



YEAR-END REPORT 2021

Group financial development

Q4: Oct – Dec 2021

- Net sales amounted to kSEK 44 (451)
- Operating profit/loss (EBIT) amounted to kSEK -108,277 (-49,001) after depreciation and amortisation of kSEK -38,901 (-4,993)
- Earnings per share before and after dilution totalled SEK -0.94 (-0.47)
- Profit/loss for the period amounted to kSEK -108,925 (-49,141)
- Cash flow for the period amounted to kSEK -114,263 (-84,469)
- Cash and bank balances amounted to kSEK 503,388 (332,463)

Full-year 2021

- Net sales amounted to kSEK 1,162 (1,074)
- Operating profit/loss (EBIT) amounted to kSEK -364,175 (-191,939) after depreciation and amortisation of kSEK -112,332 (-20,702)
- Earnings per share before and after dilution totalled SEK -3.23 (-2.03)
- Profit/loss for the period amounted to kSEK -365,872 (-192,572)
- Cash flow for the period amounted to kSEK 170,787 (276,905)

Significant events

Q4: Oct – Dec 2021

- The leading certification body, DNV, issued a validation report showing that the TES.POD® energy storage system performs in all aspects in accordance with the technical performance specification. As part of the validation, DNV performed a due diligence of Azelio's technology, production, R&D and test facilities, as well as partaking of operational data relating to production and storage capacity, system efficiency and response times.
- An order was received for 1.3 MWh of renewable electricity supply, corresponding to eight TES.POD® units, from the South Africa-based agricultural company, Wee Bee Ltd. The order has a value of approximately SEK 11 million over a period of 15 years.
- TES.POD® units were delivered for installations in Masdar City in Abu Dhabi and Coligny, Northwest Province, South Africa.
- To enhance the efficiency of the supply chain, it was decided to establish a unit in Vaggeryd to consolidate peripheral production processes for the storage production. Operations at the unit are scheduled to commence in the autumn of 2022.

- Lars Murgård was appointed new VP Development. Lars, who has a solid background in automotive, joined the company from Jaguar Land Rover where he was Chief Program Engineer, Powertrain Systems Engineering. He has also held senior positions, including at Volvo Cars.
- Azelio was part of the launch of the Long Duration Energy Storage Council during COP26 in Glasgow together with 24 other technology companies, users and investors. The Council will accelerate the transition towards grid net-zero by 2040 through energy storage for use over a long time.

Events after the end of period

- In order not to jeopardize the commercial breakthrough for TES.POD® and the opportunities for strong growth, we have initiated a process to strengthen our financial position in 2022. In total, the capital need is estimated to 300-500 MSEK and we are now evaluating different options including both debt and equity.
- Together with Khalifa University and Masdar, Azelio inaugurated the two commercial TES.POD® units that have supplemented the installation in Masdar City, Abu Dhabi. The units will be demonstrated and evaluated by Khalifa University for inclusion in the Masdar product portfolio.

Key figures for the Group

	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net sales, kSEK	44	451	1,162	1,074
Operating profit/loss, kSEK	-108,277	-49,001	-364,175	-191,939
Profit/loss for the period, kSEK	-108,925	-49,141	-365,872	-192,572
Earnings per share before and after dilution, SEK	-0.94	-0.47	-3.23	-2.03
Equity, kSEK	1,008,102	772,257	1,008,102	772,257
Equity/assets ratio, %	80	84	80	84
Cash flow from operating activities, kSEK	-77,834	-40,810	-234,579	-150,220
Cash and bank balances, kSEK	503,388	332,463	503,388	332,463



“A major milestone that we achieved in 2021 was that we were able to deliver TES.POD® units to the commercial project in South Africa.”

Jonas Eklind, CEO

Comments from the CEO

Important milestones achieved – challenges remain

Azelio achieved several key milestones in the past year. We finalised the technology development and completed the TES.POD® system for volume production. The technology, production, R&D and test facilities were validated by the leading certification body DNV, which in December issued a validation report showing that the system delivers according to the technical performance specification. The validation is of great importance in the commercialization of the product as it serves as documentation for customers seeking external financing of projects with the technology. The final major milestone that we achieved in 2021 was that we were able to deliver TES.POD® units to the commercial project in South Africa.

The pandemic creates challenges and a need to strengthen financing

The ongoing pandemic has resulted in major challenges in the form of restrictions and component shortages. The lack of components has been noticeable to us overall and the situation deteriorated during the fourth quarter. We have also identified a need to take control of central technology for coating the storage tank, which requires investments in Vaggeryd, Sweden.

We engage in dialogues with a large number of customers, among them are those who have signed MoU agreements as well as other parties. Difficulties to visit customers and project sites have been particularly challenging as we are introducing a new technology, resulting in delays, also delaying getting reference projects in place. However, we are now beginning to see light at the end of the tunnel with the newly completed DNV technical report as well as the easing of travel restrictions

We still expect the pandemic to continue to affect component supply, order intake and cash flow during large parts of 2022, despite the fact that we have recently begun to get more positive indications from subcontractors and that travel possibilities are improving.

In order not to jeopardize the commercial breakthrough for TES.POD® and the opportunities for strong growth, we have initiated a process to strengthen our financial position in 2022. In total, the capital need is estimated to 300-500 MSEK and we are now evaluating different options, including both debt and equity.

Measures to speed up processes

Our goal is to become a technology supplier, but initially we also assume the role of joint owners in projects, designing them together with partners, establishing them and then selling their production as EaaS (Energy-as-a-Service). Due to the prevailing inertia in the market, we have decided to invest more in these types of projects than was originally planned. Short term, this requires capital, however, it gives us valuable reference projects that can serve as models for other projects with similar conditions. We can also gain valuable insight into the system's use by end users, which contributes to strengthening our offering to the market.

Success by local presence

Another measure we have taken to manage the effects of the pandemic is to hire country managers locally in Australia and South Africa. One positive outcome of this strategy is the deal with the South African agricultural company Wee Bee Ltd. The deal makes us owner of a project company that supplies electricity to Wee Bee Ltd, reducing their energy costs and emissions, and bringing significantly higher reliability to their energy supply. There are many similar farms in the region that suffer from unstable electricity supply and are attracted by lower energy costs that TES.POD® can provide. The project with Wee Bee Ltd is an important reference project for additional business.

Different types of agricultural activities are also in focus in Australia. The system's competitiveness in the sector is reinforced by the fact that the heat generated has very good applications in sustainable agriculture, among others for heating animal stables and greenhouses. Heat is also a field that is increasingly gaining attention in the green energy transition. The Long Duration Energy Storage Council has accordingly recently added the "Net-zero heat" area to its operations.

In focus for 2022

Despite a challenging situation, in 2021 we developed a supply chain and began production of TES.POD® units in volume design. We reached the goal of securing and initiating delivery of a project in the size of 100 kW or larger. The pandemic with associated restrictions continues to be a challenge for us, as it impacts subcontractors' supply ability and creates inertia in sales. Although there are many indications that the situation is set to improve during the year, we will face continued challenges for a period. This means that the increase in volumes may take longer than previously expected, but we still aim to reach high volumes by the end of 2022. As the world continues the quest for more sustainable energy solutions, I remain confident that we are well placed for the long game.

Jonas Eklind, CEO

The business



We are driving the development of a renewable society

When renewable energy is stored and made available as required at all hours of the day, we can drive innovation, growth, and prosperity. In this way, Azelio is driving the development of a renewable society – for people, enterprises, and the planet. The use of renewable energy must increase to accelerate the electrification of a growing society and to limit global warming to 1.5°C. It is clear that the transition from fossil to renewable is well on its way. But renewable energy has its natural limits if it cannot be stored. With this in mind, we developed a solution that makes energy from renewable sources available and cost-effective, where it is needed at any time of day.

Redefining energy infrastructure

Such energy sources as sun and wind only produce energy for certain parts of the day. An increasingly stronger dependence on renewable energy from these types of intermittent energy sources places the grid under pressure due to production variations, fluctuating electricity prices and network balancing costs. Since clean electricity is becoming increasingly preferred, we must redefine the energy infrastructure, with a design that is capable of capturing and storing renewable energy. With our solution, we can move the power generated from renewable energy from when it is available to when it is needed.

Future beyond the grid

Tomorrow's energy infrastructure will comprise storage solutions that balance conventional grid systems, replace pollutant diesel and supplement short-term storage, such as batteries. Our solution, TES.POD® (Thermal Energy Storage – Power on Demand), provides access to clean energy at sites on-grid and off-grid at all times of day.

TES.POD® – exchanges energy

Our TES.POD® is a solution for energy storage, such as heat at 600°C, with a phase change material of recycled aluminium. Aluminium has a high degree of energy density and is an excellent material for storing and retaining heat over extended periods. The aluminium storage medium also has a competitive advantage in that its capacity does not diminish over time. The heat stored is transformed as required to emission-free electricity using a Stirling engine and the system also delivers usable heat that maintains a temperature of 55–65°C. The TES.POD® system is agnostic to technologies, energy sources and geographies. It is scalable and competitive from 0.1 MW up to 100 MW, meaning that we can meet the needs of many different sectors, from small to large-scale. Designed and manufactured in Sweden – installed throughout the world.

Azelio – A Swedish cleantech company

Azelio is a Swedish cleantech company with tailored innovation for long-term storage of renewable energy. We endeavour to drive the trend towards a renewable society by resolving the acute need for controllable and cost-effective clean energy. We stem from a strong heritage of high-tech engineering with access to the most advanced material suppliers and engineering centres of excellence in Northern Europe. We have our head office in Gothenburg, Sweden, and production facilities at the heart of the Nordic automotive and aerospace clusters on the Swedish west coast.

Financial development

Q4: Oct – Dec 2021

Revenue, expenses and profit/loss

Net sales amounted to kSEK 44 (451). Own work capitalised amounted to kSEK 40,653 (39,469) for the quarter.

Expenses amounted to kSEK -149,317 (-89,171). Costs of installations at customers were recognised as Raw materials and consumables in 2021, as the company has not yet recognised revenue from these installations. Since the first commercial orders for the energy storage system were won in 2021, the company has also started to write off the development costs accumulated over the development period. Accordingly, amortisation and depreciation increased to kSEK -38,901 (-4,993), of which amortisation of development costs totalled kSEK -32,709 (-1,323).

Operating profit/loss (EBIT) amounted to kSEK -108,277 (-49,001)

Loss from financial items during the period was kSEK -648 (-143).

Profit/loss for the period amounted to kSEK -108,925 (-49,141)

Earnings per share amounted to SEK -0.94 (-0.47).

Cash flow, investments and financial position

Cash flow from operating activities amounted to kSEK -77,834 (-40,810). Cash flow from financing activities amounted to kSEK 12,856 (-1,340). Investments affecting cash flow amounted to kSEK -49,285 (-42,319), mainly in the form of capitalised development costs. Cash flow for the period amounted to kSEK -114,263 (-84,469).

Trade receivables increased from earlier periods. This increase derives from the sale of direct material to suppliers and impacts only the balance sheet, not revenue or costs.

Cash and cash equivalents amounted to kSEK 503,388 (332,463) as of 31 December.

Equity at the end of the period amounted to kSEK 1,008,102 (772,257), or SEK 8.70 per share (7.42). The equity/assets ratio as of the same date was 80% (84%).

Parent company

Net sales for the parent company amounted to kSEK 44 (451). Operating profit/loss (EBIT) amounted to kSEK -107,325 (-48,212) and earnings for the quarter totalled kSEK -108,818 (-49,558). Equity at the end of the period amounted to kSEK 1,007,834 (771,676).

Full-year 2021

Revenue, expenses and profit/loss

Net sales amounted to kSEK 1,162 (1,074). Own work capitalised amounted to kSEK 148,614 (126,730) for the full year.

Expenses amounted to kSEK -515,909 (-327,560), of which amortisation/depreciation and impairment accounted for kSEK -112,332 (-20,702). Costs of installations at customers were recognised as Raw materials and consumables in 2021, since the company has not yet recognised revenue from these installations. Operating profit/loss (EBIT) amounted to kSEK -364,175 (-191,939)

Loss from financial items was kSEK -1,697 (-633) and consisted mainly of interest income, interest expenses and similar profit/loss items. Earnings for the year amounted to kSEK -365,872 (-192,572). Earnings per share before and after dilution amounted to SEK -3.23 (-2.03).

Cash flow, investments and financial position

Cash flow from operating activities amounted to kSEK -234,579 (-150,220). Cash flow from financing activities amounted to kSEK 590,520 (555,886). Investments affecting cash flow during the period amounted to kSEK -185,153 (-128,762), mainly in the form of capitalised development. Cash flow for the period amounted to kSEK 170,787 (276,905)

Trade receivables increased from earlier periods. This increase derives from the sale of direct material to suppliers and did not impact revenue or costs.

Cash and cash equivalents amounted to kSEK 503,388 (332,463) as of 31 December.

Equity at the end of the year amounted to kSEK 1,008,102 (772,257), or SEK 8.70 per share (7.42). The equity/assets ratio as of the same date was 80% (84%).

Parent company

Net sales for the parent company for the full year amounted to kSEK 1,162 (1,074). Operating profit/loss (EBIT) amounted to kSEK -360,820 (-188,660) and profit/loss for the period totalled kSEK -365,446 (-198,483). Equity at the end of the period amounted to kSEK 1,007,834 (771,676).

Other

Organisation

At the end of the period, the number of employees was 192 (153), of whom 145 (122) were men and 47 (31) were women. The average number of employees during the year was 177 (135).

The share

On 31 December 2021, the share closed at SEK 23.76, down 55% from SEK 52.20 at the preceding year-end. Shares outstanding amounted to 115,877,180.

Ten largest shareholders

Name	Holding, %	Verified
Kent Janér through Blue Marlin	15.6	31 Dec 2021
Avanza Pension	5.4	31 Dec 2021
Capital Group	5.0	31 Dec 2021
Braginsky Family Office AG	3.5	30 April 2021
Jim O'Neill	2.9	31 Jan 2021
Argenta Asset Management SA	2.1	31 July 2021
Nordnet Pensionsförsäkring	1.5	31 Dec 2021
RAM Rational Asset Management	1.3	30 Jun 2021
Byggmästare Anders J Ahlström Holding AB	1.0	31 Dec 2021
Nordea Liv & Pension	1.0	31 Dec 2021

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

Board and management hold in total 17.8 percent of the company's shares.

Warrants

At the end of the period, there were 20,016,667 warrants, issued in six different series with exercise prices of between SEK 13 and SEK 150. Full conversion of all warrants would increase the number of shares by 5,241,953.

Related-party transactions

In the fourth quarter of 2021, an amount totalling kSEK 2,507 (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 25,000 (17,425) in total. These services are performed on market terms.

Dividend

The Board proposes that no dividend be paid for the 2021 financial year.

Annual Report 2021

The 2021 Annual Report will be available on the company's website on 13 April 2022.

Annual General Meeting

The Annual General Meeting will be held virtually on 12 May 2022. Ahead of the Annual General Meeting, a Nomination Committee has been appointed, comprising Kent Janér for Blue Marlin, Lars Thunell for Jim O'Neill, and Fredrik Ljungström, as well as Board Chairman Bo Dankis.

Outlook

The company's long-term business plan stands firm and is based on the validation of the technology's performance, continued strong customer interest in the technology and the cost of volume production according to plan. Azelio is launching a completely new technology in the market, which requires larger initial investments than competing fossil-based alternatives, although it is more cost-efficient in the long term. In addition, uncertainty

remains in relation to the pandemic regarding the supply chain and component supply, as well as the possibilities for global travel to visit customers and project sites, which makes it additionally difficult to assess volumes and related cash flow for 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 are related to various technologies, all of which are 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 commercial orders for its energy storage system, the technology has not yet achieved broad commercial success and the use of the technology is limited. There is a risk that Azelio will not secure the orders that the company expects or at the rate or the manner the company expects, which could in turn lead to a delay for the commercialisation of the company's products and technology, and place higher demands on Azelio contributing to the joint financing of projects. 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 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 markets 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

This interim report has not been audited by the company's auditors.

Financial statements

Consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020					
Revenue										
Net sales	4	44	451	1,162	1,074					
Own work capitalised		40,653	39,469	148,614	126,730					
Other operating income		343	250	1,958	7,817					
Total operating income		41,040	40,171	151,734	135,621					
Costs										
Raw materials and consumables		-9,605	-1,493	-13,998	-3,219					
Other external expenses		-69,007	-51,503	-220,066	-162,372					
Employee benefit expenses		-31,474	-31,128	-168,646	-140,869					
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-38,901	-4,993	-112,332	-20,702					
Other operating expenses		-330	-53	-867	-397					
Total operating expenses		-149,317	-89,171	-515,909	-327,560					
Operating profit/loss		-108,277	-49,001	-364,175	-191,939					
Financial items										
Financial income		0	160	0	750					
Finance costs		-648	-303	-1,697	-1,382					
Total financial items		-648	-143	-1,697	-633					
Profit/loss after financial items		-108,925	-49,144	-365,872	-192,572					
Tax on profit for the period		0	3	0	0					
Profit/loss for the period		-108,925	-49,141	-365,872	-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		41	-88	114	-505					
Other comprehensive income		41	-88	114	-505					
Total comprehensive income for the period		-108,885	-49,230	-365,757	-193,077					
<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">Oct–Dec 2021</td> <td style="text-align: center;">Oct–Dec 2020</td> <td style="text-align: center;">Jan–Dec 2021</td> <td style="text-align: center;">Jan–Dec 2020</td> </tr> </table>							Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020						
Earnings per share before and after dilution	6	-0.94	-0.47	-3.23	-2.03					
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Average number of shares		115,750,572	104,062,585	113,259,254	94,641,570					
Number of shares at end of period		115,877,180	104,102,400	115,877,180	104,102,400					

Financial statements

Consolidated statement of financial position

Amounts in kSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Intangible non-current assets			
Capitalised expenditure for development and similar		575,064	518,744
Total intangible non-current assets		575,064	518,744
Property, plant and equipment			
Leasehold improvements		7,084	4,692
Equipment, tools, fixtures and fittings		51,893	19,033
Total property, plant and equipment		58,977	23,725
Right-of-use assets		80,102	24,004
Total non-current assets		714,143	566,474
Inventories			
Raw materials and consumables		16,394	3,053
Finished goods and goods for resale		711	688
Total inventories		17,105	3,741
Current assets			
Trade receivables		4,429	183
Current tax assets		1,635	1,345
Other receivables		6,397	14,025
Prepaid expenses and accrued income		5,306	3,932
Cash and cash equivalents		503,388	332,463
Total current assets		538,259	355,688
TOTAL ASSETS		1,252,402	922,162
EQUITY AND LIABILITIES			
Equity			
Share capital		57,939	52,051
Other paid-in capital		2,414,709	1,821,219
Reserves		-786	-900
Retained earnings, including profit/loss for the year		-1,463,759	-1,100,114
Total equity		1,008,102	772,257
Non-current liabilities			
Other liabilities		22,622	22,674
Lease liabilities		65,574	14,470
Total non-current liabilities		88,196	37,145
Current liabilities			
Advances from customers		191	0
Trade payables		42,028	27,287
Lease liabilities		13,923	9,228
Other current liabilities		40,576	26,810
Accrued expenses and deferred income		59,386	49,435
Total current liabilities		156,104	112,761
TOTAL EQUITY AND LIABILITIES		1,252,402	922,162

Financial statements

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
Profit/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	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2021		52,051	0	1,821,218	-900	-1,100,114	772,257
Profit/loss for the period						-365,872	-365,872
Other comprehensive income					114		114
Total comprehensive income for the period		52,051	0	1,821,219	-786	-1,465,985	406,499
Transactions with shareholders							
New share issue		5,887		593,489			599,377
Premiums for issued warrants						2,226	2,226
Closing balance, 31 December 2021		57,939	0	2,414,709	-786	-1,463,759	1,008,102

Financial statements

Consolidated statement of cash flows

Amounts in kSEK	Note	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Cash flow from operating activities					
Operating profit/loss		-108,277	-49,001	-364,175	-191,939
Interest received		0	0	0	0
Interest paid		-545	-321	-1,576	-956
Other financial items		-103	178	-121	324
Adjustment for non-cash items		39,537	4,993	112,246	13,595
Income tax paid		0	3	0	0
Increase (-)/decrease (+) in inventories		-11,159	101	-13,278	1,324
Increase (-)/decrease (+) in operating receivables		-4,405	-3,299	1,445	1,226
Increase (+)/decrease (-) in operating liabilities		7,118	6,535	30,879	26,207
Cash flow from operating activities		-77,834	-40,810	-234,579	-150,220
Cash flow from investing activities					
Investments in property, plant and equipment		-8,633	-2,850	-43,994	-9,486
Investments in intangible non-current assets		-40,653	-39,469	-141,159	-119,275
Investments in financial assets		0	0	0	0
Cash flow from investing activities		-49,285	-42,319	-185,153	-128,762
Cash flow from financing activities					
Warrants redeemed		16,038	0	40,712	0
New share issue		0	943	558,665	559,917
Proceeds from warrants issued		0	0	2,226	4,662
Repayment of lease liability		-3,182	-2,283	-11,031	-8,613
Repayment of borrowings		0	0	-53	-81
Cash flow from financing activities		12,856	-1,340	590,520	555,886
Cash flow for the period		-114,263	-84,469	170,787	276,905
Cash and cash equivalents at beginning of period		617,597	417,027	332,463	55,634
Exchange rate differences in cash and cash equivalents		54	-96	137	-76
Cash and cash equivalents at end of period		503,388	332,463	503,388	332,463

Financial statements

Parent company statement of income and other comprehensive income

Amounts in kSEK	Note	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net sales	4	44	451	1,162	1,074
Own work capitalised		40,653	39,469	148,614	126,730
Other operating income		343	250	1,958	7,817
		41,040	40,171	151,734	135,621
Raw materials and consumables		-9,605	-1,493	-13,998	-3,219
Other external expenses		-72,322	-53,294	-231,289	-170,373
Employee benefit expenses		-30,612	-30,869	-165,365	-138,351
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-35,496	-2,673	-101,036	-11,941
Other operating expenses		-330	-53	-867	-397
Total operating expenses		-148,364	-88,383	-512,555	-324,281
Operating profit/loss		-107,325	-48,212	-360,820	-188,660
Income from participations in Group companies		-1,327	-1,358	-3,965	-9,844
Other interest income and similar profit/loss items		0	160	0	750
Interest expenses and similar profit/loss items		-166	-148	-660	-728
Total financial items		-1,494	-1,346	-4,625	-9,823
Profit/loss after financial items		-108,818	-49,558	-365,446	-198,483
Tax on profit for the period		0	0	0	0
Profit/loss for the period		-108,818	-49,558	-365,446	-198,483

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

Financial statements

Parent company balance sheet

Amounts in KSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Capitalised expenditure for development and similar		575,064	518,744
Total intangible non-current assets		575,064	518,744
Property, plant and equipment			
Leasehold improvements		7,084	4,692
Equipment, tools, fixtures and fittings		51,893	19,033
Total property, plant and equipment		58,977	23,725
Financial non-current assets			
Participations in Group companies		50	50
Total financial non-current assets		50	50
Total non-current assets		634,091	542,519
Inventories			
Raw materials and consumables		16,394	3,053
Finished goods and goods for resale		711	688
Total inventories		17,105	3,741
Trade receivables		4,429	183
Current tax assets		1,635	1,345
Other receivables		6,332	13,964
Prepaid expenses and accrued income		6,701	4,757
Cash and bank balances		502,140	331,150
Total current assets		538,341	355,140
TOTAL ASSETS		1,172,433	897,660
EQUITY AND LIABILITIES			
Equity			
Share capital		57,939	52,051
Development expenditure fund		536,116	472,870
Share premium reserve		2,414,709	1,821,219
Retained earnings including profit/loss for the period		-2,000,929	-1,574,464
Total equity		1,007,834	771,676
Provisions			
Other provisions		0	0
Total provisions		0	0
Non-current liabilities			
Other liabilities		22,622	22,674
Total non-current liabilities		22,622	22,674
Current liabilities			
Advances from customers		191	0
Trade payables		42,028	27,287
Other current liabilities		40,372	26,587
Accrued expenses and deferred income		59,386	49,435
Total current liabilities		141,977	103,309
TOTAL EQUITY AND LIABILITIES		1,172,433	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 thousand Swedish kronor (kSEK). Data in parentheses pertain to the comparative periods.

Note 2 Summary of significant accounting policies

Azelio's consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies and definitions applies concur with those described in the Azelio Group's Annual Report for 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 five 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 2022/2023 and that these projects and additional investments can be financed. Since the test period is only five 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 as the company's operating activities generate a positive cash flow, the company is dependent on external financing, either as a contribution from shareholders or from other sources of financing. The Board of Directors deems that the company in the near future will invest more in jointly owned projects than previously assumed, which places further demands on financing. Accordingly, the Board is evaluating various possibilities to further strengthen the company's financial position in 2022. In total, the capital need is estimated to 300-500 MSEK and we are now evaluating different options, including both debt and equity. The Board deems the possibility to secure such new financing to be good, and consequently sees that the annual accounts can be released under the assumption of going concern.

Note 4 Net sales**Revenue**

Since revenue from external parties is reported to the CEO, it is measured in a manner consistent with that in the consolidated statement of income and other comprehensive income.

	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Revenue from external customers by type of product and service:				
Products	0	0	486	0
Service obligations	17	25	92	206
Spare parts	27	366	233	714
Other	0	60	351	154
Total	44	451	1,162	1,074

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

	Oct–Dec 2021	Oct–Dec 2021	Jan–Dec 2021	Jan–Dec 2020
Sweden	17	99	443	347
EU	27	159	213	449
Outside the EU	0	194	506	278
Total	44	451	1,162	1,074

Revenue from major customers (more than 10%) amounted to kSEK 44 (kSEK 344) for the fourth quarter and to kSEK 636 (kSEK 662) accumulated for the period.

Note 5 Related-party transactions

In the fourth quarter of 2021, an amount totalling kSEK 2,507 (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 25,000 (17,425) in total. These services are performed on market terms.

Note 6 Earnings per share

	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
SEK				
Basic earnings per share	-0.94	-0.47	-3.23	-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	-108,925	-49,141	-365,872	-192,572
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Number

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

	115,750,572	104,062,585	113,259,254	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

115,750,572	104,062,585	113,259,254	94,641,570
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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.

Assurance of the Board

The Board of Directors and CEO give their assurance that this year-end 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, 25 February 2022

Bo Dankis
Chairman of the
Board

Hicham Bouzekri
Board member

Carol Browner
Board member

Elaine Grunewald
Board member

Kent Janér
Board member

Pär Nuder
Board member

Hans Ola Meyer
Board member

Bertil Villard
Board member

Jonas Eklind
CEO

Financial calendar

Annual Report 2021	13 April 2022
Q1 Report 2022	11 May 2022
Annual General Meeting	12 May 2022
Q2 Report 2022	18 August 2022
Q3 Report 2022	18 November 2022

Definitions

Number of shares

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

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/loss (EBIT)

Profit/loss before financial items and tax.

Equity/assets ratio

Total equity / Total assets.

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Contact

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