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Press release October 24, 2019

The Board of Directors in Azelio intends to resolve on a partly guaranteed rights issue of up to approximately SEK 350 million

The Board of Directors in Azelio AB (publ) (“Azelio” or the “Company”) today announces its intention to resolve on a partly guaranteed rights issue of up to approximately SEK 350 million (the “Rights Issue”). An Extra General Meeting is proposed to resolve to, among other things, authorize the Board of Directors to resolve on a rights issue. The Extra General Meeting will be held on 26 November 2019 and the notice will be announced through a separate press release. The net proceeds from the Rights Issue will be used to finance the Company’s ongoing operations and the commercialization of its Thermal Energy Storage (TES) and Stirling based electricity production technology.

Summary

- The Board of Directors in Azelio today announces its intention to resolve on the Rights Issue. An Extra General Meeting is proposed to resolve to, among other things, authorize the Board of Directors to resolve on a rights issue and to change the limits of the number of shares and share capital in the articles of association. The Extra General Meeting will be held on 26 November 2019 and the notice will be announced through a separate press release.
- The net proceeds from the Rights Issue will primarily be used to finance the Company’s ongoing operations and the commercialization of its Thermal Energy Storage (TES) and Stirling based electricity production technology and is expected to be sufficient until September 2020.
- The Rights Issue is secured to an amount of approximately SEK 225 million through a combination of subscription undertakings and guarantee commitments. Provided that the Extra General Meeting authorizes the Board of Directors and that the Board of Directors resolves to carry out the Rights Issue:
 - certain of the Company’s major shareholders, including Kent Janér (through Blue Marlin AB), Back in Black Capital Ltd and Byggmästare Anders J Ahlström Holding AB, as well as members of the board and management, including Bo Dankis (through companies), Bertil Villard, Pär Nuder (through companies), Jonas Eklind and Kennet Lundberg, have undertaken to subscribe for shares in the proposed Rights Issue. These subscription undertakings amount to, in aggregate, approximately SEK 75 million, equivalent to approximately 21 percent of the Rights Issue; and
 - certain existing shareholders and external guarantors have provided guarantee commitments subject to customary conditions which, in aggregate, amount to approximately SEK 150 million, equivalent to approximately 43 percent of the Rights Issue.
- Shareholders with aggregate holdings corresponding to approximately 41 percent of the number of shares and votes in Azelio, have undertaken to vote in favor of the proposal of authorization to issue shares and of changes to the articles of association.
- The subscription period in the Rights Issue is expected to take place 6–20 December 2019.
- The subscription price in the Rights Issue will not exceed SEK 10.

Background and reasons

The development of Azelio’s technology continues. Since the Company’s listing on Nasdaq First North Growth Market in December 2018, the Company has further developed and expanded the area of use of its thermal storage solution to the extent that the energy storage now also can be charged by electricity, unlike previous solutions where the storage only could be charged through concentration of thermal energy from the sun. The improved solution opens new markets for Azelio, as the new technology can be used together with already established renewable energy technologies such as solar cells (PV) and wind power. The improved solution thus enables Azelio to offer its technology also in geographical markets which have commercial conditions for solar cells (PV) and wind power but lack viable conditions for concentrated solar power (CSP). This has resulted in a significant increase in the addressable market for Azelio’s solution, as the existing and continued expansion of renewable electricity generation with solar cells and wind power entails a great use for energy storage. It is the Company’s assessment that Azelio’s storage



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solution in many circumstances will be the most competitive solution for distributed and dispatchable electricity production with storage capacity for round-the-clock use.

Azelio's technical solution is a system of Thermal Energy Storage (TES) with a Stirling engine converting thermal energy into electricity. With its efficient storage and conversion of thermal energy into electricity, Azelio can offer industries and communities in large parts of the world a cost-efficient and environmentally friendly solution for stable and dispatchable local electricity generation. Furthermore, the Company's technology is modular, which means that it can be used in both large and small scale and can also be adapted to specific customer needs.

177 Azelio Stirling engines have been manufactured and have accumulated over two million operating hours globally, of which several operating hours have been carried out in commercial industrial processes with the Company's Stirling engine as a modular complement to applications with biogas as energy input. The Thermal Energy Storage (TES) subsystem has been proven in a demonstration plant in June 2018 but has yet to be applied commercially. As part of the continued commercialization of the Company's thermal energy system a verification project will be carried out in Morocco together with state-controlled Masen, starting in the fourth quarter of 2019 where two of the Company's systems will be installed.

The Company expects a large demand for Azelio's technology. Over one billion people today lack access to electricity and over two billion people lack access to a stable electricity grid. Investments of USD 220 billion are required until 2030 to secure access to so-called micro grids for approximately 500 million people.¹ Azelio's technology can replace costly local production based on diesel or gas, and thus ensure continuous environmentally friendly electricity supply. This is especially important for process industries, but also for community functions such as hospitals and infrastructure. Furthermore, the potential for the improved storage solution in developed countries with widespread intermittent renewable electricity generation increases as the need for renewable baseload power grows.

The purpose of the Rights Issue is to finance the Company's ongoing operations and the continued industrialization of the system's design, construction and production, with the goal of reaching industrial volume production in 2021. Azelio also intends to strengthen the Company's sales and marketing organization with the aim of increasing the awareness of the Company to establish, maintain and develop relationships with potential customers in the markets that the Company considers to be interesting. During the second half of 2019, the Company has entered into Memorandums of Understanding for commercial orders for its technology and estimates that the first commercial order of the Company's system can be received during the first half of 2020. The Company intends to make further investments in production such as tools and production equipment, as well as recruitment and training of production personnel and investments in computer and production systems.

If the Rights Issue is fully subscribed, the Company will raise approximately SEK 350 million before deductions for costs related to the Rights Issue. Azelio intends to use the net proceeds to e.g. finance product design and verification, sales organization, prototype materials, production equipment and for administration and general corporate purposes.

If the Rights Issue is fully subscribed, the Board of Directors deems that the Company will have sufficient working capital until September 2020. Thereafter the Board of Directors expects that the Company will need additional capital amounting to approximately SEK 300 million until the Company becomes cash flow positive which it is expected to be as from the end of 2021. The Company expects to be able to raise up to SEK 150 million in financing from e.g. bank loans, public grants and soft loans (which the Company has applied for) as part of this additional financing need of approximately SEK 300 million. If the Rights Issue raises SEK 225 million in gross proceeds, the Board of Directors deems that the Company will have sufficient working capital until June 2020 and thereafter have an additional financing need of approximately SEK 425 million.

Updated view on customer inquiries

Following the demonstration of the storage unit in June 2018, interest from potential customers increased significantly. In connection with the listing on Nasdaq First North Growth Market in December 2018, the Company announced that Azelio had received inquiries from potential customers, which after qualification based on specific assessment criteria amounted to approximately 1,000 MW, corresponding to approximately SEK 50 billion in potential order value.

The improved storage solution with possible charging by electricity has led the Company's to adjust its assessment criteria. Following a new review of the old inquiries from potential customers together with new inquiries, the

¹ World Bank's database, Afro Barometer, Dispatch no. 75, March 2016.



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estimated stock of qualified inquiries has increased to approximately 3,900 MW, corresponding to approximately SEK 170 billion in potential order value.

It should be noted that these inquiries are not orders, nor indications thereof, and that the amount of inquiries exceeds the Company's expected production capacity over the coming five years. In addition, parts of the inquiries relate to geographies where the Company does not plan to operate over the coming five years.

Due to the interest from potential customers and the Company's market analysis the Company considers its solution and offer to be commercially viable and attractive. The Company has since the listing on Nasdaq First North Growth Market focused on the industrialization of the system's design, construction and production. As previously stated, two systems are planned to be installed in Morocco in a verification project together with Masen, during the fourth quarter of 2019. Further, two additional systems are planned to be installed in a verification project in Sweden during the fourth quarter of 2019. In 2020, in addition to the installations previously stated, the Company is set to carry out installations of two smaller commercial projects, equivalent of 50 kW each, and a verification project with Masdar during the second quarter of 2020, equivalent of 50 kW. In addition, the Company plans to carry out one final internal product verification project, equivalent of 50 kW, before the Company is expected to reach volume production from mid-2021. On an aggregated basis the plan for 2020 is to install systems equivalent of 200 kW.

Financial calendar

In connection with the proposed Rights Issue the Company has decided to reschedule the release of its Q3 2019 Interim Report to November 25, 2019.

Extra general meeting

An Extra General Meeting is proposed to resolve to, among other things, authorize the Board of Directors to decide on a rights issue. The Extra General Meeting will be held on 26 November 2019 and the notice will be announced through a separate press release.

Subscription undertakings, guarantee commitments and voting commitments

Provided that the Extra General Meeting resolves to authorize the Board of Directors and that the Board of Directors resolves to carry out the Rights Issue, certain of the Company's major shareholders, including Kent Janér (through Blue Marlin AB), Back in Black Capital Ltd and Byggmästare Anders J Ahlström Holding AB, as well as members of the board and management, including Bo Dankis (through companies), Bertil Villard, Pär Nuder (through companies), Jonas Eklind and Kennet Lundberg, have undertaken to subscribe for shares in the Rights Issue. These subscription undertakings amount to, in aggregate, approximately SEK 75 million, equivalent to 21 percent of the Rights Issue.

In addition to the aforementioned subscription commitments, certain existing shareholders and external guarantors have provided guarantee commitments subject to customary conditions which, in aggregate, amount to approximately SEK 150 million, equivalent to approximately 43 percent of the Rights Issue.

Consequently, the Rights Issue is secured to an amount of SEK 225 million through the subscription undertakings and guarantee commitments mentioned above.

The Company's largest shareholder, Kent Janér, and the other shareholders that have entered into the subscription undertakings, with aggregate holdings corresponding to approximately 41 percent of the number of shares and votes in Azelio, have undertaken to vote in favor of the proposal of authorization to issue shares and of changes to the articles of association.

Indicative timetable and terms of the issue

The Extra General Meeting will be held on 26 November 2019 and the subscription period in the Rights Issue is expected to take place 6–20 December 2019. A detailed timetable and terms of the issue will be announced if the Board of Directors resolves on the Rights Issue. The subscription price in the Rights Issue will not exceed SEK 10.

Advisers



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Carnegie Investment Bank (publ) and Pareto Securities AB act as Joint Global Coordinators and Bookrunners. Advokatfirman Vinge is legal adviser in connection with the Rights Issue.

This information is information that Azelio AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 08:00 CEST on 24 October 2019.

For further information, please contact

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About Azelio

Azelio is a public Swedish Company, specializing in Thermal Energy Storage (TES) with dispatchable Stirling-based electricity production when and where it is needed, modular and to a low cost. The technology is revolutionary for its unique ability to store thermal energy for production of electricity at nominal effect for 13h. The Company has just over 100 employees, headquartered in Gothenburg with production facilities in Uddevalla and development centers in Gothenburg and Åmål in Sweden, as well as international presence in China, Spain and Morocco. Since the start in 2008, the Company has invested over one billion SEK in technical development of the Stirling engine and energy storage. In June 2018, the Company changed its name from Cleanergy to Azelio and in December 2018 the Company was listed on Nasdaq First North Growth Market.

FNCA Sweden AB, +46(0)8-528 00 399, info@fnca.se, is Certified Adviser.



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Important information

This announcement is not and does not form a part of any offer for selling, or a request to submit an offer to buy or acquire, shares or other securities of the Company.

Copies of this announcement are not being made and may not be distributed or sent into the United States, Australia, Canada, New Zealand, Hong Kong, Japan or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures.

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and accordingly may not be offered or sold in the United States absent registration or an exemption from the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. The Company does not intend to register any offering in the United States or to conduct a public offering of securities in the United States.

Forward-looking statements

Matters discussed in this announcement may constitute forward-looking statements. Forward looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "deems", "intends", "estimate", "will", "may", "continue", "should" and similar expressions. This applies in particular to statements relating to future results, financial position, cash flow, plans and expectations of the Company's operations and management, future growth and profitability, general economic and regulatory environment and other factors affecting the Company, many of which are based on further assumptions, such as no changes in existing political, legal, fiscal, market or economic conditions or applicable law (including but not limited to accounting principles, accounting methods and tax policies), which may or may not be of importance to the Company results or its ability to operate. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward looking statements.

Potential investors should therefore not attach undue confidence to the forward-looking information herein, and potential investors are urged to read the parts of the prospectus that include a more detailed description of factors that may affect the Company's operations and the market in which the Company operates.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date and could be subject to change without notice.