

THIRD QUARTER 2021



Continued progress despite challenges from the pandemic

The underlying global demand for energy storage is large and growing rapidly. This is reflected in the partnerships we have, the commercial agreements we have secured, and the positive dialogues we have with customers around the world.

In August, a conditional order was signed for 20 TES.POD® units with Egyptian Engazaat and in September, Azelio passed an important milestone when we, according to plan, started production of the industrially manufactured product TES.POD® in volume design. After the end of the period, a binding order was also signed in South Africa for 8 TES.POD® units to a value of approximately SEK 11 million over 15 years.

Azelio's published validation data shows that the system works in all aspects according to the technical performance specification, for which the leading certification body DNV prepares a report for third-party validation. It will enable customers to finance projects using our technology. During the quarter, Azelio strengthened its global presence through establishments in Australia and South Africa and the recruitment of Country Directors.

The pandemic's limitations mean that negotiations with customers become more complex and time-consuming as it is difficult to visit project sites. The pandemic has also resulted in globally strained supply chains with delays and component deficiencies, which also affects Azelio.

Azelio's focus for 2022 is to take the step towards an industrial rollout on a larger scale in a market that is at the beginning of large and rapid growth.

Contents

Comments from the CEO.....	4
The business.....	5
Significant events.....	10
Financial development, Group.....	11
Financial statements.....	12
Notes.....	15
Assurance of the Board.....	18

Group financial development

Q3: Jul – Sep 2021

- Net sales amounted to kSEK 391 (164)
- Operating profit/loss (EBIT) amounted to kSEK -91,228 (-49,536). As a result of the start of commercialisation, the company began to write off development costs, which entailed an increase in depreciation and amortisation to kSEK -35,663 (-5,461)
- Earnings per share before and after dilution totalled SEK -0.79 (-0.53)
- Profit/loss for the period amounted to kSEK -91,604 (-49,764)
- Cash flow amounted to kSEK -96,856 (192,859)
- Cash and bank balances amounted to kSEK 617,597 (417,027)

First nine months: Jan – Sep 2021

- Net sales amounted to kSEK 1,118 (622)
- Operating profit/loss (EBIT) amounted to kSEK -255,900 (-142,938) after depreciation and amortisation of kSEK -73,431 (-15,708)
- Earnings per share before and after dilution totalled SEK -2.29 (-1.57)
- Profit/loss for the period amounted to kSEK -256,953 (-143,431)
- Cash flow amounted to kSEK 285,046 (361,371)
- Cash and bank balances amounted to kSEK 617,597 (417,027)

Significant events

Q3: Jul – Sep 2021

- In August, Azelio signed a conditional order with Engazaat Development S.A.E. on 20 units of Azelio's renewable energy storage, TES.POD®. The order, which is conditional on, apart from the usual project objects, the ongoing techno-economic feasibility study for this specific project, has a value of approximately \$ 1.5 million and is expected to be delivered in December 2021.
- The company's global presence was strengthened with Country Directors in South Africa and Australia, both markets with ambitious plans for renewable energy.
- Azelio was granted two new patents, published in the USA and China as well as in Sweden, and thus has 16 patents and several under registration.
- Production in volume design of the energy storage TES.POD® was started as planned in September. To ensure high quality in both the product and the supply chain, production will begin at a low pace and then scale up to high volumes in 2022.
- Holders of the warrant program TO 27 have exercised warrants to 448,000 shares, which provided the company with just over SEK 16 million.

After the end of period

- Azelio published a white paper with validation data on technical performance for TES.POD®, which shows that the system works in all aspects according to the technical performance specification. This is the same data that Azelio provided to DNV, that is working on finalizing a report for third-party validation.
- 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.
- Azelio receives an order for 1.3 MWh of renewable electricity supply corresponding to 8 units of its energy storage TES.POD®, from the South African agricultural company Wee Bee Ltd. The order has a value of approximately 1.2 million US dollars over a period of 15 years, including expected price increases.

Key figures for the Group

	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales, kSEK	391	164	1,118	622	1,074
Operating profit/loss, kSEK	-91,228	-49,536	-255,900	-142,938	-191,939
Profit/loss for the period, kSEK	-91,604	-49,764	-256,953	-143,431	-192,572
Earnings per share before and after dilution, SEK	-0.79	-0.53	-2.29	-1.57	-2.03
Equity, kSEK	1,100,942	820,543	1,100,942	820,543	772,257
Equity/assets ratio, %	86	86	86	86	84
Cash flow from operating activities, kSEK	-58,867	-31,535	-156,749	-109,412	-150,220
Cash and bank balances, kSEK	617,597	417,027	617,597	417,027	332,463



“Azelio has a verified and competitive technology, an organization ready for global expansion and a production unit and supply chain that has started production in volume design. We have thereby laid the foundation for expanding in the rapidly growing global market for energy storage.”

- Jonas Eklind, CEO

Comments from CEO

The energy storage market is facing major expansion

The energy market is facing a major expansion with a sharp increase in electrification, which is also being shifted towards renewable energy sources. Today, the market is dominated by fossil energy sources and an increasing proportion of renewable technologies, such as solar PV and wind power. Since solar PV and wind power are intermittent and vary in power, storage technology becomes crucial for the renewable transition, as it enables continuous energy supply with sustainable energy around the clock. This storage market is expected to reach a globally installed capacity of 1 TWh in 2025, where only 7 percent of this capacity is installed today. The global investment need is estimated at the equivalent of \$ 50 billion to achieve the 1 TWh. To stimulate and drive these necessary investments, the Long Duration Energy Storage (LDES) Council was launched at COP26 in Glasgow in November. Azelio is a co-founder of this council which, together with some twenty leading technology companies, energy players and investors, is working to accelerate the transition to carbon neutrality by 2040 with the help of energy storage. The ambition is to enable a global expansion of 85–140 TWh of energy storage of LDES by the year 2040, which eliminates 1.5–2.3 Gt of CO₂ that is currently generated annually by fossil fuels and to balance the electricity grid. Azelio's place in the LDES Council shows the potential of our technology and in itself constitutes a valuable network for future collaborations and sales. During the quarter, we took further important steps to be well equipped and take a clear position in this growing market.

Platform for commercialization in place

During the quarter, Azelio began industrial production of our advanced system product TES.POD® in volume design. This is an important milestone on the way to a global establishment. This has been preceded by extensive work on the product's design and specification. The process has involved selecting, engaging and coordinating around 70 suppliers around Europe who in turn have developed methods and processes to meet our high demands.

In parallel with this work, we published a white paper with validation data on technical performance for TES.POD®, which shows that the system works in all aspects according to the technical performance specification. This is the same data that Azelio provided to DNV, that is working on finalizing a report for third-party validation.

New contracts and customers during the period

Azelio received a conditional order from Engazaat Development during the period, for 20 TES.POD® units. The order has a value of approximately \$ 1.5 million and is expected to be delivered by the end of the fourth quarter. The order is conditional on the ongoing

techno-economic feasibility study for this specific project. We are particularly proud to contribute to what Engazaat is doing for sustainable agriculture in Egypt. After the end of the period, an order was also signed for 1.3 MWh of renewable electricity supply corresponding to 8 units of Azelio's energy storage TES.POD® with the South African agricultural company Wee Bee Ltd. The order has a value of approximately 1.2 million US dollars.

Azelios go-to-market strategy

A strong and diversified partner network is an important part of our strategy to establish ourselves and expand in the global market. Our network includes globally leading players in product and project development such as Masdar, Masen, Alec Energy, and MMR. Together, we develop, test and demonstrate the technology side by side with companies and technologies at the absolute forefront of renewable energy. In the long run, our partners will independently sell, install and service our systems at their customers. The partnership strategy enables us to grow without building a large organization. At the same time, we initially invest in time and in close collaboration to build up knowledge about how the technology can be used to meet different needs, and to develop our offer for delivery of both electricity and heat from the TES.POD®.

The situation related to the global pandemic

Even though the pandemic has stabilized in Sweden, its repercussions with associated restrictions are a continuing reality in many places in the world. As we have said earlier, this means more time-consuming and complex negotiations with customers because we cannot visit project sites as planned. This means that we need to prioritize markets based on restrictions. The pandemic has also resulted in long lead times and component shortages, which we are also seeing effects from within Azelio. Overall, this means that our global expansion plans are taking longer than planned.

Our goal for 2021 remains, to secure and deliver one or two projects in the size of 100 kW or larger. The ambition is then to gradually secure project orders and increase production volumes and ensure that the entire supply chain can do so at a common pace and with maintained quality to reach higher volumes towards the end of 2022.

Azelio has a competitive technology, an organization ready for global expansion and a production unit and supply chain that has started production in volume design. We have thereby laid the foundation for expanding in the rapidly growing global market for energy storage.

Jonas Eklind

The business



Rapid global electrification

Around the world, fossil fuels are being replaced more and more by electricity. To make this transition truly green and meet the UN's Sustainable Development Goals, the grids also need to increasingly rely on renewable sources of energy. As the renewable energy element of the mix grows so does the need for energy storage and thereby demand for solutions like the one offered by Azelio.



Sustainable energy for all

Access to the right form of reliable and sustainable energy and at the right cost is vital for global economic growth. Solar and wind energy is found in abundance in many places around the world but access to a reliable grid is missing. Today, a billion people live without access to a grid, with double that number living in areas with unstable grids. Even countries that were considered to have a stable energy supply are now starting to see instability, which has a major impact on, for example, industrial establishment and expansion.

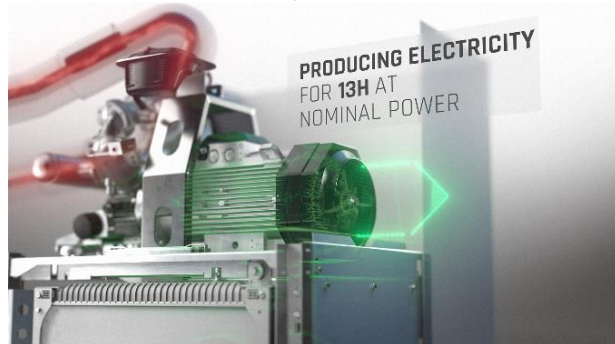
A large and growing market

Azelio has a solution that can provide renewable energy for all – when and wherever it is needed. The solution stores renewable energy from the sun or other renewable sources, subsequently making it available as electricity and heat around-the-clock at a very competitive cost.

In providing efficient storage of renewable energy, Azelio is addressing a large and rapidly growing market. Since Azelio publicly demonstrated its technology in 2018, the company has received expressions of interest of more than 3.9 GW, representing storage capacity of 50 GWh and around SEK 170 billion in potential order value. These volumes of interest exceed the company's capacity over the next few years.

A ground-breaking solution

The solution – TES.POD® – stores energy as heat at 600 degrees Celsius, in recycled aluminium. The energy is converted steerable to electricity using a Stirling engine, and into heat at 55–65 degrees Celsius. The system can achieve a total efficiency of up to 90%. The solution is modular and cost-effective from 0.1 to 100 MW, capable of supplying, for example, factories, mines, agriculture, and small communities with renewable energy, on demand at all hours of the day.



Moving from innovation to industrialisation

Azelio is now following a clear plan: to industrialise and commercialise its innovation globally. We are making the move from innovation to industrialisation in collaboration with well-established global partners. The company has signed several memorandums of understanding globally and secured commercial orders.

Group financial development

Q3: Jul – Sep 2021

Revenue, expenses and profit/loss

Net sales amounted to kSEK 391 (164). Own work capitalised amounted to kSEK 30,452 (25,250) for the quarter.

Expenses amounted to kSEK -122,603 (-74,984). Since the first commercial orders for the energy storage system have been won, the company has started to write off the development costs accumulated over the development period. Accordingly, amortisation and depreciation increased to kSEK -35,663 (-5,461), of which amortisation of development costs accounted for kSEK -30,695 (-1,834).

Operating profit/loss (EBIT) amounted to kSEK -91,228 (-49,536)

Loss from financial items during the period was kSEK -376 (-228) and consisted mainly of interest income, interest expenses and similar profit/loss items. Earnings amounted to kSEK -91,604 (-49,764). Earnings per share before and after dilution amounted to SEK -0.79 (-0.53).

Cash flow, investments and financial position

Cash flow from operating activities during the quarter amounted to kSEK -58,867 (-31,535). Cash flow from financing activities amounted to kSEK 3,472 (251,979).

Investments affecting cash flow during the quarter amounted to kSEK -41,460 (-27,585), mainly in the form of capitalised development.

Cash and cash equivalents amounted to kSEK 617,597 as of 30 September (417,027).

Equity at the end of the period amounted to kSEK 1,100,942 (820,543), or SEK 9.54 per share (7.89). The equity/assets ratio as of the same date was 86% (86%).

Parent company

Net sales for the parent company in the third quarter amounted to kSEK 391 (164). Operating profit/loss (EBIT) amounted to kSEK -90,400 (-48,579) and earnings for the quarter totalled kSEK -91,911 (-48,661). Equity at the end of the period amounted to kSEK 1,100,614 (820,292).

Nine months: Jan – Sep 2021

Revenue, expenses and profit/loss

Net sales amounted to kSEK 1,118 (622). Own work capitalised amounted to kSEK 107,961 (87,261) for the period.

Expenses amounted to kSEK -366,595 (-238,388), of which amortisation/depreciation and impairment accounted for kSEK -73,431 (-15,708). Operating profit/loss (EBIT) amounted to kSEK -255,900 (-142,938)

Loss from financial items during the period was kSEK -1,053 (-490) and consisted mainly of interest income, interest expenses and similar profit/loss items. Earnings amounted to kSEK -256,953

(-143,431). Earnings per share before and after dilution amounted to SEK -2.29 (-1.57).

Cash flow, investments and financial position

Cash flow from operating activities during the period amounted to kSEK -156,749 (-109,412), following a reduction of operating profit/loss after adjustment for non-cash items. Cash flow from financing activities amounted to kSEK 577,663 (557,226).

Investments affecting cash flow during the period amounted to kSEK -135,868 (-86,443), mainly in the form of capitalised development.

Cash and cash equivalents amounted to kSEK 617,597 as of 30 September (417,027).

Equity at the end of the period amounted to kSEK 1,100,942 (820,543), or SEK 9.54 per share (7.89). The equity/assets ratio as of the same date was 86% (86%).

Parent company

Net sales for the parent company in the period amounted to kSEK 1,118 (622). Operating profit/loss (EBIT) amounted to kSEK -253,496 (-140,448) and profit/loss for the period totalled kSEK -256,627 (-148,925). Equity at the end of the period amounted to kSEK 1,100,614 (820,292).

Other

Organisation

At the end of the period, the number of employees was 183 (139), of whom 137 (113) were men and 46 (26) were women. The average number of employees in the period was 174 (130).

The share

On 30 September 2021, the share closed at SEK 31.64, down 39% from SEK 52.20 at year end.

The number of shares outstanding at the end of the period was 115,429,181.

Ten largest shareholders

Name	Shareholding, %	Verified
Kent Janér	15.4	30 Sep 2021
Avanza Pension	5.2	30 Sep 2021
Capital Group	5.0	30 Sep 2021
Braginsky Family Office AG	3.5	30 Apr 2021
Jim O'Neill	2.9	31 Jan 2021
Argentia Asset Management SA	2.1	31 Jul 2021
Nordnet Pensionsförsäkring	1.6	30 Sep 2021
RAM Rational Asset Management	1.3	30 Jun 2021
Alfred Berg Fonder	1.1	30 Sep 2021
Byggmästare Anders J Ahlström Holding	1.0	30 Sep 2021

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

Warrants

At the end of the period, there were 35,957,059 warrants, issued in eight different series with exercise prices of between SEK 13 and SEK 150. Of these 400,000 were being converted to 448,000 shares. Full conversion of all warrants would increase the number of shares by 7,399,396.

Nomination Committee

Ahead of the 2022 Annual General Meeting and in accordance with the instructions for Azelio's Nomination Committee, the members of the Nomination Committee are currently being appointed. Kent Janér, representing Azelio's largest owner on 30 September 2021, is the Chairman of the Nomination Committee.

2022 Annual General Meeting

Azelio's Annual General Meeting is planned to be held in Gothenburg on 12 May 2022. All Meeting documents including the Annual Report will be available on the company's website not later than three weeks before the Meeting. The documents will also be available from the company's head office and can be sent by post as requested by shareholders who also provide details of their postal address.

Related-party transactions

In the third quarter of 2021, an amount totalling kSEK 2,759 (833) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The state-owned Moroccan Agency for Sustainable Energy (Masen) holds 16,666,667 warrants in the company and has a representative on the Board of the company. The accrued expenses amount to kSEK 22,493 (16,593) in total. These services are performed on market terms.

Outlook

The company's long-term business plan stands firm and is based on the verification of the technology's performance, a continued great customer interest in the technology and volume production costs according to plan. There are still uncertainties linked to the pandemic that make it difficult to assess the outlook for next year's component supply and thus volumes and related cash flow. This is a challenge that right now reflects the global economy and we follow developments closely and maintain a close dialogue with our suppliers.

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 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 two commercial orders for its energy storage system, the technology has not yet achieved broad commercial success and the use of the technology is limited. There is a risk that Azelio does not secure the orders that the company had expected or at the rate that the company had expected, which could in turn lead to a delay for the commercialisation of the company's products and technology.

Azelio's system, although based on established technology, is new on the market and the company has therefore not been able to collect complete and necessary data, for example regarding the system's and its components' life, any typical faults or deficiencies and service needs and associated costs, which may have negative market and cost impact.

Azelio relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect the company's intellectual property rights. Azelio has 16 granted patents and several patents pending. There is a risk that the company will not be able to obtain or maintain patent protection for important parts of its technology or that the company will not maintain patents in key markets for the company. The company may be involved in processes or other proceedings for alleged infringement of rights, which could be costly and time consuming, regardless of whether or not the claim is justified, and even if the outcome is favourable for the company.

Azelio's products are intended to be sold globally in the geographies where the company's system is most suitable. It follows that the company will operate in different countries which in some cases require regulatory approvals, certifications, approvals or requirements from government agencies or other administrative bodies. These may also have different local standards or specific deviations, which is common in the energy

industry. There is a risk that the company will not receive permits, certifications or other approvals in due time.

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

Auditors' review

This interim report has been audited by the company's auditors.

Financial statements

Consolidated statement of income and other comprehensive income

Amounts in kSEK	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Revenue						
Net sales	4	391	164	1,118	622	1,074
Own work capitalised		30,452	25,250	107,961	87,261	126,730
Other operating income		531	34	1,616	7,567	7,817
		31,374	25,448	110,695	95,450	135,621
Costs						
Raw materials and consumables		-1,901	-96	-4,393	-1,726	-3,219
Other external expenses		-40,121	-29,009	-151,062	-110,858	-162,372
Employee benefit expenses		-44,766	-40,370	-137,171	-109,752	-140,869
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-35,663	-5,461	-73,431	-15,708	-20,702
Other operating expenses		-153	-49	-537	-344	-397
Total operating expenses		-122,603	-74,984	-366,595	-238,388	-327,560
Operating profit/loss		-91,228	-49,536	-255,900	-142,938	-191,939
Financial items						
Financial income		0	34	0	589	750
Finance costs		-376	-262	-1,053	-1,080	-1,382
Total financial items		-376	-228	-1,053	-490	-633
Profit/loss after financial items		-91,604	-49,764	-256,953	-143,428	-192,572
Tax on profit for the period		0	0	0	-3	0
Profit/loss for the period		-91,604	-49,764	-256,953	-143,431	-192,572
Other comprehensive income: <i>Items that have been or may be reclassified to profit for the period</i>						
Translation differences for the period on translation of foreign operations		7	-19	74	-417	-505
Other comprehensive income		7	-19	74	-417	-505
Total comprehensive income for the period		-91,598	-49,783	-256,879	-143,848	-193,077
		Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Earnings per share before and after dilution	6	-0.79	-0.53	-2.29	-1.57	-2.03
Average number of shares		115,394,847	94,694,204	112,419,689	91,478,309	94,641,570
Number of shares at end of period		115,429,181	104,052,900	115,429,181	104,052,900	104,102,400

Financial statements

Consolidated statement of financial position

Amounts in kSEK	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Intangible non-current assets				
Capitalised expenditure for development and similar		567,120	480,598	518,744
Total intangible non-current assets		567,120	480,598	518,744
Property, plant and equipment				
Leasehold improvements		7,177	4,882	4,692
Equipment, tools, fixtures and fittings		45,955	17,344	19,033
Total property, plant and equipment		53,132	22,226	23,725
Right-of-use assets		22,441	19,652	24,004
Total non-current assets		642,693	522,476	566,474
Inventories				
Raw materials and consumables		5,886	3,136	3,053
Finished goods and goods for resale		696	706	688
Total inventories		6,582	3,842	3,741
Current assets				
Trade receivables		466	12	183
Current tax assets		1,311	1,101	1,345
Other receivables		6,575	12,094	14,025
Prepaid expenses and accrued income		5,126	2,615	3,932
Cash and cash equivalents		617,597	417,027	332,463
Total current assets		637,658	436,691	355,688
TOTAL ASSETS		1,280,351	959,167	922,162
EQUITY AND LIABILITIES				
Equity				
Share capital		57,715	52,026	52,051
Other paid-in capital		2,398,894	1,820,301	1,821,219
Reserves		-826	-812	-900
Retained earnings, including profit/loss for the year		-1,354,841	-1,050,973	-1,100,114
Total equity		1,100,942	820,543	772,257
Non-current liabilities				
Other liabilities		22,622	22,674	22,674
Lease liabilities		13,778	9,879	14,470
Total non-current liabilities		36,400	32,554	37,145
Current liabilities				
Advances from customers		0	0	0
Trade payables		26,667	20,136	27,287
Lease liabilities		8,275	9,430	9,228
Other current liabilities		41,169	28,048	26,810
Accrued expenses and deferred income		66,896	48,457	49,435
Total current liabilities		143,009	106,071	112,761
TOTAL EQUITY AND LIABILITIES		1,280,351	959,167	922,162

Financial statements

Consolidated statement of changes in equity

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2020		21,174	24,703	1,577,096	-395	-912,204	710,374
Profit/loss for the period						-143,431	-143,431
Other comprehensive income					-417		-417
Total comprehensive income for the period		21,174	24,703	1,577,096	-812	-1,055,635	566,526
Transactions with shareholders							
Ongoing new share issue			-24,703				-24,703
New share issue		30,853		243,205			274,058
Premiums for issued warrants						4,662	4,662
Closing balance, 30 September 2020		52,026	0	1,820,301	-812	-1,050,973	820,543

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2020		21,174	24,703	1,577,096	-395	-912,204	710,374
Profit/loss for the period						-192,572	-192,572
Other comprehensive income					-505		-505
Total comprehensive income for the period		21,174	24,703	1,577,096	-900	-1,104,776	517,297
Transactions with shareholders							
Ongoing new share issue			-24,703				-24,703
New share issue		30,877		244,123			275,000
Premiums for issued warrants						4,662	4,662
Closing balance, 31 December 2020		52,051	0	1,821,218	-900	-1,100,114	772,257

Amounts in kSEK	Note	Share capital	Ongoing new share issue	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Total equity
Opening balance, 1 January 2021		52,051	0	1,821,218	-900	-1,100,114	772,257
Profit/loss for the period						-256,953	-256,953
Other comprehensive income					74		74
Total comprehensive income for the period		52,051	0	1,821,219	-826	-1,357,067	515,377
Transactions with shareholders							
Ongoing new share issue			0	0			0
New share issue		5,663		577,675			583,339
Premiums for issued warrants						2,226	2,226
Closing balance, 30 September 2021		57,715	0	2,398,894	-826	-1,354,841	1,100,942

Financial statements

Consolidated statement of cash flows

Amounts in kSEK	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Cash flow from operating activities						
Operating profit/loss		-91,247	-49,536	-255,900	-142,938	-191,939
Interest received		0	0	0	0	0
Interest paid		-358	-276	-1,031	-635	-956
Other financial items		0	48	-22	145	324
Adjustment for non-cash items		35,694	5,461	72,709	8,602	13,595
Income tax paid		0	0	0	-3	0
Increase (-)/decrease (+) in inventories		-2,792	-377	-2,119	1,223	1,324
Increase (-)/decrease (+) in operating receivables		-4,710	-5,153	5,850	4,524	1,226
Increase (+)/decrease (-) in operating liabilities		4,546	18,297	23,764	19,670	26,207
Cash flow from operating activities		-58,867	-31,535	-156,749	-109,412	-150,220
Cash flow from investing activities						
Investments in property, plant and equipment		-11,008	-2,335	-35,361	-6,637	-9,486
Investments in intangible non-current assets		-30,452	-25,250	-100,506	-79,806	-119,275
Investments in financial assets		0	0	0	0	0
Cash flow from investing activities		-41,460	-27,585	-135,868	-86,443	-128,762
Cash flow from financing activities						
Warrants redeemed		3,994	0	24,673	0	0
New share issue		0	249,780	558,665	558,975	559,917
Proceeds from warrants issued		2,226	4,598	2,226	4,662	4,662
Repayment of lease liability		-2,696	-2,319	-7,849	-6,330	-8,613
Repayment of borrowings		-53	-81	-53	-81	-81
Cash flow from financing activities		3,472	251,979	577,663	557,226	555,886
Cash flow for the period		-96,856	192,859	285,046	361,371	276,905
Cash and cash equivalents at beginning of period		714,415	224,026	332,463	55,634	55,634
Exchange rate differences in cash and cash equivalents		37	143	88	22	-76
Cash and cash equivalents at end of period		617,597	417,027	617,597	417,027	332,463

Financial statements

Parent company statement of income and other comprehensive income

Amounts in kSEK	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	4	391	164	1,118	622	1,074
Own work capitalised		30,452	25,250	107,961	87,261	126,730
Other operating income		531	34	1,616	7,567	7,817
		31,374	25,448	110,695	95,450	135,621
Raw materials and consumables		-1,901	-96	-4,393	-1,726	-3,219
Other external expenses		-42,863	-31,211	-158,967	-117,079	-170,373
Employee benefit expenses		-43,891	-39,553	-134,753	-107,482	-138,351
Depreciation/amortisation and impairment of property, plant and equipment and intangible non-current assets		-32,966	-3,118	-65,540	-9,267	-11,941
Other operating expenses		-153	-49	-537	-344	-397
Total operating expenses		-121,774	-74,027	-364,190	-235,898	-324,281
Operating profit/loss		-90,400	-48,579	-253,496	-140,448	-188,660
Income from participations in Group companies		-1,321	0	-2,638	-8,487	-9,844
Other interest income and similar profit/loss items		0	34	0	589	750
Interest expenses and similar profit/loss items		-191	-116	-494	-579	-728
Total financial items		-1,512	-82	-3,132	-8,477	-9,823
Profit/loss after financial items		-91,911	-48,661	-256,627	-148,925	-198,483
Tax on profit for the period		0	0	0	0	0
Profit/loss for the period		-91,911	-48,661	-256,627	-148,925	-198,483

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

Financial statements

Parent company balance sheet

Amounts in KSEK	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Capitalised expenditure for development and similar		567,120	480,598	518,744
Total intangible non-current assets		567,120	480,598	518,744
Property, plant and equipment				
Leasehold improvements		7,177	4,882	4,692
Equipment, tools, fixtures and fittings		45,955	17,344	19,033
Total property, plant and equipment		53,132	22,226	23,725
Financial non-current assets				
		50	50	50
Total non-current assets		620,302	502,874	542,519
Inventories				
Raw materials and consumables		5,886	3,136	3,053
Finished goods and goods for resale		696	706	688
Total inventories		6,582	3,842	3,741
Trade receivables		466	12	183
Receivables from Group companies		0	0	0
Current tax assets		1,311	1,101	1,345
Other receivables		6,512	12,032	13,964
Prepaid expenses and accrued income		6,079	3,441	4,757
Cash and bank balances		616,562	416,170	331,150
Total current assets		637,512	432,756	355,140
TOTAL ASSETS		1,257,814	939,472	897,660
EQUITY AND LIABILITIES				
Equity				
Share capital		57,715	52,026	52,051
Development expenditure fund		525,875	433,401	472,870
Share premium reserve		2,398,894	1,820,301	1,821,219
Retained earnings including profit/loss for the period		-1,881,870	-1,485,437	-1,574,464
Total equity		1,100,614	820,292	771,676
Provisions				
Other provisions		0	0	0
Total provisions		0	0	0
Non-current liabilities				
Other liabilities		22,622	22,674	22,674
Total non-current liabilities		22,622	22,674	22,674
Current liabilities				
Advances from customers		0	0	0
Trade payables		26,667	20,136	27,287
Other current liabilities		41,015	27,913	26,587
Accrued expenses and deferred income		66,896	48,457	49,435
Total current liabilities		134,578	96,506	103,309
TOTAL EQUITY AND LIABILITIES		1,257,814	939,472	897,660

Notes

Note 1 General information

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

Unless otherwise stated, all amounts are in thousand Swedish kronor (kSEK). Data in parentheses pertain to the comparative periods.

Note 2 Summary of significant accounting policies

Azelio's consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies and definitions applies concur with those described in the Azelio Group's Annual Report for 2020. This interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Annual Accounts Act. The parent company's accounts have been prepared in accordance with the Annual Accounts Act and RFR 2.

The fair value of financial instruments corresponds to the carrying amounts for the Group.

Note 3 Significant accounting estimates and judgements

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

(a) Impairment testing of capitalised development expenditure

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

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

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

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

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

(b) Going concern assumption

Until such time as the company's sales are under way, there is a dependence on contributions from shareholders or other external investors to be able to ensure continued operations. As at the balance-sheet date, the company had liquidity of kSEK 617,597, which is estimated to be sufficient to safeguard the company's operations until the business becomes cash-flow positive, which is expected to occur during 2022. Accordingly, the Board is of the opinion that the accounts can be issued under the going concern assumption.

Note 4 Net sales**Revenue**

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

Revenue from external customers by type of product and service:	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Products	0	0	486	0	0
Service obligations	25	39	75	181	206
Spare parts	135	94	206	348	714
Other	232	32	350	94	154
Total	391	164	1,118	622	1,074

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

	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Sweden	257	111	426	248	347
EU	135	39	186	291	449
Outside the EU	0	14	507	84	278
Total	391	164	1,118	622	1,074

Revenue from major customers (more than 10%) amounted to kSEK 351 (kSEK 149) for the third quarter and to kSEK 752 (kSEK 466) accumulated for the period.

Note 5 Related-party transactions

In the second quarter of 2021, an amount totalling kSEK 2,759 (833) relating to services delivered in conjunction with the company's demonstration facility in Ouarzazate, Morocco, was recognised as a liability in the accounts. The state-owned Moroccan Agency for Sustainable Energy (Masen) holds 16,666,667 warrants in the company and has a representative on the Board of the company. The accrued expenses amount to kSEK 22,493 (16,593) in total. These services are performed on market terms.

Note 6 Earnings per share

	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
SEK					
Basic earnings per share	-0.79	-0.53	-2.29	-1.57	-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	-91,604	-49,764	-256,953	-143,431	-192,572
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Number

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

	115,394,847	94,694,204	112,419,689	91,478,309	94,641,570
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Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	115,394,847	94,694,204	112,419,689	91,478,309	94,641,570
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Warrants

Adjustment for calculation of diluted earnings per share:	0	0	0	0	0
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Warrants have not had any dilutive effect since profit for the period is negative

Assurance of the Board

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

Gothenburg, 18 November 2021

Bo Dankis
Chairman of the
Board

Hicham Bouzekri
Board member

Carol Browner
Board member

**Elaine Weidman
Grunewald**
Board member

Kent Janér
Board member

Pär Nuder
Board member

Hans Ola Meyer
Board member

Bertil Villard
Board member

Jonas Eklind
CEO

Financial calendar

Year-end report 2021	25 February 2022
Annual Report	13 April 2022
Q1 Report 2022	11 May 2022
Annual General Meeting	12 May 2022
Q2 Report 2022	18 August 2022
Q3 Report 2022	18 November 2022

Definitions

Number of shares

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

Equity

Equity at the close of the period.

Employee benefit expenses

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

Earnings per share

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

Operating income

All income including own work capitalised.

Operating profit/loss (EBIT)

Profit/loss before financial items and tax.

Equity/assets ratio

Total equity / Total assets.

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