



INTERIM REPORT

1 July - 30 September 2020

Successful directed share issue

Based on a directed share issue of 12.3 million new shares, the company received proceeds of approximately SEK 270 million before issue expenses. Several new Swedish and international institutional investors as well as certain existing shareholders subscribed for shares in the issue. The proceeds will be used to finance the company's ongoing operations and the continued industrialisation of Azelio's Thermal Energy Storage (TES) and Stirling-based electricity production technology, with the objective of reaching industrial volume production in 2021.

The company continued to sign Memorandums of Understanding (MoU) during the quarter. An MoU was signed with ALEC Energy for capacity of 49 MW in the Middle East and North Africa, and one with Atria Power for capacity of 65 MW in India. At the start of the fourth quarter, an MoU was also signed with JET Energy for capacity of 45 MW in francophone Africa. Accordingly, Azelio has signed MoUs corresponding to a total of more than 418 MW, thus providing a solid base from which to build.

After the end of the period, Azelio generated data that entails that performance of its energy storage system can be verified in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production. This basis is deemed to be adequate for Azelio to enter into smaller commercial projects and thus represents a milestone in the commercialisation of the system. This type of data and formal verification reports are tools for making projects with Azelio's technology bankable and will be available to customers for this purpose.

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Group financial development

Q3: Jul - Sep 2020

- Net sales amounted to kSEK 164 (285)
- Operating profit/loss (EBIT) amounted to kSEK -49,536 (-46,115)
- Earnings per share before and after dilution SEK -0.53 (-1.09)
- Profit/loss for the period amounted to kSEK -49,764 (-46,089)
- Cash flow amounted to kSEK 192,859 (-63,965)
- Cash and bank balances amounted to kSEK 417,027 (136,140)

First nine months: Jan - Sep 2020

- Net sales amounted to kSEK 622 (1,099)
- Operating profit/loss (EBIT) amounted to kSEK -142,938 (-107,152)
- Earnings per share before and after dilution SEK -1.57 (-2.54)
- Profit/loss for the period amounted to kSEK -143,431 (-107,409)
- Cash flow amounted to kSEK 361,371 (-195,020)
- Cash and bank balances amounted to kSEK 417,027 (136,140)

Significant events

Q3: Jul - Sep 2020

- An MoU was signed with ALEC Energy for 49 MW of energy storage in the Middle East and Africa.
- An agreement was signed with ALEC Energy to install a verification project in Masdar City, the sustainable city project in Abu Dhabi.
- The installation of the verification project in Abu Dhabi was initiated. The purpose of the project is to evaluate Azelio's energy storage technology for inclusion in the Masdar product portfolio.
- Leading global safety science company and certification body UL was chosen to enable Azelio's commercial operations in the US market. The objective is to achieve a field certification of Azelio's technology in 2021 for a specific project in California.
- An MoU was signed with Atria Power for an energy storage system with a capacity of 65 MW in India. The system will be used to deliver both electricity and heat to rural villages and communities in India.
- A share issue of a gross SEK 270.6 million was directed to several new Swedish and international institutional investors and certain existing shareholders.

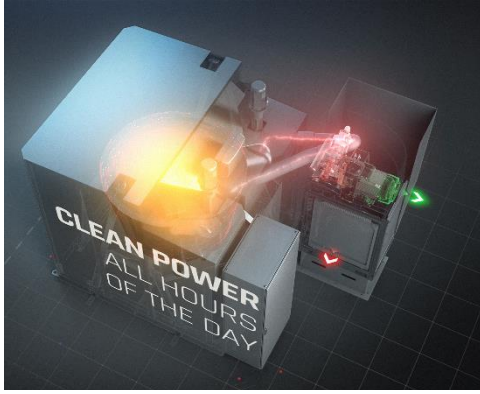
- A Life Cycle Assessment carried out by the Swedish research institute RISE showed that the climate impact of Azelio's energy storage system (TES.POD) is significantly less than that of lithium-ion battery storage and dramatically less than that of diesel generators.

After the end of the period

- Azelio joined the California Solar & Storage Association (CALSSA) to strengthen its presence in the state. The local solar and storage market in California is highly active and Azelio has signed three MoUs to date in the state.
- Azelio verified the performance of its energy storage system in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production. The company thus achieved a milestone in the commercialisation of the system.
- An MoU was signed with Jet Energy for energy storage of 45 MW in Morocco and other parts of francophone Africa.

Key figures for the Group

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales, kSEK	164	285	622	1,099	1,670
Operating profit/loss, kSEK	-49,536	-46,115	-142,938	-107,152	-160,510
Profit/loss for the period, kSEK	-49,764	-46,089	-143,431	-107,409	-160,897
Earnings per share before and after dilution, SEK	-0.53	-1.09	-1.57	-2.54	-3.80
Equity, kSEK	820,543	456,620	820,543	456,620	710,374
Equity/assets ratio, %	86	81	86	81	82
Cash flow from operating activities, kSEK	-31,535	-34,252	-109,412	-99,618	-129,853
Cash and bank balances, kSEK	417,027	136,140	417,027	136,140	55,634



“There is immense commercial interest in our products and the talks we are in are positive and are making good progress, despite the pandemic.”

– Jonas Eklind, CEO

Comments from CEO

An ever-accelerating energy transition

The transition to renewable sources of energy is picking up speed, driven by deeper insight into the threat to the climate, by falling prices for mainly solar panels and also by many people realising during the pandemic that it is possible to transition more quickly. In its flagship annual publication, IEA declared solar power the energy king of the next decade. China – the second largest economy in the world and the largest carbon emitter – raised its climate ambitions in September with the target of becoming carbon neutral by 2060. Meanwhile, California, considered to be the fifth largest economy in the world, decided to stop selling gasoline and diesel cars by 2035, and the EU undertook to speed up its energy transition by significantly raising its targets for 2030.

A total of seven countries, including Sweden, the UK, France and Germany, have now made legally binding net-zero emission commitments. Another 21 countries, California and the EU have clearly said in other ways that they intend to be carbon neutral. Some are aiming to achieve this target as early as 2030, California is looking at 2045, while most are aiming to do it by 2050, in line with the Paris Agreement.

The green transition was a focal point of the Exponential Climate Action Summit in New York that I attended at the end of September. The summit agreed that prices of solar panels and wind power had fallen enough to have become very attractive sources of energy commercially, which is reflected in the high rate of expansion. Several participants pointed out that in order for change to take place at an exponential rate, focus must shift to increasing digitisation of the electricity system and expanding the distributing storage capacity. This is where Azelio, with its a cost-effective, flexible and environmentally friendly solution for long-term energy storage, has an opportunity to take on a significant role.

Financing secured

A high tempo dominated the third quarter. We received great interest from many investors, both institutional and private, in connection with our directed share issue of a gross SEK 270.6 million. This was also seen in the list of owners, especially those just outside the ten largest shareholders. Discussions with highly specialised investors in Europe and the US confirmed the view that long-term energy storage is one of the keys to completing the transition to green forms of energy. The share issue meets most of our capital requirements for industrialising our storage solution and for the company far into next year. We previously said that we wanted to solve our outstanding capital requirements with a combination of shares, various types of loans and subsidies, which we maintain.

Closer collaboration with Stena Aluminium

We are continuously working on our industrialisation. A key step was taken during the quarter when we initiated a collaboration with Stena Aluminium to identify a way to complete our storage units with the company to thereby cut out a round of aluminium melting. Such a solution would also reduce transportation needs since the storage units constructed by AQ Systems in Vaggeryd in the region of Småland can be sent to Stena Aluminium in Älmhult, also in Småland, and from there be

transported directly to the customer as optimally sized container freight. Stirling engines will be sent in parallel from our facility in Uddevalla to the customer.

Another important event during the quarter was that we received the results of a third-party reviewed Life Cycle Assessment which showed that the carbon footprint of our solution is at least 29% lower than for lithium-ion batteries and 96% lower than for diesel generators. A joint solution with Stena Aluminium would further improve our figures.

Continuing to strengthen business relationships

We signed two MoUs during the quarter, one with ALEC Energy for the Middle East and Africa and one with Indian company Atria Power. After the end of the quarter, we signed another MoU, this time with Jet Energy, which means that the total capacity under these MoUs now exceeds 418 MW. We do not expect all of the projects detailed in the MoUs to be completed, yet many of them are intended to create significantly broader partnerships. All in all, we now have sufficient volumes to build a strong base of reference projects that we can build on.

Focus on the US

We are making determined efforts to clearly establish the company in the US market, primarily in California. To date, we have signed three MoUs for California and initiated talks with potential customers. The global certification body UL will evaluate our technology to enable commercial operations in the US market. The objective is to achieve a field certification of our technology next year for a specific project in California. We also decided to join the Californian trade association CALSSA.

Verification for small project complete

In October, we achieved a milestone in the commercialisation of the energy storage system after we successfully verified its performance in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production. This gives us a basis that will enable us to sign agreements for smaller commercial projects.

Azelio has been able to manage changes caused by the pandemic relatively well, with the well-being of our employees being the key priority. We have maintained a high level of productivity despite a certain level of remote working. As we said in the Q2 report, due to travel restrictions we decided to carry out the first phase of the verification in Sweden instead of Morocco.

Continuing to work in line with our plan

Developing brand new technology means that fresh challenges are part of daily life. For this reason, I am proud that we are continuing to pursue our plan of initiating volume production in the third quarter of 2021 from a solid commercial platform. There is immense commercial interest in our products and the talks we are in are positive and are making good progress, despite the pandemic.

Jonas Eklind, CEO

The business



Sustainable energy for all

Access to the right form of reliable and sustainable energy in and at the right cost is vital for achieving climate targets and bringing about global economic growth. Solar and wind energy is found in abundance in many places around the world but without access to a reliable grid.

Azelio has a solution that can provide renewable energy for all whenever it is needed. The solution stores energy from the sun and wind, subsequently making it available as electricity and heat at any time of day at a very competitive cost.

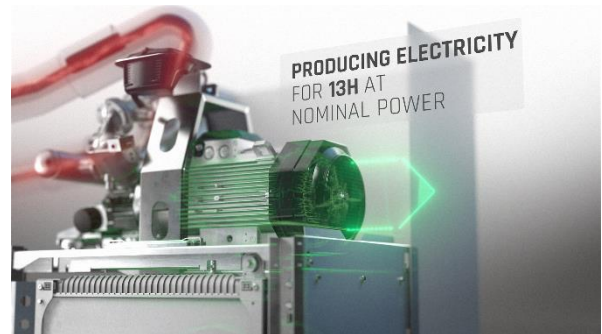


A large and growing market

In providing efficient storage of renewable energy, Azelio is addressing a very large and rapidly growing market. Today, a billion people live without access to a grid, with double that number living in areas with unstable grids. Since Azelio successfully demonstrated its technology in 2018, the company has received expressions of interest for more than 3.9 GW, representing storage capacity of 50 GWh and around SEK 170 billion in potential order value.

A ground-breaking solution

The solution – TES.POD – stores energy as 600-degree heat in recycled aluminium. The energy can then be converted into electricity on demand via a Stirling engine, and into heat at 55–65 degrees Celsius. The system can achieve a total efficiency of up to 90% from electricity to output energy in the form of electricity and heat. The solution is modular and cost-effective from 0.1 MW to 100 MW, capable of supplying, for example, hospitals, factories, mines, and small communities with renewable energy 24 hours a day.



Moving from innovation to industrialisation

Following the successful demonstration of the technology in 2018 and installation of the solution at the world-leading Noor solar power station in Morocco in 2019, Azelio is following a clear plan: to industrialise and commercialise its innovation globally, thereby laying the foundation for a significant new Swedish industrial company. We are making the move from innovation to industrialisation in collaboration with well-established global partners.

The next stage for the company has begun, with the technology being verified in real conditions to make it easier for customers to finance projects using Azelio's technology. These verifications are being performed by DNV-GL and will pave the way for commercial projects and the start of series production in Q3 2021.

Significant events

Q3: Jul - Sep 2020

MoU with ALEC Energy for energy storage in the Middle East and Africa

An MoU comprising a partnership to install 49 MW of Azelio's energy storage capacity by 2025 was signed with ALEC Energy. The projects focus on the Middle East and Africa, where ALEC Energy intends to expand its offering as a project developer and system integrator for renewable energy projects. ALEC Energy is part of ALEC Engineering, which employs more than 12,000 people.

Agreement with ALEC Energy for installation of verification project in Abu Dhabi

An agreement was signed with ALEC Energy to prepare and set up the installation of a verification project in Masdar City, the sustainable city project in Abu Dhabi. Installation commenced during the quarter. The purpose of the verification project that Azelio will carry out together with Masdar and Khalifa University is to evaluate Azelio's energy storage technology for inclusion in the Masdar product portfolio.

Azelio chose UL as certification body

Leading global safety science company and certification body UL was chosen to evaluate Azelio's energy storage system with the objective of achieving a field certification of the technology in 2021 for a specific project in California. UL, being the reference for many of the North American grid standards, will evaluate Azelio's technology to enable full compliance with the local grid codes and safety directives. The choice of certification body is part of Azelio's strategy for entering the US market.

MoU with Atria Power for energy storage in India

An MoU was signed with Indian energy company Atria Power to partner on the installation of more than 65 MW of Azelio's energy storage in India until 2025. Atria Power intends to use Azelio's technology for storing energy to deliver both electricity and heat to rural villages and communities in India. The agreement is Azelio's first in the country, a market with significant potential for renewable energy solutions in off-grid areas.

Directed share issue of SEK 270 million

A share issue of a gross SEK 270.6 million was directed to several new Swedish and international institutional investors and certain existing shareholders. The proceeds will be used to finance the ongoing

operations and the continued industrialisation of Azelio's Thermal Energy Storage (TES) and Stirling-based electricity production technology, with the objective of reaching industrial volume production in 2021. Through the share issue, the number of shares increased by 12,300,000, from 91,752,900 to 104,052,900 and the share capital increased by SEK 6,150,000, from SEK 45,876,451 to SEK 52,026,452.

Azelio's technology more sustainable than lithium-ion batteries

A Life Cycle Assessment carried out by the Swedish research institute RISE showed that the climate impact of Azelio's energy storage system (TES.POD), measured as CO₂ equivalents, is significantly less than that of lithium-ion battery storage and dramatically less than that of diesel generators.

After the end of the period

Azelio joins CALSSA

Azelio strengthened its presence in California further by joining The California Solar & Storage Association, CALSSA. The association is the state's largest clean energy business group with over 550 member companies. California is one of the largest and most successful solar markets in the world, where Azelio also sees a strong interest in its energy storage solution.

Verified system performance

Azelio has successfully generated verification data so that the performance of the company's energy storage system has been verified in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production. The company has thus reached a milestone in the commercialisation of its energy storage system.

MoU with Jet Energy

An MoU was signed with Morocco-based Jet Energy to explore energy storage projects with Azelio's TES.POD in Morocco and francophone Africa. The collaboration targets approximately 45 MW capacity of the TES.POD until 2025, with Jet Energy as project developer.

Group financial development

Q3: Jul - Sep 2020

Revenue, expenses and profit/loss

Operating income

Net sales amounted to kSEK 164 (285). Own work capitalised amounted to kSEK 25,250 (30,268) for the quarter.

Operating expenses

Expenses amounted to kSEK -74,984 (-76,667).

Operating profit/loss

Operating profit/loss amounted to kSEK -49,536 (-46,115).

Financial items

Loss from financial items during the period was kSEK -228 (25) and consisted mainly of interest income, interest expenses and similar profit/loss items.

Earnings

Earnings amounted to kSEK -49,764 (-46,089). Earnings per share before and after dilution amounted to SEK -0.53 (-1.09).

Cash flow, investments and financial position

Cash flow

Cash flow from operating activities during the quarter amounted to kSEK -31,535 (-34,252). Cash flow from financing activities amounted to kSEK 251,979 (-1,867), of which a directed share issue generated proceeds of kSEK 249,780 for the company.

Investments

Investments affecting cash flow during the quarter amounted to kSEK -27,585 (-27,846), mainly in the form of capitalised development.

Financial position

Cash and cash equivalents amounted to kSEK 417,027 as of 30 September (136,140).

Equity at the end of the period amounted to kSEK 820,543 (456,620), or SEK 7.89 per share (10.78). The equity/assets ratio as of the same date was 86% (81%).

First nine months: Jan - Sep 2020

Revenue, expenses and profit/loss

Operating income

Net sales amounted to kSEK 622 (1,099). The decrease is due to lower sales of spare parts. Own work capitalised amounted to kSEK 87,261 (91,195) for the period.

Operating expenses

Expenses amounted to kSEK -238,388 (-200,063). The increase is largely attributable to higher prototype costs, employee benefit expenses and consulting costs.

Operating profit/loss

Operating loss amounted to kSEK -142,938 (-107,152).

Financial items

Profit from financial items was kSEK -490 (-257) and consisted mainly of interest income, interest expenses and similar profit/loss items.

Earnings

Earnings amounted to kSEK -143,431 (-107,409). Earnings per share before and after dilution amounted to SEK -1.57 (-2.54).

Cash flow and investments

Cash flow

Cash flow from operating activities amounted to kSEK -109,412 (-99,618). Cash flow from financing activities amounted to kSEK 557,226 (-2,017).

Investments

Investments affecting cash flow during the period amounted to kSEK -86,443 (-93,385), mainly in the form of capitalised development.

Share capital

Share capital in the Group increased kSEK 30,853 during the period to kSEK 52,026 through an increase in the number of shares in the third quarter of 12,300,000 and in the first quarter of 49,405,405 to a total of 104,052,900 shares.

Ten largest shareholders as of 30 Sep 2020

Name	Shareholding, %
Blue Marlin AB / Kent Janér	17.1
Försäkringsaktiefbolaget, Avanza Pension	4.3
Deutsche Bank AG, W8IMY	4.0
SEB AB, Luxembourg Branch, W8IMY	3.7
Ilija Batljan	3.2
Goldman Sachs International Ltd, W8IMY	2.9
Byggmästare AJ Ahlström Fastighet	2.5
BNP Paribas Sec Serv Luxembourg, W8IMY	2.0

Source: Euroclear

Warrants

At the end of the period, there were 42,226,667 warrants, issued in nine different series with exercise prices of between SEK 10 and SEK 130. Full conversion of these warrants would increase the number of shares by 6,796,667 shares.

Share data

At the end of the quarter, the share was traded at SEK 27.40, which was 128% higher than on 31 December.

An Extraordinary General Meeting on 22 June resolved in accordance with the Board's proposal and adopted a long-term incentive programme for the CEO and certain other members of the management team, a total of eight people. The incentive programme comprises the issue of a maximum of 2,200,000 warrants.

Nomination Committee

Ahead of the 2021 Annual General Meeting and in accordance with the instructions that apply to Azelio's Nomination Committee, the Nomination Committee is being appointed. Kent Janér, representing Azelio's largest owner as of September 30, 2020, is the Chairman of the Nomination Committee.

2021 Annual General Meeting

Azelio's 2021 Annual General Meeting is planned to be held in Gothenburg on 11 May 2021. Since there is much uncertainty regarding the pandemic, a decision will be made at a later stage on the precautionary measures that will need to be taken in order for the Annual General Meeting to be held with the least possible risk to shareholders, employees and other participants. All Meeting documents including the Annual Report will be available on the company's website not later than three weeks before the Meeting. The documents will also be available from the company's head office and can be sent by post as requested by shareholders who also provide details of their postal address.

Organisation

Annika Nissen was appointed Vice President Development and member of Executive Management having served in the position in an acting role.

Related party transactions

In the third quarter, an amount totalling kSEK 833 (kSEK 4,900) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The state-owned Moroccan Agency for Sustainable Energy (Masen) holds 16,666,667 warrants in the company and has a representative on the Board of the company. The accrued expenses amount to kSEK 16,593 (13,259) in total. These services are performed on market terms.

Parent company

Net sales for the parent company in the third quarter amounted to kSEK 164 (285). The operating result amounted to kSEK -48,579 (-45,310) and the result for the period was kSEK -48,661 (-46,644). Total cash flow for the third quarter amounted to kSEK 193,832 (-64,185). Equity at the end of the period amounted to kSEK 820,292 (461,662).

The coronavirus pandemic postpones timetable by a quarter

Azelio has previously announced in 2020 that COVID-19 has postponed the company's overall timetable by a quarter due to travel restrictions. The postponement means that commercial installations that have already been started are planned for Q4 2020 and series production for Q3 2021. Azelio is continually monitoring developments to ensure the safest, fastest and most efficient implementation of its projects.

Azelio has not applied for so-called state reorientation and furlough support. However, Azelio has been subject to general government assistance such as reduced social security contributions for a number of employees.

Significant risks and uncertainties

The current valuation of the company's assets in the forms of capitalised development costs and inventory is based on adherence to the prepared business plan. The Board expects the future sales volumes to be so extensive that the discounted cash flows generated will justify the current valuation with a good margin. The Board believes there is good potential to implement the business plan and that capitalised development costs are likely to lead to future economic benefits. The company's capitalised development costs related to various technologies. All of them are, however, linked to the Stirling engine and the energy storage solution, the technologies upon which the company has built its business. The Board believes that, due to technical synergies, the current Stirling engine was made possible by the development of the gas engine. Due to the close relationship between these technical solutions, the machines are not assigned to separate cash-generating units. The Stirling engine is a further development of earlier technology and thus no impairment losses have been reported on development costs for earlier versions. On the other hand, inventory disposals and provisions have been made on an ongoing basis for components that were unique to previous versions of the product.

Following authorisation by the general meeting, the Board made the decision in September 2020 to carry out a share issue of SEK 270.6 million before transaction costs. The Board is of the opinion that the share issue secures the capital required based on the established business and liquidity plans until into the third quarter of 2021. It is

expected to be possible in several different ways to meet the needs for additional capital as required to finance the company's industrialisation and commercialisation, for example, various forms of loans and subsidies. The potential for implementing the company's future expansive financing plans is considered to be good.

Review

The income statement and cash-flow statement for the Group and parent company for the period from 1 January to 30 September 2020, and the balance sheet for the Group and parent company as of 30 September 2020, have been reviewed by the company's elected auditors.

Condensed financial statements

Condensed consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Revenue						
Net sales	3	164	285	622	1,099	1,670
Own work capitalised		25,250	30,268	87,261	91,195	130,891
Other operating income		34	0	7,567	616	680
		25,448	30,553	95,450	92,910	133,241
Costs						
Raw materials and consumables		-96	-84	-1,726	-1,819	-7,794
Other external expenses		-29,009	-35,272	-110,858	-95,973	-143,590
Employee benefit expenses		-40,370	-24,101	-109,752	-74,362	-106,450
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-5,461	-17,178	-15,708	-27,740	-35,599
Other operating expenses		-49	-32	-344	-168	-318
Total operating expenses		-74,984	-76,667	-238,388	-200,063	-293,751
Operating loss		-49,536	-46,115	-142,938	-107,152	-160,510
Financial items						
Financial income		34	183	589	270	434
Finance costs		-262	-157	-1,080	-527	-821
Total financial items		-228	25	-490	-257	-386
Loss after financial items		-49,764	-46,089	-143,428	-107,409	-160,897
Tax on profit for the period		0	0	-3	0	0
Loss for the period		-49,764	-46,089	-143,431	-107,409	-160,897
Other comprehensive income:						
<i>Items that have been or may be reclassified to profit for the period</i>						
Translation differences for the period on translation of foreign operations		-19	-178	-417	-445	-304
Other comprehensive income		-19	-178	-417	-445	-304
Total comprehensive income for the period		-49,783	-46,267	-143,848	-107,854	-161,201
		Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Earnings per share before and after dilution	5	-0.53	-1.09	-1.57	-2.54	-3.80
<i>Average number of shares</i>		<i>94,694,204</i>	<i>42,347,495</i>	<i>91,478,309</i>	<i>42,347,495</i>	<i>42,347,495</i>
<i>Number of shares at end of period</i>		<i>104,052,900</i>	<i>42,347,495</i>	<i>91,752,900</i>	<i>42,347,495</i>	<i>42,347,495</i>

Condensed financial statements

Condensed consolidated statement of financial position

Amounts in kSEK	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Subscribed but not paid-up capital		0	0	350,778
Intangible non-current assets				
Capitalised expenditure for development and similar		480,598	363,811	398,721
Investments in progress, intangible non-current assets		0	0	0
Total intangible non-current assets		480,598	363,811	398,721
Property, plant and equipment				
Leasehold improvements		4,882	2,401	3,303
Equipment, tools, fixtures and fittings		17,344	12,077	16,169
Total property, plant and equipment		22,226	14,478	19,472
Right-of-use assets		19,652	23,601	21,707
Total non-current assets		522,476	401,890	439,901
Inventories				
Raw materials and consumables		3,136	10,139	4,351
Finished goods and goods for resale		706	704	713
Total inventories		3,842	10,843	5,065
Current assets				
Trade receivables		12	99	50
Current tax assets		1,101	1,083	1,273
Other receivables		12,094	10,132	9,152
Prepaid expenses and accrued income		2,615	4,429	3,728
Cash and cash equivalents		417,027	136,140	55,634
Total current assets		436,691	162,726	74,901
TOTAL ASSETS		959,167	564,615	865,580
EQUITY AND LIABILITIES				
Equity				
Share capital		52,026	21,174	45,876
Other paid-in capital		1,820,301	1,294,699	1,577,096
Reserves		-812	-536	-395
Retained earnings, including profit/loss for the year		-1,050,973	-858,717	-912,204
Total equity		820,543	456,620	710,374
Non-current liabilities				
Other liabilities		22,674	22,755	22,755
Lease liabilities		9,879	23,239	14,107
Total non-current liabilities		32,554	45,994	36,862
Current liabilities				
Advances from customers		0	0	0
Trade payables		20,136	26,058	37,018
Lease liabilities		9,430	0	7,302
Provisions		0	0	0
Other current liabilities		28,048	446	2,078
Accrued expenses and deferred income		48,457	35,497	71,946
Total current liabilities		106,071	62,001	118,344
TOTAL EQUITY AND LIABILITIES		959,167	564,615	865,580

Condensed financial statements

Condensed consolidated statement of changes in equity

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2019		21,174	0	1,291,971	-91	-751,337	561,717
Loss for the period						-107,409	-107,409
Other comprehensive income					-445		-445
Total comprehensive income for the period		21,174	0	1,291,971	-536	-858,746	453,862
Transactions with shareholders							
New share issue				2,728			2,728
Premiums for issued warrants						29	29
Closing balance, 30 Sep 2019		21,174	0	1,294,699	-536	-858,717	456,620

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2019		21,174	0	1,291,971	-91	-751,337	561,717
Loss for the period						-160,897	-160,897
Other comprehensive income					-304		-304
Total comprehensive income for the period		21,174	0	1,291,971	-395	-912,233	400,516
Transactions with shareholders							
Ongoing new share issue			24,703	282,397			307,100
New share issue				2,728			2,728
Premiums for issued warrants						29	29
Closing balance, 31 December 2019		21,174	24,703	1,577,096	-395	-912,204	710,374

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2020		21,174	24,703	1,577,096	-395	-912,204	710,374
Loss for the period						-143,431	-143,431
Other comprehensive income					-417		-417
Total comprehensive income for the period		21,174	24,703	1,577,096	-812	-1,055,635	566,526
Transactions with shareholders							
Ongoing new share issue			-24,703				-24,703
New share issue		30,853		243,205			274,058
Premiums for issued warrants						4,662	4,662
Closing balance, 30 Sep 2020		52,026	0	1,820,301	-812	-1,050,973	820,543

Condensed financial statements

Condensed consolidated statement of cash flows

Amounts in kSEK	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Cash flow from operating activities						
Operating loss		-49,764	-46,089	-143,428	-107,409	-160,897
Adjustment for non-cash items		5,461	17,178	8,602	30,180	42,135
Income tax paid		0	0	-3	0	0
Cash flow from operating activities before changes in working capital		-44,303	-28,911	-134,830	-77,229	-118,762
Increase(-)/decrease (+) in inventories		-377	-1,489	1,223	-11,849	-587
Increase (-)/decrease (+) in operating receivables		-5,153	-8,030	4,524	-9,010	-16,672
Increase (+)/decrease (-) in operating liabilities		18,297	4,179	19,670	-1,530	6,168
Cash flow from operating activities		-31,535	-34,252	-109,412	-99,618	-129,853
Cash flow from investing activities						
Investments in property, plant and equipment		-2,335	-5,033	-6,637	-9,645	-15,820
Investments in intangible non-current assets		-25,250	-22,813	-79,806	-83,740	-123,436
Investments in financial assets		0	0	0	0	0
Cash flow from investing activities		-27,585	-27,846	-86,443	-93,385	-139,256
Cash flow from financing activities						
New share issue		249,780	0	558,975	2,728	208
Proceeds from warrants sold		4,598	0	4,662	29	29
Repayment of lease liability		-2,319	-1,772	-6,330	-4,679	-6,494
Repayment of borrowings		-81	-95	-81	-95	-95
Cash flow from financing activities		251,979	-1,867	557,226	-2,017	-6,352
Cash flow for the period		192,859	-63,965	361,371	-195,020	-275,460
Cash and cash equivalents at beginning of period		224,026	200,186	55,634	331,196	331,196
Exchange rate differences in cash and cash equivalents		143	-81	22	-36	-101
Cash and cash equivalents at end of period		417,027	136,140	417,027	136,140	55,634

Condensed financial statements

Condensed parent company income statement

Amounts in kSEK	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales	3	164	285	622	1,099	1,670
Own work capitalised		25,250	30,268	87,261	91,195	130,891
Other operating income		34	0	7,567	616	680
		25,448	30,553	95,450	92,910	133,241
Raw materials and consumables		-96	-84	-1,726	-1,819	-7,794
Other external expenses		-31,211	-37,142	-117,079	-100,295	-149,552
Employee benefit expenses		-39,553	-23,260	-107,482	-71,981	-103,142
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-3,118	-15,344	-9,267	-22,909	-28,876
Other operating expenses		-49	-32	-344	-168	-318
Total operating expenses		-74,027	-75,863	-235,898	-197,172	-289,681
Operating loss		-48,579	-45,310	-140,448	-104,262	-156,441
Income from participations in Group companies		0	-1,405	-8,487	-4,188	-5,620
Income from securities and receivables held as non-current assets		0	0	0	0	0
Other interest income and similar profit/loss items		34	167	589	283	442
Interest expenses and similar profit/loss items		-116	-96	-579	-203	-314
Total financial items		-82	-1,334	-8,477	-4,108	-5,491
Loss after financial items		-48,661	-46,644	-148,925	-108,370	-161,932
Tax on profit for the period		0	0	0	0	0
Loss for the period		-48,661	-46,644	-148,925	-108,370	-161,932

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

Condensed financial statements

Condensed parent company balance sheet

Amounts in kSEK	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Subscribed but not paid-up capital		0	0	350,778
Capitalised expenditure for development and similar Investments in progress, intangible non-current assets		480,598 0	363,811 0	398,721 0
Total intangible non-current assets		480,598	363,811	398,721
Property, plant and equipment				
Leasehold improvements		4,882	2,401	3,303
Equipment, tools, fixtures and fittings		17,344	12,077	16,169
Total property, plant and equipment		22,226	14,478	19,472
Financial non-current assets		50	50	50
Total non-current assets		502,874	378,339	418,243
Inventories				
Raw materials and consumables		3,136	10,139	4,351
Finished goods and goods for resale		706	704	713
Total inventories		3,842	10,843	5,065
Trade receivables		12	99	50
Receivables from Group companies		0	6,872	6,667
Current tax assets		1,101	1,083	1,273
Other receivables		12,032	9,892	9,090
Prepaid expenses and accrued income		3,441	5,100	4,393
Cash and bank balances		416,170	134,074	53,349
Total current assets		436,598	167,964	79,886
TOTAL ASSETS		939,472	546,303	848,908
EQUITY AND LIABILITIES				
Equity				
Share capital		52,026	21,174	21,174
Ongoing new share issue		0	0	24,703
Development expenditure fund		433,401	306,756	346,140
Share premium reserve		1,820,301	1,294,699	1,577,096
Retained earnings including profit/loss for the period		-1,485,437	-1,160,968	-1,253,913
Total equity		820,292	461,662	715,200
Provisions				
Other provisions		0	0	0
Total provisions		0	0	0
Non-current liabilities				
Other liabilities		22,674	22,755	22,755
Total non-current liabilities		22,674	22,755	22,755
Current liabilities				
Advances from customers		0	0	0
Trade payables		20,136	26,041	37,018
Other current liabilities		27,913	348	1,988
Accrued expenses and deferred income		48,457	35,497	71,946
Total current liabilities		96,506	61,886	110,953
TOTAL EQUITY AND LIABILITIES		939,472	546,303	848,908

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 thousands of SEK (kSEK). Data in parentheses pertain to the comparative periods.

Note 2 Summary of significant accounting policies

Azelio's consolidated financial statement is based on 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 2019. 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.

Note 3 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.

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Revenue from external customers by type of product and service:					
Stirling engines	0	0	0	0	0
Service obligations, gas business	39	145	181	303	417
Spare parts, gas business	94	116	348	762	1,219
Other	32	24	94	34	34
Total	164	285	622	1,099	1,670

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

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Sweden	111	54	248	136	177
EU	39	116	291	762	1,218
Outside the EU	14	114	84	202	275
Total	164	285	622	1,099	1,670

In the third quarter, revenue from major customers (more than 10%) amounted to kSEK 149 (kSEK 230) and to kSEK 466 (kSEK 801) accumulated for the period.

Note 4 Related-party transactions

In the third quarter, an amount totalling kSEK 833 (kSEK 4,900) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The state-owned Moroccan Agency for Sustainable Energy (Masen) holds 16,666,667 warrants in the company and has a representative on the Board of the company. Total accrued expenses amount to kSEK 16,593. The conditions for the services carried out are based on commercial terms.

Note 5 Earnings per share

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
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SEK

Basic earnings per share	-0.53	-1.09	-1.57	-2.54	-3.80
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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	-49,764	-46,089	-143,431	-107,409	-160,897
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Number

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

Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	94,694,204	42,347,495	91,478,309	42,347,495	42,347,495
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Warrants

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

Note 6 Events after the close of the interim period**Azelio joins CALSSA**

Azelio strengthened its presence in California further by joining The California Solar & Storage Association, CALSSA. The association is the state's largest clean energy business group with over 550 member companies. California is one of the largest and most successful solar markets in the world, where Azelio also sees a strong interest in its energy storage solution.

Verified system performance

Azelio has successfully generated verification data so that the performance of the company's energy storage system has been verified in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production. The company has thus reached an important milestone in the commercialisation of its energy storage system.

MoU with Jet Energy

An MoU was signed with Morocco based Jet Energy to explore energy storage projects with Azelio's TES.POD in francophone Africa. The collaboration targets approximately 45 MW capacity of the TES.POD until 2025, with Jet Energy as project developer.

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, 20 November 2020

Bo Dankis
Chairman of the Board

Mattias Bergman
Board member

Hicham Bouzekri
Board member

Sigrun Hjelmqvist
Board member

Kent Janér
Board member

Pär Nuder
Board member

Bertil Villard
Board member

Jonas Eklind
CEO



Translation from the Swedish original

Auditor's report on a review of interim financial information (interim report)

To the Board of Directors of Azelio AB (publ.)

Corp. id. 556714-7607

Introduction

We have reviewed the attached financial information report (interim report) of Azelio AB (publ.) as of 30 September 2020 and the three-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this financial information report (interim report) in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this financial information report (interim report) based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Uncertainty regarding the assumption of continued operation

Without affecting our statements above, we would like to draw attention to the company's report in the interim report, stating that the company's liquidity situation can be strained and that there is a need for additional financing. These circumstances indicate that there is a significant uncertainty that can lead to doubts about the company's ability to continue operations. As stated in the interim report, the Board of Directors' assesment is that Azelio AB (publ) will be able to secure capital for going concern.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the attached financial information report (interim report) is not prepared, in all material respects, accordance with with IAS 34 and the Annual Accounts Act and for the parent company in accordance with the Annual Accounts Act.

Göteborg 20 November 2020

KPMG AB

Fredrik Waern

Authorized Public Accountant

Auditor in charge

Financial calendar

Year-end report 2020	26 February 2021
Annual Report 2020	13 April 2021
Q1 Report 2021	11 May 2021
Annual General Meeting	11 May 2021
Q2 Report 2021	20 August 2021
Q3 Report 2021	19 November 2021

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.

Equity

Equity at the close of the period.

Equity/assets ratio

Total equity / Total assets.

Employee benefit expenses

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

Number of shares

Average number of shares, weighted average number of shares 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 (EBIT)

Profit/loss before financial items and tax.

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