Interim report 1 January – 31 March 2020

Verification project started

The verification of Azelio's storage technology in partnership with leading certification company DNV GL has begun. An inauguration of Azelio's energy storage took place at one of the world's largest solar parks, Noor in Morocco. It was attended by government representatives, the World Bank and IFC, among others. In view of the current travel restrictions due to Covid-19 the verification will initially focus on the installation in Åmål, Sweden. Preparations for starting the verification of a further four energy storage units in Abu Dhabi, in collaboration with the company's partners Masdar and Khalifa University, are continuing according to plan.

Azelio's commercial successes continued in the fourth quarter with the signing of a memorandum of understanding with Hussein Atieh & Sons Co. (HAE) for a project in Jordan which will pave the way for a commercial partnership covering around 25 MW. The intention is that HAE will also become Azelio's sales, installation and O&M partner in Jordan.

Contents

Group financial development

Q1: January – March 2020

- Net sales amounted to kSEK 128 (508)
- Operating profit/loss (EBIT) amounted to kSEK -44,991 (-28,101)
- Earnings per share before and after dilution SEK -0.51 (-0.67)
- Profit/loss for the period amounted to kSEK -45,089 (-28,184)
- Cash flow amounted to kSEK 237,459 (-73,071)
- Cash and bank balances amounted to kSEK 293,221 (258,229)

Significant events

Q1: January – March 2020

- New share issue of SEK 350 million before transaction costs registered
- MoU for energy storage project in Jordan
- Installations in Noor and Åmål inaugurated
- DNV GL appointed as verification partner
- Verification project started

After the end of the period

- Schedule for projects and financing deferred by a quarter due to Covid-19
- MoU with Chilean Industria Mecánica VOGT S.A. (VOGT) for energy storage projects for the mining industry in Latin America.

Key figures for the Group

	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Net sales, kSEK	128	508	1,670
Operating profit/loss, kSEK	-44,991	-28,101	-160,510
Profit/loss for the year, kSEK	-45,089	-28,184	-160,897
Earnings per share before and after dilution, SEK	-0.51	-0.67	-3.80
Equity, kSEK	664,993	535,915	710,374
Equity/assets ratio, %	86	87	82
Cash flow from operating activities, kSEK	-46,553	-49,919	-129,853
Cash and bank balances, kSEK	293,221	258,229	55,634

Comments from CEO

"Working purposefully, we are continually ticking off important interim goals along the way to starting series production in Q3 2021 – when we will have a significant order book."

Jonas Eklind, CEO

As planned, during the first quarter we initiated the external verification of our technology. This will help our customers obtain financing for projects using our products. The two storage units installed at the Noor solar park in Morocco in partnership with Masen (Moroccan Agency for Sustainable Energy) started supplying electricity according to plan at the end of the fourth quarter 2019. Subsequent work focused on fine-tuning the installation ahead of the planned verification. In parallel, we took into operation two identical units in Åmål that are being similarly optimised.

For verification of the installations in Morocco and Åmål we have appointed the leading certification company DNV GL to provide third-party recording and evaluation of operating data. DNV GL has started verifying the installation in Åmål, after the verification schedule was adapted to the travel restrictions introduced due to Covid-19. We thus achieved our goal of beginning verification in the first quarter of 2020, albeit not quite at the pace or from the locations we had planned.

Preparations for starting verification of a further four units in Abu Dhabi later in the year are continuing according to plan. The project there is being implemented in partnership with Masdar, a leading player in the development and operation of renewable energy projects, and the research institute Khalifa University.

A highly significant event in the first quarter was the inauguration of our installation at the Noor solar park in Morocco, which took place in the beginning of March. The inauguration ceremony was attended by ministers and ambassadors – including some from African countries that are important target markets – as well as representatives of the World Bank and IFC, organisations that finance our type of projects. This was also a good opportunity to present the world-leading Noor solar park and our significant partner Masen to some of our larger shareholders, partners and representatives of the Swedish government and financial market. Noor is well-known as an early adopter of new technology, acting as a display window to the world for ground-breaking renewable energy solutions.

The inauguration also had great resonance in the international media, generating further significant interest in our technology and initiating many interesting dialogues.

The inauguration in Åmål was on a smaller scale and was attended by local politicians, business representatives from the west of Sweden and Swedish media. The focus here was not just on the verification installation, but also on presenting the development centre for testing and measurement that has been expanded in the past six months to include various test rigs, among other things.

As far as Covid-19 is concerned, it is affecting us but so far only to a relatively small degree. Moreover, we are in a situation in which we can make adjustments in order to defer costs and projects without changing the organisation or scaling back our future ambitions. By optimising how we use our resources we have deferred the company's overall time plan by a quarter. This means that we are now planning to start the verification in Abu Dhabi during Q3, initiate the first commercial installation in Q4 2020 and series production in Q3 2021. As a result, the working capital is sufficient until December 2020, which thus defers our financing requirement accordingly.

It is worth pointing out that the large investments in renewable energy around the world are continuing despite the current pandemic. Using proceeds from the new share issue at the start of the year we are strengthening our sales and marketing organisation as planned. This team was already largely working remotely using digital technology and has therefore been able to maintain its fast pace, focusing on new memorandums of understanding and on converting existing memorandums of understanding into commercial orders. In the first quarter we signed a memorandum of understanding with Hussein Atieh & Sons Co. (HAE) in Jordan, which intends to install Azelio's energy storage solution for a total of around 25 MW up to 2023. We also initiated and deepened various other interesting dialogues during the period.

Working purposefully, we are continually ticking off important interim goals along the way to starting series production in Q3 2021 – when we will have a significant order book.

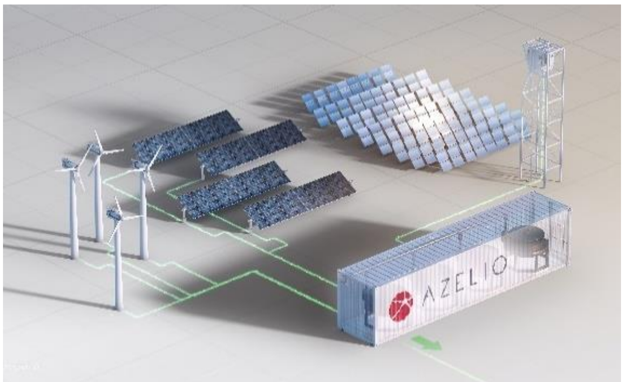
Jonas Eklind, CEO

The business

Sustainable energy for all

Access to reliable and sustainable energy at the right cost is vital for improving the environment and bringing about global economic growth. However, renewable energy is not evenly distributed and in many places around the world the supply is inadequate, with either no grid at all or a grid that is unstable.

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 or heat at any time of day at a very competitive cost.

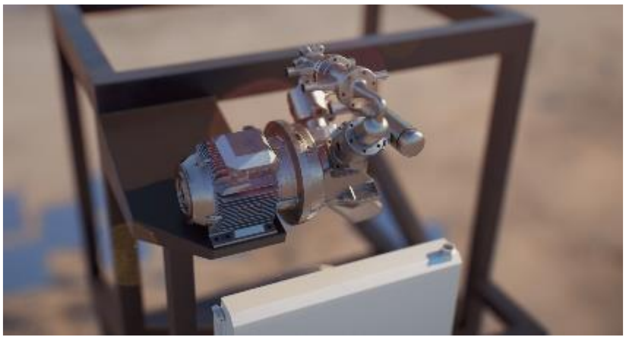


A large and growing market

In providing efficient storage of renewable energy in areas without a stable grid, 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 around SEK 170 billion in potential order value.

A ground-breaking solution

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



Moving from innovation to industrialisation

Following the successful demonstration of the technology in 2018 and its installation at the world-leading Noor solar park in Morocco in March 2020, 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 large and well-established global partners.

The next big milestone for the company has begun, with the technology being verified in Åmål and Morocco to facilitate customers' financing of projects with Azelio's technology. The verification is being carried out by DNV GL. In parallel, a further verification project is to be started in Abu Dhabi with renewable energy giant Masdar and research institute Khalifa University. These verifications will pave the way for an initial commercial project in Q4 2020 and the start of serial production in Q3 2021.

Significant events

Q1: January – March 2020

New share issue of SEK 350 million registered

Azelio received proceeds of around SEK 350 million before transaction costs from the issue of around 42.3 million shares in total. The share issue brought in various new private and institutional investors, including Ilija Batljan who became the fifth largest shareholder in Azelio with a holding of 3.6 percent.

MoU for energy storage project in Jordan

Azelio signed a memorandum of understanding with Hussein Atieh & Sons Co. (HAE) to establish a small-scale project in Jordan during the fourth quarter of 2020. The project will pave the way for commercial collaboration on Azelio's energy storage technology with a volume of around 25 MW up until 2023. The intention is also that HAE will become one of Azelio's sales, installation and O&M partners in Jordan.

Inauguration ceremony in Noor and Åmål

On 5 March Azelio and Masen held an inauguration ceremony for Azelio's energy storage solution installed at the world-leading Noor solar park in Ourzazate, Morocco. The ceremony was attended by many prominent guests, including representatives of the governments of various countries, the World Bank and IFC (International Finance Corporation, part of the World Bank).

Azelio also inaugurated its installation in Åmål on 12 February in the presence of Swedish media and local guests. In 2020 Azelio plans to install further energy storage units for verification, this time in Abu Dhabi in partnership with renewable energy giant Masdar and research institute Khalifa University.

DNV GL appointed as verification partner

Azelio has appointed DNV GL as its verification partner for the energy storage solution. DNV GL is a world leader in industrial certification. With formal verification having started in Åmål in the first quarter, the process will record and document data from real life conditions to produce material that assists customers with obtaining financing for projects that use Azelio's technology. The project was adapted to start in Åmål instead of Morocco following the introduction of travel restrictions due to Covid-19.

After the end of the period

Azelio defers its time plan by a quarter

The restrictions introduced as a result of Covid-19 mean that Azelio cannot conduct its operations at the fastest pace or from the locations planned. Project plans have therefore been adapted to optimise resources based on the best assessment of the situation, as a result of which the company's overall time plan is being deferred by a quarter. This means that the working capital is expected to be sufficient until December 2020 and the need for financing has therefore been deferred accordingly. It is planned that the first commercial installation will begin in Q4 2020 and serial production from Q3 2021. As the situation is uncertain, we are continually monitoring developments to secure the safest, fastest and most efficient project implementation.

MoU signed with Chilean company VOGT

Azelio signed a Memorandum of Understanding (MoU) with the Chilean company Industria Mecánica VOGT S.A. (VOGT) for energy storage projects for the mining industry in Latin America. The MoU includes a collaboration of 10 MW of installed capacity of Azelio's energy storage from 2021 to 2024 and is expected to be expanded with further projects under this first agreement. VOGT is a leading supplier of pumping systems for the mining industry in Latin America. The company's customers include some of the largest metal and non-metallic mining companies in the region.

Group financial development

Q1: January – March 2020

Income, expenses and profit/loss

Operating income

Net sales for the first quarter amounted to kSEK 128 (508). The decrease is attributable to reduced spare parts sales. Own work capitalised amounted to kSEK 28,581 (24,125) for the quarter. Other operating income for the first quarter amounted to kSEK 7,107 (169). The increase is due to the fact that an advance of MRMB 5 from a customer is recognized as income after the term of the agreement with the customer has expired without starting a project.

Operating expenses

Costs for the first quarter amounted to kSEK -80,807 (-52,903). The increase is largely attributable to higher raw materials costs and consulting costs.

Operating profit/loss

Operating loss amounted to kSEK -44,991 (-28,101).

Financial items

Profit from financial items during the period was kSEK -98 (-83).

Profit/loss for the period

Profit for the first quarter amounted to kSEK -45,089 (-28,184). Earnings per share before and after dilution amounted to SEK -0.51 (-0.67).

Cash flow, investments and financial position

Cash flow

Cash flow from operating activities during the period amounted to kSEK -46,553 (-49,919). Cash flow from financing activities amounted to kSEK 307,789 (1,518).

Investments

Investments affecting cash flow during the period amounted to kSEK -23,777 (-24,669), mainly in the form of capitalised development.

Financial position

Cash and cash equivalents amounted to kSEK 293,221 as of 31 March (55,634 as of 31 December). The rights issue initiated in the fourth quarter was completed during the first quarter, at which point kSEK 309,585 had been received by the company.

Equity at the end of the period amounted to kSEK 664,993 (710,374 on 31 December), or SEK 7.56 per share (16.77 at 31 December). The equity/assets ratio as of the same date was 86% (82% at 31 December).

Share capital

During the quarter, a rights issue was registered that increased share capital to kSEK 45,876, and the number of shares by 49,405,405 to 91,752,900 shares.

Largest shareholders as of 31 March

Name	Shareholding, %
Blue Marlin AB / Kent Janér	19.1
Back in Black Capital Ltd	7.1
UBS Switzerland AG, W8IMY	4.9
Deutsche Bank (Suisse) S.A, W8IMY	4.5
Ilija Batljan	3.6
Goldman Sachs International Ltd, W8IMY	3.3
Byggmästare AJ Ahlström Fastighet	2.7
BNP Paribas Sec Serv Luxemburg, W8IMY	2.4

Warrants

At the end of the period, there were 40,026,667 warrants, issued in eight different series with exercise prices of between SEK 10 and SEK 130. Full conversion of these warrants would increase the number of shares by 4,596,667 shares.

Share data

At the end of the quarter the share was traded at SEK 8.66, which was 27.8 percent lower than on 31 December.

Related party transactions

In the first quarter, an amount totalling kSEK 833 (2,685) was expensed in respect of services provided in connection with the company's demonstration facility in Ouarzazate, Morocco. 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 14,926 (4,038) in total. These services are performed on market terms.

Parent company

Net sales for the parent company amounted to kSEK 128 (508). The operating result amounted to kSEK -51,251 (-27,076), and the net result for the first quarter was kSEK -51,170 (-28,414). Total cash flow for the first quarter was kSEK 238,182 (-73,477). Equity at the end of the quarter amounted to kSEK 664,059 (541,588).

The coronavirus pandemic postpones timetable by a quarter

The effects to date of COVID-19 on Azelio have been relatively small, but primarily the restrictions on travel mean that the work on all projects cannot be fully carried out at the pace or from the locations planned. After the decision by Swedish government agencies that the restrictions would remain until 15 June, Azelio has adjusted its project plans to optimise resources and postponed its previously communicated overall time plan by a quarter. This means that the company's operating capital is deemed to be sufficient through December 2020, and the need for the next stage of financing has accordingly been postponed. 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.

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 authorization by the general meeting, the Board made the decision to carry out a rights issue at the end of December 2019. The share issue was oversubscribed and was registered in January 2020. The company received proceeds of SEK 350 million from the share issue 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 well into the fourth quarter of 2020. The Board expected further injections of capital to be required in 2020 to finance the company's industrialisation and commercialisation, including production facilities. This work has already started, and therefore the Board's view is that there is substantial interest in the company's technology among both investors and potential customers, and that the company has a strong ownership structure. The potential for implementing future expansive financing plans is therefore considered to be good.

The impairment test carried out assumes that the company will be able to realize its expansive business plan with a large-scale commercial breakthrough from 2021 and the financing of these projects and new investments. Given that the forecast period includes only 5 years of growth, a shift in the time plan could have significant effects on the estimated value in use, which could lead to a need for impairment. The company's development compared with estimated future cash flows are followed up on a continuous basis compared to the development of the time plan.

Furthermore, an established impairment test is based on assumptions about electricity prices in each market. These are based on, for example, assessments of prices in the electricity market and competitiveness at the assumed price level. These prices can be affected by several factors, which are difficult to predict - such as the development of competing technologies, business cycle, and commodity prices.

General review

The income statement and cash-flow statement for the Group and parent company for the period from 1 January to 31 March 2020, and the balance sheet for the Group and parent company as of 31 March 2020, have been reviewed by the company's chosen auditors.

Condensed financial statements

Condensed consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Jan–Mar 2020	Jan–Mar 2019*	Jan-Dec 2019
Revenue				
Net sales	3	128	**508**	1,670
Own work capitalised		**28,581**	**24,125**	130,891
Other operating income		**7,107**	**169**	680
		35,816	**24,802**	133,241
Costs				
Raw materials and consumables		**-661**	**3**	-7,794
Other external expenses		**-38,583**	**-27,251**	-143,590
Employee benefit expenses		**-36,387**	**-20,605**	-106,450
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets		**-4,925**	**-5,010**	-35,599
Other operating expenses		**-251**	**-40**	-318
Total operating expenses		**-80,807**	**-52,903**	-293,751
Operating profit/loss		**-44,991**	**-28,101**	-160,510
Financial items				
Financial income		**478**	**63**	**434**
Finance costs		**-576**	**-146**	**-821**
Total financial items		**-98**	**-83**	-386
Profit/loss after financial items		**-45,089**	**-28,184**	-160,897
Tax on profit for the period		**0**	**0**	0
Profit/loss for the period		**-45,089**	**-28,184**	-160,897
Other comprehensive income:				
Items that have been or may be reclassified to profit for the period				
Translation differences for the period on translation of foreign operations		**-322**	**-345**	**-304**
Other comprehensive income		**-322**	**-345**	**-304**
Total comprehensive income for the period		**-45,411**	**-28,530**	**-161,201**

	Note	**Jan–Mar 2020**	**Jan–Mar 2019**	**Jan–Dec 2019**
Basic and diluted earnings per share	5	**-0.51**	**-0.67**	-3.80
Average number of shares		***87,952,484***	***42,347,495***	*42,347,495*
Number of shares at end of period		*91,752,900*	***42,347,495***	*42,347,495*

* The comparison period is recalculated compared to the previous year's interim report for Q1 2019. See also the Group's annual report 2019 and year-end report Q4 2019 regarding the effects of the transition to IFRS.

Condensed financial statements

Condensed consolidated statement of financial position

Amounts in kSEK	Note	31 Mar 2020	31 Mar 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		425,565	309,849	398,721
Investments in progress, intangible non-current assets		0	4,038	0
Total intangible non-current assets		425,565	313,887	398,721
Property, plant and equipment				
Leasehold improvements		3,616	930	3,303
Equipment, tools, fixtures and fittings		17,227	6,445	16,169
Total property, plant and equipment		20,843	7,375	19,472
Right-of-use assets		20,041	14,837	21,707
Total non-current assets		446,450	336,099	439,901
Inventories				
Raw materials and consumables		3,928	9,739	4,351
Finished goods and goods for resale		713	678	713
Total inventories		4,641	10,416	5,065
Current assets				
Trade receivables		85	55	50
Current tax assets		367	172	1,273
Other receivables		8,743	6,197	9,152
Prepaid expenses and accrued income		3,868	3,564	3,728
Cash and bank balances		293,221	258,229	55,634
Total current assets		310,925	278,634	74,901
TOTAL ASSETS		**777,375**	**614,733**	**865,580**
EQUITY AND LIABILITIES				
Equity				
Share capital		45,876	21,174	45,876
Other paid-in capital		1,577,062	1,294,699	1,577,096
Reserves		-717	-436	-395
Retained earnings, including profit/loss for the year		-957,229	-779,521	-912,204
Total equity		664,993	535,915	710,374
Non-current liabilities				
Other liabilities		22,755	22,850	22,755
Lease liabilities		12,172	11,154	14,107
Total non-current liabilities		**34,927**	**34,005**	**36,862**
Current liabilities				
Advances from customers		0	0	0
Trade payables		18,158	12,776	37,018
Lease liabilities		7,615	3,510	7,302
Provisions		0	0	0
Other current liabilities		877	8,283	2,078
Accrued expenses and deferred income		50,804	20,244	71,946
Total current liabilities		77,455	44,813	118,344
TOTAL EQUITY AND LIABILITIES		**777,375**	**614,733**	**865,580**

* The comparison period is recalculated compared to the previous year's interim report for Q1 2019. See also the Group's annual report 2019 and year-end report Q4 2019 regarding the effects of the transition to IFRS.

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**
Profit/loss for the period						-28,184	-28,184
Other comprehensive income					-345		-345
Total comprehensive income for the period		21,174		1,291,971	-436	-779,521	533,187
Transactions with shareholders							
New share issue				2,728			2,728
Closing balance, 31 March 2019		21,174	**0**	**1,294,699**	-436	-779,521	**535,915**

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		1,291,971	-91	-751,337	561,717
Profit/loss for the period						-160,897	-160,897
Other comprehensive income					-304		-304
Total comprehensive income for the period		21,174		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			2728
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
Profit/loss for the period						-45,089	-45,089
Other comprehensive income					-322		-322
Total comprehensive income for the period		21,174	24,703	1,577,096	-717	-957,293	664,963
Transactions with shareholders							
Ongoing new share issue			-24,703				-27,465
New share issue		24,703		-34			27,431
Premiums for issued warrants						64	64
Closing balance, 31 March 2020		45,876	0	1,577,062	-717	-957,229	664,993

Condensed financial statements

Condensed consolidated statement of cash flows

Amounts in kSEK	Note	Jan–Mar 2020	Jan–Mar 2019*	Jan–Dec 2019
Cash flow from operating activities				
Operating profit/loss after financial items		-45,089	-28,184	-160,897
Adjustment for non-cash items		4,925	5,791	42,135
Income tax paid		0	0	0
Cash flow from operating activities before changes in working capital		**-40,164**	**-22,393**	**-118,762**
Increase (-)/decrease (+) in inventories		424	-3,894	-587
Increase (-)/decrease (+) in operating receivables		-403	-3,678	-16,672
Increase (+)/decrease (-) in operating liabilities		-6,410	-19,955	6,168
Cash flow from operating activities		**-46,553**	**-49,919**	**-129,853**
Cash flow from investing activities				
Investments in property, plant and equipment		-2,651	-544	-15,820
Investments in intangible non-current assets		-21,126	-24,125	-123,436
Investments in financial assets		0	0	0
Cash flow from investing activities		**-23,777**	**-24,669**	**-139,256**
Cash flow from financing activities				
New share issue		309,585	2,728	208
Proceeds from warrants sold		64	0	29
Repayment of lease debt		-1,860	-1,210	-6,494
Repayment of borrowings		0	**0**	-95
Cash flow from financing activities		**307,789**	**1,518**	**-6,352**
Cash flow for the period		**237,459**	**-73,071**	**-275,460**
Cash and cash equivalents at beginning of period		55,634	331,196	331,196
Exchange rate differences in cash and cash equivalents		127	104	-101
Cash and cash equivalents at end of period		**293,221**	**258,229**	**55,634**

* The comparison period is recalculated compared to the previous year's interim report for Q1 2019. See also the Group's annual report 2019 and year-end report Q4 2019 regarding the effects of the transition to IFRS.

Condensed financial statements

Condensed parent company income statement

Amounts in kSEK	Note	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Net sales	3	128	508	1,670
Own work capitalised		28,581	24,125	130,891
Other operating income		-7,107	169	680
		35,816	24,802	133,241
Raw materials and consumables		-661	3	-7,794
Other external expenses		-42,991	-28,092	-149,552
Employee benefit expenses		-33,040	-19,983	-103,142
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets		-3,017	-3,767	-28,876
Other operating expenses		-251	-40	-318
Total operating expenses		-79,960	-51,878	-289,681
Operating profit/loss		-44,145	-27,076	-156,441
Income from participations in Group companies		-7,107	-1,373	-5,620
Income from securities and receivables held as non-current assets		0	0	0
Other interest income and similar profit/loss items		486	89	442
Interest expense and similar profit/loss items		-405	-54	-314
Total financial items		-7,026	-1,338	-5,491
Profit/loss after financial items		-51,170	-28,414	-161,932
Tax on profit for the period		0	0	0
Profit/loss for the period		-51,170	-28,414	-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 Mar 2020	31 Mar 2019	1 Dec 2019
ASSETS				
Subscribed but not paid-up capital		0	0	350,778
Capitalised expenditure for development and similar		425,565	309,849	398,721
Investments in progress, intangible non-current assets		0	4,038	0
Total intangible non-current assets		425,565	313,887	398,721
Property, plant and equipment				
Leasehold improvements		3,616	930	3,303
Equipment, tools, fixtures and fittings		17,227	6,445	16,169
Total property, plant and equipment		20,843	7,375	19,472
Financial non-current assets		50	50	50
Total non-current assets		446,458	321,312	418,243
Inventories				
Raw materials and consumables		3,928	9,739	4,351
Finished goods and goods for resale		713	678	713
Total inventories		4,641	10,416	5,065
Trade receivables		85	55	50
Receivables from Group companies		0	0	6,667
Current tax assets		367	172	1,273
Other receivables		8,677	6,042	9,090
Prepaid expenses and accrued income		4,545	3,814	4,393
Cash and bank balances		291,532	256,584	53,349
Total current assets		309,846	**277,083**	79,886
TOTAL ASSETS		756,305	**598,395**	848,908
EQUITY AND LIABILITIES				
Equity				
Share capital		45,876	21,174	21,174
Ongoing new share issue		0	0	24,703
Development expenditure fund		374,721	243,731	346,140
Share premium reserve		1,577,062	1,294,699	1,577,096
Retained earnings including profit/loss for the period		-1,333,600	-1,018,015	-1,253,913
Total equity		664,059	**541,588**	715,200
Provisions				
Other provisions		0	0	0
Total provisions		0	**0**	0
Non-current liabilities				
Other liabilities		22,755	22,850	22,755
Total non-current liabilities		22,755	**22,850**	22,755
Current liabilities				
Advances from customers		0	0	0
Trade payables		18,158	12,776	37,018
Other current liabilities		528	936	1,988
Accrued expenses and deferred income		50,804	20,244	71,946
Total current liabilities		69,491	**33,956**	110,953
TOTAL EQUITY AND LIABILITIES		756,305	**598,395**	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.

Revenue from external customers by type of product and service:	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Stirling engines	0	0	0
Service obligations, gas business	70	71	417
Spare parts, gas business	58	437	1,219
Other	0	0	34
Total	**128**	**508**	**1,670**

Revenue from external customers broken down by country, based on where customers are located:	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
Sweden	41	41	177
EU	58	437	1,218
Outside the EU	29	30	275
Total	**128**	**508**	**1,670**

In the first quarter, revenue from major customers (more than 10%) amounted to kSEK 128 (437) and to kSEK 128 (kSEK 437) accumulated for the period.

Note 4 Related-party transactions

In the first quarter, an amount totalling kSEK 833 (kSEK 2,685) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The counterparty is Masen, the state-owned Moroccan Agency for Solar Energy. Masen holds 16,666,667 warrants in the company and has one representative on the Board of the company. Total accrued expenses amount to kSEK 14,926. The conditions for the services carried out are based on commercial terms.

Note 5 Earnings per share

	Jan–Mar 2020	Jan–Mar 2019	Jan–Dec 2019
SEK			
Basic earnings per share	-0.51	-0.67	-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	-45,089	-28,184	-160,897
Number			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	87,952,484	42,347,495	42,347,495
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	87,952,484	42,347,495	42,347,495
Warrants			
Adjustment for calculation of diluted earnings per share:	–	–	–

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 signed a Memorandum of Understanding (MoU) with the Chilean company Industria Mecánica VOGT S.A. (VOGT) for energy storage projects for the mining industry in Latin America. The MoU includes a collaboration of 10 MW of installed capacity of Azelio's energy storage from 2021 to 2024 and is expected to be expanded with further projects under this first agreement. VOGT is a leading supplier of pumping systems for the mining industry in Latin America. The company's customers include some of the largest metal and non-metallic mining companies in the region.

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, 13 May 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

Lars Thunell
Board member

Bertil Villard
Board member

Jonas Eklind
CEO

Financial calendar

Annual General Meeting: 14 May 2020
Interim report January – June 2020: 22 August 2020
Interim report January – September 2020: 20 November 2020

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.

Address

Azelio AB
Lindholmsplatsen 1
SE-417 56 Gothenburg, Sweden

Contact

For further information, please contact:

Jonas Eklind - CEO, jonas.eklind@azelio.com
Kennet Lundberg – CFO, kennet.lundberg@azelio.com

Certified Adviser

FNCA Sweden AB
Tel: +46(0)8-528 00 399
Mail: info@fnca.se