

August 23, 2023: The Board of Directors and Chief Executive Officer of Modelon AB (publ), listed on Nasdaq First North Growth Market, present the following report for the second quarter and the period January – June 2023.

## Q2 Highlights

- ARR increased to MSEK 46.1 (42.9), an annual growth of 8%.
- Net revenue amounted to MSEK 21.1 (15.1), software revenues increased to MSEK 14.3 (10.5)
- EBIT<sup>1</sup> amounted to MSEK -12.8 (-17.5), including development costs of MSEK 12.4 (14.2).
- Net income<sup>1</sup> amounted to MSEK -12.4 (-17.5).
- Earnings per share<sup>1</sup> amounted to SEK -1.13 (-1.59) before dilution.

## January – June in Summary

- Net revenue amounted to MSEK 39.1 (32.9), of which software revenues were MSEK 26.3 (22.1).
- EBIT<sup>1</sup> amounted to MSEK -31.1 (-30.2).
- Net income<sup>1</sup> amounted to MSEK -30.6 (-30.3).
- Earnings per share<sup>1</sup> per share amounted to SEK -2.78 (-2.75) before dilution.



## Summary Financials

MSEK	Q2, Apr - Jun			YTD, Jan - Jun		
	2023	2022	Change	2023	2022	Change
Annual recurring revenue, ARR	46.1	42.9	8%	46.1	42.9	8%
Net revenues	21.1	15.1	40%	39.1	32.9	19%
Software revenues	14.3	10.5	36%	26.3	22.1	19%
- whereof recurring revenue	11.5	10.3	12%	23.3	20.1	16%
Service revenues	6.8	4.6	47%	12.8	10.9	18%
Other operating income	0.2	0.3		0.6	0.6	
EBIT	-12.8	-17.5	-	-31.1	-30.2	-
EBIT margin	-60.5%	-115.9%		-79.4%	-91.9%	
Net result after tax	-12.4	-17.5	-	-30.6	-30.3	-
Earnings per share (SEK) before dilution	-1.13	-1.59		-2.78	-2.75	
Cash balance	90.4	148.1	-39%	90.4	148.1	-39%

1. Development costs are taken as operating expenses and not capitalized, see page 3 and definition on page 9.

### Significant events during the period

- Annual General Meeting on May 16 resolved according to nominating committee proposal and elected a Board with four members. AGM also resolved on authorization for the Board to decide on issue of new shares and approved a new share incentive program for all employees.

### Significant events after the period

- No significant events

### Investor presentation

Modelon will hold a presentation of the Q2 interim report at 10am CET on August 23, 2023. CEO Magnus Gäfvert and CFO Jonas Eborn will present the Q2 earnings in a webcast.

 [Webcast registration](#)

### Modelon AB (publ)

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## Comments from the CEO

### Solid software revenue growth in Q2

We are pleased to report software revenue growth amounting to 36% in Q2 2023 compared to Q2 2022, while Annual Recurring Revenue growth in the same period amounted to 8%. A significant paid-up upsell win with a major automotive account in India contributed to the higher growth rate in software vs. ARR, as the recurring license model is yet to be widely accepted in that region.

Overall, we saw healthy pipeline activity in our target regions of Europe, North America and Asia during the quarter with a good spread across our focus in the Energy, HVAC&R (Heating, Ventilation, Air Conditioning and Refrigeration), Automotive, and Aerospace verticals. We saw a clear trend of increased lead generation from our targeted marketing activities, which includes testimonials from market-leading and innovative brands.

### Customer wins and testimonials

Notable new and upsell customers in Q2 include:

- European provider of indoor climate systems
- US innovator in carbon-free energy systems for sustainable maritime transportation
- Japanese factory logistics and automation system provider
- European automotive thermal systems consultancy
- Japanese provider of store refrigeration products
- European provider of sustainable waste to energy solutions
- US water heater manufacturer

Mitsubishi Electric Research Laboratories is a long-term Modelon customer that develops next-generation HVAC systems and delivers technology shipped with millions of systems per year. During Q2 they testified how they have been using Modelon solutions for many years to improve their model-based development processes.

Another representative marketing example published during Q2 is the customer success story from Aircela, a US innovator in sustainable liquid fuel production based on Direct Air Capture technology. By capturing the chemistry and physics of the system using Modelon Impact, Aircela is developing and testing new concepts without building them, to understand system performance and save time.

second half of 2023 and into 2024. We are pleased that all new Modelon Impact customers in Q2 on-boarded with the managed service, which illustrates our progress. The ongoing transition is temporarily increasing the customer interactions needed to close deals, which has extended the sales cycle and is slowing ARR growth during this period. When completed, we expect the managed service to give shorter sales cycles and enable faster growth through the streamlined delivery and user experience on the cloud.

### New channel partners in Asia

During the quarter we announced two new non-exclusive reseller partners for Modelon Impact in Asia. Toyota Tsusho Systems is the main IT provider in the Toyota group and will distribute Modelon Impact in Japan, with particular strength among companies in the Toyota ecosystem. Tae Sung S&E is the leading CAE company in Korea serving all industries with one-stop simulation software solutions. These two partnerships expand Modelon's global presence by building on the market recognition and broad networks of these leading companies.

### Modelon Impact 2023.2 released on the cloud

Modelon Impact 2023.2 was released to cloud users during June and includes substantial improvements in the cloud back-end for higher performance and enabling future capabilities, as well as significant new features related to parallel scaling, workspace sharing, and connectivity. Industry vertical improvements include new and updated models for hydrogen systems, fuel cells, air conditioning cycles, refrigerant blends, microgrids, thermal power plants and carbon capture – all strengthening our capabilities in high-demand industry applications.

The activities and achievements in Q2 continue to build a firm ground for scalable global growth. Modelon simulation solutions are well-positioned in the cross-industry segments of sustainable technologies. We are proud to contribute indispensable tools to address global challenges and are thrilled by the growing opportunity ahead.

### Advancing transition to managed cloud

As previously communicated, we are as a major step in our SaaS journey shifting the main delivery model of our flagship product Modelon Impact from on-premise installations to a more streamlined and scalable, fully-managed cloud service. This transition is a planned strategic change involving focused efforts from product development and sales and will continue during the



**Magnus Gäfvert, CEO**



## Financial development

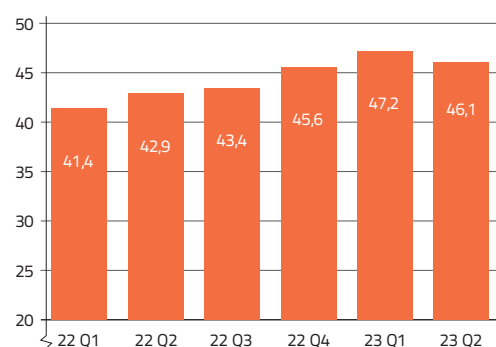
### Revenues

#### Annual recurring revenue

The total software annual recurring revenue at constant currency (ARR) amounted to MSEK 46.1 (42.9), an increase of 8% compared to Q2 2022 while decreasing 2% compared to MSEK 47.2 in Q1 2023. Modelon Impact is the main growth driver, and the total software ARR includes an annual growth rate of 27% in recurring revenues for Modelon Impact. The total ARR before adjusting for currency effects amounted to MSEK 46.1 (41.1). The differences in exchange rate at the end of Q2 gave an FX adjustment of MSEK +1.8 for the comparison period.

#### ARR

MSEK



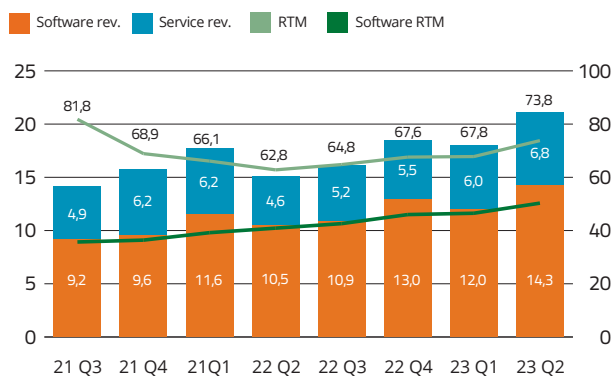
Software ARR is growing since the launch of Modelon Impact in July 2020, see quarterly development figures in the table on page 13. Total ARR numbers include revenue from Modelon Impact and from multi-platform library and deployment products. The decrease of ARR in Q2 vs. Q1 is explained by an expected reduction of multi-platform library licenses with a long-term global automotive customer at their annual renewal.

#### Second quarter 2023

Software revenues amounted to MSEK 14.3 (10.5), an increase of 36%. MSEK 2.7 of the software revenue in the quarter was from non-recurring software sales in Asia. Total service revenues amounted to MSEK 6.8 (4.6). Net revenues amounted to MSEK 21.1 (15.1), an increase of 40%.

#### January – June 2023

Software revenues in the period amounted to MSEK 26.3 (22.1), an increase of 19%. Total service revenues in the period amounted to MSEK 12.8 (10.9). Net revenues amounted to MSEK 39.1 (32.9), an increase of 19%.



Revenue development shows the transition to Software and Solutions, with consistent growth in software revenue. Note that revenues are not FX adjusted.

### Costs

#### Second quarter 2023

Other external expenses amounted to MSEK 11.6 (11.7), mainly related to sales activities, consultancy fees and premises. Personnel costs amounted to MSEK 21.7 (20.3), increasing due to annual salary revision at market level. Depreciation amounted to MSEK 0.3 (0.2) and other operating expenses were MSEK 0.5 (0.8).

#### January – June 2023

Other external expenses amounted to MSEK 24.0 (22.2), mainly related to sales activities, consultancy fees and premises. Personnel costs amounted to MSEK 45.2 (39.7), including the one-time cost of MSEK 1.9 for the organization change as reported in the first quarter. Depreciation amounted to MSEK 0.7 (0.4) and other operating expenses were MSEK 0.9 (1.5).

#### Research and development costs are included in OPEX

Modelon recognizes all research and development costs as operating expenses and does not capitalize any development costs. This approach is consistent with that of most SaaS companies, since product development expenses are a recurring cost that is matched to recurring revenues.

Development costs in the second quarter amounted to MSEK 12.4 (14.2), decreasing by 12% due to slow recruitment of certain open positions. For the period January – June the development costs amounted to MSEK 28.1 (27.7) and the development costs were MSEK 57.8 (52.8) for the trailing twelve-month (TTM) period from Q3 2022. The 10% increase in development costs for the TTM period is reflecting the current investment pace and is in line with the company's strategy. In line with our communicated financial targets, product sales and ARR are expected to grow at a faster pace than development costs.

### Key Performance Indicators

KPI's are defined on page 9, under Quarterly development.

MSEK	Q2, Apr - Jun			YTD, Jan - Jun		
	2023	2022	Change	2023	2022	Change
Annual recurring revenue, ARR	46.1	42.9	8%	46.1	42.9	8%
Development costs	12.4	14.2	-12%	28.1	27.7	1%

### Earnings

#### Second quarter 2023

The financial development in Q2 reflects the planned investment pace in product development and commercial expansion using proceeds from financing activities. EBIT for the quarter amounted to MSEK -12.8 (-17.5), including research and development costs of MSEK 12.4.

#### January – June 2023

EBIT for the period amounted to MSEK -31.1 (-30.2), including research and development costs of MSEK 28.1, and is in line with expectations considering the planned self-funding of software development.

## Net financial income

Net result from financial items for the quarter amounted to MSEK 0.2 (-0.1). Net result from financial items for January – June amounted to MSEK 0.2 (-0.2).

## Net result after tax

Net result after tax in the quarter amounted to MSEK -12.4 (-17.5), corresponding to SEK -1.13 per share. Net result after tax for January – June amounted to MSEK -30.6 (-30.3), corresponding to SEK -2.78 per share.

## Financing and cash flow

As of June 30, Modelon's total available liquidity amounted to MSEK 100.4 (158.1), of which the cash balance amounted to MSEK 90.4 (148.1) and unutilized credit facilities amounted to MSEK 10.0 (10.0). Cash flow from operating activities amounted to MSEK -19.8 (-9.0) for the quarter. The change in working capital amounted to MSEK -7.7 (7.9) in the quarter. The negative change in working capital for the quarter is related to higher accounts receivable, and to slightly lower deferred (pre-paid) revenue. Somewhat slower customer payments is seen as a macro-economic effect. Overall Modelon has stable and well-known customers, and there are no indications of bad debt. Cash flow from investing activities amounted to MSEK -0.1 (-1.0) during the quarter. Cash flow from financing activities amounted to MSEK 0.0 (0.0) during the quarter.

## The share

As of June 30, 2023, the total number of shares in Modelon was 11,016,471 (11,016,471), comprising 1,421,218 A shares and 9,595,253 B shares. The total number of shares after full dilution is 11,188,471. The number of shares did not change during the period. The company's registered share capital is SEK 922,653. Modelon has shares in two series, A and B. Each A share has 10 votes, and each B share has 1 vote. Series B shares are listed on Nasdaq First North Growth Market. Series A shares are not exchange-listed but can be converted into B shares upon request of the shareholder.

## Share incentive programs

Modelon has two active share incentive programs for all employees, 2022/2026 and 2023/2027. Each program is split into two series in which warrants are offered to Swedish employees, and stock options are offered to employees outside Sweden. The number of outstanding warrants and stock options

in these programs is 172,000, and the total dilution effect from share incentive programs if all warrants and options are allotted, vested and exercised for acquisition of shares is 1.56% per June 30, 2023.

## Related party transactions

During the second quarter, consulting fees of total TSEK 216 (732) have been paid to two board members for additional assignments outside of board work. All transactions with related parties are deemed to be conducted under market conditions.

## Parent Company

### January – June 2023

Total revenues of the parent company for the period amounted to MSEK 25.1 (20.8) with an EBIT of MSEK -29.4 (-27.5). Since the parent company owns all IP rights in Modelon software products, it is also carrying all development costs. Net result from financial items for the period amounted to MSEK 0.2 (-0.1) and the net result was MSEK -29.2 (-27.6).

## Risk factors

Modelon operates in a competitive market where competitors are both global and local. Some of Modelon's competitors are companies with significantly more extensive sales and marketing organizations than Modelon. Such companies can expose Modelon to competition because they can sell broad, comprehensive software solutions, higher up in customer organizations, which in the long run has an impact on the customer's entire organization. Read more about company-specific risk factors in our annual report for 2022.

## Sustainability

Modelon's sustainability work is in two parts: internal activities and initiatives to become more sustainable, and the offerings to customers, which is about Modelon with its deep expertise in digitization based on system modeling and simulation, being able to help its customers in the field of sustainability. Digitalization generally entails a reduction or elimination of transport, travel and resource-intensive prototype construction and related testing, and above all Modelon's solutions are often used to enable and drive innovation and conversion of products to more sustainable technology and solutions. The work revolves around Modelon's most important stakeholders: employees, customers, owners and the community in which the group operates. Read more about sustainability in our annual report for 2022.

## Largest shareholders

The table below shows the major shareholders in the company per June 30, 2023.

Owner	A shares	B shares	Votes	Capital
Noledom Holding AB <sup>1</sup>	802,551	3,214,894	47.2%	36.5%
Accendo Capital	345,270	2,328,099	24.3%	24.3%
RoosGruppen AB	72,843	1,051,371	7.5%	10.2%
Ansys Inc.	129,000	516,000	7.6%	5.9%
Avanza Pension	0	293,810	1.2%	2.7%
<b>Total top 5</b>	<b>1,349,664</b>	<b>7,404,174</b>	<b>87.8%</b>	<b>79.5%</b>
<b>Other owners</b>	<b>71,554</b>	<b>2,191,079</b>	<b>12.2%</b>	<b>20.5%</b>
<b>Total number of shares</b>	<b>1,421,218</b>	<b>9,595,253</b>		

1. Noledom Holding AB comprises company co-founders that are active in company management and operations.

## Financial statement

### Condensed Consolidated Income Statement

MSEK	Q2, Apr - Jun		YTD, Jan - Jun	
	2023	2022	2023	2022
Net revenue	21.1	15.1	39.1	32.9
Other operating income	0.2	0.3	0.6	0.6
<b>Total revenue</b>	<b>21.3</b>	<b>15.4</b>	<b>39.7</b>	<b>33.5</b>
<b>Operating expenses</b>				
Other external expenses	-11.6	-11.7	-24.0	-22.2
Personnel costs	-21.7	-20.3	-45.2	-39.7
Depreciation and amortization	-0.3	-0.2	-0.7	-0.4
Other operating expenses	-0.5	-0.8	-0.9	-1.5
<b>Total operating expenses</b>	<b>-34.1</b>	<b>-32.9</b>	<b>-70.8</b>	<b>-63.8</b>
<b>Operating result</b>	<b>-12.8</b>	<b>-17.5</b>	<b>-31.1</b>	<b>-30.2</b>
<b>Financial items</b>				
Interest income and similar items	0.2	0.0	0.3	0.0
Interest expenses and similar items	0.0	-0.1	-0.1	-0.2
<b>Net result from financial items</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.2</b>	<b>-0.2</b>
<b>Profit/loss before tax</b>	<b>-12.6</b>	<b>-17.6</b>	<b>-30.8</b>	<b>-30.4</b>
Tax	0.1	0.1	0.3	0.2
<b>Net profit/loss</b>	<b>-12.4</b>	<b>-17.5</b>	<b>-30.6</b>	<b>-30.3</b>

### Condensed Consolidated Balance Sheet

MSEK	2023-06-30	2022-06-30	2022-12-31
<b>Fixed assets</b>			
Licenses	0.1	0.3	0.2
Equipment	3.0	2.7	3.3
Deferred tax assets	16.0	16.1	15.7
<b>Total fixed assets</b>	<b>19.1</b>	<b>19.1</b>	<b>19.2</b>
<b>Current assets</b>			
Accounts receivable	14.6	8.5	20.7
Other receivables	8.3	10.0	8.5
Cash and bank	90.4	148.1	111.9
<b>Total current assets</b>	<b>113.2</b>	<b>166.6</b>	<b>141.0</b>
<b>TOTAL ASSETS</b>	<b>132.3</b>	<b>185.7</b>	<b>160.3</b>

## Consolidated Balance Sheet, cont.

MSEK	2023-06-30	2022-06-30	2022-12-31
<b>Shareholders' equity</b>			
Share capital	0.9	0.9	0.9
Other equity incl. net profit/loss	78.7	143.0	108.9
<b>Total shareholders' equity</b>	<b>79.7</b>	<b>143.9</b>	<b>109.8</b>
<b>Liabilities</b>			
Deferred tax liabilities	0.0	0.0	0.0
Accounts payable	3.1	4.6	5.1
Deferred revenue, prepaid licenses	29.3	23.4	24.5
Other liabilities	20.2	13.8	20.8
<b>Total liabilities</b>	<b>52.6</b>	<b>41.8</b>	<b>50.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>132.3</b>	<b>185.7</b>	<b>160.3</b>

## Condensed Consolidated Cash Flow Statement

MSEK	Q2, Apr - Jun		YTD, Jan - Jun	
	2023	2022	2023	2022
Operating income	-12.8	-17.5	-31.1	-30.2
Adjustment for non-cash items	0.8	0.8	1.1	1.7
Interests and paid taxes	-0.2	-0.2	-0.4	-0.4
Change in working cap. receivables	-4.2	7.3	7.5	7.9
Change in working cap. liabilities	-3.5	0.7	1.4	0.8
<b>Cash flow from operating activities</b>	<b>-19.8</b>	<b>-9.0</b>	<b>-21.6</b>	<b>-20.3</b>
Investments	-0.1	-1.0	-0.2	-1.7
<b>Cash flow from investing activities</b>	<b>-0.1</b>	<b>-1.0</b>	<b>-0.2</b>	<b>-1.7</b>
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net increase/decrease in cash and equiv.</b>	<b>-19.9</b>	<b>-10.1</b>	<b>-21.8</b>	<b>-22.0</b>
Cash and liquid assets at start of period	109.9	157.6	111.9	169.4
Exchange rate differences	0.4	0.5	0.3	0.6
<b>Cash and liquid assets at end of period</b>	<b>90.4</b>	<b>148.1</b>	<b>90.4</b>	<b>148.1</b>



## Condensed Consolidated Changes in Equity

MSEK	Share capital	Other contr. of equity	Other equity incl. profit	Total equity
<b>As of January 1, 2022</b>	<b>0.9</b>	<b>200.1</b>	<b>-27.9</b>	<b>173.1</b>
Exchange differences			1.1	1.1
Net loss for the period			-30.3	-30.3
<b>Transactions with owners:</b>				
Repurchased warrants		0.0		0.0
<b>As of June 30, 2022</b>	<b>0.9</b>	<b>200.0</b>	<b>-57.0</b>	<b>143.9</b>
Exchange differences			0.4	0.4
Net loss for the period			-34.6	-34.6
<b>Transactions with owners:</b>				
Issued warrants		0.1		0.1
Repurchased warrants		0.0		0.0
Share-based payments			0.0	0.0
<b>As of January 1, 2023</b>	<b>0.9</b>	<b>200.1</b>	<b>-91.2</b>	<b>109.8</b>
Exchange differences			0.4	0.4
Net loss for the period			-30.6	-30.6
<b>Transactions with owners:</b>				
Issued warrants		0.1		0.1
Repurchased warrants		0.0		0.0
<b>As of June 30, 2023</b>	<b>0.9</b>	<b>200.2</b>	<b>-121.4</b>	<b>79.7</b>

## Condensed Income Statement, Parent company

MSEK	YTD, Jan - Jun	
	2023	2022
Net revenue	24.5	20.3
Other operating income	0.6	0.5
<b>Total revenue</b>	<b>25.1</b>	<b>20.8</b>
<b>Operating expenses</b>		
Other external expenses	-29.2	-23.9
Personnel costs	-24.3	-23.4
Depreciation and amortization	-0.4	-0.2
Other operating expenses	-0.6	-0.8
<b>Total operating expenses</b>	<b>-54.5</b>	<b>-48.3</b>
<b>Operating result</b>	<b>-29.4</b>	<b>-27.5</b>
<b>Financial items</b>		
Loss from shares in group companies	-0.1	0.0
Interest income and similar items	0.3	0.1
Interest expenses and similar items	-0.1	-0.2
<b>Net result from financial items</b>	<b>0.2</b>	<b>-0.1</b>
<b>Profit/loss before tax</b>	<b>-29.2</b>	<b>-27.6</b>
Tax	0.0	0.0
<b>Net profit/loss</b>	<b>-29.2</b>	<b>-27.6</b>

## Condensed Balance Sheet, Parent company

MSEK	2023-06-30	2022-06-30	2022-12-31
<b>Fixed assets</b>			
Licenses	0.1	0.3	0.2
Equipment	1.5	1.0	1.7
Long-term receivables from group comp.	0.0	5.0	0.0
Deferred tax assets and shares in group companies	21.7	16.5	21.7
<b>Total fixed assets</b>	<b>23.2</b>	<b>22.9</b>	<b>23.5</b>
<b>Current assets</b>			
Accounts receivable	2.2	1.1	4.0
Receivables from group companies	1.1	0.0	0.0
Other receivables	5.8	7.3	6.1
Cash and bank	81.3	136.8	104.3
<b>Total current assets</b>	<b>90.4</b>	<b>145.2</b>	<b>114.4</b>
<b>TOTAL ASSETS</b>	<b>113.7</b>	<b>168.0</b>	<b>137.9</b>
<b>Shareholders' equity</b>	<b>73.2</b>	<b>138.0</b>	<b>102.4</b>
<b>Liabilities</b>			
Accounts payable	3.1	4.5	4.8
Short-term liabilities to group companies	11.0	8.0	11.1
Other liabilities	26.4	17.6	19.7
<b>Total liabilities</b>	<b>40.4</b>	<b>30.1</b>	<b>35.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113.7</b>	<b>168.0</b>	<b>137.9</b>

## Accounting principles and currency exposure

The consolidated interim quarterly report for the Group is prepared in accordance with Swedish GAAP, annual accounting act, according to the same principles as the annual report. There has been no change in principles since the 2022 annual report was published.

Software license renewals and subscription revenue are accrued over the license validity period, and service revenue is generated as the services are completed (POC, percentage of completion).

The financial statements are presented in SEK, the functional currency of Modelon AB. Sales are largely generated in foreign currency, mainly USD and EUR, in addition, foreign subsidiaries are

included in the consolidation. USD is the dominant sales currency. The income statement is translated at the period-average exchange rate while balance sheet items are translated at the closing rate. Net exposure in USD (i.e., difference between sales and costs in USD) is expected to be similar in 2023 to 2022, approximately 1 MUSD, corresponding to 10.5 MSEK per the USD rate at the end of the period. A  $\pm 5$  percent change in the USD/SEK exchange rate would impact the net result by approximately  $\pm 0.5$  MSEK over the fiscal year. A higher USD exchange rate vs. SEK would result in an increased revenue and EBIT.



## Quarterly development

MSEK	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Annual recurring revenue	46.1	47.2	45.6	43.4	42.9
Change	-2%	4%	5%	1%	4%
Net revenues	21.1	18.0	18.6	16.1	15.1
Software revenues	14.3	12.0	13.0	10.9	10.5
Service revenues	6.8	6.0	5.5	5.2	4.6
Other operating income	0.2	0.3	0.4	0.3	0.3
EBIT	-12.8	-18.3	-18.5	-15.9	-17.5
EBIT margin	-60.5%	-101.6%	-99.7%	-98.7%	-115.9%
Net result after tax	-12.4	-18.1	-18.6	-15.9	-17.5
Net result per share (SEK)	-1.13	-1.65	-1.69	-1.45	-1.59
Deferred revenue (pre-paid), per EOQ	29.3	30.0	24.5	20.6	23.4
Cash flow from operations	-19.8	-1.8	-15.1	-20.3	-9.0
Development costs	12.4	15.6	16.7	13.1	14.2
Average number of shares	11,016,471	11,016,471	11,016,471	11,016,471	11,016,471

### Definitions

**Annual Recurring Revenue (ARR)** is defined as the recurring software revenue from the reporting quarter multiplied by four. ARR for previous periods is reported at constant currency, evaluated at the current period's average exchange rate.

**Development costs** include the operating costs and investments in our complete software product portfolio.

Modelon presents selected financial Key Performance Indicators (KPI's) that are not defined by Swedish GAAP, and which are considered to provide valuable complementary information to investors in assessing company performance. Since companies may define such metrics differently, we suggest caution in using these for comparison among companies. These metrics should not be considered as replacing any metrics defined in Swedish GAAP.

## Annual General Meeting

Modelon held its Annual General Meeting on May 16, 2023.

More information about the AGM is available at [www.modelon.com/agm2023](http://www.modelon.com/agm2023).

## Financial Calendar

<b>November 10, 2023</b>	Q3 Interim Report
<b>February 29, 2024</b>	Q4 and Year-End Report 2023

## Review

This interim report has not been reviewed by the company's auditor.

## Modelon Overview

Modelon offers software products and complementary consulting services in industrial mathematical modelling, simulation, and analysis of complex technical systems, which enables companies to digitize, transform and improve their product development and operations. The company has established itself as a global player with several industry-leading companies as clients, including Carrier, NASA JPL, Toyota, MAN Group and Daimler.

Modelon's flagship product, Modelon Impact, is a cloud-native system simulation software platform featuring a collaborative browser-based interface and thousands of proven models and components spanning a broad range of applications. Modelon's solutions are built on international open standards with a focus on Modelica, an open modeling language for component-oriented modelling of complex systems, and Functional Mock-Up Interface (FMI), a tool-independent standard to support both model exchange and simulation of dynamic models. Modelon Impact is built on and embeds the modeling and simulation technology developed over 15 years and industry proven in our multi-platform software portfolio including the Modelon Library Suite, Modelon Deployment Suite and OEM components.

Modelon is a global company founded in 2004 with approximately 100 employees distributed among ten offices in six countries. The company is headquartered in Lund, Sweden, where senior executives, group administration including finance, HR, and IT, as well as product development functions are centered. There are local offices in Stockholm and Gothenburg. Furthermore, the company has subsidiaries in the USA, Japan, Germany, and India. Modelon has historically demonstrated consistent growth in annual recurring revenues.

### Vision

Modelon's vision is to be a global SaaS leader and empower technology industries world-wide to accelerate their product innovation, development, and operations with Modelon Impact – the cloud native systems modeling and simulation platform.

### Strategy

Modelon's strategy builds on three pillars: People, Product and Reach.

### People

As a first-choice employer, Modelon attracts, grows, and retains a global team of world-class talent and thought leaders with a passion for solving real-world problems. Modelon nurtures a strong company culture based on our core values: Collaboration, Engagement, Openness, and Innovation.

### Product

The roadmap for Modelon's flagship product Modelon Impact leads towards a fully SaaS-enabled, seamless, and scalable cloud-platform supporting all major model-based engineering workflows in the digital domain across a range of industries and throughout the full product lifecycle from early concept phases through design, integration, and testing to operations. As pioneers in bringing systems modeling and simulation to the cloud, we offer a balanced mix of managed and on-premise delivery tuned to industry market trends and preferences. A modern and low threshold browser-based user experience with web-app customization enables true democratization of simulation to address a very broad and large user base of engineers and more. Natively built on the Modelica and FMI open standards and with a general philosophy of openness, Modelon Impact enables the formation of strong ecosystems of content, service and platform partners and high impact re-use, sharing, connectivity and integration of data, toolchains, and workflows.

### Reach

Modelon's market reach is defined by a global commercial team of experienced business developers working with a dedicated customer success team of application engineers and supported by subject matter experts on modeling and simulation in a range of industry applications and domains. The direct sales force is complemented by carefully selected reseller partners to increase the market contact surface and cover all relevant regions. Systematic lead generation, branding and awareness is managed by a team of marketing specialists with a focus on digital channels and content marketing with blogs, webinars, and success stories. The software business is accelerated and boosted by a global solution services expert team to accelerate adoption and scaling of Modelon software by high impact and transformational consulting services to support and ensure success of digital transformation, workflow implementation, customizations, and deployment. The transformation towards a SaaS business tears down barriers for adoption, deployment, and scaling of Modelon Impact to exploit the full potential of the large and growing global addressable market.

## Financial targets

<b>Growth</b>	ARR >35%	Overall ARR growth shall in the medium term exceed 35% annually. Modelon Impact is expected to grow at a substantially higher rate than 35%
<b>Profitability</b>	EBIT margin >20%	EBIT shall after a negative period turn positive and long-term in a mature state exceed 20%
<b>Operating cash flow</b>	Positive in the short term	Modelon seeks to attain positive cash flow from operations in the short term.

(Short term = 1-3 years, Medium term = 3-5 years, Long term = >5 years)

Financial targets should not be viewed as a forecast but rather as the ambition that the board of directors and executive management believe is a reasonable long-term objective for the company.

Learn more about Modelon Impact on our blog or follow us on LinkedIn:

[www.linkedin.com/company/modelon](https://www.linkedin.com/company/modelon)

### MODELON PARTNERS WITH TAE SUNG S&E

JUNE 22, 2023

Modelon announced its partnership with Taesung S&E (TSNE) to distribute Modelon Impact, Modelon's system simulation platform, in Korea.

[modelon.com/blog/modelon-partners-with-taesung-s-and-e/](https://modelon.com/blog/modelon-partners-with-taesung-s-and-e/)

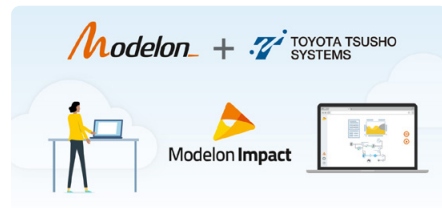


### MODELON PARTNERS WITH TOYOTA TSUSHO SYSTEMS TO INCREASE SYSTEM SIMULATION ACCESSIBILITY

JUNE 1, 2023

Modelon and Toyota Tsusho Systems have partnered to bring Modelon Impact to Japan's engineering and technology industry.

[modelon.com/blog/modelon-partners-with-toyota-tsusho-systems/](https://modelon.com/blog/modelon-partners-with-toyota-tsusho-systems/)



### INTEGRATING CARBON CAPTURE AND SEQUESTRATION (CCS) WITH NATURAL GAS COMBINED CYCLE POWER PLANTS

MAY 17, 2023

Learn how the role of a natural gas combined cycle power plant with carbon capture and sequestration can reduce global emissions of greenhouse gas.

<https://www.modelon.com/news-blog/>

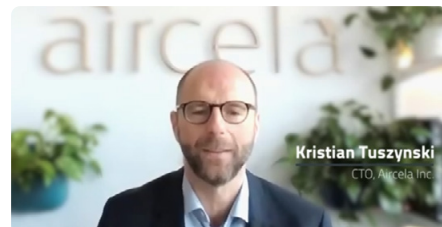


### CUSTOMER CASE STUDY:

#### LIQUID FUEL PRODUCTION BREAKTHROUGHS USING DIRECT AIR CAPTURE MODELING AT AIRCELA

[modelon.com/support/](https://modelon.com/support/)

[liquid-fuel-breakthrough-using-direct-air-capture-modeling-at-aircela/](https://modelon.com/support/liquid-fuel-breakthrough-using-direct-air-capture-modeling-at-aircela/)



## About Modelon

Modelon provides software solutions and expert services to organizations that use model-based simulation tools to innovate, design and operate technical systems. Our customers are global technology and engineering companies in automotive, aerospace, energy, and industrial equipment industries. Modelon has approximately 100 employees with headquarters in Lund, Sweden, and offices in Sweden, USA, Germany, Japan, India, and Czech Republic.

Welcome to our blog on [www.modelon.com/news-blog](https://www.modelon.com/news-blog) and to follow us on LinkedIn: [www.linkedin.com/company/modelon](https://www.linkedin.com/company/modelon)

