

FIRST QUARTER 2021



Financing secured to initiate series production

Azelio's directed share issue generated gross proceeds of SEK 596 million in the first quarter. The share issue attracted very strong interest, with subscribers including major Swedish and international investors. The proceeds will primarily be used to finance the continued industrialisation of the energy storage system with the objective of starting series production in September 2021, and to fund the company's business plan until the operations are cash-flow positive, which is expected to occur during 2022.

The commercialisation of the energy storage system continued in the first quarter with an order in Sweden for two energy storage units to store surplus energy from a 446 kW solar PV system on a larger industrial building and make the solar energy available around-the-clock as electricity and heat. The units will improve the productivity of the system installed, reduce dependency on the local heating network, and increase the customer's use of renewable energy by 24%, which will also reduce CO2 emissions by 168 tonnes per year.

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Group financial development

Q1: January – March 2021

- Net sales amounted to kSEK 97 (128)
 - Operating profit/loss (EBIT) amounted to kSEK -64,733 (-44,991)
 - Earnings per share before and after dilution SEK -0.61 (-0.51)
 - Profit/loss for the period amounted to kSEK -65,060 (-45,089)
- Cash flow amounted to kSEK 498,911 (237,459)
 - Cash and bank balances amounted to kSEK 831,458 (293,221)

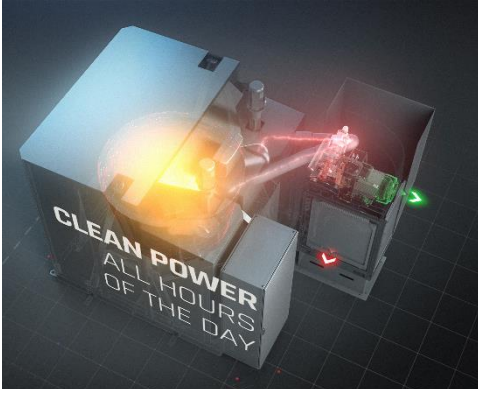
Significant events

Q1: January – March 2021

- An MoU was signed with Svea Solar to jointly develop projects in Sweden using energy storage units with a total of 8 MW of installed power and more than 100 MWh in storage capacity.
 - Azelio's directed share issue generated proceeds of SEK 596 million before transaction costs. Demand for shares in the issue was high.
- Azelio won its second commercial order when Swedish-based Industrisupport i Åmål AB ordered two TES.POD units to store solar energy and supply electricity and heat from the storage.
 - Azelio's sustainable technology was awarded by the Solar Impulse Foundation

Key figures for the Group

	Jan–Mar 2021	Jan–Mar 2020	Jan–Dec 2020
Net sales, kSEK	97	128	1,074
Operating profit/loss, kSEK	-64,733	-44,991	-191,939
Profit/loss for the period, kSEK	-65,060	-45,089	-192,572
Earnings per share before and after dilution, SEK	-0.61	-0.51	-2.03
Equity, kSEK	1,275,664	664,993	772,257
Equity/assets ratio, %	87	86	84
Cash flow from operating activities, kSEK	-28,158	-46,553	-150,220
Cash and bank balances, kSEK	831,458	293,221	332,463



“We are working to start series production in September this year, and gradually ramp up production volumes after that. We have a plan for achieving this. This plan will lead to a new, significant Swedish industrial company that will make a difference for the global climate transition.”

Jonas Eklind, CEO

Comments from CEO

Azelio remains committed to its plan

We are continuing to develop Azelio according to the business plan that we have set out for industrialising our energy storage system, TES.POD in the global market. We signed a Memorandum of Understanding (MoU) during the quarter, this time with Sweden's largest solar PV installer, Svea Solar. We also achieved a strategically important milestone with our second commercial order, domestically in Sweden this time.

Sweden leading the way

By doing business in Sweden, we are showing that the system is commercially attractive in many geographies and for many different purposes. With TES.POD, our customer will increase use of its existing solar PV system by 24% and at the same time significantly reduce its carbon footprint. Furthermore, the company will make use of the heat generated by the system to heat the industrial property and thereby reduce its dependency on the local heating network, which further improves the economics of the system. When all calculations were done, our solution outperformed lithium-ion batteries and diesel as well as not doing any changes, this in a market with a high share of hydropower, which has long been deemed a guarantor for a sustainable energy system.

Sustainable base load power

The attractiveness of Azelio's energy storage in Sweden is an effect of electricity prices becoming increasingly variable, which is now the case in many Western countries as the share of non-dispatchable energy, such as solar and wind, rises. The climate effects of more solar and wind energy are of course positive but the existing electricity systems are not designed to handle such intermittent energy sources. Electricity prices in Sweden during the spring/summer proved to be five times higher than during the corresponding period last year and varied considerably at different times of the day, almost always to the disadvantage of investors in solar and wind energy. In such an environment, own sustainable base load power, such as TES.POD, becomes highly attractive.

Status verification and start of series production

The verification data generated forms the basis for the two smaller commercial orders signed in Dubai and in Sweden.

Verification data enabling financing also of larger projects will be available before the start of production, which is planned for in September 2021, with ramp up of volumes in 2022.

More and more realising the future potential of energy storage

During the period, Azelio was awarded the Solar Impulse Efficient Solution label, whereby external experts assess the climate value, competitiveness and maturity for market establishment of a technology. Moreover, Azelio was selected from hundreds of applicants as one of 40 global cleantech companies – and the only Swedish company – to present at the National Renewable Energy Laboratory (NREL) Industry Growth Forum in April 2021. There are many more examples, all demonstrating a genuine need that the world is now prepared to invest in to meet.

Successful capital-raising initiative

A directed share issue of SEK 596 million before transaction costs was completed in March that – alongside the capital raised – also strengthened the shareholder base by adding large Swedish and international institutions. The proceeds will primarily be used as working capital to initiate series production and commercialisation of the product, and to fund the business plan until the company is cash-flow positive, which is expected to occur during 2022. We are heading towards a period in which the need for working capital is increasing and when our cash balances may also be temporarily affected by pandemic restrictions, such as by causing delays in installations.

Towards targets for 2021

We are approaching the start of series production, which will take us from the development stage to an industrial stage. We are working to start series production in September this year, and gradually ramp up production volumes after that. This work involves primarily assisting suppliers in their transition from small scale to industrial volumes, and to prepare our internal organisation for the transition. We are also to continue to build up an order book that matches these larger volumes. We have a plan for achieving this. This plan will lead to a new, significant Swedish industrial company that will make a difference for the global climate transition.

Jonas Eklind, CEO

The business



Rapid global electrification

Around the world, fossil fuels are being replaced more and more by electricity. To make this transition truly green and meet the UN's Sustainable Development Goals, the grids also need to increasingly rely on renewable sources of 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 and at the right cost is vital for global economic growth. 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 will 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, and a second commercial order was received in March from Industrisupport i Åmål for two TES.POD units.

Significant events

Q1: January – March 2021

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.

New share issue of SEK 596 million

Azelio completed a directed share issue at a subscription price of SEK 56 per share, through which the company raised SEK 596 million before issue expenses. The proceeds will finance the continued industrialisation of Azelio's Thermal Energy Storage (TES) and Stirling-based electricity production technology, with the objective to start series production in the third quarter of 2021, and to be able to finance additional development projects and general corporate purposes. The share issue attracted very strong interest from new reputable Swedish and international institutional investors, along with existing shareholders.

Order in Sweden for two TES.POD

Industrisupport i Åmål AB ordered two TES.POD units for a system that will store surplus energy from a 446 kW rooftop solar PV system and make it available around-the-clock in the form of electricity and heat. With this installation, Industrisupport i Åmål is expected to increase its use of renewable energy by 24% and thus reduce CO2 emissions by 168 tonnes per year.

Azelio's sustainable technology awarded by the Solar Impulse Foundation

Azelio's energy storage system, TES.POD, was awarded the Solar Impulse Efficient Solution. The Solar Impulse Foundation aims to identify 1,000 solutions globally, which have the capacity to slow down climate change. The selection process includes both economic and environmental assessments by independent experts. The prize is awarded only to products that have reached a high technical maturity.

Group financial development

Q1: January – March 2021

Revenue, expenses, and profit/loss

Net sales amounted to kSEK 97 (128). Own work capitalised amounted to kSEK 40,241 (28,581) for the quarter.

Expenses amounted to kSEK -105,596 (-80,807). Operating profit/loss (EBIT) amounted to kSEK -64,733 (-44,991)

Loss from financial items during the period was kSEK -327 (-98) and consisted mainly of interest income, interest expenses and similar profit/loss items. Earnings amounted to kSEK -65,060 (-45,089). Earnings per share before and after dilution amounted to SEK -0.61 (-0.51).

Cash flow, investments, and financial position

Cash flow from operating activities during the quarter amounted to kSEK -28,158 (-46,553). Cash flow from financing activities amounted to kSEK 565,878 (307,789).

Investments affecting cash flow during the quarter amounted to kSEK -38,809 (-23,777), mainly in the form of capitalised development.

Cash and cash equivalents amounted to kSEK 831,458 (293,221) as of 31 March.

Equity at the end of the period amounted to kSEK 1,275,664 (664,993), or SEK 11.09 per share (7.56). The equity/assets ratio as of the same date was 87% (86%).

Parent company

Net sales for the parent company in the first quarter amounted to kSEK 97 (128). The operating result amounted to kSEK -64,001 (-44,145) and the result for the period was kSEK -65,451 (-51,170). Equity at the end of the period amounted to kSEK 1,274,626 (664,059).

Organisation

At the end of the period, the number of employees was 165 (124), of whom 127 (99) were men and 38 (25) were women. The average number of employees in the period was 161 (122).

Share capital

As a result of the directed share issue that was completed during the quarter, the number of shares outstanding increased by 10,638,225 to 115,018,521, and the share capital increased by SEK 5,319,113 to SEK 57,509,262.

10 largest shareholders

Name	%	Verified
Blue Marlin AB / Kent Janér	15.4	20210430
Capital Group	5.0	20210331
Avanza Pension	4.2	20210430
Braginsky Family Office AG	3.5	20210430
Jim O'neill	2.9	20210131
Swedbank Robur Fonder	2.3	20210430
Argenta Asset Management SA	2.1	20210430
Nordnet Pensionsförsäkring AB	1.5	20210430
Alfred Berg Fonder	1.4	20210430
Chahine Capital	1.3	20210507

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear and Morningstar.

Warrants

At the end of the period, there were 38,800,333 warrants, issued in seven different series with exercise prices of between SEK 13 and SEK 40. Full conversion of these warrants would increase the number of shares by 7,004,056 shares.

Share data

On 31 March 2021, the share closed at 60.80, which was an increase of 16.5% from SEK 52.20 at year-end.

Related party transactions

In the first 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 18,259 (14,926) in total. These services are performed on market terms.

Coronavirus pandemic postpones timetable by a quarter

Azelio announced in 2020 that as a result of COVID-19, the company's overall timetable had been postponed by a quarter due to travel restrictions. The postponement means that series production is scheduled for Q3 2021. Azelio is continually monitoring developments to plan the production and commercialisation of the company's energy storage systems and to ensure the safest and most efficient implementation of its projects.

Outlook

Azelio follows a business plan that is based on the company securing increasing order volumes that will be met with series manufactured products from the third quarter of 2021. The operations are expected to become cash-flow positive in 2022.

Significant risks and uncertainties

The current valuation of the company's assets in the form 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 use of the Stirling engine was made possible by the company's previous 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 concluded several MoUs with potential customers and also received the first 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 does not secure the orders that the company had expected or at the rate that the company had expected, which could in turn lead to a delay for the commercialisation of the company's products and technology.

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.

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 13 granted patents and 15 patents pending. 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 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. It follows that the company will operate in different countries which in some cases require regulatory approvals, certifications, approvals or requirements from government agencies or other administrative bodies. These may also have different local standards or specific deviations, 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

Report on earnings and other comprehensive income for the Group and the Parent Company, as well as the Group's report on cash flows, for the period 1 January - 31 March 2021 and Report on the financial position of the Group and the Parent Company as of 31 March 2021 are reviewed by the company's elected auditors.

Condensed financial statements

Condensed consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Jan–Mar 2021	Jan–Mar 2020	Jan–Dec 2020
Revenue				
Net sales	4	97	128	1,074
Own work capitalised		40,241	28,581	126,730
Other operating income		524	7,107	7,817
		40,863	35,816	135,621
Costs				
Raw materials and consumables		-1,124	-661	-3,219
Other external expenses		-59,757	-38,583	-162,372
Employee benefit expenses		-40,086	-36,387	-140,869
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-4,350	-4,925	-20,702
Other operating expenses		-278	-251	-397
Total operating expenses		-105,596	-80,807	-327,560
Operating loss		-64,733	-44,991	-191,939
Financial items				
Financial income		0	478	750
Finance costs		-327	-576	-1,382
Total financial items		-327	-98	-633
Loss after financial items		-65,060	-45,089	-192,572
Tax on profit for the period		0	0	0
Loss for the period		-65,060	-45,089	-192,572
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		67	-322	-505
Other comprehensive income		67	-322	-505
Total comprehensive income for the period		-64,993	-45,411	-193,077
		Jan–Mar 2021	Jan–Mar 2020	Jan–Dec 2020
Earnings per share before and after dilution	6	-0.61	-0.51	-2.03
Average number of shares		106,703,042	87,952,484	94,641,570
Number of shares at end of period		115,018,521	91,752,900	104,102,400

Condensed financial statements

Condensed consolidated statement of financial position

Amounts in kSEK	Note	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS				
Intangible non-current assets				
Capitalised expenditure for development and similar		558,977	425,565	518,744
Total intangible non-current assets		558,977	425,565	518,744
Property, plant and equipment				
Leasehold improvements		4,433	3,616	4,692
Equipment, tools, fixtures and fittings		23,526	17,227	19,033
Total property, plant and equipment		27,959	20,843	23,725
Right-of-use assets		25,863	20,041	24,004
Total non-current assets		612,800	466,450	566,474
Inventories				
Raw materials and consumables		2,359	3,928	3,053
Finished goods and goods for resale		688	713	688
Total inventories		3,047	4,641	3,741
Current assets				
Trade receivables		23	85	183
Current tax assets		420	367	1,345
Other receivables		15,409	8,743	14,025
Prepaid expenses and accrued income		3,910	3,868	3,932
Cash and cash equivalents		831,458	293,221	332,463
Total current assets		854,267	310,925	355,688
TOTAL ASSETS		1,467,066	777,375	922,162
EQUITY AND LIABILITIES				
Equity				
Share capital		57,509	45,876	52,051
Other paid-in capital		2,384,162	1,577,062	1,821,219
Reserves		-833	-717	-900
Retained earnings, including profit/loss for the year		-1,165,173	-957,229	-1,100,114
Total equity		1,275,664	664,993	772,257
Non-current liabilities				
Other liabilities		22,674	22,755	22,674
Lease liabilities		15,475	12,172	14,470
Total non-current liabilities		38,149	34,927	37,145
Current liabilities				
Advances from customers		135	0	0
Trade payables		40,672	18,158	27,287
Lease liabilities		10,036	7,615	9,228
Other current liabilities		38,498	877	26,810
Accrued expenses and deferred income		63,912	50,804	49,435
Total current liabilities		153,253	77,455	112,761
TOTAL EQUITY AND LIABILITIES		1,467,066	777,375	922,162

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 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

Amounts in KSEK	Note	Share capital		Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2021		52,051		1,821,218	-900	-1,100,114	772,257
Loss for the period						-65,060	-65,060
Other comprehensive income					67		67
Total comprehensive income for the period		52,051		1,821,219	-833	-1,165,173	707,264
Transactions with shareholders							
New share issue		5,458		562,943			568,401
Closing balance, 31 March 2021		57,509		2,384,162	-833	-1,165,173	1,275,664

Condensed financial statements

Condensed consolidated statement of cash flows

Amounts in kSEK	Note	Jan–Mar 2021	Jan–Mar 2020	Jan–Dec 2020
Cash flow from operating activities				
Operating loss		-64,733	-44,991	-191,939
Interest received		0	0	0
Interest paid		-326	-136	-956
Other financial items		-1	38	324
Adjustment for non-cash items		3,596	4,925	13,595
Income tax paid		0	0	0
Increase(-)/decrease (+) in inventories		1,448	424	1,324
Increase (-)/decrease (+) in operating receivables		-1,279	-403	1,226
Increase (+)/decrease (-) in operating liabilities		33,137	-6,410	26,207
Cash flow from operating activities		-28,158	-46,553	-150,220
Cash flow from investing activities				
Investments in property, plant and equipment		-6,022	-2,651	-9,486
Investments in intangible non-current assets		-32,787	-21,126	-119,275
Investments in financial assets		0	0	0
Cash flow from investing activities		-38,809	-23,777	-128,762
Cash flow from financing activities				
Warrants redeemed		9,954	0	0
New share issue		558,447	309,585	559,917
Proceeds from warrants issued		0	64	4,662
Repayment of lease liability		-2,523	-1,860	-8,613
Repayment of borrowings		0	0	-81
Cash flow from financing activities		565,878	307,789	555,886
Cash flow for the period		498,911	237,459	276,905
Cash and cash equivalents at beginning of period		332,463	55,634	55,634
Exchange rate differences in cash and cash equivalents		84	127	-76
Cash and cash equivalents at end of period		831,458	293,221	332,463

Condensed financial statements

Condensed parent statement of income and other comprehensive income

Amounts in kSEK	Note	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Net sales	4	97	128	1,074
Own work capitalised		40,241	28,581	126,730
Other operating income		524	7,107	7,817
		40,863	35,816	135,621
Raw materials and consumables		-1,124	-661	-3,219
Other external expenses		-62,190	-42,991	-170,373
Employee benefit expenses		-39,475	-33,040	-138,351
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-1,796	-3,017	-11,941
Other operating expenses		-278	-251	-397
Total operating expenses		-104,864	-79,960	-324,281
Operating loss		-64,001	-44,145	-188,660
Income from participations in Group companies		-1,317	-7,107	-9,844
Other interest income and similar profit/loss items		0	486	750
Interest expenses and similar profit/loss items		-132	-405	-728
Total financial items		-1,450	-7,026	-9,823
Loss after financial items		-65,451	-51,170	-198,483
Tax on profit for the period		0	0	0
Loss for the period		-65,451	-51,170	-198,483

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 2021	31 Mar 2020	31 Dec 2020
ASSETS				
Capitalised expenditure for development and similar		558,977	425,565	518,744
Total intangible non-current assets		558,977	425,565	518,744
Property, plant and equipment				
Leasehold improvements		4,433	3,616	4,692
Equipment, tools, fixtures and fittings		23,526	17,227	19,033
Total property, plant and equipment		27,959	20,843	23,725
Financial non-current assets		50	50	50
Total non-current assets		586,987	446,458	542,519
Inventories				
Raw materials and consumables		2,359	3,928	3,053
Finished goods and goods for resale		688	713	688
Total inventories		3,047	4,641	3,741
Trade receivables		23	85	183
Receivables from Group companies		0	0	0
Current tax assets				
Other receivables		420	367	1,345
Prepaid expenses and accrued income		15,340	8,677	13,964
Cash and bank balances		4,816	4,545	4,757
Total current assets		829,457	291,532	331,150
TOTAL ASSETS		1,440,089	756,305	897,660
EQUITY AND LIABILITIES				
Equity				
Share capital		57,509	45,876	52,051
Development expenditure fund		513,111	374,721	472,870
Share premium reserve		2,384,162	1,577,062	1,821,219
Retained earnings including profit/loss for the period		-1,680,156	-1,333,600	-1,574,464
Total equity		1,274,626	664,059	771,676
Provisions				
Other provisions		0	0	0
Total provisions		0	0	0
Non-current liabilities				
Other liabilities		22,674	22,755	22,674
Total non-current liabilities		22,674	22,755	22,674
Current liabilities				
Advances from customers		135	0	0
Trade payables		40,672	18,158	27,287
Other current liabilities		38,070	528	26,587
Accrued expenses and deferred income		63,912	50,804	49,435
Total current liabilities		142,789	69,491	103,309
TOTAL EQUITY AND LIABILITIES		1,440,089	756,305	897,660

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 2020. 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. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Certain estimates must be made in these calculations in the form of risk-free interest, market risk premium, industry beta value, equity and company-specific alpha value.

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 831,458, which is estimated to be sufficient to safeguard the company's operations until the business become cash-flow positive, which is expected to occur during 2022. Accordingly, 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.

Revenue from external customers by type of product and service:	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Stirling engines	0	0	0
Service obligations, gas business	25	70	206
Spare parts, gas business	72	58	714
Other	0	0	154
Total	97	128	1,074

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

	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Sweden	26	41	347
EU	51	58	449
Outside the EU	20	29	278
Total	97	128	1,074

In the first quarter, revenue from major customers (more than 10%) amounted to kSEK 97 (128).

Note 5 Related-party transactions

In the first quarter 2020, 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. 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 18,259 (14,926) in total. These services str carried out on commercial terms.

Note 6 Earnings per share

	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
SEK			
Basic earnings per share	-0.61	-0.51	-2.03

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	-65,060	-45,089	-192,572
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Number

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

	106,703,042	87,952,484	94,641,570
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Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

	106,703,042	87,952,484	94,641,570
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Warrants

Adjustment for calculation of diluted earnings per share: 0 0 0

Warrants have not had any dilutive effect since profit for the period is negative

Assurance of the Board

The Board of Directors and CEO give their assurance that this interim report provides a true and fair account of the company's operations, financial position and earnings, and that it describes the material risks and uncertainties faced by the company.

Gothenburg, 11 May 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 General Meeting	11 May 2021
Q2 Report 2021	20 August 2021
Q3 Report 2021	19 November 2021

Definitions

Earnings per share

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

Employee benefit expenses

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

Equity

Equity at the close of the period.

Equity/assets ratio

Total equity / Total assets.

Number of shares

Average number of shares, weighted average number of shares during a certain period. Number of shares per day / number of days during the period.

Operating income

All income including own work capitalised.

Operating profit (EBIT)

Profit/loss before financial items and tax.

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Contact

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