

## Interim report 1 April – 30 June 2020



### **New collaborations open markets in North and South America**

In the second quarter Azelio signed three Memorandums of Understanding (MOU) for energy storage in the North and South American markets. The largest was signed with California-based Trimark Associates and covers energy storage installations totalling 45 MW. Trimark offers a broad portfolio of energy solutions in the US, particularly monitoring and metering of solar farms and modernisation of the US electricity grid. Customers include power companies and the US Department of Defence. MOUs were also signed with the Mexican company CITRUS, which supplies renewable energy solutions to several different sectors, and with the Chilean company VOGT, which is the leading supplier of pumping systems to the mining industry in Latin America. VOGT wants to use Azelio's technology to enhance its offering to clients and drive their pumping systems with cost-efficient and reliable renewable energy, instead of using diesel generators as today.

The verification project with certification company DNV-GL is continuing from Azelio's installation in Åmål, Sweden, and will be supplemented later with data from the installation in Morocco. The current travel restrictions prevent entry into Morocco and therefore also the start-up of verification locally. Preparations for the next verification project in Abu Dhabi in partnership with Masdar and Khalifa University are continuing according to plan for installation to begin in Q3 2020.

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## Group financial development

### Q2: April – June 2020

- Net sales amounted to kSEK 330 (307)
- Operating profit/loss (EBIT) amounted to kSEK -48,414 (-32,938)
- Earnings per share before and after dilution SEK -0.53 (-0.78)
- Profit/loss for the period amounted to kSEK -48,583 (-33,110)
- Cash and bank balances amounted to kSEK 224,200 (200,186)

### First half: Jan – June 2020

- Net sales amounted to kSEK 458 (815)
- Operating profit/loss (EBIT) amounted to kSEK -93,404 (-61,039)
- Earnings per share before and after dilution SEK -1.04 (-1.45)
- Profit/loss for the period amounted to kSEK -93,652 (-61,294)
- Cash and bank balances amounted to kSEK 224,200 (200,186)

## Significant events

### Q2: April – June 2020

- Corona pandemic pushes back the schedule for projects and financing by a quarter
- Fredrik Wäppling new CFO
- MoU with Chilean company VOGT for 10 MW of energy storage for the mining industry by 2024
- MoU with Mexican company CITRUS for 20 MW by 2024
- MoU with US-based Trimark Associates for 45 MW by 2025

### After the end of the period

- Azelio signs MoU with ALEC Energy for 49 MW of energy storage in the Middle East and Africa
- Azelio signs agreement with ALEC Energy to set up renewable energy storage site in Masdar City

## Key figures for the Group

	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Net sales, kSEK	330	307	458	815	1,670
Operating profit/loss, kSEK	-48,414	-32,938	-93,404	-61,039	-160,510
Profit/loss for the period, kSEK	-48,583	-33,110	-93,652	-61,294	-160,897
Earnings per share before and after dilution, SEK	-0.53	-0.78	-1.04	-1.45	-3.80
Equity, kSEK	615,963	502,914	615,963	502,914	710,374
Equity/assets ratio, %	83	83	83	83	82
Cash flow from operating activities, kSEK	-31,336	-15,431	-77,888	-65,370	-129,853
Cash and bank balances, kSEK	224,200	200,186	224,200	200,186	55,634



*“Demand for renewable energy continues to increase. Cost-effective storage is an important component of this. Many of Azelio’s customers are preparing for high demand for storage solutions from their customers and end-users.”*

– Jonas Eklind, CEO

## Comments from CEO

The outbreak of the pandemic has made it even clearer how right for the times Azelio’s business is. The economic slowdown has rapidly reduced human impact on the environment. As we gradually return to a more normal level of activity, there is a widespread view that this should be done in a more sustainable way than previously. The expression “Build Back Better” is frequently used and is also a cornerstone of the OECD recommendations on how the various governments should design their programmes for economic recovery. The EU’s extensive green programmes are a good example of this. ESG (Environmental, Social and Governance) matters are already receiving considerably greater attention, and Azelio is a significant part of the answer here. Demand for renewable energy continues to increase. Cost-effective storage is an important component of this. Many of Azelio’s customers are preparing for high demand for storage solutions from their customers and end-users.

Thanks to our digital way of working, over the past quarter we have been able to work effectively to respond to the continued great interest that has been shown in our market. Customers are vastly more accepting of digital meetings, allowing us to conduct multiple meetings with people on different continents in a single day. We have also conducted virtual tours of the test facility in Åmål and the production plant in Uddevalla for potential customers and partners, which have been well received and served their purpose well.

Among other things, this has resulted in us being able to develop North and South America as new markets and we have succeeded in linking up with strong and established partners in these regions. In contrast to large parts of Africa and parts of the Middle East, there is often already a stable electricity supply in these locations – combined with great interest among existing enterprises in reducing both costs and environmental impact. There is also noticeable interest in utilising the heat generated in our solution as well, thereby further improving the costings for our offering.

Our new partners include California-based Trimark, which is working to modernise the US electricity grid, the well-established Chilean operator VOGT, which wants to offer Latin America’s mining industry a cost-effective, renewable and reliable way to operate pumping systems using solar energy at all hours of the day, and Mexico-based CITRUS, which provides renewable energy

solutions to customers in a range of different sectors. The Memorandums of Understanding with these companies provide

clear evidence of how well we have been able to continue developing our business, despite the restrictions following the prevailing pandemic. More about these collaborations can be found below, under the period’s significant events.

The verification of Azelio’s technology, which is being conducted together with leading certification company DNV-GL, has a high priority. Due to travel restrictions we had to change the initial verification site from Ouarzazate in Morocco to Åmål in Sweden, which was not without complications but enabled us to despite the restrictions, start at the designated time. We also intend to expand the verification with Morocco for data generated in an operating environment like that in many of our future commercial projects.

In parallel, preparations are being made for verification with Masdar and Khalifa University in Abu Dhabi, with installation starting in the third quarter 2020. Masdar is active in 30 countries and one of the major project developers in renewable projects. The company is owned by Mubadala Group, one of the leading global investors in renewables. The main purpose of this verification project is to evaluate Azelio’s technology so that it can be included in Masdar’s product portfolio for current and future renewable energy projects. Verification data from Abu Dhabi will also be made available for the financing of projects outside this collaboration.

Prior to the outbreak of the pandemic we boosted our organisation as planned to allow us to manage the verification projects and ahead of the start of series production in the third quarter 2021. Preparations for series production have thus been able to continue as planned. As regards the impact of the current travel restrictions, previously during the period we communicated that we are pushing forward our overall time plan by one quarter. This also increases our remaining financing requirement from SEK 300 million to SEK 375 million. The result for the period was otherwise fully in line with the business plan.

After an eventful quarter in which the work of Azelio’s employees and partners must be praised, I am able to end these comments exactly as I did in the last interim report. We have worked purposefully and are continually ticking off important interim goals along the way to starting series production in Q3 2021 – when we will have a significant order book.

– Jonas Eklind, CEO

## The business



### Sustainable energy for all

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

Azelio has a solution that can provide renewable energy for all whenever it is needed. The solution stores energy from the sun and wind, subsequently making it available as electricity and heat at any time of day at a very competitive cost.



### A large and growing market

In providing efficient storage of renewable energy in areas without a stable grid, Azelio is addressing a very large and rapidly growing market. Today a billion people live without access to a grid, with double that number living in areas with unstable grids. Since Azelio successfully demonstrated its technology in 2018 the company has received expressions of interest for more than 3.9 GW, representing around SEK 170 billion in potential order value.

### A ground-breaking solution

The solution stores energy as heat in recycled aluminium. The heat can then be converted into electricity on demand via a

Stirling engine, and can also deliver heat at 55–65 degrees Celsius. This heat can be used as industrial heat, for example. The system can achieve a total efficiency of up to 90 percent from electricity to output energy consisting of electricity and heat. The solution is modular and cost-effective from 0.1 MW to 100 MW, capable of supplying for example hospitals, factories, mines, and small communities with renewable energy 24 hours a day.



### Moving from innovation to industrialisation

Following the successful demonstration of the technology in 2018 and its installation at the world-leading Noor solar power station in Morocco in March 2020, Azelio is following a clear plan: to industrialise and commercialise its innovation globally, thereby laying the foundation for a significant new Swedish industrial company. We are making the move from innovation to industrialisation in collaboration with large, well-established global partners.

The next important stage for the company has begun, with the technology being verified in real conditions in Åmål and Morocco to make it easier for customers to finance project using Azelio's technology. The verification is being carried out by DNV GL. In parallel, a further verification project is being started in Abu Dhabi together with Masdar, a significant global player in renewable energy, and the research institute Khalifa University. These verifications will pave the way for a first commercial project in Q4 2020 and the start of series production in Q3 2021.

# Significant events

## Q2: April – June 2020

### **Azelio pushes back its schedule by a quarter**

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

### **Fredrik Wäppling new CFO**

Fredrik Wäppling has been appointed as the new CFO of Azelio. Fredrik has held senior financial roles in several industrial companies, including Allgon Group, Mycronic, Bravida and Preem, as well as in iZettle. He becomes part of Azelio's Executive Management Team.

### **MoU with Chilean company VOGT for 10 MW of energy storage for the mining industry**

Azelio has signed a Memorandum of Understanding (MoU) with the Chilean company Industria Mecánica VOGT S.A. (VOGT) covering energy storage projects for the mining industry in Latin America. The MoU provides for collaboration on Azelio's energy storage amounting to 10 MW of installed capacity between 2021 and 2024 and is expected to be expanded to include further projects once installations covered by this agreement have been initiated. VOGT is a leading supplier of pumping systems to the mining industry, among others, in Latin America. Many mines are situated in off-grid areas and are operated mainly using diesel generators. The company's customers include some of the biggest mining companies in the region.

### **MoU with Mexican company CITRUS**

Azelio has signed a Memorandum of Understanding with the Mexican company CITRUS JMK SA DE CV (CITRUS) for the supply of energy storage to the food and beverage, agricultural, mining, and oil & gas industries. The customer base also covers the tourism sector, including hotels in North and Central America. The MoU is

for an installed capacity of 20 MW in the period up to 2024. The parties intend to expand their collaboration to include further projects.

### **MoU with Trimark Associates for energy storage in North America**

Azelio has signed a Memorandum of Understanding with the US-based company Trimark Associates, Inc. The MoU covers installations of Azelio's energy storage in the North American market amounting to 45 MW in the period up to 2025, with Trimark as system integrator.

Trimark is based in California and offers a fully integrated portfolio of services, ranging from hardware and software products to field installation, integration, testing, and ongoing maintenance of power plants. The company supports and is a major player in the US government initiative "Greening the Grid", which aims to improve and modernise the electricity grid. The aim of the collaboration is to position Trimark as one of Azelio's regional partners so as to integrate Azelio's energy storage into renewable energy projects in the North American market.

## After the end of the period

### **Azelio signs MoU with ALEC Energy for energy storage in the Middle East and Africa**

Azelio and ALEC Energy have signed a Memorandum of Understanding involving collaboration on more than 49 MW installed capacity of Azelio's energy storage solution in the period up to 2025. The projects focus on the Middle East and Africa, where ALEC Energy intends to expand its offering as a project developer and system integrator for renewable energy projects. ALEC Energy is part of ALEC Engineering, which employs more than 12,000 people.

### **Azelio signs agreement with ALEC Energy to set up renewable energy storage site in Masdar City**

Azelio will start installing a verification project in Abu Dhabi in Q3 2020 together with Masdar and Khalifa University to evaluate Azelio's energy storage technology. An agreement has now been signed with ALEC Energy to prepare and set up the Azelio project site in Masdar city in Abu Dhabi.

# Group financial development

## Q2: April - June 2020

### Income, expenses, and profit/loss

#### Operating income

Net sales amounted to kSEK 330 (307). Own work capitalised amounted to kSEK 33,430 (36,802) for the quarter.

#### Operating expenses

Expenses amounted to kSEK -82,600 (-70,494). The increase is largely attributable to higher prototype costs and employee benefit expenses.

#### Operating profit/loss

Operating loss amounted to kSEK -48,414 (-32,938).

#### Financial items

Profit from financial items during the period was kSEK -166 (-172) and consisted mainly of interest income, interest expenses and similar profit/loss items.

#### Earnings of the period

Earnings amounted to kSEK -48,583 (-33,110). Earnings per share before and after dilution amounted to SEK -0.53 (-0.78).

### Cash flow, investments, and financial position

#### Cash flow

Cash flow from operating activities during the quarter amounted to kSEK -31,336 (-15,431). Cash flow from financing activities amounted to kSEK -2,542 (-1,667).

#### Investments

Investments affecting cash flow during the quarter amounted to kSEK -35,081 (-40,869), mainly in the form of capitalised development.

#### Financial position

Cash and cash equivalents amounted to kSEK 224,200 as of 30 June (200,186).

Equity at the end of the period amounted to kSEK 615,963 (502,914), or SEK 6.71 per share (11.88). The equity/assets ratio as of the same date was 83% (83%).

## Half year: Jan - Jun 2020

### Income, expenses, and profit/loss

#### Operating income

Net sales amounted to kSEK 458 (815). The decrease is due to lower sales of spare parts. Own work capitalised amounted to kSEK 62,011 (60,927) for the quarter.

#### Operating expenses

Costs amounted to kSEK -163,406 (-123,396). The increase is largely attributable to higher prototype costs, employee benefit expenses and consulting costs.

#### Operating profit/loss

Operating loss amounted to kSEK -93,404 (-61,039).

#### Financial items

Profit from financial items was kSEK -244 (-255) and consisted mainly of interest income, interest expenses and similar profit/loss items.

#### Earnings

Earnings amounted to kSEK -93,652 (-61,294). Earnings per share before and after dilution amounted to SEK -1.04 (-1.45).

### Cash flow and investments

#### Cash flow

Cash flow from operating activities amounted to kSEK -77,888 (-65,370). Cash flow from financing activities amounted to kSEK 305,247 (-149).

#### Investments

Investments affecting cash flow during the period amounted to kSEK -58,858 (-65,537), mainly in the form of capitalised development.

#### Share capital

Share capital in the Group at the end of the period amounted to kSEK 45,876 consisting of 91,752,900 shares.

### Largest shareholders as of June 30, 2020 (Euroclear)

Name	Shareholding, %
Blue Marlin AB / Kent Janér	19.4
Bank Julius Baer & Co Ltd, W8IMY	5.6
Deutsche Bank AG, W8IMY	4.5
SEB AB, Luxembourg Branch, W8IMY	3.7
Ilija Batljan	3.6
Goldman Sachs International Ltd, W8IMY	3.3
Försäkringsaktiebolaget, Avanza Pension	2.8
Byggmästare AJ Ahlström Fastighet	2.7

### Warrants

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

An Extraordinary General Meeting on 22 June resolved in accordance with the Board's proposal and adopted a long-term incentive programme for the CEO and certain other members of the management team, a total of eight people. The incentive programme comprises the issue of a maximum of 2,200,000 warrants, beyond the mentioned share issues at the end of the period.

### Share data

At the end of the quarter the share was traded at SEK 15.08, which was 25.7% lower than on 31 December.

### Related party transactions

In the first half of the year, an amount totalling kSEK 833 (kSEK 4,321) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The state-owned Moroccan Agency for Sustainable Energy (Masen) holds 16,666,667 warrants in the company and has a representative on the Board of the company. The accrued expenses amount to kSEK 15,759 (8,359) in total. These services are performed on market terms.

### Parent company

Net sales for the parent company amounted to kSEK 458 (815). The operating result amounted to kSEK -91,870 (-58,952) and the result for the period was kSEK -100,264 (-61,726). Total cash flow for the first half of the year was kSEK 168,989 (-131,801). Equity at the end of the period amounted to kSEK 614,574 (508,306).

### The coronavirus pandemic postpones timetable by a quarter

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

installations are planned to start in Q4 2020 and series production in Q3 2021. Azelio is continually monitoring developments to secure the safest and most efficient project implementation.

### Significant risks and uncertainties

The current valuation of the company's assets in the forms of capitalised development costs and inventory is based on adherence to the prepared business plan. The Board expects the future sales volumes to be so extensive that the discounted cash flows generated will justify the current valuation with a good margin. The Board believes there is good potential to implement the business plan and that capitalised development costs are likely to lead to future economic benefits. The company's capitalised development costs related to various technologies. All of them are, however, linked to the Stirling engine and the energy storage solution, the technologies upon which the company has built its business. The Board believes that, due to technical synergies, the current Stirling engine was made possible by the development of the gas engine. Due to the close relationship between these technical solutions, the machines are not assigned to separate cash-generating units. The Stirling engine is a further development of earlier technology and thus no impairment losses have been reported on development costs for earlier versions. On the other hand, inventory disposals and provisions have been made on an ongoing basis for components that were unique to previous versions of the product.

The Board is of the opinion that the existing financing secures the capital required based on the established business and liquidity plans through December of 2020. The Board expected further injections of capital to be required in 2020 to finance the company's industrialisation and commercialisation, including production facilities. This work has already started. It is the Board's view that there is substantial interest in the company's technology among both investors and potential customers, and that the company has a strong ownership structure. The potential for implementing our future expansive financing plans is considered to be good.

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

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

# Condensed financial statements

## Condensed consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Apr-Jun 2020	Apr-Jun* 2019	Jan-Jun 2020	Jan-Jun* 2019	Jan-Dec 2019
<b>Revenue</b>						
Net sales	3	330	307	458	815	1,670
Own work capitalised		33,430	36,802	62,011	60,927	130,891
Other operating income		426	447	7,533	616	680
		<b>34,186</b>	<b>37,556</b>	<b>70,002</b>	<b>62,358</b>	<b>133,241</b>
<b>Costs</b>						
Raw materials and consumables		-970	-1,738	-1,630	-1,735	-7,794
Other external expenses		-40,470	-33,449	-81,846	-60,702	-143,590
Employee benefit expenses		-35,795	-29,659	-69,388	-50,261	-106,450
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets		-5,322	-5,552	-10,247	-10,562	-35,599
Other operating expenses		-44	-96	-295	-136	-318
<b>Total operating expenses</b>		<b>-82,600</b>	<b>-70,494</b>	<b>-163,406</b>	<b>-123,396</b>	<b>-293,751</b>
<b>Operating loss</b>		<b>-48,414</b>	<b>-32,938</b>	<b>-93,404</b>	<b>-61,039</b>	<b>-160,510</b>
<b>Financial items</b>						
Financial income		58	24	555	87	434
Finance costs		-223	-196	-799	-342	-821
<b>Total financial items</b>		<b>-166</b>	<b>-172</b>	<b>-244</b>	<b>-255</b>	<b>-386</b>
<b>Loss after financial items</b>		<b>-48,580</b>	<b>-33,110</b>	<b>-93,648</b>	<b>-61,294</b>	<b>-160,897</b>
Tax on profit for the period		-3	0	-3	0	0
<b>Loss for the period</b>		<b>-48,583</b>	<b>-33,110</b>	<b>-93,652</b>	<b>-61,294</b>	<b>-160,897</b>
<b>Other comprehensive income:</b>						
<i>Items that have been or may be reclassified to profit for the period</i>						
Translation differences for the period on translation of foreign operations		-76	78	-398	-267	-304
<b>Other comprehensive income</b>		<b>-76</b>	<b>78</b>	<b>-398</b>	<b>-267</b>	<b>-304</b>
<b>Total comprehensive income for the period</b>		<b>-48,659</b>	<b>-33,032</b>	<b>-94,049</b>	<b>-61,561</b>	<b>-161,201</b>
		Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Basic and diluted earnings per share	5	-0.53	-0.78	-1.04	-1.45	-3.80
Average number of shares		91,752,900	42,347,495	89,852,692	42,347,495	42,347,495
Number of shares at end of period		91,752,900	42,347,495	91,752,900	42,347,495	42,347,495

\* The comparison period is recalculated compared to the previous year's interim report for Q2 2019. See also the Group's annual report 2019 and year-end report Q4 2019 regarding the effects of the transition to IFRS.

# Condensed financial statements

## Condensed consolidated statement of financial position

Amounts in kSEK	Note	30 Jun 2020	30 Jun* 2019	31 Dec 2019
<b>ASSETS</b>				
<b>Subscribed but not paid-up capital</b>		0	0	350,778
<b>Intangible non-current assets</b>				
Capitalised expenditure for development and similar		457,182	339,483	398,721
Investments in progress, intangible non-current assets		0	8,359	0
<b>Total intangible non-current assets</b>		<b>457,182</b>	<b>347,843</b>	<b>398,721</b>
<b>Property, plant and equipment</b>				
Leasehold improvements		3,502	2,241	3,303
Equipment, tools, fixtures and fittings		17,673	8,248	16,169
<b>Total property, plant and equipment</b>		<b>21,175</b>	<b>10,490</b>	<b>19,472</b>
Right-of-use assets		<b>21,894</b>	<b>22,191</b>	21,707
<b>Total non-current assets</b>		<b>500,251</b>	<b>380,523</b>	<b>439,901</b>
<b>Inventories</b>				
Raw materials and consumables		2,759	8,973	4,351
Finished goods and goods for resale		706	616	713
<b>Total inventories</b>		<b>3,465</b>	<b>9,590</b>	<b>5,065</b>
<b>Current assets</b>				
Trade receivables		264	108	50
Current tax assets		734	539	1,273
Other receivables		5,984	9,899	9,152
Prepaid expenses and accrued income		3,327	3,292	3,728
Cash and bank balances		224,200	200,186	55,634
<b>Total current assets</b>		<b>237,974</b>	<b>223,615</b>	<b>74,901</b>
<b>TOTAL ASSETS</b>		<b>738,225</b>	<b>604,138</b>	<b>865,580</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		45,876	21,174	45,876
Other paid-in capital		1,576,671	1,294,699	1,577,096
Reserves		-793	-358	-395
Retained earnings, including profit/loss for the period		-1,005,791	-812,601	-912,204
<b>Total equity</b>		<b>615,963</b>	<b>502,914</b>	<b>710,374</b>
<b>Non-current liabilities</b>				
Other liabilities		22,755	22,850	22,755
Lease liabilities		12,140	16,055	14,107
<b>Total non-current liabilities</b>		<b>34,895</b>	<b>38,905</b>	<b>36,862</b>
<b>Current liabilities</b>				
Advances from customers		0	0	0
Trade payables		18,358	19,410	37,018
Lease liabilities		9,389	5,752	7,302
Provisions		0	0	0
Other current liabilities		10,986	9,017	2,078
Accrued expenses and deferred income		48,633	28,141	71,946
<b>Total current liabilities</b>		<b>87,367</b>	<b>62,319</b>	<b>118,344</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>738,225</b>	<b>604,138</b>	<b>865,580</b>

\* The comparison period is recalculated compared to the previous year's interim report for Q2 2019. See also the Group's annual report 2019 and year-end report Q4 2019 regarding the effects of the transition to IFRS.

# Condensed financial statements

## Condensed consolidated statement of changes in equity

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the period	Total equity
<b>Opening balance, 1 January 2019</b>		21,174	0	1,291,971	-91	-751,337	561,717
Loss for the period						-61,294	-61,294
Other comprehensive income					-267		-267
<b>Total comprehensive income for the period</b>		21,174	0	1,291,971	-358	-812,630	500,156
<b>Transactions with shareholders</b>							
New share issue				2,728			2,728
Premiums for issued warrants						29	29
<b>Closing balance, 30 June 2019</b>		21,174	0	1,294,699	-358	-812,601	502,914

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the period	Total equity
<b>Opening balance, 1 January 2019</b>		21,174	0	1,291,971	-91	-751,337	561,717
Loss for the period						-160,897	-160,897
Other comprehensive income					-304		-304
<b>Total comprehensive income for the period</b>		21,174	0	1,291,971	-395	-912,233	400,516
<b>Transactions with shareholders</b>							
Ongoing new share issue			24,703	282,397			307,100
New share issue				2,728			2,728
Premiums for issued warrants						29	29
<b>Closing balance, 31 December 2019</b>		21,174	24,703	1,577,096	-395	-912,204	710,374

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the period	Total equity
<b>Opening balance, 1 January 2020</b>		21,174	24,703	1,577,096	-395	-912,204	710,374
Loss for the period						-93,652	-93,652
Other comprehensive income					-398		-398
<b>Total comprehensive income for the period</b>		21,174	24,703	1,577,096	-793	-1,005,855	616,324
<b>Transactions with shareholders</b>							
Ongoing new share issue			-24,703				-24,703
New share issue		24,703		-425			24,278
Premiums for issued warrants						64	64
<b>Closing balance, 30 June 2020</b>		45,876	0	1,576,671	-793	-1,005,791	615,963

# Condensed financial statements

## Condensed consolidated statement of cash flows

Amounts in kSEK	Note	Apr-Jun 2020	Apr-Jun* 2019	Jan-Jun 2020	Jan-Jun* 2019	Jan-Dec 2019
<b>Cash flow from operating activities</b>						
<b>Profit/loss after financial items</b>		-48,580	-33,110	-93,648	-61,294	-160,897
Adjustment for non-cash items		5,322	7,185	10,247	12,975	42,135
Income tax paid		-3	0	-3	0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-43,261</b>	<b>-25,925</b>	<b>-83,404</b>	<b>-48,318</b>	<b>-118,762</b>
Increase (-)/decrease (+) in inventories		1,176	-6,466	1,600	-10,360	-587
Increase (-)/decrease (+) in operating receivables		2,960	2,698	9,664	-980	-16,672
Increase (+)/decrease (-) in operating liabilities		7,788	14,262	-5,747	-5,712	6,168
<b>Cash flow from operating activities</b>		<b>-31,336</b>	<b>-15,431</b>	<b>-77,888</b>	<b>-65,370</b>	<b>-129,853</b>
<b>Cash flow from investing activities</b>						
Investments in property, plant and equipment		-1,651	-4,067	-4,302	-4,611	-15,820
Investments in intangible non-current assets		-33,430	-36,802	-54,556	-60,927	-123,436
Investments in financial assets		0	0	0	0	0
<b>Cash flow from investing activities</b>		<b>-35,081</b>	<b>-40,869</b>	<b>-58,858</b>	<b>-65,537</b>	<b>-139,256</b>
<b>Cash flow from financing activities</b>						
New share issue		-391	0	309,195	2,728	208
Proceeds from warrants sold		0	29	64	29	29
Repayment of lease debt		-2,152	-1,697	-4,012	-2,907	-6,494
Repayment of borrowings		0	0	0	0	-95
<b>Cash flow from financing activities</b>		<b>-2,542</b>	<b>-1,667</b>	<b>305,247</b>	<b>-149</b>	<b>-6,352</b>
<b>Cash flow for the period</b>		<b>-68,960</b>	<b>-57,967</b>	<b>168,502</b>	<b>-131,056</b>	<b>-275,460</b>
Cash and cash equivalents at beginning of period		293,221	258,229	55,634	331,196	331,196
Exchange rate differences in cash and cash equivalents		-62	-76	64	47	-101
<b>Cash and cash equivalents at end of period</b>		<b>224,200</b>	<b>200,186</b>	<b>224,200</b>	<b>200,186</b>	<b>55,634</b>

\* The comparison period is recalculated compared to the previous year's interim report for Q2 2019. See also the Group's annual report 2019 and year-end report Q4 2019 regarding the effects of the transition to IFRS.

# Condensed financial statements

## Condensed parent company income statement

Amounts in kSEK	Note	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Net sales	3	330	307	458	815	1,670
Own work capitalised		33,430	36,802	62,011	60,927	130,891
Other operating income		426	447	7,533	616	680
		<b>34,186</b>	<b>37,556</b>	<b>70,002</b>	<b>62,358</b>	<b>133,241</b>
Raw materials and consumables		-970	-1,738	-1,630	-1,735	-7,794
Other external expenses		-42,877	-35,061	-85,868	-63,153	-149,552
Employee benefit expenses		-34,889	-28,738	-67,929	-48,720	-103,142
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets		-3,132	-3,798	-6,149	-7,565	-28,876
Other operating expenses		-44	-96	-295	-136	-318
<b>Total operating expenses</b>		<b>-81,911</b>	<b>-69,432</b>	<b>-161,872</b>	<b>-121,309</b>	<b>-289,681</b>
<b>Operating loss</b>		<b>-47,725</b>	<b>-31,876</b>	<b>-91,870</b>	<b>-58,952</b>	<b>-156,441</b>
Income from participations in Group companies		-1,380	-1,410	-8,487	-2,783	-5,620
Income from securities and receivables held as non-current assets		0	0	0	0	0
Other interest income and similar profit/loss items		70	28	555	117	442
Interest expense and similar profit/loss items		-58	-53	-463	-107	-314
<b>Total financial items</b>		<b>-1,369</b>	<b>-1,436</b>	<b>-8,395</b>	<b>-2,774</b>	<b>-5,491</b>
<b>Loss after financial items</b>		<b>-49,094</b>	<b>-33,312</b>	<b>-100,264</b>	<b>-61,726</b>	<b>-161,932</b>
Tax on profit for the period		0	0	0	0	0
<b>Loss for the period</b>		<b>-49,094</b>	<b>-33,312</b>	<b>-100,264</b>	<b>-61,726</b>	<b>-161,932</b>

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

# Condensed financial statements

## Condensed parent company balance sheet

Amounts in kSEK	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>				
Subscribed but not paid-up capital		0	0	350,778
Capitalised expenditure for development and similar		457,182	339,483	398,721
Investments in progress, intangible non-current assets		0	8,359	0
<b>Total intangible non-current assets</b>		<b>457,182</b>	<b>347,843</b>	<b>398,721</b>
<b>Property, plant and equipment</b>				
Leasehold improvements		3,502	2,241	3,303
Equipment, tools, fixtures and fittings		17,673	8,248	16,169
<b>Total property, plant and equipment</b>		<b>21,175</b>	<b>10,490</b>	<b>19,472</b>
<b>Financial non-current assets</b>				
		50	50	50
<b>Total non-current assets</b>		<b>478,407</b>	<b>358,382</b>	<b>418,243</b>
<b>Inventories</b>				
Raw materials and consumables		2,759	8,973	4,351
Finished goods and goods for resale		706	616	713
<b>Total inventories</b>		<b>3,465</b>	<b>9,590</b>	<b>5,065</b>
Trade receivables		264	108	50
Receivables from Group companies		0	0	6,667
Current tax assets		734	539	1,273
Other receivables		5,754	9,747	9,090
Prepaid expenses and accrued income		4,151	3,821	4,393
Cash and bank balances		222,338	198,260	53,349
<b>Total current assets</b>		<b>236,707</b>	<b>222,065</b>	<b>79,886</b>
<b>TOTAL ASSETS</b>		<b>715,114</b>	<b>580,447</b>	<b>848,908</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		45,876	21,174	21,174
Ongoing new share issue		0	0	24,703
Development expenditure fund		408,151	276,211	346,140
Share premium reserve		1,576,671	1,294,699	1,577,096
Retained earnings including profit/loss for the period		-1,416,124	-1,083,778	-1,253,913
<b>Total equity</b>		<b>614,574</b>	<b>508,306</b>	<b>715,200</b>
<b>Provisions</b>				
Other provisions		0	0	0
<b>Total provisions</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>				
Other liabilities		22,755	22,850	22,755
<b>Total non-current liabilities</b>		<b>22,755</b>	<b>22,850</b>	<b>22,755</b>
<b>Current liabilities</b>				
Advances from customers		0	0	0
Trade payables		18,358	19,410	37,018
Other current liabilities		10,793	1,741	1,988
Accrued expenses and deferred income		48,633	28,141	71,946
<b>Total current liabilities</b>		<b>77,784</b>	<b>49,291</b>	<b>110,953</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>715,114</b>	<b>580,447</b>	<b>848,908</b>

# Notes

## Note 1 General information

Azelio AB (publ) ("Azelio"), Corp. Reg. No. 556714-7607, is a parent company domiciled in Sweden with its registered office in Gothenburg at Lindholmsplatsen 1, SE-417 56 Gothenburg, Sweden.

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

## Note 2 Summary of significant accounting policies

Azelio's consolidated financial statement is based on the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies and definitions applies concur with those described in the Azelio Group's Annual Report for 2019. This interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Annual Accounts Act. The parent company's accounts have been prepared in accordance with the Annual Accounts Act and RFR 2.

## Note 3 Net sales

### Revenue

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

Revenue from external customers by type of product and service:	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Stirling engines	0	0	0	0	0
Service obligations, gas business	72	87	142	158	417
Spare parts, gas business	196	210	254	647	1,219
Other	62	10	62	10	34
<b>Total</b>	<b>330</b>	<b>307</b>	<b>458</b>	<b>815</b>	<b>1,670</b>

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

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Sweden	95	40	136	82	177
EU	193	209	251	646	1,218
Outside the EU	41	57	70	87	275
<b>Total</b>	<b>330</b>	<b>307</b>	<b>158</b>	<b>815</b>	<b>1,670</b>

In the second quarter, revenue from major customers (more than 10%) amounted to kSEK 297 (kSEK 251) and to kSEK 376 (kSEK 617) accumulated for the period.

## Note 4 Related-party transactions

In the second quarter, an amount totalling kSEK 833 (kSEK 4,321) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The counterparty is Masen, the state-owned Moroccan Agency for Solar Energy. Masen holds 16,666,667 warrants in the company and has one representative on the Board of the company. Total accrued expenses amount to kSEK 15,759. The conditions for the services carried out are based on commercial terms.

**Note 5 Earnings per share**

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>SEK</b>					
Basic earnings per share	-0.53	-0.78	-1.04	-1.45	-3.80
Measurements used in calculating earnings per share:					
Profit attributable to parent company shareholders used in calculating basic and diluted earnings per share					
Profit attributable to parent company shareholders, kSEK	-48,583	-33,110	-93,652	-61,294	-160,897
<b>Number</b>					
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	91,752,900	42,347,495	89,852,692	42,347,495	42,347,495
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	91,752,900	42,347,495	89,852,692	42,347,495	42,347,495
<b>Warrants</b>					
Adjustment for calculation of diluted earnings per share:	0	0	0	0	0

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

**Note 6 Events after the close of the interim period**

Azelio and ALEC Energy signed a memorandum of understanding (MoU), which comprises a partnership to install 49 MW of Azelio's energy storage capacity by 2025. The project is focused on the Middle East and Africa, where Alec Energy intends to expand its offering as a project developer and system integrator of renewable energy projects. ALEC Energy is a department of ALEC Engineering and employs over 12,000 people.

Azelio will install a verification project in Abu Dhabi in Q3 2020 together with Masdar and Khalifa University to evaluate Azelio's energy storage technology. An agreement has now been signed with ALEC Energy to prepare and set up the Azelio project site in Masdar city in Abu Dhabi.

# Assurance of the Board

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

Gothenburg, 21 August 2020

**Bo Dankis**  
Chairman of the Board

**Mattias Bergman**  
Board member

**Hicham Bouzekri**  
Board member

**Sigrun Hjelmqvist**  
Board member

**Kent Janér**  
Board member

**Pär Nuder**  
Board member

**Bertil Villard**  
Board member

**Jonas Eklind**  
CEO

# Financial calendar

Interim report January – September 2020: 20 November 2020  
Year-end report 2020: 26 February 2021  
Annual Report 2020: 13 April 2021

## Definitions

### **Number of shares**

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

### **Equity**

Equity at the close of the period.

### **Employee benefit expenses**

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

### **Earnings per share**

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

### **Operating income**

All income including own work capitalised.

### **Operating profit (EBIT)**

Profit/loss before financial items and tax.

### **Equity/assets ratio**

Total equity / Total assets.

## Address

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## Contact

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