

Annual Report

2021



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About the report

Azelio's annual report for 2021 is issued by the Board and the CEO for Azelio AB (publ). The annual financial report can be found on pages 19–58 and has been audited by Azelio's external auditors.

Azelio in brief

We power the evolution of a renewable society

Storing renewable energy, and making it available on demand around the clock, allows us to drive innovation, growth, and prosperity in a sustainable manner. In this way, Azelio is powering the development of a renewable society – for people, enterprises, and the planet. The transition to renewable energy needs to be accelerated in order to speed up the electrification of a growing society and limit the rise in global temperatures to 1.5°C. While it is clear that the transition from fossil to renewable energy is well on its way, intermittent energy, such as solar and wind power, has its natural limits if it cannot be stored. With this in mind, we developed a solution that makes energy from renewable sources available and competitive when and where it is needed, 24 hours a day.

“ Tomorrow's energy infrastructure will comprise storage solutions that balance conventional grid systems, replace costly and pollutant diesel fuel, and supplement short-term storage.”

Redefining the energy infrastructure

Energy sources such as the sun and wind only produce energy at certain times of the day. An increasing dependence on renewable energy

from these types of intermittent energy sources puts the electricity grids under pressure marked by fluctuations in production, price spikes, and significant grid balancing costs. Since clean energy is increasingly in demand, we must redefine the entire energy infrastructure with a future-forward design that is capable of harnessing and storing renewable energy. Our long-duration energy storage solution shifts renewable energy from when it is available to when it is needed.

The future lies beyond the grid

Tomorrow's energy infrastructure will comprise storage solutions that balance conventional grid systems, replace costly and pollutant diesel fuel, and supplement short-term storage, such as batteries. Our solution, TES.POD (Thermal Energy Storage – Power on Demand) provides access to clean energy to users on- and off-grid around the clock.

TES.POD – exchanges energy

Our TES.POD stores energy in the form of heat in recycled aluminium, a storage material that does not degrade over time. The heat is then transformed into zero-emissions electricity via a Sterling engine. Our TES.POD® system is agnostic to technologies, energy sources and geographies. It is scalable and competitive from 0.1 MW to 100 MW, with the capacity to meet the needs of many different sectors, from small to large-scale operations. Constructed, designed, and manufactured in Sweden – deployed around the world.

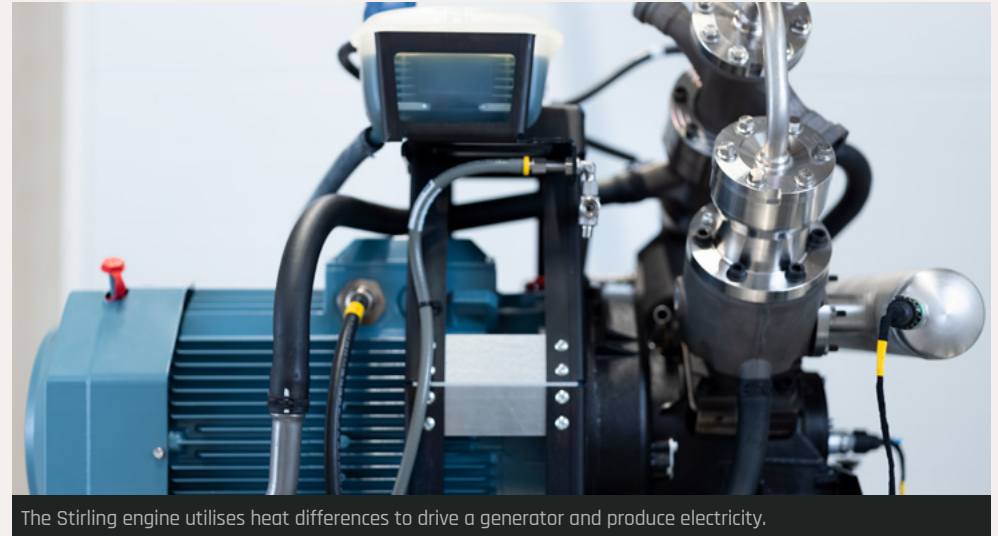


Azelio – a Swedish cleantech company

Azelio is a Swedish cleantech company with an ingenious long-duration storage technology for renewable energy, providing dispatchable electricity at all hours of the day. We contribute to driving the sustainable development of society by resolving the acute need for controllable and

cost-effective clean energy. We stem from a strong heritage of high-tech engineering with access to the most advanced material suppliers and engineering centres of excellence in Northern Europe. Headquartered in Gothenburg, Sweden, we have production facilities located in the heart of the Nordic automotive and aerospace clusters on the west-coast of Sweden.

Significant events in 2021



The Stirling engine utilises heat differences to drive a generator and produce electricity.

PARTNERS AND CUSTOMERS

MoU with Svea Solar

Azelio and Svea Solar signed a Memorandum of Understanding (MoU) to develop projects using Azelio's long-duration energy storage unit, TES.POD, coupled to solar cells. Azelio previously announced MoUs with several project developers in various parts of the world.

Order in Sweden for two TES.POD units

Industrisupport i Amal AB ordered two TES.POD units to store excess energy from a solar park, making the renewable energy accessible around the clock in the form of dispatchable electricity and heat. The installation is expected to boost the share of solar-sourced renewable energy by 24 percent and cut carbon emissions by 168 tonnes annually. The solar cells were installed by Svea Solar.

24 %

MSEK 11

Order from South Africa

In November, Azelio received an order for eight TES.POD units from the South Africa-based agricultural company, Wee Bee Ltd. The order has a value of approximately SEK 11 million over a period of 15 years, with an option to extend. Azelio's partner Alec Energy will participate in the installation.

Order from Engazaat, Egypt

In August, Azelio received a conditional order for 20 TES.POD units, valued at approximately USD 1.5 million, from Egyptian impact-investor Engazaat Development S.A.E. The energy storage solution will be used to provide energy for the desalination of water for agricultural use.

20



TES.POD units are clustered together to provide facilities with the required capacity.

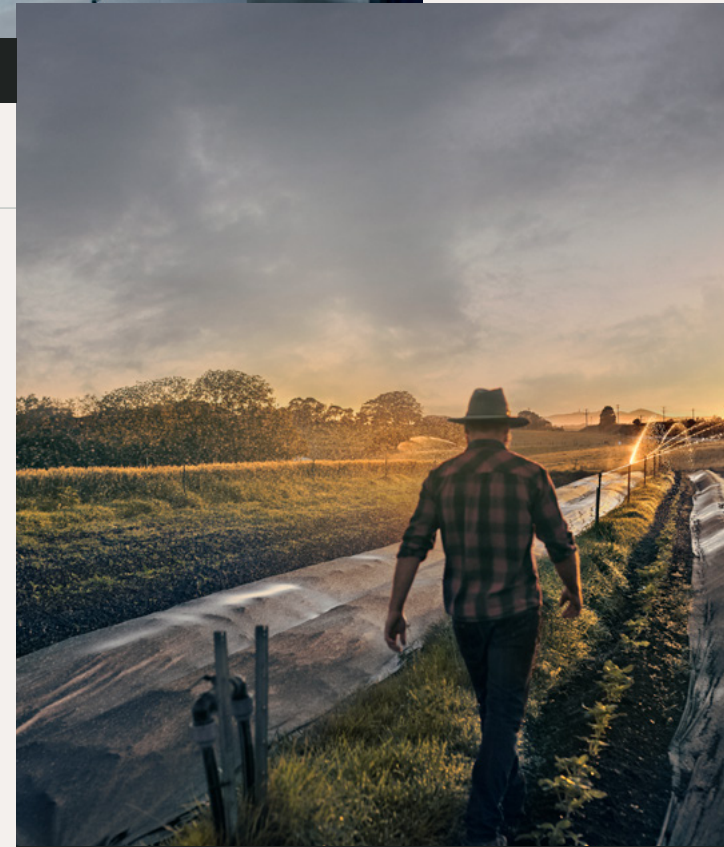
TECHNOLOGY AND PATENTS

The certification body DNV issued a verification report demonstrating that Azelio's TES.POD performs in all aspects in accordance with the technical performance specification. Azelio uses the report in customer dialogues and the verification continues to be built up step by step, adding longer data series, enabling customers to secure financing for increasingly larger projects.

The company was granted two new patents in the USA and China, as well as in Sweden. The company thus has 16 registered patents and several under registration.

PRODUCTION

In September, manufacturing of the TES.POD energy storage solution began at the plant in Uddevalla and at contract manufacturers. To ensure high quality in both the product and the supply chain, production began at a slow pace and will be gradually scaled up to higher volumes.



Azelio's system contributes to making agriculture more sustainable.





Former CEO Jonas Eklind at the Long Duration Energy Storage Council launch at COP26 in Glasgow.



The system is robust and requires minimal maintenance.

FINANCING

A directed share issue provided Azelio with SEK 596 million before issue costs. The issue attracted great interest from reputable Swedish and international institutional investors.

MSEK
596

16

Exercise of warrants

Holders of the TO 27 warrant programme converted warrants into 448 000 shares, providing the company with just over SEK 16 million.

ORGANISATION

To strengthen its global presence, the company appointed country directors in South Africa and Australia, both markets where investment in the TES.POD system could be very profitable.

Together with 24 other technology companies, energy players and investors, Azelio launched the Long Duration Energy Storage Council at COP26 in Glasgow. The Council is working to speed up the transition to carbon neutrality by 2040 with the help of energy storage.

2040

AWARDS

Azelio's long-duration energy storage system, TES.POD, was awarded the Solar Impulse Foundation's green tech label – Solar Impulse Efficient Solution. The foundation's objective is to select 1 000 solutions capable of tackling climate change. The selection process involved both economic and environmental assessments from independent experts and only products which have reached a high-level of technical maturity are eligible.

SIGNIFICANT POST-BALANCE SHEET EVENTS

The Board of Directors appointed Jonas Wallmänder as the new CEO, to succeed Jonas Eklind. Jonas Wallmänder has worked at Azelio since 2011, and has been Executive Vice President and part of the management team since 2017.

Milestones achieved in a challenging year

Azelio achieved several key milestones in 2021. We finished development of the technology and started manufacturing TES.POD. The DNV issued a first report that demonstrates the system delivers according to the technical performance specification. Before ringing in 2022, we were also able to deliver TES.POD units to Wee Bee Ltd in South Africa, marking a final major milestone in 2021.

The pandemic is holding us back

The ongoing pandemic presented us with a number of major challenges in the form of restrictions and disruptions in the supply chain. The lack of components has been noticeable overall, with the situation worsening in the fourth quarter, after we had initiated production earlier in the autumn. For quality reasons, we needed to take control of the central technology for coating the product's storage tank, which required some investment in our plant in Vaggeryd, where the storage units are assembled. In early 2022, the situation with our subcontractors appeared to have improved somewhat.

Significant interest from customers

We have ongoing dialogues with a considerable number of customers, among them those who have signed MoU agreements, as well as potential new clients. Travel restrictions made it difficult to visit customers and project sites to close deals and design projects. This has been particularly challenging as we are introducing a brand new

technology, resulting in delays and impeding the establishment of reference projects. Nonetheless, things are looking brighter with the DNV validation, along with the easing of travel restrictions.

New financing to deal with delays

Positive signals aside, we expect the pandemic to continue to impact component supply, order intake, and cash flow for much of 2022. In order not to jeopardise the commercial breakthrough of TES.POD and opportunities for strong growth, we have initiated a process to strengthen our financial position in 2022.

Measures to meet challenges

While our long-term goal is to become a technology supplier, we are also initially assuming the role of joint owners in projects, designing them together with partners, establishing them, and then selling the output as EaaS (Energy-as-a-Service). This will help us over the initial thresholds that come with new technology requiring upfront investment. To facilitate commercialisation on a broader front, we will therefore invest more in this type of project than previously planned, which binds capital.

To bring us closer to customers and projects, we recruited local country managers in Australia and South Africa, which are both important markets for us. The move quickly yielded results in the form of a deal with the South-African agricultural company Wee Bee Ltd. This is a key reference project for us, one we believe will lead to additional business. It is also a strategy that we are considering for other markets.

The heat is on

Azelio wants to play an active role in facilitating the ongoing green transition around the globe. Heat accounts for almost half of the global energy consumption and slightly less in terms of carbon emissions, while electricity and transport account for approximately a quarter each. Greater attention is therefore being paid to heat production, reflected in that the Long Duration Energy Storage Council recently set up a working group for "Net-zero heat". The TES.POD system has the potential to play an important role here. Like large-scale solutions such as coal-fired power plants and biogas plants, it generates both electricity and heat. But it is more competitive and preferential than the forementioned, in that TES.POD's output is renewable, distributed, small-scale, and emissions free. Putting TES.POD to use in local microgrids would keep heat loss at a minimum and eliminate the need for a reserve capacity to balance the heating grid. The ambient heat generated by TES.POD is well suited for use in buildings, greenhouses, many industrial drying processes, and water purification and desalination. We are working on further developing the knowhow and methodology to take our technology from a concept for heat to commercial use.

In focus 2022

As the newly appointed CEO, I look forward to leading Azelio through the next stage, namely the commercialisation of our product. I expect that we will continue to face challenges, but I feel confident

that we have a strong team that is driven by a will to contribute to the green energy transition the world needs. Azelio can make a major difference. Together, we will make sure that happens.

” The world continues the quest for more sustainable energy solutions.”



Jonas Wallmänder
CEO

The Market

Clean electricity for future generations

The world continues to develop, and more and more people are gaining access to power grids. To ensure the sustainability of this transition and growth and limit the rise in global temperatures to 1.5°C, the use of renewable sources of energy must be sped up considerably.

Energy sources like solar and wind power produce energy at certain times of the day, such as when the sun is shining, and the wind is blowing. Consumer power usage patterns, however, do not match the natural fluctuations of these intermittent energy sources, putting pressure on electricity grids through major fluctuations in production, price spikes and grid balancing costs. The ongoing switch to renewable energy is therefore a game-changer – for the energy infrastructure too.



“ Around two billion people worldwide lack access to a reliable supply of electricity.”

The world needs to expand its long-duration energy storage capacity so that we can stop using fossil fuels, manage deficits in electricity production, while counteracting imbalances in the electricity grid. It is estimated that long-duration energy storage capacity needs to be scaled up to 85-140 TWh by 2040, in order to store 10 percent of all electricity consumed worldwide. Such

deployment could result in the avoidance of up to 2.3 gigatonnes of carbon dioxide equivalent per year according to a report from the Long Duration Energy Storage Council, www.ldescouncil.com

Many lack access to electricity

Around two billion people worldwide still lack access to a reliable supply of electricity, in other words access to an electricity supply throughout the day without recurring power outages. Of these two billion, 770 million have no access

to an electricity grid at all. A reliable supply of electricity is vital to economic and social development, which is why the UN has made Sustainable Energy for All one of its 17 global sustainability goals. In Sub-Saharan Africa, half the population lacks access to electricity, and it is feared that this percentage will increase in the wake of the pandemic. Read more about the UN's goal of Sustainable Energy for All, here:

➔ www.seforall.org/sustainable-development-goal-7-sdg7





Autonomous grids can be built for smaller communities by combining TES.POD with solar and wind power, thereby securing access to green electricity around the clock.

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, which is also driving the green transition. Read more about how the energy

markets develop in the IEA's report World Energy Outlook 2021, which can be found here:

➤ www.iea.org/reports/world-energy-outlook-2021

Distributed electricity production

The fastest and most cost-effective way of giving more people access to stable grids today 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

Long-duration energy storage is expected to play a key role in the transition from fossil to renewable sources of energy. Long-duration energy storage can be used both to balance electricity supply and demand as the share of renewables in the power mix increases in traditional grids and in micro and

mini grids, as well as to distribute the production over the day, in accordance with weather conditions, and in the event of price spikes and high carbon taxes.

Target markets

Initially, Azelio has chosen to focus on the following geographical markets, which have major energy challenges and would benefit from Azelio's technology:

- ➔ **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.
- ➔ **Sub-Saharan Africa.** High levels of solar radiation, low access to electricity and high alternative costs for electricity production.

Business model and goals



Final assembly of Stirling engine by Azelio at its facility in Uddevalla, while the storage units are assembled by AQ Enclosure Systems in Vaggeryd.

Business model

Azelio offers the TES.POD solution for long-duration energy storage and controllable production of sustainable electricity and heat on demand, 24 hours a day. The company owns the system's unique product design in its entirety and today has 16 patents that protect the solution. Azelio performs final assembly of the Stirling engine at its plant in Uddevalla, while subcontractors produce the system's components and assemble the storage unit and other subsystems.

Azelio's system is offered to customers on the global market with an initial focus on installations of 0.1 MW to 20 MW and longer term for projects of up to 100 MW. Azelio primarily focuses on selling its technology to EPC contractors (project development companies), which are responsible for installation and deployment themselves. Initially, Azelio participates actively in installations in order to train EPC contractors so that subsequently they can independently design, install and maintain systems themselves.

Revenue models

Azelio uses two different revenue models, with the commercial conditions and project-specific requirements determining which model is applied. In order to establish the solution on the market, Azelio runs and owns projects together with partners, where end-customers pay for the electricity and heat delivered by the system. Azelio is also a technology provider, selling systems to others, either to direct customers or to partners that integrate them into solutions for third parties.

Long-term goals

Azelio's long-term goal is to power the transition to a renewable society. The company fosters innovation, growth, and prosperity by providing a long-duration energy storage solution for renewable energy, making it available when and where it is needed, 24 hours a day. Azelio has been following a long-term plan to achieve this since 2016.

2021 – goal and follow up

Begin series production and start larger commercial projects

Azelio began series production in September 2021. The Stirling engine is manufactured in-house at the company's plant in Uddevalla, while the storage units and other system components are produced by subcontractors, with assemblage of the system at the project site.

In 2021, Azelio received commercial orders for a total of 11 TES.POD units, as well as a conditional order for 20 units, representing total storage capacity of 5.2 MWh of renewable electricity production.

2022 – goal

The goal for 2022 is to continue industrialisation of the company to achieve higher volumes by the end of 2022.

Financial goal

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

Strategic partnerships

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. We collaborate with these companies and organisations in the areas of 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 strives 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 increase influence in different markets.



Inauguration of a system at Masen in Quarzazate, Morocco, in the presence of Sweden's Ambassador.

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 and is responsible for achieving the country's goal to produce 52 percent of its energy from renewables by 2030. 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 and Khalifa University

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 one of the world's leading companies in the development, installation, and operation of renewable energy systems.

MoU partners

Azelio has several MoU partners. The basis for a



Inauguration of TES.POD system in Abu Dhabi together with Masdar, Khalifa University and Sweden's ambassador Liselott Andersson.

MoU (Memorandum of Understanding) is often that our partner has identified several projects with a need for our technology. In an MoU, we help to optimise these projects for our solution and agree on an ambition to use our solution in future projects.

Connecting MoU partners to us is a very important step in our commercialisation and is a way to deepen our relationship. Azelio has signed MoUs equivalent to over 5 GWh of renewable electricity production up to 2026.

At present, three of our commercial contracts are with MoU partners, Alec Energy and Engazaat, while our commercial contract in Sweden involves

supplementing an existing installation done by our MoU partner Svea Solar.

Diversity in our partner structure is important for us. Our partners today include large companies that are active in several markets and sectors where our technology can play a key role, such as the Dubai-based Alec with over 14 000 employees, the US-based MMR, which is a global leader in electrical construction with installations in 36 markets, Masdar, which has installed and financed renewable projects in 40 markets, and Masen, which is a leader in renewable energy in North Africa. We also work with smaller, progressive companies that plan to grow in markets with projects where our technology can play a central role.

Technology

How it works

Long-duration energy storage makes renewable energy available when and where it is needed. With this in focus, Azelio developed a unique long-duration energy storage solution, TES.POD, that stores energy such as solar and wind power. The stored energy is transferred to a Stirling engine, which runs a generator that produces electricity and heat on demand around the clock, cost-effectively and with zero emissions.

TES.POD stores thermal energy using a phase-transformation material, which is largely produced from recycled aluminium. Aluminium has a high degree of energy density and is an excellent material for storing and retaining heat over extended periods. As a storage medium, aluminium also has a competitive advantage over other mediums in that there is no degradation in its storage capacity over time despite full charge and discharge cycles.

The TES.POD solution is agnostic to technologies, energy sources and geographies. It is scalable and competitive from 0.1 MW to 100 MW, with the capacity to meet the needs of many different sectors, from small to large-scale operations. Constructed, designed, and manufactured in Sweden – deployed around the world.

A unique Stirling engine

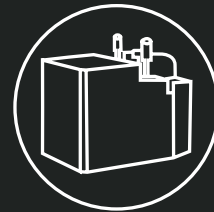
Stirling engines utilise heat differences to drive a generator and produce electricity. The engine is powered completely by heat and is emissions free. Azelio's unique Stirling engine has been developed over a period of 25 years and has accumulated more than two million operating hours. The engine converts heat to electricity at an efficiency of around 30 percent and reaches

an efficiency of up to 90 percent when the 55–65°C heat generated by the system is also included. The system is competitive even when only the electricity is used, but the heat also has many areas of use, such as in industrial processes desalination of seawater and cooling, areas where the system creates even more value and innovation for customers.



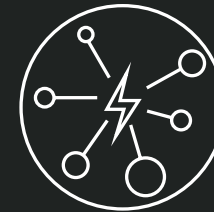
CHARGED

Charged with electricity from renewable sources such as solar PV.



STORED

Energy is stored as heat in a recycled aluminium alloy, with phase change at 600° C, 1110° F.



DISPATCHED

The stored heat is dispatched to a Stirling engine on demand, generating electricity and low-temperature heat (55–65° C, 130–150° F).



AVAILABLE ON DEMAND

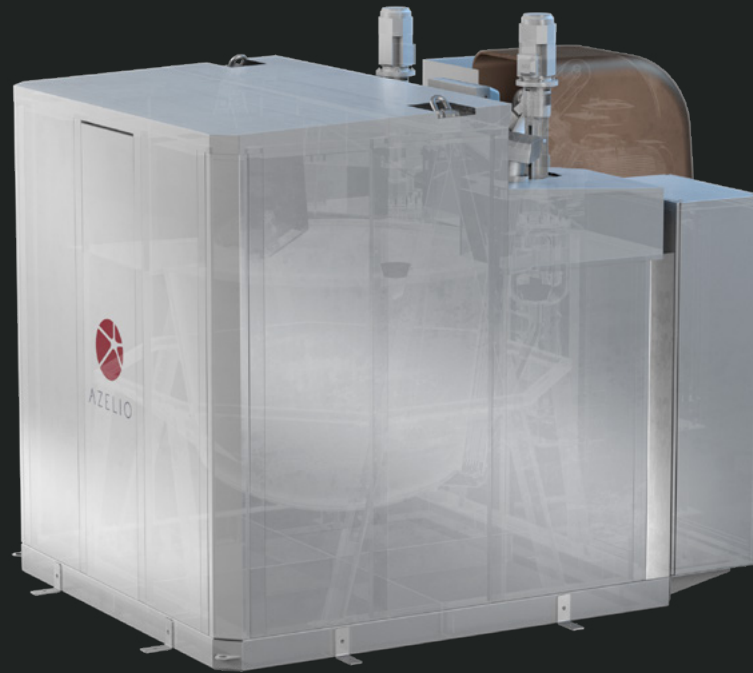
Clean power available on demand at all hours of the day. Emission free and at a significantly lower cost than Li-ion batteries and fossil alternatives.

Competitive advantages

→ **Developed for renewable energy.** The transition to renewable energy is a necessity for a sustainable world, now and for future generations. As development looks today, the production of renewable energy increases pressure on conventional electricity grids through production fluctuations, which also results in price spikes and significant grid balancing costs. By making renewable energy controllable and available when needed, Azelio's energy storage for around the clock use is a complete and scalable solution with the capacity to unleash the potential of sustainable energy by making it accessible to all.

→ **Well-suited for dispatchable electricity generation**

The system is robust and competitive even for small installations, from 0.1 MW up to 100 MW. It has components that require minimal maintenance and a modular design that can be adapted to customer needs. It is therefore well suited to a variety of projects and can be used in areas that lack a reliable grid where people are currently dependent on diesel generators. TES.POD is a cleaner, more affordable, and reliable long-duration energy storage solution enabling the creation of a new energy infrastructure beyond the conventional electricity grid.



- 13 kW nominal electrical output.
- 165 kWh storage capacity for electrical output.
- No degradation in storage capacity over time.
- Scalable and cost competitive at 0.1 to 100 MW, with a focus on installations of 0.1 to 20 MW.

TES.POD system installation



TES.POD CLUSTER
X 20 UNITS

260 kW nominal electrical output with 3.3 MWh storage capacity.



Supply of heat at 55-65° C, 130-150° F.



TES.POD CLUSTER
X 80 UNITS

>1 MW nominal electrical output and 13.2 MWh storage capacity.



Supply of heat at 55-65° C, 130-150° F.

Production

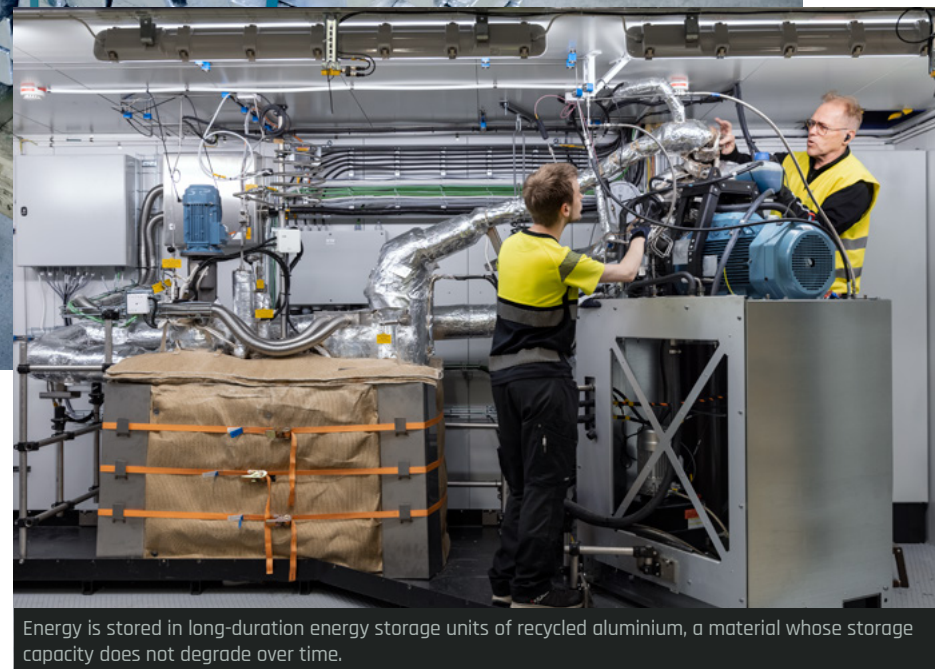
TES.POD is designed to be manufactured in high volumes, using methodology taken from the automotive industry. Production started in 2021 and the plan is to ramp it up gradually. Azelio has a manufacturing facility in Uddevalla that was acquired from Volvo Cars in 2013. The Stirling engine is assembled in this facility, which has a manufacturing capacity of 23 000 units per year, at 5 shifts, and after some adaptations. The facility can also be expanded if needed.

” To enhance the efficiency of the supply chain, Azelio is establishing a production facility in Vaggeryd.”

The storage units will be assembled at AQ Enclosure Systems in Vaggeryd, Småland. Stena Aluminium, among other companies, is located in the vicinity, supplying recycled aluminium that functions as storage media.

To enhance the efficiency of the supply chain, Azelio is establishing a plant in Vaggeryd to consolidate peripheral production process for the storage production. Operations at the facility are scheduled to commence in the autumn of 2022.

Final TES.POD assembly is done at the project site.



Energy is stored in long-duration energy storage units of recycled aluminium, a material whose storage capacity does not degrade over time.

The Share

Listing

The Azelio share has been listed on the Nasdaq First North Growth Market since December 10, 2018. During 2021, the share price sank by 55 percent to SEK 23.76 (52.50). The highest closing share price in 2021 was SEK 73.20 and the lowest was SEK 19.01. A total of 180.0 million shares were traded in 2021 at a combined value of SEK 7 837.7 million, corresponding to 150 percent of the total number of shares the year end.

Share capital

Azelio's share capital as per December 31, 2021, amounted to kSEK 57 939, represented by 115 877 181 shares, corresponding to a quota value of about SEK 0.5.

At the beginning of 2021, a directed share issue of SEK 596 million before transaction costs was registered, which increased the share capital by SEK 5 319 113 and the number of shares by 10 638 225. Holders of the programmes TO21, TO22 and TO27 exercised warrants, which provided the company with just over SEK 40 million. This increased share capital by SEK 568 278 to SEK 57 938 529.17 and the number of shares increased by 1 136 556 to 115 877 181.

At the year-end 2021/2022 there were 20 016 667 outstanding warrants, issued in six different series with exercise prices of between SEK 13 and SEK 150. At full conversion, these will increase the number of shares by 5 241 593.

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. 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. Any dividend will, in so far as it is proposed, be set against the business risk in operations.

Ownership structure

On January 31, 2022, Azelio had 41 400 shareholders. The largest shareholder was Kent Janér and related parties and company (Blue Marlin), accounting for approximately 15.6 percent of the capital and votes.



The 10 largest shareholders on January 31, 2022

Shareholder	Number of shares	Holdings	Verified
Blue Marlin AB / Kent Janér	18 103 315	15.6%	20220131
Avanza Pension	5 879 268	5.1%	20220131
Capital Group	5 786 000	5.0%	20211231
Braginsky Family Office AG	4 000 000	3.5%	20210430
Jim O'Neill	3 052 472	2.9%	20210131
Argenta Asset Management SA	2 399 334	2.1%	20210731
RAM Rational Asset Management	1 499 603	1.3%	20210630
Nordnet Pensionsförsäkring	1 353 632	1.2%	20220131
Byggmästare Anders J Ahlström Holding AB	1 186 981	1.0%	20220131
Nordea Liv & Pension	1 150 706	1.0%	20220131
Total	44 411 311	38.5%	1 Jan 2022

Source: Monitor by Modular Finance AB. Data compiled and processed from Euroclear and Morningstar, among other sources.

Board of Directors



Bo Dankis

Born 1954. Chairman of the board since 2011.

EDUCATION: Master of Science, Industrial Engineering and Management, Institute of Technology at Linköping University.

OTHER CURRENT ASSIGNMENTS: Board member at Kapitalförvaltning Ekeby AB.

PREVIOUS ASSIGNMENTS: Chairman of the board at IV Product Aktiebolag, Gadelius Holding, Business Sweden and Perstorp. Board member at Gunnebo AB, ASSA ABLOY AB, Ekeby Invest AB, IV Product Holding AB and IV Product Holding Sweden AB. CEO Perstorp and ASSA ABLOY AB. Country manager ABB Japan.

NOT INDEPENDENT OF THE COMPANY AND SENIOR EXECUTIVES. INDEPENDENT IN RELATION TO THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 623 040 shares (directly and through company) and 100 000 warrants.



Hicham Bouzekri

Born 1973. Board member since 2018.

EDUCATION: Degree in Electronics and Communications, Ecole Mohammadia d'Ingénieurs, Morocco. MSc University of Florida, Gainesville, Florida, USA. PhD in Electrical Engineering, Texas A&M University, College Station, Texas, USA.

OTHER CURRENT ASSIGNMENTS: Director of Research and Development, Industrial Integration at Masen. Founder and principal shareholder of Microtronix.

PREVIOUS ASSIGNMENTS: CEO of MASciR.

NOT INDEPENDENT OF THE COMPANY AND SENIOR EXECUTIVES. INDEPENDENT IN RELATION TO THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 9 350 shares, 40 000 warrants, and 300 000 warrants through Masen.



Carol Browner

Born 1955. Board member since 2021.

EDUCATION: Doctor of Jurisprudence, University of Florida College of Law.

OTHER CURRENT ASSIGNMENTS: Senior Counselor, Albright Stonebridge Group. Chair of Sustainability Committee, Bunge Limited.

PREVIOUS ASSIGNMENTS: Director, Office of Energy and Climate Change Policy, US Government. Administrator, Environmental Protection Agency, US Government. Board member of Innovyze.

INDEPENDENT IN RELATION TO THE COMPANY, SENIOR EXECUTIVES, AND THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 300 000 call options.



Elaine Grunewald

Born 1967. Board member since 2021.

EDUCATION: M.A. International Relations; M.A. Resource and Environmental Management, Boston University.

OTHER CURRENT ASSIGNMENTS: Board Member, European Sustainable Growth Acquisition Corp. Board Member, Sweco.

PREVIOUS ASSIGNMENTS: Senior Vice President and Chief Sustainability and Public Affairs Officer Ericsson AB. Founder, AI Sustainability Center. Senior Advisor, Zunum Aero.

INDEPENDENT IN RELATION TO THE COMPANY, SENIOR EXECUTIVES, AND THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 300 000 call options.



Kent Janér

Born 1961. Board member since 2016.

EDUCATION: Master's in economics, Stockholm School of Economics.

OTHER CURRENT ASSIGNMENTS: Chairman of the board at Frost Asset Management AB. Board member at Blue Marlin AB, Eastfort Asset Management Ltd, Eastfort Dynamic Master Fund and Eastfort Dynamic Feeder Fund.

PREVIOUS ASSIGNMENTS: Board member at Nektar Asset Management AB and Brummer & Partners AB.

INDEPENDENT OF THE COMPANY AND SENIOR EXECUTIVES. NOT INDEPENDENT IN RELATION TO THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 18 285 060 shares (directly, through companies and via related parties).



Hans Ola Meyer

Born 1955. Board member since 2021.

EDUCATION: Degree in Economics and Business Administration, Stockholm School of Economics.

OTHER CURRENT ASSIGNMENTS: Board member at Electrolux Professional AB.

PREVIOUS ASSIGNMENTS: Chief Financial Officer, Atlas Copco AB, 1999 – 2021; Vice President PM Fondkommission AB/JP Bank, 1987 – 1991.

INDEPENDENT IN RELATION TO THE COMPANY, SENIOR EXECUTIVES, AND THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 300 000 call options and 40 000 warrants.



Pär Nuder

Born 1963. Board member since 2012.

EDUCATION: Master of Law, Stockholm University.

OTHER CURRENT ASSIGNMENTS: Chairman of the board at Aimo Holding AB and Hemsö Fastighets AB. Board member at TPPG The Perimeter Protection Group AB, Dabok Advisory AB. Deputy board member at Dabo Idé AB.

PREVIOUS ASSIGNMENTS: Chairman of the board at Sundbybergs stadshus AB, I&P Förvaltning AB, Fjällförsäkringar AB, SkiStar Aktiebolag, Fjällförsäkringar AB, AMF Pensionsförsäkring AB, Tapetlagret Öbergs Färghus i Västerås Aktiebolag and Tredje AP-fonden. Board member at Beijerinvest Aktiebolag, 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 IN RELATION TO THE COMPANY, SENIOR EXECUTIVES, AND THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 717 546 shares (directly and through companies). and 40 000 warrants.



Bertil Villard

Born 1952. Board member since 2010.

EDUCATION: Master of law, University of Stockholm.

OTHER CURRENT ASSIGNMENTS: Chairman of the board at Strax AB and Landsort Care 4 AB. Board member at Bertil Villard Holding AB, Polaris Management A/S, Polaris Invest II ApS, Polaris II Invest Fonden, iCoate Medtech AB and Greta Hamiltons Familjestiftelse.

PREVIOUS ASSIGNMENTS: Partner and external company signatory at the law firm Advokatfirman Vinge Aktiebolag. Chairman of the board at Landsort Care AB, Landsort Care 2 AB, Landsort Care 3 AB, and Rabbalshede Kraft AB (publ). Board member at ECODC AB, Gränges AB, Prior & Nilsson Fond- och Kapitalförvaltning Aktiebolag, Mercuri International Group AB, SamSari Aktiebolag, Auriant Mining AB and SamSari Act Group AB.

INDEPENDENT IN RELATION TO THE COMPANY, SENIOR EXECUTIVES, AND THE COMPANY'S MAJOR SHAREHOLDERS.

SHAREHOLDING IN THE COMPANY: 1 038 000 shares (directly and through companies) and 40 000 warrants.

Senior executives



Jonas Wallmander

Born 1976. CEO since March 2022, employed 2011.

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

OTHER CURRENT ASSIGNMENTS: –

PREVIOUS ASSIGNMENTS (LAST 5 YEARS): Executive Vice President, VP Partners & Collaborations, and COO at Azelio.

SHAREHOLDING IN THE COMPANY: 1 117 shares and 200 000 warrants.



Fredrik Wäppling

Born 1971. CFO since 2020.

EDUCATION: University degree in business administration and economics, Karlstad University.

OTHER CURRENT ASSIGNMENTS: Board member and owner of F. Wäppling AB. Chairman of the board at Fiorista AB.

PREVIOUS ASSIGNMENTS: Group CFO at Nordrest. Interim Treasury Advisor at NREP. Interim CFO at Allgon Group. Interim Treasury Advisor at Mycronic. IPO Project Manager at iZettle. Treasury Advisor at Preem AB. Interim Treasury Advisor Manager at Oscar Properties.

SHAREHOLDING IN THE COMPANY: 8 662 shares and 525 000 warrants.



Jonas Eklind

Born 1963. CEO until March 2022.

EDUCATION: University degree in physics and biotechnology, Uppsala University. Diploma in practical Swedish and communication, Uppsala University. Diploma in leadership in technological companies, ManTech IFL Executive Education, Stockholm School of Business. IHM-diploma in business administration, Market economist, IHM Business School.

PREVIOUS ASSIGNMENTS: CEO and board member at Woodeye AB. CEO of Innovativ Vision Holding Aktiebolag. Board member and deputy board member at Dendro Fortune AB. Board member at Vita Vonni AB, Advanced Stabilized Technologies Group AB, ASTGW AB, Advanced Inertial Measurement Systems Sweden AB, Chairman of the Board at Shapeline AB

SHAREHOLDING IN THE COMPANY: 71 500 shares and 5 750 000 warrants.

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 2021 to 31 December 2021.

As of 31 December 2021, the group consisted of the parent company Azelio AB, domiciled in Gothenburg, and two subsidiaries; see also note 39.

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 the unique product design for its system in its entirety 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.

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 on the global energy market, initially to customers that build projects in the USA, Australia, the Middle East, and Africa – 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 with a demand for dispatchable electricity production.

Development of operations in 2021

Partners and customers

Azelio and Svea Solar signed a Memorandum of Understanding (MoU) to develop projects in Sweden using Azelio's long-duration energy storage unit, TES.POD, coupled to solar cells. Industrisupport i Amal AB ordered 2 TES.POD units to store excess energy from a solar park, making the renewable energy accessible around the clock in the form of dispatchable electricity

and heat. The installation is expected to boost the share of solar-sourced renewable energy by 24 percent and cut carbon emissions by 168 tonnes annually. The solar cells were installed by Svea Solar.

In August, Azelio received a conditional order for 20 TES.POD units, valued at approximately USD 1.5 million, from Egyptian Engazaat Development S.A.E. The energy storage solution will be used to provide energy for the desalination of water for agricultural use.

In November, Azelio received an order for 8 TES.POD units from the South Africa-based agricultural company, Wee Bee Ltd. The order has a value of approximately SEK 11 million over a period of 15 years, with an option to extend. Azelio's partner, Alec Energy, will participate in the installation.

Technology and patents

The certification body DNV issued a report showing that TES.POD works in all aspects according to the technical performance specifications. The company was granted two new patents in the USA and China, as well as in Sweden. The company thus has 16 registered patents and several under registration.

Production

In September, manufacturing of the TES.POD energy storage solution began at the plant in

Uddevalla and at contract manufacturers. To ensure high quality in both the product and the supply chain, production began at a slow pace and will be gradually scaled up to higher volumes towards the end of 2022.

Financing

A directed share issue provided Azelio with SEK 596 million before issue costs. The issue attracted great interest from reputable Swedish and international institutional investors. The exercise of warrants in the TO21, TO22 and TO27 series provided the company with just over SEK 40 million.

Organisation

To strengthen its global presence, the company appointed country directors in South Africa and Australia, both markets with ambitious plans for renewable energy and where the commercial potential for TES.POD is deemed to be good. Together with 24 other technology companies, energy players and investors, Azelio launched the Long Duration Energy Storage Council at COP26 in Glasgow. The Council is working to speed up the transition to carbon neutrality by 2040 with the help of energy storage.

Significant post-balance sheet events

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

The board appointed Jonas Wallmänder as the new CEO, to succeed Jonas Eklind. Jonas Wallmänder has worked at Azelio since 2011 and has been Executive Vice President and part of Group Management since 2017.

Together with Khalifa University and Masdar, Azelio inaugurated the two commercial TES.POD units that supplemented the installation in Masdar City, Abu Dhabi. The units will be demonstrated and evaluated by Khalifa University for inclusion in the Masdar product portfolio.

Overview of company's operations, results, and financial position

GROUP (KSEK)	2021	2020	2019	2018
Net sales	1 162	1 074	1 670	1 942
Profit/loss for the year	-365 872	-192 572	-160 897	-92 004
Total assets	1 252 402	922 162	865 580	658 249
Equity/assets ratio	80	84	82	83

PARENT COMPANY (KSEK)	2021	2020	2019	2018
Net sales	1 162	1 074	1 670	1 942
Profit/loss for the year	-365 446	-198 483	-161 932	-96 093
Total assets	1 172 433	897 660	848 908	644 294
Equity/assets ratio	86	86	84	88

Definitions: see note 58

Revenue, expenses and profit/loss

Net sales amounted to kSEK 1 162 (kSEK 1 074). The decrease is due to lower sales of spare parts. Own work capitalised amounted to kSEK 148 614 (kSEK 126 730). Expenses amounted to kSEK -515 909 (kSEK -327 560). 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. Operating profit/loss amounted to kSEK -364 175 (kSEK -191 939). Results from financial items amounted to kSEK -1 697 (kSEK -633) and consisted mainly of interest income, interest expenses and similar profit/loss items. Net profit/loss for the period was kSEK -365 872 (kSEK -192 572). Earnings/loss per share, basic and diluted, amounted to SEK -3.23 (SEK -2.03).

Cash flow and financial position

Cash flow from operating activities amounted to kSEK -234 579 (kSEK -150 220). Cash flow from

financing activities was kSEK 590 520 (kSEK 555 886). Investments impacting cash flow during the period amounted to kSEK -185 153 (kSEK -128 762). Total cash flow amounted to kSEK 170 787 (kSEK 276 905). Cash and cash equivalents on 31 December 2021 amounted to kSEK 503 388 (kSEK 332 463). Shareholders' equity at the year end amounted to kSEK 1 008 102 (kSEK 772 257) or SEK 8.70 (SEK 7.42) per share. The equity/assets ratio on the same date was 80 percent (84 percent).

Parent company

Net sales for the parent company amounted to kSEK 1 162 (kSEK 1 074). Operating results were kSEK -360 820 (kSEK -188 660) and profit/loss for the year was kSEK -365 446 (kSEK -198 483). At the year end, shareholders' equity was kSEK 1 007 834 (kSEK 771 676).

Seasonal variations

The group is currently being built up, with preparations for volume production and commercialisation of the system, and in this stage no seasonal variations were noted during the year.

The share and share capital

The share has been listed on Nasdaq First North Growth Market in Stockholm since 10 December 2018. In 2021, the share price decreased by 55 percent from SEK 52.20 to SEK 23.76. On 31 December 2021, there were 115 877 180 shares outstanding (104 102 400), and share capital amounted to kSEK 57 939 (kSEK 52 051).

An increase in share capital occurred on three

occasions during the year, through a new issue of shares in March, and the exercise of warrants in April and May. At the year end, there were 20 016 667 warrants outstanding in six different series, with exercise prices of between SEK 13 to SEK 150. Full conversion of these warrants would increase the number of shares by 5 241 953.

Related-party transactions

During 2021, an amount of kSEK 7 574 (kSEK 3 333) was expensed relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco. Azelio's counterparty is the state-controlled Masen. Masen holds 16 666 667 warrants in Azelio. Accrued expenses totalled kSEK 25 000 (kSEK 17 426). These services were performed on market terms.

Outlook

The company has a solid long-term business plan based on the validation of the technology's performance, significant and ongoing customer interest in the technology, and volume production costs that are developing according to plan. Azelio is introducing a completely new technology on the market that requires greater initial investment than competing fossil-based alternatives, although more cost-effective in the long run. In addition, there are uncertainties linked to the pandemic regarding both the supply chain and component supply, risks that are being exacerbated by the war in Ukraine, and travel restrictions that made it difficult to visit customers and project sites, which further complicates the assessment of volumes and related cash flow for 2022.

Responsible business

Environment

The purpose of Azelio's operations is to sell energy storage units that enable greater use of renewable energy, thereby contributing to a reduction in greenhouse gas emissions.

In 2020, 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 23g 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 disregarded the environmental impact of generating the electricity required to charge the system. Moreover, 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, which would contribute to further strengthening the product's climate profile.

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

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 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 which are linked to the Stirling engine and the energy storage solution, technologies upon which the company has built its business. The board believes that, due to technical synergies, the current use of the Stirling engine was made possible by the company's previous development of the gas engine. Due to the close relationship between these technical solutions, the machines are not assigned to separate cash-generating units. The Stirling engine is a further development of earlier technology and thus no impairment losses have been reported on development costs for earlier versions. On the other hand, inventory disposals and provisions have been made on an ongoing basis for components that were unique to previous versions of the product.

Azelio is in a build-up period that will enable industrialisation and broad commercialisation of the company's energy storage system. The company has forged relationships with

several well-established partners for sales and installation, who are gradually expected to play an increasingly significant role in the commercialisation of the product. Although the company concluded several MoUs with potential customers and also received commercial orders for its energy storage system, the technology has not yet achieved broad commercial success and the use of the technology is limited. There is a risk that Azelio will not 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 and also increases the requirement for Azelio to participate in co-financing projects. Even if it is based on established technology, Azelio's system is new on the market and the company has therefore been unable to gather complete and necessary data, such as the lifespan of the system and its components, any typical faults or deficiencies, and service needs and associated costs, which may impact the market and costs negatively.

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 16 granted patents. There is a risk that the company will not be able to obtain or maintain patent protection for important parts of its technology or that the company will not maintain patents in key markets that are important for the company. The company may be involved

in processes or other proceedings for alleged infringement of rights, which could be costly and time consuming, regardless of whether or not the claim is justified, and even if the outcome is favourable for the company.

Azelio's products are intended to be sold globally in the geographies where the company's system is most suitable. Accordingly, the company will operate in different countries, some of which may require regulatory approval, certification, authorisation or stipulations from government agencies or other administrative bodies. Different local standards or specific deviations may also be a factor, which is common in the energy industry. There is a risk that the company will not receive permits, certifications, or other approvals in due time.

Azelio's profitability from product sales will depend on, among other things, the price development for aluminium, steel, and energy (especially diesel), which is affected by a number of factors beyond the company's control. Regulatory requirements, taxes, duties and other barriers to trade, price and currency regulations or other government measures may restrict operations. There is a risk that competitors, both known and unknown, will develop more efficient systems and technology for products similar to those that the company develops and offers.

See note 4, Financial risks and uncertainties.

Organisation

On 31 December 2021 the number of employees was 192 (153), of which 145 (122) were men and 47 (31) women. The average number of employees in the organisation in 2021 was 177 (135).

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 employee health, job satisfaction and efficiency.

One aspect of this is continuous work on our processes, with the aim of enhancing employees' everyday work situation, 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 provides health insurance for employees, giving 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 2021, 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).

Proposed appropriation of profit/loss

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

Share premium reserve	2 414 709
Loss brought forward	-1 635 484
Loss for the year	-365 446
Total	413 779

The Board proposes that non restricted equity of kSEK 413 779 be carried forward.

Consolidated statement of income and other comprehensive income

AMOUNTS IN KSEK	Note	2021	2020
Net sales	6	1 162	1 074
Own work capitalised		148 614	126 730
Other operating income	9	1 958	7 817
Total		151 734	135 621
Raw materials and consumables		-13 998	-3 219
Other external expenses	7	-220 066	-162 372
Employee benefit expenses	8	-168 646	-140 869
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-112 332	-20 702
Other operating expenses	10	-867	-397
Total		-515 909	-327 560
Operating profit/loss		-364 175	-191 939
Financial income		0	750
Financial expenses		-1 697	-1 382
Net financial items		-1 697	-633
Profit/loss before tax		-365 872	-192 572
Income tax	12	0	0
Profit/loss for the year		-365 872	-192 572
Other comprehensive income:			
Items that may be transferred to profit or loss for the year			
Exchange-rate differences on foreign operations		114	-505
Other comprehensive income for the year		114	-505
Total comprehensive income for the year		-365 757	-193 077
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 shareholders			
Amounts in SEK	Note	2021	2020
Basic earnings per share	26	-3,23	-2,03
Diluted earnings per share	26	-	-

Consolidated statement of financial position

AMOUNTS IN KSEK	Note	2021-12-31	2020-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalised expenditure for development and similar	13	575 064	518 744
Total intangible assets		575 064	518 744
Property, plant and equipment			
Leasehold improvements	14	7 084	4 692
Equipment, tools, fixtures and fittings		51 893	19 033
Total property, plant and equipment		58 977	23 725
Right-of-use assets	24	80 102	24 004
Total non-current assets		714 143	566 474
Current assets			
Inventories			
Raw materials and consumables		16 394	3 053
Finished goods and goods for resale		711	688
Total inventories		17 105	3 741
Current receivables			
Trade receivables	16	4 429	183
Current tax assets		1 635	1 345
Other receivables	17	6 397	14 025
Prepaid expenses and accrued income	18	5 306	3 932
Total current receivables		17 766	19 485
Cash and cash equivalents			
Cash and cash equivalents	19	503 388	332 463
Total current assets		538 259	355 688
TOTAL ASSETS		1 252 402	922 162

AMOUNTS IN KSEK	Note	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Equity attributable to the parent company shareholders			
Share capital	20	57 939	52 051
Other paid-in capital		2 414 709	1 821 219
Reserves		-786	-900
Retained earnings incl. profit/loss for the year		-1 463 759	-1 100 114
Total equity attributable to parent company shareholders		1 008 102	772 257
LIABILITIES			
Non-current liabilities			
Other liabilities	22	22 622	22 674
Lease liabilities	24	65 574	14 470
Total non-current liabilities		88 196	37 145
Current liabilities			
Advances from customers		191	0
Trade payables		42 028	27 287
Lease liabilities	24	13 923	9 228
Other current liabilities		40 576	26 810
Accrued expenses and deferred income	23	59 386	49 435
Total current liabilities		156 104	112 761
Total liabilities		244 300	149 905
TOTAL EQUITY AND LIABILITIES		1 252 402	922 162

The notes on pages 31-51 are an integrated part of the consolidated accounts.

Consolidated statement of changes in equity

							Attributable to the parent company shareholders
Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2020	20	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
Premiums for issued warrants						4 662	4 662
Closing balance, 31 December 2020		52 051	0	1 821 219	-900	-1 100 114	772 257
Opening balance, 1 January 2021		52 051	0	1 821 219	-900	-1 100 114	772 257
Profit/loss for the year						-365 872	-365 872
Other comprehensive income for the year					114		114
Total comprehensive income for the year		52 051	0	1 821 219	-786	-1 465 985	406 499
Transactions with shareholders in their role as owners							
New share issue		5 887		593 489			599 377
Premiums for issued warrants						2 226	2 226
Closing balance, 31 December 2021		57 939	0	2 414 709	-786	-1 463 759	1 008 102

The notes on pages 31-51 are an integrated part of the 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	2021	2020
Cash flow from operating activities			
Operating profit/loss		-364 175	-191 939
Interest received		0	0
Interest paid	28	-1 576	-956
Other financial items		-121	323
Adjustment for non-cash items	31	112 246	13 595
Income tax paid		0	0
Increase (-)/decrease (+) in inventories		-13 278	1 324
Increase (-)/decrease (+) in operating receivables		1 445	1 226
Increase (+)/decrease (-) in operating liabilities		30 879	26 207
Cash flow from operating activities		-234 579	-150 220
Cash flow from investing activities			
Investments in property, plant and equipment		-43 994	-9 486
Investments in intangible non-current assets		-141 159	-119 275
Investments in financial assets		0	0
Cash flow from investing activities		-185 153	-128 762
Cash flow from financing activities			
Exercised warrants		40 712	0
New share issue		558 665	559 917
Proceeds from warrants sold		2 226	4 662
Lease liability amortisation		-11 031	-8 613
Loan amortisation		-53	-81
Cash flow from financing activities	29	590 520	555 886
Decrease/increase of cash and cash equivalents		170 787	276 905
Cash and cash equivalents at the start of the year		332 463	55 634
Exchange rate differences in cash and cash equivalents		137	-76
Cash and cash equivalents at the year end	19	503 388	332 463

The notes on pages 31-51 are an integrated part of the consolidated accounts.

Parent company income statement

AMOUNTS IN KSEK	Note	2021	2020
Net sales	33	1 162	1 074
Own work capitalised		148 614	126 730
Other operating income	34	1 958	7 817
Total		151 734	135 621
Operating expenses			
Raw materials and consumables		-13 998	-3 219
Other external expenses	36	-231 289	-170 373
Employee benefit expenses	37	-165 365	-138 351
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-101 036	-11 941
Other operating expenses	35	-867	-397
Total		-512 555	-324 281
Operating profit/loss		-360 820	-188 660
Income/loss from financial items			
Income from participations in group companies	39	-3 965	-9 844
Other interest income and similar profit/loss items		0	750
Interest expense and similar profit/loss items		-660	-728
Profit/loss after financial items		-365 446	-198 483
Profit/loss before tax		-365 446	-198 483
Tax on profit/loss for the year	38	0	0
Profit/loss for the year		-365 446	-198 483

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 51-57 are an integrated part of the parent company accounts.

Parent company balance sheet

AMOUNTS IN KSEK	Note	2021-12-31	2020-12-31
ASSETS			
Non-current assets			
Intangible non-current assets	40		
Capitalised expenditure for development and similar work		575 064	518 744
Total intangible non-current assets		575 064	518 744
Property, plant and equipment	41		
Leasehold improvements		7 084	4 692
Equipment, tools, fixtures and fittings		51 893	19 033
Total property, plant and equipment		58 977	23 725
Financial non-current assets			
Participations in group companies	39	50	50
Total financial non-current assets		50	50
Total non-current assets		634 091	542 519
Current assets			
Inventories			
Raw materials and consumables		16 394	3 053
Finished goods and goods for resale		711	688
Total inventories		17 105	3 741
Current receivables			
Trade receivables	44	4 429	183
Current tax asset		1 635	1 345
Other receivables	45	6 332	13 964
Prepaid expenses and accrued income	46	6 701	4 757
Total current receivables		19 097	20 250
Cash and bank			
Cash and bank	43	502 140	331 150
		502 140	331 150
Total current assets		538 341	355 140
TOTAL ASSETS		1 172 433	897 660

AMOUNTS IN KSEK	Note	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	51	57 939	52 051
Development expenditure fund		536 116	472 870
		594 055	524 921
Non-restricted equity			
Share premium reserve		2 414 709	1 821 219
Retained earnings		-1 635 484	-1 375 981
Profit/loss for the year		-365 446	-198 483
		413 779	246 755
Total equity		1 007 834	771 676
Provisions			
Other provisions		0	0
Total provisions		0	0
Non-current liabilities	47		
Other non-current financial liabilities		22 622	22 674
Total non-current liabilities		22 622	22 674
Current liabilities			
Advances from customers		191	0
Trade payables		42 028	27 287
Other liabilities		40 372	26 587
Accrued expenses and deferred income	48	59 386	49 435
Total current liabilities		141 977	103 309
Total liabilities		164 599	125 984
TOTAL EQUITY AND LIABILITIES		1 172 433	897 660

The notes on pages 51-57 are an integrated part of the parent company accounts.

Parent company statement of changes in equity

AMOUNTS IN KSEK		Restricted equity		Non restricted equity			Total equity
	Note	Share capital	Development expenditure fund	Share premium reserve	Retained earnings	Profit/loss for the year	
Opening balance, 1 January 2020	51	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 issue		-24 703					-24 703
New share issue		30 877		244 123			275 000
Transfer between items			126 730		-126 730		0
Premiums for exercised warrants					4 662		4 662
Closing balance, 31 December 2020		52 051	472 870	1 821 219	-1 375 981	-198 483	771 676
Opening balance, 1 January 2021		52 051	472 870	1 821 219	-1 574 464		771 676
Net profit/loss and comprehensive income for the year						-365 446	-365 446
Total comprehensive income		52 051	472 870	1 821 219	-1 574 464	-365 446	406 231
Transactions with shareholders in their role as owners							
New share issue		5 887		593 489			599 377
Transfer between items			63 246		-63 246		0
Premiums for exercised warrants					2 226		2 226
Closing balance, 31 December 2021		57 939	536 116	2 414 709	-1 635 484	-365 446	1 007 834

Parent company cash flow statement

AMOUNTS IN KSEK	Note	2021	2020
Cash flow from operating activities			
Operating profit/loss after financial items	53	-365 446	-198 483
Adjustments for non-cash items	56	104 915	21 785
		-260 530	-176 698
Income tax paid		0	0
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-13 278	1 324
Increase(-)/Decrease(+) in operating receivables		1 442	1 222
Increase(+)/Decrease(-) in operating liabilities		30 923	26 060
Total change in operating loss		19 088	28 606
Cash flow from operating activities			
		-241 442	-148 092
Cash flow from investing activities			
Acquisition of property, plant and equipment		-43 994	-9 486
Acquisition of intangible non-current assets		-141 159	-119 275
Acquisition of financial assets		-3 965	-9 844
Cash flow from investing activities		-189 118	-138 606
Cash flow from financing activities			
Exercised warrants		40 712	0
New share issue		558 665	559 917
Warrants programme		2 226	4 662
Loan amortisation		-53	-81
Cash flow from financing activities	55	601 551	564 499
Decrease/increase in cash and cash equivalents			
		170 990	277 800
Cash and cash equivalents at the beginning of the year		331 150	53 349
Cash and cash equivalents at the year end	43	502 140	331 150

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 and domiciled in Gothenburg at Lindholmsplatsen 1, SE-417 56 Gothenburg, Sweden.

Unless otherwise stated, all amounts are in SEK thousands (kSEK). Data in parentheses pertain to the comparative periods.

Summary of significant accounting principles

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.

Note 2.1 - Basis for the 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.

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.

Not 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. Instead, the parent company applies the impairment rules in RFR 2 (IFRS 9 Financial instruments, p. 3-10). 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.

When calculating the net sales value of receivables that are reported as current assets, the principles for impairment testing and loss allowance in IFRS 9 shall be applied. For receivables measured at acquisition cost at group level, the loss allowance reported in the group in accordance with IFRS 9 must also be recognised in the parent company.

Leases (lessees)

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.

Note 2.1.2 - New standards and interpretations not yet applied by the group

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

Note 2.2 - Basis of consolidation

Note 2.2.1 - Fundamental accounting principles

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 on 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, 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.

Note 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.

Note 2.4 - Foreign currency translation

Note 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.

Note 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.

Note 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.

Note 2.5 - Revenue recognition

Revenue is recognised when control of the goods or services sold is transferred 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 the contract with the customer
- Identify the separate performance obligations in the contract
- 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.

Note 2.5.1 - Sale 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.

Note 2.5.2 - Sale of service obligations

The group provides services at both fixed and variable prices 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 to 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 the customer. Customers are invoiced on a monthly basis and the consideration is payable when invoiced.

Note 2.5.3 - Interest income

Interest income is recognised using the effective interest rate.

Note 2.6 - Leases

The group leases premises, trucks, forklifts and IT services. Leases are recognised as right-of-use assets and a corresponding liability on the date at which the leased asset is available for use by the group. Each lease payment is distributed between repayment of the debt and financial expense. 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 at the 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 value.

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.

Note 2.7 - Employee benefits

Note 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.

Note 2.7.2 - Post-employment benefits

Group companies offer defined-contribution pension plans only. 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.

Note 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 such cases, 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 reported on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised however 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 profits 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.

Note 2.9 - Intangible assets

Note 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 them so they will be available for use,
- the company intends to complete them and use or sell them,
- there is an ability to use or sell 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 them 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 5 years.

Note 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 item 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.

Note 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. Assets that are amortised 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).

Note 2.12 - Financial instruments

Note 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, 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, for example fees and commissions.

Note 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 financial 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 and 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.

Note 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.

Note 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 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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 are 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.

The group's reporting of government grants is presented in more detail in note 23

Note 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.

Note 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

Note 3

(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.

Note 2.23 - Share related remuneration

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 31 Dec 2021, a liability corresponding to the fair value of delivered unregulated services of SEK 25 million is reported. Should the supplier choose regulation of the debt in the form of shares, this will entail a directed new issue of 1 666 667 shares.

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 alpha value.

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

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

The impairment test is built on an assumption that the company will be able to execute its expansive business plan with a large volume commercial breakthrough from 2022/2023 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 cycles, and cost of raw materials.

(b) Going concern assumption

Until the company's operating activities generate a positive cash flow, the company is dependent on external financing, either as contributions from shareholders or from other sources of financing. The board estimates that in the near future the company will invest more in jointly owned projects than previously assumed, which places increased demands on financing. The board is therefore evaluating various opportunities to further strengthen the company's financial position in 2022. In total, the capital requirement is estimated at SEK 300-500 million and we are now evaluating various alternatives, including loans and share issues. The board assesses the possibility of securing such new financing as good and consequently sees that the annual report can be published under the assumption of continued operation.

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 the 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 to 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.

The subsidiaries are not subject to any significant exchange-rate risk. The group has no borrowings 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 0 on 31 December 2021 (31 December 2020: kSEK 156). Contract liabilities in in foreign currency amounted to kSEK 0 on 31 December 2021 (31 December 2020: kSEK 0). Trade payables in foreign currency amounted to kSEK 1 067 on 31 December 2021 (31 December 2020 kSEK 3 192). Prepaid central government grants in foreign currency amounted to kSEK 0 on 31 December 2021 (31 December 2020; kSEK 0) and accrued central government grants amounted to kSEK 0 on 31 December 2021 (31 December 2020: kSEK 0).

If the SEK had weakened 10% in relation to EUR, all other variables being equal. the restated net profit for the 2021 financial year would have been kSEK 1 098 (kSEK 258) lower. This is largely due to losses arising from losses on recalculation 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 831, with the discount rate for lease liabilities accounting for 96% 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 risk

31 DECEMBER 2021	Receivables not overdue	> 30 days overdue	>60 days overdue	>120 days overdue	Total
	4 316	113	0	0	4 429

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.

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

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 cost 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.

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, leasing	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

AT 31 DECEMBER 2021	<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	13	30	60	22 519	22 622	22 622
Liabilities, leasing	3 605	10 318	13 609	34 157	17 808	79 497	79 497
Trade payables	41 940	88	0	0	0	42 028	42 028
Total	45 545	10 420	13 639	34 217	40 327	144 147	144 147

	31 December 2021	31 December 2020
Total borrowing (note 22)	-22 622	-22 674
Less: cash and cash equivalents	503 388	332 463
Net debt	480 766	309 788
Total equity	1 008 102	772 257
Total capital	1 488 868	1 082 045

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 CEO 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

	2021	2020
Operating profit/loss	-364 175	-191 939

All capital equipment is in the Swedish companies.

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.

Revenue from	2021			2020		
	Sweden	EU	Outside the EU	Sweden	EU	Outside the EU
Stirling engines	0	0	486	0	0	0
Service obligations	92	0	0	122	0	84
Spare parts	0	213	20	71	449	194
Other	351	0	0	154	0	0
Total	443	213	507	347	449	278

Revenue from larger customers (over 10%) for the period amounted to kSEK 636 (kSEK 662).

Note 7

Auditor remuneration

	2021	2020
KPMG AB		
Audit engagement	1 539	720
Auditing activities in addition to audit engagement	73	0
Total	1 612	720
Great Wall Certified Public Accountants Co. Ltd		
Audit engagement	57	50
Total	57	50
Group total	1 669	770

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.

Salaries and other employee benefits

	2021	2020
Salaries and other benefits	128 396	97 985
Social security contributions	38 795	28 316
Pension costs - defined-contribution plans	17 237	9 928
Total employee benefits	184 427	136 229

Salaries, other remuneration and social security expenses

	2021		2020	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Board members, CEO and other senior executives	17 872	8 002	23 831	5 840
(of which, bonuses)	0		0	
(of which, pension costs)		3 242		1 931
Other employees	110 524	48 029	74 154	32 404
(of which, pension costs)		13 995		7 997
Group total	128 396	56 032	97 985	38 244

Average number of employees and breakdown per country

	2021		2020	
		of which, men		of which, men
Sweden	173	76%	131	81%
China	4	75%	4	75%
Group total	177	76%	135	80%

Gender distribution in the group (incl., subsidiaries) among board members and other senior executives

	2021		2020	
		Percentage of women		Percentage of women
Board members	7	14%	8	13%
CEO and other senior executives	7	14%	7	14%
Group total	7	14%	8	13%

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 852 (kSEK 960) to the CEO and kSEK 3 154 (kSEK 2 084) 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 made concerning severance pay with other employees.

Board of Directors

According to a resolution adopted by the Annual General Meeting (AGM) on 11 May 2021, board fees for the period through the next AGM are payable at a total of kSEK 2 300, of which kSEK 650 go to the Chairman of the Board and kSEK 250 to each of the other board members who are not employees of the company.

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 50.

Senior executive remuneration

KSEK	2021					
	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board, Bo Dankis	500	0	0	0	0	500
Board member, Bertil Villard	150	0	0	0	80	230
Board member, Hicham Bouzekri	150	0	0	0	0	150
Board member, Kent Janér	150	0	0	0	80	230
Board member, Mattias Bergman	150	0	0	0	0	150
Board member, Pär Nuder	150	0	0	0	0	150
Board member, Sigrun Hjelmqvist	150	0	0	0	50	200
CEO, Jonas Eklind	2 178	852	0	859	669	4 558
Other senior executives (6 persons)	8 159	3 154	0	2 383	1 250	14 946
Group total	11 737	4 006	0	3 242	2 129	21 114

Senior executive remuneration

KSEK	2020					
	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total
Chairman of the Board, Bo Dankis	500	0	0	0	0	500
Board member, Bertil Villard	150	0	0	0	0	150
Board member, Hicham Bouzekri	150	0	0	0	0	150
Board member, Kent Janér	150	0	0	0	0	150
Board member, Lars Thunell	150	0	0	0	0	150
Board member, Mattias Bergman	150	0	0	0	0	150
Board member, Pär Nuder	150	0	0	0	0	150
Board member, 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

Note 9

Other operating income

	2021	2020
Contributions related to project financing and central government support	1 483	579
Other	475	7 237
Total	1 958	7 817

Note 10

Other operating expenses

	2021	2020
Exchange rate differences	-867	-397
Total	-867	-397

Note 11

Exchange rate differences - net

	2021	2020
Exchange profit	475	310
Exchange loss	-867	-397
Total	-392	-88

Note 12

Income tax

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:

Reconciliation of effective tax

	2021		2020	
Profit/loss before tax		-365 872		-192 572
Tax according to the parent company's tax rate	20,6%	75 370	21,4%	41 210
Tax effects of:				
Tax-deductible items recognised against shareholders' equity	2,1%	7 638	2,3%	4 440
Other non-deductible expenses	-0,9%	-3 333	-2,4%	-4 715
Non-taxable income	0,0%	0	0,0%	0
Reversal of previously non-deductible expenses	0,6%	2 349	1,0%	2 003
Increase in loss carry-forwards without corresponding capitalisation of deferred tax.	-22,4%	-82 023	-22,3%	-42 938
Other	0,0%	0	0,0%	0
Income tax	0,0%	0	0,0%	0

Note 13

Intangible assets

FOR THE 2020 FINANCIAL YEAR	Capitalised development costs	Total
Opening carrying amount	398 721	398 721
Assets developed internally	126 730	126 730
Amortisation	-6 707	-6 707
Closing carrying amount	518 744	518 744

AT 31 DECEMBER 2020	Capitalised development costs	Total
Cost	595 560	595 560
Accumulated amortisation	-76 816	-76 816
Carrying amount	518 744	518 744

FOR THE 2021 FINANCIAL YEAR	Capitalised development costs	Total
Opening carrying amount	518 744	518 744
Assets developed internally	148 783	148 878
Amortisation	-92 294	-92 294
Other	-169	-169
Carrying amount	575 064	575 064

AT 31 DECEMBER 2021	Capitalised development costs	Total
Cost	744 174	744 174
Accumulated amortisation and impairment	-169 110	-169 110
Carrying amount	575 064	575 064

Depreciation and amortisation costs of kSEK 92 294 (kSEK 6 707) are included in the 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

FOR THE 2020 FINANCIAL YEAR	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Opening carrying amount	3 303	16 169	19 472
Purchases	2 010	7 476	9 486
Divestments and disposals	0	-43	-43
Depreciation	-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	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Cost	6 503	42 274	48 778
Accumulated depreciation	-1 811	-23 241	-25 053
Carrying amount	4 692	19 033	23 725

FOR THE 2021 FINANCIAL YEAR	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Opening carrying amount	4 692	19 033	23 725
Purchases	3 551	40 443	43 994
Divestment and disposals	0	-12 727	-12 727
Depreciation	-1 159	-7 583	-8 742
Reversal of depreciation on divestments and disposals	0	12 727	12 727
Closing carrying amount	7 084	51 893	58 977

AT 31 DECEMBER 2021	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Cost	10 054	69 990	80 045
Accumulated depreciation	-2 971	-18 097	-21 067
Carrying amount	7 084	51 893	58 977

Depreciation and amortisation costs of kSEK 8 742 (kSEK 5 233) 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 2020	Financial assets measured at amortised cost	Total
Assets on balance sheet		
Trade receivables	183	183
Other current receivables	14 025	14 025
Cash and cash equivalents	332 463	332 463
Total	346 670	346 670

31 DEC 2021	Financial assets measured at amortised cost	Total
Assets on balance sheet		
Trade receivables	4 429	4 429
Other current receivables	6 397	6 397
Cash and cash equivalents	503 388	503 388
Total	514 213	514 213

31 DEC 2020	Financial assets measured at amortised cost	Total
Liabilities on 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

31 DEC 2021	Financial assets measured at amortised cost	Total
Liabilities on balance sheet		
Other non-current and current financial liabilities	22 622	22 622
Lease liabilities	79 497	79 497
Advances from customers	191	191
Trade payables	42 028	42 028
Total	144 338	144 338

The fair value of the financial assets and liabilities corresponds in all material respects to the carrying amount.

Note 16

Trade receivables

	31 Dec 2021	31 Dec 2020
Trade receivables	4 429	183
Less: loss allowance	0	0
Trade receivables - net	4 429	183

The reported amount, per currency, of consolidated trade receivables and other receivables is as follows:

	31 Dec 2021	31 Dec 2020
SEK	4 316	27
EUR	0	156
ZAR	113	0
Total	4 429	183

Changes in the reserve for expected loan losses for the 2021 financial year were as follows: kSEK 0 was reserved to cover doubtful receivables for 2021.

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.

Trade receivables have increased since previous periods. This increase comes from sales of direct materials to suppliers and only affects the balance sheet, not revenue or expenses.

Note 17

Other current receivables

	31 Dec 2021	31 Dec 2020
Advance payments for goods and services	6 025	13 712
Other	372	313
Total	6 397	14 025

Note 18

Prepaid expenses and accrued income

	31 Dec 2021	31 Dec 2020
Prepaid rent	2 788	1 241
Prepaid insurance	452	310
Other prepaid expenses	2 066	2 381
Total	5 306	3 932

Note 19

Cash and cash equivalents

	31 Dec 2021	31 Dec 2020
Bank balances	503 388	332 463
Total	503 388	332 463

Note 20

Share capital and other contributed capital

	Number of shares	Share capital	Ongoing new share issues	Other paid-in capital
At 1 January 2020	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
New share issue	10 638 225	5 319	0	590 421
Redemption of warrants - payment received	1 136 556	568	0	40 144
	115 877 181	57 939	0	2 451 784
Less: Transaction costs related to share issue.	0	0	0	-37 076
At 31 December 2021	115 877 181	57 939	0	2 414 709

At 31 December 2021, share capital comprised 115 877 181 ordinary shares with a quota value of SEK 0.50.

All shares issued by the parent company are paid in full.

Other paid-in capital consist of a share premium reserve. The share premium reserve consists of issue expenses which for the 2021 financial year

amounted to kSEK 37 076 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 mSEK 1 526 on 31 December 2021 (31 December 2020: mSEK 1 128). Loss carry-forwards do not fall due at any specific point of time.

The amount for unutilized loss carryforwards includes deferred tax related to pension provisions for endowment insurance, including estimated payroll tax.

Note 22

Loan liabilities

	31 Dec 2021	31 Dec 2020
Non-current		
Swedish Energy Agency	22 622	22 674
Total	22 622	22 674
Total borrowing	22 622	22 674

Note 23

Accrued expenses and deferred income

	31 Dec 2021	31 Dec 2020
Accrued holiday pay liability	12 830	9 283
Accrued social security contributions	4 393	3 222
Accrued reserve time bank	1 151	972
Temporary postponement due to COVID 19	36 783	24 684
Other items	4 228	11 274
Total	59 386	49 435

Note 23.1 Government grants

Government grants for production development of kSEK 486 are included in the item "Other items". There are unfulfilled conditions linked to grants regarding purpose, survival of companies and the like within five years with gradual write-down of aid amounts during the period.

Pledged collateral linked to government grants can be found under note 29.

Note 24

Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	31 Dec 2021	31 Dec 2020
Premises	78 194	22 912
Vehicles	79	145
Other	1 830	947
Total	80 102	24 004

Lease liabilities

	31 Dec 2021	31 Dec 2020
Non-current	65 574	14 470
Current	13 923	9 228
Total	79 497	23 698
Within 1 year	13 923	9 228
Within 1 and 5 years	47 766	14 470
More than 5 years	17 808	0

Amounts recognised in profit or loss

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

Depreciation of right-of-use assets

	2021	2020
Premises	10 460	8 300
Vehicles	66	66
Other	770	395
Interest expenses (included in finance costs)	-916	-676
Expenses relating to short-term leases (included in operating expenses)	-1 219	-245
Expense relating to leases of low-value assets that are not short-term leases (included in operating expenses)	-67	-45
Amortisation of lease liability	-11 031	-8 613

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

Additional usufruct rights in 2021 amounted to kSEK 66,830 (kSEK 10,902)

For more information regarding maturity analyses, see note 4.1

Note 25

Share-based remuneration

The following is a summary of the group's options programmes on 31 December 2021:

Designation	Subscription period	Number of options	Price	Number of share awards
TO23	181119-221119	200 000	36	224 000
TO25	190308-240307	16 666 667	13	1 860 753
TO26	220101-221130	60 000	36	67 200
TO28	230101-230630	2 200 000	40	2 200 000
TO29	240101-240630	630 000	150	630 000
TO30	240101-250228	260 000	150	260 000
20 016 667				5 241 953

Outstanding warrants 2021-01-01	Allocated	Redeemed	Expired	Outstanding warrants 2021-12-31	Redeemable warrants 2021-12-31
41 326 667	890 000	6 659 607	15 540 393	20 016 667	16 866 667

The warrants in TO30 were issued to the board on market terms following a decision by the Annual General Meeting. The warrants in TO29 were issued to the company's employees on market terms. Three option programs expired in 2021 and 1 136 556 shares were issued for these options.

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

Note 26

Earnings per share

SEK	2021	2020
Basic earnings per share	-3,23	-2,03
Measurements used in calculating earnings per share		
Profit attributable to parent company shareholders used in calculating basic and diluted earnings per share		
Profit attributable to parent company shareholders, kSEK	-365 872	-192 572
Number		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	113 259 254	94 641 570
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	113 259 254	94 641 570
Warrants		
Adjustment for calculation of diluted earnings per share:	0	0

The 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	2021	2020
Masen (holds 16 666 667 warrants in the company and has a representative on the company's Board of Directors)	7 575	3 333
Bertil Villard (Board member)	2	0
Deep Powder AB/ Jonas Eklind (CEO)	0	15
Hans Ola Meyer (Board member)	1	0
Elaine Grunewald (Board member)	2	0
Total	7 581	3 348

Accrued expenses in respect of services performed by Masen in conjunction with the company's demonstration facility in Ouarzazate, Morocco, amounted to kSEK 25 000 on 31 December 2021.

Related party transactions were carried out on market terms.

Note 28

Interest paid and dividends received

	2021	2020
Interest paid	1 576	956

Note 29

Pledged assets and contingent liabilities

A business mortgage of kSEK 485 is under registration with the Swedish Companies Registration Office linked to a state grant in accordance with Note 23.1.

At 31 December 2020 no assets in the company were pledged.

The group has no contingent liabilities.

Note 30

Changes in liabilities belonging to financing operations

	1 Jan 2020	Cash in flows	Cash out flows	Non-cash items	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

	1 Jan 2021	Cash in flows	Cash out flows	Non-cash items	31 Dec 2021
Non-current liabilities	22 674	0	-53	0	22 622
Lease liabilities	23 698	66 830	-11 031	66 830	79 497
Total	46 372	66 830	-11 084	66 830	102 119

Note 31

Adjustment for non-cash items

	2021	2020
Depreciation and amortisation	112 332	20 702
Impairment	-86	0
Other	0	-7 107
Total	112 246	13 595

Note 32

Post-balance sheet events

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

The board appointed Jonas Wallmänder as the new CEO, to succeed Jonas Eklind. Jonas Wallmänder has worked at Azelio since 2011

and has been Executive Vice President and part of Group Management since 2017.

Together with Khalifa University and Masdar, Azelio inaugurated the two commercial TES.POD units that have supplemented the installation in Masdar City, Abu Dhabi. The units will be demonstrated and evaluated by Khalifa University for inclusion in the Masdar product portfolio.

Notes – parent company

Note 33

Net sales

Revenue from	2021			2020		
	Sweden	EU	Outside the EU	Sweden	EU	Outside the EU
Stirling engines	0	0	486	0	0	0
Service obligations	92	0	0	122	0	84
Spare parts	0	213	20	71	449	194
Other	351	0	0	154	0	0
Total	443	213	507	347	449	278

Notes pertaining to the parent company

Note 34

Other operating income

	2021	2020
Contributions related to project financing and government grants	1 483	579
Other	475	7 237
Total	1 958	7 817

Note 36

Auditor remuneration

	2021	2020
KPMG AB		
Audit engagement	1 539	720
Auditing activities in addition to audit engagement	73	0
Total	1 612	720

Note 35

Other operating expenses

	2021	2020
Exchange rate differences	-867	-397
Total	-867	-397

Note 37

Employee benefits, etc.

	2021	2020
Salaries and other benefits	125 393	95 928
Social security contributions	38 300	28 004
Pension costs - defined-contribution plans	17 237	9 928
Total employee benefits	180 930	133 860

Salaries, other remuneration and social security benefits

	2021		2020	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Board members, CEO and other senior executives	17 872	8 002	23 831	5 840
(of which, bonuses)	0		0	
(of which, pension costs)		3 242		1 931
Other employees	107 522	47 534	72 097	32 092
(of which, bonuses)	0		0	
(of which, pension costs)		13 995		7 997
Parent company total	125 393	55 537	95 928	37 932

Average number of employees

	2021		2020	
		Of whom men		Of whom men
Parent company total	173	76%	131	81%

Gender distribution in the parent company for board members and other senior executives

	2021		2020	
		Percentage of women		Percentage of women
Board members	7	14%	8	13%
CEO and other senior executives	7	14%	7	14%
Parent company total	7	14%	8	13%

Remuneration of senior executives

Remuneration of senior executives amounts to:	2021	2020
Salaries and other short-term remuneration	11 737	11 232
Pension costs	3 242	1 931
Total remuneration of senior executives	14 980	13 162

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

Note 38

Tax on net profit for the year

Recognised tax in the income statement

Current tax	2021	2020
Current tax on net profit for the year	0	0
Adjustments for previous years	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:

	2021	2020
Profit/loss before tax		
Profit/loss before tax	-365 446	-198 483
Income tax calculated according to local tax rate in Sweden	75 282	42 475
Tax effects of:		
Deductible items booked against equity	7 638	4 440
Non-deductible expenses	-3 333	-4 715
Income/loss not subject to tax	2 349	2 003
Tax losses for which no deferred tax asset has been recognised	-81 935	-44 203
Total	0	0
Total recognised tax	0	0

Note 39

Participations in subsidiaries

	31 Dec 2021	31 Dec 2020
Opening cost	34 055	24 210
Contributions	3 965	9 844
Closing accumulated cost	38 020	34 055
Opening impairment	-34 005	-24 160
Impairment for the year	-3 965	-9 844
Closing accumulated impairment	-37 970	-34 005
Closing carrying amount	50	50

Subsidiary/Corp. Reg. No./Registered office	Number of shares	Participation in %	Carrying amount 31 Dec 2021	Carrying amount 31 Dec 2020
Cleanergy (Beijing) New Energy Technology Co.Ltd, China	1	100%	0	0
Cleanergy AB, 559153-7542, Gothenburg, Sweden	500	100%	50	50

Note 40

Intangible assets

At 1 January 2020	Capitalised development costs	Total
Cost	468 830	468 830
Accumulated amortisation	-70 109	-70 109
Carrying amount	398 721	398 721

For the 2020 financial year	Capitalised development costs	Total
Opening carrying amount	398 721	398 721
Assets developed internally	126 730	126 730
Amortisation	-6 707	-6 707
Closing carrying amount	518 744	518 744

At 31 December 2020	Capitalised development costs	Total
Cost	595 560	595 560
Accumulated amortisation	-76 816	-76 816
Carrying amount	518 744	518 744
Closing carrying amount	518 744	518 744

For the 2021 financial year	Capitalised development costs	Total
Opening carrying amount	518 744	518 744
Assets developed internally	148 783	148 783
Amortisation	-92 294	-92 294
Other	-169	-169
Closing carrying amount	575 064	575 064

At 31 December 2021	Capitalised development costs	Total
Cost	744 174	744 174
Accumulated amortisation and impairment	-169 110	-169 110
Carrying amount	575 064	575 064

Depreciation and amortisation costs of kSEK 92 294 (kSEK 6 707) 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

Property, plant and equipment

At 1 January 2020	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Cost	4 493	34 694	39 187
Accumulated depreciation	-1 190	-18 524	-19 714
Carrying amount	3 303	16 169	19 472

For the 2020 financial year	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Opening carrying amount	3 303	16 169	19 472
Purchases	2 010	7 476	9 486
Depreciation	-621	-4 612	-5 233
Closing carrying amount	4 692	19 033	23 725

At 31 December 2020	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Cost	6 503	42 169	48 673
Accumulated depreciation and impairment	-1 811	-23 136	-24 948
Carrying amount	4 692	19 033	23 725

For the 2021 financial year	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Opening carrying amount	4 692	19 033	23 725
Purchases	3 551	40 443	43 994
Divestments and disposals	0	-12 727	-12 727
Depreciation	-1 159	-7 583	-8 742
Reversal of depreciation on divestments and disposals	0	12 727	12 727
Closing carrying amount	7 084	51 893	58 977

At 31 December 2021	Leasehold improvements	Equipment, tools, fixtures and fittings	Total
Cost	10 054	69 885	79 940
Accumulated depreciation and impairment	-2 971	-17 992	-20 962
Carrying amount	7 084	51 893	58 977

Depreciation and amortisation costs of kSEK 8 742 (kSEK 5 233) are included in the depreciation/ amortisation and impairment of property, plant and equipment and intangible non-current assets in the parent company's income statement.

Note 42

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 mSEK 1 526 on 31 December 2021 (31 December 2020: mSEK 1 128). Loss carry-forwards do not fall due at any specific point in time.

Note 43

Cash and bank balances

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

	2021-12-31	2020-12-31
Bank balances	502 140	331 150
Total	502 140	331 150

Note 44

Trade receivables

	31 Dec 2021	31 Dec 2020
Trade receivables	4 429	183
Less: loss allowance	0	0
Trade receivables - net	4 429	183

The carrying amounts of the parent company's trade and other receivables are denominated as follows:

	31 Dec 2021	31 Dec 2020
SEK	4 316	27
EUR	0	156
ZAR	113	0
Total	4 429	183

Changes in the reserve for expected loan losses for the 2021 financial year were as follows:

kSEK 0 was reserved as doubtful receivables in 2021.

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.

Trade receivables have increased since previous

periods. This increase stems from sales of direct materials to suppliers and only affects the balance sheet, not revenue or expenses.

Note 45

Other current receivables

	31 Dec 2021	31 Dec 2020
Advance payment for goods and services	6 025	13 712
Other	306	252
Total	6 332	13 964

Note 46

Prepaid expenses and accrued income

	31 Dec 2021	31 Dec 2020
Prepaid rental charges	2 788	2 067
Prepaid insurance	452	310
Other prepaid expenses	3 461	2 381
Total	6 701	4 757

Note 47

Loan liabilities

See group note 22 for information on the parent company's other non-current liabilities

Note 48

Accrued expenses and deferred income

	31 Dec 2021	31 Dec 2020
Accrued holiday pay liability	12 830	9 283
Accrued social security contributions	4 393	3 222
Accrued reserve time bank	1 151	972
Other items	41 011	35 958
Total	59 386	49 435

Note 49

Leases

Lease commitments

The parent company rents essentially all commercial premises with non-cancellable leases. The lease terms vary between 3 and 10 years and most leases can be extended at the end of the lease term for a fee on market terms.

The income statement for the 2021 financial year includes lease expenses amounting to kSEK 13 232 (kSEK 10 238) pertaining to machinery, vehicles and rental premises.

The future lease payments for non-cancellable leases are as follows:

	2021	2020
Within 1 year	16 795	9 784
Between 1 and 5 years	40 198	5 585
More than 5 years	19 737	0
Total	76 730	15 370

Note 50

Share-based remuneration

See group note 25 for information on the parent company's share-based remuneration.

Note 51

Share capital

See group note 20 for information on the parent company's share capital.

Note 52

Transactions with related parties

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:	2021	2020
Masen (holds 16 666 667 warrants in the company and has a representative on the board of the company).	7 575	3 333
Bertil Villard (Board member)	2	0
Deep Powder AB/ Jonas Eklind (CEO)	0	15
Hans Ola Meyer (Board member)	1	0
Elaine Grunewald (Board member)	2	0
Total	7 581	3 348

Accrued expenses in respect of services performed by Masen in conjunction with the company's demonstration facility in Ouarzazate, Morocco, amounted to kSEK 25 000 on 31 December 2021.

The related party transactions were carried out on market terms.

Note 53

Interest paid and dividends received

	2021	2020
Interest paid	660	281

Note 54

Pledged assets and contingent liabilities

A business mortgage of kSEK 485 is under registration with the Swedish Companies Registration Office linked to a state grant in accordance with Note 23.1.

At 31 December 2020 no assets in the company were pledged.

The company has no contingent liabilities.

Note 55

Changes to liabilities that belong to financing activities

	1 Jan 2020	Cash inflow	Cash outflow	Non-cash items	31 Dec 2020
Non-current liabilities	22 750	0	-81	0	22 674
Total	22 750	0	-81	0	22 674

	1 Jan 2021	Cash inflow	Cash outflow	Non-cash items	31 Dec 2021
Non-current liabilities	22 674	0	-53	0	22 622
Total	22 674	0	-53	0	22 622

Note 56

Adjustment for non-cash items

	2021	2020
Depreciation and amortisation	101 036	11 941
Impairment	3 879	9 844
Other non-cash items	0	0
Total	104 915	21 785

Note 57

Post-balance sheet events

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

The board appointed Jonas Wallmänder as the new CEO, to succeed Jonas Eklind. Jonas Wallmänder has worked at Azelio since 2011 and has been Executive Vice President and part of Group Management since 2017.

Together with Khalifa University and Masdar, Azelio

inaugurated the two commercial TES.POD units that have supplemented the installation in Masdar City, Abu Dhabi. The units will be demonstrated and evaluated by Khalifa University for inclusion in the Masdar product portfolio.

Note 58

Key ratio definitions

Balance sheet total: Total assets

Equity/assets ratio: Total equity/Total assets

Note 59

Proposed appropriation of profit/loss

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

	31 Dec 2021	31 Dec 2020
Share premium reserve	2 414 709	1 821 219
	-1 635 484	-1 375 981
Loss for the year	-365 446	-198 483
Total	413 779	246 755
To be carried forward	413 779	246 755
Total	413 779	246 755

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on 12 May 2022 for adoption.

Board approval

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 faced by Parent Company and the companies that are part of the Group.

Gothenburg 12 April 2022

Bo Dankis
Chairman

Hicham Bouzekri
Board member

Carol Browner
Board member

Elaine Grunewald
Board member

Kent Janér
Board member

Hans Ola Meyer
Board member

Pär Nuder
Board member

Bertil Villard
Board member

Jonas Eklind
CEO

Auditor's report

To the general meeting of the shareholders of Azelio AB (publ), corp. id 556714-7607

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Azelio AB for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 19-58 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Material Uncertainty Related to Going Concern

We draw attention to the administration report and note 3, which state that the company's liquidity situation can be strained and that there is a need for additional financing during the second half of 2022. These circumstances indicate that there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. As stated in the annual report, the Board of Directors' assessment is that Azelio AB (publ) will be able to secure capital for going concern. Our opinions are not modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual

accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

→ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Azelio AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

→ has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
→ in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg 2022-04-12

KPMG AB

Fredrik Waern

Authorized Public Accountant



Azelio Annual Report 2021

Azelio AB

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