

Interim report

April–June 2022



Alelion continues its journey of growth – compared with 2021, net sales increase by 50 percent in the first half of the year

The second quarter 2022 in brief

- Net sales increased to MSEK 24.1 (17.6)
- Order intake decreased to MSEK 0.0 (92.4)
- Operating costs for personnel, other external charges and depreciation increased to MSEK -24.8 (-19.4)
- Operating income amounted to MSEK -16.4 (-12.3)
- Net profit or loss amounted to MSEK -18.8 (-13.4)
- Cash flow from operating activities amounted to MSEK -19.5 (-4.2)

Events after the end of the period

In July 2022, a new rights issue of 10,000,000 shares was carried out, providing the Company MSEK 8.0 before issuance costs. The issue was carried out at the average share price of the transaction date. The Board of Directors is authorized to carry out additional issues totaling 62,831,995 shares.

An agreement on a bridging loan has been entered into with Pegroco Invest AB. The bridging loan is MSEK 5.

First half of 2022

- Net sales increased to MSEK 48.3 (32.2)
- Order intake decreased to MSEK 8.5 (115.1)
- Operating costs for personnel, other external charges and depreciation increased to MSEK -45.6 (-38.4)
- Operating income amounted to MSEK -29.9 (-27.4)
- Net profit or loss amounted to MSEK -32.5 (-29.2)
- Cash flow from operating activities amounted to MSEK -38.2 (-23.9)

Indicators

	Apr-June 2022	Apr-June 2021	Δ %	Jan-June 2022	Jan-June 2021	Δ %	Jan-Dec 2021	Δ %
Net sales, KSEK	24,149	17,610	37.1%	48,305	32,166	50.2%	53,227	37%
Operating income, KSEK	-16,398	-12,299	-33.3%	-29,899	-27,396	-9.1%	-61,524	-33%
Operating margin	-67.9%	-69.8%		-61.9%	-85.2%		-115.6%	
Net profit or loss, KSEK	-18,831	-13,374	-40.8%	-32,533	-29,220	-11.3%	-64,816	-41%
Earnings per share, SEK	-0,06	-0,06	-11.6%	-0,11	-0,13	13.2%	-0,26	-12%
Cash flow from operating activities, KSEK	-19,551	-4,244	-360.6%	-38,192	-23,921	-59.7%	-55,647	-361%
Order intake, KSEK	0	92,400	-100.0%	8,500	115,088	-92.6%	183,873	-100%

CEO comments

Increased net sales and growth but with short-term setbacks

Strong growth despite component shortages at customers which have led to delayed deliveries to end users

Alelion continues its journey of growth and increases net sales

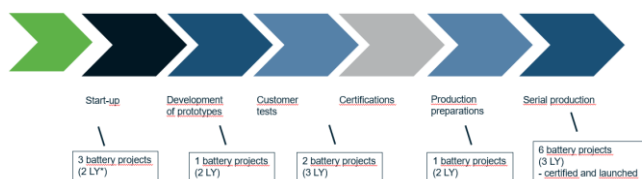
Net sales for the quarter increased to MSEK 24.1 (17.6), which is an increase of 37 percent over the corresponding period in the previous year. Operating costs for personnel, other external charges and depreciation amounted to MSEK -24.8 (-19.4) for the quarter. The cost increase can be traced back to planned greater investment in development and sales and marketing, which is entirely in line with our disclosed strategy.

Change in business model

The traditional order placement of existing customers is now replaced by long-term delivery forecasts with six months order placement and another nine months prognosis. On a positive note, the forecast volumes initially exceed the planned orders.

Order intake of new customers has been weak, which is due to lengthy processes in a market which has been volatile during the year, fueling uncertainty among end customers and customers alike.

During the first half of 2022, we achieved a growth of approximately 50 percent compared with the same period last year.



As shown above, two additional projects have moved from the prototype stage to series production during the second quarter. Our customers have now launched these projects worldwide. A preseries was delivered during the quarter and will be followed by planned production during the third and fourth quarters.

Market

As is the case for the major automotive manufacturers, many smaller manufacturers are also facing difficulties relating to the supply of various types of components. A manufacturing system which until now has put emphasis on keeping inventory levels at a minimum only aggravates the vulnerability. Our customers are signaling that their order books are full – but are nevertheless forced to postpone manufacturing. For our part, the impact of this is MSEK 13 of postponed deliveries during the second quarter. In turn, it also has negative effect on our tie-up of capital. There were indications of price increases across all areas, for products as well as services, during the quarter. We saw a reversal in the trend for certain raw materials in recent months, which will have a positive effect on the purchasing prices in due time.

The short-term setbacks arising from component shortages notwithstanding, our customers' order books are full, and sales of electrified vehicles are increasing. From a manufacturing standpoint, we are ready to deliver this volume and more, and we continue to optimize our processes and streamline our production.

Liquidity

Our customers' decisions have had a negative effect for us in the short term, as we have been unable to dispatch products at the rate we had planned. It is important to keep in mind that these deliveries are not cancelled but postponed to the last quarter of 2022 and the first quarter of 2023.

Accounts receivable corresponding to MSEK 16.8 are due for payment during the coming quarter.

Due to the rise in prices of materials, raw materials, and freight in combination with the delivery postponements, the new issue we were planning to carry out later this year was fast-tracked, and an issue was carried out in the month of June in accordance with the Annual General Meeting's resolution. The Company raised MSEK 8 through the issue.

An agreement on a bridging loan has been entered into with Pegroco Invest AB. The bridging loan is MSEK 5.

Strategic organization ready to face the future

The market for electrified vehicles of every kind is expanding, and our forward-looking initiatives are essential to ensure that we develop the right product for our selected customer niche. These are customers that need superior performance levels from their vehicles, which are operated in demanding environments. Earlier this year, we decided to build a center of excellence for the further development of energy storage systems. This quarter, several recruitments were finalized. We have now concluded our strategic recruitments to bring our planned efforts in new technologies to life and give us the means to handle MSEK 500 worth of volume. Our center of excellence has been enhanced with cell experts, system engineers, mechanical engineers, and software developers. The organization is now in place to develop the next generation of energy storage solutions. Solutions that will be characterized by a greater degree of product standardization, thus broadening our customer base.



Åsa Nordström, CEO of Alelion Energy Systems AB

Financial development

Net sales and order intake

Net sales for the quarter increased to MSEK 24.1 (17.6), which is an increase of 37 percent over the corresponding period in the previous year. The higher net sales stem from our customers that manufacture special vehicles, which see a marked increase in the demand for electrified vehicles from end customers.

Noticing the accelerating trend of electrification, our customers have placed orders for the whole of 2022. No major orders were received during the second quarter.

All in all, Alelion received orders of MSEK 184 during 2021. This is on par with the peak order intake in the history of the Company, which was in 2018. The order backlog remaining for future delivery amounts to MSEK 113 for 2022 and MSEK 25 for 2023 and beyond. These orders all fall within our three strategically important off-highway vehicle segments: Terminal Tractors, Ground Support Equipment and Construction Machinery.

We expect the volume growth to continue to gain momentum as the demand for climate-smart solutions increases at global level. Eventually, this will accelerate the progress of electrification, which is a long-term and sustainable alternative to fossil fuels.

Costs

Operating costs for personnel, other external charges and depreciation amounted to MSEK -24.8 (-19.4) for the quarter. The cost increase can be traced back to planned greater investment in development and sales and marketing.

Exchange rate differences were negligible during the financial year.

During the quarter, development costs of MSEK 0.0 (1.0) were capitalized. Amortization of capitalized development costs amounted to MSEK -2.1 (-2.1).

Liquidity

Cash flow from operating activities before change in working capital for the quarter amounted to MSEK -19.6 (-4.2). The cash flow was affected by issue proceeds of MSEK +8.0 for the quarter, compared with MSEK +22.0 for the corresponding period last year. Cash and cash equivalents including the overdraft facility amounted to MSEK 12.0 at the end of the period compared with MSEK 32.9 for the corresponding period in the previous year. The overdraft facility amounted to MSEK 15.0 as of June 30, 2022. The Company has accounts receivable of MSEK 16.8 that fall due for payment during the third quarter.

Result

Raw materials and consumables as percentage of net sales was 68.5 percent for the quarter, compared with 64.8 percent for the corresponding period in the previous year. Operating income for the quarter amounted to MSEK -16.4 (-12.3), and net profit or loss amounted to MSEK -18.8 (-13.4). The trend in performance is attributable to the start-up of series production to a new customer and an increase in the number of employees in view of further expansion.

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 2021, the Company has elected to report only the figures and tables relating to the Parent Company.

The share

The share is listed on Nasdaq Stockholm's First North Growth Market. On June 30, 2022, the share capital amounted to SEK 5,826,560 divided on 291,327,979 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 for the risk exposure to which it is subjected in consequence of the guarantees. The reimbursement amounts to 4.0 percent per annum.

Financing and capital requirement

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

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

During 2020 and 2021, Alelion carried out three successful issues, raising MSEK 137.1 before issuance costs overall. In July 2022, the most recent one was carried out: a rights issue that provided the Company MSEK 8.0 before issuance costs.

The successful rights issues have improved the Company's financing situation in the short term.

Through shareholder guarantees, Alelion has in 2021 prolonged the maturity of a loan of MSEK 30 and been granted an operating loan of MSEK 15 until March 31, 2023.

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 six-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.

Componentry shortage and ongoing unrest in Europe

The ongoing scarcity of components is impacting our customers. All Alelion's orders remain in place, but MSEK 13 worth of dispatches have been delayed.

Alelion is not conducting sales in either the Russian or the Ukrainian market. The inputs of raw materials and components for our battery manufacturing originate neither from Russia nor Ukraine. There is a general uncertainty in the market caused by the ongoing conflict. So far, this uncertainty has not had any direct impact on the company's business operations.

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 2021.

The Company does not present any forecasts.

The Company'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). Pursuant to the Swedish Annual Accounts Act 7 ch. 3 s. a, annual accounts are presented for the Parent Company and not for the Group as the subsidiaries are insignificant. The accounting policies are the same as the previous year.

See also the accounting policies applied in the Annual Report of 2021 for the Parent Company and the Group.

Financial calendar

2022-10-27	Interim Report July–September 2022
2023-02-15	Year-end report 2022
2023-04-26	Interim Report January–March 2023
2023-08-15	Interim Report April–June 2023
2023-10-25	Interim Report July–September 2023

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 16, 2022

Alf Blomqvist
Chairman of the Board

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Director

Rune Nordlander
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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 08:30 CET on August 16, 2022.

Income statement

(KSEK)	Apr-June 2022	Apr-June 2021	Jan-June 2022	Jan-June 2021	Jan-Dec 2021
Net sales	24,149	17,610	48,305	32,166	53,227
Capitalized own development work	-6	1,030	203	1,890	2,551
Other operating income	854	-164	832	-184	239
Total income	24,998	18,476	49,340	33,872	56,016
Operating costs					
Raw materials and consumables	-16,549	-11,418	-33,533	-22,842	-43,878
Personnel costs	-10,542	-9,281	-19,913	-18,022	-34,235
Other external costs	-10,991	-6,729	-19,207	-13,730	-26,076
Depreciation and amortization of tangible and intangible fixed assets	-3,247	-3,347	-6,518	-6,673	-13,352
Total operating costs	-41,395	-30,775	-79,239	-61,267	-117,540
Operating income	-16,398	-12,299	-29,899	-27,396	-61,524
Income from financial items					
Interest costs and similar items	-2,433	-1,075	-2,634	-1,825	-3,483
Total income from financial items	-2,433	-1,075	-2,634	-1,825	-3,483
Profit/loss after financial items	-18,831	-13,374	-32,533	-29,220	-65,007
Tax on profit for the year	0	0	0	0	0
Net profit or loss	-18,831	-13,374	-32,533	-29,220	-65,007
Earnings per share, SEK	-0.06	-0.06	-0.11	-0.13	-0.22
Average number of shares	291,327,979	231,018,898	291,327,979	227,100,759	245,575,431
Number of shares at the end of the period	291,327,979	246,691,455	291,327,979	246,691,455	291,327,979

Balance sheet

Assets (KSEK)	2022-06-30	2021-06-30	2021-12-31
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditure for development	29,929	37,407	33,913
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	20,864	24,948	23,199
Leasehold improvements	837	965	901
Assets under construction	1,809	0	154
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
Receivables from subsidiaries	0	410	0
Total fixed assets	53,490	63,780	58,216
Current assets			
Inventories, etc.			
Raw materials and consumables	33,081	29,970	28,901
Advances to suppliers	1,144	3,890	2,525
	34,225	33,860	31,426
<i>Current receivables</i>			
Accounts receivable	16,795	6,316	5,408
Current tax assets	1,376	1,198	1,683
Other current receivables	5,227	956	2,774
Prepayments and accrued income	854	2,395	2,457
	24,251	10,866	12,322
Cash and bank	0	17,909	29,059
Total current assets	58,476	62,635	72,806
Total assets	111,966	126,415	131,022

Balance sheet

Equity and liabilities (KSEK)	2022-06-30	2021-06-30	2021-12-31
Equity			
<i>Restricted equity</i>			
Share capital	5,827	4,934	5,827
Fund for development costs	29,991	37,410	33,916
Total restricted equity	35,818	42,344	39,742
<i>Unrestricted equity</i>			
Premium reserve	502,411	443,497	490,486
Retained earnings	-388,994	-388,994	-388,994
Profit or loss for the period	-97,540	-29,220	-65,007
Total unrestricted equity	15,876	25,283	36,485
-			
Total equity	51,694	67,627	76,227
Non-current liabilities			
Liabilities to credit institutions	32,722	33,889	33,306
Total non-current liabilities	32,722	33,889	33,306
Provisions			
Provisions for warranties	3,639	3,639	3,639
Total provisions	3,639	3,639	3,639
Current liabilities			
Utilized bank overdraft facility	3,028	0	0
Liabilities to credit institutions	1,167	1,167	1,167
Accounts payable	11,720	9,795	9,159
Other current liabilities	1,226	5,404	1,086
Accruals and deferred income	6,770	4,895	6,440
Total current liabilities	23,911	21,261	17,851
Total equity and liabilities	111,966	126,415	131,022

Cash flow statement

(KSEK)	Apr-June 2022	Apr-June 2021	Jan-June 2022	Jan-June 2021	Jan-Dec 2021
Operating activities					
Operating income	-16,398	-12,299	-29,899	-29,220	-61,524
Adjustment for items not included in cash flow	1,692	3,511	5,484	6,857	13,352
Interest received	0	0	0	0	0
Interest paid	-1,622	-1,075	-2,084	0	-3,016
Cash flow from operating activities before change in working capital	-16,328	-9,863	-26,499	-22,363	-51,188
Cash flow from change in working capital					
Decrease/increase in inventories	-1,924	-811	-2,799	-77	2,375
Decrease/increase in accounts receivable	-3,356	1,151	-11,387	-2,145	-1,237
Decrease/increase in operating receivables	-662	-14	-893	87	-2,257
Decrease/increase in accounts payable	1,417	3,099	2,564	2,141	1,407
Decrease/increase in operating liabilities	1,302	2,194	822	-1,564	-4,747
Cash flow from operating activities	-19,551	-4,244	-38,192	-23,921	-55,647
Investing activities					
Acquisition of tangible fixed assets	-1,656	-121	-1,656	-1,003	-1,834
Acquisition of intangible fixed assets	25	-1,051	203	-1,910	-2,603
Deconsolidation of subsidiary	0	0	-410	0	410
Cash flow from investing activities	-1,631	-1,172	-1,862	-2,913	-4,028
Financing activities					
Liabilities to credit institutions	-292	-292	-583	-583	-1,167
New issues and warrants	8,000	22,001	8,000	22,001	66,859
Cash flow from financing activities	7,708	21,709	7,417	21,418	65,692
Cash flow for the period	-13,473	16,293	-32,637	-5,417	6,017
Effect of exchange rate changes on cash and cash equivalents	811	-164	551	-184	-467
Change in cash and cash equivalents	-12,662	16,129	-32,087	-5,600	5,550
Cash and cash equivalents at the beginning of the period	9,634	2,240	29,059	23,969	23,509
Cash and cash equivalents at the end of the period	-3,028	18,369	-3,028	18,369	29,059

Indicators

	Apr-June 2022	Apr-June 2021	Jan-June 2022	Jan-Dec 2021
Operating margin	-67.9%	-69.8%	-61.9%	-492.2%
Net margin	-78.0%	-75.9%	-67.4%	-509.6%
Return on equity	neg.	neg.	neg.	neg.
Equity ratio	42.0%	66.0%	42.0%	55.6%
Earnings per share, SEK	-0.06	-0.06	-0.11	-0.60
Equity per share, SEK	0.15	0.33	0.15	0.33
Cash flow per share, SEK	-0.07	-0.13	-0.19	-0.23
Average number of shares	291,327,979	231,018,898	291,327,979	245,575,431
Number of shares at the end of the period	291,327,979	246,691,455	291,327,979	223,182,620
Average number of employees	43	36	42	38

Changes in equity (KSEK)

	Share capital	Fund for development costs	Premium reserve	Unrestricted equity	Total equity
Equity 2020-12-31	4,464	39,684	419,222	-388,994	74,376
Transfer from unrestricted equity to fund for development costs	0	-5,768	5,768	0	0
Issuance costs after tax effects	0	0	-3,072	0	-3,072
Warrants 2021-05	470	0	23,039	0	23,509
New issue 2021-11	893	0	45,529	0	46,422
Net profit or loss for the year	0	0	0	-65,007	-65,007
Equity 2021-12-31	5,827	33,916	490,486	-454,001	76,227
Transfer from unrestricted equity to fund for development costs	0	-1,865	9,865	0	8,000
Net profit or loss for the year	0	0	0	-32,533	-32,533
Equity 2022-06-30	5,827	32,051	500,351	-486,534	51,694

Quarterly data

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net sales, KSEK	24,149	24,155	24,149	11,791	17,610	14,555	8,543	1,081
Operating income, KSEK	-16,398	-12,986	-16,398	-10,354	-12,299	-15,097	-38,725	-17,622
Operating margin	-67.9%	53.8%	-67.9%	-87.8%	-69.8%	-103.7%	-453.3%	-1,630.9%
Net profit or loss, KSEK	-18,831	-13,709	-18,831	-10,868	-13,374	-15,846	-39,571	-18,494
Net margin	-78.0%	-56.8%	-78.0%	-92.2%	-75.9%	-108.9%	-463.2%	-1,711.6%
Order intake	0	8,500	57,000	11,785	92,400	22,688	1,819	92,400
Return on equity	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Equity ratio	42.0%	69.9%	42.0%	50.3%	53.5%	51.9%	55.6%	41.1%
Earnings per share, SEK	-0.06	-0.05	-0.06	-0.04	-0.06	-0.07	-0.20	-0.13
Equity per share, SEK	0.15	0.44	0.15	0.23	0.27	0.26	0.33	0.36
Average number of shares	291,327,979	291,327,979	291,327,979	246,691,455	231,018,898	223,182,620	198,465,923	147,384,750

Definitions

Return on equity	Profit or loss after taxes as a percentage of the average equity
Equity per share	Equity divided by the number of shares at the end of the period
Average number of shares	The number of shares at the beginning of the period plus the number of shares at the end of the period, divided by two
Cash flow per share	Cash flow from operating activities after change in working capital divided by the number of shares at the end of the period
Average number of employees	The average number of full-time equivalent employees during the financial year
Net margin	Profit or loss after taxes as a percentage of net sales
Earnings per share	Profit or loss after taxes divided by the average number of shares
Operating margin	Operating income as a percentage of net sales
Equity ratio	Equity as a percentage of the balance sheet total.