

Interim report

January–March 2023



Improved profitability and focus on development

The first quarter 2023 in brief

- Net sales decreased to MSEK 21.9 (24.2)
- Order intake decreased to MSEK 0.0 (8.5)
- Operating costs for personnel, other external charges and depreciation decreased to MSEK -18.0 (-20.9)
- Operating income amounted to MSEK -6.6 (-13.0)
- Net profit or loss amounted to MSEK -8.2 (-13.7)
- Cash flow from operating activities amounted to MSEK 10.6 (-18.6)

Full year 2022 in brief

- Net sales increased to MSEK 78.5 (53.2)
- Order intake decreased to MSEK 138.5 (183.9)
- Operating costs for personnel, other external charges and depreciation increased to MSEK -86.5 (-73.7)
- Operating income amounted to MSEK -61.4 (-61.5)
- Net profit or loss amounted to MSEK -69.6 (-65.0)
- Cash flow from operating activities amounted to MSEK -58.0 (-55.7).

Significant events during the quarter

Alelion and Exide Technologies have engaged in discussions to explore the potential of long-term cooperation focusing on production and sales of high-voltage lithium-ion battery systems.

Indicators	Jan-Mar	Jan-Mar	Δ %	Jan-Dec
	2023	2022		2022
Net sales, KSEK	21,910	24,155	-9.3%	78,469
Operating income, KSEK	-6,554	-12,986	49.5%	-61,380
Operating margin	-29.9%	-53.8%		-78.2%
Net profit or loss, KSEK	-8,256	-13,709	39.8%	-69,599
Earnings per share, SEK	-0.03	-0.05	45.2%	-0.23
Cash flow from operating activities, KSEK	10,685	-18,644	157.3%	-57,964
Order intake, KSEK	0	8,500	-100.0%	138,500

CEO comments

Improved profitability and focus on development

Improved profitability

During the first quarter, we saw a stabilization of our battery deliveries at the same time as we are receiving distinct signals of growing demand for electrified vehicles from several of our customers. Production has increased from the somewhat lower level of the end of 2022. Net sales reached MSEK 21.9 with operating income amounting to MSEK -6.6 (-13.0). The result was positively impacted by an increase of customers' prices.

The order book for delivery in 2023 totals MSEK 230, which is the result of the battery systems ready for series production that now are on the market and reaching customers. The total order backlog currently amounts to approximately MSEK 350. Noticing the accelerating trend of electrification, our customers have started to place orders with a longer time perspective to ensure supplies.

New developments

Our focus on a newly developed battery system with a greater degree of standardization and modularization is proceeding according to plan. Demand for further standardization is emerging both from customers that ramp up their volumes and from our own pursuit of streamlining measures and cost reductions with a view to boosting margins. We are planning for volume production of existing batteries at the same time as we are carrying out new development to manage a generation change in the coming year.

The new generation of battery systems is currently being discussed with both new and existing customers to meet their requirements. In parallel, development of software is also under way, and of the Battery Management System (BMS) that controls the battery system, which we are developing in-house to achieve the best possible control over the total lifespan of the battery system.

We hold the lifespan issues to be key for Alelion as well as for the industry. The central question is how we can ensure that the battery systems are optimized for the vehicles and the customers' needs at the same time as we build up knowledge in the management of batteries. We have published three so-called white papers on this subject during the quarter, in which we delve into the complexity surrounding issues such as battery choice, maintenance, patterns of operation, and charging. In this way, we are sharing the knowledge that Alelion has accumulated over the years, which is essential for developing the right battery for the right environment.

Market for electrification and energy management

After our many years in the business, we have discerned a clear pattern of what it takes for an electrified vehicle launch to succeed all the way to the end customers. As development partner to manufacturing customers, we can contribute with know-how and guidance to make correct decisions. The technology development is moving rapidly, and it is essential to maintain the focus on development of both battery systems and software.

A continued strong growth is to be expected, as the electrification of heavy-duty vehicles is on the rise. We are also seeing the same trend within the off-highway segment, which we are focusing on. The discussions regarding cooperation with Exide Technologies are continuing in line with the press release from January, in parallel with the cultivation of new customers in Europe.

The unrest in Europe and the ensuing energy crisis have showed the vulnerability of relying on fossil energy resources. The increasing need for energy will, over time, accelerate investment in smart solutions for energy storage and energy management as a long-term sustainable alternative. Alelion holds a patent portfolio in the energy area, which, over the course of the past year, has turned out to be increasingly relevant; the patents cover solutions relating to Energy Management, including how to create stable local electricity grids, so-called micro grids, and ensure the right energy supply at the right time and for the right applications. This involves electrified vehicles as well as energy storage and renewable resources. We are now choosing to reactivate the intellectual property rights, at the same time putting additional focus on these solutions, as we consider their potential for the future to be significant.



Åsa Nordström, CEO of Alelion Energy Systems AB

Financial development

Net sales and order intake

Net sales for the quarter increased to MSEK 21.9 (24.2), which is a decrease of 9 percent compared with the previous year. The lower net sales are attributable to the delay of a planned launch of an electrified special vehicle by one of our customers.

Order intake for the quarter was MSEK 0, which can be compared with MSEK 8 in 2022. The order book for 2023 totals MSEK 230, which is the result of the battery systems ready for series production that now are on the market and reaching customers. The total order backlog amounts to approximately MSEK 350. 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. From the autumn of 2023, we expect a sharp growth in volume as the demand for climate-smart solutions spreads throughout the world. The unrest in Europe and the ensuing energy crisis have showed the vulnerability of relying on fossil energy resources. The increasing need for energy will, over time, accelerate investment in smart energy storage solutions as a long-term sustainable alternative.

Costs

Operating costs for personnel, other external charges and depreciation amounted to MSEK -18.0 (-20.9) for the quarter. The cost development stems mainly from intensified development efforts, as the Company has started a project to develop next generation batteries.

The costs of inputs for our production increased by about 20 percent during 2022. Following price negotiations with customers, margins strengthened during the quarter. The margin on net sales in relation to inputs was 35.3 percent, compared with 29.7 percent for the corresponding period in the previous year.

The result for the quarter was positively impacted by exchange rate differences of MSEK 0.1.

During the quarter, development costs of MSEK 2.6 (0.2) were capitalized. Amortization of capitalized development costs amounted to MSEK -2.1 (-2.1).

Cash flow from operating activities before change in working capital for the quarter amounted to MSEK 10.7 (-18.6). Cash and cash equivalents amounted to MSEK 7.6 at the end of the period compared with MSEK 9.6 for the corresponding period in the previous year. Drawn overdraft facilities amounted to MSEK -7.4, compared with MSEK -14.8 on December 31, 2022.

Result

Operating income for the quarter amounted to MSEK -6.6 (-13.0), and net profit or loss amounted to MSEK -8.3 (-13.7). The result was positively impacted by an increase of customers' prices. Acquired intellectual property rights of MSEK -8.2 were impaired in full in the 2020 annual financial statements. After a rigorous evaluation of the patents, the Company has initiated projects with a potential new customer. Alelion expects that the ongoing project will result in a positive cash flow in the future and has resolved to reactivate acquired intellectual property rights of MSEK 5.7.

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 2023, the Company has elected to report only the figures and tables relating to the Parent Company.

Shares

The share is listed on Nasdaq Stockholm's First North Growth Market. On March 31, 2023, the share capital amounted to SEK 6,026,559 divided on 301,327,979 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, 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 and is considered to be on market conditions.

Financing and capital requirement

In connection with Alelion's substantial growth, 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 137.7 before issuance costs overall. In July 2022, the most recent one was carried out: a directed 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 2023 prolonged the maturity of a loan of MSEK 30 and been granted an operating loan of MSEK 15 until March 31, 2024.

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 and bridging 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 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 31 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 do not 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 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 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 2021 for the Parent Company and the Group.

Financial calendar

2022-04-27	Interim report January–March 2022
2022-04-27	Annual General Meeting 2022
2022-08-16	Interim Report April–June 2022
2022-10-27	Interim Report January–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, April 26, 2023

Alf Blomqvist
Chairman of the Board

Anders Björnberg
Director

Rune Nordlander
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 08:30 CET on April 26, 2023.

Parent Company's income statement

Income statement (KSEK)	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
Net sales	21,910	24,155	78,469
Capitalized own development work	2,624	209	1,944
Other operating income	1,038	499	405
Total income	25,572	24,864	80,819
Operating costs			
Raw materials and consumables	-14,172	-16,991	-55,658
Personnel costs	-10,406	-9,371	-40,789
Other external costs	-10,137	-8,217	-32,846
Depreciation and amortization of tangible and intangible fixed assets	2,589	-3,271	-12,839
Total operating costs	-32,126	-37,850	-142,199
Operating income	-6,554	-12,986	-61,380
Income from financial items			
Other interest income and similar items	0	0	0
Exchange rate differences	128	0	-3,452
Interest costs and similar items	-1,830	-723	-4,767
Total income from financial items	-1,702	-723	-8,219
Profit/loss after financial items	-8,256	-13,709	-69,559
Tax on profit for the year	0	0	0
Net profit or loss	-8,256	-13,709	-69,599

Parent Company's balance sheet

Assets (KSEK)	2023-03-31	2022-03-31	2022-12-31
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditure for development	28,310	32,048	27,550
Patents, licenses and similar rights	5,717	0	0
Goodwill	0	0	0
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	18,137	22,053	19,138
Leasehold improvements	817	869	850
Assets under construction	1,707	154	1,707
<i>Financial assets</i>			
Shares in subsidiaries	50	50	50
Receivables from subsidiaries	0	0	0
Total fixed assets	54,738	55,173	49,295
Current assets			
Inventories, etc.			
Raw materials and consumables	31,670	28,920	39,443
Advances to suppliers	337	3,382	139
	32,007	32,301	39,582
<i>Current receivables</i>			
Accounts receivable	5,831	13,438	3,346
Current tax assets	1,164	1,133	1,861
Other current receivables	3,001	3,753	2,924
Prepayments and accrued income	2,845	1,909	2,339
	12,840	20,232	10,471
Cash and bank	0	9,634	179
Total current assets	44,847	62,168	50,232
Total assets	99,585	117,341	99 527

Parent Company's balance sheet

Equity and liabilities (KSEK)	2023-03-31	2022-03-31	2022-12-31
Equity			
<i>Restricted equity</i>			
Share capital	6,027	5,827	6,027
Fund for development costs	28,313	32,051	27,553
Total restricted equity	34,340	37,877	33,580
<i>Unrestricted equity</i>			
Premium reserve	501,559	492,351	502,948
Retained earnings	-523,600	-454,001	-454,001
Profit or loss for the period	-8,256	-13,709	-69,599
Total unrestricted equity	-30,297	24,641	-20,652
Total equity	4,043	62,518	12,928
Non-current liabilities			
Liabilities to credit institutions	31,847	33,014	32,236
Other liabilities	15,000	0	15,000
Total non-current liabilities	46,847	33,014	47,236
Provisions			
Provisions for warranties	245	3,639	245
Total provisions	245	3,639	245
Current liabilities			
Utilized bank overdraft facility	7,250	0	15,000
Liabilities to credit institutions	15,355	1,167	1,167
Accounts payable	11,889	10,309	9,761
Other current liabilities	1,295	2,145	1,436
Accruals and deferred income	12,661	4,549	11,754
Total current liabilities	48,449	18,170	39,117
Total equity and liabilities	99,585	117,341	99,527

Cash flow statement

(KSEK)	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
Operating activities			
Operating income	-6,554	-12,986	-61,380
Adjustment for items not included in cash flow	-3,755	3,532	11,616
Interest received	0	0	0
Interest paid	-1,830	-723	-4,767
Cash flow from operating activities before change in working capital	-12,139	-10,177	-54,532
Cash flow from change in working capital			
Decrease/increase in inventories	7,576	-875	-8,156
Decrease/increase in accounts receivable	-2,465	-8,030	2,062
Decrease/increase in operating receivables	-334	-231	1,347
Decrease/increase in accounts payable	2,128	1,150	602
Decrease/increase in operating liabilities	15,919	-480	4,106
Cash flow from operating activities	10,685	-18,644	-57,964
Investing activities			
Acquisition of tangible fixed assets	0	0	-683
Acquisition of intangible fixed assets	-2,854	-228	-2,012
Deconsolidation of subsidiary	0	0	0
Cash flow from investing activities	-2,854	-228	-2,695
Financing activities			
Liabilities to credit institutions	-210	-292	28,752
New issues and warrants	0	0	6,300
Cash flow from financing activities	-210	-292	35,052
Cash flow for the period	7,621	-19,164	-25,607
Effect of exchange rate changes on cash and cash equivalents	128	-261	-3,452
Change in cash and cash equivalents	7,750	-19,424	-29,059
Cash and cash equivalents at the beginning of the period	0	29,059	29,059
Cash and cash equivalents at the end of the period	7,750	9,634	0

Indicators

	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022
Operating margin	-29.9%	-53.8%	-78.2%
Net margin	-37.7%	-56.8%	-88.7%
Return on equity	neg.	neg.	neg.
Equity ratio	4.1%	69.9%	9.6%
Earnings per share, SEK	-0.03	-0.05	-0.23
Equity per share, SEK	0.01	0.44	0.03
Cash flow per share, SEK	-0.03	-0.07	-0.19
Average number of shares	301,327,979	291,327,979	296,327,979
Number of shares at the end of the period	301,327,979	291,327,979	301,327,979
Average number of employees	45	41	45

Changes in equity

(KSEK)	Share capital	Fund for development costs	Premium reserve	Unrestricted equity	Total equity
Equity 2021-12-31	5,827	33,916	490,486	-454,001	76,227
Transfer from unrestricted equity to fund for development costs	0	-5,331	5,331	0	0
New issue 2022-07	200	0	7,800	0	8,000
Issuance costs after tax effects	0	-1,700	0	0	-1,700
Net profit or loss for the year	0	0	0	-69,599	-69,599
Equity 2022-12-31	6,027	26,884	503,617	-523,600	12,928
Transfer from unrestricted equity to fund for development costs	0	760	-760	0	0
Issuance costs after tax effects	0	0	-630	0	-630
Net profit or loss for the year	0	0	0	-8,256	-8,256
Equity 2023-03-31	6,027	27,644	502,228	-531,856	4,043

Quarterly data

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net sales, KSEK	21,910	15,120	15,044	24,149	24,155	24,155	11,791	17,610
Operating income, KSEK	-6,554	-17,252	-15,295	-16,398	-12,986	-12,986	-10,354	-12,299
Operating margin	-29.9%	-114.1%	-101.7%	-67.9%	-53.8%	-53.8%	-87.8%	-69.8%
Net profit or loss, KSEK	-8,256	-21,390	-17,291	-18,831	-13,709	-13,709	-10,868	-13,374
Net margin	-37.7%	-141.5%	-114.9%	-78.0%	-56.8%	-56.8%	-92.2%	-75.9%
Order intake	0	0	130,000	0	8,500	57,000	11,785	92,400
Return on equity	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Equity ratio	4.1%	13.0%	33.5%	42.0%	69.9%	69.9%	50.3%	53.5%
Earnings per share, SEK	-0.03	-0.07	-0.06	-0.06	-0.05	-0.05	-0.04	-0.06
Equity per share, SEK	0.01	0.04	0.12	0.15	0.44	0.44	0.23	0.27
Average number of shares	301,327,979	301,327,979	301,327,979	291,327,979	291,327,979	261,570,296	246,691,455	231,018,898

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.