

Swedish Electromagnet Invest AB (publ)

Corp. Id. No 559153-6510

Annual accounts and consolidated accounts
for the financial year

1st January 2019 – 31st December 2019



Ownership structure

Swedish Electromagnet Invest AB (publ) (the "Company"), is majority owned by Procuritas Capital Investors V, L.P. headquartered in Guernsey. The Company owns Swedish Electromagnet Holding Group (the "Group") in which SEM AB, headquartered in Åmål, Sweden, SEM Technology (Suzhou) Co., Ltd in China, SEM Technology Inc. in the US and Senfusion AB in Sweden are included.

The Group is a leading supplier of high-technology products and systems of drivelines to heavy duty. Among the products and systems might be mentioned ignition systems, injector staters and sensors, the main functions of which are natural gas and diesel powered trucks and buses. Moreover, the Group produces ignition systems for professional hand-held tools, such as chainsaws, trimmers and leaf blowers. Sales are performed through the Group's own sales companies all over the world, and customers include well-known OEMs, Tier 1 and Tier 2 suppliers to the heavy-duty vehicle and automotive industry.

The production of natural gas ignition systems, staters and sensors is mainly performed in the factory in Åmål, while ignition systems for hand-held products and solenoids are performed at the subsidiary, SEM Technology (Suzhou) Co., Ltd, in China. SEM Technology Inc. in US has one Key Account Manager employed to be available for our US customers and to process that market. Senfusion AB is a dormant company that owns some patents.

Significant events during the financial year

During the period and after informing the trade unions, SEM AB ("SEM") has given notice to 14 collective agreement affiliated employees at the manufacturing unit in Åmål, where SEM also has its head office. SEM has entered into negotiations with the trade union IF Metall regarding the notification. The reason for the notification is redundancy, as SEM's large customers in the commercial vehicles segment have significantly reduced their order forecasts to SEM regarding the end of 2019 and full year 2020.

During the year, the owners, together with the Board of directors, initiated a process to evaluate various strategic alternatives for the company. No decisions have been made but may include a wide range of alternatives, but not limited to, acquisitions, divestments of parts or the entire group.

Significant events after the end of the reporting period

The Company's operations in Sweden started as planned after the Christmas break. The majority of the staff who were laid off during the autumn ended their employment at the end of January. The cost for this amounted to SEK 295 thousand. The sum includes the cost of work exemptions and pension payments for laid-off persons with a short time remaining to retirement. The order backlog, which weakened during the 4th quarter, then went up slightly. Project activities are still at a high level.

The Covid-19 pandemic hit our business in Suzhou, China, during the first quarter. The start of operations was delayed from 31st of January to 13th of February with approximately 45% of the staff in place. The rest of the staff returned as fast as the local quarantine rules allowed. The delayed and gradual start-up had a negligible financial impact on the Company. To our knowledge, the delay has not caused any problems for our customers. In some cases, delayed or missing deliveries to us have led to the company having to buy components from other suppliers. Nor has this had any material financial impact on the Company.

During the latter part of the first quarter some customers decided to close, or significantly reduce, their production as a result of Covid-19. This has resulted in delays in deliveries and, to date, a limited number of order cancellations for the Company. As a result, the Company initiated short-term furlough for a smaller group of personnel in Sweden. The full effect of Covid-19 on the Company is not possible to predict. The company's management team follows developments in daily meetings and reports weekly to the Board and the principal owner. Management also has a close dialogue with customers, suppliers and other stakeholders. The Company is well prepared for taking further action if needed.

Expected future development and significant risks and uncertainties

The Company does not provide any forward-looking outlooks.

The Company is a player in the global automotive industry, which implies exposure to the global political and financial development. Furthermore, the Company believes that currency exposure is a potential risk, especially in the current year. We have already seen higher volatility in the SEK exchange rate after the end of the period due to concerns about the world economy due to the Corona virus.

Covid-19 affects the Company and some of the risks and uncertainties that exist include the supply chain with possible stops in incoming goods deliveries, which may cause production disruptions. One way to manage this risk is to have several suppliers for key components, which is a strategy that the Company has been working on even before the outbreak of Covid-19. Another risk is illness among our own staff. Together with staff representatives, we have worked a lot with information, setting rules and guidelines on how to reduce contact between employees who need to be at the workplace. Not being able to deliver or not get paid from customers for our products can be an additional risk that may arise as an effect of Covid-19. We have a very close contact with customers through our marketing and sales organization and strictly follow our procedures with reminders and further contacts if payments are delayed.

Development

The Group performs extensive development within its operations and currently owns 52 patents and two design rights. The group also have 21 patents pending.

Use of financial instruments

The Group's financial assets mainly comprise trade receivables, other receivables, accrued income and cash and cash equivalents.

The Group's financial liabilities mainly comprise of bond loan, other current receivables, trade payables, other liabilities and accrued expenses.

Environmental impact (operations subject to licensing and notification in accordance with the Swedish Environmental Code)

In the Group, SEM AB performs operations subject to licensing and has all licenses in accordance with the Swedish Environmental Code and from licensing authorities. SEM AB is ISO 14001 and ISO 45001 certified.

Proposed allocation of profit or loss

The Board of Directors proposes to the AGM that the retained earnings be allocated so that KSEK 331 502 be carried forward.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in KSEK	Note	1 st Jan 2019 - 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018 ¹⁾
Net sales	6	372 419	15 449
Cost of goods sold	8, 10	-249 428	-11 526
Gross profit		122 991	3 923
Selling expenses	8, 10	-18 896	-456
Administrative expenses	8, 10	-28 804	-1 521
Research and development costs	2.8(ii), 8, 10	-29 872	-1 614
Other operating income		159	5
Other operating costs		-	-38
Operating profit (loss)		45 578	299
Financial income	11	34	2
Financial expenses	11	-28 869	-1 337
Interest expenses from lease liabilities	11	-2 075	-
Net financial items		-30 910	-1 335
Profit (loss) after financial items		14 668	-1 036
Profit (loss) before tax		14 668	-1 036
Income tax	12	-6 817	220
Net result for the year		7 851	-816
Other comprehensive income:	Note	1 st Jan 2019 - 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018 ¹⁾
Items that may be reclassified to profit or loss			
Exchange differences from translation of foreign operations		403	-93
Items that will not be reclassified to profit or loss			
Revaluation of the net pension obligation	2.18(ii)	-388	-373
Income tax attributable to the above item		80	77
Other comprehensive income for the year, after tax		95	-389
Total comprehensive income for the year		7 946	-1 205

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

¹⁾ IFRS 16 Leases is applied from 1st January 2019. Interest expense on lease liabilities and depreciation of right-of-use assets are replacing nearly all lease costs for premises as from 2019.

The notes on pages 9 to 36 constitute an integrated part of these consolidated statements.

CONSOLIDATED BALANCE SHEET

Amounts in KSEK	Note	31 st Dec 2019	31 st Dec 2018
ASSETS			
Non-current assets			
<i>Intangible assets</i>	14		
Customers relationships	36	159 973	168 417
Trade name	36	143 633	143 633
Goodwill	36	257 024	257 024
Capitalised development expenditure		3 093	-
Patents		88	555
Total intangible assets		563 811	569 629
<i>Tangible assets</i>	15		
Plant and machinery		10 285	8 026
Right-of-use assets		51 609	-
Equipment, tools, fixtures and fittings		25 243	51 665
Total intangible assets		87 137	59 691
Deferred tax assets	28	-	1 948
Total non-current assets		650 948	631 268
Current assets	18		
<i>Inventories</i>			
Raw materials and consumables		30 086	33 318
Work-in-progress		1 563	2 978
Finished goods and goods for resale		18 295	16 102
Total inventories		49 944	52 398
<i>Current receivables</i>			
Trade receivables	17	73 257	80 926
Current tax asset	2.7	1 249	917
Other receivables	19	1 745	4 360
Accrued income - not yet invoiced	20	1 600	-
Prepaid expenses and accrued income	21	9 569	2 672
Cash and cash equivalents	22	58 069	37 999
Total current receivables		145 489	126 874
Total current assets		195 433	179 272
TOTAL ASSETS		846 381	810 540

The notes on pages 9 to 36 constitute an integrated part of these consolidated statements.

CONSOLIDATED BALANCE SHEET

Amounts in KSEK	Note	31 st Dec 2019	31 st Dec 2018
EQUITY			
Equity attributable to Parent Company's shareholders	36		
Share capital	23	500	500
Other contributed capital	23	325 000	325 000
Reserves	23	310	-93
Retained earnings (incl. profit/(loss) for the period)	23	5 995	-1 548
Total equity attributable to the shareholders of the Parent company		331 805	323 859
LIABILITIES			
Non-current liabilities			
Bond loan	24	343 453	342 771
Lease liabilities	24, 25.2	36 140	-
Provisions for pensions and similar obligations	26	5 156	5 226
Deferred tax liabilities	28, 36	65 585	66 403
Other provisions	27	950	950
Total non-current liabilities		451 284	415 350
Current liabilities			
Lease liabilities	24, 25.2	14 071	-
Trade payables	2.19	25 471	31 293
Other current liabilities	29	4 366	21 228
Invoiced income - not yet accrued	30	1 960	-
Accrued costs and prepaid income	31	17 424	18 810
Total current liabilities		63 292	71 331
Total liabilities		514 576	486 681
TOTAL EQUITY AND LIABILITIES		846 381	810 540

The notes on pages 9 to 36 constitute an integrated part of these consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK		Attributable to shareholders of the Parent Company				
	Note	Share capital	Other contributed capital	Reserves	Retained earnings, including profit (loss) for the year	Total equity
Opening balance at 26 th March 2018		-	-	-	-	-
Profit for the year		-	-	-	-816	-816
Other comprehensive income for the year		-	-	-93	-296	-389
Total comprehensive income for the year		-	-	-93	-1 112	-1 205
Transactions with shareholders in their role as owners						
New share issue		500	-	-	-	500
Shareholders' contributions		-	325 000	-	-	325 000
Closing balance as at 31st December 2018	23	500	325 000	-93	-1 112	324 295
Adjustment after final purchase price allocation	36	-	-	-	-436	-436
Adjusted closing balance as at 31st December 2018		500	325 000	-93	-1 548	323 859
Opening balance at 1 st January 2019		500	325 000	-93	-1 548	323 859
Net profit for the year		-	-	-	7 851	7 851
Other comprehensive income for the year		-	-	403	-308	95
Total comprehensive income for the year		-	-	403	7 543	7 946
Closing balance as at 31st December 2019		500	325 000	310	5 995	331 805

The notes on pages 9 to 36 constitute an integrated part of these consolidated statements.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in KSEK	Note	1 st Jan 2019 - 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Cash flow from operating activities			
Operating profit (loss)		45 578	299
<i>Adjustment for non-cash items</i>			
- Other non-cash items		-807	-174
- Depreciation of tangible and intangible assets		34 964	1 117
Interest received		34	2
Interest paid		-29 213	-1 337
Income taxes paid		-5 985	2 928
Cash flow from operating activities before changes in working capital		44 571	2 835
Cash flow before changes in working capital			
Increase/decrease of inventories		2 454	1 042
Increase/decrease of trade receivables		7 669	1 998
Increase/decrease of other current receivables		-5 882	-6 171
Increase/decrease of trade payables		-5 822	554
Increase/decrease of other current payables		-1 320	-676
Total changes in working capital		-2 901	-3 253
Cash flow from operating activities		41 670	-418
Cash flow from investing activities			
Acquisitions of subsidiaries, after adjustments for acquired cash and cash equivalents	13,36	-	-55 259
Investment in intangible assets	14	-3 183	-
Investment in property, plant and equipment	15	-9 120	-1 608
Investments in other financial assets		-	173
Cash flow from investing activities		-12 303	-56 694
Cash flow from financing activities			
Share Issuance	35	-	500
Issuance of bond loan	35	-	342 771
Repayment of debt	35	-	-248 064
Repayment of leasing debt	35	-9 480	-
Cash flow from financing activities		-9 480	95 207
Decrease/increase of cash and cash equivalents			
Opening cash and cash equivalents	22	37 999	38 095
Net cash flow during the period	2.21	19 887	-
Exchange rate differences in cash and cash equivalents		183	-96
Closing cash and cash equivalents		58 069	37 999

The notes on pages 9 to 36 constitute an integrated part of these consolidated statements.

Notes to the consolidated statements

1. 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 00 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 Group 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.

These consolidated accounts were approved for publication by the Board of Directors on the 30th April 2020. Unless otherwise stated, all amounts are in thousands of SEK (KSEK).

2. Summary of significant accounting policies

Included in the Note is a list of significant accounting policies applied in the preparation of these consolidated financial statements. These policies were applied consistently for all years presented, unless otherwise stated. The consolidated financial statements encompass the legal Parent Company Swedish Electromagnet Invest AB (publ) and its subsidiaries.

2.1 Basis of Preparation

(i) In accordance with IFRS

The consolidated financial statements for Swedish Electromagnet Invest Group have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary rules for groups, and International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC), as endorsed by the EU. The consolidated financial statements were prepared in accordance with the cost method.

The Parent Company was established on the 26th March 2018, which is also the initiation date for the Group, but no operations were conducted until Swedish Electromagnet Holding Group was acquired on December 11, 2018.

The preparation of annual accounts in accordance with IFRS requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Those areas that include a high level of assessment, that are complex or such areas where assumptions and estimations are of material importance for the consolidated financial statements are stated in Note 4 Significant accounting estimates and assessments.

(ii) New and amended standards applied by the Group

Below standard has been applied in the group from the accounting year starting the 1st of January 2019:

IFRS 16 Leases.

The group has changed accounting principle while implementing IFRS 16. In accordance with the transitional rules for IFRS 16 the group has chosen to apply the simplified transition method and has therefore not recalculated the comparative figures. Information about the effects of implementing IFRS 16 can be found in Note 15 and 25.2.

No other of the interpretations of IFRS or IFRIC interpretations that have entered into force in accounting year 2019, are expected to have a material impact on the Group.

(iii) New and amended standards not yet applied by the Group

A number of new standards and interpretations become valid for financial years commencing on the 1st January 2020 and later, have not been applied in the preparation of this interim report. None of the published standards which has not yet got valid is judged to have any essential effect on the group when applied.

2.2 Consolidated financial statements

(i) Subsidiaries

Subsidiaries are all companies in which the Group has a controlling influence. The Group has control over a company when it is exposed to or have a right to variable returns from its participation in the company, and has the possibility to influence the return through its participation in the company. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to recognize the Group's business combinations. The acquisition price is the consideration paid for a subsidiary and comprise the fair value of the assets transferred, the liabilities incurred by the Group to the previous owner of the company. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balance sheet items and unrealized gains and losses on transaction between Group companies are eliminated. The accounting principles for subsidiaries have, when necessary, been revised in order to ensure a consistent application of the Group's accounting principles

2.3 Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The CEO is the chief operating decision maker and evaluates financial position and performance and makes strategic decisions. The internal reporting consists of the following-up of performance measures for the Group as a whole. When the chief operating decision maker makes decisions regarding the allocation of resources and measure results for the Group as a whole, the Group in its entirety is deemed to make up one segment.

2.4 Foreign currency translation

(i) Functional currency and presentation currency

The entities in the Group have the local currency as their functional currency, as the local currency has been defined as the primary economic environment in which each entity operates. The consolidated accounts are presented in SEK, which is the Parent Company's functional and the Group's presentation currency.

(ii) Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange-rate profits and losses from such transactions and at the translation of monetary assets and liabilities in foreign currencies using the exchange rates prevailing at the balance sheet date, are recognized in operating profit (loss) in other comprehensive income.

Foreign exchange-rate profits and losses attributable to liabilities and cash and cash equivalents are recognized in the statement of comprehensive income as financial income and financial costs. All other foreign exchange-rate profits and losses are recognized under other operating costs and other operating income, respectively.

(iii) Translation of foreign Group companies

Profit (loss) and financial position for all companies with a functional currency other than the reporting currency are translated to the reporting currency of the Group. Assets and liabilities for each of the balance sheets are translated from the foreign operation's functional currency to the Group's reporting currency, using the exchange rates prevailing at the balance sheet date. Income and costs for each of the income statements are translated to SEK using the average exchange rate prevailing at each transaction date. Foreign exchange differences arising from the currency translation of foreign operations are recognized in other comprehensive income. Accumulated profit or loss are recognized in profit (loss) for the period when the foreign entity is disposed of, wholly or in part. Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities in these operations and are translated to the exchange rate at the balance sheet date.

2.5 Revenue recognition

(i) Sales of goods and services

Revenue from external customers mainly comprise the development and manufacturing of highly engineered mission critical powertrain components for heavy duty commercial vehicles ignition systems such as 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 sales of customer specific ignition systems and components are recognized as income over time. The income is recognized as ignition systems and components are finished and delivered. The sales of development- and design services together with customer specific tools are recognized over time, as they do not have any alternative use for the Group. Development- and design services are recognized over time. Income is recognized as the tools are finished.

The agreements usually contain a number of performance obligations, such as the manufacturing of products, development services and design services. If an agreement includes more than one performance obligation, the transaction price is allocated to each separate performance obligation, based on their independent sales prices. In those cases when an independent sales price is not directly observable, the price is estimated based on expected costs plus a profit margin. The transaction price is set, but there might be variable remuneration in the shape of volume rebates, based on accumulated sales over a 12-month period. The income from the sales is recognized based on the price in the agreement, less deducted calculated rebates. Sales forecasts are used to estimate the expected values of the rebates, and income is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contractual liability is recognized for expected volume rebates in relation to sales up until and including the balance sheet date.

The Group's obligation to repair or replace defective instruments in accordance with normal guarantee regulations is recognized as a provision.

A receivable is recognized when the goods have been delivered, as this is the point in time when paying becomes unconditional.

(ii) Interest income

Interest income is recognised with the application of the effective interest method.

2.6 Leases

Accounting principles applied in the group from the first of January 2019.

The Group mainly leases offices, cars and machinery for production. The lease agreements are normally made for fixed periods of 2 to 6 years, but may have extension options as described below.

The Group recognized the leases as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. All right-of-use assets have, as per the 1st January 2019 been evaluated to the same amount as the value of the leasing debt. Adjustments have been made for pre-paid leasing fees per the 1st of January 2019 related to those leasing agreements.

Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment that are based on an index

The lease payments are discounted using the interest rate implicit in the lease.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Extension and termination options

Extension or termination options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations.

Accounting principles applied in the group 2018

The Group acts in the capacity of lessee. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the lease term (net of any incentives received from the lessor) are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are transferred to the Group, are classified as financial leases. At the beginning of the lease, the Group recognizes the financial leasing in the balance sheet at the lower of the leased asset's fair value or the present value of minimum lease payments. Every lease payment is distributed between interest and amortization of debt. The interest is recognized in profit or loss over the lease term, so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recognized for each period. Non-current assets held under finance lease agreements are depreciated over their useful life or during the shorter period of the asset's useful life and lease term, unless it is possible to determine with a reasonable degree of assurance that ownership rights are transferred to the lessee at the end of the lease term.

Currently, the Group has leases classified as operational leases, as well as classified as financial leases (machinery and equipment).

The leasing debt is included in the balance-sheet items short-term debt.

2.7 Current and deferred income tax

Tax cost for the period comprises current tax calculated based on the taxable profit (loss) for the period in accordance with valid tax rates. The cost of current tax is adjusted for changes in deferred tax assets and tax liabilities attributable to temporary differences and non-utilized loss carry forwards.

The cost of current tax is calculated based on the tax rules that are decided, or in practice decided, in those countries in which the Parent Company and its subsidiaries have operations and generate taxable income. Management regularly assesses the claims made in tax returns regarding situations where applicable tax rules are subject to interpretations. When deemed necessary, management will make provisions for the amounts that are likely to be payable to the tax authorities.

Deferred tax is recognized for all temporary differences that arise between the taxable value of assets and liabilities and their carrying values in the consolidated financial statements. However, a deferred tax liability is not recognized if it arises as a result of the initial recognition of goodwill. Neither is a deferred tax liability recognized if it arises as a result of a transaction that constitutes the initial recognition of an asset or a liability that is not a business combination and which, at the date of the transaction, neither impacts the carrying value nor the taxable profit (loss). Deferred income tax is calculated applying tax rates (or regulations) decided or announced as per the balance sheet date and which are expected to be valid when the deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that there will be future taxable surpluses against which the temporary differences can be utilized.

Deferred tax assets and tax liabilities are offset when there is a legal right of offsetting for current tax assets and tax liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authorities, and are either attributable to the same tax subject or different tax subjects, where there is an intention to settle the balances through net payments.

Current and deferred tax is recognized in the statement of comprehensive income, except for tax attributable to items that are recognized in other comprehensive income or directly in equity. In such cases, tax is recognized, too, in other comprehensive income and equity, respectively.

2.8 Intangible assets

(i) Goodwill

Goodwill arises at the acquisition of subsidiaries and consists of the amount by which the consideration, any non-controlling interest in the acquired company and fair value at the acquisition dates of previous shareholdings exceeds the fair value of identifiable net assets acquired.

In order to perform impairment tests, goodwill acquired in a business combination is allocated to cash generation units or groups of cash generating units that are expected to be benefited with synergies from the acquisition. Each unit or group of units to which goodwill has been allocated correspond to the lowest level in the Group for which the goodwill in questions is monitored in the internal governance. Goodwill is monitored based on the Group as a whole.

(ii) Capitalized expenditure for development activities

Development costs, where research results or other knowledge is applied in order to produce new or enhanced ignition systems or components, are recognized as an asset in the statement of financial position if the following criteria are met:

- it is technically feasible to complete the products so that they will be available for use;
- it is the Company's purpose to complete them so that they will be available for use or sale;
- there are prerequisites to make the products available for use or sale;
- it is possible to prove how the products are likely to generate future economic benefits;
- there are adequate technical, economic and other resources to fulfil the development and to make the products available for use or sale; and
- the costs attributable to the products during development can be reliably calculated.

The carrying value includes costs of material and direct costs for salaries. Other development costs are recognized in the statement of comprehensive income as a cost as incurred. In the statement of financial position capitalized development costs are reported at cost less accumulated depreciation and any impairment. Capitalized development expenditure is recognized as intangible assets and is depreciated from the date when the asset is ready for use. The estimated useful life is 5-6 years, which corresponds to the estimated period of time during which these assets will generate cash flows. Development costs, that do not meet these criteria, are expensed as incurred.

Development expenditure previously carried at cost is not recognized as an asset in a subsequent period.

(iii) Customer relationship and trademarks

Customer relationship and trademarks acquired as part of the business combination is accounted as fair value at the acquisition date. In the subsequent periods the value of customer relationship is calculated as the acquisition value lowered by the accumulated depreciation. The useful life is estimated to 20 years, which is similar to the period the asset will generate cash-flow. Trademarks are considered to have an indeterminate useful life. The indeterminate useful life is deemed to exist since the strategy of the group is to keep the acquired trademarks which also are considered to be a driver of future sales. In the subsequent periods the value of trademarks is calculated as the acquisition value and will be impairment tested every year.

2.9 Property, plant and equipment

Property, plant and equipment mainly comprise machinery and other technical equipment, tools, fixtures and fittings. Property, plant and equipment are recognized at cost less depreciation. In cost is included expenditure directly attributable to the acquisition of the asset.

Additional costs are added to the asset's carrying value or are recognized as a separate asset, depending on which is most suitable, only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. The carrying value of the replaced component is derecognized from the statement of financial position. All other kinds of reparations and maintenance are recognized at cost in the statement of comprehensive income in the period in which they occur.

Depreciation of assets, in order to allocate their cost to their estimated residual value over their estimated useful lives, is done on a straight-line basis according to the following:

- | | |
|--------------------------------|--------------|
| • Tools tied to the production | 3 - 5 years |
| • Machinery and equipment | 5 - 10 years |
| • Cars and computers | 3 - 5 years |

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted, if needed.

The carrying value is immediately written down to its residual value if the asset's carrying value exceeds its estimated residual value.

Profit or loss from disposals is established through a comparison of the profit from the sales and the carrying value and is recognized in "Other operating income" and "Other operating costs", respectively, in the statement of comprehensive income.

2.10 Impairment of non-financial assets

Goodwill and trademarks with an indefinite useful life or intangible assets not ready for use are not depreciated, but are tested for impairment annually or, at an indication of an impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is made in the amount to which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the greater of an asset's fair value, less cost to sell and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (Cash Generating Units, CGUs). For assets (other than goodwill and trademarks) that have previously been impaired, a test of impairment is performed on each balance sheet date if a reversal ought to be done.

2.11 Financial instruments

(i) Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms and conditions of the instrument. Purchases and sales of financial assets and liabilities are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset.

Financial instruments are initially valued at fair value plus, for an asset or liability which is not recognized at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of a financial asset or a financial liability, e.g., fees and commission fees.

(ii) Financial assets - Classification and measurement

The Group classifies and measures its financial assets in the category financial assets recognized at amortized cost

Financial assets at amortised cost

The classification of investments in debt instruments is dependent on the Group's business model or managing financial assets and the contractual terms and conditions for the assets cash flows. The Group only reclassifies debt instruments in case the Group's business model for the instruments is changed.

Assets held with the sole purpose of collecting contractual cash flows, and where these cash flows comprise only principal and interest, are carried at amortised cost. Interest income from such financial assets are recognized as financial income with application of the effective interest method.

The Group's financial assets valued at amortized cost comprise the items other financial assets, trade receivables, other receivables, accrued income and cash and cash equivalents.

(iii) Derecognition of financial assets

Purchases and sales of financial instruments are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset. Financial assets are derecognised from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred, and the Group has, in all significant aspects, transferred all risk and benefits associated with the ownership.

Profits and losses arising from derecognition from the balance sheet are recognised directly in profit and loss.

(iv) Financial liabilities - Classification and measurement

After initial recognition, the Group's financial liabilities are valued at amortised cost applying the effective interest method.

The Group's financial liabilities measured at amortised cost comprise the items bond loans, other non-current liabilities, trade payables, other liabilities and accrued costs.

(v) Derecognition of financial liabilities

Financial liabilities are derecognised from the statement of financial position when the obligations are settled, cancelled or has expired in any other way. The difference between the carrying value of a financial liability that has been extinguished or transferred to another party and the fee paid, including assets transferred, assets that are not cash and cash equivalents or assumed liabilities, are reported in the statement of comprehensive income.

When the terms and conditions of a financial liability are re-negotiated and are not derecognised from the statement of financial position, a profit or loss is reported in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

(vi) Offsetting of financial instruments

Financial assets and liabilities are offset and recognised with a net amount in the statement of financial position only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount, or to simultaneously realise the asset and settle the liability. The legal right must not be dependent on future events and it must be legally binding for the Company and the counterparty, both in the normal course of business and in case of suspension of payments, insolvency or bankruptcy.

(vii) Impairment of financial assets recognised at amortised cost

Assets recognized at amortised cost

The Group assesses future credit losses associated with assets recognized at amortized cost. The Group recognises a credit reserve for such expected credit losses on each reporting date.

For trade receivables, the Group applies the simplified approach, i.e., the reserve will correspond to the expected loss over the lifetime of the trade receivable. In order to measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized based on overdue days.

2.12 Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost comprises direct cost of goods, direct salaries and attributable direct manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included. The cost of individual items in inventories are allocated based on weighted average costs. The cost of goods for resale is established after deduction of rebates. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are amounts attributable to customers regarding goods or services sold in the ordinary course of business. Trade receivables are initially recognised at fair value (transaction price). The Group hold the trade receivables in order to collect contractual cash flows and they are, therefore, recognised at the subsequent reporting date at amortised cost using the effective interest method, less loss allowance provisions.

2.14 Cash and cash equivalents

In cash and cash equivalents are included, both in balance sheet and the statement of cash flow, bank balances.

2.15 Share capital

Ordinary shares are classified as equity.

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognised at amortized cost and any difference between the amount received (net of transaction costs), and the amount to be repaid is recognized in the statement of comprehensive income, distributed over the term of the loan, using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligations are settled, cancelled or has expired in any other way. The difference between the carrying value of a financial liability (or a portion of a financial liability) that has been extinguished or transferred to another party and the fee paid, including assets transferred, assets that are not cash and cash equivalents or assumed liabilities, are reported in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the end of the reporting period.

2.17 Provisions

Provisions for restructurings, legal claims, guarantee commitments and restoration measures are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. No provisions are made for future operating losses. Should there be a number of similar obligations, an assessment is made of the probability that an outflow of resources will be needed at settlement for the whole group of obligations.

A provision is recognised even though the probability for an outflow attributable to a certain item in this group is insignificant. Provisions are measured at the present value of the expenditure required to settle the present obligation. For this purpose, a discount rate is used reflecting a current market evaluation of the time value of money and the risks associated with the

provision. The increase of the provision due to the passing of time is recognised as interest costs.

Provisions for product guarantees are based on historic information of expenses incurred to settle requirements according to the warranty conditions.

2.18 Employee benefits

(i) Short-term benefits to employees

Liabilities for salaries and remuneration, including non-monetary benefits and paid sick leave, that are expected to be settled within 12 months after the end of the financial year, are recognized as current liabilities at the non-discounted amount expected to be paid when the liabilities are settled. The cost is recognised in the statement of comprehensive income as the services are rendered by the employees. The liability is recognized as a liability regarding employee benefits in the consolidated statement of financial position.

(ii) Pension obligations

Within the Group, there are both defined-contribution plans and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity. The Group has no legal or constructive obligation to pay additional premiums of this legal entity does not have adequate means to pay all benefits to employees, attributable to their service in current or previous periods. The premiums are reported as personnel costs in the statement of comprehensive income when they fall due.

The Group has pension obligations secured through a capital insurance. The employee carries the actuarial risk and the investment risk, and the Group carries no risk. Therefore, pension obligations are classified as defined contribution plans, and for that reason neither the asset (the capital insurance) or the obligation (the pension obligation) is recorded in the statement of financial position.

Pension obligations for Swedish white-collar employees, which is secured through an insurance with Alecta, are reported as a defined contribution plan. According to a statement from the Swedish Financial Reporting Board, UFR 10 Accounting for the pension plan ITP 2 financed through an insurance in Alecta, this is a defined benefit multi-employer plan. For the financial year 2019, the Group has not had access to information in order to be able to report its proportional share of the obligations of the plan, plan assets and costs and, therefore, it has not been possible to recognize the plan as a defined benefit plan. The ITP 2 pension plan, secured through an insurance with Alecta, is therefore reported as a defined contribution plan. The premium of the defined contributions plan for retirement pensions and survivor's pension is calculated individually, and is, among other factors, based on salary, previously earned pension and expected remaining years of service. Expected premiums for the next reporting period for ITP 2 insurances signed with Alecta is 1 700 (2 760) KSEK.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations in accordance with Alecta's actuarial methods and assessments, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125 (125)% and 175 (155)%. If Alecta's collective consolidation level falls below 125 (125)% or exceeds 175 (155)%, measure should be taken in order for the consolidation level to return to the normal interval. At a low consolidation, one measure might be to increase the price when signing new insurance agreements and an expansion of existing benefits. At a high level of consolidation, one measure might be to introduce lower premiums. At the end of the financial year 2019, Alecta's surplus of the collective consolidation level was preliminary, 148 (142)%.

The Group has defined benefit plans in the PRI system. The liability recognised in the statement of financial position regarding the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. Independent actuaries with the application of the projected unit credit method calculate the defined benefit obligation annually. The present value of the defined benefit obligation is established through discounting of estimated future cash flows using the interest rate for first class corporate bonds/mortgage bonds issues in the same currency as that, in which the remuneration will be paid with terms comparable with the pension obligation in question.

Revaluation profits and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they are incurred. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Cost for services rendered during previous periods are recognised directly in the statement of comprehensive income.

2.19 Trade payables

Trade payables are financial instruments and refer to the obligation to pay for goods and services acquired in the normal course of business from suppliers. Trade payables are classified as current liabilities if they fall due within one year. In other cases, they are recognized as non-current liabilities. Trade payables are initially recognised at fair value, and subsequently at amortised cost, applying the effective interest method.

2.20 Dividends

Dividends to the Parent Company's shareholders are recognised as a liability in the consolidated financial statements in the period when the dividend is approved by the Parent Company's shareholders.

2.21 Cash Flow Statement

Cash flow statements are prepared in accordance with the direct method. The cash flow recognized comprise only transactions that have given rise to payments to or from the Company.

3. Financial risk management

3.1 Financial risk factors

Through its operations, the Group is exposed to various financial risks attributable to accounts receivable, accounts payable and loans. Market risk, mainly interest risk, currency risk, credit risk, liquidity risk and refinancing risk. The Group strives to minimise potential unfavourable effects from these risks on the Group's financial results.

The aim of the Group's financial operations is to:

- Ensure that the Group can meet its payment
- Manage financial risks,
- Ensure a supply of necessary financing, and
- Optimise the Group's net financial income.

The Group's risk management is handled centrally by the Treasury department, which identifies, evaluates and secures financial risks in close cooperation of the Group's operating units.

(i) Market risk

- Currency risk

The Group performs operations globally and is exposed to interest and currency risks occurring from various currency exposures, primarily attributable to the US dollar (USD). Currency risk occurs from payment flows in foreign currencies, so called transaction exposure, and from the translation of foreign subsidiaries' income statements and balance sheets to the Group's reporting currency, which is Swedish kronor (SEK), so called balance exposure. Only the exposure toward USD has been judged as essential.

The Group does not hedge its currency risk exposure.

Sensitivity analysis: If the Swedish krona (SEK) had weakened/ strengthened with 10% in relation to the USD, all other factors held constant, the translated profit after tax would, at the 31st December 2019, would have been SEK 3,9 (1,0) million lower/ higher. Sensitivity is mainly attributable to trade receivables and trade payables, mainly as a result of sales and purchases in USD.

The Group's risk exposure in foreign currencies:

	31 st Dec 2019	31 st Dec 2018
	KUSD	KUSD
Accounts receivable	5 471	6 237
Accounts payables	175	198

- Interest-rate risk

Borrowings comprise bond loans in SEK with variable interest, which expose the Group to interest risk concerning cash flow. The Group does not hedge its interest rate risk regarding future cash flows.

If interest rates on borrowings at the 31st December 2019 had been 1 percentage point higher/lower, all other factors kept constant, the estimated profit after tax had been SEK 3,5 (0,02) million lower/higher, mainly as an effect of higher/lower interest expenses for borrowing with variable interest rates.

(ii) Credit risk

Credit risk is managed at Group level, with the exception of credit risk regarding outstanding accounts receivable, for which an analysis is performed by each Group company. Credit risk occurs through cash and cash equivalents and bank balances as well as credit exposures to customers. In the cases where no independent credit rating is available, a risk assessment is made of the customer's credit worthiness, in which consideration is given to the customers financial position, as well as previous experiences and other factors.

(iii) Liquidity risk

The Group ensures, through a prudent liquidity management, that there are appropriate cash and cash equivalents to meet the requirements of the day-to-day operations. Cash flow forecasts are prepared by the Group's operating units and are aggregated at Group level. On Group level, rolling forecasts are closely monitored to ensure that the Group has appropriate cash and cash equivalents to meet the demands of the day-to-day operations. Cash flow forecasts are prepared in SEK. The Group also monitor balance sheet-based liquidity measures against internal and external requirements and ensures the availability of external financing.

(iv) Refinancing risk

Refinancing risk is defined as the risk for difficulties in refinancing the Company, that financing cannot be achieved, or can only be achieved at a higher cost. The Group secures the supply of external financing.

The table below presents an analysis of the Groups non-derivative financial liabilities, divided by the time remaining on the balance sheet date to the contractual maturity date. The amounts presented in the table are contractual, non-discounted cash flows. Future cash flows in foreign currencies have been calculated based on the exchange rate and interest valid on the balance sheet date.

	Less than 3 months	Between 3 months and 1 year	Between 3 months and 1 year	Between 2 and 5 years	After 5 years	Total contractual cash flows	Carrying amount
31st December 2018							
Financial liabilities							
Bond loan	6 563	19 689	26 250	402 500	-	455 002	342 771
Leasing liability	16 502	-	-	-	-	16 502	16 502
Accounts payable	31 293	-	-	-	-	31 293	31 293
Accrued expenses and deferred income	1 624	-	-	-	-	1 624	1 624
Total	55 982	19 689	26 250	402 500	-	509 145	396 914

	Less than 3 months	Between 3 months and 1 year	Between 3 months and 1 year	Between 2 and 5 years	After 5 years	Total contractual cash flows	Carrying amount
31st December 2019							
Financial liabilities							
Bond loan	6 606	19 818	26 424	374 904	-	427 752	343 453
Leasing liability	3 524	10 195	12 743	25 402	210	52 074	50 211
Accounts payable	25 471	-	-	-	-	25 471	25 471
Accrued expenses and deferred income	1 534	-	-	-	-	1 534	1 534
Total	37 135	30 013	39 167	400 306	210	506 831	420 669

3.2 Capital management

The Group's aim regarding the capital structure is to ensure the Group's ability to continue its operations in a way to continue to generate returns to the shareholders and be of use to other stakeholders, as well as maintaining an optimal capital structure to keep costs capital costs low.

The Group assesses its capital based on Net Interest Bearing Debt/Normalised EBITDA. This key performance indicator is calculated in accordance with the terms and conditions for the bond. According to those terms and conditions only financial leasing under IAS 17 shall be included (for complete definition, see definitions on page 49).

For EBITDA and normalisations, calculations are made for the last 12 months (LTM).

The normalisations performed are cost and income of a non-recurring art, for which, according to the terms and conditions of the bond, EBITDA should be adjusted.

Net Interest Bearing Debt/Normalised EBITDA at 31st December 2019 was as follows:

Financial indebtedness MSEK	2019-12-31	2018-12-31
Bond loan	343,45	342,77
Financial leasing	21,72	16,50
Total financial indebtedness:	365,17	359,27
Less:		
Cash and cash equivalents	58,07	38,00
Total cash and cash equivalents:	58,07	38,00
Net Debt	307,10	321,27
EBITDA (LTM)	80,54	86,73
Normalisations (LTM)	2,67	3,08
Normalised EBITDA (LTM)	83,21	89,81
Senior net debt/EBITDA	3,81	3,70
Senior net debt/Normalised EBITDA	3,69	3,58

4. Significant accounting estimates and assessments

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom correspond to the actual results. The estimates and assumptions that involve a heightened risk of significant adjustments to carrying amounts for assets and liabilities during the next financial year

4.1 Test of impairment of goodwill and trademarks

The Group performs tests annually to determine whether there is a need for impairment of goodwill and trademarks, in accordance with the accounting principle presented in Note 14.1 Test of impairment of goodwill and trademarks. Residual values for cash generating units are established through the calculation of the value in use. The calculation of the residual value is based on estimated future cash flows before tax. The CEO has estimated that the sales growth, EBITDA, the discount rate and the long-term growth rate are the most significant assumptions in the impairment test.

The recognised value of Goodwill is KSEK 257 024 and of Trademarks KSEK 143 633 at the 31st December 2019. For comparison year see Note 14 and 36.

The residual value exceeds the carrying value of goodwill and trademarks with a satisfactory margin.

4.2 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 in the financial statements in 2019. This non-deductible interest means an increased tax payment in 2020 of SEK 3.2 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 annual accounts for 2019.

5. Segment information

The CEO is the chief operating decision maker of Swedish Electromagnet Invest AB Group. The CEO evaluates financial position and performance and makes strategic decisions. The CEO makes decisions on the allocation of resources and evaluate performance based on the Group as a whole. Internal reporting is also based on the Group's performance as a whole, why the Group in its entirety is deemed to make up one segment.

The majority of the Group's tangible assets relate to tangible assets in Sweden.

6. Net sales

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

	Jan – Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Revenue from contracts with customers	372 419	15 449
Total revenue	372 419	15 449

6.1 Division of revenue from customer contracts

The Group gas income according to the below specification from sales of goods and services. Income from external customers comprise mainly the production and development of ignition systems, injector stators, sensors and other components. The majority of the Group's revenue is recognised over time.

Revenue from customer contracts per goods item and service	Jan – Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Ignition systems and components	367 839	15 449
Design and development services	4 580	-
Total	372 419	15 449

Net sales per geographical market	Jan – Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Sweden	92 425	3 580
Europe excl. Sweden	45 683	1 419
North America	162 536	6 350
Other markets	71 776	4 100
Total	372 419	15 449

7. Auditors' fees

	Group		Parent company	
	2019	2018	2019	2018
PwC				
Audit assignments	803	29	248	-
Auditing activities in addition to the audit assignment	-	-	-	-
Tax advice	439	-	-	-
Other services	942	62	187	-
Other				
Other services	9	-	-	-

Audit assignment implies the audit of the Annual Report and the accounts, as well as the administration of the Board of Directors and the President, other tasks that the Company's auditor is responsible for performing and such advisory or other assistance that is caused by observations at such an audit or the performing of such other tasks. Other services mainly comprise fees regarding the IFRS conversion and tax advice concerns a transfer price policy. The above-mentioned fees relate to the following: PwC AB Sweden, audit assignments 502 (29) KSEK, auditing activities in addition to the audit assignment 352 (0) KSEK (tax advice) and other services 895 (62) KSEK.

8. Costs broken down by type of cost

	Jan – Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Raw materials and consumables	-157 551	-6 525
Employee benefits	-100 535	-4 378
Capitalized development hours	6 799	-
Depreciation of tangible assets	-13 584	-442
Depreciation of right-of-use assets	-12 379	-
Amortisation of intangible assets	-9 001	-437
Other external expenses	-40 749	-3 368
Total operating costs	-327 000	-15 150

9. Depreciation per function

	Jan – Dec 2019				26 th March – 31 st Dec 2018		
	Tangible assets	Right-of-use assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
Cost of goods sold	3 212	12 379	-	15 591	345	-	345
Selling expenses	489	-	8 444	8 933	20	-	20
Administrative expenses	622	-	-	622	29	286	315
Research and development expenses	9 261	-	557	9 818	437	-	437
Total depreciation/amortisation	13 584	12 379	9 001	34 964	831	286	1 117

10. Employee benefits, etc.

	1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Salaries and other remuneration	71 512	2 782
Social security contributions	19 526	720
Pension costs – defined contribution plans	9 497	387
Total employee benefits	100 535	3 889

Salaries and other remuneration and social security expenses

	1 st Jan 2019 – 31 st Dec 2019		26 th Mar 2018 – 31 st Dec 2018	
	Salaries and other remuneration (of which bonuses)	Social security expenses (of which pension cost)	Salaries and other remuneration (of which bonuses)	Social security expenses (of which pension cost)
Board members, CEOs and other senior executives*	16 233 (801)	6 263 (2 935)	626 (129)	325 (123)
Other employees	55 279 (160)	22 495 (6 562)	2 157 (-)	782 (264)
Group total	71 512 (961)	29 023 (9 497)	2 782 (129)	1 106 (386)

*Pertains to all senior executives in the Parent Company and subsidiaries.

Average number of employees geographically broken down by country

	1 st Jan 2019 – 31 st Dec 2019		26 th Mar 2018 – 31 st Dec 2018	
	Number on the balance sheet date	Of which men	Number on the balance sheet date	Of which men
Sweden	120	73	119	75
China	81	17	104	22
North America	1	1	1	1
Group total	202	98	224	98

Gender distribution in the Group (incl. subsidiaries) for Board members and other senior executives

	1 st Jan 2019 – 31 st Dec 2019		26 th Mar 2018 – 31 st Dec 2018	
	Number on the balance sheet date	Of which men	Number on the balance sheet date	Of which men
Board members	5	3	5	3
President and other senior executives	14	8	14	8
Group total	19	11	19	11

Remuneration and other benefits 2019

Below only applies to Group executives.

	Basic salary/ Board fee	Variable remuneration	Other benefits	Pension costs	Consultant fee	Total
Chairman, Halvar Jonzon	200 (8)	-	-	-	176 (9)	376 (17)
Board member, Christina Hallin	200 (8)	-	-	-	-	200 (8)
Board member, Hasse Johansson	200 (8)	-	-	-	-	200 (8)
President	3 470 (94)	- (50)	127 (4)	840 (35)	-	4 437 (183)
Other senior executives (8 persons)	6 360 (254)	-	313 (36)	1 683 (60)	-	8 356 (350)
Total	10 430 (372)	- (50)	440 (40)	2 523 (95)	176 (9)	13 569 (566)

The Chairman of the Board has, in addition to the Board fee, received KSEK 176 (9) for consultant work regarding, inter alia, purchase strategy within the Group.

Other benefits pertain to fuel and car benefits as well as health insurance.

10.1 Guidelines

The Chairman, Halvar Jonzon and members of the Board Christina Hallin and Hasse Johansson are paid fees in accordance with the resolution at the AGM, KSEK 200 (8) each.

To Group management, the AGM has resolved the following guidelines for remuneration. Remuneration to the President and other senior executives comprise basic salary, variable remuneration (only CEO), other benefits and pensions. By other senior executives are meant the 8 persons who, together with the President, make up SEM AB's management team.

10.2 Bonuses

For the President, bonus is based on two thirds of the Group's operating profit, and on one third on individual goals set by the Board. For 2019, no bonus has been issued.

10.3 Pensions

The Group has defined benefits plans as well as defined contribution plans in accordance with the central collective agreement, except for the President, who as a pension provision of 35% in accordance with a special agreement. Pension cost pertains to the cost that has impact profit/loss for the year.

The retirement age for the President, as well as for other senior executives, is 67 years.

No pension obligations have been made for any Board member.

10.4 Severance pay

Between the Company and the President a mutual period of notice of 6 months is agreed. Should the Company end the employment, severance pay of 16 monthly salaries is paid. Severance pay is not settled against other income. Should the President be employed by, or in any other way engage in, a competing company, severance pay will not be paid. Should the President leave notice, no severance pay will be paid.

Between the Company and other senior executives, periods of notice are governed by a central collective agreement, or in accordance with special agreements and, in that case, with a period of notice of 3–4 months.

11. Financial income and expenses

	1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Interest income	34	2
Total financial income	34	2
Interest expenses – bond loan	-26 628	-1 245
Interest expenses – leasing debt	-2 075	-
Other financial expenses	-2 241	-92
Total financial expenses	-30 944	-1 337
Financial items – net	-30 910	-1 335

12. Income tax

	1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Deffered tax	-1 164	-
Current tax	-5 653	220
Total tax	-6 817	220

	1 st Jan 2019 – 31 st Dec 2019		26 th Mar 2018 – 31 st Dec 2018	
	Profit/Loss	Tax, %	Profit/Loss	Tax, %
Profit before tax	14 668	-	-1 036	-
Theoretical tax rate	-3 279	-22,4	226	-21,8
Tax effects from:				
Non-tax items	70	0,5	-	-
Non-deductible items	-637	-4,3	-	-
Change in valuation of deferred tax	-3 257	-22,2	-	-
Changes in tax rates	117	0,8	-6	0,6
Other	169	1,2	-	-
Income tax	-6 817	-46,5	220	-21,2

The theoretical tax rate is calculated based on a weighting of the Group's profit/loss before tax, by country, multiplied by local corporate tax.

The corporate tax rate has been 21,4% during 2019 and will be lowered to 20.6% for financial years commencing on the 1st January 2021.

Tax attributable to components of other comprehensive income is KSEK 80 (77).

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

Following the introduction of the new rules on interest deduction limitations in Sweden, the Group recorded a non-deductible interest in the financial statements in 2019. This non-deductible interest means an increased tax payment in 2020 of SEK 3.2 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 annual accounts for 2019.

13. Investments in subsidiaries

The Group had the following subsidiaries at the 31st December 2019:

Name	Country of registration and operations	Operations	Share of ordinary shares owned directly by the Parent Company (%)	Share of common shares owned by the Group (%)
<i>Direct ownership</i>				
Swedish Electromagnet Holding AB	Sweden	Intra-Group services	100%	100%
<i>Indirect ownership</i>				
SEM AB	Sweden	Production/Sales		100%
SEM Technology (Suzhou) Co Ltd	China	Production/Sales		100%
Senfusion AB	Sweden	Patents		100%
SEM Technology Inc	USA	Sales services		100%

14. Intangible assets

31 st December 2018	Goodwill	Trademarks	Customer relations	Capitalised expenditure for development work and patents	Total
Acquired cost	505 092	-	-	841	505 933
Closing accumulated acquisition cost	505 092			841	505 933
Opening accumulated amortisation	-	-	-	-	-
Depreciation for the year	-	-	-	-286	-286
Closing accumulated depreciation	-	-	-	-286	-286
Carrying amount at 31st December 2018	505 092	-	-	555	505 647
Carrying amount before	505 092	-	-	555	505 647
Reclassification according to final purchase price allocation see Note 36	-248 068	143 633	168 417	-	63 982
Carrying amount after final purchase price allocation per 2018-12-31	257 024	143 633	168 417	555	569 629
Opening accumulated cost	257 024	143 633	168 417	5 029	574 103
Purchased/Internal development work	-	-	-	3 183	3 183
Closing accumulated acquisition cost	257 024	143 633	168 417	8 212	577 286
Opening accumulated amortisation	-	-	-	-4 474	-4 474
Depreciation for the year	-	-	-8 444	-557	-9 001
Closing accumulated depreciation	-	-	-8 444	-5 031	-13 475
Carrying amount at 31st December 2019	257 024	143 633	159 973	3 181	563 811

14.1 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.

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 13% has been used in the present value calculation of estimated future cash flows. Growth rate within the forecast period of 18%. Discounted cash flows have been extrapolated with a long-term growth rate of 2% after the forecast period of 5 years.

The residual value exceeds the carrying amount of goodwill and trademarks.

Below sensitivity analysis has been carried out where the recoverable value continues to exceed the carrying amount by a good margin:

- the discount rate before tax had increased with 10% (10%), so to say, had been 14,3%,
- 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%).

15. Tangible assets

	Plant and machinery	Right-of-use assets	Equipment, tools, fixtures and fittings	Total
2018				
Acquired acquisition value	8 080	-	52 460	60 540
Translation differences	-40	-	-23	-63
Closing accumulated acquisition cost 2018	8 040	-	52 437	60 477
2019				
Opening accumulated cost	8 040	-	52 437	60 477
Effect of transition to IFRS 16	-	53 516	-19 942	33 574
Acquired cost for the year	3 981	10 297	5 140	19 418
Closing accumulated acquisition cost 2019	12 021	63 813	37 635	113 469

2018				
Depreciation for the year	-43	-	-788	-831
Translation differences	29	-	16	45
Closing accumulated depreciation 2018	-14	-	-772	-786
2019				
Opening accumulated depreciation	-14	-	-772	-786
Depreciation for the year	-2 247	-12 379	-11 338	-25 964
Translation differences	525	175	-282	418
Closing accumulated depreciation 2019	-1 736	-12 204	-12 392	-26 332
Carrying amount at 31st December 2019	10 285	51 609	25 243	87 137

Right-of-use assets

Ending balance 2018-12-31 Financial leasing agreements	19 942
Effect from transition to IFRS16	
New right-of-use assets (old operational leases)	33 574
Right-of-use assets accounted for per 1st of January 2019	53 516

Valuation of leasing debt

Operational leases per 2018-12-31	11 362
Discounting with the lessee's marginal loan interest rate at the time of the transition	3 181
Additional debts financial leases	16 502
Less leasing agreements for which the underlying asset is of low value which is not recognized as a liability	-360
Additional adjustments due to handling of options to prolong and end agreements	19 391
Leasing debts accounted for per 1st of January 2019	50 076

From the 1st of January 2019 leased assets are reported in a separate row in the balance sheet as "Right-of-use assets", see Note 25.2. Leasing agreements and Note 2.6 for enlightenment about amended accounting principles.

16. Financial instruments by category

	Financial assets measured at amortised cost	
	31 st Dec 2019	31 st Dec 2018
Assets in the balance sheet		
Accounts receivable	73 257	80 926
Cash and cash equivalents	58 069	37 999
Total	131 326	118 925

	Financial debts measured at amortised cost	
	31 st Dec 2019	31 st Dec 2018
Liabilities in the balance sheet		
Bond loan	343 453	342 771
Accounts payables	25 471	31 293
Leasing liability	50 211	16 502
Total	419 135	390 566

17. Accounts receivable

	31 st Dec 2019	31 st Dec 2018
Accounts receivable	73 336	80 926
Less: provision for expected credit losses	-79	-
Accounts receivable – net	73 257	80 926

Carrying amounts, by currency, for the Group's accounts receivable are as follows:

	31 st Dec 2019	31 st Dec 2018
SWEDISH KRONOR (SEK)	17 728	24 759
USD	50 974	56 167
EUR	4 555	-
Total	73 257	80 926

The maximal exposure to credit risk on the balance sheet date is the carrying amounts according to the above. Fair value of accounts receivable corresponds to their carrying amounts, as the discount effect is not significant.

18. Inventories

During the financial year 1st January 2019 – 31st December 2019, cost of goods of KSEK 157 551 (6 525) have been recognised in the statement of comprehensive income. It was recognised as cost of goods sold.

Impairment of inventories to the net sales value amounts to KSEK 0 (0). The impairment has been recognised in the statement of comprehensive income as cost of goods sold.

19. Other receivables

	31 st Dec 2019	31 st Dec 2018
Value added tax	675	2 339
Deposits	-	1 239
Advance payments from customers	309	424
Outlay for customers	493	-
Other items	267	358
Total	1 745	4 360

20. Accrued income - not yet invoiced

	31 st Dec 2019	31 st Dec 2018
Accrued income in development projects towards customers	1 600	-
Total	1 600	-

21. Prepaid expenses and accrued income

	31 st Dec 2019	31 st Dec 2018
Prepaid rental charges	-	867
Prepaid lease payments	57	453
Prepaid insurance payments	703	-
Prepaid supplier invoices	7 086	-
Other items	1 723	1 352
Total	9 569	2 672

22. Cash and cash equivalents

	31 st Dec 2019	31 st Dec 2018
Bank balances	58 069	37 999
Total	58 069	37 999

23. Share capital and other contributed capital

On the 31st December 2019, share capital consists of 2 000 000 ordinary shares with a quota value of SEK 0.25 with a quota. The shares carry a voting power of one vote/share. All shares issued by the Parent Company are fully paid.

Other contributed capital consists of an unconditional shareholders' contribution of KSEK 325 000 (325 000) from the shareholders in connection with the acquisition of the Swedish Electromagnet Holding AB Group.

Reserves of KSEK 310 (93) consists of exchange differences occurring from the translation of foreign operations in another currency than the functional currency of the Group (SEK).

Retained earnings including profit/loss for the year of KSEK 5 995 (-1 112) consists of accumulated profits and the revaluation of defined benefit plans.

24. Borrowing

	31 st Dec 2019	31 st Dec 2018
Non-current		
Bond loan	343 453	342 771
Leasing liability	36 140	-
Total	379 593	342 771
Current		
Leasing liability	14 071	16 502
Total	14 071	16 502

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 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 2019 until 31st of December 2019.

	Carrying amount 31 st Dec 2019	Fair value 31 st Dec 2019	Carrying amount 31 st Dec 2018	Fair value 31 st Dec 2018
Bond loan	343 453	348 250	342 771	342 771

The fair value of the bond loan has been valued at level 1 of the fair value hierarchy, ie the quoted market price per 2019-12-31.

25. Leasing

25.1 Liabilities regarding financial leasing

The information in this note only concern the financial year 2018. For information about leasing in 2019 please see note 25.2.

The Group leases certain tangible assets through financial leases. The leases pertain to production equipment. The leases expires in 3 months when all contracts are redeemed and transferred to a new bank. During this transition no significant changes accrued regarding contract period or other terms. The carrying amount of the leases is KSEK 16 502.

Future total minimum lease payments that are to be paid for financial leases:

	2018
Within 1 year	16 502
Total minimum lease payments	16 502
Present value of minimum lease payments	16 502

Present value of the financial lease liability is as follows:

Within 1 year	16 502
Total present value of liabilities regarding financial leases	16 502

25.2 Leasing agreements

From the 1st of January 2019 leased assets are reported in a separate row in the balance sheet called right-of-use assets. Presented below is information about those leasing agreements and leasing agreements of less value. The group has during 2019 had no short-term leasing agreements.

Reported amount in Balance Sheet regarding leasing debt	31 st Dec 2019	1 st Jan 2019
Right-of-use assets		
Machinery	24 153	19 942
Premises and cars*	27 456	33 574
Total	51 609	53 516
Leasing debt		
Long-term leasing debt	36 140	33 574
Short-term leasing debt	14 071	16 502
Total	50 211	50 076

Additional right-of-use assets during 2019 amount to thousands 10 472 SEK.

The leasing agreements runs between 2 – 6 years but options to extend or terminate agreements exists. As per the 31st of December 2019 there were potential, future cash outflows of thousands 12 604 SEK not included in the leasing debt since it was not reasonably conceivable that the agreements would be extended.

Below amounts considering leasing agreements is included in the statement of comprehensive income:

	2019
Depreciation right-of-use assets	
Machinery	5 522
Premises and cars*	6 857
Total	12 379
<i>Financial costs</i>	
Interest cost leasing debt	2 075
Total	2 075

Fees regarding leasing agreements for which the underlying asset is of low value and not classified as short-term including with KSEK 120 (157) in administrative expenses in the total comprehensive income for the period.

Contracted investments concerning right-of-use assets at the end of the reporting period which have not yet been accounted for in the financial reports amounts to thousands 11 490 (-) SEK. The investments consist of a winding machine and an assembly line for the new sensor line. The contracts are expected to start in the first half of 2020.

Total cash flow from leasing agreements during 2019 amounts to thousands 11 828 SEK.

Maturity analysis of the leasing debt can be found in note 3.

*Cars consist of only a few leasing cars, which is why they make up a small proportion of both the rights of use and the depreciation of the rights of use.

26. Provisions for pensions and similar obligations

The Group has an unfunded, defined benefit plan in Sweden which is closed for future vesting of pensions. The defined benefit plan is based on final salary, which gives employees covered by the plan benefits in the form of a guaranteed level of the pension payments during their lifetime. The level of the benefit is dependent on the employee's years of service and salary at pension.

The amounts recognised in the statement of financial position and changes in the defined benefit plan for the year, are as follows.

	Present value of the obligation 31 st Dec 2019	Present value of the obligation 31 st Dec 2018
Acquired balance	-	5 380
Starting balance	5 226	-
Cost of service in the current year	-	-
Cost of service in previous years	-	-
Interest expenses/(income)	74	76
Total	5 300	5 439
Revaluations:		
- (Profit)/loss resulting from changed financial assumptions	277	223
- (Profit)/loss resulting from experience-based adjustments	111	150
Total recognised in other comprehensive income	388	373
Fees from:		
- The employer	-	-
- Employees covered by the plan	-	-
Payments from the plan	-532	-603
31st of December 2019	5 156	5 226
The most significant actuarial assumptions were as follows:	2019-12-31	2018-12-31
Discount rate	1,10%	1,7%
Inflation	1,80%	2,0%

Assumptions regarding life expectancy is based on official statistics and experience from mortality investigations in Sweden and are set in cooperation with actuarial experts.

The sensitivity of the defined benefit plan regarding changes in the weighted significant assumptions are:

	Impact on the defined benefit obligation		
	Changes in assumptions 2019-12-31	Increase in assumptions 2019-12-31	Decrease in assumptions 2019-12-31
Discount rate	0,50%	Decrease of 4,9%	Increase of 5,3%
Inflation	0,50%	Increase of 5,2%	Decrease of 4,8%
Life expectancy	+/- 1 year	Increase of 4,9%	Decrease of 4,8%

The above sensitivity analyses are based on a change in one assumption, while all other assumptions are held constant. In reality, this is unlikely to happen, and changes in some of the assumptions might be correlated. In the calculation of the sensitivity of the defined benefit obligation of significant actuarial assumptions, the same method is applied (the present value of the defined benefit obligation with the application of the projected unit credit method at the end of the reporting period) which, at the calculation of the pension liability, is recognised in the statement of financial position.

Weighted average term for the pension obligation amounts to 10 years.

27. Other provisions

	Warranty commitments	Total
Opening balance 1 st January 2019	950	950
Change during the year*	-	-
Closing balance 31st December 2019	950	950

*The Group's provision to repair or replace erroneous products in accordance with normal warranty regulations is recognised as a provision.

28. Deferred tax

The outgoing balance of deferred tax assets amount to KSEK 0 (1 948) KSEK at the 31st December 2019. Net profit change amounts to -1 948 (911) KSEK.

Deferred tax assets mainly pertain to other temporary differences and intangible assets related to acquisitions and amount to KSEK 65 585 (1 985) at the 31st December 2019 and are expected to be after 12 months. Net profit change amounts to KSEK -818 (1 760).

Gross changes in deferred tax assets and liabilities during the year, without consideration taken to off settings made within the same fiscal jurisdiction, is presented below:

Deferred tax assets	Tangible assets	Inventories	Loss carry-forward	Pension obligations	Other	Total
Starting balance acquisition 2018	382	428	-	-	227	1 037
Recognised in the statement of comprehensive income	322	-	399	-	113	834
Recognised in other comprehensive income	-	-	-	77	-	77
31-dec-18	704	428	399	77	340	1 948
Starting balance 2019	704	428	399	77	340	1 948
Recognised in the statement of comprehensive income	-1 136	-428	-399	-	-285	-2 248
Recognised in other comprehensive income	-	-	-	3	-	3
Reclassification to deferred tax liability	432	-	-	-80	-55	297
31-dec-19	-	-	-	-	-	-

Deferred tax liabilities	Group surplus value of intangible assets	Deferred tax on untaxed reserves	Other	Total
Starting balance acquisition 2018	225	-	-	225
Recognised in the statement of comprehensive income	-103	1 760	-	1 657
Adjustment final Purchase Price Allocation	64 521	-	-	64 521
31-dec-18	64 643	1 760	-	66 403
Starting balance 2019	64 643	1 760	-	66 403
Recognised in the statement of comprehensive income	-2 033	899	-	-1 134
Recognised in other comprehensive income	-	-	-	-
Reclassification from deferred tax liability	-	-	297	297
Exchange differences	-	-	19	19
31-dec-19	62 610	2 659	316	65 585

No deferred tax on leasing has been applied.

29. Other current liabilities

	31 st Dec 2019	31 st Dec 2018
Financial lease liability	-	16 502
Personnel tax	1 394	1 807
Salary tax and social security contributions	2 972	2 825
Other items	-	94
Total	4 366	21 228

30. Invoiced income - not yet accrued

	31 st Dec 2019	31 st Dec 2018
Advanced payment from customer concerning development project	1 960	-
Total	1 960	-

Income will be reported during the first half of 2020.

31. Accrued expenses and deferred income

	31 st Dec 2019	31 st Dec 2018
Accrued payroll	839	-
Accrued holiday pay	6 808	6 623
Accrued social security contributions	3 341	1 960
Accrued interest rate bond loan	1 534	-
Other items	4 902	10 227
Total	17 424	18 810

32. Pledged collateral

	31 st Dec 2019	31 st Dec 2018
Amounts recognised for assets pledged as collateral		
<i>Regarding provisions for pensions and similar obligations</i>		
Chattel mortgages	8 000	8 000
<i>Regarding liabilities to credit institutions</i>		
Chattel mortgages	50 000	50 000
<i>Regarding bond loan</i>		
Shares in subsidiaries	427 198	418 952
<i>Leasing</i>		
Plant and machinery	24 153	19 942

33. Operating leases

33.1 Obligations regarding operating leases

Information in this note only applies to financial year 2018, for information regarding financial year 2019, see note 24. Leasing expenses amounting to KSEK 288 regarding leasing of properties, cars and office equipment are included in the statement of comprehensive income. Lease terms vary between 3 and 5 years. Future combined minimum leasing fees for non-cancellable leases are according to the following:

	2018
Within 1 year	6 128
Between 1 and 5 years	5 234
After 5 years	-
Total	11 362

34. Related-party transactions

Swedish Electromagnet Invest AB (publ) is majority owned by Procuritas Capital Investors V, L.P., headquartered in Guernsey. Swedish Electromagnet Invest AB (publ) is the largest Group in which consolidated accounts are prepared. Related parties are all subsidiaries within the Groups as well as senior executives and their associates. Sales are performed between the Group's subsidiaries. Information of the Board of Directors and senior executives as well as remuneration for these are found in Note 10 Employee benefits. For disclosures of the Parent Company's transactions with related parties, please refer to Note 51 Related under the Parent Company.

35. Changes in Liabilities attributable to financing activities

2018	Acquired balance	Cash inflow	Cash outflow	Items not affecting cash flow	31 st Dec 2018
Bond loan	-	350 000	-8 853	1 624	342 771
Bank loan	152 000	-	-152 000	-	-
Shareholder's loan	96 064	-	-96 064	-	-
Total	248 064	350 000	-256 917	1 624	342 771

2019	Starting balance	Cash inflow	Cash outflow	Items not affecting cash flow	Affect from transition to IFRS16	31 st Dec 2019
Bond loan	342 771	-	-	682	-	343 453
Non-current leasing liability	-	-	-7 049	9 615	33 574	36 140
Current leasing liability	-	-	-2 431	-	16 502	14 071
Total	342 771	-	-9 480	10 297	50 076	393 664

36. Final purchase price allocation regarding previous acquisitions

The purchase price allocation regarding the acquisition of the Swedish Electromagnet Holding Group that was included in the annual report for 2018 was preliminary as final valuation of intangible assets had not yet been completed. The PPA is now completed the 2019-06-30 and the table below summarizes the final PPA.

Purchase price as per December 11, 2018

Cash paid	95 824
Vendor loan converted to unconditional shareholders' contribution	325 000
Total purchase price	420 824

The assets and liabilities recognised as a result of the acquisition are as follows:

	KSEK
Cash	40 634
Intangible assets (including customer relationships and trademark)	313 359
Property, plant and equipment	56 559
Inventory	53 439
Financial assets	77
Deferred tax assets	1 037
Trade receivables and other current receivables	90 563
Non-current liabilities	-253 458
Deferred tax liabilities	-64 746
Provisions for pensions and similar obligations	-6 135
Trade payables and other current liabilities	-67 529
Net identifiable assets acquired	163 800
Goodwill	257 024

The most significant differences compared to the previously published PPA relate to the following items:

Recognised amounts	Preliminary PPA	Adjustment	Final PPA
Goodwill	505 092	-248 068	257 024
Intangible assets, customer relationships	-	168 886	168 886
Intangible assets, trademarks	-	143 633	143 633
Deferred tax liabilities	-225	-64 521	-64 746
Acquisition related costs	-70	70	-

Effects of the final purchase price allocation

When preparing the final purchase price allocation, additional intangible assets in the form of customer relationships have been identified which are amortised over a period of 20 years. They are amortised from the acquisition date, which means that additional amortisation is reported for 2019 and going forward and an effect on opening equity. The effect on the income statement and equity is described below:

Reconciliation of equity	Amount in KSEK
Equity on December 31, 2018	324 295
Adjusted amortisation of customer relationships and reversal of deferred tax	-366
Acquisition related costs	-70
Adjusted equity on December 31, 2018	323 859

Effect on the income statement January – December 2019 KSEK	January – December
Amortisation of customer relationships	-8 444
Reversal of deferred tax	1 808
Total effect on the income statement	-6 636

37. Events after the end of the reporting period

The Company's operations in Sweden started as planned after the Christmas break. The majority of the staff who were laid off during the autumn ended their employment at the end of January. The cost for this amounted to SEK 295 thousand. The sum includes the cost of work exemptions and pension payments for laid-off persons with a short time remaining to retirement. The order backlog, which weakened during the 4th quarter, then went up slightly. Project activities are still at a high level.

The Covid-19 pandemic hit our business in Suzhou, China, during the first quarter. The start of operations was delayed from 31st of January to 13th of February with approximately 45% of the staff in place. The rest of the staff returned as fast as the local quarantine rules allowed. The delayed and gradual start-up had a negligible financial impact on the Company. To our knowledge, the delay has not caused any problems for our customers. In some cases, delayed or missing deliveries to us have led to the company having to buy components from other suppliers. Nor has this had any material financial impact on the Company.

During the latter part of the first quarter some customers decided to close, or significantly reduce, their production as a result of Covid-19. This has resulted in delays in deliveries and, to date, a limited number of order cancellations for the Company. As a result, the Company initiated short-term furlough for a smaller group of personnel in Sweden. The full effect of Covid-19 on the Company is not possible to predict. The company's management team follows developments in daily meetings and reports weekly to the Board and the principal owner. Management also has a close dialogue with customers, suppliers and other stakeholders. The Company is well prepared for taking further action if needed.

Parent Company financial statements

PARENT COMPANY INCOME STATEMENT

Amounts in KSEK	Note	Financial year	
		1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Net sales	51	11 040	-
Gross profit		11 040	-
Administrative expenses	39	-3 774	-240
Operating profit (loss)		7 266	-240
Profit (loss) from financial items			
Financial expenses	40	-28 841	-1 624
Net financial items		-28 841	-1 624
Profit (loss) after financial items		-21 575	-1 864
Change in accrual fund		-4 143	-
Group contribution		40 000	-
Profit (loss) before tax		14 282	-1 864
Tax for the period	41	-6 315	399
Net result for the period		7 967	-1 465

In the Parent Company, there are no items recognised as other comprehensive income, why the total comprehensive income for the year corresponds to profit/loss for the year.

The notes on pages 42 to 48 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY BALANCE SHEET

Amounts in KSEK	Note	31 st Dec 2019	31 st Dec 2018
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Participation in Group companies	41	420 893	420 893
Deferred tax assets	49	-	399
Total financial assets		420 893	421 292
Total non-current assets		420 893	421 292
Current assets			
<i>Current receivables</i>			
Receivables from Group companies	51	263 677	246 476
Current tax asset		48	-
Other current receivables	43	-	325
Prepaid expenses and accrued income	44	3 488	-
Total current assets		266 603	246 801
Cash and bank balances	45	484	509
Total current assets		267 087	247 310
TOTAL ASSETS		687 980	668 602

The notes on pages 42 to 48 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY BALANCE SHEET

KSEK	Note	31 st Dec 2019	31 st Dec 2018
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital		500	500
Non-restricted equity			
Retained earnings	53	323 535	325 000
Profit/(loss) for the period	53	7 967	-1 465
Total equity		332 002	324 035
UNTAXED RESERVS			
Accrued fund		4 143	-
Total untaxed reservs		4 143	-
LIABILITIES			
Non-current liabilities			
Bond loan	46	343 453	342 771
Total non-current liabilities		343 453	342 771
Current liabilities			
Trade payables		324	1 719
Liabilities to Group companies	51	-	77
Current tax liabilities		5 916	-
Other liabilities	47	818	-
Accrued expenses and prepaid income	48	1 934	-
Total current liabilities		8 992	1 796
Total liabilities		352 445	344 567
TOTAL EQUITY AND LIABILITIES		688 590	668 602

The notes on pages 42 to 48 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity	Non-restricted equity			Total equity
	Share capital	Other contributed capital	Retained earnings	Profit for the year	
Amounts in KSEK					
Opening balance at 1st December 2019	500	325 000	-1 465	-	324 035
Profit/loss for the year and comprehensive income	-	-	-	7 967	7 967
Closing balance at 31st December 2019	500	325 000	-1 465	7 967	332 002

The notes on pages 42 to 48 constitute an integrated part of the Parent Company accounts.

PARENT COMPANY CASH FLOW STATEMENT

Amounts in KSEK	Financial year		Financial year
	Not	1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Cash flow from operating activities			
Operating profit		7 266	-240
Interest paid		-27 384	-1 624
Income tax paid		-48	-
Cash flow from operating activities before changes in working capital		-20 166	-1 864
Changes in current operating receivables		-20 364	-325
Changes in accounts payable		-1 395	-
Changes in current operating liabilities		1 218	1 719
Cash flow before changes in working capital		-20 541	1 394
Cash flow from operating activities		-40 707	-470
Cash flow from investing activities			
Acquisition of subsidiaries		-	-95 893
Cash flow from investing activities		-	-95 893
Cash flow from financing activities			
Loans to subsidiaries	51	-	-246 399
Share issue		-	500
Change in long-term debt	52	682	-
Received group contribution		40 000	-
Issuance of bond loan	46	-	342 771
Cash flow from financing activities		40 682	96 872
Decrease/increase of cash and cash equivalents			
Cash and cash equivalents at beginning of the year		509	-
Net cash flow during the financial year		-25	509
Closing cash and cash equivalents	45	484	509

The notes on pages 42 to 48 constitute an integrated part of the Parent Company accounts.

38. Parent Company accounting policies

The most significant accounting policies that were applied in the preparation of these annual accounts are presented below. These policies have been applied consequently for all financial years presented, unless otherwise stated.

The Annual Report for the Parent Company was prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. If the Parent Company applies other accounting policies than the Group's account policies these are presented below.

The annual accounts have been prepared in accordance with the acquisition cost method.

The preparation of annual accounts in accordance with IFRS requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Group's accounting policies. Areas that comprise a high level of assessments, that are complex, or areas where estimates and assessments are significant for the consolidated financial statements, are presented in Note 4 of the consolidated accounts.

The Parent Company is, through its operations, exposed to a number of different financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management policy of the Parent Company is focused on the unpredictability of the financial markets and strive to minimise potential negative effects on the Group's performance. For more information on financial risks, please refer to the consolidated financial accounts, Note 3.

The Parent Company applies different accounting policies than the Group in the cases presented below:

38.1 Formats

The income statement and balance sheet are in accordance with the format of the Annual Accounts Act. Statement of changes in equity is in accordance with the Group's format, but should contain the columns stipulated in the Annual Accounts Act. Further, this entails differences in terms, mainly regarding financial income and costs and equity.

38.2 Participations in subsidiaries

Participations in subsidiaries are recognised at cost, adjusted for any impairment. In cost are included acquisition related costs and any additional purchase price.

Whenever there is an indication that participations in subsidiaries has decreased in value, a calculation of the recoverable amount is performed. If this is lower than the carrying value, an impairment is made. Impairment is recognized in the item "Performance from participation in Group companies".

38.3 Shareholders' contributions and Group contributions

Group contributions from Parent Company to subsidiaries and Group contributions received by the Parent Company from a subsidiary are recognised as appropriations. The shareholders' contribution paid is recognised in the Parent Company as an increase of carrying value of the participation, and in the receiving company as an increase of equity.

38.4 Financial instruments

IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the points in RFR 2 (IFRS 9 Financial instruments, p. 3-10).

Financial instruments are valued based on cost. In subsequent periods, financial assets acquired as short-term investments will be recognized in accordance with the principle of the lowest value, to the lowest of cost and market value. Derivate instruments with negative fair values are reported at this value.

At the calculation of the net sales value of receivables reported as current assets, the principles for impairment tests and provisions for bad debts in IFRS 9 should be applied. For an asset recognized at amortized cost at consolidated level, this implies that the provision for bad debts recognized in the consolidated financial statements should also be recognized in the Parent Company.

39. Employee benefits, etc.

Salaries and other remuneration and social security expenses

	1 st Jan 2019 - 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Salaries and other remuneration	600	-
Social security contributions	104	-
Total employee benefits	704	-

Board members have received salaries and social security expenses, according to above.
Previous year salaries to Board members was paid from Swedish Electromagnet Holding AB.

Average number of employees

	1 st Jan 2019 - 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
	Number on the balance sheet day	Number on the balance sheet day
Women	1	1
Men	2	2
Total	3	3

Members of the Board and senior executives

	1 st Jan 2019 - 31 st Dec 2019		26 th Mar 2018 – 31 st Dec 2018	
	Number on the balance sheet date	Of which men	Number on the balance sheet date	Of which men
Board members	5	3	5	3
President and other senior executives	1	1	1	1
Totalt	6	4	6	4

During the year, the President have not received salaries or other remuneration.

40. Interest income and similar profit/loss items and interest expenses and similar items

	1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Interest expenses, external	-26 628	-1 531
Other financial expenses	-2 213	-93
Total interest expenses and similar profit/loss items	-28 841	-1 624
Total financial items – net	-28 841	-1 624

41. Tax on profit for the year

Recognised tax in the income statement	1 st Jan 2019 – 31 st Dec 2019	26 th Mar 2018 – 31 st Dec 2018
Current tax:	-5 916	-
Deferred tax	-399	399
Tax on profit for the year	-6 315	399

	1 st Jan 2019 – 31 st Dec 2019		26 th Mar 2018 – 31 st Dec 2018	
	Profit/loss	Tax, %	Profit/loss	Tax, %
Profit before tax	14 282	-	-1 864	-
Theoretical tax rate	-3 056	21,4	410	-22
Tax effects from:				
Non-deductible items	-2	0,01	-	-
Change in valuation of deferred tax	-3 257	22,8	-	-
Tax effects from:				
Changes in tax rates	-	-	-11	0,6
Income tax	-6 315	44,2	399	-21,4

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

Following the introduction of the new rules on interest deduction limitations in Sweden, the Group recorded a non-deductible interest in the financial statements in 2019. This non-deductible interest means an increased tax payment in 2020 of SEK 3.2 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 annual accounts for 2019.

42. Participations in subsidiaries

Name	Corporate Identity Number	Domicile and place of business	Number of shares	Carrying amount
Directly owned				
Swedish Electromagnet Holding AB	559060-1000	Stockholm, Sweden	2 000 000	420 893
Total directly owned			2 000 000	420 893
Indirectly owned				
SEM AB	556023-5748	Åmål, Sweden	24 090	218 223
SEM Technology Suzhou Co. Ltd	320500400019506	Suzhou, China	1	21 924
SEM Technology Inc.	830525273	Indianapolis, US	1 000	92
Senfusion AB	556823-8454	Åmål, Sweden	1 334	-
Total indirectly owned			2 335	240 239

All companies are a 100% owned. Share of capital corresponds to share of votes

	31 st Dec 2019	31 st Dec 2018
Opening balance	420 893	-
Acquisitions for the year	-	420 893
Closing balance	420 893	420 893

43. Other current receivables

	31 st Dec 2019	31 st Dec 2019
Value added tax	-	325
Total	-	325

44. Prepaid expenses and accrued income

	31 st Dec 2019	31 st Dec 2018
Prepaid insurance	29	-
Other items	3 459	-
Total	3 488	-

45. Cash and bank balances

Correspond to cash and cash equivalents in the cash-flow statement.

	31 st Dec 2019	31 st Dec 2018
Bank balances	484	509
Total	484	509

46. Borrowing

	31 st Dec 2019	31 st Dec 2018
Non-current		
Bond loan	343 453	342 771
Total	343 453	342 771
Current		
Liabilities to Group companies	-	77
Total	-	77
Total borrowing	343 453	342 848

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 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 2019 until 31st of December 2019.

All non-current liabilities mature within five years.

	Carrying amount 31 st Dec 2019	Fair value 31 st Dec 2019	Carrying amount 31 st Dec 2018	Fair value 31 st Dec 2018
Bond loan	343 453	348 250	342 771	342 771

The fair value of the bond loan has been valued at level 1 of the fair value hierarchy, ie the quoted market price per 2019-12-31 for the Group's financial assets is the current purchase price of 99.50% of par.

47. Other current liabilities

	31 st Dec 2019	31 st Dec 2018
VAT payable	610	-
Personnel tax	156	-
Salary tax and social security contributions	52	-
Total	818	-

48. Accrued expenses and deferred income

	31 st Dec 2019	31 st Dec 2018
Accrued interest bond loan	1 534	-
Other items	400	-
Total	1 934	-

49. Deferred tax

The gross change regarding deferred taxes are in accordance with the following:

Deferred tax assets	Unutilised loss carry-forwards
At 1st January 2019	399
Recognised in profit or loss	-399
At 31st December 2019	-

Deferred tax assets are recognised for fiscal loss-carry forwards or other deductions to the extent it is probable that they can be credited to future taxable profits. The Parent Company recognised deferred tax assets in 2018, without a time limit, amounting to KSEK 399 regarding losses amounting to KSEK -1,864 KSEK which have been utilised against taxable profit in 2019.

50. Pledged collateral

	31 st Dec 2019	31 st Dec 2018
<i>For own liabilities</i>		
Shares in subsidiaries	420 893	420 893
Intra-Group loan	262 527	246 476
Total	683 420	667 369

51. Related-party transactions

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

The following related-party transactions have been performed:	2019	2018
(a) Sales of services		
- Administration services from the Parent Company	11 040	-
Total	11 040	-
(a) Purchase of services		
- Purchase of services from companies controlled by senior executives	176	9
Total	176	9

Services are purchased and sold to related parties at normal commercial terms and adhere to the following transfer pricing policy.

Receivables and liabilities at year-end as a result of sales and purchases of goods and services

	31 st Dec 2019	31 st Dec 2018
<i>Receivables from related parties</i>	-	-
Management fee	1 150	-
<i>Liabilities to related parties</i>		
Current liability	-	77
At year-end	1 150	77

Loans to related parties

	31 st Dec 2019	31 st Dec 2018
<i>Loan to Swedish Electromagnet Holding AB</i>		
Starting balance	246 476	-
Loans raised during the year	-	246 476
<i>Loan to SEM AB</i>		
Starting balance	-	-
Loans raised during the year	16 051	-
At year-end	262 527	246 476

The Group had no provisions for bad debts attributable to related parties. Neither has the Group recognised any expenses for bad debts from related parties during the period. No assets have been pledged for the receivables.

Liabilities to related parties are mainly attributable to the settlement of loans in the subsidiaries in connection with new financing.

52. Changes in liabilities related to financing activities

	26 th March 2018	Cash inflow	Cash outflow	Capitalized interest	Recognized part of acquisition cost	2018-12-31
Bond loan	-	350 000	-8 853	1 624	-	342 771
Total:	-	350 000	-8 853	1 624	-	342 771

	1 st January 2019	Cash inflow	Cash outflow	Capitalized interest	Recognized part of acquisition cost	2019-12-31
Total:	342 771	-	-	-1 624	2 306	343 453

53. Proposed appropriation of profits

The following profits are at the disposal of the Annual General Meeting:

Retained earnings	323 535
Profit for the year	7 967
KSEK	331 502

The Board of Directors proposes that the available profits be carried forward as follows:

KSEK	331 502
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The consolidated income statement and balance sheet will be presented to the Annual General Meeting for adoption on 2020-06-03.

54. Events after the end of the reporting period

The Company's operations in Sweden started as planned after the Christmas break. The majority of the staff who were laid off during the autumn ended their employment at the end of January. The cost for this amounted to SEK 295 thousand. The sum includes the cost of work exemptions and pension payments for laid-off persons with a short time remaining to retirement. The order backlog, which weakened during the 4th quarter, then went up slightly. Project activities are still at a high level.

The Covid-19 pandemic hit our business in Suzhou, China, during the first quarter. The start of operations was delayed from 31st of January to 13th of February with approximately 45% of the staff in place. The rest of the staff returned as fast as the local quarantine rules allowed. The delayed and gradual start-up had a negligible financial impact on the Company. To our knowledge, the delay has not caused any problems for our customers. In some cases, delayed or missing deliveries to us have led to the company having to buy components from other suppliers. Nor has this had any material financial impact on the Company.

During the latter part of the first quarter some customers decided to close, or significantly reduce, their production as a result of Covid-19. This has resulted in delays in deliveries and, to date, a limited number of order cancellations for the Company. As a result, the Company initiated short-term furlough for a smaller group of personnel in Sweden. The full effect of Covid-19 on the Company is not possible to predict. The company's management team follows developments in daily meetings and reports weekly to the Board and the principal owner. Management also has a close dialogue with customers, suppliers and other stakeholders. The Company is well prepared for taking further action if needed.

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.

Cost of goods sold

Including Direct Material, Direct Labour, Production Overhead, Differences vs standard costs such as price and production variances and changes in inventory.

EBITDA

Profit before interest, tax, depreciation and amortisation.

EBITDA (adj)

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 ¹.

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

The Board of Directors and the President certify that the consolidated financial statements have been prepared in accordance with the international accounting standards IFRS, as endorsed by the EU and present a fair view of the Group's position and profit/loss. The annual accounts have been prepared in accordance with Swedish GAAP and present a fair view of the Parent Company's position and profit/loss.

The Administration Report of the Group and the Parent Company 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 2020-04-28

Tom Gustavsson
President

Halvar Jonzon
Chairman of the Board

Yana Augustsson
Board member

Christina Hallin
Board member

Tomas Therén
Board member

Hasse Johansson
Board member



Auditor's report

Unofficial translation

To the general meeting of the shareholders of Swedish Electromagnet Invest AB (publ), corporate identity number 559153-6510

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Swedish Electromagnet Invest AB (publ) for the year 2019.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters	Our audit of Key Audit Matters
<p>Intangible assets (note 2, 4, 14, 38 and 42)</p> <p>Goodwill, customer relations and brands and participations in Group companies are reported at MSEK 561 in the consolidated balance sheet and to MSEK 421 in the Parent Company's balance sheet as of December 31, 2019. The valuation and accounting of these assets constituted a particularly important area in our audit in the light of the materiality of the amounts in relation to the financial position of the Group and the parent company.</p> <p>The valuation perspective regarding goodwill, brand as well as customer relations and participations in group companies is aimed at a possible impairment requirement. In cases where there are indications of impairment, the book value is tested against the estimated recoverable amount of the assets. An impairment loss is recognized when the carrying amount of an asset permanently exceeds the recoverable amount. The recoverable amount is determined by calculating the value in use for each cash-generating unit and is the present value of the future cash flows for the unit. The calculation of the recoverable value contains several assumptions and assessments, among other things, regarding the discount rate applied and the size of future cash flows. As shown in Note 14 in the annual report, the Group conducted write-down tests in 2019 regarding classified items and participations in group companies. The impairment tests showed that there was no need for impairment.</p>	<p>As far as impairment tests are concerned, we have evaluated the business's calculation models and the reasonableness of the assumptions made. We have reviewed the process for identifying cash-generating units against established criteria and compared this with management's follow-up of operations to verify that they are in alignment. With regards to the assumptions made, we have compared these with similar objects and general financial information to form an idea of the appropriateness of the assumptions.</p> <p>We have followed previous year's forecasts and assessed how well the business has been able to predict the development and adjusted our review based on the outcome of this.</p> <p>We have also mathematically tested the company's valuation model and conducted sensitivity analyzes of key variables. We have evaluated the accounting principles and the associated information provided on material assumptions and sensitivity analyzes in the annual report and find these appropriate.</p> <p>We have also assessed whether the information provided in the annual report gives a true and fair view of the Group's work on impairment tests.</p>

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable



the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board's Audit Committee shall, without prejudice to the Board's responsibilities and duties in other respects, monitor, among other things, the company's financial reporting.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Swedish Electromagnet Invest AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.



Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 21 Stockholm, Sweden, was appointed auditor of Swedish Electromagnet Invest AB (publ) by the general meeting of the shareholders on the 25th of June 2019 and has been the company's auditor since the 3rd of May 2018.

Ämål 30 April 2020

Öhrlings PricewaterhouseCoopers AB

Martin Johansson

Authorized Public Accountant