

Quarterly Report Q3 2022

July – September



Outcome – July - September

- Net sales amounted to 1 556 (554) kSEK
- Profit after net financial items amounted to -3 142 (-1 188) kSEK
- Basic and diluted earnings per share -0,24 (-0,09) kSEK
- Cash flow from operating activities and investing activities -4 926 (-5 860) kSEK

Significant events July-September

- Insplorion sells two research instruments
- Insplorion presents the updated strategy: Insplorion focus fully on hydrogen

Significant events after the end of the period

- None

Indicators Insplorion Group

	2021-07-01 -2021-09-30 3 months	2022-01-01 -2022-09-30 9 months	2021-01-01 -2021-09-30 9 months	2021-01-01 -2021-12-31 12 months	2022-07-01 -2022-09-30 3 months
Alla amounts in thousands of SEK if other not specified					
Net sales	1 556	554	1 817	1 655	2 335
Operating income	2 720	3 272	5 310	6 838	9 538
Profit after financial items	-6 468	-1 188	-15 956	-8 580	-11 620
Earnings per share (SEK)	-0.49	-0.09	-1.22	-0.66	-0.89
Diluted earnings per share (SEK)	-0.49	-0.09	-1.22	-0.66	-0.89
Cash flow from operating and investing activities	-4 926	-5 860	-16 183	-16 609	-17 968

For the complete table, please refer to page 10. For definitions of indicators, please refer to page 15.

A word from the CEO

During the third quarter, Insplorion's updated strategy was published. Based on a joint effort by the Board of Directors and the management, it was decided that the business would focus on hydrogen as that is where the technical and commercial prospects for the company hold the most promise.

The strategy can briefly be summarized as follows:

- Focus on hydrogen with a maintained instrument business, and down-prioritize areas where sufficient technology and market conditions are currently lacking—that is, the volume sensor for battery measurements and the nitrogen dioxide sensor.
- Prove the technology in customer-financed hydrogen projects and achieve commercial success.
- Accelerate the path to the commercial phase by exploring alternative ways in the form of acquisitions, mergers, and partnerships.

In connection with the refocusing, we are also recognizing an impairment on the work carried out on nitrogen dioxide sensor of approximately MSEK 3.3.

It is beyond doubt that hydrogen will need to be produced on a large scale in the future. In particular, a vast amount of green hydrogen will be required in the coming decades just to replace the hydrogen currently produced from fossil fuels such as natural gas and coal. Subsequently, the gas must be stored, transported, and used in a wide range of end applications. Throughout these stages, hydrogen measurements will be needed to ensure that hydrogen in processes does not exceed or fall below specified values significant for efficiency and safety, or simply to detect the presence of hydrogen where it is not supposed to be. Hydrogen is highly explosive.

The estimates of investments required in the future span a wide range of figures. Hydrogen Council is a CEO-led global initiative involving more than 130 leading energy, transport, industry, and investment companies sharing a long-term vision of developing hydrogen power. Their estimate is that the hydrogen value chain will attract investments of up to USD 500 billion until 2030. It is clear that major

investment is under way and will continue in this field to manage climate change.

At Insplorion, we are looking forward to pursuing the hydrogen area with determination together with partners and customers, thus building value in the company. Our team recently visited Safran, a French company amongst other things active in the aviation industry. We were there chosen for its Explore H2 program, and by extension we also participated in their Innovation Day held in Paris on October 20.

During the quarter, it was also gratifying that we sold three instruments to universities in England (M8), Poland (Acoulyte), and Finland (S2). In addition, four new publications that make use of our technology and instruments were released recently, which indirectly provides important marketing of our skills and technology.

All in all, I have great confidence in our decision to focus our business, and within Insplorion we look forward to purposefully work together with partners and customers and thereby create value for the company.

Gothenburg, Sweden, October 27th, 2022

Johan Rask, CEO



Financial comments

Business development

The Company's sales within the research instruments business area are characterized by few measuring instruments sold but at high prices per unit. The variation in sales can therefore be high from one quarter to the next, making it difficult to compare quarterly results. The Company's aim is to grow the instrument business continuously, but sales usually depend on our customers' availability of funding.

The performance is still negative as development costs have increased. Investments in marketing and customer adaptation, and product development are the most important reasons for the higher costs, which are in line with plan.

Financial position and liquidity

Cash and cash equivalents amounted to kSEK 32,723 (50 963) as of September 30th. At the end of the period, the Group's interest-bearing liabilities totalled kSEK 2,576 (1,861).

Cash flow for the period (July 1st–September 30th) amounted to kSEK –5,101 (-6,035), of which cash flow from operating activities amounted to kSEK -4,191 (-5,205). This is mostly attributable to the negative operating result in the amount of kSEK -3,117, in combination with changes in working capital with a negative impact on cash flow of kSEK -1,230. During the period, the Group has invested kSEK 735 (653), mostly attributable to the capitalized development. Financing activities were negative by kSEK –175 (-175) due to loan repayments.

Future development

Within hydrogen, the ambition is to realize more customer-financed projects to be able to commercialize volume applications in the long term. The Horizon 2020 project 3beLiEVe runs into 2023, and we will continue to deliver into the project. The outcome of the completed Eurostars Inbat creates a good foundation for processing potential customers for our battery research instrument M8.

Within research instruments, we intend to continue with the momentum experienced in the market for both M8 and S2.

Risks and uncertainties

The Group is considered to still be subject to the same risks and uncertainties that are detailed in the 2021 annual report.

Parent Company

The net sales of the parent company for the period (July 1st–September 30th) amounted to kSEK 2,161 (1,007), and the profit after net financial items amounted to kSEK –3,117 (–1,361). The parent company's equity totalled MSEK 47,1 MSEK, of which MSEK 3,6 restricted.

The share

As of September 30th, 2022, the share capital of Insplorion amounted to SEK 1,963,536 divided in total 13,090,234 shares with a quota value of SEK 0.15.

The current warrant and option programmes are:

- Subscription warrants programme TO1 2018/2023: As part of the funding agreement established in 2018, the financier ESGO and existing shareholders were allotted subscription warrants free of charge. Each subscription warrant entitles the holder to purchase one Insplorion share at a subscription price of SEK 11.50 per share.

Warrants for less than SEK 500,000 in total may be exercised at five occasions during the two-week periods that precede the dates 12, 24, 36, 48 and 60 months after the date of registration, which was February 5th, 2018.

In total, 392,604 warrants have been issued, corresponding to approximately 4.0 percent of the Company's number of shares of that time. In February 2020, 71,352 warrants were converted into shares. During the subscription period in January/February 2021, 90,892 were converted into shares, meaning that by year-end 2021 the number of outstanding options were 230,360. During the subscription period of February 2022, 4,153 options were converted, with the remaining number of options being 226,207.

Due to the rights issue carried out in December 2020, recalculation was made in accordance with the terms of the warrant program TO1, which means that each warrant gives the right to subscribe for 1.033 shares compared to previously one share.

- Warrants and employee stock options series 2021/2024, where 24,700 incentive warrants and 46,800 employee stock options will be issued. This means a maximum dilution of approximately 0.7 percent of the shares and votes in the Company.

Each warrant and employee option entitles the holder to acquire one share in Insplorion at an exercise price of SEK 41.10 per share.

- Warrants to the Board of Directors series 2021/2024, where 85,000 Incentive Warrants has been issued. This means a maximum dilution of approximately 0.6 percent of the shares and votes in the Company.

Each warrant entitles the holder to acquire one share in Insplorion at an exercise price of SEK 41.10 per share.

The ten largest shareholders as of September 30th

Shareholders	Shares	% of share capital and voting rights
Avanza Pension	1 007 291	7.69%
Mikael Hägg	499 292	3.81%
AP Ventures	450 000	3.44%
Hans-Olov Olsson	408 483	3.12%
Chalmers Ventures	383 862	2.93%
Nordnet Pension	343 400	2.62%
Gunvald Berger	280 389	2.14%
Lena Kasemo	247 529	1.89%
Kenneth Svensson	241 472	1.84%
Svesten AB	210 612	1.61%
Others	9 017 904	68.89%
Total	13 090 234	100.0 %

Source: Euroclear and information to the Company

Policies for the preparation of the interim report

Insplorion applies the Swedish Accounting Standards Board's BFNAR 2012:1 Annual accounts and consolidated (K3). For the report, Chapter 9 of the Annual Accounts Act, interim report, has also been applied.

Accounting principles and calculation bases are unchanged compared with the annual report.

Auditors' review

This report has been reviewed by the Company's auditors.

Upcoming financial reports

- 2023-02-23 Year-end report 2022

Presentation of the interim report, Gothenburg, October 27th, 2022

Insplorion AB (publ)
The Board

Insplorion in brief

Insplorion AB, with its unique sensor platform NanoPlasmonic Sensing (NPS), operates within two fields: hydrogen sensors and research instruments. The sensors are fast, flexible, selective, and cost efficient at volume production. Our hydrogen sensors show a sub-second response time, making them the fastest in the world and will promote the growth of hydrogen infrastructure. Our instruments give scientists around the world real time data within battery research and surface processes in fields like catalysis, material- and life science.



Hydrogen sensors

Insplorion is developing the world's fastest hydrogen sensor for the rapidly growing market of hydrogen-based vehicles, infrastructure, and fuel cells.

The sensor's rapid response time is of major importance e.g., for safety applications, or for process controls and optimisation of fuel cells, electrolyzers and other processes including hydrogen use.

The sensor is accurate, compact, and cost-effective and contributes to a faster transition to the use of hydrogen as an alternative to fossil energy. It can also be used for the development of new technology, as in fuel cells, for increased understanding and optimisation of their function.



Research instruments

In research instruments, Insplorion sells measuring instruments to researchers in academia and industry. Insplorion's products make it possible to obtain real-time information with nanoscale sensitivity about processes on surfaces and in boundary layers. The instruments enable a deeper understanding of nanomaterials, nanoparticles, porous materials, thin films and coatings for various applications such as catalysis, polymer science, materials science, biosciences, and solar cells.

Every instrument comprises a basic package of Insplorion's software and an optical hardware module. Depending on the field of research, the customer selects the instrument which best matches the needs. A complete instrument system has a list price of about kEUR 40 to 90, depending on the selection of options. Furthermore, annual revenues for sensors expended during experiments are purchased.



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Income Statement Insplorion Group

	2022-07-01 -2022-09-30 3 months	2021-07-01 -2021-09-30 3 months	2022-01-01 -2022-09-30 9 months	2021-01-01 -2021-09-30 9 months	2021-01-01 -2021-12-31 12 months
All amounts in thousands of SEK					
Net sales	1 556	554	1 817	1 655	2 335
Own work capitalized	645	678	921	2 367	3 032
Other operating income	519	2 040	2 572	2 816	4 171
Operating income	2 720	3 272	5 310	6 838	9 538
Raw materials and consumables	-462	-199	-499	-258	-488
Other external charges	-2 163	-1 521	-6 692	-6 758	-8 972
Personnel costs	-3 030	-2 604	-10 137	-7 972	-10 948
Depreciation/amortization	-181	-102	-530	-301	-590
Impairment of intangible fixed assets	-3 327	0	-3 327	0	0
Operating costs	-9 163	-4 426	-21 185	-15 289	-20 998
Operating profit	-6 443	-1 154	-15 876	-8 451	-11 460
Interest costs and similar items	-25	-33	-81	-128	-160
Result from financial items	-25	-33	-81	-128	-160
Profit after financial items	-6 468	-1 188	-15 956	-8 580	-11 620
Profit/loss for the period	-6 468	-1 188	-15 956	-8 580	-11 620
Earnings per share					
Earnings per share (SEK)	-0.49	-0.09	-1.22	-0.66	-0.89
Diluted earnings per share (SEK)	-0.49	-0.09	-1.22	-0.66	-0.89

Balance sheet Insplorion Group

All amounts in thousands of SEK	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
<i>Capitalized expenditure for development</i>	14 368	16 403	16 875
Concessions, patents, licenses, trade marks, etc.	2 213	2 434	2 408
	16 581	18 837	19 283
<i>Tangible fixed assets</i>			
Machinery and other technical equipment	477	497	543
	477	497	543
Total fixed assets	17 058	19 333	19 826
Current assets			
Work in progress	2 038	2 052	2 124
	2 038	2 052	2 124
Accounts receivable	102	567	222
Current tax assets	23	44	0
Other receivables	227	173	138
Prepayments and accrued income	489	205	318
	841	990	678
Cash and bank balances	32 723	50 963	49 456
Total current assets	35 602	54 005	52 257
TOTAL ASSETS	52 660	73 338	72 083

Balance sheet Insplorion Group

All amounts in thousands of SEK	2022-09-30	2021-09-30	2021-12-31
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	1 964	1 963	1 963
	1 964	1 963	1 963
<i>Non-restricted equity</i>			
Premium reserve	122 458	122 426	122 426
Retained loss	-63 790	-52 196	-52 169
Profit/loss for the period	-15 956	-8 580	-11 620
	42 712	61 650	58 636
Total equity	44 676	63 613	60 599
Long-term liabilities			
Liabilities to credit institutions	1 103	1 861	1 686
	1 103	1 861	1 686
Short-term liabilities			
Liabilities to credit institutions	715	715	715
Accounts payable	754	595	712
Current tax liabilities	0	0	54
Other short-term liabilities	170	192	219
Accruals and deferred income	5 243	6 362	8 099
	6 882	7 865	9 798
TOTAL EQUITY AND LIABILITIES	52 660	73 338	72 083
Pledged assets and contingent liabilities			
Pledged assets	500	500	500
Contingent liabilities	None	None	None

Changes in equity	Share capital	Non-reg. issue	Share premium reserve	Profit/loss carried forward	Profit/loss for the period	Total equity
Equity as of 2022-01-01	1 963	0	122 426	-52 169	-11 620	60 599
Appropriation of previous year's profit				-11 620	11 620	0
Warrant programme	0,6	0	49			49
Cost of redeemed warrants			-16			-16
Profit/loss for the period					-15 956	-15 956
Equity as of 2022-09-30	1 964	0	122 458	-63 789	-15 956	44 676
Equity as of 2021-01-01	1 920	29	121 419	-39 972	-12 795	70 601
Appropriation of previous year's profit				-12 795	12 795	0
Registration of share issue	29	-29				0
New share issue (decided on 2020-11-06)	14		1 066			1 081
Issuance costs (decided on 2020-11-06)			-60			-60
Warrant programme				597	0	597
Profit/loss for the period				0	-11 620	-11 620
Equity as of 2021-12-31	1 963	0	122 425	-52 169	-11 620	60 599

Cash Flow Statement Insplorion Group

	2022-07-01 -2022-09-30 3 months	2021-07-01 -2021-09-30 3 months	2022-01-01 -2022-09-30 9 months	2021-01-01 -2021-09-30 9 months	2021-01-01 -2021-12-31 12 months
All amounts in thousands of SEK					
Operating activities					
Operating profit	-6 443	-1 154	-15 876	-8 451	-11 460
Adjustment for non-cash items:					
Depreciation/amortization according to plan	181	103	530	301	590
Impairment of intangible fixed assets	3 327	0	3 327	0	0
Loss on sale of tangible and intangible fixed assets	0	0	0	0	26
Interest paid	-25	-34	-81	-128	-160
Cash flow from operating activities before change in working capital	-2 960	-1 085	-12 099	-8 278	-11 004
Change in working capital					
Increase (-)/Decrease (+) in inventories	380	-421	86	-967	-1 039
Increase (-)/Decrease (+) in operating receivables	106	-273	-163	477	790
Increase (+)/Decrease (-) in operating liabilities	-1 716	-3 427	-2 917	-5 357	-3 423
Cash flow from operating activities	-4 191	-5 206	-15 094	-14 125	-14 677
Investing activities					
Cash flow from investing activities	-735	-653	-1 089	-2 484	-3 291
Financing activities					
Change in long-term liabilities	-175	-175	-583	-1 915	-2 090
New share issue	0	0	0	2 359	2 359
Warrant programme	0	0	33	570	597
Cash flow from financing activities	-175	-175	-550	1 014	866
Increase/Decrease of cash and cash equivalents	-5 101	-6 035	-16 733	-15 595	-17 102
Cash/cash equivalents at the beginning of the year	37 823	56 997	49 455	66 558	66 557
Cash/cash equivalents at the end of the period	32 723	50 962	32 722	50 963	49 455

Indicators Insplorion Group

	2022-07-01 -2022-09-30 3 months	2021-07-01 -2021-09-30 3 months	2022-01-01 -2022-09-30 9 months	2021-01-01 -2021-09-30 9 months	2021-01-01 -2021-12-31 12 months
All amounts in thousands of SEK if other not specified					
Net sales	1 556	554	1 817	1 655	2 335
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Profit after financial items	-6 468	-1 188	-15 956	-8 580	-11 620
Earnings per share (SEK)	-0.49	-0.09	-1.22	-0.66	-0.89
Diluted earnings per share (SEK)	-0.49	-0.09	-1.22	-0.66	-0.89
Cash flow from operating and investing activities	-4 926	-5 860	-16 183	-16 609	-17 968
Solidity (%)	85%	87%	85%	87%	84%
Quick ratio (%)	488%	661%	488%	661%	512%
The share's quota value (SEK)	0.15	0.15	0.15	0.15	0.15
Number of shares	13 090 234	13 085 944	13 090 234	13 085 944	13 085 944
Average number of shares	13 090 234	13 085 944	13 089 757	13 075 512	13 078 120
Average number of shares after dilution	13 332 145	13 323 906	13 332 145	13 323 906	13 323 906
Average number of employees	13	15	15	15	15

The Parent Company's income statement

	2022-07-01 -2022-09-30 3 months	2021-07-01 -2021-09-30 3 months	2022-01-01 -2022-09-30 9 months	2021-01-01 -2021-09-30 9 months	2021-01-01 -2021-12-31 12 months
All amounts in thousands of SEK					
Net sales	2 161	1 007	2 422	3 015	3 881
Own work capitalized	0	69	55	336	445
Other operating income	519	1 853	1 557	2 370	2 467
Operating income	2 680	2 928	4 034	5 720	6 793
Raw materials and consumables	-462	-199	-499	-258	-488
Other external charges	-2 125	-1 351	-6 412	-6 072	-7 915
Personnel costs	-3 030	-2 604	-10 137	-7 972	-10 948
Depreciation/amortization	-155	-102	-453	-301	-432
Operating costs	-5 772	-4 256	-17 502	-14 603	-19 783
Operating profit	-3 092	-1 328	-13 467	-8 883	-12 990
Interest costs and similar items	-25	-33	-81	-128	-160
Impairment of shares in subsidiary	-2 500	0	-2 500	0	0
Result from financial items	-2 525	-33	-2 581	-128	-160
Profit after financial items	-5 617	-1 361	-16 048	-9 011	-13 150
Year-end appropriations	0	0	0	0	1 530
Profit/loss for the period	-5 617	-1 361	-16 048	-9 011	-11 620
Earnings per share					
Earnings per share (SEK)	-0.43	-0.10	-1.23	-0.69	-0.89
Diluted earnings per share (SEK)	-0.43	-0.10	-1.23	-0.69	-0.89

The Parent Company's balance sheet

All amounts in thousands of SEK	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditure for development	2 292	2 263	2 339
Concessions, patents, licenses, trademarks, etc.	1 261	1 404	1 378
	3 553	3 667	3 717
<i>Tangible fixed assets</i>			
Machinery and other technical equipment	477	497	543
	477	497	543
<i>Financial fixed assets</i>			
Participations in Group companies	50	50	50
	50	50	50
Total fixed assets	4 080	4 214	4 310
Current assets			
Work in progress	2 038	2 052	2 124
	2 038	2 052	2 124
Accounts receivable	102	567	222
Intra-group receivables	14 712	14 925	15 369
Current tax assets	12	34	0
Other receivables	171	125	149
Prepayments and accrued income	489	205	318
	15 487	15 856	16 058
Cash and bank balances	30 498	49 237	47 448
Total current assets	48 023	67 144	65 630
TOTAL ASSETS	52 104	71 358	69 940

The Parent Company's balance sheet

All amounts in thousands of SEK	2022-09-30	2021-09-30	2021-12-31
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	1 964	1 963	1 963
Fund for development costs	1 597	1 183	1 541
	3 560	3 146	3 504
<i>Non-restricted equity</i>			
Premium reserve	122 458	122 426	122 426
Retained loss	-65 386	-53 379	-53 710
Profit/loss for the period	-16 048	-9 011	-11 620
	41 024	60 035	57 095
Total equity	44 584	63 181	60 599
Long-term liabilities			
Liabilities to credit institutions	1 103	1 861	1 686
	1 103	1 861	1 686
Short-term liabilities			
Liabilities to credit institutions	715	715	715
Accounts payable	754	595	712
Current tax liabilities	0	0	60
Other short-term liabilities	170	192	219
Accruals and deferred income	4 778	4 813	5 949
	6 417	6 316	7 654
TOTAL EQUITY AND LIABILITIES	52 104	71 358	69 940
Pledged assets and contingent liabilities			
Pledged assets	500	500	500
Contingent liabilities	None	None	None

Changes in Equity	Share capital	Non-reg. issue	Fund for developm. costs	Share premium reserve	Profit/loss carried forward	Profit/loss for the period	Total equity
Equity as of 2022-01-01	1 963	0	1 541	122 426	-53 710	-11 620	60 599
Appropriation of previous year's profit					-11 620	11 620	0
Change in fund for development costs			55		-55		0
Warrant programme	0,6			49			49
Cost of redeemed warrants				-16			-16
Profit/loss for the period						-16 048	-16 048
Equity as of 2022-09-30	1 964	0	1 597	122 458	-65 386	-16 048	44 584
Equity as of 2021-01-01	1 920	29	922	121 419	-40 894	-12 795	70 602
Appropriation of previous year's profit					-12 795	12 795	0
Change in fund for development costs			619		-619		0
Registration of share issue	29	-29					0
New share issue (decided on 2020-11-06)	14			1 066			1 080
Issuance costs (decided on 2020-11-06)				-60			-60
Warrant programme					597		597
Profit/loss for the period						-11 620	-11 620
Equity as of 2021-12-31	1 963	0	1 541	122 426	-53 710	-11 620	60 599

Definitions of indicators

Earnings per share (SEK)

Net profit for the year divided by the average number of shares.

Diluted earnings per share (SEK)

Net profit for the year divided by the average diluted number of shares.

Solidity (%)

Adjusted equity in relation to the balance sheet total.

Quick ratio (%)

Current assets less inventories, divided by current liabilities.

Average number of shares

Number of shares per month divided by the period.

Average number of shares after dilution

Number of shares per month, including warrant programmes, divided by the period.

Average number of employees

Number of employees per month divided by the period.