

Interim report

April–June 2021



Highest order intake in Alelion's history

The second quarter 2021 in brief

- Net sales increased to MSEK 17.6 (3.1)
- Order intake increased to MSEK 92.4 (13.8)
- Operating costs for personnel, other external charges and depreciation decreased to MSEK 19.4 (20.9)
- Operating income amounted to MSEK -12.3 (-19.4)
- Net profit or loss amounted to MSEK -13.4 (-20.2)
- Cash flow from operating activities amounted to MSEK -4.2 (-11.2).

Significant events during the second quarter of 2021

Alelion received its largest order to date when a supply agreement for high-voltage battery systems was concluded with Kalmar. The supply agreement covers development and production of high-voltage battery systems to the value of MSEK 53 over four years.

Follow-up orders worth MSEK 24 in total were received from Terberg Group during the quarter. The orders will be delivered during the autumn of 2021 and up to January 2022.

Alelion received a strategically important order from Jernbro for lithium-ion batteries in the automated guided vehicle (AGV) segment.

First half of the year in brief

- Net sales increased to MSEK 32.2 (9.3)
- Order intake increased to MSEK 115.1 (16.3)
- Operating costs for personnel, other external charges and depreciation decreased to MSEK 38.4 (43.1)
- Operating income amounted to MSEK -27.4 (-36.7)
- Net profit or loss amounted to MSEK -29.2 (-38.3)
- Cash flow from operating activities amounted to MSEK -23.9 (-27.5).

Alelion received an order from Huddig for high-voltage batteries for construction machinery. The order, which is the first in serial production, amounts to MSEK 1 and will be delivered in the fourth quarter of 2021. All in all, the order intake for the quarter was the highest in Alelion's history.

Alelion's Chairman of the Board Alf Blomqvist acquired 18.7 percent of the shares in Alelion from Fouriertransform and Pegroco.

In October 2020, Alelion carried out a rights issue of Series TO2 shares and warrants. The exercise period of the warrants was during the month of May, and the exercise rate was 93 percent. Through the exercise of warrants, Alelion thus received proceeds of approximately MSEK 23,5 before issuance costs.

Indicators	Apr-June	Apr-June	Δ %	Jan-June	Jan-June	Δ %
	2021	2020		2021	2020	
Net sales, KSEK	17,610	3,149	459.2%	32,166	9,289	246.3%
Operating income, KSEK	-12,299	-19,393	36.6%	-27,396	-36,742	25.4%
Operating margin	-69.8%	-615.8%		-85.2%	-395.6%	
Net profit or loss, KSEK	-13,374	-20,189	33.8%	-29,220	-38,317	23.7%
Earnings per share, SEK	-0.06	-0.14	57.7%	-0.13	-0.26	50.5%
Cash flow from operating activities, KSEK	-4,244	-11,237	62.2%	-23,921	-27,469	12.9%
Order intake, KSEK	92,400	13,776	570.7%	115,088	16,311	605.6%

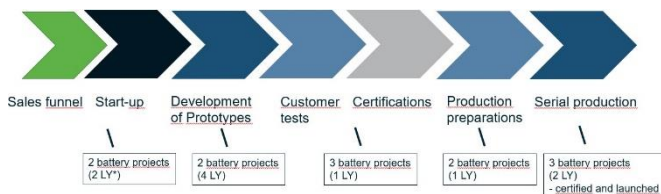
CEO comments

A very eventful, positive quarter has us looking with confidence to the future

The performance for the first half of the year derives from the growing demand for electrified vehicles.

Stronger focus on opportunities and growth

During the second quarter, a partially new Board of Directors was elected in Alelion. This includes the appointment of a new active Chairman of the Board, who in addition has stepped in as the company's second largest owner. The new Board also adds competence within electrified vehicle platforms. The company has adapted its strategy to focus on future growth by identifying strategic opportunities more clearly. We are reviewing previously internally developed and acquired patents with a view to deepen our specialist knowledge in the fields of Energy Management and optimization of the final customers' use of the batteries. The development of electrified vehicles is advancing rapidly, and we are noticing the turning of the tide, mainly in the logistics sector, where many operators now are turning to electric vehicles.



Our strength lies in the customer adaptation that is necessary to address the needs of the customer in relation to each vehicle model. As a consequence, the time from project initiation to series production will vary according to the needs of the customer. As the number of "battery recipes" that we have developed continues to grow, our development time for new products, initially 18 months, is reduced as well. The number of products moving closer to market introduction and series production has doubled compared to one year ago, from four to eight products. This quarter saw series production on behalf of four customers where we had no deliveries last year. This is the result of our focus on customers and projects.

Unprecedented order intake levels

The order intake increased to MSEK 92.4 (13.8) during the second quarter, which is the highest order intake reported by Alelion in any single quarter. The quarter also saw the

single largest order thus far in our history, worth MSEK 53. In total, we received orders worth more than MSEK 115 over the first half of the year.

The order intake during the pandemic has been characterized by customers placing orders with a three-month time horizon. As of the second quarter, there has been a deviation from this pattern. Noticing the accelerating trend of electrification, our customers have started to place orders with a longer time perspective to ensure supplies.

Increased net sales

Net sales increased during the quarter, to MSEK 17.6 (3.1), which is an increase of 459 percent over the corresponding period in the previous year. Net sales also increased compared to the first quarter this year, by 21 percent. We have increased our rate of production, and the increase in net sales is mostly attributable to planned deliveries to our special vehicle manufacturers in logistics and port solutions. The ongoing development projects in special vehicles did not have any material impact on net sales during the first half of the year.

The second quarter was only impacted by COVID-19 to a limited extent. Freight costs remain at high levels, and the shortage of semiconductors is placing a high demand on our purchasing and development organization. Despite the challenges, we have delivered as planned.

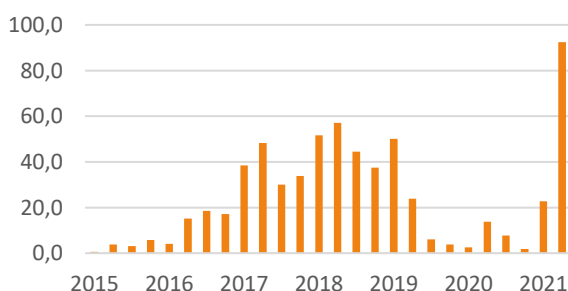
We ended the first half of the year with a recertification according to ISO 9001 and ISO 14001, without any nonconformances. We are now entering the second half of the year with a feeling of optimism, evoked in part by the trust shown by our customers and in part by the new strategic orientation to bring new generations of battery systems to the market.

In the warrant exercise in May, 93 percent of warrants were used to subscribe for shares. I would like to express my sincere thanks to our shareholders for their interest and confidence in Alelion.



Åsa Nordström, CEO of Alelion Energy Systems AB

Order intake by quarter



Strategic outlook

Lithium-ion: the right market

The IPCC's Sixth Assessment Report shows that the climate is changing at an alarming pace, and UN Secretary-General Guterres calls for an end to fossil fuels. The path towards a more sustainable society is via the circular economy and renewable electricity production. Efficient energy storage is a prerequisite for the growth of renewable electricity production, and Alelion will continue to make a valuable contribution in that regard. Lithium-ion batteries constitute an established solution for electric-powered operation. They can be charged faster and are more efficient with a higher energy density and require less maintenance than other existing rechargeable batteries. This enables electrification of heavier vehicles and provides a lower environmental impact through their life cycle.

Europe: the right geography

The launch of the European Battery Alliance in 2017, which aims to make Europe the world leader in battery production, will result in an annual growth rate of 35 percent over the decade ahead. Within Europe, Alelion will have access to the entire value chain. Among the implications is that the current lead times of 24 weeks can be shortened to two weeks.

Electric car sales in Europe reached a tipping point in 2020 as they increased by 140 percent; for the first time, Europe became the world's largest market for electric cars.

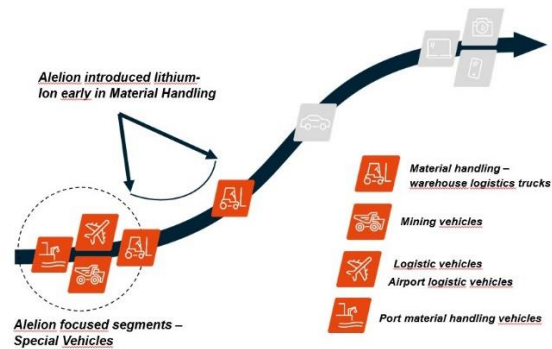
Now: the right time

The European member states, regions, businesses etc. have jointly decided to end the sale of new internal combustion engine vehicles, first in Norway by 2025 and then in most of the rest of Europe by 2030. Manufacturers of passenger cars will cease using petrol and diesel engines as of 2030, with a few manufacturers leading the way as early as 2025. Truck manufacturers will follow suit, reaching a total suspension by 2040, and Scania's goal is to achieve an electrification rate of 50 percent worldwide already by 2030.

Special vehicles: the right segment

Special vehicles, our chosen customer segment, is a late adopter – but clearly influenced by the final customers' wishes for electrification within airports, ports, logistics centers, etc. By way of example, the airports of Europe have announced their environmental commitments, and 91 airports have set the target to reach zero emissions by 2030.

The electrification rate for special vehicles today remains in the low single digits, but the potential for rapid growth is higher than for passenger cars and trucks, as they are in control of their own charging infrastructure and do not have to depend on public charging systems.



Alelion has previously led the electrification of the warehouse truck segment. Now, we are doing it again in special vehicles.

Strategy for a strengthened long-term position

We have resolved to magnify our abilities at three levels.

Batteries: Drawing from our long and extensive experience in the development and production of lithium-ion-based battery systems, and with the aim of strengthening our position moving forward, we will focus more sharply on innovations with regard to our battery systems.

Electrified vehicle platforms: In order to support our customers in the special vehicles segment in their long-term commitment to develop electrified vehicle platforms and autonomous vehicles, we have strengthened Alelion's skills within this highly strategic area. We are planning to continue to enhance the company with additional vehicle knowledge.

Infrastructure: In the future, our customers' electrified vehicles will have responsibilities beyond the tasks traditionally entrusted to special vehicles. They will be part of an infrastructure, with increasing calls for optimized energy consumption and energy storage. We own a patent portfolio comprising 17 patents, three of which are pending, in the field of Energy Management. The patents cover many aspects of the management of distributed energy storage systems. This is also central to solutions related to the reuse of batteries, a concept known as Second Life, which aims to extend the life of battery systems by reusing them in alternative applications prior to recycling.



Alf Blomqvist, Chairman of the Board of Alelion Energy Systems AB

Financial development

Net sales and order intake

Net sales increased during the quarter, to MSEK 17.6 (3.1), which is an increase of 459 percent over the corresponding period in the previous year. The higher net sales are attributable to the fact that those of Alelion's customers that manufacture special vehicles are now observing a marked increase in the demand for electrified vehicles.

Order intake increased by 571 percent during the second quarter, to MSEK 92.4 (13.8). The order intake during the pandemic has been characterized by customers placing orders with a three-month time horizon. As of the second quarter, there has been a deviation from this pattern. Noticing the accelerating trend of electrification, our customers have started to place orders with a longer time perspective to ensure supplies. Planned activities in the longer term are based on the forecasts of the customers. We expect the volume growth to continue as the demand for climate-smart solutions increases at global level. The recovery of industry after the COVID-19 pandemic, with consequent increased investments, will eventually accelerate electrification as a long-term and sustainable alternative to meet rising energy needs.

Costs

Operating costs for personnel, other external charges and depreciation amounted to MSEK 19.4 during the second quarter. The cost reduction of 7 percent is attributable to the transition to series production and ongoing streamlining measures.

Exchange rate differentials were negligible during the second quarter.

During the quarter, development costs of MSEK 1.0 (1.9) were capitalized. Amortization on capitalized development costs amounted to MSEK -2.0 (-3.5).

Cash flow from operating activities before change in working capital for the quarter amounted to MSEK -9.9 (-15.8). Cash and cash equivalents amounted to MSEK 18.4 at the end of the period compared with MSEK -9.7 for the corresponding period in the previous year. Undrawn overdraft facilities amounted to MSEK 15.0 as of June 30, 2021.

Result

Operating income for the second quarter amounted to MSEK -12.3 (-19.4), and net profit or loss amounted to MSEK -13.4 (-20.2). The Company's development activities are proceeding according to plan.

The Company has not received any short-time work allowance or similar government subsidies during the period.

Other disclosures

The Group

The Group comprises the Parent Company, Alelion Energy Systems AB, and the subsidiary Alelion Crew AB. Alelion Crew AB conducts no operational activities.

Since the Group's balance sheet and income statement are not substantially different from the Parent Company's balance sheet and income statement for the second quarter 2021, the Company has elected to report only the figures and tables relating to the Group.

Shares and subscription warrants

The share is listed on Nasdaq Stockholm's First North Growth Market. On June 30, 2020, the share capital amounted to SEK 4,933,830 divided on 246,691,455 shares, each with a quota value of SEK 0.02.

Related party transactions

Fouriertransform AB has provided guarantees in favour of banks. Three major owners, Fouriertransform AB, Pegroco Holding AB and Sammaj AB, share the risk inherent in the guarantees by mutual agreement. The guarantees are, however, conditional on Alelion's reimbursement of Fouriertransform AB, Pegroco Holding AB and Sammaj AB for the risk exposure to which they are subjected in consequence of the guarantees. The reimbursement amounts to 4.0 percent per annum.

Financing and capital requirement

In connection with Alelion's expansion, the effort proceeds to secure sustainable financing of ongoing development projects and increase the working capital.

The management continues to focus on cash flow and sales, which, together with the planned projects, will be the backbone of a more robust financial position.

In October 2020, Alelion Energy Systems AB carried out a rights issue of Series TO2 shares and warrants. The exercise period for the Series TO2 warrants took place during the period between May 14 and May 28, 2021. In total, 70,526, 510 warrants were exercised for subscription, resulting in an exercise rate of approximately 93 percent. The exercise of warrants provided Alelion MSEK 23,5 in proceeds before issuance costs.

In connection with the successfully completed rights issue and exercise of the TO2 warrant, uncertainties relating to the Company's financing situation in the short term were resolved.

Through shareholder guarantees, Alelion has in 2020 prolonged the maturity of a loan of MSEK 30 and been granted an operating loan of MSEK 15 until March 31, 2022.

The liquidity risk is the risk involved should the Company fail to fulfil its payment obligations in due time, as a result of insufficient liquidity or difficulties in obtaining credit from external creditors. It is the Company's policy that financing should be long-term. The aim is for credit lines with external creditors to cover the capital requirements anticipated for the coming year and at the same time ensure a high level of liquidity preparedness for the Company. Alelion's main source of funding is through two bank financing agreements. The Company currently depends on bank loans for its operations, and on its future ability to extend, expand and convert the loans (refinancing risk). The executive management closely monitors rolling forecasts for the Group's liquidity, which consists of undrawn loan commitments and liquid funds compared to expected cash flows. As financing is not secured for the upcoming twelve-month period, it is our obligation to disclose that material uncertainties related to the Company's financing may cast significant doubt on the Company's ability to continue as a going concern. In view of the Company's successful measures as regards financing, this report has been prepared based on an assumption of going concern, as it is the executive management's and the Board's assessment

that the activities now being planned have a good chance of success.

Risks

The Board and management regularly make assessments of the risks that can affect both the valuation of the Company's assets and liabilities as well as the Company's profitability. It should be noted that the Company's operations primarily are concerned with the development and commercialization of novel technology. The development is thereby subject to technical, financial and regulatory risks. For additional information, see the section on risks in the Annual Report of 2020.

The Company does not present any forecasts.

The Group's accounting and valuation policies

Alelion Energy Systems AB's interim report is prepared in accordance with the Swedish Annual Accounts Act as well as the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated (K3).

See also the accounting policies applied in the Annual Report of 2020 for the Parent Company and the Group.

Financial calendar

2021-11-18 – Interim report January–September 2021

Auditors' review

This report has not been reviewed by the company's auditors.

The CEO's and the Board's assurance

The Chief Executive Officer and the Board of Directors confirm that this interim report provides a true and fair view of the company's operations, position and performance, and describes material risks and uncertainties faced by the company.

Gothenburg, August 26, 2021

Alf Blomqvist
Chairman of the Board

Anders Björnberg
Director

Tommy Nilsson
Director

Lennart Sparud
Director

Håkan Sandberg
Director

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This information is such as Alelion Energy Systems AB (publ) is obligated to disclose pursuant to the EU Market Abuse Regulation and the Market Securities Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:45 CET on August 26, 2021.

Consolidated income statement

Income statement, kSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	17 610	3 149	32 166	9 289	18 912
Capitalized own development work	1 030	1 922	1 890	4 706	6 766
Other operating income	-164	0	-184	120	1 023
Total income	18 476	5 071	33 872	14 115	26 701
Operating costs					
Raw materials and consumables	-11 418	-3 591	-22 842	-7 722	-23 969
Personnel costs	-9 281	-7 599	-18 022	-15 397	-31 327
Other external costs	-6 729	-7 906	-13 730	-17 496	-29 217
Depreciation fixed assets	-3 347	-5 107	-6 673	-10 243	-35 277
Other operating costs	0	-260	0	0	0
Total operating costs	-30 775	-24 464	-61 267	-50 858	-119 791
Operating income	-12 299	-19 393	-27 396	-36 743	-93 090
Income from financial items					
Interest income and similar items	0	0	0	1	1
Interest costs and similar items	-1 075	-797	-1 825	-1 575	-3 293
Total income from financial items	-1 075	-797	-1 825	-1 574	-3 292
Profit/loss after financial items	-13 374	-20 189	-29 220	-38 317	-96 382
Tax	0	0	0	0	0
Net result	-13 374	-20 189	-29 220	-38 317	-96 382
Result per share, kr	-0,06	-0,14	-0,13	-0,26	-0,60
Average number of shares	231 018 898	147 384 750	227 100 759	147 384 750	160 260 005
Shares at period end	246 691 455	147 384 750	246 691 455	147 384 750	223 182 620

Consolidated balance sheet

Assets, kSEK	2021-06-30	2020-06-30	2020-12-31
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditure for development	37 407	48 139	39 684
Patents, licences and similar rights	0	8 811	0
Balanserade utgifter för utvecklingsarbeten	0	2 591	0
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	24 948	28 696	26 368
Leasehold improvements	965	1 093	1 028
Total fixed assets	63 320	89 330	67 080
Current assets			
<i>Inventories</i>			
Raw materials and consumeables	29 996	38 574	29 209
Advances to suppliers	3 890	109	4 592
	33 886	38 683	33 801
<i>Current receivables</i>			
Account receivables	6 316	3 803	4 171
Current tax assets	1 198	897	410
Other current receivables	956	2 672	2 502
Prepayments and accrued income	2 395	1 608	1 725
	10 866	8 980	8 808
Cash and bank	18 369	724	23 969
Total current assets	63 121	48 387	66 577
Total assets	126 441	137 717	133 658

Consolidated balance sheet

Equity and liabilities, kSEK	2021-06-30	2020-06-30	2020-12-31
Equity			
Share capital	4 934	2 948	4 464
Other contributed capital	481 317	400 043	459 316
Other equity incl. result of the year	-418 627	-331 341	-389 407
Total equity	67 624	71 650	74 373
Non-current liabilities			
Liabilities to credit institutions	33 889	35 056	34 472
Total non-current liabilities	33 889	35 056	34 472
Provisions			
Provisions for warranties	3 639	4 373	3 639
Total provisions	3 639	4 373	3 639
Current liabilities			
Liabilities to credit institutions	1 167	11 839	1 167
Accounts payable	9 795	5 041	7 654
Other current liabilities	5 404	2 426	5 182
Accruals and deferred income	4 924	7 332	7 172
Total current liabilities	21 289	26 638	21 174
Total equity and liabilities	126 441	137 717	133 658

Consolidated cash-flow statement

(kSEK)	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-jun 2020	Jan-Dec 2020
Operating activities					
Operating income	-12 299	-19 393	-29 220	-36 743	-93 090
Adjustment for items not included in cash flow	3 511	4 903	6 857	9 237	33 474
Interest received	0	0	0	1	1
Interest paid	-1 075	-1 246	0	-1 885	-3 787
Cash flow from operating activities before changes in working capital	-9 863	-15 736	-22 363	-29 390	-63 402
Cash flow from changes in working capital					
Decrease/increase accounts inventories	-811	1 612	-77	3 339	8 221
Decrease/increase accounts receivables	1 151	3 974	-2 145	1 933	1 565
Decrease/increase operating receivables	-14	-742	87	4 105	4 645
Decrease/increase accounts payables	3 099	-1 039	2 141	-3 416	-804
Decrease/increase operating payables	2 194	694	-1 564	-4 040	-668
Cash flow from operating activities	-4 244	-11 237	-23 921	-27 469	-50 442
Investment activities					
Acquisition of tangible fixed assets	-121	-30	-1 003	-337	-446
Acquisition of intangible fixed assets	-1 051	-1 922	-1 910	-4 706	-7 382
Deconsolidation of subsidiary	0	0	0	0	0
Cash flow from investment activities	-1 172	-1 952	-2 913	-5 043	-7 828
Financing activities					
Liabilities to credit institutions	-292	-292	-583	-583	-2 056
New issue and warrants	22 001	0	22 001	0	60 789
Cash flow from financing activities	21 709	-292	21 418	-583	58 733
Cash flow for the period	16 293	-13 481	-5 417	-33 095	461
Effect from exchange rates changes on cash	-164	-260	-184	120	184
Changes in cash	16 129	-13 741	-5 600	-32 975	645
Cash at the beginning of the period	2 240	4 088	23 969	23 324	23 324
Cash at the end of the period	18 369	-9 652	18 369	-9 652	23 969

Indicators for the Group

	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Operating margin	-69,8%	-615,8%	-85,2%	-395,6%	-492,2%
Net margin	-75,9%	-641,1%	-90,8%	-412,5%	-509,6%
Return on equity	neg.	neg.	neg.	neg.	neg.
Equity ratio	53,5%	52,0%	53,5%	52,0%	55,6%
Earnings per share, SEK	-0,06	-0,14	-0,12	-0,26	-0,60
Equity per share, SEK	0,27	0,49	0,27	0,75	0,33
Cash flow per share, SEK	-0,02	-0,08	-0,11	-0,19	-0,31
Average number of shares	231 018 898	147 384 750	227 100 759	147 384 750	160 260 005
Number of shares at the end of the period	246 691 455	147 384 750	246 691 455	147 384 750	223 182 620
Average number of employees	36	39	36	40	38

Changes in equity

(kSEK)	Share capital	Other added capital	Other equity incl. years income	Total equity
Opening balance Jan 1, 2020	2 948	400 043	-293 025	109 966
New issue	1 516	66 702	0	68 218
Issuance costs after tax	0	-7 429	0	-7 429
Net result for the period	0	0	-96 382	-96 382
Closing balance on Dec 31, 2020	4 464	459 316	-389 407	74 373
Opening balance Jan 1, 2021	4 464	459 316	-389 407	74 373
New issue	470	23 039	0	23 509
Issuance costs after tax	0	-1 038	0	-1 038
Net result for the period	0	0	-29 220	-29 220
Closing balance on Jun 30, 2021	4 934	481 317	-418 627	67 623

Quarterly data

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net sales, kSEK	17 610	14 555	8 543	1 081	3 149	6 140	7 549	11 709
Operating income, kSEK	-12 299	-15 097	-38 725	-17 622	-19 393	-17 350	-16 523	-12 443
Operating margin	-69,8%	-103,7%	-453,3%	-1 630,9%	-615,8%	-282,6%	218,9%	-106,3%
Net result, kSEK	-13 374	-15 846	-39 571	-18 494	-20 189	-18 127	-17 139	-14 324
Net margin	-75,9%	-108,9%	-463,2%	-1 711,6%	-641,1%	-295,2%	-227,0%	-122,3%
Order intake kSEK	92 400	22 688	1 819	7 839	13 776	2 535	3 774	6 064
Return on equity	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Equity ratio	53,5%	51,9%	55,6%	41,1%	52,0%	61,6%	62,9%	66,1%
Earnings per share, SEK	-0,06	-0,07	-0,20	-0,13	-0,14	-0,12	-0,12	-0,10
Equity per share, SEK	0,27	0,26	0,33	0,36	0,49	0,62	0,75	0,86
Average number of shares	231 018 898	223 182 620	198 465 923	147 384 750	147 384 750	147 384 750	147 384 750	147 384 750

Definitions of financial terms and key ratios

Return on equity	Result after taxes in percentage of average equity
Equity per share	Equity divided by number of shares at the end of the period
Average number of shares	Total number of shares at the beginning of the period and at the end of the period divided by two
Cash flow per share	Cash flow from the operating activities after change in working capital divided by the number of shares at the end of the period
Average number of employees	Average number of employees during the fiscal year, converted into full-time employment
Net margin	Profit after tax as a percentage of turnover
Earnings per share	Profit after tax divided by average number of shares
Operating margin	Operating income as a percentage of turnover
Equity/assets ratio	Equity as a percentage of balance sheet total