



THIRD QUARTER 2022

Group financial development

Q3: July – September 2022

- Net sales amounted to kSEK 105 (391)
- Operating profit/loss amounted to kSEK -112,878 (-91,228) after depreciation and amortisation of kSEK -44,295 (-35,663)
- Earnings per share before and after dilution totalled SEK -0.98 (-0.79)
- Profit/loss for the period amounted to kSEK -113,738 (-91,604)
- Cash flow for the period amounted to kSEK -127,339 (-96,856)

Significant events

Quarter 3: July – September 2022

- On September 15, Azelio's Board of Directors announced its intention to resolve on a fully guaranteed rights issue of units, consisting of new shares and warrants, of approximately SEK 300 million. This was decided on 23 September and the prospectus was published on 28 September.

After the end of the period

- 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 115,877,180 to 318,662,245.

Other events

Quarter 3: July – September 2022

- On July 11, Azelio announced that negotiations with the unions regarding the notice announced on June 9 have ended.
- The plant at Haneberg farm in Sweden was commissioned and put in operation in August. The project, which was co-financed by the Swedish Energy Agency, aimed to demonstrate the simultaneous use of electricity and heat.
- In August, the US passed the Inflation Reduction Act, which includes significant investments in the energy and climate

First nine months: January – September 2022

- Net sales amounted to kSEK 654 (1,118)
- Operating profit/loss amounted to kSEK -379,020 (-255,900) after depreciation and amortisation of kSEK -127,104 (-73,431)
- Earnings per share before and after dilution totalled SEK -3.29 (-2.29)
- Profit/loss for the period amounted to kSEK -381,532 (-256,953)
- Cash flow for the period amounted to kSEK -422,290 (285,046)
- Cash and bank balances amounted to kSEK 81,153 (503,388)
- Equity per share SEK 5.41 (8.70)

area, which can be expected to further increase demand for Azelio's products

- A collaboration between Azelio and Elum Energy on the control of energy production plants including Azelio's energy storage system was communicated on 6 September.
- The facility at Industrisupport i Åmål AB was commissioned and put in operation on 23 September. This is the first facility where the CE certification is in place.

After the end of the period

- 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.
- Azelio published two white papers – one on cluster auto control for its energy storage system, and one on the Combined Heat & Power (CHP) solution.
- 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.
- 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.
- 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.

Key figures for the Group

	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full year 2021
Net sales, kSEK	105	391	654	1,118	1,162
Operating profit/loss, kSEK	-112,878	-91,228	-379,020	-255,900	-364,175
Profit/loss for the period, kSEK	-113,738	-91,604	-381,532	-256,953	-365,872
Earnings/loss per share before and after dilution, SEK	-0.98	-0.79	-3.29	-2.29	-3.23
Equity, kSEK	626,675	1,100,942	626,675	1,100,942	1,008,102
Equity/assets ratio, %	72	86	72	86	80
Cash flow from operating activities, kSEK	-103,891	-58,867	-325,764	-156,749	-234,579
Cash and bank balances, kSEK	81,153	617,597	81,153	617,597	503,388



"The conditions are in place – we are well equipped and positioned to take the next steps in scaling up towards projects of 0.5 – 5 MW during next year."

Jonas Wallmander, CEO

Comments from the CEO

Foundation in place

It is with great confidence that I can state that the foundation is now in place for the transformed Azelio. We have updated our goals and then reviewed and adapted our organization and cost structure. The rights issue, completed in October, added approximately SEK 250 million to Azelio after transaction costs. This means that we can now continue the work of establishing the product on the market.

Transformation and focus make a difference

The strategic review that began when I took over as CEO this spring is now at the finish line. The new goals, and a sharper focus on the prioritized activities, are implemented in all plans. The adaptation of the workforce has been completed, and our costs follow the expected development to reach the planned cost reductions of SEK 150 million on an annual basis. In terms of cash flow, the fourth quarter 2022 and the first quarter 2023 will be affected by payments for previously ordered materials, while ongoing costs are expected to continue to decrease as planned. The sharpened focus also makes an obvious difference in our marketing and sales work. The appointments of local Regional managers in the initial target markets MENA, southern Africa, Australia and the USA, have resulted in new and improved project opportunities with higher quality. This presence makes it possible to build strong customer relationships, thanks to local knowledge and networks.

Continued establishment on the market

The journey towards establishing our energy storage system on the market takes place in stages, from demonstration and verification installations, via a handful of smaller commercial reference projects, and from there an upscaling in size from 2023. We are currently in the phase of establishing the smaller commercial reference projects, and in the transition towards medium-sized projects that in 2023 are expected to gradually grow in size to between 0.5 MW and 5 MW.

For the current status I am pleased to report that the TES.POD unit that was delivered and installed in 2021 to supply the visitor centre at the Noor Energy 1 project in Dubai with electricity is operational.

The facility at WeeBee in South Africa, which generates great interest in the region, has been commissioned and is now in a start-up phase.

Our partnership with Engazaat took another significant step with the announcement of the SAVE Cleantech Utilities alliance, where also Mascara NT is an important member. The first project in the

Moghra oasis in Egypt together with Engazaat and Mascara NT is in the development phase, financing and planning are being finalised, and we expect to be able to start deliveries to the project this year.

The project with Handi Stop in the US is progressing according to plan. The units at Handi Stop will be part of the adaptation and verification project for the US market that is being performed together with MMR and are planned to be delivered in December for adaptation at MMR before being installed at Handi Stop. Once verification and certification according to U.S. rules and standards are in place, the TES.PODs are expected to become operational in the second half of 2023.

The project with Masdar in Abu Dhabi continues to be in operation.

In Australia, work continues to secure an order.

In addition to the projects in our target markets, we also have the facility at Industrisupport i Åmål AB, Sweden, in operation, where we have the CE certification in place for the first time.

The goal of having delivered to the commercial reference projects that build the foundation for the next phase by the end of the year seems to me to be well placed to be achieved.

I expect that in 2023 we will make continued market investments in the first projects, which we have accounted for in the capital raise and budget. Thereafter, in 2023, we expect to gradually be able to transition to Azelio's long-term business model – direct sales as a technology supplier.

As a result of inflation and increased material prices, we will raise the price for our system, in line with general market developments.

Poised to take advantage of the opportunities

Global developments keep strengthening the case for clean, affordable, independent, scalable, around-the-clock energy systems. My conviction of this was further strengthened by all the meetings and discussions I had during COP27 in Sharm El-Sheikh. With a unique product, a clear and growing need for our solution, a well-adapted organization and cost structure, and fresh financing secured, I look forward to continuing our focused work together with my competent employees to establish our TES.POD as an important part of future clean energy systems globally, and Azelio as a key player and enabler for the climate transition work. The conditions are in place – we will take advantage of them.

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 Australia, MENA, Southern Africa 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.

Q3: July – September 2022

Revenue, expenses, and profit/loss

Net sales amounted to kSEK 105 (391). Capitalised own work amounted to kSEK 10,631 (30,452) for the quarter.

Operating expenses amounted to kSEK -123,934 (-122,603). Employee benefit expenses were kSEK -43,240 (-44,766), while Other external expenses, including consultants, amounted to kSEK -28,751 (-40,121). Amortisation and depreciation amounted to kSEK -44,295 (-35,663), of which amortisation of development costs totalled kSEK -35,685 (-30,695).

Operating profit/loss (EBIT) amounted to kSEK -112,878 (-91,228). Loss for the period amounted to kSEK -113,738 (-91,604). Earnings/loss per share amounted to SEK -0.98 (-0.79).

Cash flow and investments

Cash flow from operating activities amounted to kSEK -103,891 (-58,867), where the change was mainly explained by a larger operating loss, an increase in inventory and a reduction in accounts payable.

Investments amounted to kSEK -19,149 (-41,460), of which kSEK -8,518 (-11,008) were investments in property, plant and equipment. Cash flow from financing activities amounted to kSEK -4,300 (3,472). Cash flow for the period thus amounted to kSEK -127,339 (-96,856).

Nine months: Jan – Sep 2022

Revenue, expenses, and profit/loss

Net sales amounted to kSEK 654 (1,118). Capitalised own work amounted to kSEK 62,504 (107,961) for the period.

Expenses amounted to kSEK -443,217 (-366,595). Employee benefit expenses amounted to kSEK -145,657 (-137,171), while Other external expenses, including consultancy costs, was kSEK -146,024 (-151,062). Amortisation and depreciation increased to kSEK -127,104 (-73,431), of which amortisation of development costs totalled kSEK -103,765 (-59,586).

Operating loss (EBIT) amounted to kSEK -379,020 (-255,900). Loss for the period amounted to kSEK -381,532 (-256,953). Earnings/loss per share amounted to SEK -3.29 (-2.29).

Cash flow, investments, and financial position

Cash flow from operating activities amounted to kSEK -325,764 (-156,749), which compared to last year primarily reflects a larger operating loss as a result of an increase in inventory and a decrease in accounts payable.

Investments amounted to kSEK -84,481 (-135,868), whereof kSEK -29,432 (-35,361) were investments in property, plant and equipment.

Cash flow from financing activities amounted to kSEK -12,045 (577,663). Cash flow for the period amounted to kSEK -422,290 (285,046).

Cash and cash equivalents at period-end amounted to kSEK 81,153 (503,388 at year-end).

Total balance sheet turnover was kSEK 876,635 (1,252,402). Intangible assets were kSEK 533,804 (575,064) while Property, plant and equipment increased to kSEK 77,840 (58,977).

Raw materials and consumables increased to kSEK 67,429 (16,394), bringing Total inventories to kSEK 68,202 (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 626,675 (1,008,102) or SEK 5.41 (8.70) per share. The equity/assets ratio as of the same date was 72% (80%).

Parent company

Net sales for the parent company amounted to kSEK 2,807 (391) during the quarter and to kSEK 5,486 (1,118) for the period. Earnings for the quarter totalled kSEK -101,925 (-91,911), and for the nine-month period kSEK -375,060 (-256,627). Equity at the end of the period amounted to kSEK 632,828 (1,007,834).

Other

Organisation

At the end of the period, the number of employees was 177 (183), of whom 133 (137) were men and 44 (46) were women. The average number of employees during the period was 189 (174).

The share

Shares outstanding at the end of the period amounted to 115,877,180. Through the Rights Issue that was completed in October, the number of shares in Azelio increased to 318,662,245.

Largest owners at the end of the period

Owner	Holding
Kent Janér through Blue Marlin	15.6%
Avanza Pension	6.1%
Braginsky Family Office AG	4.1%
Jim O'Neill	2.9%
Argenta Asset Management SA	1.1%
Byggmästare Anders J Ahlström Holding AB	1.0%
Nordea Liv & Pension	1.0%
Bertil Villard	0.9%
Lozac AB	0.9%
Anders Rudengren	0.8%
Others	65.6%

Source: Monitor by Modular Finance AB.

Warrants

At the end of the period, there were 20,336,667 warrants, issued in six different series with exercise prices of between SEK 13 and SEK 150. Full conversion of all warrants would increase the number of shares by 5,591,953.

Nominating committee

Ahead of the 2023 Annual General Meeting and in accordance with the instructions for Azelio's Nomination Committee, the members of the Nomination Committee are currently being appointed. Kent Janér, representing Azelio's largest owner on 30 September 2022, is the Chairman of the Nomination Committee.

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. The documents will also be available at the head office of the company and can be sent by post to the shareholders who so request and provide their postal address.

Outlook

The company is well positioned based on the validation of the technology's performance, significant and ongoing customer interest in the product, and expected attainable production costs. 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 generally uncertain world situation poses a risk in relation to the conditions for reaching expected sales volumes and cash flow.

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 discounted 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.

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.

Assuming that the Company reaches its planned sales levels, the Company's working capital is expected to be sufficient to operate the Company's business during the first half of 2023. Thereafter, the Company expects to be able to operate its business with a positive cash flow. Deviations from assumptions for the Company's planned sales levels with regard to e.g. volume, price, payment model and timing could entail a need for the Company to seek additional financing as soon as during the first half of 2023.

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	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Revenue						
Net sales	4	105	391	654	1,118	1,162
Own work capitalised		10,631	30,452	62,504	107,961	148,614
Other operating income		320	531	1,040	1,616	1,958
Total operating income		11,056	31,374	64,197	110,695	151,734
Costs						
Raw materials and consumables		-6,473	-1,901	-22,077	-4,393	-13,998
Other external expenses		-28,751	-40,121	-146,024	-151,062	-220,066
Employee benefit expenses		-43,240	-44,766	-145,657	-137,171	-168,646
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-44,295	-35,633	-127,104	-73,431	-112,332
Other operating expenses		-1,175	-153	-2,355	-537	-867
Total operating expenses		-123,934	-122,603	-443,217	-366,595	-515,909
Operating profit/loss		-112,878	-91,228	-379,020	-255,900	-364,175
Financial items						
Financial income		0	0	3	0	0
Finance costs		-860	-376	-2,515	-1,053	-1,697
Total financial items		-860	-375	-2,512	-1,053	-1,697
Profit/loss after financial items		-113,738	-91,604	-381,532	-256,953	-365,872
Tax on profit for the period		0	0	0	0	0
Profit/loss for the period		-113,738	-91,604	-381,532	-256,953	-365,872
Other comprehensive income		156	7	49	74	114
Total comprehensive income for the period		-113,581	-91,598	-381,482	-256,879	-365,757
		Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Earnings per share before and after dilution	6	-0.98	-0.79	-3.29	-2.29	-3.23
Average number of shares		115,877,180	115,394,847	115,877,180	112,419,689	113,259,254
Number of shares at end of period		115,877,180	115,429,181	115,877,180	115,429,181	115,877,180

Consolidated statement of financial position

Amounts in kSEK	Note	30 Sep 2022	30 Sep 2021	31 Dec 2021
ASSETS				
Intangible non-current assets				
Capitalised expenditure for development and similar		533,804	567,120	575,064
Total intangible non-current assets		533,804	567,120	575,064
Property, plant and equipment				
Leasehold improvements		9,339	7,177	7,084
Equipment, tools, fixtures and fittings		68,502	45,955	51,893
Total property, plant and equipment		77,840	53,132	58,977
Right-of-use assets		96,856	22,441	80,102
Total non-current assets		708,500	642,693	714,143
Inventories				
Raw materials and consumables		67,429	5,886	16,394
Finished goods and goods for resale		773	696	711
Total inventories		68,202	6,582	17,105
Current assets				
Trade receivables		559	466	4,429
Current tax assets		2,093	1,311	1,635
Other receivables		11,426	6,575	6,397
Prepaid expenses and accrued income		4,703	5,126	5,306
Cash and cash equivalents		81,153	617,597	503,388
Total current assets		168,135	637,658	538,259
TOTAL ASSETS		876,635	1,280,351	1,252,402
EQUITY AND LIABILITIES				
Equity				
Share capital		57,939	57,715	57,939
Other paid-in capital		2,414,709	2,398,894	2,414,709
Reserves		-736	-826	-786
Retained earnings, including profit/loss for the year		-1,845,236	-1,354,841	-1,463,759
Total equity		626,675	1,100,942	1,008,102
Non-current liabilities				
Other liabilities		22,608	22,622	22,622
Lease liabilities		79,490	13,778	65,574
Total non-current liabilities		102,098	36,400	88,196
Current liabilities				
Advances from customers		203	0	191
Trade payables		17,249	26,667	42,028
Lease liabilities		17,205	8,276	13,923
Other current liabilities		63,570	41,169	40,576
Accrued expenses and deferred income		49,636	66,896	59,386
Total current liabilities		147,862	143,009	156,104
TOTAL EQUITY AND LIABILITIES		876,635	1,280,351	1,252,402

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 2021		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
Total comprehensive income for the period		52,051	1,821,219	-786	-1,465,985	406,499
Transactions with shareholders						
New share issue		5,887	593,489			599,377
Premiums for issued warrants					2,226	2,226
Closing balance, 31 December 2021		57,939	2,414,709	-786	-1,463,759	1,008,102
Opening balance, 1 January 2022		57,939	2,414,709	-786	-1,463,759	1,008,102
Profit/loss for the period					-381,532	-381,532
Other comprehensive income				49		49
Total comprehensive income for the period		57,939	2,414,709	-736	-1,845,291	626,620
Transactions with shareholders						
New share issue		0	0			0
Premiums for issued warrants					54	54
Closing balance, 30 September 2022		57,939	2,414,709	-736	-1,845,236	626,675

Consolidated statement of cash flows

Amounts in KSEK	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Cash flow from operating activities						
Operating profit/loss		-112,878	-91,247	-379,020	-255,900	-364,175
Interest received		0	0	0	0	0
Interest paid		-886	-358	-2,515	-1,031	-1,576
Other financial items		26	0	2	-22	-121
Adjustment for non-cash items		44,295	35,694	128,006	72,709	112,246
Income tax paid		0	0	0	0	0
Increase (-)/decrease (+) in inventories		-16,219	-2,792	-51,999	-2,119	-13,278
Increase (-)/decrease (+) in operating receivables		6,762	-4,710	-668	5,850	1,445
Increase (+)/decrease (-) in operating liabilities		-24,991	4,546	-19,572	23,764	30,879
Cash flow from operating activities		-103,891	-58,867	-325,764	-156,749	-234,579
Cash flow from investing activities						
Investments in property, plant and equipment		-8,518	-11,008	-29,432	-35,361	-43,994
Investments in intangible non-current assets		-10,631	-30,452	-55,049	-100,506	-141,159
Investments in financial assets		0	0	0	0	0
Cash flow from investing activities		-19,149	-41,460	-84,481	-135,868	-185,153
Cash flow from financing activities						
Warrants redeemed		0	3,994	0	24,673	40,712
New share issue		0	0	0	558,665	558,665
Proceeds from warrants issued		51	2,226	54	2,226	2,226
Repayment of lease liability		-4,337	-2,696	-12,086	-7,849	-11,031
Repayment of borrowings		-13	-53	-13	-53	-53
Cash flow from financing activities		-4,300	3,472	-12,045	577,663	590,520
Cash flow for the period		-127,339	-96,856	-422,290	285,046	170,787
Cash and cash equivalents at beginning of period		208,300	714,415	503,388	332,463	332,463
Exchange rate differences in cash and cash equivalents		192	37	55	88	137
Cash and cash equivalents at end of period		81,153	617,597	81,153	617,597	503,388

Parent company statement of income and other comprehensive income

Amounts in KSEK	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	4	2,807	391	5,486	1,118	1,162
Own work capitalised		10,631	30,452	62,504	107,961	148,614
Other operating income		320	531	1,040	1,616	1,958
		13,758	31,374	69,029	110,695	151,734
Raw materials and consumables		-6,473	-1,901	-22,077	-4,393	-13,998
Other external expenses		-27,157	-42,863	-159,695	-158,967	-231,289
Employee benefit expenses		-40,904	-43,891	-140,908	-134,753	-165,365
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-39,728	-32,966	-114,333	-65,540	-101,036
Other operating expenses		-1,175	-153	-2,355	-537	-867
Total operating expenses		-115,437	-121,774	-439,369	-364,190	-512,555
Operating profit/loss		-101,680	-90,400	-370,340	-253,496	-360,820
Income from participations in Group companies		-16	-1,321	-4,091	-2,638	-3,965
Other interest income and similar profit/loss items		0	0	3	0	0
Interest expenses and similar profit/loss items		-229	-191	-632	-494	-660
Total financial items		-246	-1,512	-4,720	-3,132	-4,625
Profit/loss after financial items		-101,925	-91,911	-375,060	-256,627	-365,446
Tax on profit for the period		0	0	0	0	0
Profit/loss for the period		-101,925	-91,911	-375,060	-256,627	-365,446

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

Parent company balance sheet

Amounts in kSEK	Note	30 Sep 2022	30 Sep 2021	31 Dec 2021
ASSETS				
Capitalised expenditure for development and similar work		533,804	567,120	575,064
Total intangible non-current assets		533,804	567,120	575,064
Property, plant and equipment				
Leasehold improvements		9,339	7,177	7,084
Equipment, tools, fixtures and fittings		62,009	45,955	51,893
Total property, plant and equipment		71,348	53,132	58,977
Financial non-current assets				
Participations in Group companies		51	50	50
Long term loan Group companies		12,637	0	0
Total financial non-current assets		12,688	50	50
Total non-current assets		617,839	620,302	634,091
Inventories				
Raw materials and consumables		67,429	5,886	16,394
Finished goods and goods for resale		773	696	711
Total inventories		68,202	6,582	17,105
Trade receivables		559	466	4,429
Current tax assets		2,093	1,311	1,635
Other receivables		9,695	6,512	6,332
Prepaid expenses and accrued income		6,342	6,079	6,701
Cash and bank balances		80,418	616,562	502,140
Total current assets		99,107	637,512	538,341
TOTAL ASSETS		785,147	1,257,814	1,172,433
EQUITY AND LIABILITIES				
Equity				
Share capital		57,939	57,715	57,939
Development expenditure fund		501,747	525,875	536,116
Share premium reserve		2,414,709	2,398,894	2,414,709
Retained earnings including profit/loss for the period		-2,341,566	-1,881,870	-2,000,929
Total equity		632,828	1,100,614	1,007,834
Provisions				
Other provisions		0	0	0
Total provisions		0	0	0
Non-current liabilities				
Other liabilities		22,608	22,622	22,622
Total non-current liabilities		22,608	22,622	22,622
Current liabilities				
Advances from customers		79	0	191
Trade payables		16,440	26,667	42,028
Other current liabilities		63,556	41,015	40,372
Accrued expenses and deferred income		49,636	66,896	59,386
Total current liabilities		129,710	134,578	141,977
TOTAL EQUITY AND LIABILITIES		785,147	1,257,814	1,172,433

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 1 in the Annual Report. 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 alpha value. A rough indication of recoverable amounts can be obtained by comparing the company's market value as a company listed on the stock exchange (Nasdaq First North) with reported equity. The Board notes that the current market value is lower than Group equity at the end of this period, but as the vast majority of listed companies' market values, and especially companies that do not yet generate positive cash flows, have fallen in 2022, the Board does not consider this to be a basis for write-downs of book values. After the end of the period the company received approx. MSEK 250 MSEK, after deduction of rights issue costs, in new equity via a rights issue.

The calculation of the discount rate is based on an assumption of substantial external financing at an estimated interest of 7,9%, while the return on equity is estimated at 23,3%. Should the external financing not be available, the WACC (weighted average cost of capital) is calculated at 23.3%, even with this discount rate, no requirement to write-down the underlying assets arises.

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'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 transformation program carried out during 2022 by the Group will significantly reduce operating costs (approx. SEK 150 million per year). In October, a rights issue was carried out, which added approx. MSEK 250 to the Group. 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 is achievable, and consequently sees that the interim accounts can be released under the assumption of going concern.

Note 4 Net sales

Revenue

Since revenue from external parties is reported to the CEO, it is measured in a manner consistent with that in the consolidated statement of income and other comprehensive income.

Revenue from external customers by type of product and service:	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Products	0	0	0	486	486
Service obligations	0	25	33	75	92
Spare parts	105	135	335	206	233
Other	0	232	286	350	351
Total	105	391	654	1,118	1,162

Revenue from external customers broken down by country, based on where customers are located:

	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Sweden	105	257	432	426	443
EU	0	135	72	186	213
Outside the EU	0	0	150	507	506
Total	105	391	654	1,118	1,162

Revenue from major customers (more than 10%) amounted to kSEK 105 (kSEK 351) for the third quarter and to kSEK 541 (kSEK 752) accumulated for the period.

Note 5 Related-party transactions

There were no related-party transactions during the period.

Note 6 Earnings per share

	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
SEK					
Basic earnings per share	-0.98	-0.79	-3.29	-2.29	-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	-113,738	-91,604	-381,532	-256,953	-365,872
--	----------	---------	----------	----------	----------

Number

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

	115,877,180	115,394,847	115,877,180	112,419,689	113,259,254
--	-------------	-------------	-------------	-------------	-------------

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

115,877,180	115,394,847	115,877,180	112,419,689	113,259,254
-------------	-------------	-------------	-------------	-------------

Warrants

Adjustment for calculation of diluted earnings per share:	0	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 18 November 2022

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

Year-end report 2022

24 February 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.wallmänder@azelio.com

CFO Eva Ramström eva.ramstrom@azelio.com

Certified Adviser

FNCA Sweden AB