

Swedish Electromagnet Invest AB (publ.)

559153-6510

Interim Report

January – June 2021



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.

Table of content

| | |
|---|----|
| Key figures and ratios | 3 |
| Comments from the CEO | 3 |
| Financial reports | 7 |
| Condensed Consolidated Income Statement | 7 |
| Other comprehensive income | 7 |
| Condensed consolidated Balance Sheet | 8 |
| Consolidated statement of changes in equity | 9 |
| Consolidated Cash Flow Statement | 10 |
| Parent Company Income Statement | 11 |
| Parent Company Balance Sheet | 12 |
| Notes to the interim report | 14 |
| Definitions | 17 |
| Declaration of the board of directors | 18 |

Second quarter, April – June 2021

- Net sales amounted to 103 821 (75 512) KSEK.
- The operating profit/loss amounted to 8 210 (5 345) KSEK.
- The cash flow from operating activities amounted to 18 939 (23 731) KSEK.

Reporting period, January – June 2021

- Net sales amounted to 223 739 (150 386) KSEK.
- The operating profit/loss amounted to 29 616 (18 042) KSEK.
- The cash flow from operating activities amounted to 1 989 (33 131) KSEK.

Development in the second quarter and half year 2021

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

The figures below are equivalent to the operations in SEM Invest Group the second quarter and the period 1st January – 30th June 2021.

Key figures and ratios

| KSEK | Jan – Jun 2021 | Q2 2021 | Jan – Jun 2020 | Q2 2020 |
|--|----------------|---------|----------------|---------|
| Net sales | 223 739 | 103 821 | 150 386 | 75 512 |
| EBITDA | 47 988 | 17 345 | 35 747 | 14 030 |
| Adjustment to EBITDA ¹⁾ | - | - | - | - |
| EBITDA (adj.) ¹⁾ | 47 988 | 17 345 | 35 747 | 14 030 |
| Operating profit | 29 616 | 8 210 | 18 042 | 5 345 |
| Net result for the period | 8 673 | -840 | -130 | -2 932 |
| Net Debt ²⁾ | 324 554 | 324 554 | 290 075 | 290 075 |
| Return on equity ³⁾ , % | 4,2% | 0,1% | 0,70% | -0,70% |
| Return on total assets ³⁾ , % | 3,5% | 1,0% | 2,10% | 0,60% |
| Equity/assets ratio, % | 38,5% | 38,5% | 39,30% | 39,30% |

¹⁾ Adjustments include non-recurring figures to enable better comparison of underlying development in the business. Adjustments during Q2 2021 including - KSEK (-) and during the period 1st of January to 30th of June, 2021 - KSEK (-).

²⁾ End of period

³⁾ Figures regarding Q2 and period Jan - Jun 2021 and comparable figures in 2020. Please see "Definitions" for further details.

Comments from the CEO

Q2 2021 has continued to be characterized by high demand from our customers and uncertain component deliveries to us. Our production units have utilized a large part of existing capacity, but due to unstable deliveries of incoming materials, we have been running in a stop and go mode.

Net sales for the quarter landed at a good 103 Msek compared to 75 Msek in Q2 2020. However, Q2 2020 is a poor comparison due to the major pandemic effects that quarter. Q2 2019, sales were 102 Msek. We are very pleased with the quarter's turnover given the unstable supply chain.

Sales for the first half of the year achieve a strong 224 Msek, to be compared with 150 Msek 2020 and 208 Msek 2019. Our cooperation with an OEM in China continues as planned, however a large part of the revenue is in the first half of this year.

Despite higher costs driven by extraordinary purchases and transport, operating profit is 8 Msek. This is better than Q2 2020 but slightly worse than Q2 2019 and calls for additional caution with costs.

During the quarter, we continued our focused development in new customer projects and in order to meet our commitments, we have recruited further to the development department. We also keep recruiting for production.

We have, in small steps, started to return to working more as before the pandemic locally, but due to restrictions, we still have limited opportunities to meet existing and new customers and suppliers, which is a disruptive factor in our business.

Christina Hallin
CEO

Financial overview

Sales and profit second quarter and the period Jan – Jun 2021

Sales in second quarter 2020 totaling SEK 103 821 (75 512) thousand and in the period Jan – Jun to SEK 223 739 (150 386) thousand. Adjusted EBITDA totaling SEK 17 345 (14 030) thousand in second quarter and SEK 47 988 (35 747) thousand in the period Jan – Jun 2021.

Investments

In the second quarter 2021, the group made total investments affecting cash flow of SEK 4 986 (5 756) thousand, mainly related to investments in development projects and production equipment for new gas coil production at the Suzhou plant.

During the period Jan – June 2021, the group made total investments of SEK 7 347 (11 860) thousand. The investments mainly relate to investments in development projects, production equipment for new gas coil production at the Suzhou plant and test equipment to the plant in Åmål.

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 an increased tax payment in the second quarter 2021 of 1,0 (1,0) SEK million and for the period Jan – Jun 2,0 (1,9) SEK million 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. This has resulted in a higher tax expense in the quarterly accounts for 2021 of 1,0 (1,0) MSEK and for the period Jan – Jun 2,0 (1,9) SEK million. 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 is that order intake in the second quarter remains good and the long-term business opportunities remain. The annual impairment test will be carried out in December unless otherwise stated.

Cash flow

KSEK

Period January – June 2021

Cash flow from operating activities 1 989 (33 131).

Cash flow from investing activities – 7 347 (– 11 860).

Cash flow from financing activities – 7 177 (– 6 157).

Cash flow for the period -12 535 (15 114).

Quarter 2 2021

Cash flow from operating activities 18 939 (23 731).

Cash flow from operating activities – 4 986 (– 5 756).

Cash flow from financing activities – 3 748 (– 2 771).

Cash flow for the period 10 205 (15 204).

Cash flow from investing activities for quarter 2 2021, SEK -4 986 (- 5 756) thousand, mainly related to investments in development projects and production equipment for new gas coil production at the Suzhou plant.

Cash flow from investing activities for the period January - June 2021, SEK, -7 347 (-11 860) thousand, mainly relate to investments in development projects, production equipment for new gas coil production at the Suzhou plant and test equipment to the plant in Åmål.

Cash flow from financing activities for quarter 2 2021, SEK -3 748 (-2 771) thousand consist of instalment of debt for long and short term leasing.

Cash flow from financing activities for the period January – June 2021, SEK, -7 177 (-6 157) thousand consist of instalment of debt for long and short term leasing.

Cost regarding salaries, social security and pension

The personnel cost for salary, social security and pensions amounted to SEK 28 880 (23 581) thousand during the second quarter and SEK 55 584 (48 567) thousand during the period Jan – Jun 2021. During the second quarter the cost split with SEK 23 239 (19 252) thousand in Sweden, SEK 5 190 (3 953) thousand in China and SEK 452 (376) thousand in USA.

During Jan - Jun the split was SEK 44 099(39 382) thousand in Sweden, SEK 10 696 (8 336) thousand in China and SEK 789 (849) thousand in US.

At the end of the period the number of fulltime employees (FTE) in the group amounted to in total 187 (211) off which 55 (56%) women and 45 (44%) 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 -4 810 (- 3 730) thousand in second quarter 2021 and SEK -9 365 (-7 414) thousand in the period 1st of January to 30th of June 2021. The Parent Company's net sales consist entirely of services to group companies. The Parent Company's operations include certain group-wide functions regarding management, strategy and financing.

Parent Company assets totalled SEK 678 629 (681 735) 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 number of shares totalled 2 000 000 as at 30th of June 2021. The main shareholder is Procuritas Capital Investors V L.P. with 91,5% of votes and capital.

Significant events during the second quarter and the period January – June 2021

No significant events during the second quarter and the period January – June 2021.

Events after the reporting period

No significant events after the end of the reporting period.

Outlook

The SEM Invest Group does not provide 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 2020.

Financial reports

Condensed consolidated Income Statement

| KSEK | 1 st Jan - 30 th Jun 2021 | Q2 2021 | 1 st Jan - 30 th Jun 2020 | Q2 2020 |
|--|---|---------------|---|---------------|
| Net sales | 223 739 | 103 821 | 150 386 | 75 512 |
| Cost of goods sold | -155 264 | -75 689 | -95 693 | -52 763 |
| Gross profit | 68 475 | 28 132 | 54 693 | 22 749 |
| Selling expenses | -8 863 | -4 563 | -8 649 | -4 085 |
| Administrative expenses | -12 711 | -6 308 | -13 344 | -6 248 |
| Research and development costs | -18 469 | -9 597 | -14 918 | -7 191 |
| Other operating income | 1 185 | 547 | 260 | 120 |
| Operating profit (loss) | 29 616 | 8 210 | 18 042 | 5 345 |
| Financial income | 42 | 33 | 133 | 80 |
| Financial expenses | -14 613 | -7 354 | -14 794 | -7 118 |
| Interest expenses from lease liabilities | -924 | -449 | -1 199 | -616 |
| Net financial items | -15 495 | -7 770 | -15 859 | -7 654 |
| Profit (loss) after financial items | 14 121 | 441 | 2 183 | -2 309 |
| Profit (loss) before tax | 14 121 | 441 | 2 183 | -2 309 |
| Income tax | -5 448 | -1 281 | -2 312 | -623 |
| Net result for the period | 8 673 | -840 | -130 | -2 932 |

Other comprehensive income

| KSEK | 1 st Jan - 30 th Jun 2021 | Q2 2021 | 1 st Jan - 30 th Jun 2020 | Q2 2020 |
|--|---|---------------|---|---------------|
| <i>Items that may be reclassified to profit or loss</i> | | | | |
| Exchange differences from translation of foreign operations | 3 493 | -1 125 | -1 067 | -4 609 |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Revaluation of the net pension obligation | - | - | - | - |
| Income tax attributable to the above item | - | - | - | - |
| Other comprehensive income for the period, after tax | 3 493 | -1 125 | -1 067 | -4 609 |
| Total comprehensive income for the period | 12 167 | -1 965 | -1 197 | -7 541 |

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 th June 2021 | 31 st Dec 2020 |
|--|----------------------------|---------------------------|
| ASSETS | | |
| Non-current assets | | |
| <i>Intangible assets</i> | | |
| Customers relationships | 147 307 | 151 529 |
| Trade name | 143 633 | 143 633 |
| Goodwill | 257 024 | 257 024 |
| Capitalised expenditure for development activities | 17 296 | 13 440 |
| Total intangible assets | 565 260 | 565 626 |
| <i>Tangible assets</i> | | |
| Plant and machinery | 20 172 | 19 956 |
| Right-of-use assets | 56 585 | 42 116 |
| Equipment, tools, fixtures and fittings | 19 607 | 22 010 |
| Total intangible assets | 96 364 | 84 082 |
| Total non-current assets | 661 624 | 649 708 |
| Current assets | | |
| <i>Inventories</i> | | |
| Raw materials and consumables | 36 136 | 33 049 |
| Work-in-progress | 1 986 | 1 244 |
| Finished goods and goods for resale | 17 848 | 15 589 |
| Total inventories | 55 969 | 49 882 |
| <i>Current receivables</i> | | |
| Trade receivables | 78 523 | 60 762 |
| Current tax asset | 1 017 | - |
| Other receivables | 7 943 | 5 088 |
| Prepaid expenses and accrued income | 9 627 | 9 873 |
| Cash and cash equivalents | 49 180 | 60 812 |
| Total current receivables | 146 290 | 136 535 |
| Total current assets | 202 259 | 186 417 |
| TOTAL ASSETS | 863 883 | 836 125 |

Condensed consolidated Balance Sheet

KSEK

30th Jun 2021

31st Dec 2020

EQUITY

Equity attributable to Parent Company's shareholders

| | | |
|--|----------------|----------------|
| Share capital | 500 | 500 |
| Other contributed capital | 325 000 | 325 000 |
| Reserves | 568 | -2 925 |
| Retained earnings (incl. profit/(loss) for the period) | 6 565 | -2 109 |
| Total equity attributable to the shareholders of the Parent Company | 332 633 | 320 466 |

LIABILITIES

Non-current liabilities

| | | |
|---|----------------|----------------|
| Bond loan | 346 773 | 345 666 |
| Lease liabilities | 43 524 | 30 024 |
| Provisions for pensions and similar obligations | 4 778 | 4 778 |
| Deferred tax liabilities | 60 152 | 63 047 |
| Other provisions | 950 | 950 |
| Total non-current liabilities | 456 177 | 444 465 |

Current liabilities

| | | |
|-----------------------------------|----------------|----------------|
| Lease liabilities | 14 952 | 14 206 |
| Trade payables | 33 350 | 28 690 |
| Tax liabilities | - | 4 553 |
| Other current liabilities | 6 948 | 5 414 |
| Invoiced income - not yet accrued | - | 1 041 |
| Accrued costs and prepaid income | 19 824 | 17 290 |
| Total current liabilities | 75 073 | 71 194 |
| Total liabilities | 531 250 | 515 659 |

TOTAL EQUITY AND LIABILITIES

863 883 836 125

Consolidated statement of changes in equity

Amounts in KSEK

Attributable to shareholders of the Parent Company

| | Share Capital | Other contributed capital | Reserves | Losses carried forward/ Retained earnings, including profit (loss) for the period | Total shareholders equity |
|--|---------------|---------------------------|-------------|--|---------------------------------|
| Q2 2020 | | | | | |
| Starting balance as at 1 st of April 2020 | 500 | 325 000 | 3 852 | 8 797 | 338 149 |
| Net profit for the period Apr - Jun 2020 | - | - | - | -2 932 | -2 932 |
| Other comprehensive income for the period | - | - | -4 609 | - | -4 609 |
| Total comprehensive income for the period | - | - | -4 609 | -2 932 | -7 541 |
| Closing balance as of 30th June 2020 | 500 | 325 000 | -757 | 5 865 | 330 608 |
| Q2 2021 | | | | | |
| Starting balance as of 1 st April 2021 | 500 | 325 000 | 1 693 | 7 405 | 334 598 |
| Net profit for the period Apr - Jun 2021 | - | - | - | -840 | -840 |
| Other comprehensive income for the period | - | - | -1 125 | - | -1 125 |
| Total comprehensive income for the period | - | - | -1 125 | -840 | -1 965 |
| Closing balance as at 30th June 2021 | 500 | 325 000 | 568 | 6 565 | 332 633 |

Consolidated Cash Flow Statement

| KSEK | 1 st jan 2021 – 30 th jun 2021 | 1 st apr 2021 – 30 th jun 2021 | 1 st jan 2020 – 30 th jun 2020 | 1 st apr 2020 – 30 th jun 2020 |
|--|---|---|---|---|
| Cash flow from operating activities | | | | |
| Operating profit (loss) | 29 616 | 8 211 | 18 043 | 5 346 |
| <i>Adjustment for non-cash items</i> | | | | |
| - Other non-cash items | 1 109 | -1 599 | -1 733 | -3 519 |
| - Depreciation of tangible and intangible assets | 18 372 | 9 136 | 17 705 | 8 685 |
| Interest received | 42 | 33 | 133 | 80 |
| Interest paid | -14 503 | -7 249 | -16 182 | -7 875 |
| Income taxes paid | -13 949 | -5 244 | 2 064 | 9 452 |
| Cash flow from operating activities before changes in working capital | 20 687 | 3 288 | 20 031 | 12 169 |
| Cash flow before changes in working capital | | | | |
| Increase/decrease of inventories | -6 087 | -6 344 | -2 628 | 624 |
| Increase/decrease of trade receivables | -17 761 | 30 491 | 18 177 | 13 015 |
| Increase/decrease of other current receivables | -2 609 | -2 327 | 662 | -145 |
| Increase/decrease of trade payables | 4 660 | -8 732 | -4 052 | -4 307 |
| Increase/decrease of other current payables | 3 099 | 2 563 | 941 | 2 375 |
| Total changes in working capital | -18 698 | 15 651 | 13 100 | 11 562 |
| Cash flow from operating activities | 1 989 | 18 939 | 33 131 | 23 731 |
| Cash flow from investing activities | | | | |
| Investment in intangible assets | -3 971 | -4 411 | -6 117 | -2 838 |
| Investment in property, plant and equipment | -3 376 | -575 | -5 743 | -2 918 |
| Cash flow from investing activities | -7 347 | -4 986 | -11 860 | -5 756 |
| Cash flow from financing activities | | | | |
| Repayment of leasing debt | -7 177 | -3 748 | -6 157 | -2 771 |
| Cash flow from financing activities | -7 177 | -3 748 | -6 157 | -2 771 |
| Decrease/increase of cash and cash equivalents | | | | |
| Opening cash and cash equivalents | 60 812 | 39 185 | 58 069 | 59 078 |
| Net cash flow during the period | -12 535 | 10 205 | 15 114 | 15 204 |
| Exchange rate differences in cash and cash equivalents | 903 | -210 | -109 | -1 208 |
| Closing cash and cash equivalents | 49 180 | 49 180 | 73 074 | 73 074 |

Parent Company Income Statement

| KSEK | 1 st Jan 2021 – 30 th Jun 2021 | Q2 2021 | 1 st Jan 2020 – 30 th Jun 2020 | Q2 2020 |
|--|---|---------------|---|---------------|
| Net sales | 5 520 | 2 760 | 5 520 | 2 760 |
| Gross profit | 5 520 | 2 760 | 5 520 | 2 760 |
| Administrative expenses | -390 | -202 | -528 | -285 |
| Operating profit (loss) | 5 130 | 2 558 | 4 992 | 2 475 |
| Profit (loss) from financial items | | | | |
| Financial expenses | -14 380 | -7 337 | -14 424 | -7 220 |
| Net financial items | -14 380 | -7 337 | -14 424 | -7 220 |
| Profit (loss) after financial items | -9 251 | -4 779 | -9 432 | -4 745 |
| Profit (loss) before tax | -9 251 | -4 779 | -9 432 | -4 745 |
| Tax for the period | -114 | -31 | 2 018 | 1 015 |
| Net result for the period | -9 365 | -4 810 | -7 414 | -3 730 |

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

| KSEK | 30 th Jun 2021 | 31 st Dec 2020 |
|-------------------------------------|---------------------------|---------------------------|
| ASSETS | | |
| Non-current assets | | |
| <i>Financial assets</i> | | |
| Participation in Group companies | 420 893 | 420 893 |
| Deferred tax assets | 1 886 | - |
| Total financial assets | 422 779 | 420 893 |
| Total non-current assets | 422 779 | 420 893 |
| Current assets | | |
| <i>Current receivables</i> | | |
| Receivables from Group companies | 248 968 | 265 968 |
| Current tax asset | 2 498 | 50 |
| Prepaid expenses and accrued income | 3 506 | 3 568 |
| Total current assets | 254 972 | 269 586 |
| Cash and bank | 878 | 363 |
| Total current assets | 255 850 | 269 949 |
| TOTAL ASSETS | 678 629 | 690 842 |

Parent Company Balance Sheet

| KSEK | 30 th Jun 2021 | 31 st Dec 2020 |
|--------------------------------------|---------------------------|---------------------------|
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Restricted equity | | |
| Share capital | 500 | 500 |
| Non-restricted equity | | |
| Retained earnings | 327 931 | 331 502 |
| Profit/(loss) for the period | -9 365 | -3 571 |
| Total equity | 319 066 | 328 431 |
| UNTAXED RESERVS | | |
| Accrued fund | 4 143 | 4 143 |
| Total untaxed reservs | 4 143 | 4 143 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Bond loan | 346 773 | 345 666 |
| Total non-current liabilities | 346 773 | 345 666 |
| Current liabilities | | |
| Trade payables | 19 | 110 |
| Current tax liabilities | 5 989 | 9 519 |
| Other liabilities | 651 | 912 |
| Accrued expenses and prepaid income | 1 988 | 2 061 |
| Total current liabilities | 8 647 | 12 602 |
| Total liabilities | 355 420 | 358 268 |
| TOTAL EQUITY AND LIABILITIES | 678 629 | 690 842 |

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 2020.

Note 2 Net Sales

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

| | Jan – Jun 2021 | Q2 2021 | Jan – Jun 2020 | Q2 2020 |
|---------------------------------------|----------------|----------------|----------------|---------------|
| Revenue from contracts with customers | 223 739 | 103 821 | 150 386 | 75 512 |
| Total revenue | 223 739 | 103 821 | 150 386 | 75 512 |

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 – Jun 2021 | Q2 2021 | Jan – Jun 2020 | Q2 2020 |
|---------------------------------|----------------|----------------|----------------|---------------|
| Ignition systems and components | 221 276 | 102 471 | 149 257 | 75 092 |
| Design and Development services | 2 463 | 1 350 | 1 129 | 420 |
| Total | 223 739 | 103 821 | 150 386 | 75 512 |

Note 3 Cost broken down by type of cost

| | Jan – Jun 2021 | Q2 2021 | Jan – Jun 2020 | Q2 2020 |
|-------------------------------------|-----------------|----------------|-----------------|----------------|
| Raw materials and consumables | -99 149 | -44 234 | -57 443 | -30 200 |
| Employee benefits | -55 583 | -28 880 | -48 567 | -23 581 |
| Capitalized development hours | 3 487 | 1 516 | 3 776 | 1 853 |
| Depreciation of tangible assets | -6 142 | -3 204 | -6 533 | -3 196 |
| Depreciation of right-of-use assets | -7 893 | -3 661 | -6 903 | -3 378 |
| Depreciation of intangible assets | -4 337 | -2 270 | -4 269 | -2 111 |
| Other external costs | -25 691 | -15 425 | -12 665 | -9 675 |
| Total operating costs | -195 308 | -96 158 | -132 605 | -70 288 |

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 December 2022 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.

The Parent Company has met all the terms and conditions of the bond during the period from 1st of January 2021 until 30th of June 2021.

| | Carrying amount 30 th Jun 2021 | Fair value 30 th Jun 2021 | Carrying amount 31 st Dec 2020 | Fair value 31 st Dec 2020 |
|-----------|---|--------------------------------------|---|--------------------------------------|
| Bond loan | 346 773 | 342 125 | 345 666 | 342 125 |

Fair value of the bond loan has been valued at level 1 of the fair value hierarchy, ie the quoted market price per 2021-06-30.

Note 5 Related party transactions

Related party transactions - Group

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 of services | 1 st Jan 2021 – 30 th Jun 2021 | 1 st Apr 2021 – 30 th Jun 2021 | 1 st Jan 2020 – 30 th Jun 2020 | 1 st Apr 2020 – 30 th Jun 2020 |
|--|---|---|---|---|
| Administration services from the Parent Company | 5 520 | 2 760 | 5 520 | 2 760 |
| Purchase of services from companies controlled by senior executive | 2 | 2 | 37 | 37 |
| Total | 5 522 | 2 762 | 5 557 | 2 797 |

Related party transaction - Parent company

| <i>Loans to related parties</i> | 30-jun-2021 | 31-dec-2020 |
|---|----------------|----------------|
| <i>Loan to Swedish Electromagnet Holding AB</i> | | |
| Start balance | 246 457 | 246 457 |
| Ending balance | 246 457 | 246 457 |
| <i>Loan to SEM AB</i> | | |
| Start balance | 18 361 | 16 070 |
| Amounts repaid | -6 000 | -18 000 |
| Loan raised during the year / Start balance | -11 000 | 20 291 |
| Ending balance | 1 361 | 18 361 |
| At year-end | 247 818 | 264 818 |

Not 6 Reconciliation of Key figures and ratios

| Reconciliation of EBITDA, KSEK | 1 st Jan - 30 th Jun 2021 | Q2 2021 | 1 st Jan - 30 th Jun 2020 | Q2 2020 |
|--------------------------------------|---|---------------|---|---------------|
| Operating profit (loss) | 29 616 | 8 210 | 18 042 | 5 345 |
| Depreciations of intangible assets | 4 337 | 2 270 | 4 269 | 2 111 |
| Depreciations of right-to-use-assets | 7 893 | 3 661 | 6 903 | 3 378 |
| Depreciations of tangible assets | 6 142 | 3 204 | 6 533 | 3 196 |
| EBTIDA | 47 988 | 17 345 | 35 747 | 14 030 |

Reconciliation of adjusted EBITDA

| | | | | |
|------------------------|--------------|---------------|---------------|---------------|
| EBITDA | 47988 | 17 345 | 35 747 | 14 030 |
| Adjusted EBITDA | 47988 | 17 345 | 35 747 | 14 030 |

Reconciliation of net debt

| | 30 th Jun 2021 | 30 th Jun 2020 |
|--|---------------------------|---------------------------|
| Bond loans | 346 773 | 344 560 |
| Lease liability (non-current and current) according to IAS17 | 26 961 | 18 589 |
| Cash and cash equivalents | -49 180 | -73 074 |
| Net debt | 324 554 | 290 075 |

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 amortisation.

EBITDA (adj)¹⁾

Profit before interest, tax, depreciation and amortisation, 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 31th August 2021

Halvar Jonzon
Chairman of the Board

Hans Wikse
Board Member

Christina Hallin
Board Member
/Chief Executive Officer

Björn Lindberg
Board Member

Hasse Johansson
Board Member

This report has not been audited by the company's auditor.

Financial calendar 2021

Interim Report Q3 2021 is published on the 26th of November 2021

Year-End Report and Interim Report Q4 2021 is published on the 22nd of February 2022

Contact

IRcontact@sem.se

Website

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