



FIRST HALF 2022

Group financial development

Q2: April – June 2022

- Net sales amounted to kSEK 226 (629)
- Operating profit/loss amounted to kSEK -136,586 (-99,938) after depreciation and amortisation of kSEK -42,578 (-33,419)
- Earnings per share before and after dilution totalled SEK -1.19 (-0.87)
- Profit/loss for the period amounted to kSEK -137,499 (-100,289)
- Cash flow for the period amounted to kSEK -140,768 (-117,010)

First half: Jan – June 2022

- Net sales amounted to kSEK 549 (726)
- Operating profit/loss amounted to kSEK -266,164 (-164,671) after depreciation and amortisation of kSEK -82,809 (-37,769)
- Earnings per share before and after dilution totalled SEK -2.31 (-1.49)
- Profit/loss for the period amounted to kSEK -267,815 (-165,348)
- Cash flow for the period amounted to kSEK -294,968 (381,902)
- Cash and bank balances amounted to kSEK 208,300 (714,415)
- Equity per share SEK 6.39 (8.70)

Significant events

Q2: April – June 2022

- New operational targets were adopted which state that at the end of 2022, a handful of projects should have been delivered. For 2023, the company aims to deliver at least 10 projects of 0.5-5 MW. In 2026, Azelio targets to deliver projects comprising at least 1 GWh (ie 1,000 MWh) in total installed electricity storage capacity.
- It was decided to reduce the number of employees by 55 persons, which together with the discontinuation of consultancy agreements, reduces the workforce by 123 full time staff and adapts the organisation to the new operational targets. The streamlining is expected to reduce costs by approx. SEK 150 million annually.
- Azelio received its first US order for its long-duration energy storage system, TES.POD, from Handi Stop Market in Fresno, California, which will combine two TES.POD units with solar energy to cover half the energy needs of one of its stations.

Other events

- The Annual General Meeting resolved to re-elect all Board members, except for Carol Browner, who had declined re-election.

- Fredrik Wäppling left his position as CFO. Eva Ramström was appointed acting CFO.
- Hans Svanbom was appointed US regional manager, whereby managers had been appointed for all key markets.
- The Haneberg project in Sweden was put into operation as the first project also using the system's heat component.
- The TES.POD system achieved compliance to CE marking standards, which, apart from being applicable in Europe, also is recognized in other markets, for example in many African markets
- The latest UN Climate Panel Report highlighted risks from climate change and the urgent need to transition from fossil fuels to renewables. At the same time, the war in Ukraine serves as a reminder of national energy security and the advantages of locally produced energy. These factors are expected to underpin demand for Azelio's solutions.
- In public debate, it is becoming increasingly evident that the current energy infrastructure is insufficient to support the rapid electrification of industry and transportation that is taking place in many markets across the globe.
- In August, the US passed the Inflation Reduction Act which includes significant spending on energy and climate change and could be expected to further increase demand for Azelio's products.

Key figures for the Group

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Full year 2021
Net sales, kSEK	226	629	549	726	1,162
Operating profit/loss, kSEK	-136,586	-99,938	-266,164	-164,671	-364,175
Profit/loss for the period, kSEK	-137,499	-100,289	-267,815	-165,348	-365,872
Earnings/loss per share before and after dilution, SEK	-1.19	-0.87	-2.31	-1.49	-3.23
Equity, kSEK	740,221	1,186,293	740,221	1,186,293	1,008,102
Equity/assets ratio, %	73	87	73	87	80
Cash flow from operating activities, kSEK	-100,321	-69,725	-221,894	-97,882	-234,579
Cash and bank balances, kSEK	208,300	714,415	208,300	714,415	503,388



“Our focus in the short term is to bring TES.POD to market. Our long-term goal is to take a leading role in establishing long-term energy storage as an important component in energy systems worldwide.”

Jonas Wallmänder, CEO

Comments from the CEO

Azelio in rapid transformation

Azelio began a rapid transformation during the second quarter to reduce business risk and bring its energy storage system to market in a credible and controlled manner. To clarify how we see the way forward, we communicated new operational goals that outline a gradual increase in sales to 1 GWh in installed storage capacity in 2026.

The first sub-target is to deliver a handful of systems in 2022 to establish confidence in the TES.POD and contribute to making it “bankable”, i.e. possible for customers to finance and insure. We decided to focus on four key markets, prioritize data validation from systems operating under actual field conditions, certify the product for the US and implement a strict cost control, which meant that we temporarily paused several future-oriented projects and closed the office in China. It should be noted that we continue to work on the heat offering, as it has many attractive applications and also enhances the business case even further. Clarity about our priorities has sharpened the focus in operations and strengthened our relationships in key markets.

Important first order in USA

Since the new priorities were formulated, managers have been appointed for all key markets, Australia, MENA, Southern Africa and the United States, and we have also secured commercial projects in three of these.

That we received our first commercial order in the US in June, before the product is adapted to local standards, shows the interest in our solution in this market. Together with the US passing of the Inflation Reduction Act authorizing large spending on energy and climate change, it has reinforced my view that the US will eventually become our largest market. The deal also makes it possible for us to use data from a field project in the ongoing certification in the US, which is a message of strength both for the product and for Azelio as a company.

We work actively to add orders for new projects in all our markets. Initially, we aim to take smaller orders to gain local experience, and then sell systems of 0.5-5 MW which can serve as models for other customers.

Strong customer interest

The potential is great, which is shown by the fact that in these markets, after exclusion of projects no longer deemed viable, we have 16 MoUs, if completed, correspond to a total installed

capacity of approx. 370 MW corresponding a storage capacity of 4.7 GWh until the year 2027. We are currently actively processing possible projects of a total of approx. 75 MW installed capacity during 2022-2025, corresponding to 900-1,000 MWh of installed storage capacity.

Data builds the future

To reach a wider client base, we continue the work of establishing a strong framework around the product. DNV has completed the technical performance verification and we continue to work with them for third-party validation. We are adapting the product to US standards and expect to have the necessary certifications for this market in place by 2023. The TES.POD system achieved compliance to CE marking standards in July, which is useful also in markets outside Europe, for example in many African markets. Systems are in operation at Noor in Dubai, at Masdar in Abu Dhabi and in Haneberg, Sweden, all contributing to data validation from actual field conditions. While generating longer data series we expect to identify and remedy possible weaknesses, thereby continuously developing the system’s robustness further.

Lower costs

The tightened focus of the organization, in combination with stronger cost control, is intended to lower costs. Lower costs can be expected to become visible when staff reductions, start to impact results in the third and especially in the fourth quarter. Overall costs are expected to be reduced by SEK 150 million annually from 2023.

Ensuring financial capacity for the next phase

The process to strengthen our financial position continues. As previously communicated, the total capital requirement is estimated at SEK 250-400 million.

Moving ahead

I look forward to continuing to develop Azelio at a high pace and actively contribute to the green transition that the world needs. Our focus in the short term is to bring TES.POD to market. Our long-term goal is to take a leading role in establishing long-term energy storage as an important component in energy systems worldwide. Azelio can make a big difference. Together as a team, we will make it happen.

Jonas Wallmänder, 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.

Q2: April – June 2022

Revenue, expenses, and profit/loss

Net sales amounted to kSEK 226 (629). Capitalised own work amounted to kSEK 24,720 (37,268) for the quarter.

Operating expenses amounted to kSEK -161,932 (-138,395). Employee benefit expenses were kSEK 52,994 (52,320), while Other external expenses, including consultants, amounted to kSEK 61,170 (51,182). Amortisation and depreciation amounted to kSEK -42,578 (-33,419), of which amortisation of development costs totalled kSEK -34,747 (-28,880).

Operating profit/loss (EBIT) amounted to kSEK -136,586 (-99,938). Loss for the period amounted to kSEK -137,499 (-100,289) Earnings/loss per share amounted to SEK -1.19 (-0.87).

Cash flow, investments, and financial position

Cash flow from operating activities amounted to kSEK -100,321 (-69,725), where the change was mainly explained by a larger operating loss, and an increase in inventory.

Investments amounted to kSEK -36,321 (-55,599), of which kSEK -11,601 (-18,331) were investments in property, plant and equipment. Cash flow from financing activities amounted to kSEK -4,126 (8,314). Cash flow for the period thus amounted to kSEK -140,768 (-117,010).

First half: January – June 2022

Revenue, expenses, and profit/loss

Net sales amounted to kSEK 549 (726). Capitalised own work amounted to kSEK 51,873 (77,509) for the period.

Expenses amounted to kSEK -319,305 (-243,991). Employee benefit expenses amounted to kSEK 102 441 (92 406), while Other external expenses, including consultancy costs, was kSEK 117 270 (110 940). Amortisation and depreciation increased to kSEK -82,809 (-37,769), of which amortisation of development costs totalled kSEK -68,080 (-28,891).

Operating loss (EBIT) amounted to kSEK -266,164 (-164,671). Loss for the period amounted to kSEK -267,815 (-165,348) Earnings/loss per share amounted to SEK -2.31 (-1.49).

Cash flow, investments, and financial position

Cash flow from operating activities amounted to kSEK -221,894 (-97,882), mainly reflecting the larger operating loss, and an increase in inventory as customer installations have been capitalised.

Investments amounted to kSEK -65,329 (-94,407), whereof kSEK -20,911 (-24,353) were investments in property, plant and equipment.

Cash flow from financing activities amounted to kSEK -7,745 (574,192). Cash flow for the period amounted to kSEK -294,968 (381,902).

Cash and cash equivalents at period-end amounted to kSEK 208,300 (503,388 at year-end).

Total balance sheet turnover was kSEK 1,018,155 (1,363,131). Intangible assets were kSEK 558,857 (575 064) while Property, plant and equipment increased to kSEK 73,409 (58 977)

Raw materials and consumables increased to kSEK 51,230 (16 394), bringing Total inventories to kSEK 51,983 (17 105)). The increase is mainly due to procurement of direct materials ahead of upcoming production increases.

Equity at the end of the period amounted to kSEK 740,221 (1,008,102) or SEK 6.39 (8.70) per share. The equity/assets ratio as of the same date was 73% (80%).

Parent company

Net sales for the parent company amounted to kSEK 226 (629) during the quarter and to kSEK 2,679 (726) for the period. Earnings for the quarter totalled kSEK -142,632 (-99,266), and for the period to kSEK -273,135 (-164,716). Equity at the end of the period amounted to kSEK 734,703 (1,007,834).

Other

Organisation

At the end of the period, the number of employees was 200 (183), of whom 152 (138) were men and 48 (45) were women. The average number of employees during the period was 199 (169).

The share

On 30 June 2022, the share closed at SEK 5.662 down 76% from SEK 23.76 at year-end. Shares outstanding amounted to 115,877,180.

Largest owners

Owner	Holding, %
Kent Janér through Blue Marlin	15.6
Avanza Pension	6.4
Braginsky Family Office AG	4.1
Jim O'Neill	2.9
Argenta Asset Management SA	1.1
Nordea Liv & Pension	1.0
Byggmästare Anders J Ahlström Holding AB	1.0
Bertil Villard	0.9
Fourth AP fund	0.9
Lozac AB	0.9
Others	65.2

Source: Monitor by Modular Finance AB at end of July 2022.

Board and management hold in total 17.4 percent of the company's shares.

Warrants

At the end of the period, there were 20,016,667 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 5,241,953.

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 completely new technology in the market that requires greater initial investment than competing fossil-based alternatives, although more cost-effective in the long run. In addition, there are challenges in component supply, risks that are being exacerbated by the war in Ukraine. The risk for renewed travel restrictions due to the Covid pandemic further complicates the assessment of volumes and related cash flow for 2022 and 2023.

Interest from the market

In the four key markets; Australia, MENA, Southern Africa and the USA, Azelio has entered into MoUs with potential customers and partners which, if completed, would correspond to a total of approx. 370 MW of installed capacity and 4.7 GWh of installed storage capacity until 2027.

Every potential project that is identified, within the framework of an MoU or in another way, undergoes an evaluation which comprise project status, regulatory environment, financing, electricity tariffs, electricity trading agreements, solar conditions, and end-customer. Projects considered to be commercially attractive, and which are in line with the company's focus, are being actively processed.

In its business development efforts, Azelio is currently actively working on project opportunities comprising approx. 75 MW of

installed capacity during 2022-2025, corresponding to a storage capacity of 900-1,000 MWh.

The figures above are neither a forecast nor an expected sales volume, but only an indication of the interest in Azelio's solution.

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 with a good margin 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 is in a build-up period that will enable industrialisation and broad commercialisation of the company's energy storage system. The company has forged relationships with several well-established partners for sales and installation, who are gradually expected to play an increasingly significant role in the commercialisation of the product. Although the company concluded several MoUs with potential customers and also has received commercial orders for its energy storage system, the technology has not yet achieved broad commercial success and the use of the technology is limited. There is a risk that Azelio will not receive the orders that the company has anticipated or at the pace that the company expected, which in turn may lead to a shift in the commercialization of the company's products and technology and also increases the requirement for Azelio to participate in co-financing projects. Even if it is based on established technology, Azelio's system is new on the market and the company has therefore been unable to gather complete and necessary data, such as the lifespan of the system and its components, any typical faults or deficiencies, and service needs and associated costs, which may impact the market and costs negatively.

Azelio relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect the company's intellectual property rights. Azelio has 19 granted patents. There is a risk that the company will not be able to obtain or maintain patent protection for important parts of its technology or that the company will not maintain patents in key markets that are important for the company. The company may be involved in processes or other proceedings for alleged infringement of rights, which could be costly and time consuming, regardless of whether or not the claim is justified, and even if the outcome is favourable for the company.

Azelio's products are intended to be sold globally in the geographies where the company's system is most suitable. Accordingly, the company will operate in different countries, some of which may require regulatory approval, certification, authorisation or stipulations from government agencies or other administrative bodies. Different local standards or specific deviations may also be a factor, which is common in the energy industry. There is a risk that the company will not receive permits, certifications, or other approvals in due time.

Azelio's profitability from product sales will depend on, among other things, the price development for aluminium, steel, and energy (especially diesel), which is affected by a number of factors beyond the company's control. Regulatory requirements, taxes, duties and other barriers to trade, price and currency regulations or other government measures may restrict operations. There is a risk that competitors, both known and unknown, will develop more efficient systems and technology for products similar to those that the company develops and offers.

Auditors' review

This interim report has been reviewed by the company's auditors.

Financial statements

Consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	apr-jun 2022	apr-jun 2021	jan-jun 2022	jan-jun 2021	Jan-Dec 2021
Revenue						
Net sales	4	226	629	549	726	1,162
Own work capitalised		24,720	37,268	51,873	77,509	148,614
Other operating income		400	560	720	1,085	1,958
Total operating income		25,346	38,457	53,142	79,320	151,734
Costs						
Raw materials and consumables		-4,770	-1,368	-15,604	-2,493	-13,998
Other external expenses		-61,170	-51,182	-117,270	-110,940	-220,066
Employee benefit expenses		-52,994	-52,320	-102,441	-92,406	-168,646
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-42,578	-33,419	-82,809	-37,769	-112,332
Other operating expenses		-421	-106	-1,181	-384	-867
Total operating expenses		-161,932	-138,395	-319,305	-243,991	-515,909
Operating profit/loss		-136,586	-99,938	-266,164	-164,671	-364,175
Financial items						
Financial income		0	0	3	0	0
Finance costs		-913	-351	-1,654	-678	-1,697
Total financial items		-913	-351	-1,651	-678	-1,697
Profit/loss after financial items		-137,499	-100,289	-267,815	-165,348	-365,872
Tax on profit for the period		0	0	0	0	0
Profit/loss for the period		-137,499	-100,289	-267,815	-165,348	-365,872
Other comprehensive income		-107	-27	-70	41	114
Total comprehensive income for the period		-137,606	-100,315	-267,885	-165,308	-365,757
		apr-jun 2022	apr-jun 2021	jan-jun 2022	jan-jun 2021	Jan-Dec 2021
Earnings per share before and after dilution	6	-1.19	-0.87	-2.31	-1.49	-3.23
Average number of shares		115,877,180	115,065,663	115,877,180	110,907,454	113,259,254
Number of shares at end of period		115,877,180	115,108,706	115,877,180	115,108,706	115,877,180

Consolidated statement of financial position

Amounts in kSEK	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
ASSETS				
Intangible non-current assets				
Capitalised expenditure for development and similar		558,857	567,363	575,064
Total intangible non-current assets		558,857	567,363	575,064
Property, plant and equipment				
Leasehold improvements		9,338	6,884	7,084
Equipment, tools, fixtures and fittings		64,071	37,511	51,893
Total property, plant and equipment		73,409	44,395	58,977
Right-of-use assets		100,821	24,815	80,102
Total non-current assets		733,087	636,573	714,143
Inventories				
Raw materials and consumables		51,230	3,129	16,394
Finished goods and goods for resale		752	692	711
Total inventories		51,983	3,821	17,105
Current assets				
Trade receivables		5,584	372	4,429
Current tax assets		1,364	865	1,635
Other receivables		10,568	4,804	6,397
Prepaid expenses and accrued income		7,271	2,281	5,306
Cash and cash equivalents		208,300	714,415	503,388
Total current assets		285,068	726,558	538,259
TOTAL ASSETS		1,018,155	1,363,131	1,252,402
EQUITY AND LIABILITIES				
Equity				
Share capital		57,939	57,659	57,939
Other paid-in capital		2,414,709	2,394,956	2,414,709
Reserves		-856	-860	-786
Retained earnings, including profit/loss for the year		-1,731,570	-1,265,462	-1,463,759
Total equity		740,221	1,186,293	1,008,102
Non-current liabilities				
Other liabilities		22,622	22,674	22,622
Lease liabilities		83,342	15,059	65,574
Total non-current liabilities		105,963	37,733	88,196
Current liabilities				
Advances from customers		205	0	191
Trade payables		36,067	28,850	42,028
Lease liabilities		17,052	9,369	13,923
Other current liabilities		56,155	40,923	40,576
Accrued expenses and deferred income		62,490	59,963	59,386
Total current liabilities		171,970	139,105	156,104
TOTAL EQUITY AND LIABILITIES		1,018,155	1,363,131	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	1,821,219	-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					-267,815	-267,815
Other comprehensive income				-70		-70
Total comprehensive income for the period		57,939	2,414,709	-856	-1,731,574	740,217
Transactions with shareholders						
New share issue		0	0			0
Premiums for issued warrants					4	4
Closing balance, 30 June 2022		57,939	2,414,709	-856	-1,731,570	740,221

Consolidated statement of cash flows

Amounts in KSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Cash flow from operating activities						
Operating profit/loss		-136,586	-99,941	-266,164	-164,671	-364,175
Interest received		0	0	0	0	0
Interest paid		-906	-348	-1,628	-674	-1,576
Other financial items		-8	0	1,312	-4	-121
Adjustment for non-cash items		43,913	33,419	83,711	37,015	112,246
Income tax paid		0	0	0	0	0
Increase (-)/decrease (+) in inventories		-24,397	-774	-35,780	674	-13,278
Increase (-)/decrease (+) in operating receivables		6,102	11,839	-7,428	10,560	1,445
Increase (+)/decrease (-) in operating liabilities		11,561	-13,921	4,083	19,218	30,879
Cash flow from operating activities		-100,321	-69,725	-221,894	-97,882	-234,579
Cash flow from investing activities						
Investments in property, plant and equipment		-11,601	-18,331	-20,911	-24,353	-43,994
Investments in intangible non-current assets		-24,720	-37,268	-44,418	-70,054	-141,159
Investments in financial assets		0	0	0	0	0
Cash flow from investing activities		-36,321	-55,599	-65,329	-94,407	-185,153
Cash flow from financing activities						
Warrants redeemed		0	10,726	0	20,679	40,712
New share issue		0	218	0	558,665	558,665
Proceeds from warrants issued		4	0	4	0	2,226
Repayment of lease liability		-4,130	-2,630	-7,749	-5,153	-11,031
Repayment of borrowings		0	0	0	0	-53
Cash flow from financing activities		-4,126	8,314	-7,745	574,192	590,520
Cash flow for the period		-140,768	-117,010	-294,968	381,902	170,787
Cash and cash equivalents at beginning of period		349,170	831,458	503,388	332,463	332,463
Exchange rate differences in cash and cash equivalents		-103	-33	-120	50	137
Cash and cash equivalents at end of period		208,300	714,415	208,300	714,415	503,388

Parent company statement of income and other comprehensive income

Amounts in KSEK	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	4	226	629	2,679	726	1,162
Own work capitalised		24,720	37,268	51,873	77,509	148,614
Other operating income		400	560	720	1,085	1,958
		25,346	38,457	55,272	79,320	151,734
Raw materials and consumables		-4,770	-1,368	-15,604	-2,493	-13,998
Other external expenses		-70,329	-53,914	-132,538	-116,104	-231,289
Employee benefit expenses		-51,336	-51,387	-100,004	-90,862	-165,365
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-38,193	-30,778	-74,605	-32,574	-101,036
Other operating expenses		-421	-106	-1,181	384	-867
Total operating expenses		-165,048	-137,552	-323,932	-242,417	-512,555
Operating profit/loss		-139,702	-99,095	-268,660	-163,096	-360,820
Income from participations in Group companies		-2,705	0	-4,075	-1,317	-3,965
Other interest income and similar profit/loss items		0	0	3	0	0
Interest expenses and similar profit/loss items		-225	-170	-402	-303	-660
Total financial items		-2,930	-170	-4,475	-1,620	-4,625
Profit/loss after financial items		-142,632	-99,266	-273,135	-164,716	-365,446
Tax on profit for the period		0	0	0	0	0
Profit/loss for the period		-142,632	-99,266	-273,135	-164,716	-365,446

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

Parent company balance sheet

Amounts in kSEK	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
ASSETS				
Capitalised expenditure for development and similar		558,857	567,363	575,064
Total intangible non-current assets		558,857	567,363	575,064
Property, plant and equipment				
Leasehold improvements		9,338	6,884	7,084
Equipment, tools, fixtures and fittings		60,561	37,511	51,893
Total property, plant and equipment		69,900	44,395	58,977
Financial non-current assets				
Participations in Group companies		51	50	50
Total financial non-current assets		51	50	50
Total non-current assets		628,807	611,808	634,091
Inventories				
Raw materials and consumables		51,230	3,129	16,394
Finished goods and goods for resale		752	692	711
Total inventories		51,983	3,821	17,105
Trade receivables		5,584	372	4,429
Current tax assets		1,364	865	1,635
Other receivables		9,654	4,743	6,332
Prepaid expenses and accrued income		8,945	3,232	6,701
Cash and bank balances		207,080	713,673	502,140
Total current assets		232,625	726,707	538,341
TOTAL ASSETS		913,415	1,338,515	1,172,433
EQUITY AND LIABILITIES				
Equity				
Share capital		57,939	57,659	57,939
Development expenditure fund		524,478	521,499	536,116
Share premium reserve		2,414,709	2,394,956	2,414,709
Retained earnings including profit/loss for the period		-2,262,422	-1,787,809	-2,000,929
Total equity		734,703	1,186,304	1,007,834
Provisions				
Other provisions		0	0	0
Total provisions		0	0	0
Non-current liabilities				
Other liabilities		22,622	22,674	22,622
Total non-current liabilities		22,622	22,674	22,622
Current liabilities				
Advances from customers		79	0	191
Trade payables		36,067	28,850	42,028
Other current liabilities		56,118	40,723	40,372
Accrued expenses and deferred income		63,825	59,963	59,386
Total current liabilities		156,090	129,536	141,977
TOTAL EQUITY AND LIABILITIES		913,415	1,338,515	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. The resulting accounting estimates will, by definition, seldom correspond to the actual results. 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 alfa 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, 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.

The calculation of the discount rate is based on an assumption of substantial external financing at an estimated interest of 8%, while the return on equity is estimated at close to 20%. Should, as an example, the external financing be halved, the discount rate will increase by more than 20% but requires no write-down of the underlying asset.

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 and that these projects and additional investments can be financed. 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 company's operating activities generate a positive cash flow, the company is dependent on external financing, either as a contribution from shareholders or from other sources of financing. The transformation program announced by the company will significantly reduce operating costs (approx. SEK 150 million per year) but at the same time the Board of Directors deems that the company in the near future will invest more in jointly owned projects than previously assumed, which all together places further demands on financing. Accordingly, the Board is evaluating various possibilities to further strengthen the company's financial position in 2022. In total, the capital need is estimated to 250-400 MSEK and we are now evaluating different options, including both debt and equity. The Board deems the possibility to secure such new financing to be good, 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:	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Products	0	486	0	486	486
Service obligations	8	25	33	50	92
Spare parts	8	0	229	72	233
Other	210	118	286	119	351
Total	226	629	549	726	1,162

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

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Sweden	226	143	327	169	443
EU	0	0	72	51	213
Outside the EU	0	486	150	507	506
Total	226	629	549	726	1,162

Revenue from major customers (more than 10%) amounted to kSEK 209 (kSEK 602) for the second quarter and to kSEK 505 (kSEK 602) accumulated for the period.

Note 5 Related-party transactions

There were no related-party transactions during the period.

Note 6 Earnings per share

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
SEK					
Basic earnings per share	-1.19	-0.87	-2.31	-1.49	-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	-137,499	-100,289	-267,815	-165,348	-365,872
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Number

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

115,877,180	115,065,663	115,877,180	110,907,454	113,259,254
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Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

115,877,180	115,065,663	115,877,180	110,907,454	113,259,254
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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.

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 August 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 Wallmänder
CEO

Financial calendar

Q3 Report 2022	18 November 2022
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

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Contact

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CFO Eva Ramström eva.ramstrom@azelio.com

Certified Adviser

FNCA Sweden AB