

Swedish Electromagnet Invest AB (publ.)

559153-6510

Year-End Report and Interim Report

January – December 2022



Group overview

The Swedish Electromagnet Invest AB (publ) Group ¹, SEM Invest, is a leading supplier of highly engineered mission critical powertrain components for heavy duty commercial vehicles ("HDCV"). Core product segments includes a range of ignition systems, injector stators and sensors, primarily used for natural gas ("NG") and diesel powered HDCVs as well as ignition systems for handheld professional power tools. The group sells its products through own sales channels worldwide and customers include well known OEM's, Tier 1 and Tier 2 suppliers to the industry.

¹ Swedish Electromagnet Invest AB (publ) Group is the ultimate Parent Company and serves as a holding company for the intermediary holding company Swedish Electromagnet Holding AB Group containing of SEM AB in Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in USA and Senfusion AB in Sweden.

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Fourth quarter, October - December 2022

- Net sales amounted to 89 098 (100 909) KSEK.
- The operating profit/loss amounted to 9 172 (12 530) KSEK.
- The cash flow from operating activities amounted to 17 450 (25 671) KSEK.

Reporting period, January – December 2022

- Net sales amounted to 373 389 (411 965) KSEK.
- The operating profit/loss amounted to 46 778 (53 742) KSEK.
- The cash flow from operating activities amounted to 34 483 (28 826) KSEK

Development in the fourth quarter 2022

All amounts are stated in thousand SEK (KSEK) unless stated otherwise.

The figures below are equivalent to the operations in SEM Invest Group the fourth quarter and the period 1st January – 31st December 2022.

Key figures and ratios

KSEK	Jan – Dec 2022	Q4 2022	Jan – Dec 2021	Q4 2021
Net sales	373 389	89 098	411 965	100 909
EBITDA	84 003	18 340	90 483	21 811
Adjustment to EBITDA ¹⁾	9 345	9 345	-2 000	-
EBITDA (adj.) ¹⁾	93 348	27 685	88 483	21 811
Operating profit	46 778	9 172	53 742	12 530
Net result for the period	9 068	-409	16 906	6 085
Net Debt ²⁾	317 779	317 779	319 568	319 568
Return on equity ³⁾ , %	4,2%	0,1%	6,9%	1,4%
Return on total assets ³⁾ , %	5,3%	1,0%	6,2%	1,4%
Equity/assets ratio, %	40,9%	40,9%	38,1%	38,1%

¹⁾ Adjustments include non-recurring figures to enable better comparison of underlying development in the business. Adjustments during Q3 2022 including 9 345 KSEK (-) and during the period 1st of January to 31st of December 2022 9 345 KSEK (- 2 000 KSEK). Please see Note 6 for further details.

²⁾ End of period. Please see Note 6 for details regarding Net Debt.

³⁾ Figures regarding Q4 2022 and period Jan – Dec 2022 and comparable figures in 2021. Please see "Definitions" for further details.

Comments from the CEO

In the last quarter of 2022, we celebrated being named "Innovator of the Year" by our new customer INNIO-Jenbacher. INNIO-Jenbacher is a global player for stationary engines for energy generation and is on a clear sustainability journey, for example by testing hydrogen as fuel. Our collaboration with INNIO-Jenbacher is a first step into a new segment in gas ignition for us at SEM. We see stationary engines as a good opportunity for further growth.

In terms of market and sales for Q4, we saw some recovery from the somewhat slower Q3. Reported operating profit for the quarter was 9 172 (12 530) KSEK and sales at 89 098 (100 909) KSEK. The good result, despite lower sales, is an effect of good product mix and active cost and price management in continued turbulent times. For the full year, sales of 373 389 (411 965) KSEK and reported operating profit of SEK 46 778 (53 742) KSEK were achieved. Normalised EBITDA, mainly for cost of refinancing ends at good 93 348 (88 483) KSEK.

The quarter has also been characterized by intensive work to find new financing after the original bond loan expired on December 10, 2022. Constructive discussions are ongoing and the terms of the existing bond loan have been extended until May 10, 2023.

The truck market continues much as before. Europe and North America good, but no recovery in China yet. Covid outbreaks and changed restrictions in China have been followed with excitement. In the last weeks of the year, a large part of the staff in our factory in Suzhou was absent due to Covid-19, but we were able to keep our delivery commitments by working extra hours. Travel during the Chinese New Year has not meant further sick leave.

Christina Hallin
CEO

Financial overview

Sales and profit fourth quarter 2022 and the period Jan – Dec 2022

Sales in fourth quarter 2022 totaling SEK 89 098 (100 909) thousand and in the period Jan – Dec to SEK 373 389 (411 965) thousand. Adjusted EBITDA totaling SEK 27 685 (21 811) thousand in fourth quarter and SEK 93 348 (88 483) thousand in the period Jan – Dec 2021.

Investments

In the fourth quarter 2022, the group made total investments affecting cash flow of SEK 5 204 (12 128) thousand, primarily referred to investments in development projects, mainly the stationary engine project and production equipment for stationary gas ignition systems at the factory in Åmål.

During the period January – December 2022, the group has made total cash flow-affecting investments of SEK 20 845 (26 284) thousand.

The investments mainly refer to investments in development projects, winding machines and test equipment and production equipment for stationary gas ignition systems at the factory in Åmål as well as the first installment of a winding machine at factory in Suzhou.

Balance sheet items

Measurement of deferred tax assets in connection with loss carryforwards - interest deduction

Following the introduction of the new rules on interest deduction limitations in Sweden, the Group recorded a non-deductible interest. This non-deductible interest means a changed tax expense in the fourth quarter 2022 of 1,8 (-0,9) SEK million and the period Jan – Dec 3,4 (2,1) MSEK for the Group. There is a future possible tax credit on the same amount. Given that there are time constraints in the possibility of utilizing the future tax credit, the Group has, for prudence, chosen not to record the future tax credit but will be taking the positive tax effects at the rate that the tax credit is utilized. For further analysis of taxes, please refer to the annual report. The tax cost during the fourth quarter of 2022 is affected by the group's interpretation of the Swedish Tax Authority's position, November 2022, "I vilka situationer kan utgifter till annan part än långgivaren räknas som ränteutgifter? (dnr: 8-192565), concerning interest costs of SEK 0,9 MSEK.

Test of impairment of goodwill and trademarks

The President assesses the operating performance based on the Group as a whole. Goodwill and trademarks are monitored by The President assesses the operating performance based on the Group as a whole.

The assessment is that order intake remains good and the long-term business opportunities remain. The annual impairment test has been carried out and no impairment has occurred.

Cash flow

KSEK

Period January – December 2022

Cash flow from operating activities 34 483 (28 826).

Cash flow from investing activities -20 845 (-26 284).

Cash flow from financing activities -14 841 (-16 260).

Cash flow for the period -1 204 (-13 717).

Quarter 4 2022

Cash flow from operating activities 17 450 (25 671).

Cash flow from operating activities -5 204 (-12 128).

Cash flow from financing activities 5 589 (8 187).

Cash flow for the period 17 834 (21 730).

The cash flow from current operations for quarter 4 2022, 17 450 (25 671) KSEK, is affected above all by the operating profit. The cash flow from current operations for the period January - December 2022, 34 483 (28 826) KSEK, is primarily affected by changes in working capital.

The cash flow from investment activities for quarter 4 2022, -5 204 (-12 128) KSEK, primarily referred to investments in development projects, mainly the stationary engine project and production equipment for stationary gas ignition systems at the factory in Åmål.

Cash flow from investment activities for the period Jan - Dec 2022, -20 845 (-26 284) KSEK, mainly refer to investments in development projects, winding machines and test equipment and production equipment for stationary gas ignition systems at the factory in Åmål as well as the first installment of a winding machine at factory in Suzhou.

The cash flow from financing activities for quarter 4 2022, 5 589 (8 187) KSEK, is mostly a changed utilization of the overdraft and amortization of long-term and short-term leasing debt.

The cash flow from financing activities for the period Jan - Dec 2022, -14 841 (-16 260) KSEK, is mostly amortization of long-term and short-term leasing debt.

Cost regarding salaries, social security and pension

The personnel cost for salary, social security and pensions amounted to SEK 27 503 (27 038) thousand during the fourth quarter 2022 and SEK 109 967 (105 994) thousand during the period Jan – Dec 2022. During the fourth quarter the cost split with SEK 22 083 (22 016) thousand in Sweden, SEK 4 965 (4 670) thousand in China and SEK 455 (351) thousand in USA. During Jan - Dec 2022 the split was SEK 85 080 (84 130) thousand in Sweden, SEK 23 067 (20 006) thousand in China and SEK 1 820 (1 859) thousand in US. At the end of the period the number of fulltime employees (FTE) in the group amounted to in total 189 (208) of which 51% (52%) women and 49% (48%) men.

Parent Company

The ultimate parent company Swedish Electromagnet Invest AB (publ) ("SEM Invest") was established on 26st March 2018. SEM Invest became operative on 11st December 2018 through the acquisition of Swedish Electromagnet Holding AB ("SEH Group").

Swedish Electromagnet Invest AB (publ) Group is the ultimate Parent Company and serves as a holding company for the intermediary holding company Swedish Electromagnet Holding AB Group containing of SEM AB in Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in USA and Senfusion AB in Sweden.

The Parent Company's net result totaled SEK 26 732 (32 089) thousand in fourth quarter 2022 and SEK 13 371 (17 744) thousand in the period 1st of January to 31st of December 2022. The Parent Company's operations include certain group-wide functions regarding management, strategy and financing.

Parent Company assets totaled SEK 718 670 (698 645) thousand, mainly consisting of shares in subsidiaries and internal receivables from a short-term loan to Swedish Electromagnet Holding AB.

The Parent Company is mainly financed by a bond issued in 10st of December 2018 to a nominal amount of SEK 350 000 thousand of which 13 750 thousand has been rebought in the third quarter, 2021. The number of shares totaled 2 000 000 as at 31st of December 2022. The main shareholder is Procuritas Capital Investors V L.P. with 91,1 % of votes and capital.

Events after the reporting period

Funding and liquidity

As can be seen from Note 4, the group's bond loan matured in December 2022. The management and the board have ongoing negotiations with the bondholders and the parties have continuously made progress. In order to reach a conclusion with the negotiations, the bondholders have now approved that the term of the bond be extended to May 10, 2023. If sufficient financing for the continued operation is not obtained, there is a risk that this will affect the business. This would mean that there are significant uncertainty factors that could lead to significant doubts that the company can continue according to the going concern principle.

It can primarily affect the value of the intangible fixed assets in the group and shares in subsidiaries of the parent company.

On February 27, 2023, the company announced, via the press release below, which can also be found on the company's website, www.sem.se, that they receives consent from the noteholders in the written procedure for its outstanding bond loan.

SEM receives consent from the noteholders in the written procedure for its outstanding bond loan

Swedish Electromagnet Invest AB (publ) (the "**Company**" or "**SEM**") initiated on 15 February 2023 a written procedure under its outstanding bond loan 2018/2022 with ISIN SE0011167600 (the "**Bonds**") to request an extension of the maturity of the Bonds with two months (the "**Written Procedure**"). The notice of the Written Procedure including the proposed amendments are available on the Company's web page.

SEM today announces that the Written Procedure has been successfully concluded and that a sufficient number of votes were obtained in order to form a quorum and that 99.38 per cent. of the adjusted nominal amount for which the noteholders were voting, voted in favour of the proposed amendments in the Written Procedure. Accordingly, the agent, Nordic Trustee & Agency AB (publ), has today concluded the Written Procedure.

The terms and conditions of the Bonds have been amended and restated effective from today and reflects the approval of the request (the "**Amended and Restated Terms and Conditions**"). The Amended and Restated Terms and Conditions will be available on the Company's web page.

The Company will during the two-month extension of the maturity finalise the negotiations with certain major holders of the Bonds (representing 50.6 per cent. of the outstanding adjusted nominal amount of the Bonds) as announced by SEM in a press release dated 15 February 2023.

For questions regarding the administration of the Written Procedure, please contact the Agent at voting.sweden@nordictrustee.com or +46 8 783 79 00.

For further information, please contact the Company:

Halvar Jonzon, Chairman of the board
halvar.jonzon@telia.com
+46 70 663 65 67

Christina Hallin, CEO
christina.hallin@sem.se
+46 70 821 11 89

This information is information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 27 February 2023, at 16:30 CET.

On February 15, 2023, the company announced, via the press release below, which can also be found on the company's website, www.sem.se, that they have initiated a written procedure to achieve a two-month extension of the maturity of their bond loan.

SEM initiates a written procedure to request a two-month extension of the maturity date of its bonds

Swedish Electromagnet Invest AB (publ) (the “**Company**” or “**SEM**”) announces that the Company today has initiated a written procedure (the “**Written Procedure**”) among the holders of its outstanding bond loan 2018/2023 with ISIN SE0011167600 (the “**Bonds**”) to request the holders' consent to extend the maturity of the Bonds with two months. As announced by SEM in a press release dated 11 November 2022, SEM has negotiated a long-term solution for its financing with certain major holders of the Bonds (representing 50.6 per cent. of the adjusted nominal amount of the Bonds) (the “**Holders**”). The negotiations with Holders are still ongoing and the parties have made further progress. In order to finalise the negotiations, the Company requests an additional extension of the maturity of the Bonds with two months.

SEM has today instructed Nordic Trustee & Agency AB (publ) (the “**Agent**”), in its capacity of agent under the Bonds, to send a notice of Written Procedure including voting instructions to the direct registered owners and registered authorized nominees of the Bonds in the Company's debt ledger held with Euroclear Sweden as per 14 February 2023. The notice of Written Procedure is available on the Company's website and the Agent's website. The outcome of the Written Procedure will be announced by way of press release in connection with the termination of the Written Procedure. The voting record date is 20 February 2023 and the last day for voting in the Written Procedure is 27 February 2023.

For questions regarding the proposal in the Written Procedure, please contact Pareto Securities AB, acting as advisor to the Company in connection with this Written Procedure with the following contact information: Att. Jonas Hellberg, +46 8 402 5110, email: Jonas.Hellberg@paretosec.com.

For questions to the Agent regarding the administration of the Written Procedure, please contact the Agent at sweden@nordictrustee.com or +46 8 783 79 00.

For further information, please contact the Company:

Halvar Jonzon, Chairman of the board halvar.jonzon@telia.com
+46 70 663 65 67

Christina Hallin, CEO christina.hallin@sem.se
+46 70 821 11 89

This information is information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 15 February 2023, at 17:30 CET.

On January 30, 2022, the company announced, via the press release below, which can also be found on the company's website, www.sem.se, that they receives consent from the noteholders in the written procedure for its outstanding bond loan.

SEM receives consent from the noteholders in the written procedure for its outstanding bond loan

Swedish Electromagnet Invest AB (publ) (the "**Company**" or "**SEM**") initiated on 18 January 2023 a written procedure under its outstanding bond loan 2018/2022 with ISIN SE0011167600 (the "**Bonds**") to request an extension of the maturity of the Bonds with one month (the "**Written Procedure**"). The notice of the Written Procedure including the proposed amendments are available on the Company's web page.

SEM today announces that the Written Procedure has been successfully concluded and that a sufficient number of votes were obtained in order to form a quorum and that 99.46 per cent. of the adjusted nominal amount for which the noteholders were voting, voted in favour of the proposed amendments in the Written Procedure. Accordingly, the agent, Nordic Trustee & Agency AB (publ), has today concluded the Written Procedure.

The terms and conditions of the Bonds have been amended and restated effective from today and reflects the approval of the request (the "**Amended and Restated Terms and Conditions**"). The Amended and Restated Terms and Conditions will be available on the Company's web page.

The Company intends during the one-month extension of the maturity to finalise the negotiations with certain major holders of the Bonds (representing 50.6 per cent. of the outstanding adjusted nominal amount of the Bonds) as announced by SEM in a press release dated 18 January 2023.

For questions regarding the administration of the Written Procedure, please contact the Agent at voting.sweden@nordictrustee.com or +46 8 783 79 00.

For further information, please contact the Company:

Halvar Jonzon, Chairman of the board
halvar.jonzon@telia.com
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This information is information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 30 January 2023, at 15:00 CET.

On January 18, 2023, the company announced, via the press release below, which can also be found on the company's website, www.sem.se, that they have initiated a written procedure to achieve a one-month extension of the maturity of their bond loan.

SEM initiates a written procedure to request a one-month extension of the maturity date of its bonds

Swedish Electromagnet Invest AB (publ) (the **"Company"** or **"SEM"**) announces that the Company today has initiated a written procedure (the **"Written Procedure"**) among the holders of its outstanding bond loan 2018/2023 with ISIN SE0011167600 (the **"Bonds"**) to request the holders' consent to extend the maturity of the Bonds with one month. The Company has together with certain major holders of the Bonds (representing 50.6 per cent. of the adjusted nominal amount of the Bonds), as announced by SEM in a press release dated 11 November 2022, for some time discussed a solution and the negotiations have been carried out in an amicable manner. The purpose of the extension request is therefore to provide additional time for the parties to finalise the negotiations.

SEM has today instructed Nordic Trustee & Agency AB (publ) (the **"Agent"**), in its capacity of agent under the Bonds, to send a notice of Written Procedure including voting instructions to the direct registered owners and registered authorized nominees of the Bonds in the Company's debt ledger held with Euroclear Sweden as per 17 January 2023. The notice of Written Procedure is available on the Company's website and the Agent's website.

The outcome of the Written Procedure will be announced by way of press release in connection with the termination of the Written Procedure. The voting record date is 23 January 2023 and the last day for voting in the Written Procedure is 30 January 2023.

For questions regarding the proposal in the Written Procedure, please contact Pareto Securities AB, acting as advisor to the Company in connection with this Written Procedure with the following contact information: Att. Jonas Hellberg, +46 8 402 5110, email: Jonas.Hellberg@paretosec.com.

For questions to the Agent regarding the administration of the Written Procedure, please contact the Agent at voting. sweden@nordictrustee.com or +46 8 783 79 00.

For further information, please contact the Company:

Halvar Jonzon, Chairman of the board
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Christina Hallin, CEO
christina.hallin@sem.se
+46 70 821 11 89

This information is information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 18 January 2023, at 14:00 CET.

On December 1, 2022, the company announced, via the press release below, which can also be found on the company's website, www.sem.se, that they receive consent from the noteholders in the written procedure for its outstanding bond loan.

SEM receives consent from the noteholders in the written procedure for its outstanding bond loan

Swedish Electromagnet Invest AB (publ) (the “**Company**” or “**SEM**”) initiated on 14 November 2022 a written procedure under its outstanding bond loan 2018/2022 with ISIN SE0011167600 (the “**Bonds**”) to request an extension of the maturity of the Bonds with two months and shorten the minimum notice period for future noteholders’ meetings and/or written procedures to five business days (the “**Written Procedure**”). The notice of the Written Procedure including a more detailed description of the proposed amendments are available on the Company’s web page.

SEM today announces that the Written Procedure has been successfully concluded and that a sufficient number of votes were obtained in order to form a quorum and that 98.54 per cent. of the adjusted nominal amount for which the noteholders were voting, voted in favour of the proposed amendments in the Written Procedure. Accordingly, the agent, Nordic Trustee & Agency AB (publ), has today concluded the Written Procedure.

The terms and conditions of the Bonds have been amended and restated effective from today and reflects the approval of the request (the “Amended and Restated Terms and Conditions”. The Amended and Restated Terms and Conditions will be available on the Company’s web page.

The Company will during the two-month extension of the maturity continue the negotiations with certain major holders of the Bonds (representing 50.6 per cent. of the outstanding adjusted nominal amount of the Bonds) in order to obtain a long-term solution for its financing.

For questions regarding the administration of the Written Procedure, please contact the Agent at voting.sweden@nordictrustee.com or +46 8 783 79 00.

For further information, please contact the Company:

Halvar Jonzon, Chairman of the board
halvar.jonzon@telia.com
+46 70 663 65 67

Christina Hallin, CEO
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+46 70 821 11 89

This information is information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 1 December 2022, at 16:00 CET.

Outlook

The SEM Invest Group does not provide financial forecasts due to the nature of its business.

Significant risks and uncertainties

The risks and uncertainties that primarily affect the Group have not changed during the period. These risks are described in detail in the annual report for 2021.

Financial reports

Condensed consolidated Income Statement

KSEK	1 st Jan - 31 st Dec 2022	Q4 2022	1 st Jan - 31 st Dec 2021	Q4 2021
Net sales	373 389	89 098	411 965	100 909
Cost of goods sold	-239 183	-53 332	-281 276	-67 445
Gross profit	134 206	35 766	130 689	33 464
Selling expenses	-20 086	-5 318	-18 144	-4 491
Administrative expenses	-37 063	-15 194	-25 414	-6 286
Research and development costs	-36 018	-9 484	-37 488	-10 507
Other operating income	5 739	3 401	4 097	350
Operating profit (loss)	46 778	9 172	53 742	12 530
Financial income	1 307	262	43	3
Financial expenses	-31 606	-8 772	-29 121	-7 239
Interest expenses from lease liabilities	-1 457	-366	-1 753	-403
Net financial items	-31 756	-8 877	-30 831	-7 639
Profit (loss) after financial items	15 022	295	22 912	4 892
Profit (loss) before tax	15 022	295	22 912	4 892
Income tax	-5 953	-704	-6 006	1 194
Net result for the period	9 068	-409	16 906	6 086

Other comprehensive income

KSEK	1 st Jan - 31 st Dec 2022	Q4 2022	1 st Jan - 31 st Dec 2021	Q4 2021
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences from translation of foreign operations	4 280	-1 906	6 821	1 267
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation of the net pension obligation	792	792	474	474
Income tax attributable to the above item	-163	-163	-98	-98
Other comprehensive income for the period, after tax	4 909	-1 277	7 197	1 644
Total comprehensive income for the period	13 977	-1 686	24 103	7 729

Profit (loss) for the period and total comprehensive income are, in their entirety, attributable to shareholders of the Parent Company.

Condensed consolidated Balance Sheet

KSEK	31 st Dec 2022	31 st Dec 2021
ASSETS		
Non-current assets		
<i>Intangible assets</i>		
Customers relationships	134 641	143 085
Trade name	143 633	143 633
Goodwill	257 024	257 024
Capitalised expenditure for development activities	2 995	23 684
Ongoing development work	35 782	4 062
Total intangible assets	574 075	571 488
<i>Tangible assets</i>		
Plant and machinery	31 296	28 821
Right-of-use assets	36 359	50 364
Equipment, tools, fixtures and fittings	8 233	13 331
Total tangible assets	75 888	92 516
<i>Financial assets</i>		
Other long-term receivables	16	-
Total financial assets	16	-
Total non-current assets	649 979	664 004
Current assets		
<i>Inventories</i>		
Raw materials and consumables	61 443	47 113
Work-in-progress	1 582	937
Finished goods and goods for resale	32 960	21 309
Total inventories	95 985	69 360
<i>Current receivables</i>		
Trade receivables	73 495	77 765
Current tax asset	999	2 360
Other receivables	2 799	27 621
Prepaid expenses and accrued income	4 548	12 044
Cash and cash equivalents	49 151	49 413
Total current receivables	130 992	169 203
Total current assets	226 977	238 563
TOTAL ASSETS	876 956	902 567

Condensed consolidated Balance Sheet

KSEK
EQUITY

31st Dec 2022

31st Dec 2021

Equity attributable to Parent Company's shareholders

Share capital	500	500
Other contributed capital	325 000	325 000
Reserves	7 568	3 896
Retained earnings (incl. profit/(loss) for the period)	25 104	14 798
Total equity attributable to the shareholders of the Parent Company	358 170	344 193

LIABILITIES

Non-current liabilities

Lease liabilities	25 128	36 995
Provisions for pensions and similar obligations	3 137	4 203
Deferred tax liabilities	58 605	61 584
Other provisions	950	950
Total non-current liabilities	87 820	103 732

Current liabilities

Bond loan	336 250	334 236
Credit facility	11 416	11 853
Lease liabilities	13 513	14 775
Advanced from customer	657	-
Trade payables	29 699	41 591
Other current liabilities	16 792	7 021
Invoiced income - not yet accrued	2 420	25 571
Accrued costs and prepaid income	20 219	19 595
Total current liabilities	430 966	454 642
Total liabilities	518 785	558 374

TOTAL EQUITY AND LIABILITIES

876 956 902 567

Consolidated statement of changes in equity

Q4 2021	Share Capital	Other contributed capital	Reserves	Losses carried forward/ Retained earnings, including profit (loss) for the period	Total shareholders equity
Amounts in KSEK	Attributable to shareholders of the Parent Company				
Starting balance as at 1st October 2021	500	325 000	2 629	8 713	336 841
Net profit for the period October - December 2021	-	-	-	6 085	6 085
Other comprehensive income for the period	-	-	1 267	-	1 267
Total comprehensive income for the period	-	-	1 267	6 085	7 352
Closing balance as at 31st December 2021	500	325 000	3 896	14 798	344 193
Q 4 2022					
Starting balance as at 1st October 2022	500	325 000	8 844	25 513	359 856
Net profit for the period October - December 2022	-	-	-	-409	-409
Other comprehensive income for the period	-	-	-1 277	-	-1 277
Total comprehensive income for the period	-	-	-1 277	-409	-1 686
Closing balance as at 31st December 2022	500	325 000	7 567	25 104	358 170

Consolidated Cash Flow Statement

KSEK	1st Jan 2022 – 31st Dec 2022	1st Oct 2022 – 31st Dec 2022	1st Jan 2021 – 31st Dec 2021	1st Oct 2021 – 31st Dec 2021
Cash flow from operating activities				
Operating profit (loss)	46 778	9 172	53 742	12 530
<i>Adjustment for non-cash items</i>				
- Other non-cash items	1 784	-1 623	1 102	-953
- Depreciation of tangible and intangible assets	37 224	9 167	36 742	9 282
Interest received	1 307	262	43	2
Interest paid	-30 614	-8 377	-28 494	-6 847
Income taxes paid	-7 653	2 127	-14 467	3 180
Cash flow from operating activities before changes in working capital	48 826	10 727	48 668	17 194
Cash flow before changes in working capital				
Increase/decrease of inventories	-26 625	-11 037	-19 478	-6 163
Increase/decrease of trade receivables	4 270	2 952	-17 003	-4 412
Increase/decrease of other current receivables	9 083	17 454	-24 704	-16 256
Increase/decrease of trade payables	-11 892	-13 588	12 901	11 847
Increase/decrease of other current payables	10 821	10 940	28 442	23 461
Total changes in working capital	-14 343	6 722	-19 842	8 477
Cash flow from operating activities	34 483	17 450	28 826	25 671
Cash flow from investing activities				
Investment in intangible assets	-11 970	-3 976	-13 218	-4 742
Investment in property, plant and equipment	-8 859	-1 212	-13 066	-7 386
Investment in other financial assets	-16	-16	-	-
Cash flow from investing activities	-20 845	-5 204	-26 284	-12 128
Cash flow from financing activities				
Increase/ decrease of current financial liabilities	-437	9 028	11 853	11 853
Rebuy of bond	-	-	-13 750	-
Repayment of leasing debt	-14 404	-3 439	-14 363	-3 666
Cash flow from financing activities	-14 841	5 589	-16 260	8 187
Decrease/increase of cash and cash equivalents				
Opening cash and cash equivalents	49 413	31 898	60 812	26 866
Net cash flow during the period	-1 204	17 834	-13 717	21 730
Exchange rate differences in cash and cash equivalents	942	-580	2 318	816
Closing cash and cash equivalents	49 151	49 151	49 413	49 413

Parent Company Income Statement

KSEK	1 st Jan 2022 – 31 st Dec 2022	Q4 2022	1 st Jan 2021 – 31 st Dec 2021	Q4 2021
Net sales	11 040	2 760	11 040	2 760
Gross profit	11 040	2 760	11 040	2 760
Administrative expenses	-8 729	-6 951	-1 300	-422
Operating profit (loss)	2 311	-4 191	9 740	2 338
Profit (loss) from financial items				
Financial income	1 293	258	-	-
Financial expenses	-30 943	-8 611	-28 902	-7 235
Net financial items	-29 650	-8 353	-28 902	-7 235
Profit (loss) after financial items	-27 339	-12 544	-19 161	-4 897
Group contribution	48 500	48 500	44 225	44 225
Profit (loss) before tax	21 161	35 956	25 064	39 238
Tax for the period	-7 790	-9 224	-7 320	-7 239
Net result for the period	13 371	26 732	17 744	32 089

In the Parent Company, there are no items recognized as other comprehensive income, consequently, total comprehensive income corresponds to profit (loss) for the period.

Parent Company Balance Sheet

	31 st Dec 2022	31 st Dec 2021
ASSETS		
Non-current assets		
<i>Financial assets</i>		
Participation in Group companies	420 893	420 893
Total financial assets	420 893	420 893
Total non-current assets	420 893	420 893
Current assets		
<i>Current receivables</i>		
Receivables from Group companies	291 062	268 493
Current tax asset	5 375	5 375
Prepaid expenses and accrued income	1 401	3 617
Total current assets	297 838	277 485
Cash and bank	139	267
Total current assets	297 977	277 752
TOTAL ASSETS	718 870	698 645

Parent Company Balance Sheet

KSEK	31 st Dec 2022	31 st Dec 2021
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	500	500
Non-restricted equity		
Retained earnings	345 675	327 931
Profit/(loss) for the period	13 371	17 744
Total equity	359 546	346 175
UNTAXED RESERVS		
Accrued fund	4 143	4 143
Total untaxed reserves	4 143	4 143
Current liabilities		
Bond-loan	336 250	334 236
Trade payables	114	141
Liabilities to Group companies	6 019	-
Current tax liabilities	9 273	11 231
Other liabilities	827	838
Accrued expenses and prepaid income	2 698	1 881
Total current liabilities	355 181	348 327
Total liabilities	355 181	348 327
Total equity and liabilities	718 870	698 645

Notes to the interim report

General

Swedish Electromagnet Invest AB (publ), corporate identity number 559153-6510, is a limited company, registered in Sweden and headquartered in Åmål. The address of the head office is: Swedish Electromagnet Invest AB, c/o SEM Aktiebolag, Box 30, 662 21 Åmål, Sweden. The operations of the Parent Company and its subsidiaries comprise development, manufacturing and marketing of emission critical and high-technological components for heavy-duty commercial vehicles ("HDCV"). Core areas include a number of different ignition systems, injectors stators and sensors, primarily for natural gas ("NG") and diesel powered HDCVs, as well as smaller ignition systems for hand-held tools for the professional. The Groups sells its products through its own sales channels all over the world, and customers include well-known OEMs, both Tier 1 and Tier 2 within the industry.

Note 1 Accounting policies

This Interim Report is presented in accordance with IAS 34 Interim Financial Reporting. The group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards from IFRS Interpretations Committee (IFRS IC) as adopted by the European Commission. The accounting also follows the Annual Accounts Act (1995:1554).

In addition, the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied. The Parent Company's interim report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board.

Applied accounting principles are in accordance with those described in Swedish Electromagnet Invest AB's annual report for 2021.

Note 2 Net Sales

The Group has recognised the following amounts, attributable to revenue, in the statement of comprehensive income:

	Jan – Dec 2022	Q4 2022	Jan – Dec 2021	Q4 2021
Revenue from contracts with customers	373 389	89 098	411 965	100 909
Total revenue	373 389	89 098	411 965	100 909

Division of revenue from contracts with customers

The Group has revenue in accordance with the specification below from the sales of goods and services. Revenue from external customers mainly comprise the development and manufacturing of ignition systems and components. The majority of the Group's revenue is recognised over time.

Revenue from customer contracts per goods item and service

	Jan – Dec 2022	Q4 2022	Jan – Dec 2021	Q4 2021
Ignition systems and components	363 038	84 058	400 864	95 789
Design and Development services	10 351	5 040	11 101	5 120
Total	373 389	89 098	411 965	100 909

Note 3 Cost broken down by type of cost

	Jan – Dec 2022	Q4 2022	Jan – Dec 2021	Q4 2021
Raw materials and consumables	-136 083	-32 110	-173 116	-39 695
Employee benefits	-109 967	-27 503	-105 994	-27 038
	-	-	6 589	2 179
Depreciation of tangible assets	-12 884	-3 055	-12 292	-2 121
Depreciation of right-of-use assets	-14 958	-3 765	-15 597	-4 903
Depreciation of intangible assets	-9 383	-2 348	-8 853	-2 258
Other external costs	-49 075	-14 546	-53 056	-14 893
Total operating costs	-332 350	-83 327	-362 319	-88 729

Note 4 Borrowings

Bond loan

The Company has issued a senior secured bond, ISIN SE0011167600 (the "Bond") with a nominal value of SEK 350 million. The bond runs up until the 10th of May and is thus to be regarded as a current liability in the annual accounts 2021. The bond runs with a variable interest of Stibor 3 months plus 7.50%. In accordance with the terms and conditions of the Bond, certain covenants need to be met when raising new loans, at acquisitions and in connection with dividends. The terms and conditions of the Bond contain several obligations, such as a prohibition against raising new loans, grant loans, pledge assets as collateral, obligations that the working capital facility, during a certain period, should be unutilised, restrictions regarding disposals and transferring of cash and cash equivalents. Under the Bond, assets have been pledged as collateral, which include certain share collaterals shares in subsidiary and internal loans. During the third quarter 2021, bonds with a nominal value of SEK 13 750 thousand were rebought.

Funding and liquidity

The group's bond loan matured in December 2022. The management and the board have ongoing negotiations with the bondholders and the parties have continuously made progress. In order to reach a conclusion with the negotiations, the bondholders have now approved that the term of the bond be extended to May 10, 2023. If sufficient financing for the continued operation is not obtained, there is a risk that this will affect the business. This would mean that there are significant uncertainty factors that could lead to significant doubts that the company can continue according to the going concern principle.

It can primarily affect the value of the intangible fixed assets in the group and shares in subsidiaries of the parent company.

	Carrying amount 31 st Dec 2022	Fair value 31 st Dec 2022	Carrying amount 31 st Dec 2021	Fair value 31 st Dec 2021
Bond loan	336 250	323 641	334 236	332 047

Fair value of the bond loan has been valued at level 1 of the fair value hierarchy, ie the quoted market price per 2022-12-31.

Note 5 Related party transactions

Related party transactions - Parent company

Swedish Electromagnet Invest AB (publ) (the Company) is a majority owned company by Procuritas Capital Investors V.L.P., headquartered in Guernsey. Swedish Electromagnet Invest AB (publ) is the parent company in the largest group in which consolidated accounts are prepared. Related parties are all subsidiaries within the group as well as senior executives and their associates.

Sales and purchase of services	1 st Jan 2022 – 31 st Dec 2022	1 st Oct 2022 – 31 st Dec 2022	1 st Jan 2021 – 31 st Dec 2021	1 st Oct 2021 – 31 st Dec 2021
Administration services from the Parent Company	11 040	2 760	11 040	2 760
Purchase of services from companies controlled by senior executive	24	17	17	14

Related party transaction - Parent company

<i>Loans to related parties</i>	31-Dec-2022	31-Dec-2021
<i>Loan to Swedish Electromagnet Holding AB (pledged)</i>		
Starting balance	242 957	246 457
Amounts repaid	-	-3 500
Reclassification to other liabilities to group companies	3 519	-
Ending balance	246 476	242 957
<i>Loan to SEM AB</i>		
Starting balance	24 386	18 361
Amounts repaid	-28 300	-18 361
Loans raised during the year (group contribution, given, not paid)	48 500	24 386
Ending balance	44 586	24 386
Total at year-end	291 062	267 343
<i>Loan from related parties</i>		
	31-dec-2022	31-dec-2021
<i>Loan from Swedish Electromagnet Holding AB</i>		
Starting balance	-	-
Reclassification from loan, group	-3 519	-
New debt	-2 500	-
UB	-6 019	-
Total at year-end	-6 019	-

Note 6 Reconciliation of Key figures and ratios

Reconciliation of EBITDA, KSEK	1st Jan - 31st Dec 2022	Q4 2022	1st Jan - 31st Dec 2021	Q4 2021
Operating profit (loss)	46 778	9 172	53 742	12 530
Depreciations of intangible assets	9 383	2 348	8 853	2 258
Depreciations of right-to-use-assets	14 958	3 765	15 597	4 903
Depreciations of tangible assets	12 884	3 055	12 292	2 121
EBTIDA	84 003	18 340	90 483	21 811
Reconciliation of adjusted EBITDA				
EBITDA	84 003	18 340	90 483	21 811
Refinancing costs	9 345	9 345	-	-
Other	-	-	-2 000	-
Adjusted EBITDA	93 348	27 685	88 483	21 811
Reconciliation of net debt¹⁾				
	31st Dec 2022		31st Dec 2021	
Bond loans	336 250		334 236	
Lease liability (non-current and current) according to IAS17	15 824		22 892	
Credit facility	11 416		11 853	
Cash and cash equivalents ²⁾	-45 711		-49 413	
Net debt	317 779		319 568	

Figures regarding Q4 2022 and Q4 2021. Please see "Definitions" for further details.

¹⁾ Net debt according to Bond Terms

²⁾ Excluding 2,044 MSEK in separate bank account from Energimyndigheten and 1,396 MSEK in separate bank account from Vinnova which shall be split between project participants.

Definitions

Alternative performance measures

Alternative performance measures (APM) are financial measures that are not defined in the applicable financial reporting framework (IFRS) and are presented outside the financial statements.

APMs are used by SEM Invest when relevant to assess and describe the financial situation and provide additional relevant information and tools to enable analysis of SEM Invest's performance. The Company believes that these key ratios are useful for readers of the financial statements as a complement to other key performance indicators to assess the SEM Invest's financial position and profitability. APMs can be defined in different ways by other companies and, therefore, may not be comparable with similar measures used by other companies.

EBITDA¹⁾

Profit before interest, tax, depreciation and amortization.

EBITDA (adj)¹⁾

Profit before interest, tax, depreciation and amortization, adjusted for non-recurring item. The adjustments performed are cost and income of a non-recurring item, for which, according to the terms and conditions of the bond, EBITDA should be adjusted ²⁾.

Net debt

Net interest-bearing debt according to the terms and conditions of the bond including financial indebtedness such as the bond loan and leasing accounted for in accordance with IAS 17 (excluding leasing accounted for in accordance with IFRS 16 since the accounting principle were not applicable on the date of the issue of the bond but first applicable as of 1st January 2019) less cash and cash equivalents.

According to the bond terms, net debt is not including any pension liability.

Net debt in relation to adjusted EBITDA

Net interest-bearing debt in relation to adjusted EBITDA. The adjustments performed are cost and income of a non-recurring item, for which, according to the terms and conditions of the bond, EBITDA should be adjusted ¹⁾.

Return on equity

Profit before tax (EBT) attributable to shareholders in relation to average shareholders' equity. (Average year-to-date, calculated on quarter-end figures.)

Return on total assets

Operating result (EBIT) attributable to shareholders, in relation to average total assets. (Average year-to-date, calculated on quarter-end figures.)

Equity/assets ratio

Equity as a percentage of the sum of shareholders' equity and liabilities.

¹⁾ Including IFRS16 leasing.

²⁾ Adjustments include non-recurring figures to enable better comparison of underlying development in the business.

Declaration of the board of directors

The Board of Directors and the Chief Executive Officer certify that the Interim Report present a fair view of the development of the operations, position and performance of the Group and the Parent Company and describes significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

Åmål on 28th February 2023

Halvar Jonzon
Chairman of the Board

Hans Wikse
Board Member

Christina Hallin
Board Member
/Chief Executive Officer

Henri Peltomäki
Board Member

Hasse Johansson
Board Member

The report has not been subject to review by the company's auditor.

Financial calendar 2023

Year-End Report and Interim Report Q4 2022 is published on the 28th of February 2023.
Annual Report 2022 is published on the 28th of April 2023.

Contact

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Website

All reports and press releases are available on the Internet at www.sem.se