

# Swedish Electromagnet Invest AB (publ.)

**559153-6510**

## Interim Report

**January – September 2023**



### Group overview

Swedish Electromagnet Invest AB (publ) <sup>1</sup> is a globally leading supplier of electromagnetic applications, with over 100 years of experience and deep knowledge. We manufacture advanced hydrogen and alternative fuel ignition systems, injector stators and linear position sensors for commercial vehicles and stationary engines, as well as small engine systems for premium forestry hand tools.

<sup>1</sup> 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, Senfusion AB in Sweden and the branch SEM Technology Central Europe AB Zweigniederlassung Freiburg, Tyskland.

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### Third quarter, July - September 2023

- Net sales amounted to 121 937 (79 681) KSEK.
- The operating profit/loss amounted to 16 413 (9 660) KSEK.
- The cash flow from operating activities amounted to 25 986 (10 451) KSEK.

### Reporting period, January - September 2023

- Net sales amounted to 358 516 (284 292) KSEK.
- The operating profit/loss amounted to 54 105 (37 606) KSEK.
- The cash flow from operating activities amounted to 31 876 (17 033) KSEK.

### Development in the third quarter 2023

All amounts are stated in thousand SEK (KSEK) unless stated otherwise. The figures below are equivalent to the operations in SEM Invest Group the third quarter and the period 1st January – 30th September 2023.

### Key figures and ratios

KSEK	Jan – Sep 2023	Q3 2023	Jan – Sep 2022	Q3 2022
Net sales	358 516	121 937	284 292	79 681
EBITDA	80 497	25 361	65 663	18 970
Adjustment to EBITDA <sup>1)</sup>	3 157	-	-	-
EBITDA (adj.) <sup>1)</sup>	83 654	25 361	65 663	18 970
Operating profit	54 105	16 413	37 606	9 660
Net result for the period	35 414	11 228	9 477	659
Net Debt <sup>2)</sup>	288 841	288 841	326 443	326 443
Return on equity <sup>3)</sup> , %	10,8%	3,2%	4,1%	0,4%
Return on total assets <sup>3)</sup> , %	6,0%	1,8%	4,3%	1,1%
Equity/assets ratio, %	43,9%	43,9%	41,1%	41,1%

<sup>1)</sup> Adjustments include non-recurring figures to enable better comparison of underlying development in the business. Adjustments during Q3 2023 and during the period 1st of January to 30th of September 2023 including refinancing costs -, (-) KSEK and 3 157, (-) KSEK. Please see Note 6 for further details.

<sup>2)</sup> End of period. Please see Note 6 for details regarding Net Debt.

<sup>3)</sup> Figures regarding Q3 2023 and period January – September 2023 and comparable figures in 2022. Please see "Definitions" for further details.

In the event that something differs between this English translation and the Swedish original of Swedish Electromagnet Invest AB (publ.) Interim Report for January - September 2023, the Swedish original takes precedence.

## Comments from the CEO

The third quarter was characterized by high demand and good sales. Gas engines continue to gain market share over diesel engines for trucks in China, leading to an increase in gas ignition system sales for SEM. Both the European and North American markets have continued to do well with good calls for both sensors, stators and ignition systems. The market for professional handheld equipment is relatively weak. Our sales within the small engine segment are therefore lower than the corresponding period last year.

We currently see no signs of any dramatic changes in the market in Europe, North America or China over the next three to six months.

The rapidly increasing demand for gas ignition systems in China has led to challenges in the supply chain of electronic components. This has to some extent limited our production in the third quarter. We will continue to work hard with component supply in the coming quarters, but there is a risk of production disruptions and increased costs in the short term. The high demand means that we use our capacity in China to 100%. We are therefore investigating opportunities to eliminate bottlenecks in the short term through outsourcing. Discussions with the customer are ongoing to determine what long-term production capacity will be required.

For quarter 3, sales amounted to SEK 122 million (SEK 80 million in 2022), EBITDA is SEK 25 million (SEK 19 million in 2022) and operating profit amounted to SEK 16 million (SEK 10 million in 2022).

We are following the buyback plan for the bond. Mandatory amortization and interest payment per quarter three burdens the cash flow in quarter four when it was paid on the second of October. The net debt, calculated according to the bond terms, is at the end of the period SEK 289 million (SEK 326 million in 2022).

Preparations for moving to new premises in China are going according to plan. We have started to build up stock (relocation stock) to ensure deliveries during the move. The groups working capital (excluding relocation stock) are at the same level at the end of quarter 3 as they were at the end of quarter 2.

The construction of the new battery lab is complete. It will be inspected and furnished to verify and further develop our battery balancing system. We plan to put it into use in Q4.

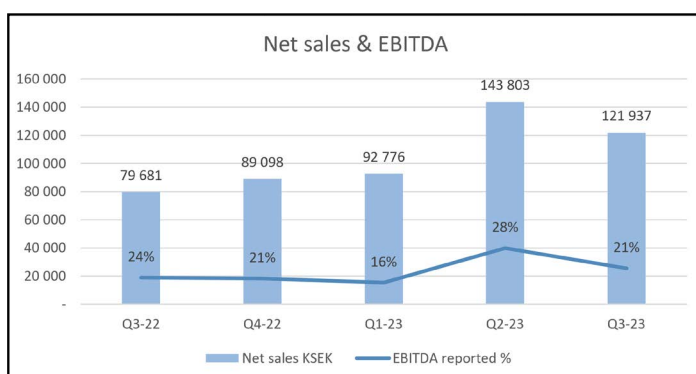
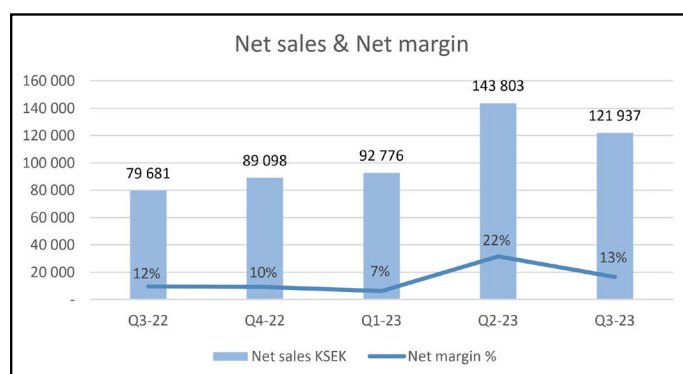
We are pleased that during quarter 3 we have signed our first customer contract for FlexiSpark, our ignition system for hydrogen-powered internal combustion engines. Production start is estimated for 2026-27.

Magnus Hellström  
CEO

## Financial overview

### Sales and profit third quarter 2023 and the period January – September 2023

Sales in third quarter 2023 totalling SEK 121 937 (79 681) thousand and in the period Jan – Sep 2023 to SEK 358 516 (284 292) thousand. The reported operating profit totalling SEK 54 105 (15%) (37 606 (13%)) thousand. Reported EBITDA totalling SEK 25 361 (18 970) thousand third quarter 2023 and SEK 80 497 (65 663) thousand the period Jan – Sep 2023. Adjusted EBITDA totalling SEK 25 361 (18 970) thousand in third quarter 2023 and SEK 83 654 (65 663) thousand in the period Jan – Sep 2023.



### Investments

In the third quarter 2023, the group made total investments affecting cash flow of SEK 6 883 (3 864) thousand. The investments mainly concerned product development and investments both in test equipment for gas ignition systems in Åmål and for gas coils in China.

During the period January – September 2023, the group has made total cash flow-affecting investments of SEK 16 188 (15 641) thousand. The investments mainly concerned product development and investments both in test equipment for gas ignition systems in Åmål and for gas coils in China.

### 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 third quarter 2023 of 0,3 (0,5) SEK million and the period Jan – Sep 1,1 (1,6) 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.

#### 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, based on the Group as a whole.

The assessment in our continuous impairment test is that order intake continues to be good and the long-term business opportunities remain. The annual impairment test have been carried out and no impairment has occurred.

Residual values for cash generating units are established through the calculation of the value in use. The calculation of the value in use is based on estimated future cash flows before tax based on a financial budget approved by Company management and which cover a period of five years. The calculation is based on management experience and historical data. The long-term sustainable growth rate is assessed based on industry forecasts. The President has deemed that sales growth, EBITDA, discount rate and long-term growth rate are the most significant assumptions in the impairment test. A discount rate before tax of 12,1% (13%) has been used in the present value calculation of estimated future cash flows. Discounted cash flows have been extrapolated with a long-term growth rate of 2% (2%) after the forecast period of 5 years.

The residual value exceeds the carrying amount of goodwill and trademarks. This is also valid for assumptions if:

- the discount rate before tax had increased with 10% (10%), so to say, had been 13,3%
- the estimated growth rate to extrapolate cash flows beyond the 5-year period had been 1% (1%) or 50% lower,
- the estimated EBITDA decreases with 10% (10%)

## Cash flow

### KSEK

#### Period January – September 2023

Cash flow from operating activities 31 876 (17 033).

Cash flow from investing activities -16 188 (-15 641).

Cash flow from financing activities -18 688 (-20 430).

**Cash flow for the period -3 000 (-19 037).**

#### Quarter 3 2023

Cash flow from operating activities 25 986 (10 451).

Cash flow from investing activities -6 883 (-3 864).

Cash flow from financing activities -10 523 (-1 148).

**Cash flow for the period 8 580 (5 439).**

The cash flow from current operations for quarter 3 2023, 25,986 (10,451) KSEK, is positively affected above all by the operating profit, lower interest payments as these took place in Q1 before the agreement on a new interest rate regarding the bond loan and in increased accounts payable. The cash flow from current operations in the quarter is negatively affected above all by the increase in stock value capital due to increased sales. The cash flow from current operations for the period Jan - Sep 2023, 31,876 (17,033) KSEK, is primarily affected positively by the operating profit and increased accounts payable and negatively by the fact that a lot of capital is tied up in accounts receivable.

The cash flow from investment activities for quarter 3 2023, -6,883 (-3,864) KSEK, referred to investments mainly in product development as well as investments both in test equipment for gas ignition systems in Åmål and for gas coils in China, a spare part for stator production at the factory in Åmål and an improvement investment for foundry in China. The cash flow from investment activities for the period Jan - Sep 2023, -16,188 (-15,641) KSEK, referred to the investments mainly in product development as well as investments both in test equipment for gas ignition systems in Åmål and for gas coils in China, a spare part for the stator production at the factory in Åmål and a improvement investment to the foundry in China. In addition, tools for gas coils in China as well as a laser marking machine and at the Åmåls factory investments in the residual value from a lease-financed robotic cell and other production equipment for sensors as well as additional production equipment and tools for stationary gas ignition systems at the factory in Åmål.

The cash flow from financing activities for quarter 3 2023, -10,523 (-1,148) KSEK, is negative and is due to reduced utilization of the overdraft and amortization of leasing debt. In addition, an extra amortization of the bond has been made with the last funds of the shareholder contribution in accordance with the bond terms. The cash flow from the financing activities for the period Jan - Sep 2023, -18,688 (-20,430) KSEK, will be negative as the unconditional shareholder contribution of SEK 20 M has now been fully used to buy back bonds and pay SEK 3.36 M in amendment fee to the bondholders. In addition, SEK 5 million in mandatory amortization of the bond as of June 30 and amortization of leasing debt has taken place. Mandatory amortization and interest payments per quarter three burden the cash flow on the second of October.

## Cost regarding salaries, social security and pension

The personnel cost for salary, social security and pensions amounted to KSEK 26 186 (23 444) thousand during the third quarter 2023 and KSEK 86 801 (82 464) thousand during the period Jan – Sep 2023.

During the third quarter 2023 the cost split with KSEK 18 472 (17 207) thousand in Sweden, KSEK 6 824 (5 776) thousand in China, KSEK 352 (0) in Germany and KSEK 538 (461) thousand in USA.

During Jan - Sep 2023 the split was KSEK 64 913 (62 997) thousand in Sweden, KSEK 19 182 (18 102) thousand in China, 1 048 (0) KSEK in Germany and KSEK 1 658 (1 365) thousand in US.

At the end of the period the number of fulltime employees (FTE) in the group amounted to in total 210 (194) off which 52% (52%) women and 48% (48%) men.

## **Parent Company**

The ultimate parent company Swedish Electromagnet Invest AB (publ) ("SEM Invest") was established on 26th March 2018. SEM Invest became operative on 11th 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 totalled SEK 1 230 (-5 081) thousand in third quarter 2023 and SEK -2 709 (-13 361) thousand in the period 1st of January to 30th of September 2023. The Parent Company's operations include certain group-wide functions regarding management, strategy and financing.

Parent Company assets totalled SEK 706 361 (684 605) 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 10th of December 2018 to a nominal amount of SEK 350 000 thousand. The bond terms have been updated and the bond now runs in accordance with these terms through 30th June 2026. The number of shares totaled 2 000 000 as at 30th of September 2023. The main shareholder is Procuritas Capital Investors V L.P. with 58,11 % of votes and capital.

## **SWEDISH ELECTROMAGNET INVEST AB (PUBL) REPURCHASE BONDS**

In accordance with the updated bond terms for its outstanding bond loan 2018/2023 with ISIN SE0011167600 (the "Bonds"), Swedish Electromagnet Invest AB (publ) has undertaken to repurchase Bonds on the secondary market or in some other way.

Bond holders who would like more information or who are interested in repurchasing are kindly asked to contact our CFO, Cicilia Ax, at the email address or telephone number below:

Email: [cicilia.ax@sem.se](mailto:cicilia.ax@sem.se)

Phone: +46 70 616 11 34

## **Events after the reporting period**

No essential events after the end of the reporting period.

## **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 2022.

## Financial reports

### Condensed consolidated Income Statement

KSEK	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
Net sales	358 516	121 937	284 292	79 681
Cost of goods sold	-241 521	-88 225	-185 851	-52 308
<b>Gross profit</b>	<b>116 995</b>	<b>33 712</b>	<b>98 441</b>	<b>27 373</b>
Selling expenses	-16 418	-5 299	-14 768	-4 989
Administrative expenses	-25 844	-6 776	-21 870	-6 997
Research and development costs	-26 377	-7 835	-26 535	-7 043
Other operating income	5 767	2 611	2 338	1 317
Other operating expenses	-18	-	-	-
<b>Operating profit (loss)</b>	<b>54 105</b>	<b>16 413</b>	<b>37 606</b>	<b>9 660</b>
Financial income	798	444	1 045	262
Financial expenses	-9 080	-3 078	-22 834	-8 006
Interest expenses from lease liabilities	-1 027	-455	-1 091	-341
<b>Net financial items</b>	<b>-9 308</b>	<b>-3 089</b>	<b>-22 879</b>	<b>-8 005</b>
<b>Profit (loss) after financial items</b>	<b>44 797</b>	<b>13 324</b>	<b>14 727</b>	<b>1 575</b>
<b>Profit (loss) before tax</b>	<b>44 797</b>	<b>13 324</b>	<b>14 727</b>	<b>1 575</b>
Income tax	-9 383	-2 096	-5 249	-916
<b>Net result for the period</b>	<b>35 414</b>	<b>11 228</b>	<b>9 477</b>	<b>659</b>

### Other comprehensive income

KSEK	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
<b>Items that may be reclassified to profit or loss</b>				
Exchange differences from translation of foreign operations	-607	1 319	4 948	-426
<b>Items that will not be reclassified to profit or loss</b>				
Revaluation of the net pension obligation	-	-	-	-
Income tax attributable to the above item	-	-	-	-
<b>Other comprehensive income for the period, after tax</b>	<b>-607</b>	<b>1 319</b>	<b>4 948</b>	<b>-426</b>
<b>Total comprehensive income for the period</b>	<b>34 807</b>	<b>12 547</b>	<b>14 425</b>	<b>233</b>

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

30<sup>th</sup> Sep 2023

31<sup>th</sup> Dec 2022

### ASSETS

#### Non-current assets

##### *Intangible assets*

Customers relationships	128 308	134 641
Trade name	143 633	143 633
Goodwill	257 024	257 024
Capitalised expenditure for development activities	2 292	2 995
Ongoing development work	44 975	35 782
<b>Total intangible assets</b>	<b>576 232</b>	<b>574 075</b>

##### *Tangible assets*

Plant and machinery	27 422	31 257
Right-of-use assets	51 861	37 238
Equipment, tools, fixtures and fittings	9 096	7 393
<b>Total intangible assets</b>	<b>88 379</b>	<b>75 888</b>

##### *Financial assets*

Other long-term receivables	33	16
<b>Total financial assets</b>	<b>33</b>	<b>16</b>

<b>Total non-current assets</b>	<b>664 644</b>	<b>649 979</b>
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#### Current assets

##### *Inventories*

Raw materials and consumables	60 858	61 443
Work-in-progress	2 589	1 582
Finished goods and goods for resale	30 443	32 960
<b>Total inventories</b>	<b>93 890</b>	<b>95 985</b>

##### *Current receivables*

Trade receivables	124 129	73 495
Current tax asset	2 691	999
Other receivables	5 131	2 799
Prepaid expenses and accrued income	4 509	4 548
Cash and cash equivalents	46 331	49 151
<b>Total current receivables</b>	<b>182 791</b>	<b>130 992</b>

<b>Total current assets</b>	<b>276 681</b>	<b>226 977</b>
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<b>TOTAL ASSETS</b>	<b>941 325</b>	<b>876 956</b>
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## Condensed consolidated Balance Sheet

KSEK  
EQUITY

30<sup>th</sup> Sep 2023

31<sup>th</sup> Dec 2022

### Equity attributable to Parent Company's shareholders

Share capital	500	500
Other contributed capital	345 000	325 000
Reserves	6 960	8 805
Retained earnings (incl. profit/(loss) for the period)	60 518	23 866
<b>Total equity attributable to the shareholders of the Parent Company</b>	<b>412 977</b>	<b>358 170</b>

### LIABILITIES

#### Non-current liabilities

Bond loan	300 392	-
Lease liabilities	38 432	25 128
Provisions for pensions and similar obligations	3 137	3 137
Deferred tax liabilities	56 307	58 605
Other provisions	950	950
<b>Total non-current liabilities</b>	<b>399 218</b>	<b>87 820</b>

#### Current liabilities

Bond loan	10 000	336 250
Credit facility	9 901	11 416
Lease liabilities	14 997	13 513
Advanced from customer	668	657
Trade payables	54 635	29 699
Other current liabilities	14 761	16 792
Invoiced income - not yet accrued	1 781	2 420
Accrued costs and prepaid income	22 387	20 219
<b>Total current liabilities</b>	<b>129 130</b>	<b>430 966</b>
<b>Total liabilities</b>	<b>528 348</b>	<b>518 785</b>

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>941 325</b>	<b>876 956</b>
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## Consolidated statement of changes in equity

Q3 2022	Share Capital	Other contributed capital	Reserves	Losses carried forward/ Retained earnings, including profit (loss) for the period	Total shareholders equity
<b>Amounts in KSEK</b>	<b>Attributable to shareholders of the Parent Company</b>				
Starting balance as at 1 <sup>st</sup> July 2022	500	325 000	9 270	23 616	358 385
Net profit for the period Jul - Sep 2022	-	-	-	1 897	1 897
Other comprehensive income for the period	-	-	-426	-	-426
Total comprehensive income for the period	-	-	-426	1 897	1 471
<b>Closing balance as at 30<sup>th</sup> Sep 2022</b>	<b>500</b>	<b>325 000</b>	<b>8 844</b>	<b>25 513</b>	<b>359 856</b>
<b>Q3 2023</b>					
Starting balance as at 1 <sup>st</sup> July 2023	500	345 000	5 641	49 290	400 430
Net profit for the period Jul - Sep 2023	-	-	-	11 228	11 228
Other comprehensive income for the period	-	-	1 319	-	1 319
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1 319</b>	<b>11 228</b>	<b>12 547</b>
<b>Transaction with shareholders</b>					
Unconditional shareholder contributions	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance as at 30<sup>th</sup> Sep 2023</b>	<b>500</b>	<b>345 000</b>	<b>6 960</b>	<b>60 518</b>	<b>412 977</b>

## Consolidated Cash Flow Statement

KSEK	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
<b>Cash flow from operating activities</b>				
Operating profit (loss)	54 105	16 413	37 606	9 660
<i>Adjustment for non-cash items</i>				
- Other non-cash items	1 029	2 453	3 407	486
- Depreciation of tangible and intangible assets	26 394	8 950	28 057	9 310
Interest received	798	444	1 045	262
Interest paid	-11 177	-1 171	-22 237	-7 796
Income taxes paid	-13 957	-4 937	-9 780	-2 873
<b>Cash flow from operating activities before changes in working capital</b>	<b>57 192</b>	<b>22 152</b>	<b>38 098</b>	<b>9 049</b>
<b>Cash flow before changes in working capital</b>				
Increase/decrease of inventories	2 095	-7 176	-15 588	-8 752
Increase/decrease of trade receivables	-50 634	-1 016	1 318	12 373
Increase/decrease of other current receivables	-2 293	-926	-8 371	-8 322
Increase/decrease of trade payables	24 936	15 184	1 696	9 973
Increase/decrease of other current payables	580	-2 232	-119	-3 869
<b>Total changes in working capital</b>	<b>-25 316</b>	<b>3 834</b>	<b>-21 065</b>	<b>1 402</b>
<b>Cash flow from operating activities</b>	<b>31 876</b>	<b>25 986</b>	<b>17 033</b>	<b>10 451</b>
<b>Cash flow from investing activities</b>				
Investment in intangible assets	-9 193	-4 041	-7 994	-720
Investment in property, plant and equipment	-6 978	-2 842	-7 647	-3 144
Investment in other financial assets	-17	-	-	-
<b>Cash flow from investing activities</b>	<b>-16 188</b>	<b>-6 883</b>	<b>-15 641</b>	<b>-3 864</b>
<b>Cash flow from financing activities</b>				
Shareholder contribution	20 000	-	-	-
Increase/ decrease of current financial liabilities	-1 515	-4 884	-9 465	2 389
Repurchase bond	-14 068	-	-	-
Amortization bond	-6 888	-1 889	-	-
Loan expenses refinancing	-5 360	-	-	-
Repayment of leasing debt	-10 857	-3 750	-10 965	-3 537
<b>Cash flow from financing activities</b>	<b>-18 688</b>	<b>-10 523</b>	<b>-20 430</b>	<b>-1 148</b>
<b>Decrease/increase of cash and cash equivalents</b>				
Opening cash and cash equivalents	49 151	37 431	49 413	26 025
Net cash flow during the period	-3 000	8 580	-19 037	5 439
Exchange rate differences in cash and cash equivalents	180	321	1 522	434
<b>Closing cash and cash equivalents</b>	<b>46 331</b>	<b>46 331</b>	<b>31 898</b>	<b>31 898</b>

## Parent Company Income Statement

KSEK	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
Net sales	8 280	2 760	8 280	2 760
<b>Gross profit</b>	<b>8 280</b>	<b>2 760</b>	<b>8 280</b>	<b>2 760</b>
Administrative expenses	-4 978	-429	-1 778	-815
<b>Operating profit (loss)</b>	<b>3 302</b>	<b>2 331</b>	<b>6 502</b>	<b>1 945</b>
<b>Profit (loss) from financial items</b>				
Financial income	874	440	1035	258
Financial expenses	-8 206	-2 794	-22 332	-7 925
<b>Net financial items</b>	<b>-7 332</b>	<b>-2 354</b>	<b>-21 297</b>	<b>-7 667</b>
<b>Profit (loss) after financial items</b>	<b>-4 030</b>	<b>-23</b>	<b>-14 795</b>	<b>-5 722</b>
<b>Profit (loss) before tax</b>	<b>-4 030</b>	<b>-23</b>	<b>-14 795</b>	<b>-5 722</b>
Tax for the period	1 323	1 254	1 434	641
<b>Net result for the period</b>	<b>-2 709</b>	<b>1 230</b>	<b>-13 361</b>	<b>-5 081</b>

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

30<sup>th</sup> Sep 2023

31<sup>st</sup> Dec 2022

### ASSETS

#### Non-current assets

##### *Financial assets*

Participation in Group companies	420 893	420 893
Deferred tax assets	823	-
<b>Total financial assets</b>	<b>421 716</b>	<b>420 893</b>
<b>Total non-current assets</b>	<b>421 716</b>	<b>420 893</b>

#### Current assets

##### *Current receivables*

Receivables from Group companies	261 962	291 062
Current tax asset	11 235	5 375
Prepaid expenses and accrued income	245	1 401
<b>Total current assets</b>	<b>273 442</b>	<b>297 838</b>

Cash and bank	11 203	139
<b>Total current assets</b>	<b>284 645</b>	<b>297 977</b>

<b>TOTAL ASSETS</b>	<b>706 361</b>	<b>718 870</b>
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## Parent Company Balance Sheet

KSEK	30 <sup>th</sup> Sep 2023	31 <sup>st</sup> Dec 2022
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
<b>Restricted equity</b>		
Share capital	500	500
<b>Non-restricted equity</b>		
Retained earnings	379 046	345 675
Profit/(loss) for the period	-2 709	13 371
<b>Total equity</b>	<b>376 837</b>	<b>359 546</b>
<b>UNTAXED RESERVS</b>		
Accrued fund	4 143	4 143
<b>Total untaxed reserves</b>	<b>4 143</b>	<b>4 143</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bond loan	310 392	-
<b>Total non-current liabilities</b>	<b>310 392</b>	<b>-</b>
<b>Current liabilities</b>		
Bond loan minus acquisition costs	-	336 250
Trade payables	113	114
Liabilities to Group companies	6 019	6 019
Current tax liabilities	7 496	9 273
Other liabilities	-	827
Accrued expenses and prepaid income	1 362	2 698
<b>Total current liabilities</b>	<b>14 989</b>	<b>355 181</b>
<b>Total liabilities</b>	<b>325 381</b>	<b>355 181</b>
<b>Total equity and liabilities</b>	<b>706 361</b>	<b>718 870</b>

## 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.

SEM operates at the intersection of technical excellence, innovation and environmental awareness. SEM delivers high-quality, reliable solutions to selected markets globally. A tradition that stretches back 100 years. Our position at the forefront of technology is supported by close collaboration with customers, universities and research centers. We are continuously researching topics such as how to provide robust ignition, combustion diagnostics for engine control and optimizing engine performance. Long-term focus on research is an important success factor for SEM.

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 including the branch SEM Technology Central Europe AB Zweigniederlassung Freiburg, Tyskland, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in USA and Senfusion AB in Sweden.

### 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.

Government grants are reported at fair value as there is reasonable assurance that the grants will be received, and the Group will meet the conditions associated with the grants. Grants received before the conditions for reporting as income have been met, are reported as a liability. Government grants are reported in the items Cost of goods sold, Sales, Administration and Research and development costs in the statement of comprehensive income depending on the function in which the cost that the grants are intended to compensate for is reported. Otherwise the applied accounting principles are in accordance with those described in Swedish Electromagnet Invest AB's annual report for 2022.

### Note 2 Net Sales

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

	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
Revenue from contracts with customers	358 516	121 937	284 292	79 681
<b>Total revenue</b>	<b>358 516</b>	<b>121 937</b>	<b>284 292</b>	<b>79 681</b>

#### 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

	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
Ignition systems and components	345 154	120 716	278 981	76 354
Design and Development services	13 362	1 221	5 311	3 327
<b>Total</b>	<b>358 516</b>	<b>121 937</b>	<b>284 292</b>	<b>79 681</b>

### Note 3 Cost broken down by type of cost

	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
Raw materials and consumables	-158 402	-58 929	-103 972	-27 525
Employee benefits	-86 801	-26 186	-82 464	-23 444
Depreciation of tangible assets	-9 880	-3 111	-9 828	-3 273
Depreciation of right-of-use assets	-10 179	-3 726	-11 193	-3 689
Depreciation of intangible assets	-6 333	-2 111	-7 036	-2 348
Other external costs	-38 583	-14 072	-34 530	-11 059
<b>Total operating costs</b>	<b>-310 178</b>	<b>-108 135</b>	<b>-249 023</b>	<b>-71 338</b>

### 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 after extension until June 30, 2026.

For updated bond terms and details, refer to the website [www.sem.se](http://www.sem.se) under Investor Relations.

During the third quarter of 2023, an extra amortization of SEK 1.9 million of the bond has been made with the last funds from the shareholder contribution in accordance with the bond conditions. The mandatory amortization and interest payment per quarter three fell due on the second of October.

#### Funding and liquidity

The group's bond loan expires according to the agreement until June 30, 2026.

	Carrying amount 30st September 2023	Fair value 30 st September 2023	Carrying amount 30st September 2022	Fair value 30st September 2022
Bond loan	310 392	293 320	335 884	323 641

Fair value of the bond loan has been valued at level 1 of the fair value hierarchy, ie the quoted market price per 2023-09-30.



## 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 <sup>st</sup> Jan – 30 <sup>th</sup> Sep 2023	Q3 2023	1 <sup>st</sup> Jan – 30 <sup>th</sup> Sep 2022	Q3 2022
Administration services from the Parent Company	8 280	2 760	8 280	2 760
<b>Total</b>	<b>8 280</b>	<b>2 760</b>	<b>8 280</b>	<b>2 760</b>

### Related party transaction - Parent company

<i>Loans to related parties</i>	30 <sup>th</sup> Sep 2023	31 <sup>st</sup> Dec 2022
<i>Loan to Swedish Electromagnet Holding AB (pledged)</i>		
Starting balance	246 476	242 957
Amounts repaid	-	-
Reclassification to other liabilities to group companies	-	3 519
Ending balance	246 476	246 476
<i>Loan to SEM AB</i>		
Starting balance	44 586	24 386
Amounts repaid	-29 100	-28 300
Loans raised during the year (group contribution, given, not paid)	-	48 500
Ending balance	15 486	44 586
<b>Total at end of period</b>	<b>261 962</b>	<b>291 062</b>
<i>Loan from related parties</i>	30 <sup>th</sup> Sep 2023	31 <sup>st</sup> Dec 2022
<i>Loan from Swedish Electromagnet Holding AB</i>		
Starting balance	-6 019	-
Reclassification from loan, group	-	-3 519
New debt	-	-2 500
UB	-6 019	-6 019
<b>Total at end of period</b>	<b>-6 019</b>	<b>-6 019</b>

## Note 6 Reconciliation of Key figures and ratios

Reconciliation of EBITDA, KSEK	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2023		Q3 2023	1 <sup>st</sup> Jan - 30 <sup>th</sup> Sep 2022	Q3 2022
Operating profit (loss)	54 105	16 413		37 606	9 660
Depreciations of intangible assets	6 333	2 111		7 036	2 348
Depreciations of right-to-use-assets	10 179	3 726		11 193	3 689
Depreciations of tangible assets	9 880	3 111		9 828	3 273
<b>EBTIDA</b>	<b>80 497</b>	<b>25 361</b>		<b>65 663</b>	<b>18 970</b>

Reconciliation of adjusted EBITDA					
EBITDA	80 497	25 361		65 663	18 970
Refinancing costs	3 157	-		-	-
<b>Adjusted EBITDA</b>	<b>83 654</b>	<b>25 361</b>		<b>65 663</b>	<b>18 970</b>

Reconciliation of net debt <sup>1)</sup>	30 <sup>th</sup> Sep 2023	30 <sup>th</sup> Sep 2022
Bond loans	310 392	335 884
Lease liability (non-current and current) according to IAS17	11 344	17 725
Credit facility	9 901	2 388
Cash and cash equivalents <sup>2)</sup>	-42 796	-29 554
<b>Net debt</b>	<b>288 841</b>	<b>326 443</b>

Figures regarding Q3 2023 and Q3 2022. Please see "Definitions" for further details.

1) Net debt according to Bond Terms

2) Per 30st September 2023 excluding 1,638 (2,344) MSEK in separate bank account from Energimyndigheten and 1,897 (-) 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.

### EBITDA<sup>1)</sup>

Profit before interest, tax, depreciation and amortization.

### EBITDA (adj)<sup>1)</sup>

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 <sup>2)</sup>.

### 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 1<sup>st</sup> 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 <sup>1)</sup>.

### 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.

<sup>1</sup> Including IFRS16 leasing.

<sup>2</sup> 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 16<sup>th</sup> November 2023

Halvar Jonzon  
Chairman of the Board

Hans Wikse  
Board Member

Magnus Hellström  
Chief Executive Officer

Jan Palmqvist  
Board Member

Christina Hallin  
Board Member

Henri Peltomäki  
Board Member

Hasse Johansson  
Board Member

## **Financial calendar 2023**

Year-End Report and Interim Report Q4 2023 is published on the 14th of February 2024.  
Annual Report 2023 is published on the 30th of April 2024.

## **Contact**

IRcontact@sem.se

## **Website**

All reports and press releases are available on the Internet at [www.sem.se](http://www.sem.se)



## **Auditor's report**

**Swedish Electromagnets Invest AB (publ) corp. reg. no. 559153-6510**

### **Introduction**

We have reviewed the condensed interim financial information (interim report) of Swedish Electromagnets Invest AB (publ) as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm on the 16th of november 2023

Öhrlings PricewaterhouseCoopers AB

Martin Johansson  
Authorized Public Accountant