FIRST QUARTER 2023

Group financial development

Quarter 1: January – March 2023

- Net sales amounted to kSEK 224 (323)
- Operating profit/loss amounted to kSEK -112,577 (-129,584) after depreciation and amortisation of kSEK -44,992 (-40,231)
- Earnings per share before and after dilution totalled SEK -0.36 (-1.12)
- Profit/loss for the period amounted to kSEK -114,484 (-130,322)
- Cash flow for the period amounted to kSEK -95,740 (-154,264)

Significant events

Quarter 1: January – March 2023

- In January, Azelio announced that sales of the Company's energy storage system have been slower than previously assumed. This affects the cash flow of the Company. The consequence of the delayed sales and its impact on cash flow led to the announcement from the Company that the delivery target that was set for 2023 will not be met, and that the Company will need additional financing during the second quarter of 2023.
- Gustaf Albèrt was appointed new CFO of Azelio in February and took up his position on 12 April.

After the end of the period

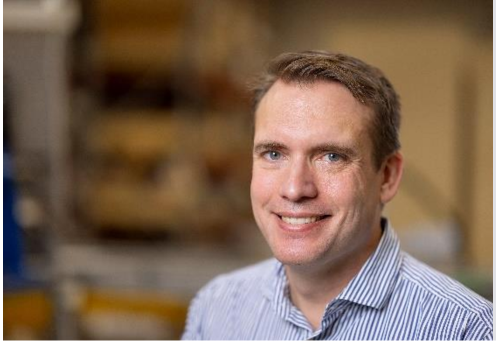
- On May 2, the Company communicated about its capital raising plans and process, which include both a loan and the intention to carry out a rights issue. A loan of SEK 30 million has been received from the Company's principal shareholder. The loan is on market terms and constitutes a subscription and guarantee commitment in the rights issue. Repayment will be made on that part of the loan, if any, that cannot be used for settlement in the upcoming rights issue. Guarantor compensation is not issued. The loan is subject to approval by an extraordinary general meeting (EGM). Azelio's Board of Directors intends to resolve on a rights issue of approximately SEK 80 million, of which SEK 30 million is guaranteed by the above-mentioned loan, subject to approval by shareholders at the EGM. The EGM is scheduled to be held on 2 June 2023.
- On May 2, it was also announced that the Company is negotiating a strategic partnership that may include a significant commercial order as well as commercial and industrial cooperation. The strategic partner is a major international player with extensive ambitions in renewable energy. The negotiations on a long-term strategic partnership are taking place in two stages, with the parties having a common ambition to reach a declaration of intent during the summer and a final agreement in the autumn of this year.
- Cost reduction measures were also communicated on 2 May. Azelio is implementing several measures, including staff reductions and organisational changes, to reduce its costs. Today, the Company's assessment is that the measures, when fully implemented, will lead to cost reductions of approximately SEK 100 million on an annualized basis, of which staff reductions (employees and consultants) correspond to approximately SEK 65 million.
- Two new subsidiaries were registered in the first quarter of 2023, Azelio Inc. in the US and Azelio APAC Pty Ltd in Australia.

Other events

- In April, Azelio's TES.POD system was approved in South Africa at an inspection by the electricity public utility Eskom. The inspection approved the system's fulfillment of all technical, safety, and legal requirements in the category of Small-Scale Embedded Generator (SSEG), which is a prerequisite for synchronizing (or grid-connecting) the system to ESKOM's electricity network.
- In May, Azelio announced that it has received a validation report from leading certification body DNV showing that the TES.POD system's availability over a 90-day period of analysis is 98%, excluding time for planned maintenance. Requirements for commercial energy storage installations are usually around 95-97%, with the exclusion of planned maintenance. Azelio has published a white paper on the system's availability, based on the same data used as a basis for DNV's validation report.

Key figures for the Group

	Jan-Mar 2023	Jan–Mar 2022	Jan-Dec 2022
Net sales, kSEK	224	323	594
Operating profit/loss, kSEK	-112,577	-129,584	-493,251
Profit/loss for the period, kSEK	-114,484	-130,322	-496,660
Earnings/loss per share before and after dilution, SEK	-0.36	-1.12	-3.23
Equity, kSEK	649,277	877,817	759,436
Equity/assets ratio, %	71	79	75
Cash flow from operating activities, kSEK	-81,435	-121,645	-424,752
Cash and bank balances, kSEK	130,981	349,170	226,858



"We are fully focused on completing the negotiations regarding the potential strategic collaboration."

Jonas Wallmander, CEO

Comments from the CEO

The need for energy storage is clear

Globally, the need for a more sustainable energy transition is increasingly clear, and the key to solve this is increasing the share of renewables that can be stored and delivered cost-effectively. At the same time, there are currently a limited number of companies with a validated technology for long-duration storage that is commercially viable and available. Our solution has been in operation with commercial customers for some time. In May, we received a validation report from the leading certification body DNV showing that TES.POD system availability amounts to 98% when time for planned maintenance is excluded. This exceeds the requirement for commercial energy storage installations, which is usually around 95-97% when planned maintenance is excluded. Also, in April, the installation in South Africa was approved by the electricity public utility Eskom during an inspection, which is a requirement for connecting the system to Eskom's electricity grid. Azelio has 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. Azelio's system can deliver both electricity and heat, which gives us a unique opportunity as an energy storage solution.

Revised direction with potential strategic cooperation

The company is in a challenging period and position but continues the intensive work of commercializing the technology. As communicated in January 2023, we will not be able to meet the delivery targets for 2023 that were set in 2022. This has mandated the need to initiate a capital raise in the near future.

Despite a challenging situation, the company has in 2023 taken the necessary measures to ensure Azelio's future competitiveness, where we see exciting opportunities in both the short and long term. We will need to accelerate and brake at the same time. Azelio will focus the company's efforts and resources where they will have the greatest effect.

An important part of this focus includes the new organizational structure and staff reduction as communicated on 2 May 2023, and these measures are estimated to achieve cost savings of SEK 100 million on an annualized basis. It is painful to have to part with employees, but in the current situation it is necessary to create a balance between the focused activities and the financial situation. Full focus in the near term is to conclude the negotiations on the strategic cooperation that we announced in early May. Azelio and the strategic partner have a common ambition to reach a declaration of intent during the summer, and then a final agreement during the autumn. The agreement is expected to include a significant commercial order with a considerable advance payment, as well as additional elements around commercial and industrial collaboration.

Financial position

At the beginning of May, Azelio received a loan commitment from the principal owner of SEK 30 million, which strengthens the company's short-term liquidity. The loan also constitutes a subscription and guarantee commitment in the rights issue of approximately SEK 80 million that Azelio's Board of Directors intends to carry out. The loan is conditional upon approval by the shareholders at the Extraordinary General Meeting to be held on June 2, 2023.

The financing enables the Company to conclude the negotiations of intent with the strategic partner. Given current market conditions and turbulence, this is the company's best way forward. The contribution from the upcoming rights issue, together with the advance payment expected for the significant order, which is anticipated to constitute a first step in the strategic collaboration, is envisaged to finance the Company for the duration of 2023. We anticipate that additional financing will be needed in the future to secure the Company’s future capital needs. With the strategic collaboration in place, our assessment is that the right conditions are in place to achieve long-term success and profitability.

Opportunities both short and long term

Azelio has full focus on concluding the negotiations on the strategic cooperation during the summer. At the same time, however, we also have to look a little further ahead, in order to respond to the needs and dynamics of an industry that is still taking shape. Taking the experience, competence and technology that Azelio possesses into account, we have in parallel, on a small scale, started activities around the next generation of energy storage systems. The basis is still a thermal storage and Stirling technology – but with new solutions that, via simulations and preliminary tests, point to a potential for greatly improved efficiency and reduced costs for stored energy by 2027.

The opportunities are there, both short and long term, and Azelio has a solution that can meet these. Now we have full focus on final negotiations with the strategic partner.

Finally

I am impressed to see the goal-oriented and pragmatic attitude among all employees who, despite cost cuts, staff reductions and organizational changes, have maintained a high level of efficiency, innovation, and quality in their work to bring the Company forward. I am personally very grateful for the professionalism and great efforts of all employees in 2022 and 2023.

Jonas Wallmander, CEO

The business

Azelio contributes to a renewable society

The transition to renewable energy is crucial to meet society's growing energy needs and to limit global warming to 1.5°C. Making this possible requires energy storage – which needs to take a greater role in energy systems – to take full advantage of renewable energy sources. 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, businesses, 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 fossil 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 global energy transition. The Company operates in 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.

Q1: January – March 2023

Revenue, expenses, and profit/loss

Net sales amounted to kSEK 224 (323). Capitalised own work amounted to kSEK 9,628 (27,153) for the quarter.

Operating expenses amounted to kSEK -123,012 (-157,379), while other external expenses, including consultants, amounted to kSEK -30,935 (-56,101). Employee benefit expenses were kSEK -36,247 (-49,452). Amortisation and depreciation amounted to kSEK -44,992 (-40,231), of which amortisation of development costs totalled kSEK -35,772 (-33,333).

Operating profit/loss (EBIT) amounted to kSEK -112,577 (-129,584). Loss for the period amounted to kSEK -114,484 (-130,322) Earnings/loss per share amounted to SEK -0.36 (-1.12).

Cash flow and investments

Cash flow from operating activities amounted to kSEK -81,435 (-121,645), where the change was mainly explained by an increase in inventory.

Investments amounted to kSEK -12,097 (-29,000), of which kSEK –2,489 (-9,302) were investments in property, plant and equipment. Cash flow from financing activities amounted to kSEK -2,208 (-3,620). Cash flow for the period thus amounted to kSEK -95,740 (-154,264).

Parent company

Net sales for the parent company amounted to kSEK 510 (2,453). Earnings for the quarter totalled kSEK -114,045 (-130,502. Equity at the end of the quarter amounted to kSEK 651,403 (877,332).

Other

Organisation

At the end of the period, the number of employees was 134 (200), of whom 103 (152) were men and 31 (48) were women. The average number of employees during the period was 136 (197).

The share

Shares outstanding at the end of the period amounted to 326,857,977.

Largest owners at the end of the period

Owner	Holding
Kent Janér (mainly through Blue Marlin AB)	11.8%
Avanza Pension	6.7%
Jim O'Neill	2.7%
Nordnet Pensionsförsäkring	1.6%
Braginsky Family Office AG	1.5%
Byggmästare Anders J Ahlström Holding AB	1,0%
Nordea Liv & Pension	1,0%
Lozac AB	0.8%
Theodor Jeansson Jr.	0.8%
Sala Kebab AB	0.8%
Others	71.3%

Source: Monitor by Modular Finance AB.

Warrants

At the end of the period, there were 20,856,667 warrants, issued in six different series with exercise prices of between SEK 10.89 and SEK 121.50. Full conversion of all warrants would increase the number of shares by 7,493,226.

Extraordinary General Meeting 2023

Azelio has called an extraordinary general meeting to be held on June 2, 2023. The extraordinary general meeting must decide on the board's proposal to amend the articles of association, reduction of the share capital to cover losses, reduction of the share capital for allocation to unrestricted equity, taking up shareholder loan and authorization for the board to decide on the issue of shares and/or warrants and/or convertibles.

Annual report 2022

The 2022 annual report will be available on the Company's website on 9 June 2023.

Annual General Meeting 2023

Azelio's Annual General Meeting is planned to be held on June 30, 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 communicated in January 2023 that the previous delivery target for 2023 will not be reached, and that the Company will need additional financing in the near term during 2023 to continue to run the business in its current form. The intention is to carry out a rights issue of approximately SEK 80 million during the summer, of which SEK 30 million is guaranteed by a loan from the Company's main owner, provided that the loan is approved at the extraordinary general meeting on June 2.

The contribution from the upcoming rights issue, together with the advance payment expected for the significant order, which is anticipated to constitute a first step in the strategic collaboration, is envisaged to finance the Company for the duration of 2023. We anticipate that additional financing will be needed in the future to secure the Company's future capital needs. With the strategic collaboration in place, our assessment is that the right conditions are in place to achieve long-term success and profitability.

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.

The company sees great opportunities in the potential strategic collaboration with an international major player that is currently being discussed. The collaboration is expected to involve a significant order as well as commercial and industrial collaboration and is expected to be of great importance for the Company's continued industrialization.

Significant risks and uncertainties

Azelio's business mainly consists of developing and commercializing TES.POD® (Thermal Energy Storage – Power on Demand), which is a system for long-duration energy storage. In the Company's operations, many different risks are thus handled, such as technical, commercial, financial, and regulatory risks. For a more detailed description of these risks, see the annual report for 2021.

The board has a positive view of the potential strategic collaboration with an international major player that is currently being discussed, and this partnership is expected to be of great importance for the Company's continued commercialization and the Company's ability to finance its operations. The negotiations on a long-term strategic partnership take place in two steps where the parties have a common ambition to reach a declaration of intent during the summer and a final agreement during the fall of this year. Currently, Azelio cannot make more detailed assumptions about how a possible partnership may affect the company financially. There is a risk that ongoing discussions do not lead to a signed agreement, or that the agreement does not reflect what the Company currently expects.

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 entered into a conditional loan agreement corresponding to SEK 30 million from the company's main shareholder, which ensures the company's short-term liquidity. The loan amount constitutes a subscription commitment in the upcoming rights issue. As security for the loan, Azelio has pledged certain patents and patent applications. The loan is conditional on the approval of an extraordinary general meeting on June 2, 2023. Azelio's board intends to decide on a rights issue of approximately SEK 80 million to further strengthen the company's financial position. The rights issue is partially secured through the loan to the loan amount indicated above of 30 MSEK. The financing strengthens the company's financial position and enables the Company to complete negotiations on a strategic partnership that may include a significant commercial order as well as commercial and industrial collaboration. A successful rights issue, together with continued measures to lower the company's costs and the signing of the long-term strategic partnership, are prerequisites for continued operations in the company.

At the time of publication of this report's, the company lacks liquidity and cash flow to be able to continue the operation of the company for the next 12 months. The board's assessment is that the company's cash will last for approximately 3 months unless new capital is added. To ensure continued operation, new financing must be in place, for example through a potential strategic partnership together with the announced rights issue.

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	Jan-Mar 2023	Jan-Mar 2022	Jan–Dec 2022
Revenue				
Net sales	4	224	323	594
Own work capitalised		9,628	27,153	72,845
Other operating income		582	320	1,831
Total operating income		**10,434**	**27,795**	**75,269**
Costs				
Raw materials and consumables		-10,293	-10,835	-25,622
Other external expenses		-30,935	-56,101	-180,685
Employee benefit expenses		-36,247	-49,452	-184,251
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-44,992	-40,231	-175,123
Other operating expenses		-544	-760	-2,840
Total operating expenses		**-123,012**	**-157,379**	**-568,521**
Operating profit/loss		**-112,577**	**-129,584**	**-493,251**
Financial items				
Financial income		1	3	4
Finance costs		-1,907	-741	-3,410
Total financial items		**-1,906**	**-738**	**-3,406**
Profit/loss after financial items		**-114,484**	**-130,322**	**-496,657**
Tax on profit for the period		0	0	-2
Profit/loss for the period		**-114,484**	**-130,322**	**-496,660**
Other comprehensive income		145	37	-165
Total comprehensive income for the period		**-114,339**	**-130,285**	**-496,825**

	Note	Jan-Mar 2023	Jan-Mar 2022	Jan–Dec 2022
Earnings per share before and after dilution	6	-0.36	-1.12	-3.23
Average number of shares		320,847,774	115,877,181	153,656,316
Number of shares at end of period		326,857,977	115,877,181	318,662,246

Consolidated statement of financial position

Amounts in kSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Intangible non-current assets				
Capitalised expenditure for development and similar		481,841	568,883	508,006
Total intangible non-current assets		481,841	568,883	508,006
Property, plant and equipment				
Leasehold improvements		8,943	7,405	9,327
Equipment, tools, fixtures and fittings		75,640	57,887	77,706
Total property, plant and equipment		84,583	65,292	87,033
Financial assets				
Other financial assets		2,010	0	2,010
Deferred tax asset		32	0	34
Total financial assets		2,043	0	2,045
Right-of-use assets		87,953	76,289	92,365
Total non-current assets		656,419	634,175	689,449
Inventories				
Raw materials and consumables		110,780	26,834	90,897
Finished goods and goods for resale		1,931	752	99
Total inventories		112,710	27,586	90,996
Current assets				
Trade receivables		587	6,782	786
Current tax assets		3,535	635	2,673
Other receivables		1,482	16,993	944
Prepaid expenses and accrued income		5,182	6,046	5,753
Cash and cash equivalents		130,981	349,170	226,858
Total current assets		254,478	407,212	328,010
TOTAL ASSETS		910,897	1,117,676	1,017,458
EQUITY AND LIABILITIES				
Equity				
Share capital		163,429	57,939	159,331
Other paid-in capital		2,561,475	2,414,709	2,561,393
Reserves		-806	-749	-951
Retained earnings, including profit/loss for the year		-2,074,821	-1,594,081	-1,960,337
Total equity		649,277	877,817	759,436
Non-current liabilities				
Other liabilities		41,716	22,622	56,951
Lease liabilities		70,794	62,105	75,155
Total non-current liabilities		112,509	84,727	132,106
Current liabilities				
Advances from customers		887	207	202
Trade payables		21,627	38,495	37,887
Lease liabilities		17,409	13,791	17,268
Current tax liability		1	0	1
Other current liabilities		54,868	37,255	18,693
Accrued expenses and deferred income		54,319	65,384	51,867
Total current liabilities		149,110	155,132	125,917
TOTAL EQUITY AND LIABILITIES		910,897	1,117,676	1,017,458

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
Opening balance, 1 January 2022		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
Total comprehensive income for the period		57,939	2,414,709	-951	-1,960,419	511,277
Transactions with shareholders						
New share issue		101,393	146,684			248,077
Premiums for issued warrants					81	81
Closing balance, 31 December 2022		159,331	2,561,393	-951	-1,960,337	759,436

Amounts in kSEK	Note	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2023		159,331	2,561,393	-951	-1,960,337	759,436
Profit/loss for the period					-114,484	-114,484
Other comprehensive income				145		145
Total comprehensive income for the period		159,331	2,561,393	-806	-2,074,821	645,097
Transactions with shareholders						
New share issue		4,098	82			4,180
Premiums for issued warrants					0	0
Closing balance, 31 Mars 2023		163,429	2,561,475	-806	-2,074,821	649,277

AZELIO

Consolidated statement of cash flows

Amounts in kSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan–Dec 2022
Cash flow from operating activities				
Operating profit/loss		-112,577	-129,584	-493,251
Interest received		0	0	1
Interest paid		-846	-723	-3,409
Other financial items		1	-15	2
Adjustment for non-cash items		44,440	41,133	174,632
Income tax paid		0	0	-36
Increase (-)/decrease (+) in inventories		-21,715	-11,383	-76,517
Increase (-)/decrease (+) in operating receivables		180	-13,649	8,531
Increase (+)/decrease (-) in operating liabilities		9,082	-7,423	-34,703
Cash flow from operating activities		**-81,435**	**-121,645**	**-424,752**
Cash flow from investing activities				
Investments in property, plant and equipment		-2,489	-9,302	-42,987
Investments in intangible non-current assets		-9,608	-19,698	-72,844
Investments in financial assets		0	0	-2,010
Cash flow from investing activities		**-12,097**	**-29,000**	**-117,841**
Cash flow from financing activities				
Warrants redeemed		0	0	0
New share issue		4,179	0	248,077
Proceeds from warrants issued		0	0	81
Loan		0	0	34,342
Repayment of lease liability		-4,300	-3,620	-16,346
Repayment of borrowings		-2,088	0	-13
Cash flow from financing activities		**-2,208**	**-3,620**	**266,141**
Cash flow for the period		-95,740	-154,264	-276,453
Cash and cash equivalents at beginning of period		226,858	503,388	503,388
Exchange rate differences in cash and cash equivalents		-138	47	-77
Cash and cash equivalents at end of period		**130,981**	**349,170**	**226,858**

Parent company statement of income and other comprehensive income

Amounts in kSEK	Note	Jan-Mar 2023	Jan-Mar 2022	Jan–Dec 2022
Net sales	4	510	2,453	6,297
Own work capitalised		9,628	27,153	72,845
Other operating income		582	320	1,831
		10,721	29,926	80,972
Raw materials and consumables		-11,131	-10,835	-34,442
Other external expenses		-35,623	-62,209	-199,195
Employee benefit expenses		-36,247	-48,668	-179,494
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-39,949	-36,412	-154,753
Other operating expenses		-544	-760	-2,840
Total operating expenses		-123,494	-158,884	-570,725
Operating profit/loss		-112,774	-128,958	-489,753
Income from participations in Group companies		0	-1,370	-4,091
Other interest income and similar profit/loss items		20	3	3
Interest expenses and similar profit/loss items		-1,291	-178	-883
Total financial items		-1,271	-1,544	-4,972
Profit/loss after financial items		-114,045	-130,502	-494,724
Tax on profit for the period		0	0	0
Profit/loss for the period		-114,045	-130,502	-494,724

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

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Parent company balance sheet

Amounts in kSEK	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Capitalised expenditure for development and similar work		481,841	568,883	508,006
Total intangible non-current assets		**481,841**	**568,883**	**508,006**
Property, plant and equipment				
Leasehold improvements		8,943	7,405	9,327
Equipment, tools, fixtures and fittings		61,997	55,771	64,082
Total property, plant and equipment		**70,940**	**63,176**	**73,409**
Financial non-current assets				
Participations in Group companies		62	51	51
Long term receivable Group companies		15,411	0	16,472
Other long-term assets		2,010	0	2,010
Total financial non-current assets		**17,484**	**51**	**18,533**
Total non-current assets		**570,265**	**632,110**	**599,948**
Inventories				
Raw materials and consumables		110,780	26,834	90,897
Finished goods and goods for resale		1,931	752	99
Total inventories		**112,710**	**27,586**	**90,996**
Trade receivables		881	6,782	786
Current tax assets		3,535	635	2,673
Other receivables		873	16,297	487
Prepaid expenses and accrued income		6,840	7,430	7,391
Cash and bank balances		129,002	347,513	224,135
Total current assets		**253,840**	**406,243**	**326,468**
TOTAL ASSETS		**824,105**	**1,038,353**	**926,416**
EQUITY AND LIABILITIES				
Equity				
Share capital		163,429	57,939	159,331
Development expenditure fund		454,378	532,207	478,272
Share premium reserve		2,561,475	2,414,709	2,561,393
Retained earnings including profit/loss for the period		-2,527,879	-2,127,523	-2,437,728
Total equity		**651,403**	**877,332**	**761,268**
Provisions				
Other provisions		0	0	0
Total provisions		0	0	0
Non-current liabilities				
Other liabilities		41,716	22,622	56,950
Total non-current liabilities		**41,716**	**22,622**	**56,950**
Current liabilities				
Advances from customers		79	79	79
Trade payables		21,713	35,772	37,569
Other current liabilities		54,875	37,165	18,683
Accrued expenses and deferred income		54,319	65,384	51,867
Total current liabilities		**130,986**	**138,400**	**108,197**
TOTAL EQUITY AND LIABILITIES		**824,105**	**1,038,353**	**926,416**

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 enter into the strategic partnership with an international large player, and thereby 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. Excess values and the margin for write-downs have decreased compared to previous periods. The potential strategic collaboration is an important prerequisite for the board's assessment that there is no need for write-downs.

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, and that the Company is negotiating a strategic partnership that may include a significant commercial order as well as commercial and industrial cooperation with a major international player with extensive ambitions in renewable energy, but also with 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:	Jan-Mar 2023	Jan-Mar 2022	Jan–Dec 2022
Products	0	0	0
Service obligations	0	25	33
Spare parts	224	222	275
Other	0	76	286
Total	224	323	594

Revenue from external customers broken down by country, based on where customers are located:	Jan-Mar 2023	Jan–Mar 2022	Jan–Dec 2022
Sweden	224	101	441
EU	0	72	99
Outside the EU	0	150	54
Total	224	323	594

Revenue from major customers (more than 10%) amounted to kSEK 209 (kSEK 295) for the period.

Note 5 Related-party transactions

There were no related-party transactions during the period.

After the end of the reporting period, on May 2, 2023, the Company communicated about its capital raising process. A loan of SEK 30 million has been obtained from the Company's main shareholder, Kent Janér, and the loan is taken out on market terms and constitutes a subscription and guarantee commitment in the rights issue announced by the board. Repayment will be made of the part of the loan, if any, that cannot be used for offsetting in the upcoming rights issue. Guarantor compensation is not issued. The loan is conditional on the approval of the extraordinary general meeting that will be held on June 2, 2023.

Note 6 Earnings per share

	Jan-Mar 2023	Jan-Mar 2022	Jan–Dec 2022
SEK			
Basic earnings per share	-0.36	-1.12	-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	-114,484	-130,322	-496,660
Number			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	320,847,774	115,877,181	153,656,316
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	320,847,774	115,877,181	153,656,316

Warrants			
Adjustment for calculation of diluted earnings per share: Warrants have not had any dilutive effect since profit for the period is negative	0	0	0

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 May 31, 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

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Financial calendar

Annual Report 2022	9 June 2023
Annual General Meeting	30 June 2023
Q2 Report	25 August 2023
Q3 Report	17 November 2023
Q4 Report	23 February 2024

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.

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Certified Adviser

FNCA Sweden AB