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Press release 15 September 2022

The board of directors in Azelio intends to resolve on a fully guaranteed rights issue of approximately SEK 300 million

The board of directors of Azelio AB (publ) (“Azelio” or the “Company”) today announces its intention to resolve on a fully guaranteed rights issue of units, consisting of new shares and warrants, of approximately SEK 300 million (the “Rights Issue”). The Company's largest shareholder, the board member Kent Janér, has undertaken, directly and through company, to subscribe for units in the Rights Issue for an amount of approximately SEK 25.6 million. Additional members of the board of directors have together entered into subscription commitments of approximately SEK 4.3 million. In total, the subscription commitments amount to approximately SEK 31 million, corresponding to approximately 10 per cent of the Rights Issue. Guarantors have provided guarantee commitments subject to customary conditions which, in aggregate, amount to approximately SEK 269 million, which corresponds to approximately 90 per cent of the Rights Issue. Together with the subscription commitments, the Rights Issue is fully secured.

Summary

- The board of directors of Azelio today announces its intention to resolve on the Rights Issue, based on the authorisation from the annual general meeting on 12 May 2022.
- The net proceeds are intended to be used for the following purposes stated in order of priority; (i) finance the Company's ongoing operations, (ii) investments to accelerate the commercialisation of the TES.POD system, (iii) production investments in core technologies, and (iv) continued product development of the TES.POD-system and purchasing of tools.
- The Company's largest shareholder, the board member Kent Janér, has undertaken, directly and through company, to subscribe for units in the Rights Issue for an amount of approximately SEK 25.6 million. Additional members of the board of directors have together entered into subscription commitments of approximately SEK 4.3 million. In total, the subscription commitments amount to approximately SEK 31 million, corresponding to approximately 10 per cent of the Rights Issue.
- guarantors have provided guarantee commitments subject to customary conditions which, in aggregate, amount to approximately SEK 269 million, which corresponds to approximately 90 per cent of the Rights Issue. Together with the subscription

commitments entered into by existing shareholders and the board of directors, the Rights Issue is fully secured.

- The subscription period in the Rights Issue is expected to take place from 4 October 2022, up to and including 18 October 2022.

Background and reasons

In 2021 Azelio achieved several key milestones. The Company has finished and approved the design of the TES.POD and started production. Azelio's technology, production, research and development, and test facilities have been validated by the certification body Det Norske Veritas ("DNV"), which in December 2021 issued a validation report showing that the TES.POD-system delivers according to the technical performance specification.

Furthermore, the Company has, as communicated on 9 June 2022, initiated a transformation of its organisation to achieve a more efficient and agile organisation and reduce costs with SEK 150 million on an annual basis. The transformation is carried out against the background that the board of directors and the executive management have, since Jonas Wallmander took office as CEO on 30 March 2022, carried out a thorough strategic review of the Company and its operations.

The purpose of the Rights Issue is to strengthen the Company's financial position and finance the remaining working capital requirement until the Company is expected to be cash flow positive. The strengthened financial position would enable Azelio to market investments to accelerate the commercialisation of the TES.POD-system, by allowing Azelio to finance or co-finance SPV¹- or project companies that are designed to develop a smaller number of energy plants in selected regions. Thereafter, the intention is for Azelio, together with its partners, to operate the energy plant and sell energy as a service ("Energy-as-a-Service" or "EaaS") in accordance with pre-signed power-purchase agreements. After one to three years, Azelio expects to be able to sell the energy plant to a co-financier or a local partner. To further support sales processes, the Company's board of directors has decided to invest more in this type of projects than was originally planned. In the short term, these strategic initiatives tie up capital, but it provides the Company with valuable reference projects that can serve as models for other projects with similar conditions and that Azelio gets a good insight into the system's use by end users, which helps strengthen the Company's offering to the market. When the purpose of these market investments has been accomplished, the Company intends to apply a direct sales model as a technology provider. The Company also intends to make further investments in the production of the TES.POD system to ensure capacity and quality at the level desired to meet the demand of the Company's customers and to deliver the system at the scale expected during the commercialisation phase.

"It is with great satisfaction that I can state that we are carrying out this fully guaranteed rights issue to finance Azelio's commercialization phase. The transaction gives us the opportunity to realise the plan we developed last spring, which is expected to lead to us establishing ourselves in the market and beginning to generate positive cash flow next year. We now have the opportunity to fulfill our ambition to create the conditions for renewable,

¹The abbreviation of "special purpose vehicle". Refers to companies set up for specific purposes



clean and decentralized energy systems for use around the clock – a prerequisite for the necessary climate transition and an important piece of the puzzle to address future energy challenges", says Jonas Wallmander, CEO at Azelio

Use of proceeds

If the Rights Issue is fully subscribed, the Company will receive a maximum of approximately SEK 300 million before deductions for costs related to the Rights Issue, which are estimated to amount to approximately SEK 50 million. Azelio intends to use the net proceeds of approximately SEK 250 million for the following purposes stated in order of priority:

- Approximately SEK 60–70 million will be used to finance the Company's ongoing operations and general corporate purposes to ensure sufficient working capital.
- Approximately SEK 100–110 million will be used for market investments intended to accelerate the commercialisation of the TES.POD system, for example by financing or co-financing selected project companies together with partners, where Azelio intends to establish energy plant projects and then sell the energy based on long term power purchase agreements through EaaS.
- Approximately SEK 10–20 million will be used for production investments in core technology to ensure capacity and quality at the level desired to meet the demand of the Company's customers and to deliver the system at the scale expected during the commercialisation phase.
- Approximately SEK 60–70 million will be used for continued product development of the Company's TES.POD-system as well as purchase of tools.

If the Rights Issue is fully subscribed, the board of directors of Azelio deems, assuming that the Company reaches its planned sales levels, the net proceeds from the Rights Issue to be sufficient to finance the Company through the first half of 2023. Thereafter, Azelio expects to be able to operate its business with a positive cash flow. If Azelio does not reach its planned sales levels, or assumptions regarding e.g., volume, price, payment model and timing are incorrect, the Company may need to seek additional financing already during the first half of 2023.

Subscription commitments and guarantee commitments

The Company's largest shareholder, the board member Kent Janér, has undertaken, directly and through company, to subscribe for units in the Rights Issue for an amount of approximately SEK 25.6 million. Furthermore, the other board members have entered into subscription commitments, including Pär Nuder of SEK 1.5 million, Bo Dankis of SEK 1.0 million, Bertil Villard of SEK 1.0 million, Hans-Ola Meyer of SEK 0.5 million, and Elaine Weidman-Grunewald of SEK 0.25 million. In total, the subscription commitments amount to approximately SEK 31 million, corresponding to approximately 10 per cent of the Rights Issue. Hans-Ola Meyer's and Elaine Weidman-Grunewald's subscription commitments refer to, since they are not shareholders and thus are not assigned unit rights in the Rights Issue, a commitment to acquire unit rights and the subsequent subscription of units by exercise of such unit rights.

In addition to the subscription commitments, certain guarantors have provided guarantee commitments subject to customary conditions which, in aggregate, amount to approximately SEK 269 million, which corresponds to approximately 90 per cent of the Rights Issue. Consequently, the Rights Issue is fully secured through the subscription commitments and guarantee commitments mentioned above.

A guarantee fee will be paid to the guarantors, based on current market conditions, of ten (10) per cent of the guaranteed amount in cash. No fee is to be paid for the subscription commitments that have been entered into. Neither the subscription commitments nor the guarantee commitments are secured through bank guarantees, restricted funds, pledged assets or similar arrangements.

Further information regarding the parties who have entered into subscription commitments and guarantee commitments will be presented in the prospectus to be made public before the commencement of the subscription period.

Undertakings

Prior to the execution of the Rights Issue, the board of directors and senior management of the Company have entered into lock-up undertakings, which, among other things and with customary exceptions, mean that they have undertaken not to sell shares in the Company. The lock-up undertakings expire on the day that falls 90 days after the settlement date in the Rights Issue.

Furthermore, the Company has undertaken towards Carnegie Investment Bank AB (publ) and Pareto Securities AB, subject to customary exceptions, not to issue additional shares or other share-related instruments for a period of 180 days after the end of the subscription period.

Indicative timetable

Last day of trading in shares including right to receive unit rights	28 September 2022
First day of trading in shares excluding right to receive unit rights	29 September 2022
Planned publishing date of prospectus	28 September 2022
Record date for the Rights Issue	30 September 2022
Trading in unit rights	4 October – 13 October 2022
Subscription period	4 October – 18 October 2022
Trading in BTU:s (paid subscribed unit)	4 October – 26 October 2022
Expected announcement of the outcome in the Rights Issue	20 October 2022



Prospectus

A prospectus and subscription form will be made available before subscription period commence on Azelio's website, www.azelio.com and on Carnegie Investment Bank AB (publ)'s website, www.carnegie.se as well as on Pareto Securities AB:s website, www.paretosec.com.

Advisers

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

For further information, contact

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Certified Advisor

The Company's Certified Advisor is FNCA Sweden AB which can be reached on +46 (0) 8-528 00 399 och per e-post info@fnca.se.

This information is such information that Azelio AB is obligated to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted, through the agency of the contact person above, for publication on 15 September 2022, 17:31 CEST. Above responsible person can also be contacted for further information.

About Azelio

Azelio specializes in energy storage with electricity and heat production. The technology is revolutionary in that the energy becomes dispatchable, making renewable 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

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, Hong Kong, Japan, Canada, New Zealand, 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 exercised, offered, sold, resold, delivered or otherwise transferred, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or



in a transaction not subject to, the requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. 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.