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Press release 23 September 2022

The board of directors in Azelio has resolved on a fully guaranteed rights issue of approximately SEK 300 million and publishes terms

The board of directors of Azelio AB (publ) ("Azelio" or the "Company") has today, based on the authorisation from the annual general meeting on 12 May 2022, resolved on a fully guaranteed rights issue of units, consisting of new shares and warrants, of approximately SEK 300 million (the "Rights Issue"), in accordance with the previously published press release issued on 15 September 2022. The subscription price has been determined to SEK 10.36 per unit, corresponding to SEK 1.48 per share (the warrants are issued free of charge). Shareholders in Azelio on the record date have for each four (4) existing shares preferential rights to subscribe for one (1) unit, consisting of seven (7) newly issued shares and one (1) warrant. 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 has today, based on the authorisation from the annual general meeting on 12 May 2022, resolved on the Rights Issue.
- 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.
- Upon full subscription in the Rights Issue, Azelio will receive approximately SEK 300 million before deductions for costs related to the Rights Issue.
- Upon full exercise of the warrants of series TO33, Azelio will receive up to approximately SEK 64.3 million.
- The subscription price is SEK 10.36 per unit, corresponding to SEK 1.48 per share. The warrants are issued free of charge.

- The subscription price of SEK 1.48 per share corresponds to a discount of approximately 35.5 percent compared to the theoretical price after separation of unit rights, based on the closing price of Azelio's share on Nasdaq First North Growth Market on 22 September 2022.
- All existing shareholders receives one (1) unit right for each share held on the record date on 30 September 2022. Four (4) unit rights entitle the holder to subscribe for one (1) unit. One (1) unit consists of seven (7) new shares and one (1) warrant of series TO33.
- The subscription period in the Rights Issue takes place from 4 October 2022, up to and including 18 October 2022.
- 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.

Background and motive

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 of 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 Wallmänder 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

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

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.

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.

Upon full exercise of Warrants at the maximum subscription price of SEK 2.22, the Company is expected to raise up to an additional SEK 64.3 million, which the Company intends to use for general corporate purposes as well as for potential new initiatives within the framework of the Company's commercialisation.



Terms for the Rights Issue

Shareholders on the record date on 30 September 2022 who are registered in the share register in Azelio receives one (1) unit right for each share held in Azelio. The unit right entitles the holder to subscribe for new units with preferential rights. Four (4) unit rights entitle the holder to subscription of one (1) unit. One (1) unit consists of seven (7) newly issued shares and one (1) warrant of series TO33. The subscription price is SEK 10.36 per unit, corresponding to SEK 1.48 per share (the warrants are issued free of charge), which means that Azelio will receive gross proceeds of approximately SEK 300 million before deduction of transaction costs, provided that the Rights Issue is fully subscribed. In addition, investors are offered the opportunity to sign up for subscription of units without the support of unit rights.

Each warrant of series TO33 entitles the holder to subscribe for one (1) new share in the Company during the period 15 February 2023 up to and including 28 February 2023. The subscription price for subscription of shares with the support of warrants of series TO33 will correspond to 70 percent of the volume-weighted average price in the Company's share during the period from and including 1 February 2023 to and including 14 February 2023. However, the subscription price can at minimum amount to the quota value of approximately SEK 0.50 per share and at maximum amount to SEK 2.22 per share.

Provided that the Rights Issue is fully subscribed, the number of shares in Azelio will increase by 202,785,065, from 115,877,180 to 318,662,245 and the share capital will increase by a maximum of approximately SEK 101,392,535.43, from approximately SEK 57,938,591.67 to approximately SEK 159,331,127.10.

Upon full exercise of the warrants of series TO33 covered by the Rights Issue, the number of shares may increase by up to an additional 28,969,295 shares, from 318,662,245 to 347,631,540 and the share capital to increase by up to additional approximately SEK 14,484,647.92, from approximately SEK 159,331,127.10 to approximately SEK 173,815,775.02, provided that the Rights issue is fully subscribed and that all warrants are exercised.

The last day of trading in Azelio's shares including the right to receive unit rights in the Rights Issue is 28 September 2022. The shares are traded excluding the right to receive unit rights in the Rights Issue as of 29 September 2022. The subscription period, with or without the support of unit rights, runs from 4 October 2022 up to and including 18 October 2022. Trading in unit rights will take place on Nasdaq First North Growth Market during the period from 4 October 2022 to 13 October 2022 and trading in BTU (paid subscribed unit) will take place on Nasdaq Stockholm during the period from 4 October 2022 to 26 October 2022.

Shareholders who choose not to participate in the Rights Issue will have their ownership diluted by up to 63.6 percent, but have the opportunity to compensate themselves financially for the dilution effect by selling their unit rights received.



The complete terms and conditions of the Rights Issue and information about the Company will be presented in a prospectus that is expected to be published on the Company's website around 28 September 2022.

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 timeplan

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
Expected first day of trading in warrants of series TO33	2 November 2022
Subscription period for warrants of series TO33	15 February 2023 - 28 February 2023

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 and by email 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 23 September 2022, 07:00 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.