million, the organic change in EBITA was negative 26 percent for the Group. The change in EBITA for the core business was SEK 0.4 million, equivalent to 1.5 percent organic growth. The change in EBITA for core units before items affecting comparability was SEK negative 3.8 million. Comparable EBITA RTM was SEK 18.9 million at 30 June 2017, which is only a minor part of the Group's total EBITA, which is why the level of the outcome can be expected to vary also going forward.
Earnings growth through acquisitions: The Company's goal is to maintain an annual average acquisition rate in line with 2016.	**Status:** SEK 18 million (up to and including the publication date of the report)	*Comment:* During 2016, companies were acquired with EBITA amounting to approximately SEK 90 million annually. The outcome per year may vary, but over time the company's Board and management predict this rate on average will be maintained.
Capital structure: The Company's long-term goal is that net debt in relation to adjusted EBITDA, rolling twelve months, should not exceed 2.5 times.	**Status:** 2.93	*Comment:* The key figures are calculated on an average net debt for the last four quarters in relation to EBITDA RTM. Corresponding key figures based exclusively on net debt as of 30 June 2017 are 0.98 as a result of the ordinary share issue of SEK 500 million (before issue costs) in May 2017.
Return on capital employed: The Company's long-term objective is for return on capital employed to exceed 15 percent.	**Status:** 12.7 procent	*Comment:* Operating earnings will over time generate a return of at least 15 percent in relation to shareholders' equity and the net of liabilities and cash and cash equivalents required to generate the earnings.
Dividends: The Company's goal is to reinvest the remaining free cash flow back into operations in addition to an annual preferential share dividend of SEK 8.00 per share.	**Status:** SEK 8.00 dividends to preferred shareholders	*Comment:* With the growth capital provided by the new share issue, combined with the reinvestment of free cash flow from operations, Sdiptech believes that the objective of acquired earnings growth can be maintained without any additional contribution of equity.

COMMENTS ON THE FINANCIAL DEVELOPMENT

JANUARY TO JUNE

Net sales

Net sales for the Group increased during the first half of the year by SEK 174.7 million to SEK 483.1 million (SEK 308.4 million). Sales in comparable units, i.e. companies included in the Group throughout the entire period and the entire comparative period, increased by SEK 23.8 million and amounted to 271.6 (247.8), corresponding to organic growth of 9.6 percent. Non-comparable units, contributed SEK 211.5 million to sales for the year and amounted to SEK 60.6 million in the comparative period.

Sdiptech's Core business segment, within which the company provides niche technical services and products focused on urban infrastructure, increased its sales by SEK 172.2 million to SEK 469.5 million (297.3) for the first half of the year. Sales in comparable units increased by SEK 22.2 million and amounted to SEK 260.4 million (238.2), equivalent to organic growth of 9.3 percent. Sales in non-comparable units amounted to SEK million 201.1 (59.1).

In the core business area Niche products and services, net sales for the period increased by SEK 104.2 million to SEK 185.1 million (80.9).

Earnings

Net sales for the first quarter amounted to SEK 44.2 million (31.4 million). EBITA for comparable units amounted to SEK 12.8 million (19.2 million), equivalent to an organic change of negative 33.3 percent for the period. For comparable units within the Core business, EBITA increased to SEK 0.3 million to SEK 25.4 million, equivalent to a organic growth of 1.1 percent. The remaining part of the change amounted to SEK negative 6.7 million in non-comparable units.

Depreciation and amortization for the Group increased to SEK 6.5 million (3.1).

Financial expenses for the Group increased during the period to SEK 11.6 million (3.4). The main increase relates to discounting of contingent considerations of SEK 5.5 million. Net interest income was negative in the amount of SEK 10.4 million (negative 1.3).

Profit after financial items rose by SEK 3.7 million to SEK 33.7 (30.0). Earnings for the period declined by SEK 0.9 million to SEK 23.0 million (23.9), as the comparative period also included SEK 3.7 million from discontinued operations, i.e. earnings arising in the divested Venture Management segment.

APRIL TO JUNE

Net sales

Consolidated net sales for the quarter amounted to SEK 245.9 million (195.2). Sales in comparable units, i.e. companies included in the Group throughout the two comparative periods, decreased by SEK 3.2 million and amounted to 190.7 (194.0), equivalent to a organic change of negative 1.7 percent for the period. Non-comparable units, i.e. companies acquired or divested after 1 January 2016, contributed SEK 55.1 million (1.2) to the sales in the period.

Sdiptech's core business segment increased its sales by SEK 50.9 million to SEK 239.3 million (188.4) for the second quarter.

In the Core business subarea Tailored installations, net sales for the period increased by SEK 30.9 to SEK 148.6 (117.7)

In the core business area Niche products and services, net sales for the period increased by SEK 20.1 million to SEK 90.8 million (70.7).

Earnings

Consolidated EBITA for the quarter amounted to SEK 16.4 million (25.1).

The deviations in profit and operating margin compared with the corresponding period the previous year are mainly attributable to two of the Group's subsidiaries as well as core costs. EBITA for Castella Entreprenad declined in the period to SEK 5.4 million (11.4), due to its project mix, and EBITA for Metus dropped to SEK 0.5 M (4.3) after significantly higher personnel costs for increasing capacity. In addition, the deviations are explained by a build-up of core costs, which are within the Support operations and Group-wide functions and eliminations segments. EBITA for these two segments was negative in the amount of SEK 10.7 million (negative 2.8) for the period.

Within Sdiptech's core business segment, EBITA was SEK 27.0 million (27.9). EBITA margin for the segment decreased to 11.3 percent (14.8), mainly driven by lower margins in subsidiaries Castella Entreprenad and Metus. As a consequence, comparable units decreased its EBITA margin by 6.0 percentages to 8.8 percent (14.8). The margin in non-comparable units was 19.8 percent for the period.

Within the core business area Tailored installations, EBITA was SEK 9.3 million (11.1) and the EBITA margin decreased to 6.3 percent (9.4). The margin decrease was driven primarily by the subsidiary Metus. Metus has actively increased the number of elevator installation employees and opened an internal school at the end of 2016 to train its own elevator installers. The number of employees has therefore increased during 2017, resulting in higher personnel costs. This increase should have a positive contribution to earnings, especially during the fourth quarter. Overall, the company's assessment is that earnings for the full-year are unchanged from the previous year.

Within the core business area Niche products and services, EBITA was SEK 17.7 million (16.8) and the EBITA margin was 19.5 percent (23.8). In total, EBITA increased by SEK 7.4 million during the period as a result of acquisitions.

Acquisitions during the period

The acquisition of 51 percent of the shares in ST Liftsystems GmbH and 51 percent of the shares in Aufzüge Friedl GmbH, agreed on 9 March 2017, was completed 8 June 2017. ST Liftsystems manufactures elevators with a compact design that enables them to be installed in tight spaces in existing properties as well as in newly constructed ones. The business model is designed to cost-efficiently size and package easy-to-install elevators to installation companies worldwide. Aufzüge Friedl carries out installation and servicing of elevators in Vienna and the surrounding areas. Sdiptech has a future option to acquire the remaining 49 percent of both companies.

FINANCIAL POSITION JANUARY TO JUNE

Cash flow from continuing operations in the second quarter totalled SEK 21.5 million (27.6). In both periods, taxes paid were high in relation to profit for the period as the final payment of tax for previous years occurs during the first quarter. Seasonal effects have a negative effect on changes in working capital during the first quarter.

Cash flow from investing activities was negative in the amount of SEK 82.3 million (negative 181.6 million). The cash flow effects of acquisitions, see also Note 6, amounted to SEK negative 69.2 million (negative 199.0) during the period. Investments in tangible non-current assets, including net cash flow regarding finance leasing amounted to SEK 12.6 million (1.4). The positive contribution in the comparative period was a result of withdrawals from holdings in endowment insurance, which amounted to SEK 20.0 million.

Cash flow from financing activities amounted to SEK 423.5 million (177.8). On 12 May 2017, Sdiptech's Series B share issue was listed on Nasdaq First North Premier. The offer comprised 8,928,571 newly issued ordinary shares of Series B corresponding to issue proceeds of approximately SEK 500 million before issue costs, equivalent to approximately 27.9 percent of the total number of shares in the Company after the listing was completed. The issue generated cash flow of SEK 475.5 million after issue costs. Loans raised of SEK 38.0 million are partly related to acquisitions during the period and partly to refinancing for the acquisition of Metus in 2015, which was initially conducted without bank financing. Amortization of loans was SEK 82.6 million (25.2 million). Dividends on preferred shares amounted to SEK 7.0 million; dividends to non-controlling interests amounted to SEK 0.4 million (1.2).

Interest-bearing liabilities including additional purchase considerations and financial leasing amounted to SEK 619.8 million (405.7). The two largest items within interest-bearing liabilities amounted to SEK 309.6 million (250.5) in liabilities to credit institutions, and SEK 282.4 million (115.8) in deferred payment of purchase consideration for acquisition. These contingent considerations are classified as interest-bearing when they are calculated at present value, but they do not give rise to any actual interest payments that are charged to the Group's cash flow until final settlement.

Net debt, which includes the above interest-bearing items, was SEK 131.2 million (292.8) at the end of the quarter. Net debt calculated as liabilities to credit institutions amounted to SEK 179 million (137.6). The Group's net debt relative to EBITDA (see definitions, Note 8) amounted to 2.93. Bank net debt – when only interest-bearing liabilities from credit institutions are included – in relation to EBITDA was 0.81.

Employees

The number of employees at the end of the second quarter amounted to 823 (578), compared with 680 at the beginning of the year. The company contributed 92 new employees, while the subsidiary Metus accounted for the majority of the increase among the existing companies.

Risks and uncertainty factors

Through its operations, the Group and the Parent Company are exposed to various types of financial risks, mainly related to loans and receivables. The financial risks consist of interest rate risk, credit and financing risk. See note 15 from the Annual Report 2016 for further detailed information.

Related-party transactions

Related-party transactions occur mainly with the majority-owned company Serendipity Group and Serendipty Ixora, which share the same principal owners. Details of related-part transactions can be found in Note 7.

Events after the reporting date

On 5 July, Sdiptech acquired all shares in AVA Monitoring AB. AVA Monitoring develops fully-automated cloud-based measurement systems for vibration and environmental control in conjunction with infrastructure projects. During the fiscal year 2016, net sales amounted to approximately SEK 28 million.

At the time of acquisition, SEK 20.8 million was paid. The total purchase consideration, including future performance-based additional purchase considerations over five years, is expected to amount to approximately SEK 34 million. The part which has not been paid will be reported as a liability in the Group's accounts.

CONSOLIDATED INCOME STATEMENT

(SEK million)	Note	2017 Apr–Jun	2016 Apr–Jun	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Net sales		245.9	195.2	483.1	308.4	775.5
Other operating income		0.9	1.0	2.7	2.1	13.4
Total income		**246.8**	**196.2**	**485.8**	**310.6**	**788.9**
Operating expenses						
Direct expenses		-102.1	-81.8	-203.6	-123.9	-321.6
Other external expenses		-33.8	-18.6	-58.5	-32.5	-79.6
Employee expenses		-91.0	-68.6	-173.2	-119.8	-268.3
Depreciation/amortization of tangible and intangible non-current assets		-3.6	-2.0	-6.5	-3.1	-8.6
Operating earnings		**16.3**	**25.1**	**44.0**	**31.3**	**110.8**
Profit/loss from financial items						
Financial income		0.8	1.1	1.2	2.1	2.5
Financial expenses		-9.1	-2.2	-11.5	-3.4	-9.8
Earnings after financial items		**8.0**	**24.0**	**33.7**	**30.0**	**103.5**
Tax on profit for the period		-5.1	-6.0	-10.6	-9.8	-24.1
Profit/loss for the period for the year from continuing operations		**2.9**	**18.0**	**23.0**	**20.2**	**79.4**
Discontinued operations:						
Profit/loss for the period for the year from phased-out operations	4	–	-0.6	–	3.7	4.5
Profit/loss for the period		**2.9**	**17.4**	**23.0**	**23.9**	**83.9**
Profit attributable to:						
Parent Company's shareholders		2.4	13.5	21.3	21.1	73.9
Non-controlling interests		0.5	3.9	1.7	2.8	10.0
Earnings per share for remaining operations before and after dilution, based on earnings attributable to the Parent Company's shareholders during the year (expressed in SEK per share)		-0.04	0.50	0.60	0.49	2.61
Earnings per share including discontinued operations before and after dilution, based on earnings attributable to Parent Company's shareholders during the year (expressed in SEK per share)		-0.04	0.47	0.60	0.67	2.82
Number of ordinary shares at the end of the period (Million)		30.3	21.3	21.3	21.3	21.3
Average number of ordinary shares (Million)		26.2	21.3	23.8	21.0	21.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK million)	Note	2017 Apr–Jun	2016 Apr–Jun	2017 Jan–Jun	2016 Jan–Jun	2016 Jan-Dec
Profit/loss for the period		**2.9**	**17.4**	**23.0**	**23.9**	**83.9**
Other comprehensive income for the period						
Components that will be reclassified to profit or loss in the period						
Changes in accumulated translation differences		-0.2	0.1	-0.1	0.1	0.2
Total components that will be reclassified to profit or loss in the period		**-0.2**	**0.1**	**-0.1**	**0.1**	**0.2**
Comprehensive income for the period		**2.7**	**17.5**	**22.9**	**24.1**	**84.1**
Attributable to:						
Parent Company's shareholders		2.2	13.6	21.2	21.3	74.1
Non-controlling interests		0.5	3.9	1.7	2.8	10.0
Total comprehensive income attributable to Parent Company's shareholders has arisen from						
– remaining operations		2.2	14.2	21.2	17.6	69.6
– Discontinued operations		-	-0.6	-	3.7	4.5

CONSOLIDATED BALANCE SHEET

(SEK millions)	Note	2017 30 June	2016 30 June	2016 31 Dec
Non-current assets				
Intangible non-current assets				
Goodwill	3	912.5	555.2	805.7
Other intangible assets		0.4	0.5	0.5
Tangible non-current assets				
Tangible non-current assets		64.0	34.7	49.6
Financial assets				
Other financial non-current assets		4.0	2.6	2.6
Total non-current assets		**981.0**	**593.0**	**858.4**
Current assets				
Completed products and goods for resale		48.1	28.7	34.2
Accounts receivable		169.1	108.3	155.9
Other receivables		15.0	64.2	58.7
Current tax assets		13.3	10.4	9.5
Prepaid expenses and deferred income		41.6	19.0	27.0
Cash and cash equivalents		488.6	112.9	125.6
Total current assets		**775.7**	**343.5**	**410.9**
Assets in disposal group	4	-	170.5	-
Total assets		**1 756.7**	**1 107.0**	**1 269.3**
Shareholders' equity				
Shareholders' equity attributable to Parent Company's shareholders				
Share capital		0.8	0.6	0.6
Other paid-in capital		715.7	240.4	240.4
Reserves		0.4	0.4	0.5
Profit/loss brought forward including earnings for the period		200.3	311.8	186.1
Total equity attributable to Parent Company's shareholders		**917.3**	**553.2**	**427.6**
Non-controlling interests		34.4	25.6	33.1
Total shareholders' equity		**951.8**	**578.8**	**460.7**
Liabilities				
Interest-bearing long-term liabilities	5	520.3	319.1	485.8
Non-interest bearing long-term liabilities		10.6	4.5	7.1
Interest-bearing short-term liabilities		99.5	86.6	151.8
Non-interest-bearing short-term liabilities		174.5	118.0	163.9
Total liabilities and provisions		**804.9**	**528.2**	**808.6**
Total equity and liabilities		**1 756.7**	**1 107.0**	**1 269.3**

CHANGES IN SHAREHOLDERS' EQUITY

(SEK millions)	Shareholders' equity attributable to Parent Company shareholders: Share capital	Other contributed capital	Reserves	Profit/loss brought forward	Total	Non-controlling interests	Total shareholders' equity
Opening balance, 1 January 2016	**0.6**	**172.5**	**0.3**	**297.5**	**470.9**	**25.9**	**496.8**
Comprehensive income for the period	-	-	-	21.1	21.1	2.8	23.9
Other comprehensive income for the period	-	-	0.1	-	0.1	-	0.1
Comprehensive income for the period	**-**	**-**	**0.1**	**21.1**	**21.2**	**2.8**	**24.0**
Change in non-controlling interests	-	-	-	0.2	0.2	-0.3	-0.0
Dividends paid to preferred shareholders	-	-	-	-7.0	-7.0	-	-7.0
Dividend paid to non-controlling interests	-	-	-	-	-	-2.8	-2.8
New share issue	0.0	70.0	-	-	70.0	-	70.0
New issue costs	-	-2.1	-	-	-2.1	-	-2.1
Closing balance, 30 June 2016	**0.6**	**240.4**	**0.4**	**311.8**	**553.2**	**25.6**	**578.8**
Opening balance, 1 July 2016	**0.6**	**240.4**	**0.4**	**311.8**	**553.2**	**25.6**	**578.8**
Comprehensive income for the period July–December 2016	-	-	-	52.8	52.8	7.2	60.0
Other comprehensive income for the period	-	-	0.1	-	0.1	-	0.1
Comprehensive income for the period July–December 2016	**-**	**-**	**0.1**	**52.8**	**52.9**	**7.2**	**60.1**
Change in non-controlling interests	-	-	-	-0.3	-0.3	0.3	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-
Share dividend in discontinued operations to ordinary shareholders	-	-	-	-171.3	-171.3	-	-171.3
Dividends paid to preferred shareholders	-	-	-	-7.0	-7.0	-	-7.0
Closing balance, 31 December 2016	**0.6**	**240.4**	**0.5**	**186.1**	**427.6**	**33.1**	**460.7**
Opening balance, 1 January 2017	**0.6**	**240.4**	**0.5**	**186.1**	**427.6**	**33.1**	**460.7**
Comprehensive income for the period	-	-	-	21.3	21.3	1.7	23.0
Other comprehensive income for the period	-	-	-0.1	-	-0.1	-	-0.1
Comprehensive income for the period	**-**	**-**	**-0.1**	**21.3**	**21.2**	**1.7**	**22.9**
Dividends paid to preferred shareholders	-	-	-	-7.0	-7.0	-	-7.0
Dividend paid to non-controlling interests	-	-	-	-	-	-0.4	-0.4
Share issue ordinary shares Series B	0.2	499.8	-	-	500.0	-	500.0
Share issue expenses		-24.5	-	-	-24.5	-	-24.5
Closing balance, 31 March 2017	**0.8**	**715.7**	**0.4**	**200.4**	**917.3**	**34.4**	**951.8**

CONSOLIDATED CASH FLOW ANALYSIS

SEK million	Note	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Continuing operations				
Earnings after financial items		33.7	30.0	103.5
Adjustment for items not included in cash flow		13.6	3.1	1.7
Paid taxes		-28.0	-12.3	-21.9
Cash flow from current operations before change in working capital		**19.3**	**20.8**	**83.3**
Cash flow from change in working capital				
Increase(-)/decrease(+) in operating receivables		5.1	-0.2	-41.9
Increase(-)/decrease(+) in operating liabilities		-2.9	7.0	20.2
Cash flow from current operations		**21.5**	**27.6**	**61.6**
Investment activities				
Acquisitions of subsidiaries	6	-69.2	-199.0	-357.5
Disposals of subsidiaries		–	-1.0	-1.0
Acquisitions of intangible non-current assets		–	-0.2	-0.1
Acquisitions of tangible non-current assets		-12.6	-1.4	-13.5
Disposal of tangible non-current assets		–	–	10.8
Purchase consideration received, divested operations		–	–	40.0
Investments in financial non-current assets		-0.5	–	–
Disposals of tangible non-current assets		–	20.0	20.0
Cash flow from investment activities		**-82.3**	**-181.6**	**-301.3**
Financing activities				
New share issue		475.5	67.9	67.9
Loans raised		38.0	143.3	298.6
Amortization of loans		-82.6	-25.2	-75.2
Dividends paid		-7.4	-8.2	-15.2
Cash flow from financing activities		**423.5**	**177.8**	**276.1**
Cash flow for the period		**362.7**	**23.8**	**36.4**
Cash and equivalents at the beginning of the year		125.6	89.0	89.0
Exchange rate difference in cash and equivalents		0.3	0.1	0.2
Cash and equivalents at the end of the accounting period		**488.6**	**112.9**	**125.6**

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2017 Apr–Jun	2016 Apr–Jun	2017 Jan–Jun	2016 Jan–Jun	2016 Jan–Dec
Net sales		0.0	–	0.0	0.4	2.3
Other operating income		–	0.7	1.5	1.6	3.0
Total income		**0.0**	**0.7**	**1.5**	**2.0**	**5.3**
Operating expenses						
Other external expenses		-3.8	-2.4	-6.8	-4.2	-9.0
Employee expenses		-2.5	-1.6	-4.4	-3.0	-6.5
Depreciation/amortization of tangible and intangible assets		-0.1	–	-0.1	0.0	-0.1
Operating earnings		**-6.4**	**-3.3**	**-9.8**	**-5.2**	**-10.3**
Profit/loss from financial items						
Financial income		12.2	1.7	13.6	7.6	10.6
Change in value, holdings		–	-0.6	–	3.7	4.5
Financial expenses		-0.4	-0.1	-0.6	-0.1	-0.3
Earnings after financial items		**5.4**	**-2.3**	**3.2**	**6.0**	**4.5**
Group contributions received		–	–	–	–	16.2
Tax on profit for the period		–	–	–	-0.1	0.1
Profit/loss for the period		**5.4**	**-2.3**	**3.2**	**5.9**	**20.8**

Profit for the period is in line with total comprehensive income for the period.

PARENT COMPANY BALANCE SHEET

SEK million	2017 30 June	2016 30 June	2016 31 Dec
Non-current assets			
Intangible non-current assets			
Other intangible assets	0.3	0.3	0.3
Tangible non-current assets			
Tangible non-current assets	0.0	0.1	0.0
Financial assets			
Financial assets	282.1	342.8	256.6
Receivables from Group companies	130.4	55.3	60.4
Total non-current assets	**412.8**	**398.5**	**317.3**
Current assets			
Receivables from Group companies	22.9	33.2	38.7
Accounts receivable	0.1	0.1	0.1
Other receivables	1.3	39.7	39.6
Current tax assets	0.1	0.4	0.1
Prepaid expenses and deferred income	4.2	0.7	1.5
Cash and cash equivalents	369.6	48.3	7.2
Total current assets	**398.2**	**122.3**	**87.2**
Total assets	**811.0**	**520.9**	**404.5**
Shareholders' equity			
Share capital	0.8	0.6	0.6
Share premium reserve	715.7	240.4	240.4
Profit/loss brought forward including earnings for the period	87.3	254.5	91.0
Total equity	**803.8**	**495.5**	**332.0**
Liabilities			
Current interest-bearing liabilities to Group companies	0.2	0.5	0.8
Current liabilities	7.0	24.9	71.7
Total liabilities and provisions	**7.2**	**25.4**	**72.5**
Total equity and liabilities	**811.0**	**520.9**	**404.5**

NOTES

ACCOUNTING PRINCIPLES IN ACCORDANCE WITH IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (EU).

The Parent Company's Interim Report has been prepared in accordance with the Annual Accounts Act, which is in accordance with the provisions of RFR2 Accounting for Legal Entities.

The same accounting principles and calculation base have been applied to Group and Parent Company, as in the preparation of the most recent Annual Report, except for the segment reporting. For further information, see Note 2.

This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Annual Accounts Act.

NOTE 1 IMPORTANT ESTIMATES AND EVALUATIONS IN APPLICATION OF THE GROUP'S ACCOUNTING PRINCIPLES

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

Calculation of fair value

Estimates of fair value in operations primarily affect the Group's goodwill, liabilities related to deferred payments on acquisitions and the Parent Company's shareholdings in subsidiaries.

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

NOTE 2 SEGMENT REPORTING

Segment information in this Quarterly Report differs from previous quarterly reports and annual reports in two respects: the presentation of eliminations and the classification of holding companies. The segments are now presented after elimination of internal transactions within each segment. Eliminations between segments are found as previously in Group-wide functions/eliminations. Holding companies are now included in Group-wide functions/eliminations instead of as previously as part of the core business. The changes are implemented to better describe each segment's contribution to the Group's overall outcome.

The core business provides niche technical services and products in various forms focused on urban infrastructure. Our product groups for infrastructure are: electrical automation, ventilation solutions, elevators, uninterrupted power supply, shell completion, water/district heating meters, advanced product development, cooling, vibration and environmental control, electrical power quality control, and water purification.

The Support operations provide support and consulting services focused on corporate development and innovation.

Group-wide functions and eliminations consist of the Parent Company, as well as non-operating holding company expenses including eliminations in the consolidated financial statements, in addition to the eliminations between companies in the same segment.

The segment Discontinued operations previously reported has been deleted in this report. For further information on discontinued operations, see Note 4.

Consolidated Segment Information

April–June 2017	Core business	Support operations	Group-wide functions/ eliminations	Total
Net sales	239.3	7.9	-1.3	245.9
Other income	0.7	0.1	0.2	0.9
	240.0	**7.9**	**-1.1**	**246.8**
Employee expenses	-82.3	-6.1	-2.5	-91.0
Other external expenses	-127.2	-4.3	-4.4	-136.0
Depreciation/amortization	-3.5	-0.0	-0.0	-3.6
Operating earnings	**27.0**	**-2.5**	**-8.1**	**16.3**
Net financial items	-0.5	-0.0	-7.8	-8.3
Profit before tax	**26.4**	**-2.6**	**-15.9**	**8.0**

April–June 2016	Core business	Support operations	Group-wide functions/ eliminations	Total
Net sales	188.4	14.8	-8.0	195.2
Other income	0.6	0.1	0.2	1.0
	189.0	**14.9**	**-7.8**	**196.2**
Employee expenses	-62.0	-5.0	-1.6	-68.6
Other external expenses	-97.1	-1.8	-1.5	-100.4
Depreciation/amortization	-2.0	-	-0.0	-2.0
Operating earnings	**27.9**	**8.1**	**-11.0**	**25.1**
Net financial items	-0.1	0.1	-1.1	-1.1
Profit before tax	**27.8**	**8.2**	**-12.0**	**24.0**

January–June 2017	Core business	Support operations	Group-wide functions/ eliminations	Total
Net sales	469.5	15.9	-2.3	483.1
Other income	2.3	0.1	0.4	2.7
	471.8	**16.0**	**-2.0**	**485.8**
Employee expenses	-157.3	-11.5	-4.4	-173.2
Other external expenses	-248.4	-6.6	-7.1	-262.2
Depreciation/amortization	-6.4	-0.0	-0.1	-6.5
Operating earnings	**59.7**	**-2.2**	**-13.5**	**44.0**
Net financial items	-0.9	-0.0	-9.4	-10.4
Profit before tax	**58.8**	**-2.2**	**-23.0**	**33.7**

January–June 2016	Core business	Support operations	Group-wide functions/ eliminations	Total
Net sales	297.3	19.1	-8.0	308.4
Other income	1.4	0.3	0.5	2.1
	298.7	**19.4**	**-7.5**	**310.6**
Employee expenses	-106.9	-9.9	-3.0	-119.8
Other external expenses	-151.0	-3.0	-2.4	-156.5
Depreciation/amortization	-3.0	-	-0.1	-3.1
Operating earnings	**37.8**	**6.5**	**-13.0**	**31.3**
Net financial items	-0.3	0.1	-1.1	-1.3
Profit before tax	**37.5**	**6.6**	**-14.0**	**30.0**

January–December 2016	Core business	Support operations	Group-wide functions/ eliminations	Total
Net sales	748.1	47.0	-19.6	775.5
Other income	3.3	0.4	9.7	13.4
	751.4	**47.4**	**-9.9**	**788.9**
Employee expenses	-240.7	-21.0	-6.5	-268.3
Other external expenses	-391.9	-6.2	-3.1	-401.2
Depreciation/amortization	-8.4	-0.1	-0.1	-8.6
Operating earnings	**110.4**	**20.1**	**-19.6**	**110.8**
Net financial items	-1.1	-0.1	-6.1	-7.3
Profit before tax	**109.3**	**20.0**	**-25.7**	**103.5**

NOTE 3 GOODWILL

(SEK million)	
Carrying amount, 30 June 2016	**555.2**
Acquisitions July–Dec 2016	233.6
Adjustment, preliminary acquisition analyses	16.2
Currency translation effects	0.7
Carrying amount, 31 December 2016	**805.7**
Acquisition Jan–Jun 2017	106.2
Currency translation effects	0.6
Carrying amount, 30 June 2017	**912.5**

In comparison with 30 June 2016, goodwill increased by a total of SEK 357.3 million and amounted to SEK 912.5 million at 30 June 2017.

During July to December 2016, five company acquisitions were carried out for Cliff Models AB, Hisspartner in Stockholm AB, Frigotech AB, Hansa Vibrations & Environment Control and Unipower, which altogether increased goodwill by SEK 233.6 million.

In conjunction with the annual financial statement 2016, previous preliminary acquisition analyses regarding Castella Entreprenad AB and Hydrostandad Mätteknik Nordic AB were adjusted, which resulted in an adjustment of goodwill of SEK 16.2 million.

Two company acquisitions were completed in the first half of 2017 – see also Note 6 – which increased goodwill by SEK 106.2 million.

NOTE 4 CHANGE IN VALUE, HOLDINGS

Following the sale of the Venture Management 2015 business area, its operations are reported under the heading Profit from discontinued operations. Earnings in 2016 relate to changes in value of the shareholdings in Serendipity Ixora, which was received as part of the purchase consideration. Assets in the disposal group in the balance sheet consist wholly of the shareholdings in Serenditpy Ixora, distributed to ordinary shareholders in July 2016 at a value of SEK 171.3 million.

NOTE 5 INTEREST-BEARING LIABILITIES

(SEK million)	2017 30 June	2016 30 June	2016 31 Dec
Liabilities to credit institutions	240.3	193.9	261.1
Accrued borrowing costs	-3.9	-3.2	-4.3
Finance leasing	14.2	12.6	14.3
Contingent considerations	268.3	115.8	213.3
Other non-current liabilities	1.4	-	1.4
Total current interest-bearing liabilities	**520.3**	**319.1**	**485.8**
Liabilities to credit institutions	73.1	59.8	67.9
Finance leasing	11.9	3.4	7.6
Contingent considerations	14.1	-	8.0
Other current liabilities	0.3	23.4	68.3
Total current interest-bearing liabilities	**99.5**	**86.6**	**151.8**

Contingent considerations

(SEK million)	
Carrying amount, 30 June 2016	**115.8**
Additional regarding acquisitions 2016	108.1
Revaluation through operating profit	-4.6
Interest expenses (discount effect)	1.8
Translation differences	0.2
Carrying amount, 31 December 2016	**221.3**
Additional acquisitions Jan–June 2017	56.3
Paid purchase considerations	-0.7
Interest expenses (discount effect)	5.5
Translation differences	0.0
Carrying amount, 30 June 2017	**282.4**

Contingent considerations relate to different types of covenants to the seller that are linked to terms based on the acquired company's profit for a specified period after the acquisition. Liabilities are reported at present value of expected outflows.

NOTE 6 BUSINESS COMBINATIONS

Preliminary acquisition analyses 2017

Acquired assets	Topas Vatten AB and Topas Vatten Service AB	Aufzüge Friedl GmbH and ST Liftsystems GmbH
Tangible non-current assets	1.1	2.4
Other non-current assets	0.2	0.0
Accounts receivable	2.2	21.3
Inventories and work in progress	0.6	9.3
Cash and cash equivalents	11.5	2.0
Other current assets	0.2	9.8
Deferred tax liability	-1.6	-
Other non-current liabilities	-	-
Current tax liability	-1.4	-
Other current liabilities	-3.2	-21.6
Net identifiable assets and liabilities	9.6	23.2
Consolidated goodwill	23.5	82.7
Transferred remuneration	33.1	105.9
Transferred remuneration		
Cash and cash equivalents	18.9	63.8
Contingent consideration	14.2	42.1
Total transferred remuneration	33.1	105.9
Liquidity impact on the Group		
Acquired cash and cash equivalents	11.5	2.0
Transferred remuneration	-18.9	-63.8
Total liquidity impact	-7.4	-61.8
Other information*		
EBITA run rate	5.3	6.7

*Based on annual reports 2016 regarding Topas. Run rate for Aufzüge is based on due diligence for the financial year 2016.

Accounting of acquisitions

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

Description of the year's acquisitions

On 16 January, the acquisition of Topas Vatten AB and Topas Vatten Service AB was completed. Topas Vatten has extensive experience in wastewater treatment and processing and offers complete solutions throughout all phases of a project. The company is specialized through its unique offering as an operator of installed wastewater systems, as well as offering a high-performance mini-purification plant to end customers. Consolidated operating revenue was SEK 31.4 million in 2016.

On 8 June, the acquisition of Aufzüge Friedl GmbH and ST Liftsystem was completed. The acquisition entails 51 percent of the shares, with the option of acquiring the remaining 49 percent, while the seller has an option to sell its holding, so the present value of the estimated redemption amount is included as part of the contingent consideration.

ST Liftsystems manufactures elevators with a compact design that enables them to be installed in tight spaces in existing properties as well as in newly constructed ones. The business model is designed to cost-efficiently size and package easy-to-install elevators to installation companies worldwide. Aufzüge Friedl carries out installation and servicing of elevators in Vienna and the surrounding areas.

NOTE 7 RELATED-PARTY TRANSACTIONS

At the beginning of the year, the Group had a liability to the majority shareholder Serendipity Group AB for a total of SEK 68.0 million and a claim on the associated company Serendipity Ixora amounting to SEK 39.1 million. Ownership loans from Serendipity Group were taken in 2015 and 2016 as part of the financing of some acquisitions, and all loans reached maturity without interest. The claim on Serendipity Ixora derives from the liquidation of the Venture Management operations 2015.

During the second quarter of 2017, the above two balances have been regulated in two steps. In April, the claim on Serendipity Ixora was transferred to Serendipity Group AB, reducing liabilities to Serendipity Group from SEK 68.0 million to SEK 28.9 million, which was subsequently cash-settled in May 2017.

NOTE 8 DEFINITIONS KEY FIGURES

EBITDA	Operating profit before depreciation and impairment losses.
EBITA	Operating profit before depreciation and amortization attributable to intangible non-current assets.
EBITA margin	EBITA in relation to net sales.
Net debt/ EBITDA	Calculated as average net debt for the last four quarters, in relation to EBITDA for the last four quarters. Net debt includes short-term and long-term interest-bearing liabilities less cash and cash equivalents.
Bank net debt/ EBITDA	Calculated as average net debt to credit institutions for the last four quarters, in relation to EBITDA for the last four quarters. Net debt to credit institutions include short-term and long-term liabilities to credit institutions less cash and cash equivalents.
Capital employed	Shareholders' equity and interest-bearing liabilities less cash and short-term investments.
Return on capital employed	Calculated as EBITA for the most recent four quarters at the time of closing of the accounts, in relation to average capital employed for the most recent four quarters at the time of closing of accounts.
Cash flow generation	Calculated as operating cash flow in relation to EBITDA. Operating cash flow is calculated as EBITDA less the net of investments in, and sales of, tangible and intangible non-current assets and adjustments for cash flow from changes in working capital.
Earnings per ordinary share	Calculated as profit after tax attributable to the Parent Company's shareholders less dividends to preferred shareholders divided by the average number of ordinary shares outstanding during the period.
Earnings per preferred share	Calculated as operating income attributable to the Parent Company for the period, in relation to the average number of preferred shares outstanding for the corresponding period.

The Board of Directors and the President provide their assurance that this Interim Report provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and its subsidiaries. This Interim Report has not been subject to review by the Company's auditors.

STOCKHOLM, 16 AUGUST 2017

Jakob Holm
President and CEO

Ashkan Pouya
Chairman of the Board

Mikael Lönn
Board Member

Saeid Esmaeilzadeh
Board Member

Katarina Lundblad Pinnekamp
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Johnny Alvarsson
Board Member

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