AZELIO

ANNUAL REPORT 2020

AZELIO (PUBL.)

AFFORDABLE CLEAN POWER
WHEN AND WHERE YOU NEED IT

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The year in brief

About Azelio

Rapid global electrification

Around the world, fossil fuels are being replaced by electricity, for example, due to the increased use of electric cars and the fact that more and more people are connected to the grid. To ensure the sustainability of this transition and growth, the grid must utilise renewable sources of energy to an increasing extent. Greater insight into climate threats and declining prices, particularly for photovoltaics, is driving this green transition. When the element of production based on renewable sources increases in the energy mix, the need for energy storage grows simultaneously because these energy sources have intermittent production, which varies with the time of day or weather conditions. A solution that stores energy when production is high and demand is low, and that delivers this at an attractive cost and without emissions when production diminishes and demand stands firm, has a growing role to fill. Azelio's TES.POD® is such a solution.

More and more countries sharpen climate targets

Over the past year, countries have raised their climate ambitions at a fast rate. In September 2020, China, the country that accounts for the largest emissions, established a target of climate neutrality by 2060. Meanwhile, California, ranked as the world's fifth largest economy, decided to only sell electric cars by 2035, and the EU undertook to speed up its energy transition by significantly raising its climate targets for 2030. A total of seven countries, including Sweden, the UK, France and Germany, have made legally binding net-zero emission commitments. Another 21 countries, plus California and the EU, have clearly stated in other ways that they intend to be carbon neutral. Some are aiming to achieve this target as early as 2030, California and Sweden are looking at 2045, while most are aiming for 2050, in line with the Paris Agreement.

Sustainable energy for all

Access to reliable and renewable energy at the right price is decisive in achieving sustainable global growth, and is one of the UN's Sustainable Development Goals for 2030. In many parts of the world, solar and wind energy is in abundance but they have no way of accessing a reliable power grid. Today, nearly a billion people live in off-grid areas, and double that number live in areas with unstable grids. This is inhibiting global growth and is obstructing exposed areas from finding a way out of poverty and creating welfare. The sustainable energy that can be generated here has to be stored and made available at a competitive cost when it is needed.

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, and subsequently makes it available as electricity and heat around the clock at a very competitive cost.

In providing efficient storage of renewable energy, Azelio is addressing a very large and rapidly growing market. After presenting an industrial demo of its technology in 2018, Azelio received expressions of interest for more than 3.9 GW over the following two years, representing storage capacity of 50 GWh and around SEK 170 billion in potential order value.

Ground-breaking solution

The solution is called TES.POD®, an acronym for Thermal Energy Storage Power on Demand, and stores energy as 600-degree Celsius heat in recycled aluminium. Using a Stirling engine, the energy is converted in a controlled manner to electricity and into heat at 55-65 degrees Celsius. The system can achieve a total efficiency of up to 90 percent from stored energy to output electricity and heat. The solution is modular and cost-effective from 0.1 MW to 100 MW, and is capable of supplying, for example, factories, mines, farms 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 14 Memorandums of Understanding comprising a total storage capacity of 426 MW from 2021 to 2025, corresponding to 5.4 GWh and potential sales revenue of SEK 18 billion. The first commercial contract for a TES.POD® was signed in December 2020 with ALEC Energy, which will install the energy storage unit in one of the world's largest solar parks in Dubai.

Significant events

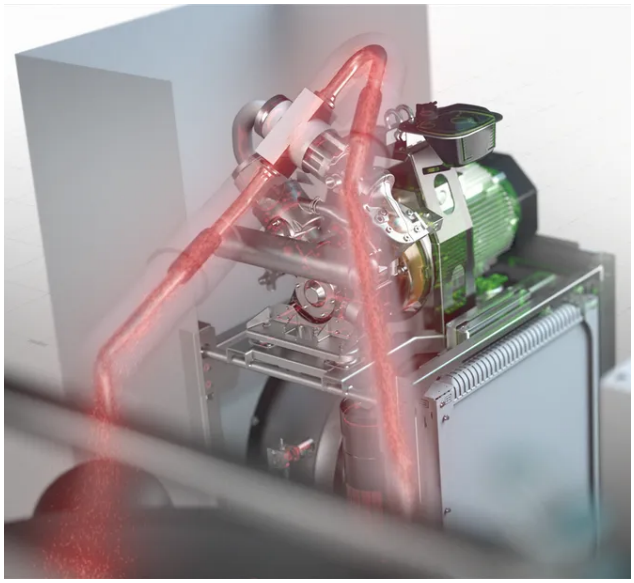
Azelio secured first commercial order for TES.POD®

Azelio secured its first commercial order for its TES.POD® energy storage unit from the Dubai-based project development company ALEC Energy, thereby achieving a major milestone in the industrialisation of its technology.

The energy storage unit will be part of a mini-grid system designed for a visitor centre in the fourth phase at one of the world's largest solar parks, the Mohammed Bin Rashid Al Maktoum Solar Complex in Dubai. Installation commenced in December 2020.

MoUs concluded for total of 259 MW or 3 GWh

Azelio signed seven Memorandums of Understanding (MoUs) to deliver energy storage systems with a capacity of a total of 259 MW or 3 GWh, which more than doubled the total volume encompassed by the company's MoUs. These were signed with partners in the Middle East and North Africa, North and South America and India. All were signed with companies that can continue to develop local markets for Azelio's technology. The agreements are strategically important since they pave the way for commercial orders and a rapid roll-out of the technology over the next few years.



Successful capital procurement

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

Pandemic postpones timetable by a quarter

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

Fredrik Wäppling new CFO

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

System performance verified

Azelio successfully generated data to enable verification of the performance of the company's energy storage system in accordance with the specification of 13 kW output power with a storage capacity equivalent to 13 hours of electricity production.

Systems have been installed in Sweden, Morocco and Abu Dhabi in order to also verify technology over longer periods. This formal verification of the system started in Sweden together with DNV-GL, a world leader in industrial certifications. This creates a basis that enables customers to finance projects involving Azelio's technology. The reason for verifying the installation in Abu Dhabi is to enable Azelio's partner, Masdar, to include it in its offering to customers.

Azelio's technology more sustainable than lithium-ion batteries

A Life Cycle Assessment carried out by the Swedish research institute RISE showed that the climate impact of Azelio's energy storage system (TES.POD®), measured as CO2 equivalents, is significantly less, more specifically 29 percent, than that of lithium-ion battery storage and dramatically less than that of diesel generators.

Azelio chose UL as certification body

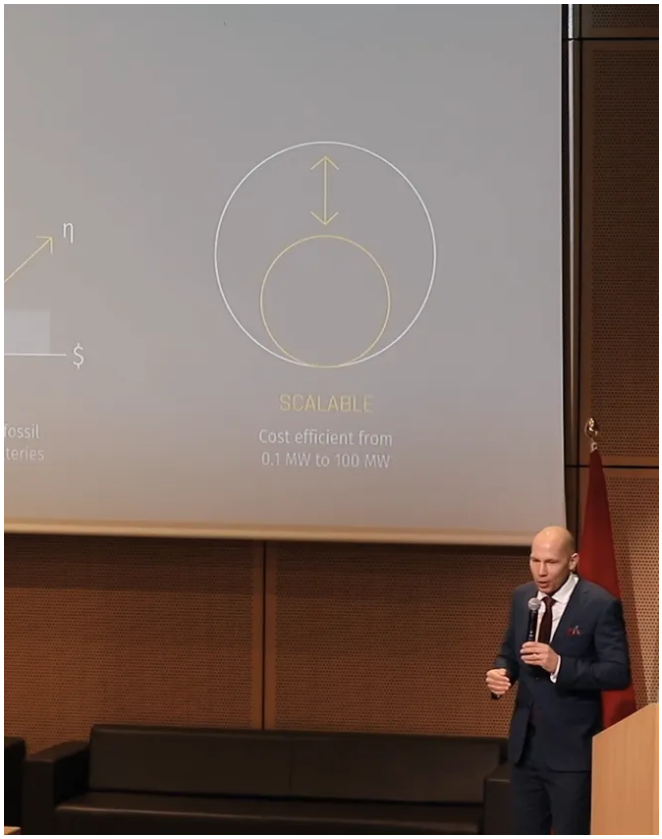
Azelio chose the global certification body UL to evaluate TES.POD® with the objective of achieving a field certification of the technology for the North American market, starting with a specific project in California in 2021.

Azelio joins CALSSA

Azelio strengthened its presence in California by joining the California Solar & Storage Association, CALSSA, the state's largest clean energy business association with over 550 member companies. California is one of the largest and most successful solar markets in the world, and a region where Azelio's energy storage solution is experiencing strong interest.

Four new patents granted

Azelio was granted four new patents regarding innovations to efficiently store energy and generate electricity from heat, which is central to being able to store renewable energy and make it available around the clock in an efficient way. Through this, the company has 13 approved patents and an additional 15 patents pending.



Grants received from Swedish Energy Agency and Region Västra Götaland

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

Group key figures

	2020	2019
Net sales, kSEK	1,074	1 670
Operating loss, kSEK	-191,939	-160,510
Loss for the year, kSEK	-192,572	-160,897
Earnings per share, SEK	-2,03	-3,80
Equity, kSEK	772,257	710,374
Equity/assets ratio, %	84	82
Cash flow from operating activities, kSEK	-150,220	-35 774
Cash and bank balances, kSEK	332,463	55,634

Towards a transformation

Azelio continued to deliver on its established targets in 2020. We are now approaching another important milestone in the third quarter of 2021, when we plan to initiate series production. This year, we will also expand our order book with more and increasingly larger orders.

To enter the next phase, Azelio is building a strong team within and around the company. We continue to recruit key competencies with the skills and qualifications needed. The number of employees grew during the past year by 30 percent to 153. We are also developing a partner network around us consisting of leading global players in renewable energy.

We are ready for a global establishment and are well on our way to transforming Azelio from a promising development company into a major new Swedish sustainable industrial company.

Targets attained

The targets we had set for 2020 were to continue to conclude MoUs and start to convert them into commercial orders. During the year, we signed seven MoUs for projects including our energy storage solution TES.POD®, comprising a total of 259 MW or 3 GWh in storage capacity, which more than doubled the volume in our pipeline. At the end of the year, we also secured our first commercial order, which came from ALEC Energy and related to a unit for a mini-grid system in a world-leading solar park in Dubai, the Muhammed Bin Rashid Solar Complex.

We are very proud to have secured this order. Our TES.POD® will also be included in a system where we will, for example, supplement batteries as sustainable baseload power and where the principles and the challenges are the same as in a large-scale grid. This will place us in an environment that will provide us with exposure to a number of major players in renewable energy, such as DEWA (Dubai Electricity and Water Authority), ACWA Power, and Silk Road Fund of China.

The MoUs that we have secured also demonstrate that the need for and interest in long-duration energy storage and specifically for our TES.POD® are increasing as we approach series production. During the year, we forged relationships with several leading project developers who can serve as key partners for successfully commercialising and industrialising TES.POD®. Handled in the right way, this will provide us with potential, with our limited in-house organisation, to make rapid progress in the global market in the years ahead.

Jonas Eklind, CEO

"2020 Looking to the future, we are looking to initiating series production fo TES.POD® and thus also be able to launch larger commercial projects.

An example of this is ALEC Energy, which has already installed Azelio's verification project in Abu Dhabi, and is in the process of installing the next one in Dubai. They are getting to know the product and how it interfaces with other equipment, which will help them to independently design and install projects. ALEC Energy is part of ALEC Engineering and Contracting L.LC. (ALEC), which has more than 12,000 employees globally. In addition to the commercial order, the MoU we concluded with ALEC Energy in 2020 encompasses projects totalling 49 MW in the Middle East and North Africa over the coming four years. This type of partner provides us with leverage in the roll-out of our technology.

It is worth repeating that even if the MoUs are an initial step towards commercial orders, this does not mean that all of the projects encompassed by the MoUs will actually come to fruition. The reasons why a project may not be exactly as foreseen are often project-specific. We therefore pursue a strategy of concluding more MoUs than we need projects for, thus increasing the potential for and reducing the risks pertaining to our commercialisation. At present, MoUs add up to projects worth more than USD 2 billion up to 2025.

New types of projects

We have witnessed a shift in the type of projects covered by the MoUs, from projects in regions without grids to projects in areas with a well-developed infrastructure. In these areas, the need of long-duration energy storage is growing, at the same time as increasing numbers are opening their eyes to the fact that this is something different to the power control that batteries are suitable to handle.

Perhaps the clearest example of this is California, which has a well-developed grid with a large and rapidly expanded element of renewable sources of energy. Here, many users perceive that they are not receiving what they want from the grid, that the price fluctuations are enormous and also that fires from short circuits in the grid are completely cutting off the supply of electricity. Their conclusion was that the distributed grid, correctly aligned for sun and wind and supplemented by various types of energy storage, is a long-term, cost-effective and sustainable solution. And this is a solution that they want to be realised as quickly as possible. This is generating a keen interest in TES.POD® and is the background to why we have chosen California as one of our prioritised markets. The situation and the needs are the same in many other markets.

The second objective for the year, which we also achieved, was to verify the technology. This is of vital importance for ensuring that our customers and above all their customers will be able to secure financing projects based on our technology.

There are many financiers who regularly finance the types of infrastructure projects that we are a part of and who rely on various types of verification data to assess the viability and thus their financing of various projects.

The verification project is now continuing to generate ever longer time series as part of our regular operations.

Next step series production

Looking to the future, we are looking forward to initiating series production of TES.POD® and thus also being able to launch larger commercial projects. The production in Uddevalla will be ramped up gradually and be fine-tuned, so that it is fully ready in 2022. Once production is under way, we should be able to deliver units to projects of a couple of megawatts. We are maintaining a close dialogue with our partners about the status of the ramp-up to make it easier for them to identify projects that fit in with our time schedule.

In 2021, we will also formulate a clearer offering concerning the heat generated by the system in parallel with electricity. The objective will be to create deeper understanding of how the heat is used and thus how it should be transmitted from TES.POD® to other applications. Many users can comfortably recoup an investment in TES.POD® based solely on the electricity that is generated; however, by also harnessing the heat from the system, many will be able to dramatically improve their financial and environmental calculations, and thus also expand the market potential for TES.POD®. More on this during 2021.

In summary, 2020 clarified the important role that Azelio has to play in the green transition that is under way throughout the world. The shift from fossil fuels to renewable alternatives is fundamental and will result in radical changes in energy infrastructure. The needs we are addressing with TES.POD® are an important piece of the puzzle in the grid of the future. Our job is to make sure we are ready to meet these global needs.

Azelio's journey has just begun.

Gothenburg, March 2021

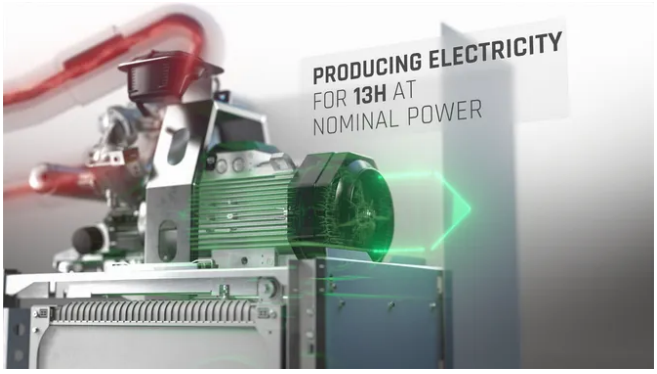
- Jonas Eklind, CEO

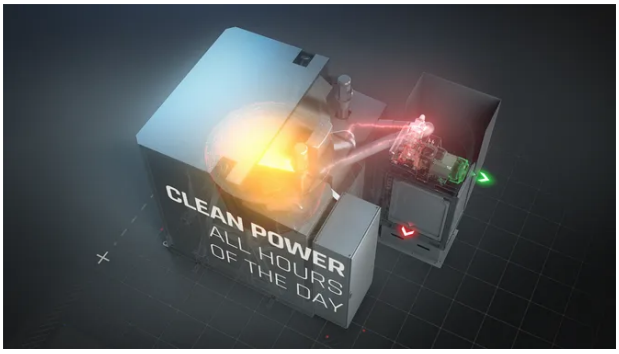
Technology

How it works

Distributed electricity where and when it is needed. With this focus, Azelio has developed a unique energy storage solution, TES.POD®, with thermal energy storage and highly efficient production of electricity and heat on demand using a Stirling engine. The system is highly suitable for being combined with photovoltaics because it is developed for storing energy for five to six hours and then generating electricity for the rest of the day. TES.POD® is a scalable solution for sustainable electricity around the clock at a low cost.

The system can be installed in sizes from 0.1 MW to 100 MW, with storage capacity for 13 hours of electricity production at nominal output – a system that can therefore supply, say, a hospital, factory or small community with renewable energy around the clock. It has a modular design, so it can be adapted to the needs of each customer and has components that require minimum maintenance.





Groundbreaking energy storage

The actual storage unit consists of an aluminium alloy, which is largely produced from recycled aluminium. This utilises phase transformation, which at 600 degrees Celsius forces the alloy to change from solid to liquid form. The storage medium maintains its capacity without needing to be replenished, and there is no power degradation over time. This unique solution has a storage capacity of 13 hours of electricity production at nominal output, resulting in a system that can produce sustainable, dispatchable and distributed electricity cost-effectively around the clock.

Stirling engine converts heat to electricity

Stirling engines utilise heat differences to drive a generator and produce electricity. The engine is powered completely by heat and is emissions free. Azelio's unique Stirling engine has been developed over 25 years and has accumulated more than two million operating hours. The engine converts heat to electricity at an efficiency of 29 percent and reaches an efficiency of a full 90 percent when the 55–65 degree Celsius heat generated by the system is also included. The system is competitive even when only the electricity is used, but the heat has many areas of use, such as in industrial processes, desalination of seawater and creating cooling. The high efficiency is a key to the system's cost-effectiveness.

Competitive advantages

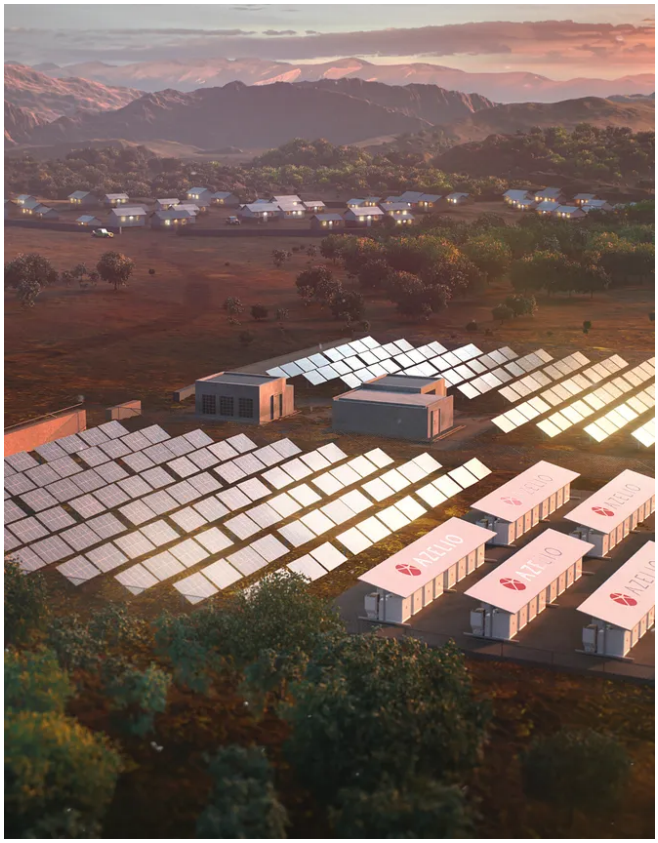
Cost-effective technology. Combining the efficiency of the Stirling engine with the system's storage of thermal energy gives Azelio a competitive offering for installations of up to 100 MW with a storage capacity of upwards of four hours, for delivery around the clock.

Scalable design. The modular design facilitates projects of various size, a standardised building process, quick installation, incremental expansion and multiple areas of use.

Well-suited to distributed electricity production. The system is robust and competitive even for small installations, from 0.1 MW up to 100 MW. It is therefore well suited to a variety of projects and works well in areas that lack a reliable grid where people are currently dependent on diesel generators.

High quality assembly plant for large-scale production of the Stirling engine. With established subcontractors and its own production plant built according to the latest manufacturing principles, the company can ensure high-quality series production at a low cost throughout the manufacturing chain, creating competitive advantages and the opportunity to secure rapid growth in production.

Global network of established partners. Azelio has developed a global network of leading players within renewable energy, including Masen and Masdar. This network contributes valuable knowledge about the renewable energy market, research and development, industrialisation, verification and business development. Collaboration is largely locally based, which provides Azelio with the potential to identify business opportunities and develop relationships with prospective customers, suppliers and public authorities.



Company overview

Business model

Azelio offers a system – TES.POD® – of thermal energy storage and controllable electricity production on demand, 24 hours a day. The company owns all unique product design for the system and has several patents that protect the solution. Azelio performs final assembly of the Stirling engine at its own plant, while subcontractors produce the system's components and assemble the storage unit and other subsystems.

Azelio plans to be able to use two distinct business models, depending on the commercial conditions and project-specific requirements. Initially, Azelio may run and own projects jointly with partners in order to establish the solution in the market. Once TES.POD® is established and proven, Azelio will act as a technology provider that sells the technology and trains others in how to design successful projects.

Azelio's system is offered to customers on the global energy market with an initial focus on installations of 0.1 MW to 20 MW and longer term of projects up to 100 MW. Azelio is focusing mainly on selling systems to EPC contractors (project development companies), which are then responsible themselves for installation and commissioning. At first, Azelio will participate actively in installations in order to train EPC contractors so that they can subsequently independently design, install and maintain systems.

Revenue model

Azelio's revenue model depends on commercial and project-specific circumstances. Initially, Azelio may run projects jointly with partners, but it then intends to switch to being a technology provider that sells systems.

Sale of systems

Once the system is established in the market, Azelio will use a revenue model based on system sales. In the aftermarket phase, a revenue model in the form of service fees will be used, with recurring revenue received for system monitoring, servicing and maintenance.

Long-term goals

Azelio's goal is to drive the transition to green energy by storing renewable energy that is then made available when and where it is needed, 24 hours a day, at a low cost. Since 2016, Azelio has been working according to a clear plan to achieve this.

To date, the company has followed and even exceeded this plan.

2020 - goals and goal follow-up

Continue to sign MoUs with customers and convert them into commercial orders.

Azelio signed seven MoUs during the year and also received its first commercial order.

Verification data presented from the company's verification projects.

During the year, Azelio generated verification data that was presented to customers, and that also formed the basis for the company securing its first commercial order.

2021 - goals

Continue to sign agreements with customers and convert Memorandums of Understanding into comercial orders.

Verification data presented from the company's verification projects.

2021 - goals

Begin series production and start larger commercial projects.

Production targets:

Azelio has the following goals for annual production of the company's Stirling engine:

First 12 months from start: 4,000 units

2022: 6,000 units

2023: 17,000 units

2024: 35,000 units

Financial goals

The company aims to achieve an EBIT margin in the long term of at least 15 percent.

Board & Management

Board of directors

Bo Dankis

Born 1954. Chairman of the board since 2011.

Education

Master of Science, Industrial Engineering and Management, Linköping University of Technology.

Other current assignments

Board member at Kapitalförvaltning Ekeby AB

Previous assignments

Chairman of the Board IV Produkt Aktiebolag, Gadelius Holding, Business Sweden, Perstorp. Board member, Gunnebo AB, ASSA ABLOY AB, Ekeby Invest AB, IV Produkt Holding AB and IV Produkt Holding Sweden AB. CEO Perstorp and ASSA ABLOY AB. Country manager ABB Japan.

Independent of the company and senior executives / the Principal owner:

No / Yes

Holding

469,640 shares and 940,000 warrants, directly and through companies

Mattias Bergman

Born 1966. Board member since 2017.

Education

Executive MBA, Copenhagen Business School. Master in Economics, Stockholm University.

Other current assignments

CEO and board member at BIL Sweden Adm AB. Chairman of the Board, Odette Sweden AB. Board member, NeoNode Inc.

Previous assignments

CEO and board member at National Electric Vehicle Sweden AB and Attaro Consulting AB. Chairman of the board of ReformTech Heating Technologies AB. Board member of Automobile Property AB, Automobile Laboratory Sweden AB, Automotive Interior Parts Sweden AB and Automobile in Trollhättan nr 2 AB.

Independent of the company and senior executives / the Principal owner:

Yes / Yes

Holding

34,662 shares and 600,000 warrants.

Hicham Bouzekri

Born 1973. Board member since 2018.

Education

PhD in Electronics Communications, Ecole Mohammadia d'Ingénieur, Morocco. M.Sc., University of Florida, Gainesville, Florida, USA. PhD in Electrotechnology, Texas A&M University, College Station, Texas, USA.

Other current assignments

Director of Research and Development, Industrial Integration at Masen.

Founder and principal owner of Microtronix.

Previous assignments

CEO of MASciR.

Independent of the company and senior executives / the Principal owner:

No / Yes

Holding

300,000 warrants.

Sigrun Hjelmquist

Born 1956. Board member since 2019.

Education

Master of Science & Licentiate of Technology, Engineering Physics, Royal Institute of Technology, KTH, Stockholm

Other current assignments

Chairman of the board at Facesso Chairman of the Board Teqnion AB, Facesso AB. Board member Addnode Group AB, Eolus Vind AB, RagnSellsföretagen AB, Transcendent Group AB.

Previous assignments

Chairman of the Board at Addnode Group AB, ALMI Stockholm Investeringsfond AB, ALMI Invest Östra Mellansverige AB, ALMI Invest Stockholm AB, Fouriertransform Aktiebolag and Nordic Iron Ore AB. Board member at Clavister Holding AB, Saminvest AB, Silex Microsystems AB and Bluetest Aktiebolag. CEO Ericsson Components AB.

Independent of the company and senior executives / the Principal owner:

Yes / Yes

Holding

10,130 shares and 60,000 warrants.

Kent Janér

Born 1961. Board member since 2016.

Education

Master in Economics, Stockholm School of Economics.

Other assignments

Chairman of the Board at Frost Asset Management AB. Board member at Brummer & Partners AB, Blue Marlin AB, Eastfort Asset Management Ltd, Eastfort Dynamic Master Fund and Eastfort Dynamic Feeder Fund.

Previous assignments

Chairman of the Board and board member at Honung AB, Namint AB and Nektar Asset Management AB.

Independent of the company and executive management / the principal owner

yes / no

Holding

17,770,107 shares, directly, through companies and via related parties.

Pär Nuder

Born 1963. Board member since 2012.

Education

Master of laws, Stockholm University.

Other assignments

Chairman of the board of Tapetlagret Öbergs Färghus i Västerås Aktiebolag and Hemsö Fastighets AB. Board member, Dabok Advisory AB. Deputy Board member, Dabo Idé AB.

Previous assignments

Chairman of the Board of Beijerinvest AB, Sundbybergs stadshus AB, I&P Förvaltning AB, Fjällförsäkringar AB, SkiStar Aktiebolag, Fjällförsäkringar AB, AMF Pensionsförsäkring AB and Tredje AP-fonden. Board member at Swedegas AB, IP-Only AB, Nyx Security AB, Knubbsäl Midholding AB, Sten Heckscher AB, Knubbsäl Holding AB, Narob TopHolding AB, Nyx Group AB, Business Challenge AB, IP-Only Holding AB, Fabege AB and Åre 2019 AB.

Independent of the company and executive management / the principal owner

yes / yes

Holding

684,546 shares and 300,000 warrants, through companies and related parties.

Bertil Villard

Born 1952. Board member since 2010.

Education

Master of laws, Stockholm University.

Other assignments

Chairman of the Board of Strax AB, LandsortCare 4 AB, Prior & Nilsson Fond- och Kapitalförvaltning. Board member of Polaris A/S, among other companies, iCoat Medtech AB and Hamiltonska Familjestiftelsen.

Previous assignments

Chairman of the Board of Advokatfirman Vinge Aktiebolag, Landsort Care AB, Landsort Care 2 AB and Rabbalshede Kraft AB (publ). Board member at ECODC AB, Gränges AB, Mercuri International Group AB, SamSari Aktiebolag, Auriant Mining AB and Samsari Act Group AB.

Independent of the company and executive management / the principal owner

yes / yes

Holding

950,000 shares, directly and through companies, 300,000 warrants and 50,000 call options.

Management team

Jonas Eklind

Born 1963. CEO since 2015.

Education

Degree in Physics and Biotechnology, Uppsala University. Diploma in Functional Swedish and Communication, Uppsala University.

Diploma in leadership in Technology Companies, ManTech IFL Executive Education, Stockholm School of Economics.

Diploma in Business Administration and Market Economics, IHM Business School.

Other assignments

Chairman of the Board of Shapeline AB. Board member and owner of Deep Powder AB. Board member at Cleanergy AB, Advanced Stabilized Technologies Group AB, ASTGW AB, Advanced Inertial Measurement Systems Sweden AB and Nordic New Energy Partners Ekonomiska Förening.

Former positions:

CEO and Board member, Woodeye AB. CEO of Innovativ Vision Holding Aktiebolag. Board member and deputy board member at Dendro Fortune AB. Board member, Vita Vonni AB.

Holding

71,500 shares and 500,000 warrants.

Fredrik Wäppling

Born 1971. CFO since 2020.

Education

Degree in business administration and economics, Karlstad University.

Other current appointments

Board member and owner of F. Wäppling AB. Chairman of the Board, Fiorista AB.

Former positions:

CFO Nordrest, Interim Treasury Advisor NREP, Interim CFO Allgon Group, Interim Treasury Advisor Mycronic, IPO Project Manager iZettle, Treasury Advisor Preem AB, Interim Treasurer Bravida

AB, Head of Group Treasury Swedavia AB, Head of Group Treasury Niscayah AB, Group Treasurer Ahlsell AB, Group Treasurer Cision AB.

Holding

8,662 shares and 350,000 warrants.

Jonas Wallmander

Born 1976. VP Partners & Collaborations since 2017.

Education

Master of Science in Engineering, Mechanical Engineering, Linköping University of Technology.

Other assignments

-

Former positions:

VP Partners & Collaborations at Azelio.

Holding

1,117 shares and 200,000 warrants.

Strategic partnerships

Partners

Azelio has a number of international partners that share the vision of improving the world's energy supply through more effective, sustainable and reliable solutions. The companies and the organisations collaborate within research and development, production, installation, industrialisation, verification and business development. With various starting positions and orientations within renewable energy, this results in reciprocal trust. Azelio aims to add value for the company and its business partners in various local projects and for the partners to utilise each other's expertise to create influence in different markets.

Masen

Masen (the Moroccan Agency for Sustainable Energy) has been a strategic partner since 2016, and since 2018 Masen has also had a representative on Azelio's Board of Directors. Masen, which is a state-controlled agency, is in charge of Morocco's overall strategy for a sustainable energy mix. Masen contributes valuable knowledge of the solar energy market and plays a key role in Azelio's research and development for thermal energy storage, industrialisation, verification and business development.

Masen provides Azelio with access to a large network of established companies and stakeholders in renewable energy, and to suppliers for local sourcing and production. Masen has a research and development platform in one of the world's largest solar power plants, Ouarzazate Solar Power Station, with a capacity of 580 MW.

There has been a 13 kW pilot plant in Ouarzazate since 2016 and there have been two TES.POD® units there since 2019.

Masdar

In 2019, Azelio entered into a research partnership agreement with Masdar and Khalifa University to run a pilot project for evaluation and demonstration of TES.POD® for inclusion in Masdar's product portfolio. Masdar is a world-leading company in the development, installation and operation of renewable energy systems. The system was installed in Masdar City in late 2020 and will be commissioned during 2021.

Since 2018, the Masdar Institute of Science and Technology (Masdar Institute) has been Azelio's research partner for the development of thermal energy storage. Masdar Institute was founded in 2007 in cooperation with Massachusetts Institute of Technology (MIT), as an independent non-profit research university focusing on advanced energy and sustainable technology. Masdar Institute is currently part of Khalifa University of Science and Technology.

> Azelio has a number of international partners that share the vision of improving the world's energy supply through more effective, sustainable and reliable solutions.

Production partners

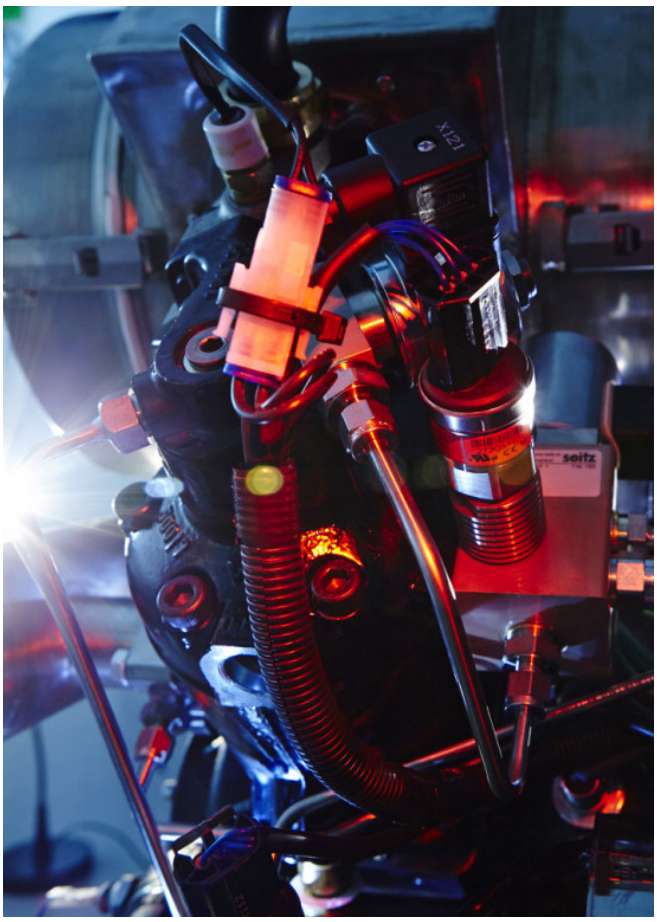
Azelio also collaborates with a series of production partners. A number of these play an active role in developing production processes and industrialising the solution.

AQ Enclosure Systems

In 2019, Azelio signed a Memorandum of Understanding with AQ Enclosure Systems of Sweden to work together to secure long-term production of Azelio's energy storage system. The aim is that AQ Enclosure Systems will be a full-scale production partner that offers purchasing, assembly and logistics service. The first units manufactured under the agreement were delivered to Azelio's verification project in Morocco at the end of 2019.

Stena Aluminium

In 2020, Azelio and Stena Aluminium of Sweden entered into a partnership aimed at the completion of Azelio's energy storage systems at Stena Aluminium. The energy storage systems will have their own production line at Stena Aluminium, where they will be filled with recovered liquid aluminium. This approach results in major energy savings and further strengthens TES.POD®'s climate profile.



Azelio's market

A large growing demand

The world is continuing to be electrified, in part because of the increasing use of electricity rather than fossil fuels in infrastructure and transportation and in part because more and more people are gaining access to power grids. In parallel, calls for greater use of renewable energy are increasing in order to reduce the climate impact.

Around two billion people worldwide currently have no access to reliable electricity supply; i.e. electricity supply around the clock and without recurrent power cuts. Today, nearly a billion people live in off-grid areas. Reliable electricity supply is a prerequisite for economic and social development, which is why the UN made sustainable energy for everyone one of its 17 Sustainable Development Goals. Free-standing power networks, known as micro-grids, are expected to account for a significant proportion of the expansion that is required.

Accordingly, there is growing demand for sustainable electricity production at a competitive cost 24 hours a day. The use of renewable sources of energy is increasing at a faster rate than fossil energy. The International Energy Agency (IEA) estimates that the use of renewable energy continued to increase in 2020 despite a reduction in global energy requirements for

Renewable electricity growing fast

Although there are many reasons for the upswing in renewable energy, the fact that it has become increasingly cost-effective is not insignificant. In 2019, renewable energy accounted for 11.4 percent of total energy production and, in 2020, solar energy was cheaper to produce than coal power in many parts of the world. Increasing numbers of countries are adopting targets for net zero emissions by 2050, which is also driving the green transition.

Intermittent electricity requires storage

There is a clear distinction between intermittent (non-continuous, fluctuating) energy sources and sources of baseload power (continuous). Solar and wind power are currently intermittent sources since they only produce energy when the sun shines or the wind blows. Nuclear power and fossil energy sources are used as baseload power since they can produce energy 24 hours a day regardless of weather and wind. By combining solar and wind power with storage to make them available all the hours of a day, these sources can also be used as baseload power.

Distributed electricity production

At present, the fastest and most cost-effective way of giving more people access to stable grids is usually by constructing systems for what is known as distributed and dispatchable electricity generation to supply micro and mini-grids. These systems generally include solar and wind power, currently supplemented by diesel generators as baseload power.

Energy storage expected to play key role

Energy storage is expected to play a key role in the transition from fossil to renewable sources of energy. Energy storage units can be used to balance the grid when the element of renewable energy increases both in traditional grids and in micro and mini-grids, in part in order to distribute the timing of production over the day, to suit weather conditions, varying electricity prices and high carbon taxes.

Azelio's target markets

Initially Azelio has chosen to focus on the following geographical markets:

- **Middle East and North Africa.** High solar radiation, moderate levels of access to electricity and high alternative costs for electricity production.
- **United States and Australia.** A high percentage of solar radiation and high electricity prices.
- **South America.** High solar radiation and a need for electricity to supply micro-grids, mini-grids and off-grid systems.
- **Sub-Saharan Africa.** High solar radiation, low access to electricity and high alternative costs for electricity production.

Azelio as an investment

Addressing a large and growing market

Access to clean and reliable energy at a competitive price is crucial for the sustainable development of society and the environment. Demand for green electricity is increasing in the developed part of the world in pace with large parts of society being electrified. At the same time, nearly a billion people live without access to a grid and even more do not have stable electricity supply. Now that the price of renewable sources of energy is also declining, this is not only stimulating demand but also increasing the pressures on the grid, since the supply of sun and wind is not dictated by our need of electricity.

Azelio's solution can provide everyone with access to competitive renewable energy when and where it is needed. There is a great need and the demand exists. The company has already received qualified expressions of interest representing 3.9 GW, or SEK 170 billion, in potential order value, and MoUs with combined projects corresponding to about one tenth of this total.

By efficiently storing solar and wind energy as heat and then making it available as electricity and heat at a competitive price around the clock, Azelio aims to create a new Swedish industry and make a strong contribution to the world achieving the UN's Sustainable Development Goal of clean energy for all.

Ground-breaking solution for stable baseload generation from sun and wind without dependence on a grid

Azelio's ground-breaking solution generates stable and sustainable energy and has the capacity to replace diesel for baseload generation in micro-grids based on photovoltaics and wind power, for example. The high efficiency of the system means that it can also be used to balance out existing grids.

"Azelio is following a clear plan to industrialise and commercialise its innovation globally, thereby laying the foundation for a significant new Swedish industrial company.

- The system stores energy in the form of heat at 600 degrees Celsius in a storage facility made of recycled aluminium; a Stirling engine then converts this into emission-free electricity and heat when it is needed. The system is designed for use around the clock and has a total efficiency from energy to heat and electricity of up to 90 percent.
- The solution is economically and environmentally superior to the diesel generators that are currently used in many places, and is excellently suited as a complement to photovoltaics and wind power – providing cover for when the sun does not shine or there is no wind. The solution thus improves the productivity of established installations and technologies.
- The solution is completely emissions-free, consumes no water or salt, is made of recycled aluminium that does not degrade over time, and uses no rare-earth elements.
- The system is modular and can be combined to form larger units that are economically competitive from 0.1 MW to 100 MW – sufficient for a hospital, factory, mine or a small community, for example.

Gearing up for a global market

Azelio has designed its solution for a global market, using production principles, suppliers and methods taken from the automotive industry. The units can be produced in volume, are easy to manage in the field and are cost-effective even for small installations.

Series production is scheduled to start in 2021 and is being carefully prepared. The initial production capacity will initially be ramped up to 23,000 units, representing a turnover of around SEK 13 billion. The capacity of the current Uddevalla factory, which previously belonged to Volvo Cars, can subsequently be doubled.

Moving from innovation to industry

Azelio is following a clear plan to industrialise and commercialise its innovation globally, thereby laying the foundation for a significant new Swedish industrial company. The company is in an investment phase and expects to achieve sales of SEK 1 billion within a few years. In the long term, profitability should exceed an EBIT margin of 15 percent. To date, Azelio has been following or exceeding the plans that have been established.

An important sub-target for 2021 is to convert a number of MoUs into commercial orders in order the match the series production that is scheduled to start during the third quarter. This step from innovation to industrial operation is being taken together with large established partners such as Masen and Masdar, supported by subcontractors familiar with the meticulous requirements of the automotive industry. Azelio is well equipped for the future.

Ownership structure

On 30 December 2020, Azelio had 25,744 shareholders. The largest shareholder was Kent Janér along with related parties and companies (Blue Marlin), accounting for around 17.1 percent of the capital and votes.

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

Listing

The Azelio share has been listed on the Nasdaq First North Growth Market since 10 December 2018. During 2020, the share price rose 335 percent to SEK 52.50, while the OMX30 rose 5.5 percent. The highest closing share price in 2020 was SEK 61.70 and the lowest was SEK 7.00.

A total of 135.7 million shares were traded in 2020 at a combined value of SEK 3,349 million, corresponding to 130 percent of the total number of shares at year-end.

Share capital and capital structure

Azelio's share capital as per 31 December 2020 amounted to kSEK 52,051, represented by 42,347,495 shares, corresponding to a quota value of about SEK 0.50.

At the beginning of the year, a rights issue was registered, which raised SEK 350 million before transaction costs, increasing the share capital to kSEK 45,876 and the number of shares by 49,405,405 to a total of 91,752,900.

In September, a directed share issue of SEK 270.6 million before transaction costs was registered, which increased the share capital by kSEK 30,853 to kSEK 52,026 and the number of shares by 12,300,000 to a total of 104,052,900.'

In December, 900,000 warrants expired, which resulted in an increase in new shares by 49,500 to 104,102,400.

At the end of 2020, there were 41,326,667 warrants, issued in seven different series with exercise prices of between SEK 15 and SEK 40. At full conversion, these will increase number of shares in the company by 6,706,667.

The programmes are described on the company's website www.azelio.com/investors.

Dividend policy

The company has not paid a dividend to date.

Any future dividend and its size will be determined by long-term growth, the earnings trend and capital requirements. The Board intends to assign priority to developing the company's systems and mainly use its financial resources to finance the company's business, research and development plan.

A total of 135.7 million shares were traded in 2020 at a combined value of SEK 3,349 million, corresponding to 130 percent of the total number of shares at year-end.

In view of Azelio's financial position and its negative earnings, the Board of Directors does not intend to propose a dividend before the company generates long-term, sustainable profits and a positive cash flow

Administration Report

The Board of Directors and the CEO of Azelio AB (publ.), corporate identity number 556714-7607, hereby present the Annual Report and consolidated financial statements for the financial year 1 January 2020 to 31 December 2020.

As of 31 December 2020, the Group consisted of the parent company Azelio AB, domiciled in Gothenburg, and two subsidiaries; see also Note 38.

Operations

Azelio AB offers a system for thermal storage of renewable energy with delivery of sustainable electricity and heat on demand, 24 hours a day, at a low cost.

The company owns all of the unique product design for its system and performs the final assembly of the Stirling engine in its own plant, while subcontractors produce the system's components and subsystems, such as storage tanks. Research and development, as well as sales and marketing, are managed internally and in cooperation with strategic business partners.

Azelio has the capacity to apply two distinct different business models, depending on the commercial conditions and requirements specific to each individual project. Initially Azelio may pursue jointly owned projects in cooperation with third parties to establish the technology in the market. In the longer term – once Azelio's system and technology have been established and proven – Azelio will act as technology provider, sell the technology and provide training in how to build a successful commercially viable project.

In smaller installations, Azelio sells the system directly to the end customer and, in mid-size and large-scale installations, to EPC (Engineering, Procurement and Construction) suppliers. who then account for the installation. Initially, Azelio will participate in the start-up phase of new installations to train EPC contractors in successful system installation and maintenance. In addition to system sales, Azelio also offers monitoring, maintenance, upgrades and servicing of the system.

Market

Azelio's systems are offered to customers in a global market, initially to customers that build projects in the MENA region – India, Sub-Saharan Africa, South America, Australia and central and western parts of the United States – with installations of between 500 kW and 20 MW.

In the longer term, Azelio intends to develop its offering and offer systems for projects ranging from 0.1 MW up to 100 MW and to offer systems to customers in countries requiring dispatchable electricity production.

Significant events during the financial year

Azelio secured its first order for TES.POD®

Azelio secured its first commercial order for its TES.POD® energy storage unit from the Dubai-based project development company ALEC Energy, thereby achieving a major milestone in the industrialisation of its technology. The storage unit will be part of a mini-grid system designed for a visitor centre in the fourth phase at one of the world's largest solar parks, the Mohammed Bin Rashid Al Maktoum Solar Complex in Dubai. Installation commenced in December 2020.

Memorandums of Understanding signed for a total of 259 MW or 3 GWh

Azelio signed six Memorandums of Understanding (MoUs) to deliver energy storage systems with a capacity of a total of 259 MW or storage capacity of just over 3 GWh, which more than doubled the total volume encompassed by the company's MoUs. These were signed with partners in the Middle East and North Africa, North and South America and India. All were signed with companies that can continue to develop local markets for Azelio's technology. The agreements are strategically important since they pave the way for commercial orders and a rapid roll-out of technology.

Raising capital secured important milestones

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

Pandemic postpones the timetable by a quarter

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

Fredrik Wäppling new CFO

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

System performance verified

Azelio successfully generated data to enable establishing the performance of the company's energy storage system in accordance with the specification of 13 kW output power with a storage capacity corresponding to 13 hours of electricity production.

Systems have been installed in Sweden, Morocco and Abu Dhabi in order to also verify technology over a longer period. This formal verification of the system started in Sweden with DNV-GL, a world leader in industrial certifications. This creates a basis that enables customers to finance projects involving Azelio's technology. The installation in Abu Dhabi shall verify the system to enable Azelio's strategic partner, Masdar, to include the technology it in its product portfolio.

Azelio's technology more sustainable than lithium-ion batteries

A Life Cycle Assessment carried out by the Swedish research institute RISE showed that the climate impact of Azelio's energy storage system (TES.POD®), measured as CO2 equivalents, is significantly less, more specifically 29%, than that of lithium-ion battery storage and dramatically less than that of diesel generators.

Azelio chose UL as certification body in North America

Azelio chose the global certification body UL to evaluate and certify TES.POD® for the North American market, starting at a specific project in California in 2021.

Azelio joins CALSSA

Azelio strengthened its presence in California by joining the California Solar & Storage Association, CALSSA, the state's largest clean energy business association with over 550 member companies. California is one of the largest and most successful solar markets in the world, and a region where Azelio's energy storage solution is experiencing strong interest.

Four new patents granted

Azelio was granted four new patents regarding innovations to efficiently store energy and generate electricity from heat, which is central to being able to store renewable energy and make it available around the clock in an efficient way. Through this, the company has 13 approved patents and an additional 15 patents pending.

Grants received from Swedish Energy Agency and Region Västra Götaland

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

Long-term incentive program for management

An Extraordinary General Meeting decided in June to adopt a long-term incentive program aimed at the CEO and some of the other members of the management team in Azelio, a total of eight people. The incentive program includes the issue of a maximum of 2,200,000 warrants.

Significant events after the closing date

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 MoU spans over at least three projects in 2021, five projects in 2022, and ten projects in 2023, making a total of 8 MW of installed power and more than 100 MWh in equivalent storage capacity.

Private placement of approximately SEK 596 million

Azelio carried out a directed issue of 10,638,225 new shares, corresponding to approximately 10 percent of the total number of outstanding shares, at a subscription price of SEK 56 per share. Through the new share issue, the company received approximately SEK 596 million before transaction costs. The funds will be used to finance the continued industrialization of Azelio's technology for thermal energy storage (TES) and Stirling-based electricity production, with the aim of starting series production during the third quarter of 2021, as well as to be able to finance further development projects and other general business purposes.

The new share issue entails a dilution effect of approximately 9.2 percent of the share capital in relation to the number of shares in Azelio after the issue, through an increase in the number of outstanding shares by 10,638,225, from 104,380,296 to 115,018,521, and an increase in the share capital by SEK 5,319,113, from SEK 52,190,150 to SEK 57,509,262.

Azelio receives an order for two TES.POD®

Azelio received an order for two units of its energy storage TES.POD® from the Swedish company Industrisupport i Åmål AB. The units will store surplus energy from a solar cell plant of 446 kW and make this energy available around the clock as electricity and heat. The installation will increase the Swedish company's use of renewable energy by 24 percent and thereby reduce emissions from energy use by 168 tonnes of carbon dioxide per year.

Development of the company's operations, results and position

Group (kSEK)	Calculation according to IFRS			Calculation according to K3
	2020	2019	2018	2017
Net sales	1,074	1,670	1,942	2,921
Operating profit/loss	-192,572	-160,897	-92,004	-97,443
Total assets	922,162	865,580	658,249	286,794
Equity/assets ratio, %	84%	82%	85%	83%

Parent company (kSEK)	Calculation according to IFRS			Calculation according to K3
	2020	2019	2018	2017
Net sales	1,074	1,670	1,942	2,921
Operating profit/loss	-198,483	-161,932	-96,093	-94,230
Total assets	897,660	848,908	644,294	289,824
Equity/assets ratio, %	86%	84%	88%	85%

Definitions: see note 56

Revenue, expenses and profit/loss

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

Expenses amounted to kSEK -327,560 (-293,751). The increase is largely attributable to higher prototype costs, employee benefit expenses and consulting costs. The company's total costs are largely attributable to development. The value of certain capitalized project costs that have been deprioritized or wound up during the period has been depreciated with kSEK 0 (13,331).

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

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

Cash flow and investments

Cash flow from operating activities amounted to kSEK -150,220 (-129,853). Cash flow from financing activities amounted to kSEK 555,886 (-6,352). Investments affecting cash flow during the period amounted to kSEK -128,762 (-139,256), mainly in the form of capitalised development.

Parent company

Net sales for the parent company amounted to kSEK 1,074 (1,670). The operating result amounted to kSEK -188,660 (-156,441) and the annual result was kSEK -198,483 (-161, 932).

Equity at the end of the period amounted to kSEK 771,676 (715,200).

Seasonal variations

The Group is currently being built up, with preparations for volume production and commercialisation of the system, and in this stage there are no seasonal variations noted over the year.

The share and share capital

The share has been listed on Nasdaq First North Growth Market in Stockholm since 10 December 2018. During 2020, the share price rose 335 per cent and closed at SEK 52.20.

On 31 December 2020, share capital amounted to kSEK 52,051, represented by 104,102,400 shares. Share capital increased by a total of kSEK 30,877 during the year. The increases occurred on three occasions; through a rights issue of 49,405,405 shares in the first quarter, a directed issue of 12,300,000 shares in the third quarter and the exercise of warrants through the issuance of 49,500 shares in the fourth quarter.

At the end of the period, there were 41,326,667 warrants, issued in seven different series with exercise prices of between SEK 13 and SEK 36. Full conversion of these warrants would increase the number of shares by 7,401,352 shares.

Related party transactions

During 2020, an amount of kSEK 3,333 (kSEK 12,740) was expensed relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco. The counterparty is the state-controlled Masen. Masen holds 16,666,667 warrants in the company and has a representative on the Board of the company. Accrued expenses totalled kSEK 17,426 (14,093). These services are performed on market terms.

Responsible business

Environment

The Group does not conduct any operations that require permits or reporting under the Swedish Environmental Code.

The purpose of the operations is to sell energy storage units that enable an increased use of renewable energy and thus reduce emissions of greenhouse gases.

During the year, Azelio commissioned the independent research institute RISE Institute to perform a Life Cycle Assessment (LCA) to calculate emissions of greenhouse gases from the company's product TES.POD. The institution's report showed that the climate impact of Azelio's system is 23 g CO2/kWh, which is significantly below that of lithium-ion battery storage and dramatically less than that of diesel generators, both of which are competing technologies. In the study, it was assumed that the solutions would deliver electricity for a period of 13 hours per day for 25 years, and it disregarded the environmental impact of generating the electricity required to charge the system. In addition, the study disregarded the fact that Azelio's system also delivers a considerable amount of heat that can be used as energy in a variety of applications, and thereby contribute to further strengthening the product's climate profile.

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.

It follows from the going-concern accounting policy according to the Swedish Annual Accounts Act, that this is a fundamental assumption for, inter alia, the valuation of a company's assets. In respect of capitalised development, there are also assumptions concerning necessary financing of the continued development that is required, as well as commercial realisation. Accordingly, it is natural that a valuation performed without these assumptions would have resulted in a different measurement of the company's assets.

The Board agrees with the aforementioned assumptions and is of the opinion that the requisite conditions are in place. The Board is aware that there are uncertainties in respect of estimating the time and cost required for implementing full-scale commercialisation and industrialisation of the company's product. This has been taken into account in the company's planning and forecasts by the Board working actively on the basis of alternative scenarios and it also has preparedness for managing these types of challenges. This encompasses various current and long-term financing solutions and a flexibility in the development plans. Accordingly, the company's viability is not considered to be threatened in 2021. To meet demand for an industrially manufactured product, Azelio is preparing to start series production in the third quarter of 2021. The expected growing business volume will tie up working capital, particularly at the start of series production and in the early stages of commercialisation of the product. At this stage, working capital is also particularly sensitive to shifts in cash flows. This risk is amplified by the uncertainty related to the pandemic's development and consequences, for example, with restrictions on movement that could affect the start and completion of projects. Accordingly, the Board has made the decision that the company's working capital need has increased, which has been addressed by a directed share issue in March 2021, as described under Significant events after period end and Note 31.

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 in 2020 and also received its first commercial order for its energy storage system, the technology has not yet achieved broad commercial success and the use of the technology is very limited. There is a risk that Azelio will not receive the orders that the company has anticipated or at the pace that the company expected, which in turn may lead to a shift in the commercialization of the company's products and technology.

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 pending 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, for the company, important markets. 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, for example countries with good solar conditions. 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 aluminum, steel and energy (especially diesel), which is affected by a number of factors beyond the company's control. Regulatory requirements, taxes, duties and other barriers to trade, price and currency regulations or other government measures may restrict operations There is a risk that competitors, both known and unknown, will develop more efficient systems and technology for products similar to those that the company develops and offers.

For financial risks, refer to Note 4.

Organisation

On 31 December 2020, the number of employees was 153 (117), of whom 122 (94) were men and 31 (23) were women. The average number of employees in the organisation in 2020 was 135 (105).

Azelio as an employer

Systematic work environment efforts are to be a natural feature of Azelio's operations in order to achieve efficiency and quality. The company is working actively to minimise the risks of work-related injuries, accidents and incidents and is working on activities that promote the employees' health, job satisfaction and efficiency.

One aspect of this is continuous work on our processes, with the aim of promoting the employees' everyday work so that they can focus on the right tasks. All managers with HR responsibilities undergo training in the Work Environment and Psychosocial Work Environment (AFS 2015:4). The need for work environment training is reviewed continuously.

Legislation and party agreements are minimum requirements. It is in Azelio's interest to maintain a higher standard than this. The company regards this as a profitable investment for the future, whereby high work motivation and low sickness absence are the direct gains. Azelio has signed health insurance for employees, providing them with access to rapid support and specialist care. The company is a member of the Association of Swedish Engineering Industries and has collective agreements with Unionen, Ledarna, the Swedish Association of Graduate Engineers and IF Metall.

Azelio aims to be an attractive and developmental workplace for both women and men and works to ensure that all work teams comprise both women and men. A salary survey conducted in 2020, in respect of comparisons of jobs that are considered to be equal or equivalent, did not show any unreasonable salary differentials between women and men As an employer, the company aims to conduct targeted efforts to promote gender equality and diversity. This means preventing and counteracting discrimination, utilising everyone's competencies and respecting differences regardless of gender, age, ethnic or cultural background, religion or other belief, functional impairment, transgender identity or sexual preference. All suppliers are evaluated according to Azelio Ethics standard.

The company intends to comply with the UN guidelines on sustainable enterprise and to measure compliance according to the UN standard, Global Reporting Initiatives (GRI).

Dividend

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

Proposed appropriation of profit/loss

Amounts at the disposal of the Annual General Meeting (kSEK):

- Share premium reserve 1,821,219
- Loss brought forward -1,375,981
- Loss for the year -198,483
- Total 246,755

The Board of Directors proposes that non-restricted equity of 246,755 be carried forward.

Consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	2020	2019
Revenue	6	1,074	1,670
Own work capitalised		126,730	130,891
Other operating income	9	7,817	680
Total		**135,621**	**133,241**
Raw materials and consumables		-3,219	-7,794
Other external expenses	7	-162,372	-143,590
Employee benefit expenses	8	-140,869	-106,450
Depreciation/amortisation and impairment of			
property, plant and equipment and intangible non-current assets		-20,702	-35,599
Other operating expenses	10	-397	-318
Total		**-327,560**	**-293,751**
Operating profit/loss		**-191,939**	**-160,510**
Financial income		750	434
Finance costs		-1,382	-821
Net financial items		**-633**	**-386**
Profit/loss before tax		**-192,572**	**-160,897**
Income tax	12	0	0
Profit/loss for the year		**-192,572**	**-160,897**
Other comprehensive income:			
Items that may be transferred to profit or loss for the year			
Exchange-rate differences on foreign operations		-505	-304
Other comprehensive income for the year		-505	-304
Total comprehensive income for the year		**-193,077**	**-161,201**

Net profit for the year and total comprehensive income are entirely attributable to the parent company shareholders

Earnings per share, calculated on net profit for the year attributable to the parent company's ordinary shareholders

Amounts in SEK	Note	2020	2019
Basic earnings per share	26	-2.03	-3.80
Diluted earnings per share	26	0	0

Consolidated statement of financial position

Amounts in kSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Subscribed but not paid-up capital		0	350,778
Intangible non-current assets			
Capitalised expenditure for development and similar	13	518,744	398,721
Total intangible assets		**518,744**	**398,721**
Property, plant and equipment	14		
Leasehold improvements		4,692	3,303
Equipment, tools, fixtures and fittings		19,033	16,169
Total property, plant and equipment		**23,725**	**19,472**
Right-of-use assets	24	24,004	21,707
Total non-current assets		**566,474**	**439,901**
Current assets			
Inventories			
Raw materials and consumables		3,053	4,351
Finished goods and goods for resale		688	713
Total inventories		**3,741**	**5,065**
Current receivables			
Trade receivables	16	183	50
Current tax assets		1,345	1,345
Other receivables	17	14,025	9,152
Prepaid expenses and accrued income	18	3,932	3,728
Total current receivables		**19,485**	**14,275**
Cash and bank balances	19	332,463	55,634
Total current assets		**355,688**	**74,974**
TOTAL ASSETS		**922,162**	**865,653**

Amounts in kSEK	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders			
Share capital	20	52,051	45,876
Other paid-in capital		1,821,219	1,577,096
Reserves		-900	-395
Retained earnings incl. profit/loss for the year		-1,100,114	-912,204
Total equity attributable to parent company shareholders		**772,257**	**710,374**
LIABILITIES			
Non-current liabilities			
Other liabilities	22	22,674	22,755
Lease liabilities	24	14,470	14,107
Total non-current liabilities		**37,145**	**36,862**
Current liabilities			
Advances from customers		0	0
Trade payables		27,287	37,018
Lease liabilities	24	9,228	7,302
Provisions		0	0
Other current liabilities		26,810	2,151
Accrued expenses and deferred income	23	49,435	71,946
Total current liabilities		**112,761**	**118,417**
Total liabilities		**149,905**	**155,279**
TOTAL EQUITY AND LIABILITIES		**922,162**	**865,653**

The Notes on pages 38 to 63 constitute an integrated part of these consolidated accounts

Consolidated statement of changes in equity

Amounts in kSEK		Attributable to parent company shareholders					
	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	20	21,174		1,291,971	-91	-751,337	561,717
Profit/loss for the year						-160,897	-160,897
Other comprehensive income for the year					-304		-304
Total comprehensive income for the year		**21,174**		**1,291,971**	**-395**	**-912,233**	**400,516**
Transactions with shareholders in their role as owners							
Ongoing new share issue			24,703	282,397			307,100
New share issue				2,728			2,728
Warrants sold						29	29
Closing balance, 31 December 2019		**21,174**	**24,703**	**1,577,096**	**-395**	**-912,204**	**710,374**
Opening balance, 1 January 2020		21,174	24,703	1,577,096	-395	-912,204	710,374
Profit/loss for the year						-192,572	-192,572
Other comprehensive income for the year					-505		-505
Total comprehensive income for the year		**21,174**	**24,703**	**1,577,096**	**-900**	**-1,104,776**	**517,297**
Transactions with shareholders in their role as owners							
Ongoing new share issue			-24,703				-24,703
New share issue		30,877		244,123			275,000
Warrants sold						4,662	4,662
Closing balance, 31 December 2020		**52,051**	**0**	**1,821,219**	**-900**	**-1,100,114**	**772,257**

The Notes on pages 38 to 63 constitute an integrated part of these consolidated accounts

Reserves consist entirely of a translation reserve. The translation reserve comprises exchange-rate differences arising from the translation of the income statements and balance sheets for all Group companies to the Group's reporting currency.

Consolidated statement of cash flows

Amounts in kSEK	Note	2020	2019
Cash flow from operating activities			
Operating profit/loss	28	-192,572	-160,897
Adjustment for non-cash items	30	13,595	42,135
		-178,977	**-118,762**
Income tax paid		0	0
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		1,324	-587
Increase (-)/decrease (+) in operating receivables		1,226	-16,672
Increase (+)/decrease (-) in operating liabilities		26,207	6,168
Total changes in working capital		**28,757**	**-11,091**
Cash flow from operating activities		**-150,220**	**-129,853**
Cash flow from investing activities			
Investments in property, plant and equipment		-9,486	-15,820
Investments in intangible non-current assets		-119,275	-123,436
Divestment of financial assets		0	0
Cash flow from investing activities		**-128,762**	**-139,256**
Cash flow from financing activities			
New share issue		559,917	208
Proceeds from warrants sold		4,662	29
Borrowings		0	0
Repayment of lease debt		-8,613	-6,494
Repayment of borrowings		-81	-95
Cash flow from financing activities	29	**555,886**	**-6,352**
Increase/decrease in cash and cash equivalents		**276,905**	**-275,460**
Cash and cash equivalents at beginning of year		**55,634**	**331,196**
Exchange rate differences in cash and cash equivalents		**-76**	**-101**
Cash and cash equivalents at end of year	19	**332,463**	**55,634**

The Notes on pages 38 to 63 constitute an integrated part of these consolidated accounts

Parent company income statement

Amounts in kSEK	Note	2020	2019
Revenue	32	1,074	1,670
Own work capitalised		126,730	130,891
Other operating income	33	7,817	680
Total		**135,621**	**133,241**
Operating expenses			
Raw materials and consumables		-3,219	-7,794
Other external expenses	35	-170,373	-149,552
Employee benefit expenses	36	-138,351	-103,142
Depreciation/amortisation and impairment of			
property, plant and equipment and intangible non-current assets		-11,941	-28,876
Other operating expenses	34	-397	-318
Total		**-324,281**	**-289,681**
Operating profit/loss		**-188,660**	**-156,441**
Income from financial items			
Income from participations in Group companies	38	-9,844	-5,620
Other interest income and similar profit/loss items		750	442
Interest expense and similar profit/loss items		-728	-314
Profit/loss after financial items		**-198,483**	**-161,932**
Profit/loss before tax		**-198,483**	**-161,932**
Tax on profit/loss for the year	37	0	0
Profit/loss for the year		**-198,483**	**-161,932**

The parent company has no items that are recognised as other comprehensive income. Total comprehensive income is therefore the same as profit/loss for the year.

The Notes on pages 64 to 74 constitute an integrated part of these parent company's financial statements.

Parent company balance sheet

Amounts in kSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Subscribed but not paid-up capital		0	350,778
Intangible non-current assets			
Capitalised expenditure for development and similar	39	518,744	398,721
Total intangible non-current assets		**518,744**	**398,721**
Property, plant and equipment	40		
Leasehold improvements		4,692	3,303
Equipment, tools, fixtures and fittings		19,033	16,169
Total property, plant and equipment		**23,725**	**19,472**
Financial non-current assets			
Participations in Group companies	38	50	50
Total financial non-current assets		**50**	**50**
Total non-current assets		**542,519**	**418,243**
Current assets			
Inventories			
Raw materials and consumables		3,053	4,351
Finished goods and goods for resale		688	713
Total inventories		**3,741**	**5,065**
Current receivables			
Trade receivables	43	183	50
Receivables from Group companies		0	6,667
Current tax assets		1,345	1,345
Other receivables	44	13,964	9,090
Prepaid expenses and accrued income	45	4,757	4,393
Total current receivables		**20,250**	**21,544**
Cash and bank balances			
Cash and bank balances	42	331,150	53,349
		331,150	**53,349**
Total current assets		**355,140**	**79,959**
TOTAL ASSETS		**897,660**	**848,980**

Amounts in kSEK	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	50	52,051	21,174
New share issue under registration		0	24,703
Development expenditure fund		472,870	346,140
		524,921	**392,016**
Non-restricted equity			
Share premium reserve		1,821,219	1,577,096
Retained earnings		-1,375,981	-1,091,981
Profit/loss for the year		-198,483	-161,932
		246,755	**323,183**
Total equity		**771,676**	**715,200**
Provisions			
Other provisions		0	0
Total provisions		**0**	**0**
Non-current liabilities	46		
Other non-current financial liabilities		22,674	22,755
Total non-current liabilities		**22,674**	**22,755**
Current liabilities			
Advances from customers		0	0
Trade payables		27,287	37,018
Other liabilities		26,587	2,061
Accrued expenses and deferred income	47	49,435	71,946
Total current liabilities		**103,309**	**111,026**
Total liabilities		**125,984**	**133,781**
TOTAL EQUITY AND LIABILITIES		**897,660**	**848,980**

The Notes on pages 64 to 74 constitute an integrated part of these parent company's financial statements

Parent company statement of changes in equity

		Restricted equity		Non-restricted equity			
Amounts in kSEK	Note	Share capital	Development expenditure fund	Share premium reserve	Retained earnings	Profit/loss for the year	Total equity
Opening balance, 1 January 2019	50	21,174	222,291	1,291,971	-968,161		567,274
Net profit/loss and comprehensive income for the year						-161,932	-161,932
Total comprehensive income		**21,174**	**222,291**	**1,291,971**	**-968,161**	**-161,932**	**405,342**
Transactions with shareholders in their role as owners							
Ongoing new share issue		24,703		282,397			307,100
New share issue				2,728			2,728
Transfer between items			123,849		-123,849		0
New share issue employee share options					29		29
Closing balance, 31 December 2019		**45,876**	**346,140**	**1,577,096**	**-1,091,981**	**-161,932**	**715,200**
Opening balance, 1 January 2020		45,876	346,140	1,577,096	-1,253,913		715,200
Net profit/loss and comprehensive income for the year						-198,483	-198,483
Total comprehensive income		**45,876**	**346,140**	**1,577,096**	**-1,253,913**	**-198,483**	**516,717**
Transactions with shareholders in their role as owners							
Ongoing new share issue		-24,703					-24,703
New share issue		30,877		244,123			275,000
Transfer between items			126,730		-126,730		0
New share issue employee share options					4,662		4,662
Closing balance, 31 December 2020		**52,051**	**472,870**	**1,821,219**	**-1,375,981**	**-198,483**	**771,676**

Parent company cash-flow statement

Amounts in kSEK		2020	2019
Cash flow from operating activities			
Operating profit/loss after depreciation/amortisation	52	-198,483	-161,932
Adjustment for non-cash items	54	21,785	39,444
		-176,698	**-122,488**
Income tax paid		0	0
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		1,324	-587
Increase (-)/decrease (+) in operating receivables		1,222	-16,879
Increase (+)/decrease (-) in operating liabilities		26,060	7,973
Total changes in operating loss		**28,606**	**-9,493**
Cash flow from operating activities		**-148,092**	**-131,980**
Cash flow from investing activities			
Acquisition of property, plant and equipment		-9,486	-15,818
Acquisition of intangible non-current assets		-119,275	-123,436
Acquisition of financial assets		-9,844	-5,620
Cash flow from investing activities		**-138,606**	**-144,874**
Cash flow from financing activities			
New share issue		559,917	208
Warrants programme		4,662	29
Borrowings		0	0
Repayment of borrowings		-81	-95
Cash flow from financing activities	53	**564,499**	**143**
Increase/decrease in cash and cash equivalents		**277,800**	**-276,711**
Cash and cash equivalents at beginning of year		**53,349**	**330,061**
Cash and cash equivalents at end of year	42	**331,150**	**53,349**

Note 1 – Notes to the consolidated statements

Note 1.1 – General information

Azelio AB (publ) ("Azelio"), Corp. Reg. No. 556714-7607, is a parent company registered 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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation of the financial statements

Azelio's consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC), as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

The preparation of statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas that include a high level of judgement, that are complex or such areas where assumptions and estimations are of material importance for the consolidated accounts are stated in Note 3.

The parent company applies Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board and the Annual Accounts Act. The application of RFR 2 requires that the parent company, in the interim report for the legal entity, shall apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation.

The preparation of statements in compliance with RFR 2 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Parent Company's accounting policies. Those areas that include a high level of judgement, that are complex or such areas where assumptions and estimations are of material importance for the annual accounts are stated in Note 3 of the consolidated accounts.

2.1.1 RFR 2 Financial Reporting for Legal Entities

The parent company applies other accounting policies than the Group in the cases stated below:

Presentation formats

The format prescribed in the Annual Accounts Act is used for the income statements and balance sheets. The presentation format for the statement of changes in equity is also consistent with the Group's format, but must also include the columns stated in the Annual Accounts Act. Moreover, there is a difference in terms, compared with the consolidated accounts, mainly with regard to financial income and expense, and equity.

Participations in subsidiaries

Participations in subsidiaries are recognised at cost less any impairment. Cost includes acquisition-related costs and any earnouts.

The recoverable amount is calculated if there is an indication of impairment of participations in a subsidiary. Impairment is recognised if the recoverable amount is less than the carrying amount. Impairment is recognised in the item "Income from participations in Group companies."

Financial instruments

IFRS 9 is not applied in the parent company and financial instruments are measured at cost. Financial assets acquired with the intention of holding them on a short-term basis will be recognised in subsequent periods in accordance with the lower value principle at the lowest of cost and market value. However, the parent company must apply the impairment rules in IFRS 9 and on each balance sheet date, the Parent Company assesses whether there is any indication of an impairment requirement in any of the financial assets. An impairment loss is recognised if the decline in value is deemed permanent. Impairment losses on interest-bearing financial assets are recognised at amortised cost calculated as the difference between the carrying amount and present value of the asset, based on management's best estimate of the future cash flows discounted by the original effective rate of interest for the asset. The impairment amount for other financial assets is set as the difference between the carrying amount and the higher of fair value less selling expenses and the present value of future cash flows (based on management's best estimate).

Leases

All leases are recognised as operating leases, irrespective of whether they are finance or operating leases. The lease payments are recognised on a straight-line basis over the lease term.

Appropriations

Group contributions are recognised as appropriations.

Development expenditure fund

Expenditure on the company's own development work, which is recognized as intangible fixed assets, is transferred with the corresponding amount from non-restricted equity to a development expenditure fund.

Loan expenditure

Expenses for the company's loans are expensed.

2.1.2 New standards and interpretations which have not yet been applied by the Group

None of the IFRS or IFRIC interpretations that have been published but have not yet become effective are expected to have any material impact on the Group.

2.2 Basis of consolidation

2.2.1 Fundamental accounting policies

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its holdings in the entity and has the ability to affect those returns through its influence over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidated accounts from the date on which control is relinquished.

The Group applies the acquisition method to account for business combinations. The consideration paid for the acquisition of a subsidiary comprises the fair value of the transferred assets, liabilities incurred to previous owners of the acquired entity and the shares issued by the Group. The consideration also includes the fair value of all liabilities that are a consequence of a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the carrying amounts of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed when they arise and are recognised in the consolidated statement of income and other comprehensive income.

Goodwill is initially measured as the amount by which the total purchase consideration and any fair value of non-controlling interests on the acquisition date exceeds the fair value of identifiable acquired net assets. If the purchase consideration is lower than the fair value of the acquired entity's net assets, the difference is recognised directly in profit/loss for the period.

Intra-Group transactions, balance-sheet items and income and expenses for intra-Group transactions are eliminated. Gains and losses arising from intra-Group transactions and which are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. Azelio's CEO is the Group's chief operating decision maker. Azelio has identified one operating segment, which comprises the Group's operations as a whole. The assessment is based on the premise that the business in its entirety is regularly examined by the CEO as a basis for decision on the allocation of resources and evaluation of its results.

2.4 Foreign currency translation

2.4.1 Functional and reporting currency

The functional currency of the various entities in the Group is the local currency, as this has been defined as the currency that is used in the primary economic environment in which each entity mainly conducts business. The Swedish krona (SEK) is used in the consolidated accounts. This is the functional currency of the parent company and the reporting currency of the Group.

2.4.2 Transactions and balance-sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in operating profit/loss in the statement of income and other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income and other comprehensive income as financial income or expenses. All other foreign exchange gains and losses are recognised in the item "Other operating expenses" and "Other operating income" in the statement of income and other comprehensive income.

2.4.3 Translation of foreign Group companies

The earnings and financial position of all Group companies that have a functional currency that is different to the reporting currency are translated to the Group's reporting currency: The assets and liabilities of each of the balance sheets are translated from the functional currency of the foreign operation to the Group's reporting currency, SEK, at the exchange rate applicable on the balance sheet date. The income and expenses in each of the income statements are translated into SEK at the average rate applying at the time of each transaction. Translation differences arising on the currency translation of foreign operations are recognised in other comprehensive income.

2.5 Revenue recognition

Revenue is recognised when control of the goods or services sold is passed to the customer. The fundamental principle is that the Group recognises revenue in the manner that best reflects the transfer of control of the promised goods or services to the customer. Reporting in the Group uses a five-step process that is applied to all customer contracts:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price
- Allocate the transaction price to each of the separate performance obligations
- Recognise the revenue as each performance obligation is satisfied

Using the above five-step model, it has been determined that the Group's performance obligation comprises Stirling engines and service obligations.

Revenue includes the fair value of the amount that has been, or will be, received for goods and services sold in the Group's operating activities. Revenues are recognised excluding value added tax and discounts, and after the elimination of Intra-Group sales.

The accounting policies applied by the Group for the performance obligations related to Stirling engines and service obligations are set out below.

2.5.1 Sales of Stirling engines

The Group manufactures and sells Stirling engines. Sales are recognised as revenue when control of the goods is transferred, which occurs when the goods are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue from the sale of Stirling engines is recognised based on the price in the agreement, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Invoices issued usually have a credit term of 30 days. No element of financing is deemed present at the date of sale.

2.5.2 Sale of service obligations

The Group provides services at a fixed price in the form of service obligations. Revenue from providing services is recognised over time as benefits are received by the customer. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenue, costs or extent of progress of the project toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs due to changed estimates are reflected in the statement of income and other comprehensive income in the period in which the circumstances that gave rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by Azelio exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which Azelio has a right to invoice. Customers are invoiced on a monthly basis and the consideration is payable when invoiced.

2.5.3 Interest income

Interest income is recognised using the effective interest method.

2.6 Leases

The Group leases premises, trucks, forklifts and IT services. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value of future leasing fees discounted with a marginal loan rate, with adjustments as below.

Lease liabilities include the net present value of the following lease payments:

- fixed payments

- variable lease payments that are based on an index or interest rate

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of the lease liability,

- payments made on or before the point in time when the leased asset is made available to the lessee.

Low-value leases and short-term leases are recognised on a straight-line basis as an expense in the statement of income and other comprehensive income.

Extension and termination options

Extension options are included in most property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The effect of the extension options on the reported lease debt and rights of use is assessed on the basis of reasonable security for the extension.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. Payments under any residual value guarantees are only included in the valuation of the liability if there is a reasonable assurance that such payments will be made.

2.7 Employee benefits

2.7.1 Short-term employee benefits

Liabilities for salaries and remuneration, including non-monetary benefits and paid sickness absence, that are expected to be settled within 12 months after the end of the financial year are recognised as current liabilities at the undiscounted amount that is expected to be paid when the liabilities are settled. The expense is recognised as the employees perform the service. The liabilities are presented as current employee benefit obligations in the balance sheet.

2.7.2 Post-employment benefits

Group companies only have defined-contribution pension plans. Defined-contribution plans are plans under which the Group pays fixed contributions into a separate legal entity. The Group does not have any legal or informal obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees. The fees are recognised as an expense in profit for the period at the rate they are accrued as the employees perform services for the company during a specific period.

2.8 Current and deferred income tax

Tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of income and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is calculated on taxable earnings for the period according to the applicable tax rate. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is likely that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax receivables and liabilities relate to taxes debited by the same taxation authority and pertain to either the same or different tax subjects, and where there is an intent to settle on a net basis.

2.9 Intangible assets

2.9.1 Capitalised development expenditure

Costs associated with maintenance are recognised as an expense as incurred. Development costs directly attributable to the development of systems based on Stirling engines controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete these so that they will be available for use,

- management intends to complete these and use or sell them,

- there is an ability to use or sell the them,

- it can be demonstrated how they will generate probable future economic benefits,

- adequate technical, financial and other resources to complete the development and to use or sell them are available, and

- the expenditure attributable to these during their development can be reliably measured.

Directly attributable costs that are capitalised as part of the development work include costs for employees and external consultants.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for commercial use. The useful life is five years.

2.10 Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the items and for bringing it to its place of use and preparing it for use in accordance with the purpose of the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised from the balance sheet when replaced. All other repairs and maintenance are recognised as costs in the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of assets is applied on a straight-line basis as follows in order to allocate cost down to the residual value over the estimated useful life.

The useful lives are as follows:	
Leasehold improvements	8 years
Equipment, tools, fixtures and fittings	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount and are recognised in Other operating income or Other operating expenses in the statement of income and other comprehensive income.

2.11 Impairment of non-financial assets

Intangible assets that are not ready for use (capitalised development expenditure), are not subject to amortisation and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

2.12 Financial instruments

2.12.1 Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the financial instrument's contractual conditions. Purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group undertakes to purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs that are directly attributable to acquisitions, or issues of a financial asset or financial liability (e.g. fees and commissions).

2.12.2 Classification

The Group classified its financial assets and liabilities in the category of amortised cost.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses that have been recognised (see the paragraph below on impairment). Interest income from these financial assets is included in finance income using the effective interest rate method. The Group's financial assets that are measured at amortised cost comprise the items trade receivables, other current receivables, accrued income and cash and cash equivalents.

Financial liabilities at amortised cost

The Group's other financial liabilities are subsequently classified as measured at amortised cost by applying the effective interest method. Other financial liabilities consist of other non-current and current liabilities, trade payables, and a portion of accrued expenses.

2.12.3 Derecognition of financial instruments

Derecognition of financial assets

Financial assets, or portions thereof, are derecognised from the balance sheet when the contractual rights to collect the cash flows from the assets have expired or been transferred, and either (i) the Group transfers essentially all the risks and benefits associated with ownership or (ii) the Group neither transfers nor retains essentially all risks and benefits associated with ownership and has not retained control of the asset.

Derecognition of financial liabilities

Financial liabilities are derecognised from the balance sheet when the contractual obligations have been fulfilled, cancelled or extinguished in another manner. The difference between the carrying amount of a financial liability (or portion of a financial liability) that is extinguished or transferred to another party and the remuneration paid, including transferred assets that are not cash or assumed liabilities, is recognised in the statement of income and other comprehensive income.

In the event the terms of a financial liability are renegotiated and not derecognised from the balance sheet, a profit or loss is recognised in the statement of comprehensive income and the profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

2.12.4 Impairment of financial assets

Assets carried at amortised cost

The Group assesses the future expected credit losses attributable to assets measured at amortised cost. The Group recognises a reserve ("loss allowance") for such expected credit losses on each reporting date. For trade receivables, the Group applies the simplified approach for loss allowances, meaning that the reserve will correspond to the expected loss across the entire lifetime of the trade receivables. To measure the expected credit losses, trade receivables are grouped based on allocated credit risk properties and days overdue. The Group employs forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated statement of income and other comprehensive income in the item other external expenses.

2.13 Inventories

Inventories are recognised according to the first-in, first-out principle at the lowest of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the applicable variable costs necessary to make the sale.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are classified as current assets. Trade receivables are initially recognised at the transaction price. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them on subsequent recognition dates at amortised cost using the effective interest method.

2.15 Cash and cash equivalents

Cash and cash equivalents include, in both the balance sheet and the statement of cash flows, cash and bank balances.

2.16 Share capital

Ordinary shares are classified as equity. Transaction costs that are directly attributable to the issue of new ordinary shares are recognised net after tax in equity as a deduction from the issue proceeds.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of income and other comprehensive income allocated over the term of the borrowings using the effective interest method.

The liability is classified as non-current in the balance sheet.

2.18 Borrowing costs

General and specific borrowing expenses that are directly attributable to purchase, construction or production of qualified assets are recognized as part of the acquisition value of these assets. Qualified assets are assets that necessarily take a significant amount of time to complete for intended use. Activation ceases when all activities required to complete the asset for its intended use have been substantially completed.

All other borrowing costs are expensed in the period in which they are incurred.

2.19 Trade payables

Trade payables are financial instruments and represent obligations to pay for goods and services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they fall due within one year. If not, they are recognised as non-current liabilities.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Funds received prior to meeting the requirements for reporting them as revenue are reported as a liability.

Government grants related to development that is capitalised as an intangible asset is recognised by reducing the asset's carrying amount by the amount of the grant and by recognising the grant in profit/loss for the period over the depreciable asset's useful life in the form of lower depreciation.

2.21 Cash-flow statement

The cash-flow statement has been prepared using the indirect method. The recognised cash flow includes only transactions involving inflows and outflows of cash.

2.22 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- profit attributable to Parent Company shareholders

- by the weighted average number of outstanding ordinary shares during the period

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

No dilution effect is reported on a negative result.

2.23 share related renumeration

Azelio has an agreement with a supplier which means that the supplier has the opportunity to receive payment for its services either in cash or in the form of shares in Azelio AB. As of 2020-12-31, a liability corresponding to the fair value of delivered unregulated services of SEK 17.4 million is reported. If the supplier chooses regulation of the debt in the form of shares, this means a directed new issue of 1,666,667 shares.

Note 3 – Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom correspond to the actual results. Estimates and assumptions that entail a significant risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year are outlined below

(a) Assessment of impairment requirements for capitalised development expenditure

The Group annually tests whether capitalised development expenditure is subject to any impairment in accordance with the accounting policy described in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Certain estimates must be made in these calculations in the form of risk-free interest, market risk premium, industry beta value, equity and company-specific alfa value.

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

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

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

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

(b) Going concern assumption

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

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

Note 4 – Financial risk management

Note 4.1 – Financial risk factors

Through its business activities, the Group is exposed to a number of different financial risks related to trade receivables, trade payables and loans: market risk (comprising interest-rate risk and currency risk), credit risk and liquidity risk. The Group endeavours to minimise potential unfavourable effects on the Group's financial results.

The objectives of the Group's financial operations are to:

- ensure that the Group can meet its payment commitments,
- manage financial risks,
- secure access to necessary financing, and
- optimise the Group's net financial items.

Credit risk is managed by Group Management. Only banks and credit institutions that have received the credit rating "A", at a minimum, from independent assessors are accepted. If customers have their credit ratings assessed by independent assessors, such ratings are used. In the event that there is no independent credit assessment, a risk assessment is made of the customer's credit rating, in which financial position, historical experience and other factors are taken into consideration. Since a significant proportion of the Group's contracts are agreed fully or partly on the basis of advance payment or in other cases comprise customers with a strong financial position, the customer-related credit risk is considered to be limited.

Market risk

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily in respect of EUR. Currency risk arises from payment flows in foreign currency – which is known as transaction exposure – and from the translation of balance-sheet items in foreign currency, as well as translation of foreign subsidiaries' income statements and balance sheets into SEK, the Group's reporting currency – known as translation exposure.

Currency risk arises when future business transactions or recognised assets or liabilities are expressed in a different currency to the entity's functional currency. In Azelio, exchange-rate risk arises primarily through future business transactions, particularly in the Parent Company, where a significant portion of the transactions occurs in EUR. The Group is also exposed to exchange-rate risk related to government-financed projects, where the financing is primary received in EUR. There is no significant exchange-rate risk in the subsidiaries. The Group has no borrowing in foreign currencies. The exchange-rate risk associated with shareholders' equity in connection with translation of the foreign subsidiary is not significant for the Group. The Group's policy for managing exchange-rate risk is primarily focused on the operational terms and conditions of the business by ensuring that revenues and costs in currencies other than SEK match each other.

Sensitivity analysis – transaction exposure

The sensitivity of earnings to changes in exchange rates arises mainly in EUR. Significant balance-sheet items in foreign currency are found in trade receivables, contract liabilities, trade payables and accrued and prepaid central government contributions. Trade receivables in foreign currency amounted to kSEK 156 on 31 December 2020 (31 December 2019: kSEK 0). Contract liabilities in foreign currency amounted to kSEK 0 on 31 December 2020 (31 December 2019: kSEK 0). Trade payables in foreign currency amounted to kSEK 3,192 on 31 December 2020 (31 December 2019: kSEK 3,487). Prepaid central government contributions in foreign currency amounted to kSEK 0 on 31 December 2020 (31 December 2019: kSEK 0) and accrued central government contributions amounted to kSEK 0 on 31 December 2020 (31 December 2019: kSEK 0).

If the SEK had weakened 10% in relation to EUR, all other variables being equal, the restated net profit for the 2020 financial year would have been kSEK 258 (kSEK 357) lower. This is largely due to losses arising from the restatement of trade payables.

Interest-rate risks associated with cash and cash equivalents and borrowing

Interest-rate risk relates to the risk of the Group's exposure to changes in the market interest rate having a negative impact on net profit.

The Group does not have any significant borrowing from any credit institution; nor does it have surplus liquidity invested in inflation-indexed or government bonds. Accordingly, the impact of a change in the market interest rate is limited.

Sensitivity analysis – interest-rate exposure

A change in market interest rates by 100 basis points (one percentage point) would have changed the Group's interest expense by approximately kSEK 274, with the discount rate for lease liabilities accounting for 87% of the change.

Credit risk

Credit risk arises through holdings of cash and cash equivalents, balances with banks and credit institutions and credit exposure with customers, including receivables outstanding. Credit risk is managed by Group Management. Only banks and credit institutions that have received the credit rating "A", at a minimum, from independent assessors are accepted.

The Group has historically had low bad debt losses since, to a considerable extent, the customers comprise large-scale, well-known customers. If customers have their credit ratings assessed by independent assessors, such ratings are used. In the event that there is no independent credit assessment, a risk assessment is made of the customer's credit rating, in which financial position, historical experience and other factors are taken into consideration. Individual risk limits are set based on internal and external ratings in accordance with limits set by the Board of Directors. Compliance with the credit limits is monitored regularly by Group Management.

31 December 2020	Not past-due receivables	> 30 days past-due	> 60 days past-due	> 120 days past-due	Total
	87	96	0	0	183

Liquidity risk

Through prudent liquidity management, the Group ensures that there is sufficient cash to meet the needs of operating activities. At the same time, it is ensured that the Group has sufficient scope in its cash and cash equivalents so that the payment of liabilities can be made when these fall due.

Group Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flows.

In the table below, the Group's non-derivative financial liabilities that constitute financial liabilities are organised according to the term remaining on the balance sheet date until the contractual due date. The amounts stated in the table comprise contractual, undiscounted cash flows. Future cash flows in foreign currency that are related to variable interest rates have been calculated based on the exchange rate that applied on the balance sheet date. Repayment dates in respect of the loans from the Swedish Energy Agency are established based on assessments of when the projects will generate revenues.

At 31 December 2019	<3 months	3 months–1 year	1–2 years	2–5 years	>5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Other financial liabilities	0	81	85	255	22,334	22,755	22,755
Liabilities, leases	1,801	5,501	7,618	6,261	227	21,409	21,409
Trade payables	37,018	0	0	0	0	37,018	37,018
Total	**38,819**	**5,582**	**7,703**	**6,516**	**22,561**	**81,182**	**81,182**

At 31 December 2020	<3 months	3 months–1 year	1–2 years	2–5 years	>5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Other financial liabilities	0	53	75	225	22,321	22,674	22,674
Liabilities, leases	2,312	6,916	5,294	9,176	0	23,698	23,698
Trade payables	27,287	0	0	0	0	27,287	27,287
Total	**29,600**	**6,969**	**5,369**	**9,401**	**22,321**	**73,660**	**73,660**

Note 4.2 – Management of capital

The Group's target for its capital structure is to secure the Group's ability to continue its operations so that it can continue to generate returns for shareholders and value for other stakeholders, and maintain an optimal capital structure for keeping the costs of capital down.

The Group assesses capital based on the debt/equity ratio. This key ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (comprising the items current borrowing and non-current borrowing in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as net indebtedness plus shareholders' equity.

	31 December 2020	31 December 2019
Total borrowing (Note 22)	-22,674	-22,755
Less: cash and cash equivalents	332,463	55,634
Net debt	**309,788**	**32,879**
Total equity	772,257	710,374
Total capital	**1,082,045**	**743,253**

Note 5 – Segment information

Description of segments and primary activities:

Azelio's CEO corresponds to the chief operating decision maker for the Azelio Group and he evaluates the Group's financial position and earnings and makes strategic decisions. The Managing Director has determined the operating segments based on the information that is processed and used as a basis for allocating resources and evaluating earnings. The CEO monitors and evaluates the Group based on one operating segment, which is the Group as a whole.

First and foremost, the CEO uses operating profit/loss to assess the Group's earnings.

Operating profit/loss

	2020	2019
Operating profit/loss	**-191,939**	**-160,510**

Note 6 – 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.

	2020			2019		
	Sweden	EU	Outside the EU	Sweden	EU	Outside the EU
Revenue from						
Stirling engines	0	0	0	0	0	0
Service obligations	122	0	84	143	0	274
Spare parts	71	449	194	0	1,218	1
Other	154	0	0	34	0	0
Total	**347**	**449**	**278**	**177**	**1,218**	**275**

Revenue from major customers (more than 10%) for the period amounted to kSEK 662 (1,122).

Note 7 – Remuneration to auditors

	2020	2019
KPMG AB		
Audit engagement	720	585
Auditing activities in addition to audit engagement	0	43
Tax advisory services	0	98
Total	**720**	**726**
Great Wall Certified Public Accountants Co. Ltd		
Audit engagement	50	51
Total	**50**	**51**
Group total	**770**	**776**

Audit engagement refers to the examination of the annual accounts and accounting records, as well as the administration of the Board of Directors and the CEO, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examination or the performance of such other tasks.

Note 8 – Employee benefits, etc.

	2020	2019
Salaries and other benefits	97,985	67,211
Social security contributions	28,316	24,106
Pension costs – defined-contribution plans	9,928	8,797
Total employee benefits	**136,229**	**100,114**

Salaries, other remuneration and social security expenses

	2020		2019	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Board members, CEO and other senior executives	23,831	5,840	12,354	4,315
(of which, bonuses)	0		0	
(of which, pension costs)		1,931		1,841
Other employees	74,154	32,404	54,857	28,589
(of which, pension costs)		7,997		6,956
Group total	**97,985**	**38,244**	**67,211**	**32,903**

Average number of employees and geographic distribution by country

	2020		2019	
		Of whom men		Of whom men
Sweden	131	81%	101	80%
China	4	75%	4	75%
Group total	**135**	**80%**	**105**	**84%**

Gender distribution in the Group (incl. subsidiaries) among Board members and other senior executives

	2020		2019	
		Percentage of women		Percentage of women
Board members	8	13%	8	13%
CEO and other senior executives	7	14%	9	0%
Group total	**8**	**13%**	**9**	**6%**

Senior executives' remuneration 2020

kSEK	Basic salary/ Board fees	Variable remuneration	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board, Bo Dankis	500	0	0	0	0	500
Member of the Board, Bertil Villard	150	0	0	0	0	150
Member of the Board, Hicham Bouzekri	150	0	0	0	0	150
Member of the Board, Kent Janér	150	0	0	0	0	150
Member of the Board, Lars Thunell	150	0	0	0	0	150
Member of the Board, Mattias Bergman	150	0	0	0	0	150
Member of the Board, Pär Nuder	150	0	0	0	0	150
Member of the Board, Sigrun Hjelmqvist	150	0	0	0	0	150
CEO Jonas Eklind	2,528	960	0	668	2,430	6,586
Other senior executives (6 persons)	7,154	2,084	0	1,263	7,125	17,626
Group total	**11,232**	**3,044**	**0**	**1,931**	**9,555**	**25,762**

CEO and senior executives

In addition to a fixed monthly salary, the CEO and senior executives receive variable remuneration if set earnings targets are achieved. The remuneration is determined by the Board of Directors. During the financial year, variable remuneration amounted to KSEK 960 (0) to the CEO and KSEK 2,084 (0) to other senior executives. Other remuneration is paid as remuneration for the acquisition of warrants.

The contract between the company and the CEO is terminable subject to six months' notice by either party. If employment is terminated by the company, the CEO is also entitled to six months' severance pay. No agreements have been reached concerning severance pay to other employees.

Board of Directors

According to a resolution adopted by the Annual General Meeting on 14 May 2020, Board fees for the period through the next Annual General Meeting are payable in a total amount of KSEK 1,550, of which KSEK 500 to the Chairman of the Board and KSEK 150 to each of the other members who are not company employees.

Other remuneration to each of the members of the Finance Committee who are not employees of the company is kSEK 50 and to each of the members of the Remuneration Committee who are not employees of the company kSEK 30.

Senior executives' remuneration 2019

kSEK	Basic salary, Board fees	Variable remuneration	Other benefits	Pension expense	Other remuneration	Total
Chairman of the Board, Bo Dankis	500	0	0	0	0	500
Member of the Board, Bertil Villard	150	0	0	0	0	150
Member of the Board, Christopher Beaufait	150	0	0	0	0	150
Member of the Board, Hicham Bouzekri	150	0	0	0	0	150
Member of the Board, Kent Janér	150	0	0	0	0	150
Member of the Board, Lars Thunell	75	0	0	0	0	75
Member of the Board, Mattias Bergman	150	0	0	0	0	150
Member of the Board, Pär Nuder	150	0	0	0	0	150
Member of the Board, Sigrun Hjelmqvist	63	0	0	0	0	63
CEO Jonas Eklind	1,585	0	0	434	0	2,019
Other senior executives (8 persons)	9,231	0	0	1,407	0	10,638
Group total	**12,354**	**0**	**0**	**1,841**	**0**	**14,195**

Note 9 – Other operating income

	2020	2019
Contributions in respect of project financing and central government support	579	294
Other	7,237	386
Total	**7,817**	**680**

Note 10 – Other operating expenses

	2020	2019
Exchange-rate differences	-397	-318
Total	**-397**	**-318**

Note 11 – Exchange-rate differences – net

	2020	2019
Exchange profit	310	680
Exchange loss	-397	-318
Total	**-88**	**362**

Note 12 – Income tax

Reconciliation of effective tax

Current tax	2020	2019
Current tax on net profit for the year	0	0
Adjustments for current tax of prior periods	0	0
Total current tax	**0**	**0**
Deferred tax		
Occurrence and reversal of temporary differences	0	0
Effect of changed tax rates	0	0
Total deferred tax	**0**	**0**
Total income tax	**0**	**0**

The income tax on consolidated earnings before tax differs from the theoretical amount that would have resulted using the Swedish rate of tax for the profits of the consolidated entities as follows:

		2020		2019
Profit/loss before tax		**-192,572**		**-160,897**
Tax according to Parent Company's current tax rate	21.4%	41,210	21.4%	34,432
Tax effects of:				
Tax-deductible items recognised against shareholders' equity	2.3%	4,440	5.4%	8,763
Other non-deductible expenses	-2.4%	-4,715	-2.2%	-3,501
Non-taxable income	0.0%	0	0.0%	0
Reversal of previously non-deductible expenses	1.0%	2,003	0.7%	1,076
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	-22.3%	-42,938	-25.3%	-40,770
Other	0.0%	0	0.0%	0
Income tax	**0.0%**	**0**	**0.0%**	**0**

Note 13 – Intangible assets

	Capitalised development costs	Investments in progress, intangible assets	Total
For the 2019 financial year			
Opening carrying amount	**291,224**	**1,353**	**292,577**
Assets developed internally	132,244	0	132,244
Depreciation and amortisation	-11,415	0	-11,415
Impairment	-13,331	0	-13,331
Other	0	-1,353	-1,353
Closing carrying amount	**398,721**	**0**	**398,721**
At 31 December 2019			
Cost	468,830	0	468,830
Accumulated depreciation and amortisation	-70,109	0	-70,109
Carrying amount	**398,721**	**0**	**398,721**
For the 2020 financial year			
Opening carrying amount	**398,721**	**0**	**398,721**
Assets developed internally	126,730	0	126,730
Depreciation and amortisation	-6,707	0	-6,707
Closing carrying amount	**518,744**	**0**	**518,744**
At 31 December 2020			
Cost	595,560	0	595,560
Accumulated amortisation and impairment	-76,816	0	-76,816
Carrying amount	**518,744**	**0**	**518,744**

Depreciation and amortisation costs of kSEK 6,707 (2019: kSEK 11,415) are included in depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets in the consolidated statement of income and other comprehensive income.

Note 14 – Property, plant and equipment

	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
At 1 January 2019			
Cost	1,851	21,667	23,518
Accumulated depreciation and amortisation	-864	-14,869	-15,733
Carrying amount	**987**	**6,798**	**7,785**
For the 2019 financial year			
Opening carrying amount	987	6,798	7,785
Purchases	2,642	13,177	15,818
Divestments and disposals	0		0
Depreciation and amortisation	-326	-3,805	-4,131
Closing carrying amount	**3,303**	**16,169**	**19,472**
At 31 December 2019			
Cost	4,493	34,843	39,336
Accumulated amortisation and impairment	-1,190	-18,674	-19,864
Carrying amount	**3,303**	**16,169**	**19,472**
For the 2020 financial year			
Opening carrying amount	3,303	16,169	19,472
Purchases	2,010	7,476	9,486
Divestments and disposals	0	-43	-43
Depreciation and amortisation	-621	-4,612	-5,233
Reversal of depreciation on divestments and disposals	0	43	43
Closing carrying amount	**4,692**	**19,033**	**23,725**
At 31 December 2020			
Cost	6,503	42,274	48,778
Accumulated depreciation, amortisation and impairment	-1,811	-23,241	-25,053
Carrying amount	**4,692**	**19,033**	**23,725**

Depreciation and amortisation costs of kSEK 5,233 (2019: kSEK 4,131) are recognised in depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets in the consolidated statement of income and other comprehensive income.

Note 15 – Financial instruments by category

31 Dec 2019	Financial assets measured at amortised cost	Total
Assets in balance sheet		
Trade receivables	50	50
Other current receivables	9,152	9,152
Cash and bank balances	55,634	55,634
Total	**64,836**	**64,836**

31 Dec 2019	Financial liabilities measured at amortised cost	Total
Liabilities in balance sheet		
Other non-current and current financial liabilities	22,755	22,755
Lease liabilities	21,409	21,409
Advances from customers	0	0
Trade payables	37,018	37,018
Total	**81,182**	**81,182**

31 Dec 2020	Financial assets measured at amortised cost	Total
Assets in balance sheet		
Trade receivables	183	183
Other current receivables	14,025	14,025
Cash and bank balances	332,463	332,463
Total	**346,670**	**346,670**

31 Dec 2020	Financial liabilities measured at amortised cost	Total
Liabilities in balance sheet		
Other non-current and current financial liabilities	22,674	22,674
Lease liabilities	23,698	23,698
Advances from customers	0	0
Trade payables	27,287	27,287
Total	**73,660**	**73,660**

Note 16 – Trade receivables

	31 Dec 2020	31 Dec 2019
Trade receivables	183	50
Less: loss allowance	0	0
Trade receivables – net	**183**	**50**

	31 Dec 2020	31 Dec 2019
The carrying amounts of the Group's accounts receivable are denominated in the following currencies:		
Swedish kronor (SEK)	27	50
EUR	156	0
Total	**183**	**50**

Changes in the reserve for expected loan losses for the 2020 financial year were as follows:

KSEK 0 was reserved as doubtful receivables in 2020.

The maximum exposure to credit risk of the trade receivables on the balance sheet date is the carrying amount stated above.

The fair value of trade receivables corresponds to the carrying amount since the discount effect is not material.

No trade receivables were pledged as collateral for any liability.

Note 17– Other current receivables

	31 Dec 2020	31 Dec 2019
Advance payments for goods and services	13,712	8,976
Other	313	176
Total	**14,025**	**9,152**

Note 18 – Prepaid expenses and accrued income

	31 Dec 2020	31 Dec 2019
Prepaid rental charges	1,241	803
Prepaid insurance	310	559
Other prepaid expenses	2,381	2,366
Total	**3,932**	**3,728**

Note 19 – Cash and cash equivalents

	31 Dec 2020	31 Dec 2019
Bank balances	332,463	55,634
Total	**332,463**	**55,634**

Note 20 – Share capital and other contributed capital

	Number of shares	Share capital	Ongoing new share issue	Other paid-in capital
At 1 January 2019	**42,347,495**	**21,174**	**0**	**1,291,971**
New share issue	0	0	0	2,728
Ongoing new share issue	0	0	24,703	282,397
At 31 December 2019	**42,347,495**	**21,174**	**24,703**	**1,577,096**
New share issue	61,754,905	30,877	0	244,123
Ongoing new share issue	0	0	-24,703	0
At 31 December 2020	**104,102,400**	**52,051**	**0**	**1,821,219**

Share capital on 31 December 2020 comprised 104,102,400 ordinary shares with a quotient value of SEK 0.50.

All shares issued by the Parent Company are paid-up in full.

Other paid-in capital consist of a Share premium reserve. The share premium reserve consists of issue expenses which for the financial year of total tSEK 20,746 and premium amount for new issues.

Reserves in their entirety consist of a translation reserve. The translation reserve comprises exchange rate differences that arise as a result of the income statement and balance sheet for all Group companies being translated into the Group's report currency.

Note 21 – Deferred tax

Deferred tax assets are recognised on tax loss carry-forwards or other deficits to the extent that it is probable that these can be used against future taxable profits. Unutilised loss carry-forwards for which no deferred tax assets are recognised amounted to kSEK 1,128 on 31 December 2020 (31 December 2019: 922). Loss carry-forwards do not fall due at any specific point in time.

Note 22 – Loan liabilities

	31 Dec 2020	31 Dec 2019
Non-current		
Swedish Energy Agency	22,674	22,755
Total	**22,674**	**22,755**
Total borrowing	**22,674**	**22,755**

Note 23 – Accrued expenses and deferred income

	31 Dec 2020	31 Dec 2019
Accrued holiday pay liability	9,283	6,733
Accrued social security contributions	3,222	2,339
Accrued reserve, time bank	972	713
Other items	35,958	62,161
Total	**49,435**	**71,946**

Note 24 – Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 Dec 2020	31 Dec 2019
Right-of-use assets		
Premises	22,912	20,505
Vehicles	145	211
Other	947	991
Total	**24,004**	**21,707**
Lease liabilities		
Non-current	14,470	14,107
Current	9,228	7,302
Total	**23,698**	**21,409**
Within 1 year	9,228	7,302
Betweewn 1 and 5 years	14,470	9,075
More than 5 years	0	5,031

Amounts recognised in profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020	2019
Depreciation of right-of-use assets		
Premises	8,300	6,426
Vehicles	66	57
Other	395	241
Interest expenses (included in finance cost)	-676	-582
Expense relating to short-term leases (included in operating expenses)	-245	-149
Expense relating to leases of low-value assets that are not short-term leases (included in operating expenses)	-45	-71

No significant variable lease payments were identified that are not included in the lease liability.

Note 25 – Share-based remuneration

The following is a summary of options programmes existing in the Group as at 31 December 2020.

Warrants

Designation	Subscription period	Number of warrants	Price	Number of shares awards
TO21	180630-210630	2,800,000	36	308,000
TO22	171031-211030	19,000,000	36	2,090,000
TO23	181119-221119	200,000	36	224,000
TO25	190308-240307	16,666,667	13	1,860,752
TO26	220101-221130	60,000	36	6,600
TO27	191126-210930	400,000	36	448,000
TO28	230101-230630	2,200,000	36	2,464,000
		41,326,667		**7,401,352**

Outstanding warrants 2020-01-01	Allocated	Forfeiture	Redeemed	Expired	Outstanding warrants 2020-12-31	Redeemable warrants 2020-12-31
40,026,667	2,200,000	0	450,000	450,000	41,326,667	39,066,667

Warrants in TO21 and TO26 has been issued to the Board of Directors on market terms, following a decision by the Annual General Meeting

Warrants TO25 has been issued to the company's partner Masen as part of a partner agreement.

Warrant TO 22, TO23, TO27 and TO28 have been issued to the company's employees om market terms.

Two option programs expired in 2020 and 49,500 shares were issued because of these options.

Shares in TO25 will be paid via set-off against debt for accrued services performed by Masen and other shares will be paid in cash.

Note 26 – Earnings per share

SEK	2020	2019
Earnings per share	-2.03	-3.80
Measurements used in calculating earnings per share		
Profit attributable to Parent Company shareholders used in calculating basic and diluted earnings per share		
Profit attributable to Parent Company shareholders, kSEK	-192,572	-160,897
Number		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	94,641,570	42,347,495
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	94,641,570	42,347,495
Warrants		
Adjustment for calculation of diluted earnings per share:	0	0

Warrants have not had any dilutive effect since a loss was reported for the period

Note 27 – Related-party transactions

The shares of Azelio AB (publ) have been traded on Nasdaq First North Stockholm since 10 December 2018.

The following transactions occurred with related parties:

Purchase of services	2020	2019
Masen (holds 16,666,667 warrants in the company and has one representative on the Board of the company).	3,333	12,740
Lars Thunell (Member of the Board)	0	4
Dabok Advisory/Pär Nuder (Board member)	0	13
Bertil Villard (Board member)	0	4
Deep Powder AB/Jonas Eklind (CEO)	15	0
Total	**3,348**	**12,761**

Accrued expenses in respect of services performed by Masen in conjunction with the company's demonstration facility in Ouarzazate, Morocco, amounted to kSEK 17,426 on 31 Dec 2020.

The related party transactions were carried out on an arm-lengths basis.

Note 28 - Interest paid and dividend received

	2020	2019
Interest paid	281	313

Note 29 – Changes to liabilities that belong to financing activities

	1 Jan 2019	Cash inflow	Cash outflow	Items not affecting cash flow	31 Dec 2019
Non-current liabilities	22,850	0	-95	0	22,755
Lease liabilities	12,764	15,139	-6,494	15,139	21,409
Total	**35,614**	**15,139**	**-6,589**	**15,139**	**44,164**

	1 Jan 2020	Cash inflow	Cash outflow	Items not affecting cash flow	31 Dec 2020
Non-current liabilities	22,755	0	-81	0	22,674
Lease liabilities	21,409	10,902	-8,613	10,902	23,698
Total	**44,164**	**10,902**	**-8,693**	**10,902**	**46,372**

Note 30 – Adjustments for non-cash items

	31 Dec 2020	31 Dec 2019
Depreciation and amortisation	20,702	22,254
Impairment	0	18,280
Other	-7,107	1,601
Total	**13,595**	**42,135**

Note 31 – Events after the end of the reporting period

MoU with Svea Solar

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

Private placement of approximately SEK 596 million

Azelio carried out a directed issue of 10,638,225 new shares, corresponding to approximately 10 percent of the total number of outstanding shares, at a subscription price of SEK 56 per share. Through the new share issue, the company received approximately SEK 596 million before transaction costs. The funds will be used to finance the continued industrialization of Azelio's technology for thermal energy storage (TES) and Stirling-based electricity production, with the aim of starting series production during the third quarter of 2021, as well as to be able to finance further development projects and other general business purposes.

The new share issue entails a dilution effect of approximately 9.2 percent of the share capital in relation to the number of shares in Azelio after the issue, through an increase in the number of outstanding shares by 10,638,225, from 104,380,296 to 115,018,521, and an increase in the share capital by SEK 5,319,113, from SEK 52,190,150 to SEK 57,509,262.

Azelio receives an order for two TES.POD®

Azelio received an order for two units of its energy storage TES.POD® from the Swedish company Industrisupport i Åmål AB. The units will store surplus energy from a solar cell plant of 446 kW and make this energy available around the clock as electricity and heat. The installation will increase the Swedish company's use of renewable energy by 24 percent and thereby reduce emissions from energy use by 168 tonnes of carbon dioxide per year.

Note 32 – Revenue

	2020			2019		
	Sweden	EU	Outside the EU	Sweden	EU	Outside the EU
Revenue from						
Stirling engines	0	0	0	0	0	0
Service obligations	122	0	84	143	0	274
Spare parts	71	449	194	0	1,218	1
Other	154	0	0	34	0	0
Total	**347**	**449**	**278**	**177**	**1,218**	**275**

Note 33 – Other operating income

	2020	2019
Contributions in respect of project financing and central government support	579	294
Other	7,237	386
Total	**7,817**	**680**

Note 34 – Other operating expenses

	2020	2019
Exchange-rate differences	-397	-318
Total	**-397**	**-318**

Note 35 – Audit fees

	2020	2019
KPMG AB		
Audit engagement	720	585
Auditing activities in addition to audit engagement	0	43
Tax advisory services	0	98
Total	**720**	**726**

Note 36 – Employee benefits, etc.

	2020	2019
Salaries and other benefits	95,928	64,451
Social security contributions	28,004	23,644
Pension costs – defined-contribution plans	9,928	8,797
Total employee benefits	**133,860**	**96,892**

Salaries, other remuneration and social security expenses

	2020		2019	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Board members, CEO and other senior executives	23,831	5,840	12,354	4,315
(of which, bonuses)	0		0	
(of which, pension costs)		1,931		1,841
Other employees	72,097	32,092	52,097	28,127
(of which, bonuses)	0		0	
(of which, pension costs)		7,997		6,956
Parent Company total	**95,928**	**37,932**	**64,451**	**32,442**

Average number of employees

	2020		2019	
		Of whom men		Of whom men
Parent Company total	**131**	**81%**	**101**	**80%**

Gender distribution in the Parent Company for Board members and other senior executives

	2020		2019	
		Percentage of women		Percentage of women
Board members	8	13%	8	13%
CEO and other senior				
executives	7	14%	9	0%
Parent Company total	**8**	**13%**	**9**	**6%**

Remuneration of senior executives

Remuneration of senior executives amounts to:

	2020	2019
Salaries and other short-term remuneration	11,232	12,354
Pension costs	1,931	1,841
Total remuneration of senior executives	**13,162**	**14,195**

See Group note 8 for information on remuneration to employees, etc.

Note 37 – Tax on net profit for the year

Recognised tax in the income statement

	2020	2019
Current tax		
Current tax on net profit for the year	0	0
Adjustments for current tax of prior periods	0	0
Total current tax	0	0
Total recognised tax	**0**	**0**

The income tax on profit before tax differs from the theoretical amount that would have resulted using the tax rate applicable for the Parent Company as follows:

	2020	2019
Profit/loss before tax	**-198,483**	**-161,932**
Income tax calculated according to local tax rate in Sweden (21.4%)	42,475	34,653
Tax effects of:		
Tax effect of deductible items booked against equity	4,440	8,763
Tax effect of non-deductible expenses	-4,715	-3,501
Tax effect of untaxable income	2,003	1,076
Tax losses for which no deferred tax asset has been recognised	-44,203	-40,991
Total	**0**	**0**
Total recognised tax	**0**	**0**

Note 38 – Participations in subsidiaries

	31 Dec 2020	31 Dec 2019
Opening cost	24,210	18,591
Contributions	9,844	5,620
Closing accumulated cost	**34,055**	**24,210**
Opening impairment	-24,160	-18,541
Impairment for the year	-9,844	-5,620
Closing accumulated impairment	**-34,005**	**-24,160**
Closing carrying amount	**50**	**50**

Subsidiary / Corp. Reg. No. / Registered office	Number of shares	Participations in %	Carrying amount, 31 Dec 2020	Carrying amount, 31 Dec 2019
Cleanergy (Beijing) New Energy Technology Co.Ltd, China	1	100%	1	1
Cleanergy AB, 559153-7542, Gothenburg, Sweden	500	100%	50,000	50,000

Note 39 – Intangible assets

	Capitalised development costs	Investments in progress, intangible assets	Total
At 1 January 2019			
Cost	348,919	1,353	350,272
Accumulated depreciation and amortisation	-57,695	0	-57,695
Carrying amount	**291,224**	**1,353**	**292,577**
For the 2019 financial year			
Opening carrying amount	**291,224**	**1,353**	**292,577**
Assets developed internally	132,244	0	132,244
Depreciation and amortisation	-11,415	0	-11,415
Impairment	-13,331	0	-13,331
Other	0	-1,353	-1,353
Closing carrying amount	**398,721**	**0**	**398,721**
At 31 December 2019			
Cost	468,830	0	468,830
Accumulated depreciation and amortisation	-70,109	0	-70,109
Carrying amount	**398,721**	**0**	**398,721**
For the 2020 financial year			
Opening carrying amount	**398,721**	**0**	**398,721**
Assets developed internally	126,730	0	126,730
Depreciation and amortisation	-6,707	0	-6,707
Closing carrying amount	**518,744**	**0**	**518,744**
At 31 December 2020			
Cost	595,560	0	595,560
Accumulated depreciation, amortisation and impairment	-76,816	0	-76,816
Carrying amount	**518,744**	**0**	**518,744**

Amortisation costs of kSEK 6,707 (kSEK 11,415) are included in research and development expenditure in the Parent Company's income statement.

Note 40 – Property, plant and equipment

	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
At 1 January 2019			
Cost	1,851	21,517	23,368
Accumulated depreciation and amortisation	-864	-14,721	-15,585
Carrying amount	**987**	**6,796**	**7,783**
For the 2019 financial year			
Opening carrying amount	**987**	**6,796**	**7,783**
Purchases	2,642	13,177	15,818
Divestments and disposals	0	0	0
Depreciation and amortisation	-326	-3,804	-4,129
Closing carrying amount	**3,303**	**16,169**	**19,472**
At 31 December 2019			
Cost	4,493	34,694	39,187
Accumulated depreciation, amortisation and impairment	-1,190	-18,524	-19,714
Carrying amount	**3,303**	**16,169**	**19,472**
For the 2020 financial year			
Opening carrying amount	**3,303**	**16,169**	**19,472**
Purchases	2,010	7,476	9,486
Depreciation and amortisation	-621	-4,612	-5,233
Closing carrying amount	**4,692**	**19,033**	**23,725**
At 31 December 2020			
Cost	6,503	42,169	48,673
Accumulated depreciation, amortisation and impairment	-1,811	-23,136	-24,948
Carrying amount	**4,692**	**19,033**	**23,725**

Depreciation costs of kSEK 5,233 (kSEK 4,129) are included in depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets in the Parent Company's income statement.

Note 41 – Deferred tax

Deferred tax assets are recognised on tax loss carry-forwards or other deficits to the extent that it is probable that these can be used against future taxable profits. No deferred tax is recognised in respect of loss carry-forwards because the Parent Company has concluded that the criteria in IAS 12 for recognising deferred tax have not been met. Deferred tax assets are recognised on tax loss carry-forwards or other deficits to the extent that it is probable that these can be used against future taxable profits. Unutilised loss carry-forwards for which no deferred tax assets are recognised amounted to kSEK 1,128 on 31 December 2020 (31 December 2019: 922). Loss carry-forwards do not fall due at any specific point in time.

Note 42 – Cash and bank balances

In the balance sheet and the cash flow statement, the following are included in the item cash and bank balances:

	31 Dec 2020	31 Dec 2019
Bank balances	331,150	53,349
Total	**331,150**	**53,349**

Note 43 – Trade receivables

	31 Dec 2020	31 Dec 2019
Trade receivables	183	50
Less: loss allowance	0	0
Trade receivables – net	**183**	**50**

The carrying amounts of the Parent Company's trade and other receivables are denominated in the following currencies:

	31 Dec 2020	31 Dec 2019
Swedish kronor (SEK)	27	50
EUR	156	0
Total	**183**	**50**

Changes in the reserve for expected loan losses for the 2020 financial year were as follows:

KSEK 0 was reserved as doubtful receivables in 2020.

The maximum exposure to credit risk of the trade receivables and other current receivables on the balance sheet date is the carrying amount stated above.

The fair value of trade receivables corresponds to the carrying amount since the discount effect is not material.

No trade receivables were pledged as collateral for any liability.

Note 44 – Other current receivables

	31 Dec 2020	31 Dec 2019
Advance payments for goods and services	13,712	8,976
Other	252	114
Total	**13,964**	**9,090**

Note 45 – Prepaid expenses and accrued income

	31 Dec 2020	31 Dec 2019
Prepaid rental charges	2,067	1,474
Prepaid insurance	310	559
Other prepaid expenses	2,381	2,360
Total	**4,757**	**4,393**

Note 46 – Loan liabilities

See Group Note 22 for information on the Parent Company's other non-current liabilities.

Note 47 – Accrued expenses and deferred income

	31 Dec 2020	31 Dec 2019
Accrued holiday pay liability	9,283	6,733
Accrued social security contributions	3,222	2,339
Accrued reserve, time bank	972	713
Other items	35,958	62,161
Total	**49,435**	**71,946**

Note 48 – Leases

Commitments concerning leases

The Parent Company rents essentially all commercial premises under non-cancellable leases. The lease terms vary between 3 and 5 years and most leases can be extended at the end of the lease term for a fee corresponding to a market fee.

The income statement for the 2020 financial year includes lease expenses amounting to kSEK 10,238 (kSEK 7,971) pertaining to machinery, passenger cars and rental premises.

Future total minimum lease payments for non-cancellable leases are as follows:

	2020	2019
Within 1 year	9,784	7,593
Between 1 and 5 years	5,585	12,331
More than 5 years	0	0
Total	**15,370**	**19,923**

Note 49 – Share-based remuneration

See Group Note 25, for information on the Parent Company's share-based remuneration.

Note 50 – Share capital

See Group Note 20 for information on the Parent Company's share capital.

Note 51 – Related-party transactions

The shares of Azelio AB (publ) have been traded on Nasdaq First North Stockholm since 10 December 2018.

The following transactions occurred with related parties:

Purchase of services	2020	2019
Masen (holds 16,666,667 warrants in the company and has one representative on the Board of the company).	3,333	12,740
Lars Thunell (Member of the Board)	0	4
Dabok Advisory/Pär Nuder (Board member)	0	13
Bertil Villard (Board member)	0	4
Deep Powder AB/Jonas Eklind (CEO)	15	0
Total	**3,348**	**12,761**

Accrued expenses in respect of services performed by Masen in conjunction with the company's demonstration facility in Ouarzazate, Morocco, amounted to kSEK 17,426 on 31 Dec 2020.

The related party transactions were carried out on an arm-lengths basis.

Note 52 - Interest paid and dividend received

	2020	2019
Interest paid	281	313

Note 53 – Changes to liabilities that belong to financing activities

	1 Jan 2019	Cash inflow	Cash outflow	Items not affecting cash flow	31 Dec 2019
Non-current liabilities	22,850	0	-95	0	22,755
Total	**22,850**	**0**	**-95**	**0**	**22,755**

	1 Jan 2020	Cash inflow	Cash outflow	Items not affecting cash flow	31 Dec 2020
Non-current liabilities	22,755	0	-81	0	22,674
Total	**22,755**	**0**	**-81**	**0**	**22,674**

Note 54 – Adjustments for non-cash items

	31 Dec 2020	31 Dec 2019
Depreciation and amortisation	11,941	15,544
Impairment	9,844	23,900
Other non-cash items	0	0
Total	**21,785**	**39,444**

Note 55 – Events after the end of the reporting period

MoU with Svea Solar

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

Private placement of approximately SEK 596 million

Azelio carried out a directed issue of 10,638,225 new shares, corresponding to approximately 10 percent of the total number of outstanding shares, at a subscription price of SEK 56 per share. Through the new share issue, the company received approximately SEK 596 million before transaction costs. The funds will be used to finance the continued industrialization of Azelio's technology for thermal energy storage (TES) and Stirling-based electricity production, with the aim of starting series production during the third quarter of 2021, as well as to be able to finance further development projects and other general business purposes.

The new share issue entails a dilution effect of approximately 9.2 percent of the share capital in relation to the number of shares in Azelio after the issue, through an increase in the number of outstanding shares by 10,638,225, from 104,380,296 to 115,018,521, and an increase in the share capital by SEK 5,319,113, from SEK 52,190,150 to SEK 57,509,262.

Azelio receives an order for two TES.POD®

Azelio received an order for two units of its energy storage TES.POD® from the Swedish company Industrisupport i Åmål AB. The units will store surplus energy from a solar cell plant of 446 kW and make this energy available around the clock as electricity and heat. The installation will increase the Swedish company's use of renewable energy by 24 percent and thereby reduce emissions from energy use by 168 tonnes of carbon dioxide per year.

Note 56 – Key ratio definitions

Balance sheet total: Total assets

Equity/assets ratio: Total equity / Total assets

Note 57 – Proposed appropriation of profits

The following earnings (kSEK) are at the disposal of the Annual General Meeting:

Share premium reserve	1,821,219
Retained earnings	-1,375,981
Profit/loss for the year	-198,483
Total	**246,755**
To be carried forward	246,755
Total	**246,755**

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on 11 May 2021 for adoption.

Board approval

Gothenburg **2021-04-13**

The Board of Directors and the CEO ensure that the consolidated financial statements have been prepared in accordance with international accounting standards IFRS as adopted by the EU and give a true and fair view of the Group's position and results. The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's position and earnings.

The Administration Report for the Group and the Parent Company provides a true and fair view of the development of the Group's and the Parent Company's operations, position and results and describes the significant risks and uncertainties that the Parent Company and the companies that are part of the Group face.

Bo Dankis
Chairman

Mattias Bergman

Jonas Eklind
CEO

Hicham Bouzekri

Sigrun Hjelmquist

Kent Janér

Pär Nuder

Bertil Villard

Our audit report has been submitted 2021-04-13
KPMG AB

Fredrik Waern
Authorized public accountant

Read the auditor's report (in Swedish)