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Strong revenue growth

January–September 2022

- Revenue increased to TSEK 255,884 (118,169)
- Operating profit amounted to TSEK -38,272 (-84,353)
- Profit after tax amounted to TSEK 6,507 (-62,131). The result includes currency conversions of TSEK 45,322 (22,475)
- Earnings per share amounted to SEK 0.13 (-1.34)

July–September 2022

- Revenue increased to TSEK 78,069 (47,823)
- Operating profit amounted to TSEK -11,954 (-22,785)
- Profit after tax amounted to TSEK 2,024 (-12,339) The result includes currency conversions of TSEK 19,083 (10,527)
- Earnings per share amounted to SEK 0.04 (-0.26)

Significant events during the quarter

- MUSD 1.1 order from the UK MoD for renewal of SATCOM-as-a-Service.

Significant events after the quarter

- Noora Jayasekara was appointed CFO starting November 1, 2022.

Outlook

- The company believes that sales for 2022 will be significantly higher than in 2021, and that the launch of Ovzon 3 will take place in the period from December 2022 to February 2023, given that the final integration and tests fall out as planned.

Key figures

TSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-Year 2021
Revenue	78 069	47 823	255 884	118 169	191 378
Operating profit/loss	-11 954	-22 785	-38 272	-84 353	-113 383
Profit/loss for the period after tax	2 024	-12 339	6 507	-62 131	-83 854
Earnings per share, SEK	0,04	-0,26	0,13	-1,34	-1,78
Total cash flow	-60 406	144 516	-104 041	268 146	208 880
Equity ratio, %	71	80	71	80	78
Order book, SATCOM services, MUSD	10,4	11,4	10,4	11,4	29,1
Share price end of period, SEK	37,45	48,30	37,45	48,30	62,80

CEO comments

Strong revenue growth

The third quarter was, similar to the previous two, characterized by high activity in Ovzon, where our future opportunities remain strong despite the challenges in our surrounding world. Our sales activities in the form of dialogues, product demonstrations and tests with existing and new customers continue to be high. There is an increased need and interest in high-performing, efficient, and secure mobile satellite communications for all types of customers with critical missions. We are convinced that this will lead to strategic business. We have high-performing satellite capacity available for fast delivery of our SATCOM-as-a-Service offering, which is an advantage in these discussions. At the same time, we continue to experience relatively long sales cycles and lead times ahead of decisions. It is a natural effect of the increased financial and geopolitical concerns, but also a fact, that different types of decision-makers and procurement functions at customers need more insights and understanding of how secure and resilient satellite communication (Ovzon SATCOM-as-a-Service) works.

Revenue growth of 63 percent and increased customer dialogue

Our improved financial performance continued in the third quarter with strong revenue growth. Revenues increased by 63 percent during the third quarter, and 40 percent adjusted for currency fluctuations, compared to the same quarter last year. We continue to deliver on last year's increased order intake with very good feedback from customers. This applies, not least, to the significant order from the Italian Fire and Rescue Services, which has become a reference customer for us. With that said, the strong US dollar contributed to our growth rate during the quarter. Our operating profit was also strengthened compared to the previous year, but at the same time hampered to some extent by the fact that we still have some of the strategically purchased satellite capacity unsold. During the first nine months, this had a negative effect on the operating profit of MSEK 33.1. This excess capacity is, however, still a strength for us, as we can rapidly deliver our SATCOM-as-a-Service for future business. Our order intake has not yet mirrored the ongoing activities in our customer dialogues, but we have good indications that this will change.

Ovzon 3 in final stages of integration and test

In our previous interim report, we communicated that the details and clarity around the launch of our own satellite Ovzon 3 have increased significantly in recent months. The satellite is now in the final stages of integration with active final tests. Given that all tests perform well, and that all logistics and coordination is achieved, the launch of Ovzon 3 will take place sometime in the time period December 2022 to February 2023. In the wake of the pandemic with global component shortages and logistical problems as a result, we observe that many satellite programs have been delayed. There are therefore several organizations in the industry who, like us, are planning to launch satellites in the near future. The prioritization and the queue system for launches are totally dependent on when satellites are finally tested and transported to the spaceport. In the past, it has been the case that national and political interests also weigh heavily. Our focus is, of course, that our obtained launch plan will hold and that no other external factors will affect it. It will take approximately another four months after launch before the satellite is in an operational position and can be used for customer service.



In good position for year-end

To summarize, we continue to focus on driving profitable growth with our core offering, Ovzon SATCOM-as-a-Service. The generally increased macroeconomic uncertainty of the past six months has so far not significantly affected us or the industry in which we operate. Instead, we experience that the increased critical geopolitical situation in Europe as well as globally has led to an increased demand for surveillance, security, and critical communication where traditional communication channels and infrastructure cannot be used or are not available. Our previous assessment that sales in 2022 will be significantly higher than in 2021 remains.

We continue to strengthen our organization and management team. I am very pleased to welcome Noora Jayasekara on board as Ovzon's new CFO from November 1, 2022. In addition, other key recruitments are ongoing and will be important on our continued growth journey. We have a great opportunity to further strengthen our leading position in line with our new vision; "Connecting the world's critical missions via satellite".

Per Norén, CEO Ovzon

About Ovzon

Ovzon provides mobile broadband satellite service through its own and leased satellite capacity to customers in various parts of the world.

Vision

Connecting the world's critical missions via satellite

Business idea

The Group provides mobile satellite broadband services in areas without functioning infrastructure.

Financial targets

Ovzon's financial target is to continue to develop and expand its current service offering in the coming years, at the same time as the company prepares the launch of its first self-developed satellite.

Ovzon at a glance

Customer segments

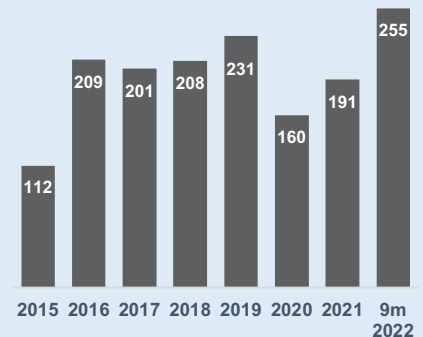
Defense
 Government
 Emergency services
 NGOs
 Media

Key trends

Increased demand for:

- Integrated solutions
- Bandwidth
- Mobility

Sales, MSEK



Financial overview

Development during the period

	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
TSEK	2022	2022	2022	2021	2021	2021	2021	2020
Revenue	78 069	77 928	99 887	73 209	47 823	33 216	37 131	33 633
Operating profit/loss	-11 954	-8 810	-17 508	-29 030	-22 785	-30 910	-30 658	-19 326
Profit/loss for the period after tax	2 024	16 263	-11 780	-21 723	-12 339	-38 538	-11 254	-55 683
Earnings per share, SEK	0,04	0,32	-0,21	-0,42	-0,26	-0,84	-0,24	-1,20
Total cash flow	-60 406	51 933	-95 568	-59 266	144 516	218 032	-94 402	-288 789
Equity ratio, %	71	73	79	78	80	78	95	97

Revenue and order intake

Revenue for the third quarter increased to TSEK 78,069 (47,823), which corresponds to a growth of 63 percent (40 percent after adjustment for currency movements). Revenue for the first nine months amounted to TSEK 255,884 (118,169), which corresponds to a growth of 117 percent (85 percent after adjustment for currency fluctuations).

The increased revenue compared to last year is driven by the new orders signed with the US DoD, the UK MoD and the Italian Fire and Rescue Services during 2021. Together with the company's SATCOM-as-a-Service, the revenue also includes sold satellite terminals of TSEK 38,593 (-) that were delivered during the first quarter 2022. The revenue was also positively affected by the higher average exchange rate for USD, which during the first nine months was SEK 9.92 (8.49).

The order intake regarding SATCOM-as-a-Service (excluding terminals) for the period amounted to MUSD 3.3 (9.2) and for the quarter MUSD 1.4 (5.9). The order book for undelivered SATCOM-as-a-Service (excluding terminals) at the end of the period amounted to MUSD 10.4 (11.4) (excluding sold capacity of Ovzon 3).

Operating profit

Operating profit for the quarter amounted to TSEK -11,954 (-22,785). Operating profit for the first nine months amounted to TSEK -38 272 (-84 353). Operating profit has been affected positively by the new contracts (mentioned above), as well as the big number of delivered terminals during the first quarter 2022.

The capacity utilization improved from April 1, 2022, when OHO-13 (IS-37) began to be delivered to the Italian Fire and Rescue Services. However, the operating profit is still affected by unused contracted satellite capacity. One of the steerable antennas on IS-39 was unsold during the first nine months and the steerable antennas on IS-37 was unsold during the first quarter of the year. In total, these steerable antennas have affected the operating profit by TSEK -33,151 (-43,248). The unsold capacity has to a large extent been used for tests and customer demonstrations of the company's satellite service.

The capacity agreement with Intelsat regarding capacity on IS-39 and IS-37 extends over a total of 48 months from November 1, 2020.

During the first nine months of 2021, the company received government grants in the US linked to Covid-19 of TSEK 1,789. The operating profit was further affected by listing costs of TSEK 2,282 for the company's move to Nasdaq Stockholm during the spring of 2021.

During the quarter, the company has made a bad debt reserve of MSEK 6 (0) for unsecured accounts receivable, in accordance with the company's credit routine, as a result of delayed payments from one of the company's customers. The company works actively and closely with the customer to ensure financing and that the agreed payment plan is followed.

Profit/loss after financial items

Net financial items for the quarter amounted to TSEK 13,971 (10,439) with a profit after financial items of TSEK 2,017 (-12,346). Net financial items for the first nine months amounted to TSEK 45,192 (22,196) with a profit after financial items of TSEK 6,920 (-62,157). The company's net financial items primarily include currency effects on the part of the company's liquidity and Group balances that are held in US dollars. During the first 9 months of the year, the currency effects in the financial net amounted to TSEK 45,322 (22,475).

Profit/loss after tax

Profit after tax for the quarter amounted to TSEK 2,024 (-12,339). Profit after tax for the first nine months amounted to TSEK 6,507 (-62,131).

Cash flow

Cash flow from operating activities for the quarter amounted to TSEK 1,303 (-24,390) and for the first nine months to TSEK -80,273 (-94,691).

Cash flow from investing activities for the quarter amounted to TSEK -61,708 (-60,679) and for the first nine months to TSEK -126,628 (-197,514). The investments were mainly attributable to the development of new terminals as well as the company's first own satellite Ovzon 3, a project estimated to be completed during the period December 2022 to February 2023 (see also Note 8).

Cash flow from financing activities for the quarter amounted to TSEK 0 (229,585) and for the first nine months to TSEK 102,860 (560,351). During the third quarter, the company paid loan expenses of TSEK 16,760 (9,346). For the first nine months the loan expenses amounted to TSEK 40,544 (26,259). Of the loan expenses, interest paid comprises TSEK 14,484 for the third quarter and TSEK 32,494 for the first nine months. These have been capitalized and reported as part of the investment activities in the cash flow statements (included in the year's accrued costs and advances paid).

Of the company's available loan facility of a total of MUSD 55, MUSD 10 is unused as of the balance sheet date. See further note 6.

Financial position

The Group's cash and cash equivalents at the balance sheet date amounted to TSEK 349,016 compared with TSEK 406,084 at the beginning of the year. Equity amounted to TSEK 1,421,989, compared to TSEK 1,450,268 at the beginning of the year. The equity ratio is 71 (80) percent.

Options outstanding

In connection with the raising of a subordinated loan facility of TSEK 200,000 on July 3, 2019, 1,500,000 warrants were issued to the subordinated lenders. Following the rights issue in June 2020, the terms of the warrants have been recalculated. Each option entitles the holder to subscribe for 1.02 new shares in the company at a price of SEK 98.16 per share. The warrants run over a maximum of 5 years and may be exercised for subscription of shares until July 3, 2024.

An Extraordinary General Meeting on May 18, 2020, resolved to issue a maximum of 900,000 warrants under the "Warrant Program 2020/2023". The company's management team has subscribed for the maximum number of warrants granted a total of 500,000 and other personnel have subscribed for a total of 200,000 options. Each warrant entitles the holder to subscribe for one new share in the company at a price of SEK 102.10 per share. If all granted warrants and options in the programs are used, a dilution of 1.4 percent of the shares and votes in the company will occur. The exercise period for the warrants runs from June 18, 2023, to July 18, 2023.

The Annual General Meeting on April 13, 2021, resolved to issue a maximum of 1,100,000 warrants under the "Warrant Program 2021/2024". The company's management team has subscribed for a total of 410,000 options and other personnel have subscribed for a total of 186,000 options. Each warrant entitles the holder to subscribe for one new share in the company at a price of SEK 145.6 per share. If all granted warrants and options in the program are used, a dilution of 1.2 percent of the shares and votes in the company will occur. The exercise period for the warrants runs from May 15, 2024, to June 15, 2024.

The Annual General Meeting on April 21, 2022, resolved to issue a maximum of 450,000 warrants under two incentive programs: "Warrant Program 2022/2025" (maximum 225,000 warrants that are transferred at market value) and "Employee Stock Option Program 2022/2025" (maximum 225,000 employee stock options that are issued free of charge). The company's management team has signed the maximum number of allocated options, a total of 250,000, and other personnel have signed a total of 145,000 options. Each warrant or employee stock option entitles the holder to subscribe for one new share in the company at a price of SEK 80.93 per share. If all issued options are used in the option programs, a dilution of 0.9 percent of the shares and votes in the company will occur. The exercise period for the warrants runs from June 1, 2025, to June 30, 2025.

Management and organization

The number of employees in the Group at the end of the quarter was 46 (35). The company's CFO Johan Brandt left the company at the end of September. Noora Jayasekara was appointed as the new CFO of Ovzon on October 11, 2022. She starts her employment with the company on October 20, 2022, and assumes the position as CFO on November 1, 2022, see further note 11.

Significant risks and uncertainties

Risks associated with the Group's operations can generally be divided into strategical and operational risks related to business activities and risks related to financing activities.

The uncertainty in the world following the war in Ukraine, the subsequent energy crisis and higher inflation in large parts of the world affect the Group with higher costs for inputs and financing for both Ovzon and Ovzon's customers. This may also have an impact on the investment plans of Ovzon's current and prospective customers.

In troubled times, it is natural for smaller currencies, such as the Swedish krona (SEK), to weaken against the US dollar and euro, which the company has clearly noticed recently with its large exposure to the US dollar. When the global situation stabilizes, we will probably be able to see a strengthening of the SEK against the USD, which will mean that the currency effects may affect the company's results.



As a result of Covid-19, the company sees a continued risk of potential disruptions in supply chains and the financial stability of the company's customers and suppliers. This could affect the delivery time and quality of components from suppliers or the short-term solvency of customers.

The board and management follow the development of events in Ukraine and the changed security policy situation in other parts of the world to evaluate and proactively manage potential risks and opportunities. For a detailed description of Ovzon's risks and uncertainties and how they are managed, see further Ovzon's Annual Report 2021.

Parent company

Parent company operations comprise costs for parts of senior management and staff functions as well as other central costs. The Parent Company invoices the subsidiaries for these costs.

The parent company's revenue for the quarter amounted to TSEK 4,956 (4,956) with a profit after financial items of TSEK 25,692 (11,401). Revenue for the first nine months amounted to TSEK 14,868 (14,868) with a profit after financial items of TSEK 60,790 (26,334). Cash and cash equivalents at the balance sheet date are TSEK 318,023 compared with TSEK 380,551 at the beginning of the year. Investments during the year were TSEK 46,255 (-). Equity amounted to TSEK 1,885,578, compared with TSEK 1,824,122 at the beginning of the year. The number of employees is 1 (2).

The company's major shareholders

At the end of the reporting period: Investment AB Öresund (11.9 percent), Bure Equity AB (11.4 percent), Futur Pension (9.7 percent), Fjärde AP-fonden (9.1 percent), Handelsbanken Fonder (8.5 percent), AFA Försäkring (7.7 percent), Nortal Investment AB (6.1 percent), AB Stena Finans (3.2 percent) and other shareholders (32.4 percent). At the end of the reporting period, the total number of shares was 51,270,876.

Outlook

The company believes that sales for 2022 will be significantly higher than in 2021 and that the launch of Ovzon 3 will take place in the period from December 2022 to February 2023, given that the final tests fall out as planned.

Webcast

In connection with this interim report, a webcast will be held at 2 p.m. CEST on October 21, 2022.

Ovzon's CEO, Per Norén, and Interim CFO, Pål Jernhag, will present the results and answer questions.

The webcast will be available via the following link:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=E9C5ACEF-96B3-48A4-8589-7F21B23CCA54>

To participate via conference call, and thus be able to ask questions, please dial in ten minutes prior on the following phone number: +46 856642651 submit pin: 60743804#

The presentation will be held in English, with the opportunity to ask questions in Swedish if desired.



Financial calendar

Full-year report January-December 2022	February 21, 2023
Annual Report 2022	Mars 24, 2023
Annual General Meeting 2023	April 20, 2023
Interim report January-March 2023	April 27, 2023
Interim report January-June 2023	August 18, 2023
Interim report January-September 2023	October 20, 2023

Annual General Meeting

Ovzon's annual general meeting for 2023 will be held in Solna on April 20, 2023. For more information about the annual general meeting, visit www.ovzon.com.

Review by auditors

The interim report has been subject of review by the company's auditors.

Certification

The Board of Directors and Chief Executive Officer hereby declare that the interim report provides a true and fair overview of the Parent Company and the Group's operations, financial position and earnings, and describes significant risks and uncertainties faced by the Parent Company and the companies of the Group.

Stockholm, October 21, 2022

Per Norén
CEO

Magnus René
Chairman of the Board

Anders Björkman
Board member

Cecilia Driving
Board member

Dan Jangblad
Board member

Nicklas Paulson
Board member

Patrik Tigerschiöld
Board member



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Group financial statements

Group income statements

TSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-Year 2021
Revenue ^{note 5}	78 069	47 823	255 884	118 169	191 378
Other operating income	6 606	395	15 794	7 509	10 535
Purchased satellite capacity and other direct costs	-50 406	-40 361	-187 851	-108 943	-177 313
Other external costs	-18 911	-12 883	-44 360	-41 961	-58 867
Employee benefit expenses	-19 216	-14 989	-56 168	-49 725	-65 618
Depreciation/amortisation	-6 750	-2 466	-16 463	-6 168	-9 895
Other operating expenses	-1 346	-303	-5 109	-3 233	-3 602
Operating profit/loss	-11 954	-22 785	-38 272	-84 353	-113 383
Financial income	14 152	10 527	45 572	22 475	29 865
Financial expenses	-181	-89	-380	-279	-368
Profit/loss after financial items ^{note 7}	2 017	-12 346	6 920	-62 157	-83 886
Tax on the profit for the period	7	8	-413	26	32
NET PROFIT/LOSS FOR THE PERIOD	2 024	-12 339	6 507	-62 131	-83 854
<i>Net profit/loss for the period attributable to:</i>					
Shareholders of the Parent Company	2 024	-12 339	6 507	-62 131	-83 854
Earnings per share attributable to shareholders of the Parent Company, SEK	0,04	-0,26	0,13	-1,34	-1,78
Earnings per share after dilution	0,04	-0,27	0,13	-1,34	-1,78
Average number of shares	51 270 876	46 775 211	51 270 876	46 269 476	47 023 823

Group statements over comprehensive income

TSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-Year 2021
Profit/loss for the period	2 024	-12 339	6 507	-62 131	-83 854
Other comprehensive income:					
Items that can be subsequently reclassified to the income statement:					
- Translation differences	-16 312	-3 861	-35 546	-6 892	-11 085
Other comprehensive income after tax	-16 312	-3 861	-35 546	-6 892	-11 085
Comprehensive income/loss for the period	-14 288	-16 200	-29 039	-69 023	-94 939
<i>Comprehensive income/loss for the period attributable to:</i>					
Shareholders of the Parent Company	-14 288	-16 200	-29 039	-69 023	-94 939
Comprehensive income/loss for the period	-14 288	-16 200	-29 039	-69 023	-94 939

Consolidated condensed balance sheets

TSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
ASSETS*			
Intangible fixed assets	54 405	23 582	23 862
Property, plant and equipment ^{note 8}	1 465 028	1 276 990	1 345 303
Access rights assets	8 949	8 184	6 653
Financial fixed assets	146	64	102
Inventory	47 206	36 020	25 259
Current receivables	66 675	38 500	46 055
Cash and cash equivalents	349 016	461 513	406 084
TOTAL ASSETS	1 991 426	1 844 853	1 853 318
EQUITY AND LIABILITIES*			
Equity	1 421 989	1 476 465	1 450 268
Long-term liabilities, interest bearing ^{note 6}	500 521	307 689	316 530
Liabilities related to leasing, interest-bearing	9 645	8 487	7 139
Warranty provisions	1 400	–	–
Current liabilities, non-interest-bearing	57 870	52 213	79 382
TOTAL EQUITY AND LIABILITIES	1 991 426	1 844 853	1 853 318

*Reported values for financial assets and liabilities are either valued at fair value or constitute a good approximation of fair value.

Consolidated condensed statement of changes in equity

TSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
Equity at the beginning of the year	1 450 268	1 292 611	1 292 611
Comprehensive income/loss for the period	-29 039	-69 022	-94 939
Share issue, net after transaction costs	–	250 493	250 212
Employee stock options (according to IFRS 2)	95	100	100
Issued warrants	666	2 283	2 283
EQUITY AT THE END OF THE PERIOD	1 421 990	1 476 464	1 450 268

Consolidated condensed cash flow statements

TSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-Year 2021
Cash flow from operating activities before changes in working capital	7 432	-11 269	-16 193	-82 402	-95 457
Total change in working capital	-6 130	-13 121	-64 079	-12 289	18 087
Cash flow from operating activities	1 303	-24 390	-80 273	-94 691	-77 370
Cash flow from investing activities	-61 708	-60 679	-126 628	-197 514	-273 814
Cash flow from financing activities	–	229 585	102 860	560 351	560 063
CASH FLOW FOR THE PERIOD	-60 406	144 516	-104 041	268 146	208 880
Cash and cash equivalents at the beginning of the period	390 829	312 973	406 084	185 025	185 025
Exchange-rate difference in cash and cash equivalents	18 593	4 024	46 973	8 342	12 179
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	349 016	461 513	349 016	461 513	406 084

Financial statements, Parent Company

Condensed parent company income statements

TSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-Year 2021
Revenue	4 956	4 956	14 868	14 868	24 818
Other operating income	96	371	1 040	1 053	1 260
Other external costs	-3 752	-2 845	-10 567	-11 333	-15 233
Personnel costs	-2 024	-2 145	-7 150	-7 310	-10 613
Operating profit/loss	-724	337	-1 809	-2 722	232
Financial revenues	42 469	20 410	103 200	154 723	175 925
Financial expenses	-16 816	-9 346	-40 601	-125 667	-137 056
Profit/loss after financial items ^{note 7}	24 929	11 401	60 790	26 334	39 101
Tax	-	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD	24 929	11 401	60 790	26 334	39 101

Parent company statements of comprehensive income

TSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-Year 2021
Profit/loss for the period	24 929	11 401	60 790	26 334	39 101
Other comprehensive income:	-	-	-	-	-
Comprehensive income for the period	24 929	11 401	60 790	26 334	39 101

Condensed parent company balance sheet

TSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
ASSETS*			
Intangible fixed assets	255	-	-
Shares in Group companies	1 441 491	1 315 491	1 395 491
Receivables from Group companies ^{note 12}	633 214	364 976	375 136
Current receivables	784	4 305	654
Cash and cash equivalents	318 023	443 621	380 551
TOTAL ASSETS	2 393 767	2 128 393	2 151 832
EQUITY AND LIABILITIES*			
Equity	1 885 578	1 811 637	1 824 122
Long term liabilities, interest bearing ^{note 6}	500 521	307 689	316 530
Current liabilities, non-interest bearing	7 668	9 067	11 180
TOTAL EQUITY AND LIABILITIES	2 393 767	2 128 393	2 151 832

* Reported values for financial assets and liabilities are either valued at fair value or constitute a good approximation of fair value.

Condensed parent company statement of changes in equity

TSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
Equity at the beginning of the year	1 824 122	1 532 525	1 532 525
Comprehensive income for the period	60 790	26 334	39 101
Share issue, net after transaction costs	–	250 493	250 212
Issued warrants	666	2 283	2 283
EQUITY AT THE END OF THE PERIOD	1 885 578	1 811 637	1 824 122

Notes

Note 1: Basis of preparation and accounting policies for the Group

Ovzon applies the International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board RFR 1, Supplementary Accounting Rules for Groups. The Group's financial reports are prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. The interim report for the period January – September 2022 was prepared in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34 are provided in notes as well as elsewhere in the interim report. The same accounting principles and calculation methods are applied as in the latest Annual Report. New or revised IFRS and interpretations with application from 2022 are not considered to have any significant impact on Ovzon's financial reports.

Note 2: Business segment reporting

The regular internal reporting of results to the CEO and that meets the criteria to constitute a segment takes place for the Group as a whole. The total Group is therefore reported as the company's only segment. In other respects, information is provided for the Group as a whole regarding the breakdown of income from various products and services and geographical areas respectively, see note 5.

Note 3: Fair value of financial instrument

The Group has no derivative instruments or other financial instruments measured at fair value. The fair value of long-term and current interest-bearing liabilities is not considered to deviate materially from their carrying amount. For financial instruments measured at amortized cost (accounts receivable, other receivables, cash and cash equivalents, trade payables and other interest-free liabilities), their fair value is considered equal to their carrying amount.

Note 4: Leasing

According to IFRS 16 (Leasing agreements), an asset (relating to a right of use) and a financial liability (relating to an obligation to pay leasing fees) must be reported in the balance sheet. The lessee shall divide the cost of the leased asset into depreciation and interest payments.

The company's agreement with Intelsat regarding capacity on IS-39 and IS-37 amounts to MUSD 39.4 and runs over 4 years, starting November 1, 2020. Since the capacity leased on the antennas does not correspond to substantially the entire capacity of the antennas, the capacity parts leased are not identified assets and therefore the agreements are not deemed to meet the definition of a leasing agreement in accordance with IFRS 16.

Note 5: Net sales

Distribution of net sales	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Group Jan-Sep 2021	Jan-Dec 2021
Satellite services	78 069	45 491	212 912	115 837	169 798
Terminals	–	2 332	40 369	2 332	2 332
Other	–	–	2 603	–	19 248
Total	78 069	47 823	255 884	118 169	191 378

Net sales by geography	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Group Jan-Sep 2021	Dec 31 2021
Europe	24 320	4 138	52 854	12 487	35 332
US	53 749	43 685	203 030	105 682	156 046
Total	78 069	47 823	255 884	118 169	191 378

Note 6: Financing

In 2019, the company signed a senior loan facility of MUSD 60 to secure the financing of its own satellite Ovzon 3. During 2021, MUSD 35 was utilized and during the first quarter 2022 MUSD 5 of the unused part of the loan facility expired. During the second quarter 2022 another MUSD 10 has been utilized. Total unused facility as of the balance sheet date thus amounts to MUSD 10. The loan runs over up to 6 years with an interest rate of USD 3m Libor + 10 percent.

Note 7: Net financial items

The Group's net financial items consist primarily of currency effects on the part of the company's net liquidity and Group balances held in US dollars. Aggregate currency effects are reported net, which means that individual quarters can present negative income or positive costs.

The Parent Company's net financial items include, in addition to the above items, debited loan expenses to Ovzon Sweden AB of TSEK 16,760 for the quarter and TSEK 40,544 for the first nine months.

Note 8: Current material fixed assets under construction and advance payments

Ongoing investment pertains to the company's proprietary satellite Ovzon 3, which is expected to be completed during the period December 2022 to February 2023.

Ongoing investment: Ovzon 3, TSEK	Sep 30 2022	Dec 31 2021
Opening balance accrued costs and advances paid	1 320 279	986 947
Costs and advances paid during the year	95 817	317 173
Translation difference	–	16 158
Closing balance accumulated capitalized costs ¹⁾	1 416 096	1 320 279
Opening balance write-downs	-12 297	-12 297
Write-downs for the year	–	–
Closing balance accumulated write-downs	-12 297	-12 297
Closing balance, reported value	1 403 799	1 307 982

1) Of the total capitalization TSEK 32 310 (23 703) relates to internal work.

As part of the loan facility has been utilized since April 2021, loan expenses of TSEK 40,544 were capitalized in the first nine months. These are included in costs and advances paid during the year.

In September 2022 a subcomponent in the Ovzon 3 project was sold from Ovzon LLC to Ovzon Sweden AB, therefore it does no longer exist any currency effect in the Ovzon 3 project.

Note 9: Tax

Deferred tax assets on tax-loss carryforwards are not included on the balance sheet.

Note 10: Pledged assets and contingent liabilities

TSEK 3,840 (7,023) of the Group's cash and cash equivalents consist of blocked funds.

In connection with the utilization of the credit facility in April 2021, the company and its subsidiaries have pledged the following central assets under the loan agreement and associated collateral agreements: the shares in the company's subsidiaries, certain intellectual property rights, certain intra-group liabilities, central supplier contracts in the Ovzon 3 project (between some of the suppliers and the lenders) as well as certain bank balances and that the subsidiaries have acceded to the loan agreement and guarantee the loans under the loan agreement.

Pledged assets	Group		Parent Company	
	Sep 30 2022	Dec 31 2021	Sep 30 2022	Dec 31 2021
Shares in subsidiaries	1 010 116	1 047 753	1 441 491	1 395 491
Receivables from Group companies	–	–	633 214	375 136
Pledged bank funds	3 840	7 023	–	–
Total	1 013 956	1 055 776	2 074 705	1 770 627

Note 11: Events after the balance sheet date

Noora Jayasekara was appointed as the new CFO of Ovzon on 11 October. She began her employment with the company on October 20, 2022 and will take up the position of CFO on November 1, 2022. Until then, Pål Jernhag is the company's interim CFO.

Note 12: Related-party transactions

Total receivables from Group companies, TSEK	Sep 30 2022	Dec 31 2021
Ovzon Sweden AB	116 178	9 112
OverHorizon OHO 1 Limited	44 003	32 799
Ovzon LLC	471 784	332 379
Ovzon US LLC	1 250	845
Total	633 215	375 136

Ovzon AB (publ) is the parent company of the Group, which also consists of the subsidiaries Ovzon Sweden AB, OverHorizon OHO 1 Ltd, Ovzon US LLC and Ovzon LLC, a wholly owned subsidiary of Ovzon US LLC.

As the Parent Company's loan facility for financing Ovzon 3 has further been utilized, loan expenses of TSEK 16,760 have been debited to Ovzon Sweden AB during the quarter and TSEK 40,544 during the first nine months.

Alternative performance measures

The company reports alternative key ratios in this interim report. The alternative key ratios provide valuable supplementary information to investors and other stakeholders as they enable evaluation of the company's performance. The alternative key ratios in this report may differ from the calculation method of similar measurements used by other companies.

Operating margin

Operating profit/loss in relation to revenue.

Earnings per share

Profit for the period in relation to the average number of shares. Average number of shares is calculated as the number of shares at the end of the period multiplied by the number of days that this number of shares has existed during the period, plus any other number of shares during the period multiplied by the number of days that this number of shares has existed during the period, divided by the total number of days in the period.

Equity/asset ratio

Equity in relation to total assets.

Order intake

The value of new orders received.

Order book

The total value of orders received that have not yet been delivered.