

Update on sales, operational targets, and financing

During 2022, Azelio made important progress on its development and commercialization journey, including customer units in operation, the successful demonstration of the CHP solution (Combined Heat and Power) and new orders in prioritized markets. At the same time Azelio has continued to experience a longer-than-expected sales cycle for its novel Long-duration Energy Storage (LDES) system, the TES.POD, which is impacting Azelio's initial target to deliver 10 medium-sized projects of 0.5-5 MW in 2023. As a result, Azelio will not reach the 2023 delivery target, and the positive cash flow projection date will be delayed. As previously indicated, this entails a need for additional financing in 2023. The Board and management are working on securing additional financing from debt and/or equity investors. Azelio management remains confident that many new orders will be secured in 2023.

Today in many parts of the world, weak electricity grids and high and fluctuating electricity prices limit the growth and profitability of businesses and development of society. Renewable energy sources need to increase rapidly to replace fossil fuels to mitigate climate change, and LDES is a key solution to these problems. According to the LDES Council, by 2040, LDES needs to have scaled up to approximately 400 times present day levels, to 85–140 TWh. Momentum in LDES is growing exponentially, which creates many business opportunities that Azelio is actively pursuing.

Ongoing discussions with potential customers in the four target markets of southern Africa, Middle East and Northern Africa (MENA), USA and Australia are progressing. The time it takes to convert ongoing business discussions into signed agreements is however still longer than previously anticipated which means that sales and commercialization are delayed and that several of the previously planned deliveries for 2023 are unlikely to be delivered until 2024. As a consequence of this, the forecast for when positive cash flow is reached will be delayed which, as previously indicated, will entail a need for additional financing in 2023. The Board and management are working on securing this financing from debt and/or equity investors.

Regarding Azelio's 2022 goal to have delivered to a handful of smaller reference projects, the company currently has commercial units in operation at Masdar in Abu Dhabi, in Noor Energy 1 in Dubai, at Wee Bee in South Africa and at Industrisupport i Åmål AB in Sweden. Azelio also has orders for projects with Engazaat/SAVE Cleantech Utilities in Egypt, with Handi Stop Market in the US and with MPG Built in Australia. The CHP (Combined Heat and Power) solution has been successfully demonstrated together with the Swedish Energy Agency at Haneberg farm in Sweden, which was also documented in a white paper that Azelio published in November 2022. The CHP solution has, through the Haneberg project, market analysis and customer discussions, been confirmed to be a unique offering, which makes the customer's business case even more attractive and further increases the competitiveness of Azelio's solution.

Azelio previously expressed an ambition to begin deliveries to the projects in Egypt and the USA during 2022. The process of securing financing for Azelio's part in the project in Egypt, as well as detailing of the final terms with SAVE Cleantech Utilities, is still ongoing, which is why deliveries have not yet started. While the process to achieve US market product certification is taking longer than anticipated, units installed in the rest of the world are CE certified. Azelio expects US certification will be in place during 2024 and delays delivery to the project with Handi Stop Market in the USA, as agreed with the customer and partners.

In the near term, Azelio is focusing on creating more business in southern Africa and MENA, where business development has come the furthest, and a transition to the preferred direct sales business model can be expected to happen first. At the same time, Azelio is intensifying its strategic efforts towards the market expected to be the largest mid/long-term, the USA. The need and drivers for LDES solutions in the US are increasingly obvious – manifested, for example, by the passing of the Inflation Reduction Act (IRA), which, among other things, focuses on significant investments in the energy, energy storage, and climate area.

"I am convinced that our unique and cost competitive solution that delivers both electricity and heat will generate many new orders, in 2023 and beyond. We stay very cost conscious on the path to full commercialization. Although the sales cycle is longer than we expected, there is great interest in our unique and cost-efficient solution. The future of our energy storage system is bright", says Jonas Wallmander, CEO of Azelio.

Azelio will continuously provide more information about the commercial development.

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About Azelio

Azelio specializes in energy storage with electricity and heat production. The technology is revolutionary in that renewable energy becomes dispatchable, making clean energy available around-the-clock. The energy is stored in recycled aluminium and converted into electricity and heat with a total efficiency of up to 90%. The solution is scalable, sustainable, and cost-efficient from 0.1 MW up to 20 MW. Azelio is headquartered in Gothenburg, Sweden. Production takes place in Uddevalla and the Company maintains development centers in Gothenburg and Åmål, has a presence in Stockholm, as well as Regional Directors for Australia, US, southern Africa and the MENA region. Azelio is listed on Nasdaq Stockholm First North Growth Market with FNCA Sweden AB as Certified Adviser: More about Azelio: www.azelio.com



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Attachments

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