



YEAR-END REPORT 2020

First commercial installation of TES.POD started in Dubai

Azelio won its first order for TES.POD® in December. The company thus reached a major milestone in the commercialisation of its energy storage system. The order is from ALEC Energy, which will install Azelio's technology in one of the world's largest solar parks, the Mohammed Bin Rashid Al Maktoum Solar Complex in Dubai, where it will be part of a mini-grid together with inter alia solar panels and batteries. This will provide renewable energy 24 hours a day, which is an important step in meeting the climate transition. Azelio began installation on site on 20 December.

In the fourth quarter, Azelio also signed an MoU with JET Energy for energy storage of 45 MW in francophone Africa, and in January with SVEA Solar for 8 MW in Sweden. Accordingly, Azelio has signed MoUs for a total of more than 426 MW, corresponding to a storage capacity of 5.4 GWh, thus providing a solid base from which to build on ahead of the start of series production scheduled for Q3 2021.

Another major milestone in Azelio's commercialisation was reached in the fourth quarter when the performance of the company's energy storage system could be verified in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production. The verification is important to commercialisation and making projects with Azelio's technology bankable. The protection of the company's technology was strengthened in the quarter when Azelio was granted four new patents. Azelio's technology thus has 13 approved patents, and another 15 patent applications pending.

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Group financial development

Q4: Oct – Dec 2020

- Net sales amounted to kSEK 451 (571)
- Operating profit/loss (EBIT) amounted to kSEK -49,001 (-53,357)
- Earnings per share before and after dilution SEK -0.47 (-1.26)
- Profit/loss for the period amounted to kSEK -49,141 (-53,487)
- Cash flow amounted to kSEK -84,469 (-80,441)
- Cash and bank balances amounted to kSEK 332,463 (55,634)

Full-year 2020

- Net sales amounted to kSEK 1,074 (1,670)
- Operating profit/loss (EBIT) amounted to kSEK -191,939 (-160,510)
- Earnings per share before and after dilution SEK -2.03 (-3.80)
- Profit/loss for the period amounted to kSEK -192,572 (-160,897)
- Cash flow amounted to kSEK 276,905 (-275,460)
- Cash and bank balances amounted to kSEK 332,463 (55,634)

Significant events

Q4: Oct – Dec 2020

- 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 major milestone in the commercialisation of the system.
- An MoU was signed with Jet Energy for energy storage of 45 MW in parts of francophone Africa.
- Four new patents were granted regarding innovations to efficiently store energy and generate electricity from heat.

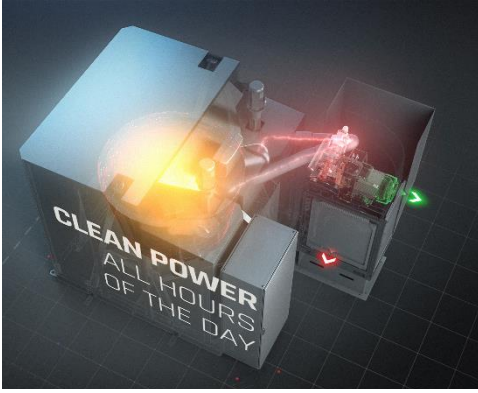
- Azelio won its first commercial order for TES.POD from ALEC Energy for installation in Dubai, thereby achieving a major milestone.
- Azelio received grants of SEK 2.5 million from the Swedish Energy Agency and Region Västra Götaland.

After the end of the period

- An MoU was signed with Svea Solar to jointly develop projects in Sweden using Azelio's energy storage unit TES.POD®, related to solar panels with a total of 8 MW of installed power and more than 100 MWh in equivalent storage capacity.

Key figures for the Group

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales, kSEK	451	571	1,074	1,670
Operating profit/loss, kSEK	-49,001	-53,357	-191,939	-160,510
Profit/loss for the period, kSEK	-49,141	-53,487	-192,572	-160,897
Earnings per share before and after dilution, SEK	-0.47	-1.26	-2.03	-3.80
Equity, kSEK	772,257	710,374	772,257	710,374
Equity/assets ratio, %	84%	82%	84%	82%
Cash flow from operating activities, kSEK	-40,810	-30,232	-150,220	-129,853
Cash and bank balances, kSEK	332,463	55,634	332,463	55,634



“We achieved the goals we set for the year. The most important was winning Azelio’s first commercial order, which we did in December with an order for a TES.POD® from ALEC Energy. This will be installed at a highly prestigious solar park in Dubai where it will be part of a mini-grid system for a visitor centre.

Jonas Eklind, CEO

Comments from CEO

Goals for 2020 achieved

The fourth-quarter report allows us to summarise the past year. We started 2020 by raising capital to finance our path toward industrialisation of our energy storage unit TES.POD® and ended the year by winning our first commercial order. In the meantime, the pandemic meant that we decided to postpone our timetable by a quarter, but otherwise the impact on the operations was minor. Instead, it strongly contributed to putting the energy transition on the agenda and thereby indirectly also our operations. This has given us good momentum to highlight our technology and do business, which empowers us further and provides motivation for the year ahead.

We achieved the goals we set for the year. The most important was winning Azelio’s first commercial order, which we did in December with an order for a TES.POD® from ALEC Energy. This will be installed at a highly prestigious solar park in Dubai where it will be part of a mini-grid system for a visitor centre. For us, it is an opportunity to showcase our system in a typical environment – a mini-grid that combines our system with solar panels and batteries, backed up with diesel generators. We are doing this in a project that is owned by some of the most powerful renewable energy companies in the world, Dubai Electricity & Water Authority (DEWA), ACWA Power and Silk Road Fund, who intend to build the world’s largest solar park in Dubai and many other complexes around the world.

Another important goal for 2020 was to sign MoUs for projects with TES.POD®. We signed seven MoUs for a total of 259 MW or 3 GWh, which more than doubles the volume in our pipeline of MoUs. This activity essentially involves preparing for commercial orders and establishing relationships with partners who we can work together with to roll out our technology. I cannot emphasise enough how important it is that we have forged relationships with several significant project developers who can serve as key partners for successfully commercialising and industrialising TES.POD®. Handled in the right way, with our limited in-house organisation, it will allow us to rapidly make progress in the years ahead.

Finally, we also succeeded in verifying the performance of our system in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production, or 165 kWh. We said in October that this basis is adequate for us to enter into smaller commercial

projects, which was also confirmed with the first order in December. In Abu Dhabi, Masdar entered into another project to verify the technology with the intention of including it as part of its large renewable energy portfolio. This is another way for us to link up with a key partner for the future when the technology is to be rolled out on a large scale. In parallel, we are continuing to develop our solution, with stronger patent protection, documentation and technology that makes it easier for customers to also utilise the heat.

Green transition higher on the agenda

The transition to renewable sources of energy was an increasingly high-profile theme in 2020. This was further reinforced at the start of 2021 when Joe Biden took office as the President of the US. When various forms of fossil fuel, from petrol and diesel to coal and fossil gas, are replaced by electricity, demand rises for renewable energy and the possibilities for storing it. Azelio’s unit is optimised for long-duration storage and thus is well-positioned for this transition. Azelio’s technology also addresses challenges other than those addressed by batteries, which are more suitable for meeting temporary needs throughout the day. It is also becoming increasingly clear that many countries that are about to electrify new regions for the first time will skip traditional grids and jump straight to smaller local grids, known as mini-grid systems, just as the fixed network was skipped in telephony in favour of going directly to the more usable and now also more affordable mobile networks.

Towards new goals in 2021.

The year ahead will transform Azelio if we achieve the goals that we have set. In the immediate future, we will continue to sign MoUs and convert a number of existing MoUs into commercial orders. We will initially prioritise projects that offer many opportunities in the near future for us to showcase our technology to key partners and customers.

After that awaits the start of series production, which will take us to a completely new level. We are working to make this happen in the third quarter of this year, and gradually ramp up after that. It is not only about ensuring our own production, supply chain and organisation but also about building up an order book that matches production. This is a major undertaking that aims to create a new, significant Swedish industrial company.

Jonas Eklind, CEO

The business



Rapid global electrification

Around the world, fossil fuels are being replaced more and more by electricity, for example, due to the increased use of electric cars. To make this transition truly green, the grids also need to increasingly rely on renewable sources of energy. This transition is helped by falling costs for renewable energy. As the renewable energy element of the mix grows so does the need for energy storage and thereby demand for solutions similar to those offered by Azelio.



Sustainable energy for all

Access to the right form of reliable and sustainable energy in and at the right cost is vital for global economic growth and is one of the Sustainable Development Goals. Solar and wind energy is found in abundance in many places around the world but without access to a reliable grid. Today, a billion people live without access to a grid, with double that number living in areas with unstable grids.

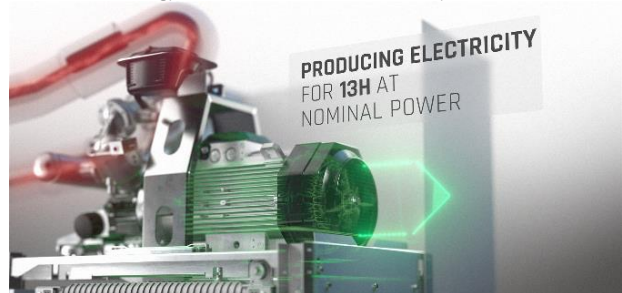
A large and growing market

Azelio has a solution that can provide renewable energy for all – when and wherever 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. In providing efficient storage of renewable energy, Azelio is addressing a very large and rapidly growing market. In the two years after Azelio

demonstrated its technology in 2018, the company 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. These volumes of interest exceed the company's capacity over the next few years.

A ground-breaking solution

The solution – TES.POD® – stores energy as 600-degree heat in recycled aluminium. The energy is converted in a controlled manner to electricity using 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, factories, mines, agriculture and small communities with renewable energy at a low cost 24 hours a day.



Moving from innovation to industrialisation

Azelio is now 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 company has signed 14 MoUs for a total of 426 MW, some of which are expected to be converted into orders. The first commercial contract for a TES.POD® was signed in December 2020 with ALEC Energy, which will install the unit in Dubai.

Significant events

Q4: Oct – Dec 2020

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 until 2025, with Jet Energy as project developer.

Four new patents granted

Azelio was granted four new patents regarding innovations to efficiently store energy and generate electricity from heat, which is central to being able to store renewable energy and make it available around the clock in an efficient way.

Azelio won its first order for TES.POD®, thus reaching a major milestone

Azelio won its first commercial order for its energy storage unit from the Dubai-based project development company ALEC Energy, thereby achieving a major milestone in the industrialisation of its technology. The storage unit will be part of a system in the fourth phase of one of the world's largest solar parks, the Mohammed Bin Rashid Al Maktoum Solar Complex in Dubai. Installation commenced in December.

Azelio receives grants of SEK 2.5 million

Azelio has been awarded a grant of SEK 2 million from the Swedish Energy Agency to demonstrate the impact of long-duration storage on energy resiliency as well as to show the benefits of the heat that the system delivers. Additionally, the company has been granted SEK 0.5 million from Region Västra Götaland for a research project on product enhancements with Sweden's independent research institute RISE.

Q1-3: Jan-Sept 2020

Memorandums of Understanding signed for a total of 214 MW

Azelio signed six MoUs to deliver energy storage systems with a capacity of a total of 214 MW. Accordingly, MoUs were signed during the year for a total of 259 MW or 3 GWh, which were entered into with partners in the Middle East and North Africa, North and South America and in India. All were signed with companies that can continue to develop local markets for Azelio's technology. The agreements are strategically important since they pave the way for commercial orders and a rapid roll-out of technology over the next few years.

Raising capital secured financing

At the start of 2020, Azelio received approximately SEK 350 million before issue expenses under a new share issue, which added several new private and institutional shareholders to the company. At the end of 2020, more capital was raised, this time through a directed share issue of approximately SEK 270 million before transaction costs.

Pandemic postpones timetable by a quarter

Restrictions related to COVID-19, for example in relation to travel, meant that Azelio could not work at its full pace or from the planned sites. Project plans were adapted to optimise resources based on the best assessment of the situation, which resulted in the company's overall timetable being postponed by a quarter.

Fredrik Wäppling new CFO

Fredrik Wäppling was appointed new CFO. He has held senior roles at several industrial companies, including Allgon Group, Mycronic, Bravida and Preem as well as iZettle. He is a member of Azelio's Executive Team together with CEO Jonas Eklind and Executive Vice President Jonas Wallmander.

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, more specifically 29%, than that of lithium-ion battery storage and dramatically less than that of diesel generators.

Azelio chose UL as certification body

Azelio chose global certification body UL to evaluate TES.POD® with the objective of achieving a field certification of the technology for the North American market, starting with a specific project in California in 2021.

After the end of the period

MoU with Svea Solar

Azelio and Svea Solar signed an MoU to jointly develop projects in Sweden using Azelio's energy storage unit TES.POD®, related to PV systems. The collaboration will span over at least three projects in 2021, five projects in 2022, and ten projects in 2023. A total of 8 MW of installed power and more than 100 MWh in equivalent storage capacity.

Group financial development

Q4: Oct – Dec 2020

Revenue, expenses and profit/loss

Net sales amounted to kSEK 451 (571). Own work capitalised amounted to kSEK 39,469 (39,696) for the quarter.

Expenses amounted to kSEK -89,171 (-93,688).

Operating profit/loss (EBIT) amounted to kSEK -49,001 (-53,357).

Loss from financial items during the period was kSEK -143 (-129) and consisted mainly of interest income, interest expenses and similar profit/loss items. Earnings amounted to kSEK -49,141 (-53,487). Earnings per share before and after dilution amounted to SEK -0.47 (-1.26).

Cash flow, investments and financial position

Cash flow from operating activities during the quarter amounted to kSEK -40,810 (-30,232). Cash flow from financing activities amounted to kSEK -1,340 (-4,339).

Investments affecting cash flow during the quarter amounted to kSEK -42,319 (-45,871), mainly in the form of capitalised development.

Cash and cash equivalents amounted to kSEK 332,463 (55,634) as of 31 December.

Equity at the end of the period amounted to kSEK 772,257 (710,374), or SEK 7.42 per share (16.77). The equity/assets ratio as of the same date was 84% (82%).

Full-year 2020

Revenue, expenses and profit/loss

Net sales amounted to kSEK 1,074 (1,670). The decrease is due to lower sales of spare parts. Own work capitalised amounted to kSEK 126,730 (130,891) for the period.

Expenses amounted to kSEK -327,560 (-293,751). The increase is largely attributable to higher prototype costs, employee benefit expenses and consulting costs.

Operating profit/loss amounted to kSEK -191,939 (-160,510). Profit from financial items was kSEK -633 (-386) and consisted mainly of interest income, interest expenses and similar profit/loss items.

Earnings amounted to kSEK -192,572 (-160,897). Earnings per share before and after dilution amounted to SEK -2.03 (-3.80).

Cash flow and investments

Cash flow from operating activities amounted to kSEK -150,220 (-129,853). Cash flow from financing activities amounted to kSEK 555,886 (-6,352).

Investments affecting cash flow during the period amounted to kSEK -128,762 (-139,256), mainly in the form of capitalised development.

Parent company

Net sales for the parent company in the fourth quarter amounted to kSEK 451 (571). The operating result amounted to kSEK -48,212 (-52,179) and the result for the period was kSEK -49,558 (-53,562). Total cash flow for the fourth quarter amounted to kSEK -85,020 (-80,725). Equity at the end of the period amounted to kSEK 771,676 (715,200).

Organisation

At the turn of the year, the number of employees had increased to 153 (117), of which 122 (94) were men and 31 (23) women. The average number of employees in 2020 was 135 (105), of which 131 (101) in Sweden and the remaining 4 (4) in China.

Share capital

Share capital in the Group increased kSEK 30,877 during the period to kSEK 52,051 through an increase in the number of shares in the fourth quarter of 49,500, in the third quarter of 12,300,000 and in the first quarter of 49,405,405 to a total of 104,102,400 shares.

Ten largest shareholders as of 30 Dec 2020

Name	Shareholding, %
Blue Marlin AB / Kent Janér	17.1
Försäkringsaktiebolaget, Avanza Pension	4.6
Deutsche Bank AG, W8IMY	4.5
SEB AB, Luxembourg Branch, W8IMY	3.9
Goldman Sachs International Ltd, W8IMY	2.9
State Street Bankl and Trust Co, W9	2.7
Nordnet Pensionsförsäkring AB	1.9
BNP Paribas Sec Serv Luxembourg, W8IMY	1.8
Byggmästare Anders Ahlström	1.5
Ram One	1.5

Source: Euroclear

Warrants

At the end of the period, there were 41,326,667 warrants, issued in seven different series with exercise prices of between SEK 13 and SEK 36. Full conversion of these warrants would increase the number of shares by 7,401,352 shares. In December, 900,000 warrants expired, which resulted in an increase in new shares of 49,500.

Share data

On the final trading date of 2020, the share closed at 52.20, which was an increase of 335% during the year.

Dividend

The Board proposes to the Annual General Meeting that no dividend be paid for 2020.

Nomination Committee

After the offer to participate in Azelio's Nomination Committee was presented to the largest shareholders in the proper order, the group comprises Lars Thunell representing a British shareholder, Fredrik Ljungström and Kent Janér representing Blue Marlin AB. Kent Janér is also the Chairman of the Nomination Committee in which Bo Dankis is convener and Bertil Villard a co-opted member. The Committee's work began in December 2020.

Related party transactions

In the fourth quarter, an amount totalling kSEK 833 (833) 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 17,426 (14,093) in total. These services are performed on market terms.

Coronavirus pandemic postpones timetable by a quarter

Azelio previously announced in 2020 that COVID-19 had postponed the company's overall timetable by a quarter due to travel restrictions. The postponement means that the commissioning of commercial installations was planned for Q4 2020 and series production for Q3 2021. The first commercial installation commenced together with ALEC Energy in Q4 2020 at the Mohammed Bin Rashid Solar Complex. Azelio is continually monitoring developments to ensure the safest, fastest and most efficient implementation of its projects.

Azelio has not applied for state reorientation and furlough support due to the pandemic. 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 are 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.

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 in 2020 has concluded several MoUs with potential customers and also received its first commercial order for its energy storage system, the technology has not yet achieved broad commercial success and the use of the technology is very limited. Azelio's system, although based on established technology, is new on the market and the company has therefore not been able to collect complete and necessary data, for example regarding the system's and its components' life, any typical faults or deficiencies and service needs and associated costs, which may have negative market and cost impact.

To meet demand with an industrially manufactured product, Azelio is preparing to start series production in the third quarter of 2021. The expected growing business volumes bind working capital, particularly at the start of series production and in the early stages of commercialisation of the product. At this stage, working capital is also particularly sensitive to shifts in cash flows. This risk is amplified by the pandemic, for example, with restrictions on movement that could affect the start and completion of projects. Accordingly, the Board has made the decision that the company's working capital need has increased and is evaluating various opportunities to meet this need through a capital injection during the first half of 2021. Among the alternatives that the Board is evaluating are several different forms of financing, among them equity. The assessment is that the conditions for financing the company remain favourable.

Azelio's profitability from product sales will depend on, among other things, the price development for aluminum, 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.

Review

The year-end report is unaudited.

Condensed financial statements

Condensed consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Revenue					
Net sales	4	451	571	1,074	1,670
Own work capitalised		39,469	39,696	126,730	130,891
Other operating income		250	64	7,817	680
		40,171	40,330	135,621	133,241
Costs					
Raw materials and consumables		-1,493	-5,975	-3,219	-7,794
Other external expenses		-51,503	-47,560	-162,372	-143,590
Employee benefit expenses		-31,128	-32,143	-140,869	-106,450
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-4,993	-7,860	-20,702	-35,599
Other operating expenses		-53	-150	-397	-318
Total operating expenses		-89,171	-93,688	-327,560	-293,751
Operating loss		-49,001	-53,357	-191,939	-160,510
Financial items					
Financial income		160	164	750	434
Finance costs		-303	-294	-1,382	-821
Total financial items		-143	-129	-633	-386
Loss after financial items		-49,144	-53,487	-192,572	-160,897
Tax on profit for the period	3	0	0	0	0
Loss for the period		-49,141	-53,487	-192,572	-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		-88	141	-505	-304
Other comprehensive income		-88	141	-505	-304
Total comprehensive income for the period		-49,230	-53,346	-193,077	-161,201
		Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Earnings per share before and after dilution	6	-0.47	-1.26	-2.03	-3.80
Average number of shares		104,062,585	42,347,495	94,641,570	42,347,495
Number of shares at end of period		104,102,400	42,347,495	104,102,400	42,347,495

Condensed financial statements

Condensed consolidated statement of financial position

Amounts in kSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Subscribed but not paid-up capital		0	350,778
Intangible non-current assets			
Capitalised expenditure for development and similar		518,744	398,721
Total intangible non-current assets		518,744	398,721
Property, plant and equipment			
Leasehold improvements		4,692	3,303
Equipment, tools, fixtures and fittings		19,033	16,169
Total property, plant and equipment		23,725	19,472
Right-of-use assets		24,004	21,707
Total non-current assets		566,474	439,901
Inventories			
Raw materials and consumables		3,053	4,351
Finished goods and goods for resale		688	713
Total inventories		3,741	5,065
Current assets			
Trade receivables		183	50
Current tax assets		1,345	1,273
Other receivables		14,025	9,152
Prepaid expenses and accrued income		3,932	3,728
Cash and cash equivalents		332,463	55,634
Total current assets		355,688	74,901
TOTAL ASSETS		922,162	865,580
EQUITY AND LIABILITIES			
Equity			
Share capital		52,051	45,876
Other paid-in capital		1,821,219	1,577,096
Reserves		-900	-395
Retained earnings, including profit/loss for the year		-1,100,114	-912,204
Total equity		772,257	710,374
Non-current liabilities			
Other liabilities		22,674	22,755
Lease liabilities		14,470	14,107
Total non-current liabilities		37,145	36,862
Current liabilities			
Advances from customers		0	0
Trade payables		27,287	37,018
Lease liabilities		9,228	7,302
Provisions		0	0
Other current liabilities		26,810	2,078
Accrued expenses and deferred income		49,435	71,946
Total current liabilities		112,761	118,344
TOTAL EQUITY AND LIABILITIES		922,162	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						-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						-192,572	-192,572
Other comprehensive income					-505		-505
Total comprehensive income for the period		21,174	24,703	1,577,096	-900	-1,104,776	517,297
Transactions with shareholders							
Ongoing new share issue			-24,703				-24,703
New share issue		30,877		244,123			275,000
Premiums for issued warrants						4,662	4,662
Closing balance, 31 December 2020		52,051	0	1,821,218	-900	-1,100,114	772,257

Condensed financial statements

Condensed consolidated statement of cash flows

Amounts in kSEK	Note	Oct–Dec 2020	Oct–Dec 2019	Jan–Dec 2020	Jan–Dec 2019
Cash flow from operating activities					
Operating loss		-49,144	-53,487	-192,572	-160,897
Adjustment for non-cash items		4,993	11,959	13,595	42,135
Income tax paid		3	0	0	0
Cash flow from operating activities before changes in working capital		-41,148	-41,527	-178,977	-118,762
Increase(-)/decrease (+) in inventories		101	11,262	1,324	-587
Increase (-)/decrease (+) in operating receivables		-3,299	-7,529	1,226	-16,672
Increase (+)/decrease (-) in operating liabilities		6,535	7,563	26,207	6,168
Cash flow from operating activities		-40,810	-30,232	-150,220	-129,853
Cash flow from investing activities					
Investments in property, plant and equipment		-2,850	-6,175	-9,486	-15,820
Investments in intangible non-current assets		-39,469	-39,696	-119,275	-123,436
Investments in financial assets		0	0	0	0
Cash flow from investing activities		-42,319	-45,871	-128,762	-139,256
Cash flow from financing activities					
New share issue		943	-2,520	559,917	208
Proceeds from warrants sold		0	0	4,662	29
Repayment of lease liability		-2,283	-1,819	-8,613	-6,494
Repayment of borrowings		0	0	-81	-95
Cash flow from financing activities		-1,340	-4,339	555,886	-6,352
Cash flow for the period		-84,469	-80,441	276,905	-275,460
Cash and cash equivalents at beginning of period		417,027	136,140	55,634	331,196
Exchange rate differences in cash and cash equivalents		-96	-64	-76	-101
Cash and cash equivalents at end of period		332,463	55,634	332,463	55,634

Condensed financial statements

Condensed parent company income statement

Amounts in kSEK	Note	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net sales	4	451	571	1,074	1,670
Own work capitalised		39,469	39,696	126,730	130,891
Other operating income		250	64	7,817	680
		40,171	40,330	135,621	133,241
Raw materials and consumables		-1,493	-5,975	-3,219	-7,794
Other external expenses		-53,294	-49,257	-170,373	-149,552
Employee benefit expenses		-30,869	-31,161	-138,351	-103,142
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-2,673	-5,967	-11,941	-28,876
Other operating expenses		-53	-150	-397	-318
Total operating expenses		-88,383	-92,509	-324,281	-289,681
Operating loss		-48,212	-52,179	-188,660	-156,441
Income from participations in Group companies		-1,358	-1,431	-9,844	-5,620
Income from securities and receivables held as non-current assets		0	0	0	0
Other interest income and similar profit/loss items		160	159	750	442
Interest expenses and similar profit/loss items		-148	-111	-728	-314
Total financial items		-1,346	-1,383	-9,823	-5,491
Loss after financial items		-49,558	-53,562	-198,483	-161,932
Tax on profit for the period		0	0	0	0
Loss for the period		-49,558	-53,562	-198,483	-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	31 Dec 2020	31 Dec 2019
ASSETS			
Subscribed but not paid-up capital		0	350,778
Capitalised expenditure for development and similar		518,744	398,721
Total intangible non-current assets		518,744	398,721
Property, plant and equipment			
Leasehold improvements		4,692	3,303
Equipment, tools, fixtures and fittings		19,033	16,169
Total property, plant and equipment		23,725	19,472
Financial non-current assets		50	50
Total non-current assets		542,519	418,243
Inventories			
Raw materials and consumables		3,053	4,351
Finished goods and goods for resale		688	713
Total inventories		3,741	5,065
Trade receivables		183	50
Receivables from Group companies		0	6,667
Current tax assets		1,345	1,273
Other receivables		13,964	9,090
Prepaid expenses and accrued income		4,757	4,393
Cash and bank balances		331,150	53,349
Total current assets		355,140	79,886
TOTAL ASSETS		897,660	848,908
EQUITY AND LIABILITIES			
Equity			
Share capital		52,051	21,174
Ongoing new share issue		0	24,703
Development expenditure fund		472,870	346,140
Share premium reserve		1,821,219	1,577,096
Retained earnings including profit/loss for the period		-1,574,464	-1,253,913
Total equity		771,676	715,200
Provisions			
Other provisions		0	0
Total provisions		0	0
Non-current liabilities			
Other liabilities		22,674	22,755
Total non-current liabilities		22,674	22,755
Current liabilities			
Advances from customers		0	0
Trade payables		27,287	37,018
Other current liabilities		26,587	1,988
Accrued expenses and deferred income		49,435	71,946
Total current liabilities		103,309	110,953
TOTAL EQUITY AND LIABILITIES		897,660	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 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 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.

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) Assessment of impairment requirements for 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. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Certain estimates must be made in these calculations in the form of risk-free interest, market risk premium, industry beta value, equity and company-specific alfa value.

The forecast period covers 5 years based on the company's business plan. For the period thereafter, no assumption of growth rate has been made.

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 large volume commercial breakthrough from 2021 and that these projects and additional investments can be financed. Since the test period is only 5 years, an adjustment to the time plan could have a substantial impact on the value, which could lead to an impairment of the underlying asset. The company's development is monitored continuously compared to the estimated cash flow and time plan.

Furthermore, the impairment test is based on assumptions regarding electricity prices in local markets. These prices are based on assessments of prices and competitiveness under these circumstances. The electricity prices can be impacted by a number of events that are difficult to assess – like the development of competing technologies, business cycle, and cost for raw materials.

(b) Going concern assumption

Until such time the company's sales are under way, there is a dependence on contributions from shareholders or other external investors to be able to ensure continued operations. As at the balance-sheet date, the company had liquidity of kSEK 332,463 which is estimated to be insufficient to safeguard the company's operations during 2021. For the subsequent period, there are no binding

obligations that safeguard the company's financing. Since the Board of Directors has already initiated work to safeguard the company's financing, for which the conditions are considered good, the Board is of the opinion that the accounts can be issued under the going concern assumption.

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.

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Revenue from external customers by type of product and service:				
Stirling engines	0	0	0	0
Service obligations, gas business	25	114	206	417
Spare parts, gas business	366	456	714	1,219
Other	60	0	154	34
Total	451	571	1,074	1,670

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

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Sweden	99	41	347	177
EU	159	456	449	1,218
Outside the EU	194	73	278	275
Total	451	571	1,074	1,670

In the fourth quarter, revenue from major customers (more than 10%) amounted to kSEK 344 (kSEK 432) and to kSEK 662 (kSEK 1,122) accumulated for the period.

Note 5 Related-party transactions

In the fourth quarter, an amount totalling kSEK 833 (833) 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 17,426 (14,093) in total. The conditions for the services carried out are based on commercial terms.

Note 6 Earnings per share

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
SEK				
Basic earnings per share	-0.47	-1.26	-2.03	-3.80

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	-49,141	-53,487	-192,572	-160,897
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Number

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	104,062,585	42,347,495	94,641,570	42,347,495
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	104,062,585	42,347,495	94,641,570	42,347,495

Warrants

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

Note 7 Events after the close of the interim period**MoU with Svea Solar**

Azelio and Svea Solar signed an MoU to jointly develop projects using Azelio's energy storage unit TES.POD®, related to PV systems. The collaboration will span over at least three projects in 2021, five projects in 2022, and ten projects in 2023. A total of 8 MW of installed power and more than 100 MWh in equivalent storage capacity.

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, 26 February 2021

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

Financial calendar

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

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.

Equity

Equity at the close of the period.

Employee benefit expenses

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

Earnings per share

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

Operating income

All income including own work capitalised.

Operating profit (EBIT)

Profit/loss before financial items and tax.

Equity/assets ratio

Total equity / Total assets.

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