

Interim report January – September 2019



Azelio puts the pieces in place for volume production in 2021, as planned

The third quarter saw the start of another verification project, which in parallel with the verification in Morocco will pave the way for Azelio's groundbreaking technology. Together with Abu Dhabi Future Energy Company (Masdar) and Khalifa University of Science and Technology, Azelio plans to launch a pilot project in Abu Dhabi aimed at evaluating Azelio's technology for Masdar's existing and future projects in renewable energy.

In Sweden, meanwhile, the first industrially produced Stirling engine for the Thermal Energy Storage application left the production line at the factory in Uddevalla. Azelio also appointed AQ Enclosure Systems as its partner for assembly of the energy storage solution.

The next interim goal is the verification project in Morocco, which is expected to produce electricity at the end of the year. Azelio is continuing to put the pieces in place to execute on small commercial projects in 2020 and allow volume production in 2021 according to plan.

Azelio is proud to have been nominated for Mission Innovation's list of 100 innovative clean energy solutions.

Group financial development

Q3: July – September 2019

- Net sales for the period amounted to SEK 285,000 (416,000)
- Operating profit/loss (EBIT) decreased to SEK -46,217,000 (-25,514,000)
- Earnings per share SEK -1.09 (-0.89)
- Profit/loss for the period decreased to SEK -46,027,000 (-25,523,000)
- Cash flow decreased to SEK -63,965,000 (-35,560,000)
- Cash and bank balances amounted to SEK 136,140,000 (74,498,000)

The period January – September 2019

- Net sales for the period amounted to SEK 1,099,000 (1,672,000)
- Operating profit/loss (EBIT) decreased to SEK -107,400,000 (-65,569,000)
- Earnings per share SEK -2.53 (-2.72)
- Profit/loss for the period decreased to SEK -107,259,000 (-65,504,000)
- Cash flow decreased to SEK -195,020,000 (-60,414,000)
- Cash and bank balances amounted to SEK 136,140,000 (78,498,000)

Significant events

Q3: July – September 2019

- The first industrially produced Stirling engine left the production line in Uddevalla
- Agreement signed with Masdar and Khalifa University in Abu Dhabi for a pilot project to evaluate Azelio's technology
- AQ Enclosure Systems appointed as partner for assembly of the energy storage solution
- Azelio included in Mission Innovation's list of 100 innovative clean energy solutions
- Azelio appoints VP Operations to lead the company's industrialisation

After the end of the period

- MoU signed with STELLA Futura and ND Power for two small commercial projects in Africa
- MoU signed with the US company Biodico for 120 MWe of installations in California
- New organisation introduced for industrialisation phase and volume production in 2021
- Final testing of pump system developed with Swiss company Egger for transfer of heat in the energy storage system
- Verification project for Azelio's energy storage solution in Morocco with solar panels, following agreement with JET Energy
- Expressions of interest were updated to around 3,900 MW or up to SEK 170 million in potential order value
- The company's Board of Directors intends to resolve on a partly guaranteed rights issue of around SEK 350 million; an extraordinary general meeting will be held on 26 November 2019

Key figures, Group

	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Full year 2018
Net sales, SEK 000	285	416	1,099	1,672	1,942
Operating profit/loss, SEK 000	-46,217	-25,514	-107,400	-65,569	-91,959
Profit/loss for the year, SEK 000	-46,027	-25,523	-107,259	-65,504	-91,845
Earnings per share, SEK	-1.09	-0.89	-2.53	-2.72	-2.97
Equity, SEK 000	456,930	314,851	456,930	314,851	561,876
Equity/assets ratio, %	84%	84%	84%	84%	87%
Cash flow from operating activities, SEK 000	-36,024	-23,374	-104,297	-41,386	-36,015
Cash and bank balances, SEK 000	136,140	78,498	136,140	78,498	331,196

Comments from CEO



“In the third quarter we continued to put the pieces in place to commercialise our solution. We entered into a partnership with Abu Dhabi Future Energy Company (Masdar) and Khalifa University of Science and Technology to verify our technology.”

– Jonas Eklind, CEO

Ahead of the extra UN Climate Action Summit in New York in September, Secretary-General António Guterres called on political leaders to come up with concrete measures to reduce emissions of greenhouse gases. As Azelio’s CEO, I am proud that we are part of the answer. Our solution for energy storage and production of sustainable and dispatchable electricity at all hours of the day is exactly such an example of how we can reduce greenhouse gases. Energy storage is essential if renewable energy is to be able to fully replace fossil fuels.

We continue to see great interest in our solution, both from partners who want to help develop it but above all from potential customers. After the demonstration of the storage technology in June last year we received expressions of interest to a value up to SEK 50 billion. The new option that – in addition to concentrated solar power – the storage system can also be charged with electricity has resulted in further expressions of interest, which are now assessed to amount to a value up to SEK 170 billion.

The new storage solution involving storage of electricity is a great step forward. Previously, we could offer cost-effective and sustainable electricity to the millions of people who live in communities suffering from what is known as energy poverty. Now we can also fill a need in the market in countries with a well-developed infrastructure, but where the grid has not yet been adapted for production of renewables and the consumption patterns that will arise when, for example, petrol cars are phased out and replaced with electric cars. This substantial increase in application area means we can now reach markets with greater geographical variation, including Sweden and northern Europe.

In the quarter we continued to put the pieces in place to commercialise our solution. We entered into a partnership with Abu Dhabi Future Energy Company (Masdar) and Khalifa University of Science and Technology to verify our technology. Masdar is one of the world’s largest developers and is an interesting customer for Azelio. The purpose of this verification is to assess whether our technology can be included in Masdar’s existing and future projects within renewable energy.

During the quarter the first industrially produced Stirling engine adapted to Azelio’s energy storage system came off the production line in Uddevalla. This means that we are now starting to deliver the parts that are to be used in the verification project in Morocco. In addition, we chose AQ Enclosure Systems as our partner for assembly of the energy

storage system. With such a well-established company as our partner we can ensure high quality and long-term production. We can also scale up to volume production since AQ Enclosure Systems has the resources and the flexibility needed for this.

The next significant milestone for Azelio is the verification project in Morocco that will measure how well the solution works in a real-world setting. Together with Masen we will install a complete solution in one of the world’s largest solar farms in the fourth quarter. When taken into operation it will generate data that customers, including Masen, can use to obtain financing for projects using our solution, which is vital for increasing our order volumes. We are thus continuing to follow our plan, which aims to get orders for and install the first small commercial projects in 2020 and then scale up to volume production in 2021.

Growing the organisation

To ensure we have the right skills to deliver projects on a global market we have continued to build up the organisation. In total Azelio now employs more than 160 people, of which 115 are employees and 49 consultants. The increased costs of the organisation and an intensive rate of development are entirely according to plan. Without any substantial increase in development expenditure we have also been able to broaden the area of application to include receiving electricity from photovoltaics and wind power and storing it as heat, thereby allowing renewable electricity to be supplied around the clock.

Income has fallen because the gas operations now primarily consist of servicing of existing facilities rather than new sales. This is a result of our strategy to focus on solutions for solar and wind power. It should be added that the gas operations generate valuable operating hours for the Stirling engine, providing quality assurance for future installations.

Outlook

We are continuing to follow our plan, in which we aim to start volume production in 2021 with a substantial order book, and we are continually checking off interim goals along the way. To finance the ongoing operations and the commercialisation of our technology, the Board of Directors intends to resolve on a partly guaranteed rights issue of around SEK 350 million.

Jonas Eklind, CEO

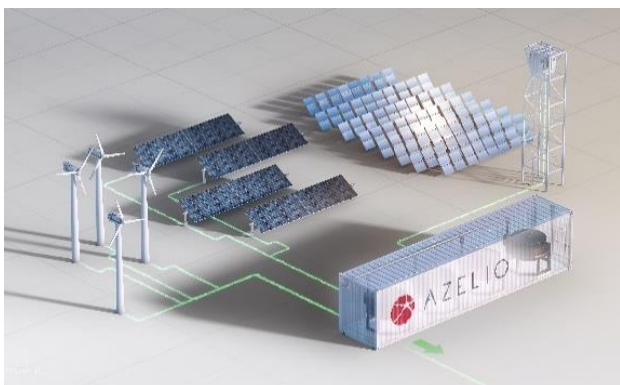
The business



Sustainable energy for all

Access to affordable, reliable and sustainable energy is vital for improving the wellbeing of individuals and bringing about economic growth. However, renewable power is not evenly distributed and in many places around the world the supply of good energy is poor.

Azelio has a solution that can provide renewable energy for all. The solution stores energy from the sun and wind and then makes it available at all hours of the day at a very competitive cost.



A large and growing market

Through efficient storage of renewable energy in areas without a stable grid Azelio is addressing a very large and rapidly growing market. Today a billion people live without access to a grid, with just as many living in areas with unstable grids. Having successfully demonstrated the technology in 2018, Azelio received expressions of interest from potential customers for more than 1,000 MW or up to SEK 50 billion in potential order value, long before the company was ready to deliver in volume. Expressions of interest have since increased to 3,900 MW, with a value up to SEK 170 billion in potential order value. It should be noted that these are expressions of interest and not orders or indications of orders, and that the number of enquiries exceeds the company's expected production capacity over the next five years. Also, some of the

enquiries are in geographical markets where the company is not planning to operate over the next five years.

A groundbreaking solution

The solution stores energy in the form of heat in an aluminium storage facility; the heat is then converted into electricity in a Stirling engine when needed. The system is modular and can be combined into larger units to supply a hospital, factory or small community with energy.



Moving from innovation to industry

After the successful public demonstration of the technology in 2018 Azelio is following a clear plan to industrialise and commercialise its innovation globally, thereby laying the basis for a significant new Swedish industrial company. We are making the move from innovation to industry together with large, well-established partners.

The next milestone for the company is to verify the system on a commercial scale, which we are starting together with Masen at the world's largest solar farm in Morocco in the fourth quarter of 2019. In parallel with this we have another important verification project in Abu Dhabi. These verifications are expected to pave the way for small commercial projects in 2020 and allow the start of volume production in 2021.

Significant events

Q3: July - September 2019

New clean-tech project with Masdar and Khalifa University

Azelio signed an agreement with Abu Dhabi Future Energy Company (Masdar) and Khalifa University of Science and Technology for a pilot project evaluating new technology in power storage. The project aims to test and demonstrate Azelio's energy storage system for inclusion in existing and future projects within renewable energy. The tests start in autumn 2019 with evaluation of Azelio's Stirling engine system. The full system – including the energy storage solution – is planned to start to be installed and analysed in the first half of 2020.



CEO Jonas Eklind signs an agreement with Masdar and Khalifa University concerning evaluation of Azelio's technology for inclusion in existing and future renewable energy projects.

Successful production premiere at the factory in Uddevalla

Azelio took the next step towards commercialisation when the first Stirling engine to be produced in a final version for the company's solution for producing sustainable electricity around the clock from thermal energy storage came off the production line in Uddevalla. The Stirling engine was assembled in a fully industrial environment and is the first part of the delivery for the verification project that is to be installed in Morocco in the fourth quarter of 2019. Components are mass-produced using subcontractors, e.g. from the automotive industry. Along with high efficiency, this means Azelio's solution for storing and producing sustainable electricity is cost-effective even for small-scale installations.

Assembly by AQ Enclosure Systems ensures long-term production of energy storage system

Azelio and AQ Enclosure Systems signed a letter of intent to develop and produce Azelio's energy storage solution in a long-term, close partnership. The aim is for AQ Enclosure System to become a full-scale production partner that provides purchasing, assembly and logistics services for Azelio's complete systems. With assembly of the energy

storage solution by AQ Enclosure Systems, Azelio can quickly reach large volumes while maintaining consistently high quality.

Azelio listed among Mission Innovation's 100 innovative clean energy solutions

Azelio was named as one of 100 companies listed by Mission Innovation for clean energy technologies with the greatest potential to reduce greenhouse gas emissions and contribute to the global 1.5°C target. Mission Innovation is a global initiative of 24 member countries and the European Commission. The initiative was launched at the Paris Climate Conference in 2015.

Peter Gabrielsson appointed VP Operations

Azelio appointed Peter Gabrielsson as VP Operations. Peter Gabrielsson will play a key role in driving the company's industrialisation in future verification projects and commercial projects. Peter brings with him extensive operational, commercial and strategic experience from senior positions in engineering, project management, sales and business development for international EPC deliveries to the oil and gas industry.

After the end of the period

MoUs for two commercial projects in Africa

Azelio signed two Memorandums of Understanding (MoUs), one with the Swedish company STELLA Futura and one with the Swedish company Nordic Distributed Power AB (ND Power), to start two 50 kWe facilities. These are scheduled to start operating in the third quarter of 2020. The purpose of these is to demonstrate Azelio's technology ahead of future projects with STELLA Futura and ND Power on the African market. Both STELLA Futura and ND Power have various projects in the pipeline between 2021 and 2023 in which Azelio's technology can be used. In total these encompass 6.5 MWe and 7.55 MWe respectively of Azelio's energy storage.

MoU for 120 MWe of installations in California

Azelio signed a Memorandum of Understanding (MoU) with the US company BIODICO INC (Biodico) for a project in Atascadero, California. The MoU frameworks a collaboration over a capacity of about 120 MWe of Azelio's energy storage technology in the US market until 2024. This capacity is distributed along the following timeline: 13 kWe in 2021 (Atascadero project), 15 MWe in 2022, 35 MWe in 2023 and 70 MWe in 2024. Fully installed, the capacity corresponds to approximately 9,000 units of Azelio's system.

New organisation to achieve mass production in 2021

Azelio made organisational changes to prepare the company for the move into commercialisation – a new phase in the company's development. Jonas Wallmänder, previously VP Partners & Collaborations, became Executive VP. The new Executive Team comprises Jonas Eklind, CEO, Kennet Lundberg, CFO and Jonas Wallmänder, Executive VP. The expanded management team for Azelio's energy storage (Stirling TES) comprises VP Operations Peter

Gabrielsson, VP Manufacturing Ingemar Hagberg, VP Development Jonas Karlsson, CTO Torbjörn Lindquist and VP Business Development Ralf Wiesenberg. Jan Svensson takes up the position of VP Stirling OEM, thus becoming responsible for Azelio's gas business. The new organisation took effect on 1 October.

Final testing of pump system developed with Swiss company Egger

Azelio has developed a unique pump system with Swiss company Emile Egger & Cie SA (Egger) that pumps sodium at a high temperature for transfer of heat in Azelio's energy storage. The pump system has worked well in controlled development environments and in October final testing began – a 4,000-hour service life test under real-life conditions.

Verification project in Morocco with energy storage plus solar panels opens up new markets

Azelio's verification project in Morocco, which is currently under construction and is expected to produce electricity at the end of the year, will use electricity from photovoltaics (PVs) to charge the energy storage system developed by the company. This has a number of advantages, such as increasing the number of addressable markets to include countries with good conditions for photovoltaics but inadequate conditions for concentrated solar power (CSP) – for example, India. The storage solution can also be charged with electricity from wind power or connected to a grid, which would suit northern Europe. Total system efficiency may reach a full 90 percent from electricity to energy, since the storage solution is placed on the ground rather than in the air as when charging with concentrated solar power. The Moroccan company Jet Energy, which has been a key supplier in the verification project from the start, will be responsible for supply and installation of the project's solar panels.

Expressions of interest to a value up to SEK 170 billion

After the demonstration of the energy storage solution in June 2018 there was a significant increase in interest from potential customers. In connection with the company's listing on Nasdaq First North Growth Market in December 2018, Azelio announced that it had received expressions of interest from potential customers which, after qualification based on specific criteria, represented around 1,000 MW – equivalent to up to SEK 50 billion in potential order value. The improved energy storage solution that includes charging using electricity has resulted in the company adjusting its assessment criteria. After reviewing the old enquiries from potential customers as well as the new expressions of interest, the estimated value of the expressions of interest has increased to around 3,900 MW – which corresponds to a potential order value up to SEK 170 billion.

It should be noted that these expressions of interest are not orders, or indications of orders, and that the number of enquiries exceeds the company's production capacity over the next five years. Also, some of the expressions of interest are in geographies where the company is not planning to operate over the next five years.

Partly guaranteed rights issue of around SEK 350 million

To finance the company's ongoing operations and the continued industrialisation of the system's design, construction and production, with the goal of reaching industrial volume production in 2021, Azelio's Board of Directors intends to carry out a partly guaranteed rights issue of around SEK 350 million. The rights issue is secured through a combination of subscription undertakings and guarantee commitments to an amount of SEK 225 million. An extraordinary general meeting will be held on 26 November 2019, at which it will be proposed that the Board is authorised to decide on a new share issue.

Group financial development

Q3: July - September 2019

Income, expenses and profit/loss

Operating income

Net sales for the third quarter amounted to SEK 285,000 (416,000). The decrease is due to lower income from the gas operations, which mainly involve servicing – in accordance with the business plan, which aims to focus the company on the development of the energy storage solution. Own work capitalised amounted to SEK 30,268,000 (12,122,000) for the quarter.

Operating expenses

Costs for the third quarter amounted to SEK -76,769,000 (-38,052,000). The result is largely attributable to employee benefit expenses, consulting costs and prototype costs.

Capitalised expenditure for development and similar

The company has decided to write down the value of certain capitalised project costs that were de-prioritised or discontinued in the third quarter by SEK 11,423,000 (-).

Operating profit/loss

The operating loss amounted to SEK -46,217,000 (-25,514,000).

Financial items

Income from financial items during the period amounted to SEK 189,000 (-8,000) and consisted mainly of interest income, interest expense and similar profit/loss items.

Profit/loss for the period

The result for the third quarter was a loss of SEK -46,027,000 (-25,523,000). Earnings per share amounted to SEK -1.09.

Cash flow, investments and financial position

Cash flow

Cash flow from operating activities during the quarter amounted to SEK -36,024,000 (-23,374,000). Cash flow from financing activities amounted to SEK -95,000 (247,000).

Investments

Investments affecting cash flow during the quarter amounted to SEK -27,846,000 (-12,433,000), mainly in the form of capitalised development.

Financial position

Cash and cash equivalents amounted to SEK 136,140,000 (78,498,000) as of 30 September. Equity at the end of the quarter amounted to SEK 456,930,000 (314,851,000) or SEK 10.79 (1.10) per share. The equity/assets ratio as of the same date was 84% (84), closing balance.

The period January - September 2019

Income, expenses and profit/loss

Operating income

Net sales for the period amounted to SEK 1,099,000 (1,672,000). The decrease is due to lower income from the gas operations, which mainly involve servicing – in accordance with the business plan, which aims to focus the company on the development of the energy storage solution. Own work capitalised amounted to SEK 91,195,000 (41,286,000) for the period.

Operating expenses

Costs during the period amounted to SEK -200,311,000 (-109,905,000). The result is largely attributable to employee benefit expenses, consulting costs and prototype costs.

Operating profit/loss

The operating loss amounted to SEK -107,400,000 (-65,569,000).

Financial items

Income from financial items during the period amounted to SEK 142,000 (65,000) and consisted mainly of interest income, interest expense and similar profit/loss items.

Profit/loss for the period

The result for the period was a loss of SEK -107,259,000 (-65,504,000). Earnings per share amounted to SEK -2.53.

Cash flow and investments

Cash flow

Cash flow from operating activities during the period amounted to SEK -104,297,000 (-41,386,000). Cash flow from financing activities amounted to SEK 2,662,000 (143,406,000) and is attributable to new share issues.

Investments

Investments affecting cash flow during the period amounted to SEK -93,385,000 (-41,607,000), mainly in the form of capitalised development. In September "Investments in progress, intangible assets" were reclassified as "Capitalised expenditure for development".

Share capital

The Group's share capital at the end of the period amounted to SEK 21,174,000 spread across 42,347,495 shares.

The 8 largest shareholders

Name	Shareholding, %
Blue Marlin AB / Kent Janér	26.56%
Goldman Sachs International Ltd, W8IMY	7.21%
Back in Black Capital Ltd	7.08%
Deutsche Bank (Suisse) S.A, W8IMY	5.98%
UBS Switzerland AG, W8IMY	4.83%
Byggmästare AJ Ahlström Fastighet	2.68%
BNP Paribas Sec Serv Luxemburg, W8IMY	2.62%
Pareto Securities AS	2.13%

Warrants

At the end of the period there were 39,626,667 warrants issued in seven different series with exercise prices of between SEK 10 and SEK 130. Full conversion of these warrants would increase the number of shares by 4,196,667 shares.

Share data

The share is traded under the ticker AZELIO on Nasdaq First North Growth Market with FNCA as Certified Advisor. At the end of the last period, on 28 June 2019, the share was traded at SEK 16.86 per share. At the end of the current period, on 30 September 2019, the share was traded at SEK 15.00 per share, a decrease of SEK 1.86.

Related party transactions

In the third quarter an amount of SEK 4,900,000 (-) was expensed in respect of services provided in connection with the company's demonstration facility in Ouarzazate, Morocco. The counterparty is Masen, the state-controlled Moroccan Agency for Sustainable Energy. Masen holds 16,666,667 warrants in the company and has a representative on the Board of the company. The accrued expenses amount to SEK 13,259,000 (1,353,000) in total. These services are performed on market terms.

Group accounting

The financial statements for the Group are considered to essentially accord with the figures for the parent company.

Significant risks and uncertainties

The current valuation of the company's assets in the form of capitalised development costs and inventory is based on adherence to the prepared business plan. The Board expects the future sales volumes to be so extensive that the discounted cash flows generated will justify the current valuation with a good margin. The Board believes there is good potential to implement the business plan and that capitalised

development costs are likely to lead to future economic benefits. The Company's capitalised development costs relate to various technologies. All of them are, however, linked to the Stirling engine, the technology upon which the Company has built its business. The Board believes that, due to technical synergies, the current engine was made possible by the development of gas engine technology. Due to the close relationship between these technical solutions, the machines are not assigned to separate cash-generating units. The Stirling engine is a further development of earlier technology and thus no impairment losses have been reported on development costs for earlier versions. On the other hand, inventory disposals have been made for components that were unique to previous versions of the product.

The "going concern" accounting principle according to the Swedish Annual Accounts Act prescribes a basic assumption regarding the valuation of a company's assets. With respect to capitalised development, there are further assumptions regarding necessary financing of continued development as well as commercial realisation. Thus a valuation not made on the basis on these assumptions would result in different valuation of the company's assets. The Board is in favour of the assumptions described above and considers that the necessary conditions are in place. The Board is aware, however, that uncertainties exist when estimating the time and costs involved in implementing full-scale commercialisation and industrialisation of the company's product. This has been taken into account in the company's plans and forecasts, by the Board actively exploring alternative scenarios and being prepared to handle these types of challenges. This includes various financing solutions and having flexible development plans.

The listing on Nasdaq First North Growth Market on 10 December 2018 provided the company with proceeds of SEK 242 million before transaction costs. On 24 October the company decided to convene an extraordinary general meeting on 26 November 2019 in order to pass a resolution on a rights issue of up to SEK 350 million. Of this rights issue, SEK 225 million is subscribed for and guaranteed and therefore the Board assesses that the company will have sufficient working capital up until at least June 2020. These subscriptions and guarantees are not secured, and consequently there is a risk that those that have subscribed for and guaranteed the issue will not be able to meet their commitments. As mentioned above, the Board has prepared alternative scenarios that also include the matter of financing for the second half of 2020, in which an outstanding financing requirement of SEK 300–425 million needs to be resolved.

Review

The income statement and cash-flow statement for the Group and the parent company for the period 1 January – 30 September 2019 and the balance sheet for the Group and the parent company as of 30 September 2019 have been reviewed by the company's elected auditors.

Key figures, Group

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Earnings per share, SEK	-1.09	-0.89	-2.53	-2.72	-2.97

Condensed financial statements

Consolidated income statement

SEK 000	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Income					
Net sales	285	416	1,099	1,672	1,942
Own work capitalised	30,268	12,122	91,195	41,286	66,392
Other operating income	0	0	616	1,378	2,007
	30,553	12,538	92,910	44,336	70,341
Costs					
Raw materials and consumables	-84	-614	-1,819	-3,815	-7,758
Other external expenses	-37,208	-15,075	-101,051	-39,821	-65,821
Employee benefit expenses	-24,101	-18,416	-74,362	-54,500	-72,961
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets	-15,344	-3,905	-22,910	-11,650	-15,546
Other operating expenses	-32	-42	-168	-119	-215
Total operating expenses	-76,769	-38,052	-200,311	-109,905	-162,300
Operating profit/loss	-46,217	-25,514	-107,400	-65,569	-91,959
Financial items					
Income from securities and receivables held as non-current assets	0	0	0	0	0
Other interest income and similar profit/loss items	183	110	270	297	403
Interest expense and similar profit/loss items	6	-119	-128	-232	-289
Total financial items	189	-8	142	65	114
Profit/loss after financial items	-46,027	-25,523	-107,259	-65,504	-91,845
Tax on profit for the period	0	0	0	0	0
Profit/loss for the period	-46,027	-25,523	-107,259	-65,504	-91,845
Earnings per share	-1.09	-0.89	-2.53	-2.72	-2.97
<i>Average number of shares</i>	42,347,495	28,713,034	42,347,495	24,109,854	30,927,085
<i>Number of shares at end of period</i>	42,347,495	28,713,034	42,347,495	28,713,034	42,347,495

Condensed financial statements

Consolidated balance sheet

SEK 000	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Intangible non-current assets			
Capitalised expenditure for development and similar	363,811	270,348	291,224
Investments in progress, intangible assets	0	0	1,353
Total intangible non-current assets	363,811	270,348	292,577
Property, plant and equipment			
Leasehold improvements	2,401	1,045	987
Equipment, tools, fixtures and fittings	12,077	7,038	6,798
Total property, plant and equipment	14,478	8,083	7,785
Total non-current assets	378,289	278,431	300,361
Inventories			
Raw materials and consumables	10,139	8,872	8,809
Finished goods and goods for resale	704	3,064	618
Advance payments to suppliers	9,774	351	179
Total inventories	20,617	12,288	9,606
Current assets			
Trade receivables	99	28	69
Current tax assets	906	605	919
Other receivables	358	331	336
Prepaid expenses and accrued income	5,100	3,100	3,157
Cash and bank balances	136,140	78,498	331,196
Total current assets	163,220	94,851	345,283
TOTAL ASSETS	541,509	373,282	645,644
EQUITY AND LIABILITIES			
Equity			
Share capital	21,174	14,357	21,174
Other paid-in capital	1,294,699	1,028,899	1,291,971
Reserves	-786	-236	-341
Retained earnings including profit/loss for the period	-858,157	-728,168	-750,928
Total equity	456,930	314,851	561,876
Provisions			
Provisions	0	16	0
Total provisions	0	16	0
Non-current liabilities			
Other liabilities	22,755	22,990	22,850
Total non-current liabilities	22,755	22,990	22,850
Current liabilities			
Advances from customers	0	54	0
Trade payables	26,058	11,262	34,332
Other current liabilities	269	8,234	8,828
Accrued expenses and deferred income	35,497	15,875	17,757
Total current liabilities	61,824	35,425	60,918
TOTAL EQUITY AND LIABILITIES	541,509	373,282	645,644

Condensed financial statements

Consolidated statement of changes in equity

SEK 000	Share capital	Other paid-in capital	Translation reserve	Retained earnings incl. profit/loss for the year	Total equity
Opening balance 1 January	21,174	1,291,971	-341	-750,928	561,876
Share issues		2,728			
Warrants sold				29	
Profit/loss for the period				-107,259	
Translation difference			-445		
Closing balance 30 September	21,174	1,294,699	-786	-858,157	456,930

Consolidated cash flow statement

SEK 000	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
OPERATING ACTIVITIES					
Profit/loss after financial items	-46,027	-25,501	-107,231	-65,433	-91,845
Adjustment for non-cash items	15,344	3,639	25,323	11,384	18,628
Income tax paid	0	-313	0	87	-227
Cash flow from operating activities before changes in working capital	-30,683	-22,176	-81,908	-53,963	-73,444
Increase (-)/decrease (+) in inventories	-1,489	514	-11,849	3,937	3,532
Increase (-)/decrease (+) in operating receivables	-8,030	-1,572	-9,010	-203	-257
Increase (+)/decrease (-) in operating liabilities	4,179	-140	-1,530	8,843	34,154
Cash flow from operating activities	-36,024	-23,374	-104,297	-41,386	-36,015
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	-5,033	-311	-9,645	-321	-1,108
Purchase of intangible assets	-22,813	-12,122	-83,740	-41,286	-66,392
Purchase of financial assets	0	0	0	0	0
Cash flow from investing activities	-27,846	-12,433	-93,385	-41,607	-67,500
FINANCING ACTIVITIES					
New share issue	0	0	2,728	143,159	416,067
Warrant programme	0	247	29	247	600
Borrowings	0	0	0	0	0
Repayment of loans	-95	0	-95	0	-140
Cash flow from financing activities	-95	247	2,662	143,406	416,527
CASH FLOW FOR THE PERIOD	-63,965	-35,560	-195,020	60,414	313,011
Cash and cash equivalents at beginning of period	200,186	114,152	331,196	18,020	18,020
Exchange rate differences in cash and cash equivalents	-81	-93	-36	65	165
Cash and cash equivalents at end of period	136,140	78,498	136,140	78,498	331,196

Condensed financial statements

Parent company income statement

SEK 000	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Income					
Net sales	285	416	1,099	1,672	1,942
Own work capitalised	30,268	12,122	91,195	41,286	66,392
Other operating income	0	0	616	1,378	2,007
	30,553	12,538	92,910	44,336	70,341
Costs					
Raw materials and consumables	-84	-614	-1,819	-3,815	-7,758
Other external expenses	-37,142	-14,902	-100,295	-39,076	-64,720
Employee benefit expenses	-23,260	-17,617	-71,981	-52,103	-69,770
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets	-15,344	-3,900	-22,909	-11,636	-15,530
Other operating expenses	-32	-42	-168	-119	-215
Total operating expenses	-75,863	-37,075	-197,172	-106,748	-157,992
Operating profit/loss	-45,310	-24,537	-104,262	-62,412	-87,651
Financial items					
Income from interests in Group companies	-1,405	-5,513	-4,188	-5,513	-6,865
Income from securities and receivables held as non-current assets	0	0	0	0	-1,683
Other interest income and similar profit/loss items	167	109	283	291	395
Interest expense and similar profit/loss items	-96	-119	-203	-232	-289
Total financial items	-1,334	-5,523	-4,108	-5,454	-8,442
Profit/loss after financial items	-46,644	-30,060	-108,370	-67,866	-96,093
Tax on profit for the period	0	0	0	0	0
Profit/loss for the period	-46,644	-30,060	-108,370	-67,866	-96,093

Condensed financial statements

Parent company balance sheet

SEK 000	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Intangible non-current assets			
Capitalised expenditure for development and similar	363,811	270,348	291,224
Investments in progress, intangible assets	0	0	1,353
Total intangible non-current assets	363,811	270,348	292,577
Property, plant and equipment			
Leasehold improvements	2,401	1,045	987
Equipment, tools, fixtures and fittings	12,077	7,035	6,796
Total property, plant and equipment	14,478	8,080	7,783
Financial non-current assets	50	50	50
Total non-current assets	378,339	278,478	300,410
Inventories			
Raw materials and consumables	10,139	8,872	8,809
Finished goods and goods for resale	704	3,064	618
Advance payments to suppliers	9,774	351	179
Total inventories	20,617	12,288	9,606
Current assets			
Trade receivables	99	28	69
Receivables from Group companies	6,872	1,686	0
Current tax assets	906	605	919
Other receivables	119	128	189
Prepaid expenses and accrued income	5,100	2,936	3,041
Cash and bank balances	134,074	77,746	330,061
Total current assets	167,787	95,418	343,884
TOTAL ASSETS	546,126	373,896	644,294
EQUITY AND LIABILITIES			
Equity			
Share capital	21,174	14,357	21,174
Development expenditure fund	306,756	198,538	222,291
Share premium reserve	1,294,699	1,028,899	1,291,971
Retained earnings including profit/loss for the period	-1,160,968	-919,764	-968,161
Total equity	461,662	322,029	567,274
Provisions			
Provisions	0	16	0
Total provisions	0	16	0
Non-current liabilities			
Other liabilities	22,755	22,990	22,850
Total non-current liabilities	22,755	22,990	22,850
Current liabilities			
Advances from customers	0	54	0
Trade payables	26,041	11,262	34,332
Other current liabilities	171	1,669	2,081
Accrued expenses and deferred income	35,497	15,875	17,757
Total current liabilities	61,709	28,861	54,170
TOTAL EQUITY AND LIABILITIES	546,126	373,896	644,294

Condensed financial statements

Parent company statement of changes in equity

SEK 000	Share capital	Share premium reserve	Development expenditure fund	Retained earnings	Profit/loss for the period	Total equity
Opening balance 1 January	21,174	1,291,971	222,291	-968,161		567,274
Share issues		2,728				
Warrants sold				29		
Profit/loss for the period					-108,370	
Transfer			84,466	-84,466		
Closing balance 30 September	21,174	1,294,699	306,756	-1,052,598	-108,370	461,662

Parent company cash flow statement

SEK 000	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
OPERATING ACTIVITIES					
Profit/loss after financial items	-46,644	-30,060	-108,370	-67,866	-96,093
Adjustment for non-cash items	16,749	9,148	27,935	16,883	27,159
Income tax paid	0	-313	0	87	-227
Cash flow from operating activities before changes in working capital	-29,895	-21,226	-80,435	-50,896	-69,160
Increase (-)/decrease (+) in inventories	-1,489	514	-11,849	3,937	3,532
Increase (-)/decrease (+) in operating receivables	-8,051	-1,449	-9,048	-193	-396
Increase (+)/decrease (-) in operating liabilities	4,596	-141	255	8,890	34,199
Cash flow from operating activities	-34,840	-22,303	-101,077	-38,262	-31,826
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	-5,033	-307	-9,643	-307	-1,092
Purchase of intangible assets	-22,813	-12,122	-83,740	-41,286	-66,392
Purchase of financial assets	-1,405	0	-4,188	-50	-1,401
Cash flow from investing activities	-29,250	-12,428	-97,571	-41,643	-68,885
FINANCING ACTIVITIES					
New share issue	0	0	2,728	143,159	416,067
Warrant programme	0	247	29	247	600
Borrowings	0	0	0	0	0
Repayment of loans	-95	0	-95	0	-140
Cash flow from financing activities	-95	247	2,662	143,406	416,527
CASH FLOW FOR THE PERIOD	-64,185	-34,484	-195,986	63,501	-315,816
Cash and cash equivalents at beginning of period	198,260	112,230	330,061	14,245	14,245
Exchange rate differences in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of period	134,074	77,746	134,074	77,746	330,061

Board of Directors' assurance

The Board of Directors and CEO hereby provide an assurance that the interim report provides a true and fair view of the company's business, financial position and results, and describes the significant risks and uncertainties that the company faces.

Gothenburg, 24 November 2019

Bo Dankis
Chairman of the Board

Mattias Bergman
Board member

Hicham Bouzekri
Board member

Sigrun Hjelmquist
Board member

Kent Janér
Board member

Pär Nuder
Board member

Lars Thunell
Board member

Bertil Villard
Board member

Jonas Eklind
CEO

Accounting principles

The interim report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines BFAR 2012:1 on annual financial statements and consolidated financial statements (K3). For more detailed information on the accounting principles, refer to the company's 2018 Annual Report.

Financial calendar

Year-end report for the period 1 January – 31 December 2019: 28 February 2020
Annual report 2019: 16 April 2020
Interim report for the period 1 January – 31 March 2020: 13 May 2020
Annual general meeting 2020: 14 May 2020

Definitions

Number of shares

Average number of shares – weighted average number of outstanding shares for a certain period.

Equity

Shareholders' equity at the end of the period.

Employee benefit expenses

Personnel expenses for the period, including salaries, other remuneration and social security costs.

Earnings per share

Profit/loss for the period attributable to the parent company's shareholders divided by the average number of shares in the market.

Operating income

All income including own work capitalised.

Operating profit/loss (EBIT)

Profit/loss before financial items and taxes.

Equity/assets ratio

Equity divided by total assets at end of period.

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