



## YEAR-END REPORT 2022

## Group financial development

### Quarter 4: October – December 2022

- Net sales amounted to kSEK -59 (44)
- Operating profit/loss amounted to kSEK -119,058 (-108,277) after depreciation and amortisation of kSEK -52,851 (-38,901)
- Earnings per share before and after dilution totalled SEK -0.45 (-0.94)
- Profit/loss for the period amounted to kSEK -119,954 (-108,925)
- Cash flow for the period amounted to kSEK 145,734 (-114,263)

### Full-year 2022

- Net sales amounted to kSEK 594 (1,162)
- Operating profit/loss amounted to kSEK -493,251 (-364,175) after depreciation and amortisation of kSEK -175,123 (-112,332)
- Earnings per share before and after dilution totalled SEK -3.23 (-3.23)
- Profit/loss for the period amounted to kSEK -496,660 (-365,872)
- Cash flow for the period amounted to kSEK -276,453 (170,787)
- Cash and bank balances amounted to kSEK 226,858 (503,388)
- Equity per share amounted to SEK 2.38 (8.70)

## Significant events

### Quarter 4: October – December 2022

- An update of the status of the project with Engazaat in Egypt was communicated on October 10 due to Engazaat securing its share of the project financing.
- On October 19, the outcome of the rights issue was published. The Rights Issue provided Azelio with approximately SEK 250 million after deduction of costs related to the Rights Issue. Through the Rights Issue, the number of shares in Azelio increased by 202,785,065, from 115,877,181 to 318,662,246.
- A conditional order to provide energy as a service based on five TES.POD units combined with solar energy, was signed with MPG Built Pty Ltd in Australia and was announced on November 28.

### After the end of the period

- On January 16, 2023, Azelio published an update regarding sales, operational targets, and financing. The Company's commercialization is delayed, which means that the previous delivery target for 2023 will not be reached and that additional financing of the Company will be needed in 2023.
- As previously communicated, the Company needs new financing. The current assessment is that this must be secured by the end of the second quarter. Many different activities to secure this necessary funding have been underway since the beginning of the year, including the exploration of a new rights issue. In parallel, additional cost-cutting initiatives are being planned. The Company continues to be optimistic about getting new orders during the year.

## Other events

### Quarter 4: October – December 2022

- The complete hybrid system supplying electricity to the visitor center at Noor Energy 1, located in the Mohammed bin Rashid Al Maktoum Solar Park in Dubai, was put in operation. The TES.POD unit in this project was installed in 2021.
- The SAVE Cleantech Utilities alliance, a joint cooperation between Azelio, Engazaat and Mascara NT was launched to offer "Water-and-Energy-as-A-Service" for agricultural needs in off-grid desert locations.
- Azelio published two white papers – one on cluster auto control for its energy storage system, and one on the Combined Heat & Power (CHP) solution.
- LDES Council and McKinsey & Company released a new report, 'Net-zero heat – Long Duration Energy Storage to accelerate energy system decarbonization', about long-duration energy storage and heat. The business case with co-generation (CHP) came out very favorably in the report – an application that the Azelio system offers.
- In October, the International Energy Agency (IEA) published its World Energy Outlook 2022, which, among other things, insists that the world has not invested enough in the energy sector, which has made energy systems much more vulnerable to such events that occurred in 2022 – and that a smooth and secure energy transition will require a sharp increase in investment flows within clean energy.
- COP27 in Sharm El-Sheikh, Egypt, took place in November. Alongside industry leaders and government agencies, Azelio was a partner in the Swedish pavilion, hosted by Business Sweden. Azelio's CEO, Jonas Wallmander, and other company representatives participated in multiple panel discussions and events with prominent parties.

## Key figures for the Group

	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales, kSEK	-59	44	594	1,162
Operating profit/loss, kSEK	-119,058	-108,277	-493,251	-364,175
Profit/loss for the period, kSEK	-119,954	-108,925	-496,660	-365,872
Earnings/loss per share before and after dilution, SEK	-0.45	-0.94	-3.23	-3.23
Equity, kSEK	759,436	1,008,102	759,436	1,008,102
Equity/assets ratio, %	75	80	75	80
Cash flow from operating activities, kSEK	-103,828	-77,834	-424,752	-234,579
Cash and bank balances, kSEK	226,858	503,388	226,858	503,388



*"We currently assess that the Company needs new financing during the second quarter and intensive work is underway to secure this. At the same time, we need to further reduce our costs. We are still optimistic about getting new orders during the year and continue to prepare to deliver on these."*

*Jonas Wallmander, CEO*

## Comments from the CEO

### Azelio's offer

Azelio's direction remains clear. The global need for energy storage solutions continues to grow, which will be crucial in the transition to renewable energy sources. There is especially a need for solutions which can deliver stored energy over time intervals that make it possible, together with renewable energy sources, to cover base load around the clock. An example of the state authorities' willingness to support this need is the Inflation Reduction Act (IRA) in the US, which was passed last autumn and focuses, among other things, on significant investments in the energy, energy storage and climate areas. Another example is the EU Green Deal Industrial Plan and Net-Zero Industry Act announced recently by the President of the European Commission at the World Economic Forum in Davos. It is reasonable to expect similar investment efforts elsewhere in the world as well.

We have a clear position in the market with our combination of 13+ hours supply of stored energy, and scalability that makes the system adaptable for efficient distributed use. The fact that Azelio's system can also deliver both electricity and heat, and is already installed commercially on the market, gives us a unique position among alternative energy storage solutions in the market.

### Time is money

Despite this, the time to convert ongoing business discussions into signed customer agreements has taken significantly longer than anticipated, which in turn will lead to a liquidity shortage for the Company already at the end of the second quarter of this year. Many different activities to secure this necessary funding have been underway since the beginning of the year, including explorations for a new rights issue. In parallel additional cost-cutting initiatives are being planned. To secure 12 months of continued operation, the Company needs between SEK 150 and 300 million, depending on how large new cost reductions can be implemented.

We are still optimistic about getting new orders during the year and continue to prepare to deliver on these.

### Our prioritized markets

We continue our long-term work to establish ourselves in the prioritized markets MENA, southern Africa, Australia and the USA. Through a few selected projects where we initially take a stake in the project and sell the energy to the end customer (EaaS, Energy as a Service), we will secure the reference project that will generate additional business.

We are also working together with partners to create solutions that will make it easier for our customers to secure project financing, removing a roadblock that has resulted in some delayed orders.

In the near future, we are focusing on creating more business in southern Africa and MENA. Here, the development has come the furthest, and I see that we will be able to switch to direct sales first in these markets. In parallel, we are intensifying the strategic work towards the US – the market that I expect will be the largest medium and long term. Work on adapting and certifying the product for the US market is underway and is expected to be completed next year.

### The future

All signs indicate that the potential and opportunities for energy storage systems continue to increase – and we have a solution that is a unique and important building block in renewable energy systems going forward.

In recent months, I have travelled a lot in Egypt, the United Arab Emirates, South Africa and the US among other places, and have been strengthened in my conviction that our energy storage system is what customers need and want – and that we are early compared to other technologies, which is a strength but also poses challenges.

The path towards success for a new technology in a new market is not easy, straightforward, nor trouble-free – and the immediate future of Azelio is no exception. All our energy is put into securing new TES.POD orders as well as new financing.

*Jonas Wallmander, CEO*

## The business



### Azelio contributes to a renewable society

The use of renewable energy must increase to electrify a growing society and to limit global warming to 1.5°C. The transition from fossil to renewable has begun, but renewable energy needs to be stored to exploit its full potential and take on a greater role in energy systems. Azelio's solution stores renewable energy and makes it available when and where it is needed. In this way, Azelio contributes to the development of a renewable society - for people, enterprises, and the planet.

### Long-term storage key to tomorrow's electricity system

Long-term energy storage will be a central part of tomorrow's energy infrastructure - to balance conventional electricity grids with a greater element of renewable energy, to interact with short-term battery storage and replace polluting diesel in decentralized solutions.

### TES.POD® - a sustainable solution

Azelio's solution, TES.POD® (Thermal Energy Storage - Power on Demand) is a system for long-duration energy storage that provides access to clean energy, on-grid and off-grid 24 hours a day. The system stores energy as heat in recycled aluminium and converts it into electricity without emissions, while at the same time also generating heat.

### Scalable and competitive

The system is scalable and very competitive from 0.1 MW to 20 MW. It is well suited for supplying mines, agriculture, various types of commercial and industrial activities, resorts and smaller communities, with clean energy in distributed decentralized systems.

### Azelio - a Swedish cleantech company

Azelio is a Swedish cleantech company with a unique innovation that can make a significant contribution to the green transition the world is undergoing. Initially, the Company has chosen to focus sales and marketing to MENA, Southern Africa, Australia and the USA. With headquarters in Gothenburg and production facilities on the Swedish west coast, the business is located in an area with high-tech engineering, qualified suppliers and a strong industrial tradition.



## Financial development

*Numbers in brackets refer to the corresponding period last year, except for balance sheet related items where these numbers refer to latest year-end.*

### Q4: October – December 2022

#### Revenue, expenses, and profit/loss

Net sales amounted to kSEK -59 (44). Capitalised own work amounted to kSEK 10,341 (40,653) for the quarter. Negative turnover occurs due to crediting to customer.

Operating expenses amounted to kSEK -130,130 (-149,317). Employee benefit expenses were kSEK -38,590 (-31,474), while other external expenses, including consultants, amounted to kSEK -34,660 (-69,007). Amortisation and depreciation amounted to kSEK -52,851 (-38,901), of which amortisation of development costs totalled kSEK -36,138 (-32,709).

Operating profit/loss (EBIT) amounted to kSEK -119,058 (-108,277). Loss for the period amounted to kSEK -119,954 (-108,925). Earnings/loss per share amounted to SEK -0.45 (-0.94).

#### Cash flow and investments

Cash flow from operating activities amounted to kSEK -103,828 (-77,834), where the change was mainly explained by a larger operating loss and an increase in inventory.

Investments amounted to kSEK -28,623 (-49,285), of which kSEK -8,818 (-8,633) were investments in property, plant and equipment. Cash flow from financing activities amounted to kSEK 278,186 (12,856), where the change is mainly explained by a new issue. Cash flow for the period thus amounted to kSEK 145,734 (-114,263).

### Full-year 2022

#### Revenue, expenses, and profit/loss

Net sales amounted to kSEK 594 (1,162). Capitalised own work amounted to kSEK 72,845 (148,614) for the period.

Expenses amounted to kSEK -568,521 (-515,909). Employee benefit expenses amounted to kSEK -184,251 (-168,646), while other external expenses, including consultancy costs, was kSEK -180,685 (-220,066). Amortisation and depreciation increased to kSEK -175,123 (-112,332), of which amortisation of development costs totalled kSEK -139,902 (-92,294).

Operating loss (EBIT) amounted to kSEK -493,251 (-364,175). Loss for the period amounted to kSEK -496,660 (-365,872). Earnings/loss per share amounted to SEK -3.23 (-3.23).

#### Cash flow, investments, and financial position

Cash flow from operating activities amounted to kSEK -424,752 (-234,579), which compared to last year primarily reflects a larger operating loss and an increase in inventory.

Investments amounted to kSEK -117,841 (-185,153), whereof kSEK -42,987 (-43,994) were investments in property, plant and equipment.

Cash flow from financing activities amounted to kSEK 266,141 (590,520). Cash flow for the period amounted to kSEK -276,452 (170,787).

Cash and cash equivalents at year-end amounted to kSEK 226,858 (503,388).

Total balance sheet turnover was kSEK 1,017,458 (1,252,402). Intangible assets were kSEK 508,006 (575,064) while Property, plant and equipment increased to kSEK 87,033 (58,977).

Raw materials and consumables increased to kSEK 90,897 (16,394), bringing Total inventories to kSEK 90,996 (17,105). The increase is mainly due to the purchase of direct materials and advances on the purchase of direct materials ahead of expected future production increases.

Equity at the end of the period amounted to kSEK 759,436 (1,008,102) or SEK 2.38 (8.70) per share. The equity/assets ratio as of the same date was 75% (80%).

### Parent company

Net sales for the parent company amounted to kSEK 811 (44) during the quarter and kSEK 6,297 (1,162) for the year. Earnings for the quarter totalled kSEK -119,664 (-108,818), and for full-year period kSEK -494,724 (-365,446). Equity at the end of the year amounted to kSEK 761,268 (1,007,834).

### Other

#### Organisation

At the end of the year, the number of employees was 139 (192), of whom 107 (145) were men and 32 (47) were women. The average number of employees during the year was 180 (177).

#### The share

Shares outstanding at the end of the year amounted to 318,662,246.

### Largest owners at the end of the year

Owner	Holding
Kent Janér (mainly through Blue Marlin AB)	11.3%
Avanza Pension	5.8%
CVI Investments Inc	5.7%
Jim O'Neill	2.7%
Patrik Björn	2.4%
Nordnet Pensionsförsäkring	1.5%
Braginsky Family Office AG	1.5%
Theodor Jeansson Jr.	1.1%
Göran Källebo	1.1%
Riccardo Sforzini	1.1%
Others	65.7%

Source: Monitor by Modular Finance AB.

### Warrants

At the end of the period, there were 49,075,962 warrants, issued in six different series with exercise prices of between SEK 0,50 and SEK 124,50. Full conversion of all warrants would increase the number of shares by 35,374,115.

### Dividend

The Board proposes that no dividend should be paid for the 2022 financial year.

### Annual report 2022

The 2022 annual report will be available on the Company's website on 13 April 2023.

### Annual General Meeting 2023

Azelio's Annual General Meeting is planned to be held on May 11, 2023.

All AGM documents including annual report will be available on the Company's website no later than three weeks before the Meeting.

### Outlook

The generally uncertain world situation poses a risk in relation to the conditions for predicting and reaching expected sales volumes and cash flow, and the Company has seen a delay of the commercialization due to longer than expected sales cycles. As a result of this, the Company has communicated that the previous delivery target for 2023 will not be reached, and that the Company will need additional financing during 2023 to continue to run the business in its current form. The Company now assesses that this financing is needed during the second quarter. Azelio's management remains optimistic, however, about getting new orders during 2023.

Azelio is introducing a new technology in the market that requires greater initial investment than competing fossil-based alternatives, although more cost-effective in the long run.

The need and drivers for energy storage solutions which can contribute to making delivery of renewable energy to match the base load around the clock possible, continues to increase.

### Significant risks and uncertainties

The Board believes that current valuation of the Company's assets in the form of capitalised development costs and inventory is justified by the cash flows generated by expected future sales. The Company's capitalised development costs related to various technologies, all of which are linked to the Stirling engine and the energy storage solution, technologies upon which the Company has built its business.

The Company has historically made a number of minor redesigns of the Company's system based on results obtained and experience, which in some cases caused delays.

The Company has recently experienced a delay in commercialization due to longer than expected sales processes for the Company's energy storage systems. As a result, the Company has communicated that additional funding will be needed in 2023 to continue running the business in its current form. The Company now assesses that this financing is needed during the second quarter of 2023.

Azelio's product- and technology development and its associated operations are complex, particularly in the Company's industry, and there is a risk that the verification projects will require more time and money than the Company has anticipated, that it turns out that the Company's products cannot be adapted to a commercial environment or that projects to which the Company is a co-owner fails or that the Company, in the event of a successfully completed verification project, fails to develop the organisation to an industrial company as planned, or that the Company does not manage to convert customer enquiries into actual customer agreements.

Azelio's TES.POD system, although largely based on established technology, is relatively new to the market and the commercialisation of the Company's product is still in an initial phase. The Company has not had the opportunity to gather essential and exhaustive data with regard, for example, to the service life of the system and its components, typical faults or defects, the need for servicing and associated costs. There is therefore a risk that the Company's system proves to be of a technically defective design or fall short of the promised performance and/or functionality.

Azelio could fail to deliver its technology and its products in order to meet the demand on important markets in accordance with the Company's time plan and the requirements and wishes of the customers and the market, for example as a result of delays in the Company's verification project.

Azelio's markets, and the market for renewable energy in general, are characterised by long lead- and start-up times and sales processes as a result of, for example, public or private regulations

or standards, strict product requirements and the fact that an organisation needs to make a decision on investments before the Company can initiate its sales process.

Azelio is dependent on certain partners, such as Masen in Morocco (Moroccan Agency for Sustainable Energy, “Masen”) and Masdar (Abu Dhabi Future Energy Company, “Masdar”) and Khalifa University of Science and Technology (“Khalifa University”) to obtain valuable knowledge about the solar energy market, research and development, industrialisation, verification and business development.

Azelio’s profitability from the sales of its products has been and will be dependent, e.g., on the price development of aluminium, steel, electronic components (in particular semi-conductors) and energy (in particular diesel), which is affected by a number of external factors that are outside the Company’s control.

Demand for Azelio’s products and services is affected by changes in general economic and other market conditions in the markets in which the Company operates, as well as by changes in macroeconomic conditions, such as growth, general economic conditions, employment levels, exchange rate fluctuations, demographics and population growth. For example, Russia’s military attack on Ukraine has caused significant volatility in the global economy and global credit markets, and any spillover effects could affect the Company’s sales of its units or customers’ ability or opportunity to secure financing for projects to use the Company’s systems.

Azelio has as part of its commercialisation strategy made certain assumptions concerning the Company’s product relating to, among other things, demand and pricing, and in the long term the revenues that the commercialisation is expected to generate. There is a risk that the Company’s assumptions will prove imprecise or inaccurate, or that the market price of technology that provides the same functionality as the Company’s system falls considerably without Azelio succeeding in accommodating this price reduction through decreased costs, increased sales volumes, higher prices for other solutions, services or projects and components or other revenue streams.

Azelio cooperates with a number of suppliers within the scope of its operations and is dependent on these suppliers in order to obtain components manufactured in accordance with the Company’s requirements and specifications for the TES.POD system. If the Company would need to replace an existing supplier for any reason, the Company may have difficulty finding a new supplier with equivalent, or satisfactory, capacities and competence.

The potential end user market for Azelio’s products in sustainable electricity- and heat production based on thermal storage is global. In the future, the Company may therefore need to expand its operations as part of its future growth plans to markets that the Company has not had any previous contact with or experience

of. The expansion and sales to new markets always come with uncertainties and risks.

#### **Auditors’ review**

This report has not been reviewed by the Company’s auditors.



# Financial statements

## Consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Revenue</b>					
Net sales	4	-59	44	594	1,162
Own work capitalised		10,341	40,653	72,845	148,614
Other operating income		791	343	1,831	1,958
<b>Total operating income</b>		<b>11,072</b>	<b>41,040</b>	<b>75,269</b>	<b>151,734</b>
<b>Costs</b>					
Raw materials and consumables		-3,545	-9,605	-25,622	-13,998
Other external expenses		-34,660	-69,007	-180,685	-220,066
Employee benefit expenses		-38,590	-31,474	-184,251	-168,646
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-52,851	-38,901	-175,123	-112,332
Other operating expenses		-485	-330	-2,840	-867
<b>Total operating expenses</b>		<b>-130,130</b>	<b>-149,317</b>	<b>-568,521</b>	<b>-515,909</b>
<b>Operating profit/loss</b>		<b>-119,058</b>	<b>-108,277</b>	<b>-493,251</b>	<b>-364,175</b>
<b>Financial items</b>					
Financial income		1	0	4	0
Finance costs		-895	-648	-3,410	-1,697
<b>Total financial items</b>		<b>-894</b>	<b>-648</b>	<b>-3,406</b>	<b>-1,697</b>
<b>Profit/loss after financial items</b>		<b>-119,952</b>	<b>-108,925</b>	<b>-496,657</b>	<b>-365,872</b>
Tax on profit for the period		-2	0	-2	0
<b>Profit/loss for the period</b>		<b>-119,954</b>	<b>-108,925</b>	<b>-496,660</b>	<b>-365,872</b>
<b>Other comprehensive income</b>		<b>-322</b>	<b>41</b>	<b>-165</b>	<b>114</b>
<b>Total comprehensive income for the period</b>		<b>-120,276</b>	<b>-108,885</b>	<b>-496,825</b>	<b>-365,757</b>
		Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Earnings per share before and after dilution	6	-0.45	-0.94	-3.23	-3.23
Average number of shares		-265,761,794	115,750,572	153,656,316	113,259,254
Number of shares at end of period		318,662,246	115,877,181	318,662,246	115,877,181

## Consolidated statement of financial position

Amounts in kSEK	Note	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
<b>Intangible non-current assets</b>			
Capitalised expenditure for development and similar		508,006	575,064
<b>Total intangible non-current assets</b>		<b>508,006</b>	<b>575,064</b>
<b>Property, plant and equipment</b>			
Leasehold improvements		9,327	7,084
Equipment, tools, fixtures and fittings		77,706	51,893
<b>Total property, plant and equipment</b>		<b>87 033</b>	<b>58,977</b>
<b>Financial assets</b>			
Other financial assets		2,010	0
Deferred tax asset		34	0
<b>Total financial assets</b>		<b>2,045</b>	<b>0</b>
Right-of-use assets		92,365	80,102
<b>Total non-current assets</b>		<b>689,449</b>	<b>714,143</b>
<b>Inventories</b>			
Raw materials and consumables		90,897	16,394
Finished goods and goods for resale		99	711
<b>Total inventories</b>		<b>90,996</b>	<b>17,105</b>
<b>Current assets</b>			
Trade receivables		786	4,429
Current tax assets		2,673	1,635
Other receivables		944	6,397
Prepaid expenses and accrued income		5,753	5,306
Cash and cash equivalents		226,858	503,388
<b>Total current assets</b>		<b>328,010</b>	<b>538,259</b>
<b>TOTAL ASSETS</b>		<b>1,017,458</b>	<b>1,252,402</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		159,331	57,939
Other paid-in capital		2,561,393	2,414,709
Reserves		-951	-786
Retained earnings, including profit/loss for the year		-1,960,337	-1,463,759
<b>Total equity</b>		<b>759,436</b>	<b>1,008,102</b>
<b>Non-current liabilities</b>			
Other liabilities		56,951	22,622
Lease liabilities		75,155	65,574
<b>Total non-current liabilities</b>		<b>132,106</b>	<b>88,196</b>
<b>Current liabilities</b>			
Advances from customers		202	191
Trade payables		37,887	42,028
Lease liabilities		17,268	13,923
Current tax liability		1	0
Other current liabilities		18,693	40,576
Accrued expenses and deferred income		51,867	59,386
<b>Total current liabilities</b>		<b>125,917</b>	<b>156,104</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,017,458</b>	<b>1,252,402</b>

## Consolidated statement of changes in equity

Amounts in kSEK	Note	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
<b>Opening balance, 1 January 2021</b>		52,051	1,821,218	-900	-1,100,114	772,257
Profit/loss for the period					-365,872	-365,872
Other comprehensive income				114		114
<b>Total comprehensive income for the period</b>		52,051	1,821,219	-786	-1,465,985	406,499
<b>Transactions with shareholders</b>						
New share issue		5,887	593,489			599,377
Premiums for issued warrants					2,226	2,226
<b>Closing balance, 31 December 2021</b>		57,939	2,414,709	-786	-1,463,759	1,008,102

  

Amounts in kSEK	Note	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
<b>Opening balance, 1 January 2022</b>		57,939	2,414,709	-786	-1,463,759	1,008,102
Profit/loss for the period					-496,660	-496,660
Other comprehensive income				-165		-165
<b>Total comprehensive income for the period</b>		57,939	2,414,709	-951	-1,960,419	511,277
<b>Transactions with shareholders</b>						
New share issue		101,393	146,684			248,077
Premiums for issued warrants					81	81
<b>Closing balance, 31 December 2022</b>		159,331	2,561,393	-951	-1,960,337	759,436

## Consolidated statement of cash flows

Amounts in kSEK	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Cash flow from operating activities</b>					
Operating profit/loss		-119 057	-108,277	-493,251	-364,175
Interest received		0	0	1	0
Interest paid		-895	-545	-3,409	-1,576
Other financial items		0	-103	2	-121
Adjustment for non-cash items		43,508	39,537	174,632	112,246
Income tax paid		-36	0	-36	0
Increase (-)/decrease (+) in inventories		-21,401	-11,159	-76,517	-13,278
Increase (-)/decrease (+) in operating receivables		9,172	-4,405	8,531	1,445
Increase (+)/decrease (-) in operating liabilities		-15,119	7,118	-34,703	30,879
<b>Cash flow from operating activities</b>		<b>-103,828</b>	<b>-77,834</b>	<b>-424,752</b>	<b>-234,579</b>
<b>Cash flow from investing activities</b>					
Investments in property, plant and equipment		-8,818	-8,633	-42,987	-43,994
Investments in intangible non-current assets		-17,795	-40,653	-72,844	-141,159
Investments in financial assets		-2,010	0	-2,010	0
<b>Cash flow from investing activities</b>		<b>-28,623</b>	<b>-49,285</b>	<b>-117,841</b>	<b>-185,153</b>
<b>Cash flow from financing activities</b>					
Warrants redeemed		0	16,038	0	40,712
New share issue		248,077	0	248,077	558,665
Proceeds from warrants issued		27	0	81	2,226
Loan		34,342	0	34,342	0
Repayment of lease liability		-4,260	-3,182	-16,346	-11,031
Repayment of borrowings		0	0	-13	-53
<b>Cash flow from financing activities</b>		<b>278,186</b>	<b>12,856</b>	<b>266,141</b>	<b>590,520</b>
<b>Cash flow for the period</b>		<b>145,734</b>	<b>-114,263</b>	<b>-276,453</b>	<b>170,787</b>
Cash and cash equivalents at beginning of period		81,153	617,597	503,388	332,463
Exchange rate differences in cash and cash equivalents		-28	54	-77	137
<b>Cash and cash equivalents at end of period</b>		<b>226,858</b>	<b>503,388</b>	<b>226,858</b>	<b>503,388</b>

## Parent company statement of income and other comprehensive income

Amounts in kSEK	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Net sales	4	811	44	6,297	1,162
Own work capitalised		10,341	40,653	72,845	148,614
Other operating income		791	343	1,831	1,958
		<b>11,943</b>	<b>41,040</b>	<b>80,972</b>	<b>151,734</b>
Raw materials and consumables		-12,365	-9,605	-34,442	-13,998
Other external expenses		-39,499	-72,322	-199,195	-231,289
Employee benefit expenses		-38,586	-30,612	-179,494	-165,365
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-40 420	-35,496	-154,753	-101,036
Other operating expenses		-485	-330	-2,840	-867
<b>Total operating expenses</b>		<b>-131,355</b>	<b>-148,364</b>	<b>-570,725</b>	<b>-512,555</b>
<b>Operating profit/loss</b>		<b>-119,413</b>	<b>-107,325</b>	<b>-489,753</b>	<b>-360,820</b>
Income from participations in Group companies		0	-1,327	-4,091	-3,965
Other interest income and similar profit/loss items		0	0	3	0
Interest expenses and similar profit/loss items		-252	-166	-883	-660
<b>Total financial items</b>		<b>-252</b>	<b>-1,494</b>	<b>-4,972</b>	<b>-4,625</b>
<b>Profit/loss after financial items</b>		<b>-119,664</b>	<b>-108,818</b>	<b>-494,724</b>	<b>-365,446</b>
Tax on profit for the period		0	0	0	0
<b>Profit/loss for the period</b>		<b>-119,664</b>	<b>-108,818</b>	<b>-494,724</b>	<b>-365,446</b>

Profit/loss for the period tallies with total comprehensive income for the period.



## Parent company balance sheet

Amounts in kSEK	Note	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>			
Capitalised expenditure for development and similar work		508,006	575,064
<b>Total intangible non-current assets</b>		<b>508,006</b>	<b>575,064</b>
<b>Property, plant and equipment</b>			
Leasehold improvements		9,327	7,084
Equipment, tools, fixtures and fittings		64,082	51,893
<b>Total property, plant and equipment</b>		<b>73,409</b>	<b>58,977</b>
<b>Financial non-current assets</b>			
Participations in Group companies		51	50
Long term receivable Group companies		16,472	0
Other long term assets		2,010	0
<b>Total financial non-current assets</b>		<b>18,533</b>	<b>50</b>
<b>Total non-current assets</b>		<b>599,948</b>	<b>634,091</b>
<b>Inventories</b>			
Raw materials and consumables		90,897	16,394
Finished goods and goods for resale		99	711
<b>Total inventories</b>		<b>90,996</b>	<b>17,105</b>
Trade receivables		786	4,429
Current tax assets		2,673	1,635
Other receivables		487	6,332
Prepaid expenses and accrued income		7,391	6,701
Cash and bank balances		224,135	502,140
<b>Total current assets</b>		<b>235,472</b>	<b>538,341</b>
<b>TOTAL ASSETS</b>		<b>926,416</b>	<b>1,172,433</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		159,331	57,939
Development expenditure fund		478,272	536,116
Share premium reserve		2,561,393	2,414,709
Retained earnings including profit/loss for the period		-2,437,728	-2,000,929
<b>Total equity</b>		<b>761,268</b>	<b>1,007,834</b>
<b>Provisions</b>			
Other provisions		0	0
<b>Total provisions</b>		<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>			
Other liabilities		56,950	22,622
<b>Total non-current liabilities</b>		<b>56,950</b>	<b>22,622</b>
<b>Current liabilities</b>			
Advances from customers		79	191
Trade payables		37,569	42,028
Other current liabilities		18,683	40,372
Accrued expenses and deferred income		51,867	59,386
<b>Total current liabilities</b>		<b>108,197</b>	<b>141,977</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>926,416</b>	<b>1,172,433</b>

# Notes

## **Note 1      General information**

Azelio AB (publ) ("Azelio"), Corp. Reg. No. 556714-7607, is a parent company domiciled in Sweden with its registered office in Gothenburg at Lindholmsplatsen 1, SE-417 56 Gothenburg, Sweden.

Unless otherwise stated, all amounts are in thousand Swedish kronor (kSEK). Data in parentheses pertain to the comparative periods.

## **Note 2      Summary of significant accounting policies**

Azelio's consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies and definitions applies concur with those described in the Azelio Group's Annual Report for 2021. This interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Annual Accounts Act. The parent company's accounts have been prepared in accordance with the Annual Accounts Act and RFR 2.

The fair value of financial instruments corresponds to the carrying amounts for the Group.

## **Note 3      Significant accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. Estimates and assumptions that entail a significant risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year are outlined below.

### **(a) Impairment testing of capitalised development expenditure**

The Group annually tests whether capitalised development expenditure is subject to any impairment in accordance with the accounting policy described in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Certain estimates must be made in these calculations in the form of risk-free interest, market risk premium, industry beta value, equity and company-specific alfa value.

The impairment test is built on an assumption that the Company will be able to execute its expansive business plan with a commercial breakthrough from 2023/2024 as well as access to financing of these projects and coming marketing and production investments. An adjustment to the time plan can have a substantial impact on the value, which could lead to an impairment of the underlying asset. The Company has simulated a reduction of 50% of the sales quantities, which still does not give rise to a need for impairment.

The calculation of the discount rate is based on an assumption of external financing at an estimated interest of 7.9%, while the return on equity is estimated at 25.8%. Should the external financing not be available, the WACC (weighted average cost of capital) is calculated at 23.3%, and also with this discount rate, no requirement to write-down the underlying assets arises.

The Company's development as regards estimated future cash flows is monitored continuously.

### **(b) Going concern assumption**

Until such time as the Group's operating activities generate a positive cash flow, the Group is dependent on external financing, either as a contribution from shareholders or from other sources of financing. The Board deems, against the background of the positive market situation for solutions that support a green transition, but also the risks described in the section *Significant risks and uncertainties*, that the Group's business plan and financing plan are achievable, and consequently sees that the interim accounts can be released under the assumption of going concern.

#### Note 4 Net sales

Revenue from external customers by type of product and service:	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Products	0	0	0	486
Service obligations	0	17	33	92
Spare parts	-59	27	275	233
Other	0	0	286	351
<b>Total</b>	<b>-59</b>	<b>44</b>	<b>594</b>	<b>1,162</b>
Revenue from external customers broken down by country, based on where customers are located:	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Sweden	9	17	441	443
EU	28	27	99	213
Outside the EU	-96	0	54	506
<b>Total</b>	<b>105</b>	<b>44</b>	<b>594</b>	<b>1,162</b>

Revenue from major customers (more than 10%) amounted to kSEK 87 (kSEK 44) for the third quarter and to kSEK 628 (kSEK 636) accumulated for the period.

#### Note 5 Related-party transactions

There were no related-party transactions during the period.

#### Note 6 Earnings per share

	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>SEK</b>				
Basic earnings per share	-0.45	-0.94	-3.23	-3.23
Measurements used in calculating earnings per share:				
Profit attributable to parent company shareholders used in calculating basic and diluted earnings per share				
Profit attributable to parent company shareholders, kSEK	-119,954	-108,925	-496,660	-365,872
<b>Number</b>				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	265,761,794	115,750,572	153,656,316	113,259,254
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	265,761,794	115,750,572	153,656,316	113,259,254
<b>Warrants</b>				
Adjustment for calculation of diluted earnings per share:	0	0	0	0
Warrants have not had any dilutive effect since profit for the period is negative				

## Assurance of the Board

The Board of Directors and CEO give their assurance that this interim report provides a true and fair account of the Company's operations, financial position and earnings, and that it describes the material risks and uncertainties faced by the Company.

Gothenburg on February 24, 2023

**Bo Dankis**  
Board Chairman

**Hicham Bouzekri**  
Board member

**Elaine Grunewald**  
Board member

**Kent Janér**  
Board member

**Hans Ola Meyer**  
Board member

**Pär Nuder**  
Board member

**Bertil Villard**  
Board member

**Jonas Wallmander**  
CEO

## Financial calendar

Annual Report 2022	13 April 2023
Q1 Report 2023	10 May 2023
Annual General Meeting	11 May 2023
Q2 Report	25 August 2023
Q3 Report	17 November 2023

## Definitions

### Earnings per share

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

### Employee benefit expenses

Employee benefit expenses during the period include salaries, other remuneration and social security expenses.

### Equity/assets ratio

Total equity / total assets

### Number of shares

Average number of shares, weighted average number of shares outstanding during a certain period. Number of shares per day / number of days during the period.

### Operating income

All income including own work capitalised.

### Operating profit/loss (EBIT)

Profit/loss before financial items and tax.

## Address

Azelio AB  
Lindholmsplatsen 1  
SE-417 56 Gothenburg  
SWEDEN

## Contact

For further information, please contact:

CEO Jonas Wallmänder [jonas.wallmander@azelio.com](mailto:jonas.wallmander@azelio.com)

CFO Eva Ramström [eva.ramstrom@azelio.com](mailto:eva.ramstrom@azelio.com)

## Certified Adviser

FNCA Sweden AB