



Invitation to subscribe for shares in Azelio AB (publ)

PLEASE NOTE THAT THE SUBSCRIPTION RIGHTS ARE EXPECTED TO HAVE AN ECONOMIC VALUE

In order not to lose the value of the subscription rights, holders must either:

- Exercise the subscription rights received and subscribe for new shares no later than on 23 December 2019, or in accordance with instructions from their respective nominee; or
- Sell the subscription rights received but not exercised no later than on 19 December 2019.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their respective nominee.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE SUBSCRIPTION FOR NEW SHARES ARE SUBJECT TO RESTRICTIONS IN CERTAIN JURISDICTIONS, SEE “*IMPORTANT INFORMATION TO INVESTORS*”.

A SEPARATE PROSPECTUS IN SWEDISH WAS APPROVED BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY ON 4 DECEMBER 2019.

The validity period for the Swedish prospectus will expire on 4 December 2020. The obligation to supplement the Swedish prospectus in the event of significant new circumstances, factual errors or material inaccuracies does not apply when the Swedish prospectus is no longer valid.

JOINT GLOBAL COORDINATORS and BOOKRUNNERS



Important information to investors

This prospectus (the "**Prospectus**") has been prepared in connection with the offer to existing shareholders in Azelio AB (publ) (a Swedish public limited liability company) to subscribe for new shares in the company with preferential right in accordance with the conditions of the Prospectus (the "**Rights Issue**"). In the Prospectus, "**Azelio**", the "**Company**" or the "**Group**" refers to Azelio AB (publ), the group in which Azelio is the parent company or a subsidiary of the group, as the context may require. The "**Principal Owner**" refers to Kent Janér personally and through the company Blue Marlin AB unless otherwise stated depending on the circumstances. The "**Joint Global Coordinators**" and "**Bookrunners**" refers to Carnegie Investment Bank AB (publ) ("**Carnegie**") and Pareto Securities AB ("**Pareto Securities**"). See section "**Definitions**" for the definitions of these and other terms in the Prospectus.

A separate prospectus in Swedish has been approved by the Swedish Financial Supervisory Authority (the "**SFSA**") as competent authority according to regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The SFSA approves of the Swedish prospectus only to the extent that it meets the requirements for completeness, comprehensibility and consistency set out in the Prospectus Regulation and this approval should not be regarded as any kind of support for the issuer referred to the Swedish prospectus. The Prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

The Prospectus and the Rights Issue are governed by Swedish law. Disputes arising in connection with this Prospectus, the Rights Issue and related legal matters shall be settled exclusively by Swedish courts.

This Prospectus has been prepared by Azelio based on its own information and information from sources that Azelio believes to be reliable. No representation or warranty, expressed or implied, is made by Carnegie or Pareto Securities or on behalf of Carnegie or Pareto Securities or any of Azelio's, Carnegie's or Pareto Securities' respective affiliates or any of their respective directors, officers or employees or any other person as to the accuracy, completeness or fairness of any of the information set out in this Prospectus, or incorporated by reference herein. Azelio has not taken, and will not take any actions to allow a public offer in any jurisdiction other than Sweden. The Rights Issue is not being made to persons resident in Australia, Japan, Canada, the United States or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish law. Consequently, the Prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the Rights Issue in accordance with this Prospectus require such measures or otherwise would be in conflict with applicable regulations in such country or any such jurisdiction. Subscription of shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this Prospectus are required to inform themselves about, and comply with, such restrictions. Any measure in violation with the restrictions may constitute a violation of applicable securities regulations. Each investor should consult their own advisors before exercising the subscription rights or purchasing the paid subscription shares ("**BTA**", Sw. *betalda teknade aktier*) or the new shares. Investors should make their independent assessment of the legal, tax, business, financial or other consequences of their investments. Investors should not construe the content of this prospectus as legal, investment or tax advice. No action has been or will be taken by Azelio, Carnegie or Pareto Securities to permit the possession or distribution of this Prospectus (or any other offer or publicity materials or application form(s) relating to the Rights Issue) in any country where such distribution may lead to a breach of any law or regulatory requirement. Any failure to comply with the described restrictions may result in violation of applicable securities regulations.

NASDAQ FIRST NORTH GROWTH MARKET

Nasdaq First North Growth Market is an alternative marketplace operated by the exchanges that are part of Nasdaq. It does not have the same legal status as a regulated market. Companies on Nasdaq First North Growth Market are regulated by Nasdaq First North Growth Market's rules and not by the legal requirements for trading on a regulated market. An investment in a company that is traded on Nasdaq First North Growth Market is more hazardous than an investment in a company that is traded on a regulated market. All companies whose shares are admitted to trading on Nasdaq First North Growth Market has a Certified Advisor that monitors compliance with the rules.

INVESTING IN SECURITIES IS ASSOCIATED WITH RISK (SEE SECTION "**RISK FACTORS**")

When an investor makes an investment decision, he or she must rely on his or her own analysis of Azelio and the Rights Issue in accordance with this Prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this Prospectus and any possible supplements to this Prospectus. No person is authorized to provide any information or make any statements other than those made in this Prospectus and, should such information or statement nevertheless be provided or be made, it should not be considered to have been approved by Azelio, and Azelio is not responsible for such information or statements and must not be relied upon. Neither the publication of this Prospectus nor any transaction made in respect hereof shall be deemed to imply that the information in this Prospectus is accurate or applicable at any time other than on the date of the publication of this Prospectus or that there have been no changes in Azelio's business since this date. If significant changes relating to the information contained in this Prospectus occur, such changes will be announced in accordance with the provisions on Prospectus supplements under the Prospectus Regulation.

As a condition for subscription of shares under the Rights Issue in this Prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, have been required to make, certain representations and warranties that will be relied upon by Azelio and its advisors. Azelio reserves the right to declare null and void any subscription of shares that Azelio and its advisors believe may give rise to breach or violation of any law, rule or regulation in any jurisdiction.

INFORMATION TO INVESTORS IN THE UNITED STATES

No subscription rights, BTA or new shares in Azelio (together the "**Securities**") have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities legislation of any state or other jurisdiction of the United States and the Securities 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 the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Securities are being offered

outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. A public offer will not be made in the United States. In the United States, persons that are qualified institutional buyers as defined in Rule 144A under the Securities Act ("**QIBs**"), may exercise the subscription rights and acquire BTA and new shares pursuant to applicable exemptions from the registration requirements of the Securities Act. Consequently, in the United States, investors who are not QIBs cannot participate in the Rights Issue, subscribe for new shares or exercise subscription rights. In connection with the Rights Issue, Carnegie and/or Pareto Securities will not effect any transactions or induce or attempt to induce the purchase or sale of any Securities in or into the United States.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the subscription rights, the BTA or the new shares or an offer to sell or the solicitation of an offer to buy the subscription rights, the BTA or the new shares in any circumstances in which such offer or solicitation is unlawful.

As a condition to exercising the subscription rights or subscribing for BTA or the new shares, each existing shareholder or person who has made a notification for subscription, will be deemed to have made, or in some cases, be required to make, certain representations and warranties that will be relied upon by Azelio and its advisors. Azelio reserves the right, in its sole and absolute discretion, to reject any subscription of the BTA or the new shares that Azelio or its advisors believe may give rise to a breach or violation of any laws, rules or regulations in any jurisdiction.

NOTICE TO INVESTORS IN AUSTRALIA, HONG KONG, JAPAN, CANADA, NEW ZEALAND, SINGAPORE, SOUTH AFRICA AND CERTAIN OTHER JURISDICTIONS

The Rights Issue will not be made to persons who are residents of Australia, Hong Kong, Japan, Canada, New Zealand, Singapore, South Africa or any other jurisdiction in which such offer would be unlawful.

INFORMATION TO INVESTORS IN THE EEA

Within the European Economic Area (the "**EEA**"), no public offer of Securities is made in other countries than Sweden. In other member states of the European Union (the "**EU**"), such an offer may only be made in accordance with an applicable exemption under the Prospectus Regulation. In other countries within the EEA that have implemented the Prospectus Regulation in national law, such offer can only be made in accordance with exemptions in the Prospectus Regulation and/or in accordance with every relevant implementation measure. In other member states of the EEA which have not implemented the Prospectus Regulation in their national legislation, any offer of the Securities may only be made in accordance with an applicable exemption under national law.

This Prospectus is only being distributed to and directed at (i) persons who are outside the United Kingdom, or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) (the "**Order**") or (iii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Prospectus is only directed at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

FORWARD-LOOKING INFORMATION

The Prospectus contains certain forward-looking information that reflects Azelio's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

Factors that may cause Azelio's future results and development to differ from the forward-looking information include, but are not limited to, those described in the section "**Risk factors**". The forward-looking information contained in the Prospectus applies only as of the date of the publication of the Prospectus. Azelio does not undertake any obligation to publicly announce any update or change in the forward-looking information as a result of new information, future events or similar circumstances other than as required by applicable laws.

PRESENTATION OF FINANCIAL INFORMATION

Certain financial and other information presented in the Prospectus has been rounded off in order to make the information more accessible for the reader. Consequently, in certain columns the numbers do not exactly correspond to the stated total amount.

BUSINESS AND MARKET DATA

The Prospectus includes industry and market data pertaining to Azelio's business and markets. Such information is based on the Company's analysis of multiple sources, amongst others information from International Energy Agency, International Renewable Energy Agency and US Energy Information Administration.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Prospectus that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which in turn is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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Summary of the Rights Issue

Preferential right

As of the record date on 5 December 2019, one (1) Azelio share entitles the holder to one (1) subscription right. Six (6) subscription rights entitle to subscription for seven (7) new shares. New shares not subscribed for with preferential rights shall be offered to shareholders and other investors for subscription.

Subscription price

SEK 7.10 per new Azelio share. No commission will be charged.

Record date for participation in the Rights Issue with preferential right

5 December 2019

Subscription period

9 December – 23 December 2019

Trading in subscription rights

9 December – 19 December 2019

Subscription with subscription rights

Subscription by exercise of subscription rights is made during the subscription period through simultaneous cash payment. Nominee-registered shareholders shall apply with, and in accordance with instructions from, the nominee.

Subscription without preferential right

Application for subscription without preferential right shall be made in accordance with the instructions in section “*Terms and conditions*”. Nominee-registered shareholders shall apply with, and in accordance with instructions from, the nominee.

Other information

Ticker: AZELIO
ISIN code: SE0011973940
ISIN code subscription right: SE0013513991
ISIN code BTA: SE0013514007

Financial calendar

| | |
|--|------------------|
| Interim report for the period 1 January – 31 December 2019 | 28 February 2020 |
| Annual report 2019 | 16 April 2020 |
| Interim report for the period 1 January – 31 March 2020, Q1 | 13 May 2020 |
| Annual general meeting 2020 | 14 May 2020 |

Certain definitions

| | |
|--|--|
| Azelio, the Company or the Group | Azelio AB (publ), the group in which Azelio is the parent company or a subsidiary of the group, as the context may require |
| Carnegie | Carnegie Investment Bank AB (publ) |
| Euroclear Sweden | Euroclear Sweden AB |
| Principal Owner | Kent Janér personally and through the company Blue Marlin AB unless otherwise stated |
| Joint Global Coordinators and Bookrunners | Carnegie and Pareto Securities |
| Nasdaq First North Growth Market | An alternative market run by the exchanges in Nasdaq |
| Pareto Securities | Pareto Securities AB |
| SEK | Swedish krona |

Summary

Introduction and warnings

| | |
|----------------------------------|---|
| Introduction and warnings | <p>This summary should be regarded as an introduction to the Prospectus. Any decision to invest in the securities should be based on an assessment of the entire Prospectus by the investor.</p> <p>Every decision to invest in the securities entails risk and an investor may lose all or part of the invested capital.</p> <p>In the event of a lawsuit against the information contained in the Prospectus, the plaintiff investor may, under national law, be forced to pay the costs of translating the Prospectus before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Prospectus or if it does not, together with the other parts of the Prospectus, provide key information to help investors when considering whether to invest in such securities.</p> |
| The issuer | <p>Azelio AB (publ), reg.no. 556714-7607, Lindholmsplatsen 1, SE-417 56 Gothenburg, Sweden LEI code: 549300SJ20CBQN1HH364 Ticker: AZELIO ISIN code: SE0011973940</p> |
| Competent authority | <p>The SFSA is the competent authority and is responsible for the approval of the Prospectus. The SFSA's visiting address is Brunnsgränd 3, Box 7821, SE-103 97 Stockholm, Sweden and can be contacted on telephone number + 46 (0)8 408 980 00 or email finansinspektionen@fi.se. The SFSA's web page is www.finansinspektionen.se/en. The SFSA approved the Prospectus on 4 December 2019.</p> |

Key information about the issuer

Who is the issuer of the securities?

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|--------------------------------------|--|
| Information about the issuer | <p>The issuer of the securities is Azelio AB (publ), reg. no. 556714-7607. The Company's registered office is in Gothenburg. The Company is a Swedish public limited liability company founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (the "Companies Act", Sw. <i>aktiebolagslagen (2005:551)</i>). The Company's LEI code is 549300SJ20CBQN1HH364.</p> |
| Issuer's principal activities | <p>Azelio offers a system for sustainable electricity production around-the-clock or at times of peak demand, based on thermal storage of renewable energy.</p> <p>The Company owns all of the unique product design for the Company's system and carries out final assembly of the Stirling engine at its own plant, while subcontractors produce the system's components and subsystems, such as the storage tank. Further, research and development, as well as sales and marketing, are carried out internally and in cooperation with the Company's strategic partners.</p> <p>Azelio may apply two different business models, depending on the commercial conditions and specific requirements of each project. Initially, Azelio may run jointly owned projects along with third parties in order to establish the Company's technology in the market. In the longer term, once Azelio's system and technology have been established and proven, Azelio intends to act as technology provider, sell the technology and provide training in how to build a successful and commercially viable project.</p> <p>Azelio's system is offered to customers in the global energy market, initially to customers who are building projects in MENA, sub-Saharan Africa, the Andes, Mexico, Brazil, Australia and central and western United States (where favourable conditions for concentrated solar power ("CSP"), photovoltaics (solar cells) and, in some cases, wind power normally are at hand) involving installations of between 500 kilowatt ("kW") and 20 megawatt ("MW") for electrical production during the day together with a storage capacity corresponding to 13 hours of electricity production at effective rated output. In the longer term, Azelio intends to develop its offer and offer systems for projects from 100 kW up to 100 MW, as well as to offer systems to customers in countries that require demand-driven electricity production based on sustainable techniques such as concentrated solar power, photovoltaics and wind power. Azelio sells the system directly to the end customer in smaller installations, as well as, with regard to medium-scale and larger installations, to companies working with Engineering, Procurement and Construction ("EPC-contractors"), which are then responsible for installation. To start with, however, Azelio will participate in the start-up phase at new installations in order to train EPC-contractors in the successful installation and maintenance of Azelio's system. In addition to sales of the Company's system, the Company also offers monitoring, maintenance, upgrading and servicing of the system.</p> |
| Issuer's major shareholders | <p>As of the date of the Prospectus, Azelio had more than 4,000 shareholders. As of the date of the Prospectus, Azelio's largest shareholder was Kent Janér personally and through the company Blue Marlin AB (the Principal Owner), holding, together with related parties, 11,691,868 shares, corresponding to approximately 27.6 per cent of the shares and votes in the Company.</p> |
| Key managing directors | <p>The Company's board of directors consists of Bo Dankis (chairman), Mattias Bergman, Hicham Bouzekri, Sigrun Hjelmquist, Kent Janér, Pär Nuder, Bertil Villard and Lars Thunell (board members).</p> <p>The Company's executive management consists of Jonas Eklind (CEO), Kennet Lundberg (CFO), Jonas Karlsson (VP Development), Torbjörn Lindquist (CTO), Jan Svensson (VP Stirling OEM), Jonas Wallmander (Executive VP), Ralf Wiesenberg (VP Business Development), Peter Gabrielsson (VP Operations) and Ingemar Hagberg (VP Manufacturing).</p> |
| Auditor | <p>The Company's auditor is KPMG AB, with Fredrik Waern as key auditor.</p> |

Key financial information regarding the issuer

| Key financial information in summary | Selected income statement figures | | | | | |
|--------------------------------------|--|-----------------|-------------------|-------------------|-------------------|--|
| | Financial year | | | January-September | | |
| SEK | 2018 Audited | 2017 Audited | 2016 Unaudited | 2019 Unaudited | 2018 Unaudited | |
| Net sales | 1,941,601 | 2,920,586 | 3,665,335 | 1,099,460 | 1,672,121 | |
| Operating profit/loss | -91,958,874 | -95,644,527 | -98,360,680 | -107,400,407 | -65,568,680 | |
| Net profit/loss | -91,845,266 | -97,443,281 | -107,740,029 | -107,258,562 | -65,503,908 | |
| Earnings per share | -2.97 | -7.70 | -19.79 | -2.53 | -2.72 | |
| | Selected balance sheet figures | | | | | |
| | Financial year | | | January-September | | |
| SEK | 2018 Audited | 2017 Audited | 2016 Unaudited | 2019 Unaudited | 2018 Unaudited | |
| Total assets | 645,644,008 | 286,793,967 | 229,389,300 | 541,509,043 | 373,281,863 | |
| Total equity | 561,876,096 | 237,145,637 | 129,237,944 | 456,929,972 | 314,851,211 | |
| | Selected cash flow figures | | | | | |
| | Financial year | | | January-September | | |
| SEK | 2018 Audited | 2017 Audited | 2016 Unaudited | 2019 Unaudited | 2018 Unaudited | |
| Cash flow from operating activities | -36,015,433 | -83,875,796 | -76,031,002 | -104,297,419 | -41,385,776 | |
| Cash flow from investing activities | -67,500,149 | -79,280,978 | -101,184,355 | -93,384,654 | -41,606,822 | |
| Cash flow from financing activities | 416,526,998 | 160,561,259 | 127,598,732 | 2,662,261 | 143,406,123 | |
| Audit remarks | The audit reports for the financial years 2016, 2017 and 2018 for the Company, as well as the auditor's report on the review of the Company's unaudited consolidated financial statements for the 9-month periods 1 January – 30 September 2018 and 2019 deviate from the standard formulation. The deviation relates to significant uncertainties regarding going concern assumption. | | | | | |

Specific key risks to the issuer

| Significant key risks that are specific to the issuer | |
|---|---|
| | <p>Main risks related to Azelio and its industry consist of:</p> <ul style="list-style-type: none"> ● risks related to Azelio's system being new to the market and that the Company therefore not had the opportunity to gather essential and exhaustive data with regard to, for example, typical faults or defects, the need for servicing and associated costs; ● risks related to Azelio's product and technology development and transition from development company to industrial company; ● risks related to the Company's ability to finance its business; ● risks related to the Company's ability to launch the Company's products and technology to the market in accordance with the time plan; ● risks related to Azelio's dependency on and recruitment of key personnel such as experts within energy technology, product development, sales, marketing and distribution; ● risks related to Azelio's dependency on certain partners and especially the partnership agreement with Moroccan Agency for Sustainable Energy ("Masen"); and ● risks related to the local business risks and/or political decisions in the countries on the global market on which Azelio operates. |

Key information about the securities

The securities' most important characteristics

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|--|--|
| Securities offered | Shares in Azelio AB (publ), reg. no. 556714-7607. ISIN code: SE0011973940. The shares are denominated in SEK. The shares will be issued in accordance with Swedish law and will be freely transferable. |
| Total number of shares in the Company | As of the date of this Prospectus, there are a total of 42,347,495 shares in the Company. |
| Rights associated with the securities | Each share in the Company entitles the holder to one vote at the general meeting, and each shareholder has the right to cast votes for all shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The shares entail rights to dividends for the first time on the record date for the dividend that takes place closest after the execution of the Rights Issue. All shares in the Company give equal rights to dividends as well as to the Company's assets and possible surpluses in the event of liquidation. |

Where will the securities be traded?

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|-----------------------------|---|
| Admission to trading | The shares in Azelio are admitted to trading on Nasdaq First North Growth Market which is an alternative marketplace, classified as a growth market for small and medium-sized companies and as a multilateral trading facility, which is regulated by a particular regulatory framework and which does not have the same legal status as a regulated market. The newly issued shares in the Rights Issue will be admitted to trading on Nasdaq First North Growth Market in connection with the registration of the Rights Issue by the Swedish Companies Registration Office. |
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Which are the specific key risks to the securities?

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| Significant key risks that are specific to the securities | <p>Main risks related to the Rights Issue and Azelio's shares consist of:</p> <ul style="list-style-type: none"> the risk that the price in the Rights Issue will not correspond to the price at which the shares in Azelio will be traded on the stock market after the completion of the Rights Issue and the risk that an active and liquid trading market does not develop for Azelio's shares; the risk that the Principal Owner, who is likely to continue to have considerable influence over Azelio after the Rights Issue, may have interests that differ from, or compete with, Azelio's and/or other shareholders' interests; and the risk that shareholders in certain jurisdictions may be subject to restrictions limiting or impeding their opportunity to participate in future new share issues and that such issues, should such shareholders not be able to participate, would mean that their ownership in the Company could be diluted. |
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Key information about the offer of securities to the public

Under which conditions and timeframe can I invest in this security?

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| General conditions | <p>Preferential right to subscription Anyone who on the record date of the Rights Issue is registered in the shareholders' register maintained by Euroclear Sweden on behalf of the Company has a preferential right to subscribe for shares in proportion to the number of shares held on the record date.</p> <p>Subscription price The subscription price is SEK 7.10 per share. No commission will be charged.</p> <p>Record date Euroclear's record date for determining who is entitled to receive subscription rights is 5 December 2019. The last day for trading with Azelio's share with right to receive subscription rights was 3 December 2019. The share is traded without right to receive subscription rights from and including 4 December 2019.</p> <p>Subscription rights Each Azelio-share held on the record date entitle to one (1) subscription right. Six (6) subscription rights entitle to subscription for seven (7) new shares.</p> |
| Expected timeframe for the Rights Issue | <p>Subscription period Application for subscription for shares through exercise of subscription rights shall be made through simultaneous cash payment during the period 9 December – 23 December 2019.</p> <p>Trading in subscription rights Trading in subscription rights takes place on Nasdaq First North Growth Market during the period 9 December – 19 December 2019.</p> <p>Trading in BTA Trading in paid subscribed shares ("BTA", Sw. <i>betalda teknade aktier</i>) will take place on Nasdaq First North Growth Market from and including 9 December 2019 up until and including 3 January 2020.</p> <p>Announcement of final outcome in the Rights Issue Announcement of the final outcome in the Rights Issue takes place around 30 December 2019.</p> <p>Delivery of and trading in new shares Delivery of shares and trading in new shares takes place around 10 January 2020.</p> |
| Dilution effect from the Rights Issue | In the event of full subscription in the Rights Issue, the number of shares will increase from 42,347,495 to 91,752,900, which entails a dilution effect of maximum 49,405,405 shares corresponding to approximately 53.8 per cent of the votes and shares in the Company. |
| Costs for the Rights Issue | Issue costs are estimated to amount to approximately SEK 40 million. No costs are imposed on investors who participate in the Rights Issue. However, commission is normally charged in accordance with applicable terms for securities trading when trading in subscription rights and BTA. |

Why is this prospectus being produced?

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| <p>Motive and use of issue proceeds</p> | <p>The purpose of the Rights Issue is primarily to finance the Company's ongoing operations and the continued industrialisation of the system's design, construction and production, with the objective of reaching industrial volume production in 2021. Azelio also intends to strengthen the Company's sales and marketing organisation with the aim of increasing awareness of the Company in order 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 orders of the Company's system may be obtained during the first half of 2020. The Company intends to make further investments in production such as in tools and production equipment, as well as recruitment and training of production personnel and investments in computer and production systems.</p> <p>If the Rights Issue is fully subscribed, the Company will raise approximately SEK 310 million after deductions for issue costs, which are estimated to amount to approximately SEK 40 million.</p> <p>Azelio intends to use the net proceeds of approximately SEK 310 million for the following purposes stated in order of priority:</p> <ul style="list-style-type: none"> • Approximately SEK 116 million will be used for personnel expenses for the industrialisation work during the period up until September 2020, including the verification of the Company's planned installation in Morocco during the fourth quarter of 2019. • Approximately SEK 94 million will be used for materials, production, purchased services as well as installation of the systems that the Company plans to produce in 2020. • Approximately SEK 43 million will be used to bolster the Company's sales and marketing organisation – partly through new recruitment in Sweden, but primarily in the local markets that the Company regards as interesting. • Approximately SEK 42 million will be used to purchase tools and production equipment. • Approximately SEK 15 million will be used for other research and development, administration costs related to premises, insurance and IT-expenses. <p>The board of directors deems the existing working capital to be insufficient for Azelio's current needs over the coming 12-month period given the Company's current business, research and development plan. The Company deems the working capital requirement over the coming 12-month period to amount to approximately SEK 450 million. In this sense, working capital requirement refers to the liquid capital required for the Company to fulfil its payment obligations as they fall due for payment. Without consideration taken to the proceeds from the Rights Issue, the working capital is considered to be sufficient up until February 2020.</p> <p>If the Rights Issue is fully subscribed, the board of directors deems the Company's working capital to be sufficient up until September 2020. The board of directors deems that the Company thereafter 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, provided that the Company can obtain advance payments from customers on customary terms for the industry. The calculations of future cash flows are based on assumptions about future commercial orders and agreed pricing according to said orders. The Company expects significant cash flows from external customers from the beginning of the second quarter of 2021 and has made assumptions of being able to receive advance payment in connection with the receipt of orders. Deviations from said assumptions with regard to e.g. volume, price, payment model and timing could entail that the Company's financing has to be advanced or increased. The assumptions have also been based on today's exchange rates and raw material prices. The Company estimates that, as part of the said additional financing need of SEK 300 million, the Company could receive up to SEK 150 million in financing from e.g. bank loans, government grants and soft loans. If, on the other hand, the Rights Issue raises approximately SEK 263 million to the Company after deductions for issue costs, which corresponds to an amount of approximately SEK 300 million before deductions for issue costs that is covered by subscription and guarantee commitments, the board of directors deems that the Company will have sufficient working capital up until August 2020, and thereafter have an additional financing need of approximately SEK 350 million.</p> <p>In the event that the Rights Issue is not carried through or would not become fully subscribed, the Company may revise its business, research and development plan, for example by reducing the rate of industrialisation of the Company's system, and seek alternative funding options, for example in the form of a new rights issue, a private placement or long-term loan financing from existing or new investors.</p> |
| <p>Interests and conflict of interests</p> | <p>Carnegie and Pareto Securities act as Joint Global Coordinators and Bookrunners in connection with the Rights Issue. The Joint Global Coordinators and Bookrunners provide financial advisory and other services to the Company and the Principal Owner in connection with the Rights Issue. From time to time, the Joint Global Coordinators and Bookrunners will provide services in the ordinary course of business and in connection with other transactions to the Principal Owner and parties affiliated to the Principal Owner.</p> |

Risk factors

This section contains the risk factors and significant circumstances considered to be material to Azelio's business and future development. The risk factors relate to Azelio's business, industry and markets, and further include operational risks, legal risks, regulatory risks, risks related to governance, tax risks, financial risk as well as risk factors related to the securities. The assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council (the Prospectus Regulation), the risk factors mentioned below are limited to risks which are specific to the Company and/or to the securities and which are material for taking an informed investment decision.

The description below is based on information available as of the date of the Prospectus. The risk factors that are currently considered to be the most material are presented first in each category and the subsequent risk factors are presented in no particular order.

Risks related to Azelio and its business

Potential faults in the Company's system and products

Even though Azelio's system is based on established technology, it is new to the market and the Company has therefore not had the opportunity to gather essential and exhaustive data with regard, for example, to the service life of the system and its components, typical faults or defects, the need for servicing and associated costs. For example, Azelio's system for renewable, Stirling engine-based electricity production based on thermal energy storage ("TES"), contains aluminium as a storage medium, which for the system is a new and commercially untested medium and could therefore prove to be less efficient or more expensive for commercial use than expected. Should the Company's products prove to be of a technically defective design or fall short of the promised performance and/or functionality, the Company may become liable to participate in or undertake a programme of corrective measures as well as having guarantee obligations imposed upon it. Guarantees, to the extent that they are provided, normally relate to so-called product liability. In addition, the Company could initially enter as partner in the projects to which the Company delivers systems, as an alternative to providing guarantees to the customer. Furthermore, defects in Azelio's system, products or guarantees can result in the Company incurring significant costs, e.g. for liability damages, the scope of which could increase as the Company expands its operations to countries which have stricter rules than Sweden for product liability and related issues. Defects in Azelio's products could also hurt the Company's reputation and standing on the market.

Depending on which services the customers sign up to, Azelio's service organisation carries out an inspection once the project has been completed. Complaints, recalls and product liability, as well as the risk of this, may negatively impact Azelio's operating profit/loss if they occur. There is also a risk that the Company's insurances do not cover such incidents. The guarantee periods are initially expected to amount to two years or more, which can mean that warranty claims can arise several years after delivery. It is by no means certain that the provisions regarding guarantee commitments made in the ongoing administration will be adequate. To the extent that the Company enters as partner in a project to which the Company delivers systems, the Company itself bears the risk of potential losses which otherwise would have been incurred by the customer in the event of faulty products. Historically, Azelio has not been subject to any

of the risks described above since the Company has not yet commercialised its system. However, the Company deems that said risks, if they were to materialise, could result in increased costs and have a significant negative impact on Azelio's operating profit/loss which, depending on their extent, could result in Azelio not being able to continue its business in its current form or in Azelio being forced to cease its business.

Product and technology development and transition from development company to industrial company

Azelio's system for renewable, Stirling engine-based electricity production based on thermal energy storage, is based on continuous technological development and refinement. It is of great importance that the Company's products, software and other technical solutions are developed so that their functionality meets the requirements and wishes of the customers and the market. Furthermore, it is extremely important that the Company's transition from development company to industrial company, as a result of the commercialisation of Azelio's system, enables the Company to deliver its products at a time that meet the requirements and wishes of the customers and the market. In order to adapt the Company's products to a commercial environment that can secure its revenue flow the Company invests capital in product development, which it will continue to do after the date of the Prospectus. For example, the Company plans to focus on the industrialisation of the system's design, construction and production during the period 2019–2020, and, during the fourth quarter of 2019, two systems are planned to be installed in a verification project in Morocco together with state-controlled Moroccan Agency for Sustainable Energy ("Masen"), from which the first results are expected to be presented during the first quarter of 2020. However, product development and associated operations are complex, particularly in the Company's industry, and there is a risk that the verification project will require more time and money than the Company has anticipated, that it turns out that the Company's products cannot be adapted to a commercial environment or that the Company, in the event of a successfully completed verification project, fails to develop the organisation to an industrial company as planned, or that the Company does not manage to convert customer enquiries into actual customer agreements. The Company may also need more capital than predicted today. For more information regarding the future capital needs of the Company, see section "Risk Factors – Risks related to Azelio and its business – Future capital needs".

In addition, there is a risk that the Company's future technology, which Azelio *inter alia* develops collaboration with some of the Company's component suppliers, cannot be used without delays, start-up difficulties or disruptions to operations, or that these developments will not be successful and accepted by customers and the market. There is a risk that the results of current collaborations and investments, or future investments in products or technologies, will not meet the expectations and assumptions made by the Company. If these risks were to materialise, this could result in delays to deliveries, which in turn could make the Company liable, for contractual reasons or otherwise. Furthermore, there is a risk that, with regards to the transition from development company to industrial company, it will be difficult for the Company to insure itself against production losses or claims from customers and other third parties due to the products falling short of the promised performance since the technology is new and untested. There is also a risk that unexpected problems arise in the transition to large-scale production of the Company's product or that the Company fails to increase production capacity according to plan. The current or future development of products or technologies may prove to have hidden faults, whose consequences may only come to light in a longer perspective.

The probability for any of the above risks to occur is difficult for the Company to assess, but if any of these risks were to materialise, this could have a significant negative impact on the Company's operating profit/loss.

Future capital needs

The board of directors regards the existing working capital as being insufficient for Azelio's needs over the coming 12-month period given the Company's current business, research and development plan. The Company deems the working capital requirement over the coming 12-month period to amount to approximately SEK 450 million. In this sense, working capital requirement refers to the liquid capital required for the Company to fulfil its payment obligations as they fall due for payment. Without consideration taken to the proceeds from the Rights Issue, the working capital is considered to be sufficient up until February 2020.

If the Rights Issue is fully subscribed, the Company will raise approximately SEK 310 million after deductions for issue costs, which are estimated to amount to approximately SEK 40 million. If the Rights Issue is fully subscribed, the board of directors deems the Company's working capital to be sufficient up until September 2020. The board of directors deems that the Company thereafter 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, provided that the Company can obtain advance payments from customers on customary terms for the industry. The calculations of future cash flows are based on assumptions about future commercial orders and agreed pricing according to said orders. The Company expects significant cash flows from external customers from the beginning of the second quarter of 2021 and has made assumptions of being able to receive advance payment in connection with the receipt of orders. Deviations from said assumptions with regard to e.g. volume, price, payment model and timing could entail that the Company's financing has to be advanced or increased. The assumptions have also been based on today's exchange rates and

raw material prices. The Company estimates that, as part of the said additional financing need of SEK 300 million, the Company could receive up to SEK 150 million in financing from e.g. bank loans, government grants and soft loans. If, on the other hand, the Rights Issue raises approximately SEK 263 million to the Company after deductions for issue costs, which corresponds to an amount of approximately SEK 300 million before deductions for issue costs that is covered by subscription and guarantee commitments, the board of directors deems that the Company will have sufficient working capital up until August 2020, and thereafter have an additional financing need of approximately SEK 350 million.

In the event that the Rights Issue is not carried through or would not become fully subscribed, the Company may revise its business, research and development plan, for example by reducing the rate of industrialisation of the Company's system, and seek alternative funding options, for example in the form of a new rights issue, a private placement or long-term loan financing from existing or new investors. If such a change proves necessary, there is a risk of a negative impact on the Company's future cash flows, which could result in an additional need for financing of the Company. Further, market conditions, the general availability of credit, the Company's credit rating as well as uncertainty and/or disruptions on the capital and credit markets could affect the opportunities for financing and its availability.

There is a risk that new capital cannot be raised when it is required, that new capital cannot be raised on terms that are acceptable to the Company, that new capital can only be raised on worse terms than for other financially stronger companies, or that the capital raised is not enough to finance the operations in accordance with the Company's development plans and objectives. This could result in the Company's market position being weakened compared to the Company's competitors. Were any of the risks stated above to materialise, the Company could be forced to revise its business plan and/or wind up or restructure all or part of its business.

Azelio is dependent on the time of the launch of the Company's products and technology

Azelio's future growth is dependent on the commercial success of the Company's technology. Azelio's system is based on relatively new innovations, combined with already established subsystems which have not yet reached a broader market utilisation. The application areas of the technology are largely undeveloped and untested.

The Company has planned the commercialisation of the product on important markets, *inter alia* with the assistance of local partners. The Company's ability to follow such time plans is dependent on the reaching of technical, market related and commercial milestones. In addition, the Company has neither the human nor the financial resources to focus on all potential market opportunities. For example, the Company plans to focus on the industrialisation of the system's design, construction and production during 2019-2020, and, during the fourth quarter of 2019, two systems are planned to be installed in a verification project in Morocco together with state-controlled Masen, from which the first results are expected to be presented during the first quarter of 2020.

If Azelio fails to deliver its technology and its products in order to meet the demand on important markets in accordance with

the Company's time plan and the requirements and wishes of the customers and the market, for example as a result of delays in the Company's verification project, it could damage the Company's reputation and standing on the market. Further, the Company's partners might not fulfil their undertakings, adhere to the expected time frames nor meet Azelio's expectations, which could delay or prevent the Company's delivery of its products to the local market. There is also a risk that the Company will not receive the orders that the Company hoped for or at the rate that the Company expected, which in turn may lead to a shift in the timing of the launch of the Company's products and technology.

If any of the above-mentioned risks were to materialise, this could result in significantly increased costs for the Company and/or result in the Company's ability to generate revenue becoming limited or completely absent.

Recruitment and dependence on key personnel

Azelio operates in a high-tech market, where the expertise and competence of key personnel and other staff in energy technology play an important role for the Company's operations and continued development. This means that the Company is dependent on retaining these persons within the Company. As part of its future expansion, the Company will also need to recruit staff who meet specific competence requirements in terms of, e.g. product development, sales, marketing and distribution. In a business environment that is characterised by a high level of competition and rapid technological changes, it is important to attract and retain employees with the right qualifications, experience and values. This can, however, be particularly challenging in markets, such as the energy technology market, where the competition for qualified employees is high and the overall competence can be limited. This, in turn, can lead to increased compensation levels, which negatively affects Azelio's earnings. During the financial year 2018, compensation and social security contributions to employees amounted to SEK 69 million. An increase in Azelio's labour costs (including social security contributions) by 5 per cent would, based on the conditions as of 31 December 2018, have affected the operating profit/loss negatively by approximately SEK 3.45 million. If, on the other hand, Azelio would offer too low remuneration levels, it could lead to employees choosing to terminate their employments, which could adversely affect Azelio's competitiveness and operations.

If one or more key personnel or other personnel with specialist expertise decide to resign or significantly change their involvement in the Company and the Company, where applicable, cannot replace them with personnel with the corresponding experience, competence or expertise, or if the Company fails to recruit the right competence, this could lead to delays in the development and/or commercialisation of the Company's system and to limitations of the Company's ability to effectively sell, market and distribute its products. Further, the Company may be forced to hire consultants for the performance of tasks that would otherwise be performed by personnel in the positions to which the Company fails to recruit. Were any of the above-mentioned risks to materialise, this could result in increased costs for the Company as well as in a risk of the Company's ability to generate revenues being limited, which could result in the Company's growth rate falling or coming to a complete stop.

Azelio is dependent on certain partners

Azelio cooperates with international partners who share its ambition to improve the world's electric power supply using more efficient, sustainable and reliable solutions. These partnerships are important to the Company since Azelio receives valuable knowledge about the solar power market, research and development, industrialisation, verification and business development. Furthermore, to a large extent the Company's partnerships, such as Masen in Morocco and Masdar (Abu Dhabi Future Energy Company) ("Masdar") and Khalifa University of Science and Technology ("Khalifa University") in Abu Dhabi, are locally rooted, which creates favourable conditions for Azelio to identify business opportunities and to develop local relations with potential customers, suppliers and authorities. Were any of the Company's partners to terminate the partnership, for example as a result of bankruptcy, liquidation, insolvency, strike or any other reason, there is a risk that the Company would not be able to replace them with other similar producers and suppliers at short notice, or at all. This could, in turn, result in the Company being unable to launch its system on the relevant market or, to the extent the Company has commenced the sale of its systems, being liable to customers for delays or non-deliveries, which could have a significant negative impact on Azelio's reputation and standing on the market, and also result in increased costs and/or in the Company's ability to generate revenue becoming limited or entirely absent.

Partnership agreement and relationship with Masen

One of Azelio's most important partnerships is the one with Masen. According to the partnership agreement with the Company, Masen shall provide services within, *inter alia*, research and development, industrialisation, verification of the technology, initial market activities and commercial analysis, but the agreement also gives the Company access to a large network of established companies and third parties with interests in the solar power industry and to new suppliers for local purchases and local production in Morocco.

Since 2016, Azelio and Masen have a pilot facility of 13 kilowatt ("kW") in Ouarzazate. The next step is to, together with Masen, build a verification project using two units of Azelio's system in Ouarzazate during the fourth quarter of 2019 in order to attain industrial verification and thereafter begin the industrialisation and production of the Company's system. Should the partnership with Masen regarding the verification project be restricted or terminated, it might result in a shift in the Company's time plan with regards to the industrialisation and production of the Company's system, which could entail increased costs for Azelio. Further, a change of partner for a new verification project would result in increased costs for Azelio. Should the partnership for whatever reason be terminated or the relationship with Masen be adversely affected, this could have a significant negative effect on the Company's future development and also result in the Company's growth rate falling or coming to a complete stop.

Ability to handle growth

Azelio is in a growth stage, which places high demands on the Company's management and the Company's operational and financial infrastructure. At present Azelio is a development company, but as a result of the commercialisation of the Company's system and products the Company will go through a

transition to become an industrial and commercially operated company. The Company intends to grow substantially, which, in connection with the transition to an industrial company, places further demands on the design and implementation of planning and management processes in its operations. The development of the Company's sales, delivery and service organisations has already begun; for instance, the Company has established an organisation for market analysis and appointed a VP Operations with responsibility for delivery, service and aftermarket.

As of the date of the Prospectus, the Company mainly runs its operational activities in Sweden, where product development as well as construction of the system to some extent take place. However, the Company already has international customers in cogeneration and the potential end user market for Azelio's products in sustainable electricity production based on thermal storage is global. In the future, the Company may therefore need to expand its operations as part of its future growth plans to markets that the Company has not had any previous contact with or experience of. The expansion and sales to new markets always come with uncertainties and risks, such as increased product liability if there are any faults or defects with Azelio's products, increased environmental responsibilities and/or stricter requirements from authorities and other public bodies. The Company must take these risks into consideration particularly when designing planning and management processes, and there is a risk that the Company will not be able to consider every relevant risk associated with the expansion to existing and new markets and jurisdictions.

If the processes stated above are not designed in a complete and adequate way, are not in place well in advance of the Company deciding to expand its operations, or if the governance, planning and management processes cannot be adapted to the market development or handle the risks associated with expansion to new markets, this could result in significantly increased costs and/or in the Company not being able to establish itself in the new market, which could have a significant negative impact on the Company's ability to generate revenues, which in turn could have a negative impact on the Company's operating profit/loss.

Competition

As of the date of the Prospectus, there are a number of known competitors to Azelio on both existing and new markets, who are developing similar technology to the technology supplied and developed by the Company. There may also be other competitors or technology development projects that aim to meet the same needs as the Company and that are unknown to the Company as of the date of the Prospectus. There is a risk that competitors, both known and unknown, are developing more effective systems and technologies for products that are similar to those being developed and offered by the Company. In the future, Azelio may also face competition from other major, well-established and financially strong companies who may acquire, invest in or establish joint ventures with other companies or competitors who have similar or competing technologies and products to the Company and who may adopt an aggressive price strategy to gain early market shares. If the Company's competitors develop more effective systems and technologies, or if its competitors decide to work together, through acquisitions, joint ventures or investments, this could result in increased price pressure,

lowered profit margins, increasing research and development costs, and/or increased marketing and sales costs. Further, there is competition for suppliers with the knowledge of, e.g., manufacturing components in accordance with the Company's requirements and specifications. These suppliers are to a large extent contracted for component manufacturing in the car industry. Positive market developments in the car industry and a subsequent increase in orders of components could result in the supplier not being able to deliver components to the Company in time, or at all. It is uncertain whether any of the above-mentioned risks will materialise, but to the extent that they do, the Company estimates that its position in the market risks being weakened which, depending on the extent, could have a high impact on the Company's future ability to generate revenue or result in complete absence of future revenues for the Company, which could have a significant negative impact on the Company's operating profit/loss, which in turn could result in Azelio not being able to continue its business in its current form or in Azelio being forced to cease its business.

Disruptions to Azelio's IT system could have a negative impact on the Company's operations

The Company's ability to handle its operations in an effective and secure manner depends on the reliability, functionality, maintenance, operation and continued development of the Company's IT system. The Company's IT system is exposed to risks including computer viruses, sabotage, employee manipulation, intrusion and harmful attacks, both internal and external, as well as human error. Since the Company's technology is new, there is an aggravated risk that the Company attracts directed intrusion attempts on its IT system. There is also a risk that the Company's back-up system may not work. Disruptions to or other problems with the Company's IT system could result in operations not being able to be carried out as planned for a certain period, for example as a result of production interruptions or of the access to information being rendered difficult or completely restricted. The extent of the damage that may occur is mainly attributable to the extent and delay of the disruptions.

Risks related to protracted sales processes

Azelio's product has not yet been introduced to the market and the Company intends to invest great resources into the intensification of marketing and commercialisation processes in order to penetrate specific markets and market segments. However, many of the Company's markets, and the market for renewable energy in general, are characterised by long start-up times as a result of public or private regulations or standards, strict product requirements or obligations and other contractual obligations, which means that the introduction of the Company's products on some markets is preceded by long sales processes.

In addition, long lead times and sales processes are a particular feature of the Company's market, where an organisation, normally a major energy company or another private company, but also an individual state, could make a decision on investments before the Company can start its sales process. The reason is that a transition to solar power is very expensive and is often closely connected to political decisions and investments. If investments in solar power decrease, are suspended, take time or are cancelled, there is a risk that the Company's sales in this market will fall, resulting in less revenue and higher storage costs.

Furthermore, the Company has made certain assumptions regarding pricing for the Company's products and regarding the Company being able to receive advance payments from customers on customary terms for the industry. Deviations in e.g. volume, price, payment model or timing from said assumptions could have a material adverse effect on the Company's operating profit, which may result in the timing of the Company's future capital raising having to be advanced. For more information about the Company's future capital need, see section "*Risk factors – Risks related to Azelio and its business – Future capital needs*".

Changes in energy and raw material prices

In the future Azelio's profitability from the sales of its products will be dependent, e.g., on the price development of aluminium, steel and energy (in particular diesel), which is affected by a number of external factors that are outside the Company's control. Furthermore, Azelio's ability to reduce the effect of fluctuations in the market price by hedging is dependent on several factors, including factors that are outside of the Company's control.

An extensive and prolonged increase in prices in relation to average historic raw material prices could result in increased production costs for the Company. For example, Azelio utilises aluminium as phase change material in its thermal energy storage and during 2018, the Group's aluminium consumption amounted to 18 per cent of the calculated cost for the Company's complete system with thermal energy storage and Stirling-based electricity production. Based on the conditions as of 31 December 2018, a change in the aluminium price with +/- 10 per cent would result in an altered total cost of +/- 1.8 per cent for the Company's system. In the event of long-term increases in e.g. the aluminium price, the price increases risk, to the extent that these cannot be carried forward to future customers, to have a significant negative impact on the Company's operating profit/loss.

Azelio's market is global and there is a risk for its products being damaged during transport

The Company has delivered and will continue to deliver its products internationally. Azelio's products are produced in Sweden and are subsequently transported by ship and/or truck to the customer. There is a risk that these methods of transport could be delayed or that they could be affected by incidents that either completely or partly destroy or damage Azelio's products, including shipwrecks, loads spilling overboard, collisions or severe weather. There is a risk that the damage caused to Azelio might not be covered by existing transport insurance or that it may only be partially covered. Were any of these incidents to occur, the project in question may be delayed. If Azelio's products are damaged during transport, for example in connection with the Company's first delivery of its products, preventing the Company from delivering the first products to the market in accordance with the Company's time plan, it could result in significantly increased costs for the Company as well as have a significant negative impact on the Company's reputation and ability to generate revenues.

Risks relating to legal questions, regulatory questions and corporate governance

Azelio operates in global markets, exposing it to local business risks and/or political decisions in many countries

Azelio operates in global markets and will or may deliver products, open production facilities or sales offices, and hire distributors in many different countries globally. This entails that Azelio may need to employ staff or engage partners, consultants or other intermediaries or agents for whom Azelio will be responsible. Some of the countries in which the Company is active, or in the future may be active in, is characterised, more than Sweden, by risks relating to corruption or other local business risks which, as of the date of the Prospectus, are unfamiliar or unknown to the Company. Expanding geographically to countries whose business risks differ from Sweden's requires Azelio's board of directors and management team to prepare and decide on governance processes and decision-making procedures to limit the risk of local business risks, including corruption and other forms of dishonest behaviour which could damage Azelio's reputation and result in fines, penalties and/or criminal liability. Therefore, it is of great importance that the Company carefully chooses and examines its potential local partners to ensure that the Company only cooperates with appropriate partners on all local markets where the Company operates. A partnership with a partner who does not fulfil its undertakings, does not adhere to the expected time frames or does not meet Azelio's expectations could result in a delay or prevention of the Company's delivery of its products to the local market. There is a risk that the Company fails to adopt adequate procedures in time, if at all, and were the risks stated above to materialise, this could result in significantly increased costs for the Company as well as have a significant negative impact on the Company's ability to generate revenues.

There is also a risk that certain political decisions in a local market could prevent or delay Azelio's ability to operate in the market. In addition, local disputes between authorities and other businesses in a local market could delay or prevent Azelio's continued operations in the local market. If political decisions or other decisions outside of the Company's control are made in a local market that prevent or delay Azelio's establishment or existing operations, this could result in significantly increased costs for the Company as well as have a significant negative impact on the Company's ability to generate revenues.

Azelio needs to obtain and uphold permits, certifications and authorisations and is also dependent on Azelio's customers to obtain permits for import and installation of the Company's products

Azelio's products are intended to be sold globally within the areas where the Company's systems are the most suited, e.g. in the so-called sun belt. This means that the Company will operate in different countries, some of whom have requirements for regulatory permits, certifications, authorisations or requirements from government authorities or other administrative bodies. In addition, these may have different local standards or specific divergences, which is normal in the energy industry. It is the Company's intention to apply for and obtain all relevant permits and authorisations that are required in accordance with agreements or to carry out its operations.

The Company also needs to obtain special certifications for marketing and sales in some of the countries the Company intends to operate in. This means that marketing and sales in different countries are and will remain dependent on the Company receiving relevant permits, certifications and authorisations, or that registration may be required at state or administrative bodies (for example obtaining CE marking for sales within the EEA) in countries where this is required. Further, there is a risk that legislation or other public or private regulations or standards may change, which could result in the Company losing a permit that it has already been granted, or no longer meeting the requirements of the relevant authorities or administrative bodies. This is particularly true for the Company's operations in Asia, where various requirements are often placed on different companies and products, or where regulations and standards are changed at short notice. The Company may therefore need to make extensive adaptations to its operations and products in order to address the changes in requirements and standards, which could result in higher costs and lower margins. Furthermore, Azelio is dependent on its customers obtaining and maintaining building permits, environmental permits, permits to connect to existing power distribution grids and permits to import and install the Company's products on each local market. Were the Company to lose relevant permits, certifications and authorisations, or were any of the Company's customers to lose any of its permits, the Company could be fined or subject to other sanctions, which could result in increased costs for the Company.

The Company's products and operations also include processes for handling substances and chemicals which, either individually or together, could be flammable. The Company therefore plans to apply for a permit to handle flammable substances such as natrium also in commercial volumes. Such permit is valid for five years and implies that the Company has to store and handle certain flammable substances in a specific way. If the Company does not obtain a permit, the Company may need to outsource production and development to a third party, which could result in increased costs for the Company.

Azelio is dependent on intellectual property rights and the Company's ability to protect them may be insufficient

Azelio's operations and business strategy are tied to the Company's products and technology. Azelio relies on a combination of patent and trade mark laws, trade secrets, confidentiality procedures and contractual provisions to protect the Company's intellectual property. As of the date of the Prospectus Azelio holds six granted patents as well as 13 pending patent applications.

There is a risk that the Company will not be able to obtain patent protection for key components of its technology or that the Company will not uphold patents in key markets, such as the Middle East or North Africa. Furthermore, there is a risk that new products or technologies developed by Azelio are not patentable, that issued patents will not be able to provide the Company with the competitive advantages it expected, that the patents will be nullified or cancelled by third parties, that the time required to obtain issued patents may be longer than the lifetime of the technology, or that the patents of others will impair the Company's ability to develop and conduct its business. If the Company's competitors develop new technologies or innovations,

there is also a risk that the Company's intellectual properties rights may be replaced or circumvented.

In addition, government authorities may not approve trade mark applications filed by the Company, and even if the applications were approved, external parties may seek to oppose or challenge these registrations. There is a risk that the Company cannot uphold or renew these rights or that other innovations developed by the Company in the future may not receive adequate protection. There is a risk that Azelio's measures to protect the Company's intellectual property rights may be inadequate and that other players will unduly try to plagiarise or gain access to and use the Company's technology. Monitoring the unauthorised use of technology is complicated and expensive, and the result of any legal action is uncertain.

In addition to Azelio's existing intellectual property protection, the Company also relies on so-called Freedom to Operate analyses. There is a risk that the Company's searches on existing rights, both before and after the Company starts or progresses with a research or development program for a specific technology, method or product, will not reveal all of the relevant rights that are held by a third party with relation to this kind of technology, method or product. As a result of this, the Company's competitors may have obtained or will obtain in the future patents or other intellectual property protection for technologies, methods or products that resemble or compete with the Company's. Azelio would in such a case be accused of intellectual property infringement, or be prevented or limited from utilising a specific product or production method. Further, Azelio may be forced into litigation or other proceedings for alleged intellectual property right infringements, which may be costly and time consuming, regardless of the claim being justified and of it being ultimately resolved in the Company's favour.

There is a risk that the Company's measures to protect the Company's intellectual property rights will be insufficient to prevent others from obtaining such rights. Were any of the risks stated above to materialise, this could result in a significant impairment of the Company's revenue potential, increased costs and also could cause a write-down of the value of intangible fixed assets in the Company's balance sheet.

Azelio, together with Chalmers, has developed certain software that is important to the Company. Most of the development that has taken place with Chalmers is governed by an agreement whereby the ownership of, among other things, such software that is being developed will be granted to Azelio. However, Chalmers has also contributed to the development of certain software both before and after the said agreement was in force. As the issue of ownership of such software is not regulated between the parties, there is a risk that Chalmers owns the rights to certain software. If it turns out that Azelio does not own the current software, this could result in an impairment of the Company's revenue potential.

Trade secrets

Azelio is dependent on trade secrets and know-how, which may not always be protected by registration with authorities in the same way as other intellectual property rights. The reason for the Company's dependency on trade secrets may be that the relevant product or part of a product cannot be protected through registration with authorities, or that it would be inappropriate to make the product or part of a product public through registering

with an authority, since infringements, despite obtained protection, are not detectable. In order to protect trade secrets and know-how, Azelio uses confidentiality and non-disclosure agreements. However, unauthorised or inadvertent disclosure or use of information covered by such agreements by competitors, consultants, employees, board members, the key opinion leaders that the Company has developed relationships with or others could still occur. Furthermore, there is a risk that competitors or other parties could independently develop similar know-how and trade secrets. To ensure that Azelio's software is adequately protected, the Company keeps a backup copy at a third party who, according to the agreement, also has a right of use to, *inter alia*, the source code and the accompanying models limited to their research. Under the agreement, the third party may conduct competing research with Azelio related code and in-depth models five years after completion of the cooperation. There is a risk that the parties' cooperation may be considered terminated. The parties have no more detailed rules on the storage of the software in the said agreement.

If any of the above-mentioned risks were to materialise, or if the protection of Azelio's software cannot be maintained, this could result in a significantly impaired revenue potential for the Company.

Financial risks

Azelio's assets mainly consist of intangible fixed assets

On 30 September 2019, the Company's total intellectual property rights amounted to slightly less than SEK 364 million, which arose as a result of capitalised development costs. Azelio continuously invests in research and development, technology and products. A great deal of the research and development investments is activated as intangible fixed assets and there is a risk that one or all of the Company's investments result in products which cannot be commercialised, do not fulfil safety requirements, are not functional or in any other way do not fulfil the requirements of the Company or the market. Were Azelio not to succeed in developing, obtaining authorisation for or commercialising the Company's products, this could result in substantial write-downs.

Future changes in cash flow, valuation, capital costs or other factors could result in decreases in and write-downs of the value of Azelio's intangible fixed assets. If a future write-down is required, it could have a significant negative impact on Azelio's earnings and shareholders' equity.

Credit risk

A credit risk or counterparty risk is the risk of a counterparty in a financial transaction not meeting its obligations on the due date. Azelio's maximum exposure to credit risk corresponds to the book values of current receivables. The main financial risk in the Company after the commercialisation of the Company's system will be the credit risk for outstanding accounts receivables. The general credit risk that the Company is exposed to is particularly accentuated by the fact that the Company initially will be dependent on a few customer agreements upon the commercialisation of the Company's system and products. If the Company fails to handle its credit control before credit is given, or if the Company's existing counterparties do not, or only partly, fulfil their obligations pursuant to the agreements, this could have a significant negative impact on Azelio's earnings.

Foreign exchange risk

Foreign exchange risk refers to the risk that the effect of changes in the exchange rates adversely affects the Group's earnings and financial position. As a result of the fact that a large part of the Company's business is located abroad, the Company's earnings and financial position are exposed to exchange rate fluctuations. Apart from exposure to SEK, Azelio is primarily exposed to the currencies EUR and USD. A +/- 10 per cent change in EUR or USD towards SEK would, when recalculating the operating profit/loss, have an impact on the operating profit/loss of approximately +/- 3 to 5 per cent. Thus, there is a risk that changes in exchange rates may have a significant impact on Azelio's earnings.

Tax risks

Tax losses carried forward could be restricted or forfeited as a result of a change of control

The Company had tax losses carried forward amounting to SEK 636.6 million in the Group's Swedish operations as of 31 December 2018. Tax losses carried forward have not been accounted for in the Group's balance sheet. Tax losses carried forward may be restricted or forfeited either as a result of future changes in Swedish tax law or, under the current rules, as a result of a change of control through which one holder obtains the decisive influence or several holders together hold shares, acquired during a specific time frame, representing more than 50 per cent of the votes calculated in a certain manner. Such a change of control would cancel historical tax losses carried forward, to the extent they exceed 200 per cent of the acquisition cost for the decisive influence (under a special calculation where contributions and other transfers of value may reduce the purchase price in a certain manner). The forfeiture or restriction on the use of the Group's tax losses carried forward may have a significant impact on the Group's tax burden, including a potential imposition of tax surcharges.

Risks relating to the securities

The share price could be volatile and the share price development is affected by several factors

Since an investment in shares may decrease in value, there is a risk that investors will not recover their invested capital. Azelio's share is listed on Nasdaq First North Growth Market. During the period 1 January 2019 – 30 September 2019, Azelio's share price has amounted to a minimum of SEK 8.72 and a maximum of SEK 21.75. Accordingly, the share price may be volatile. The development of the share price depends on multiple factors, some of which are company specific, while others are related to the stock market in general. For example, the share price may be affected by supply and demand, fluctuations in actual or projected earnings, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors. Furthermore, the price of Azelio's share is in some cases affected by competitors' activities and market positions. There is a risk that there will not be an active and liquid market for trading in Azelio's shares at each point of time, which would affect investors' possibilities to recover their invested capital. This presents a significant risk for individual investors.

Sales of shares by existing shareholders could cause the share price to decline

The market price of Azelio's share could decline if there are substantial sales of the Company's shares, particularly sales by the Company's directors, senior executives and significant shareholders, or otherwise when a large number of shares are sold.

The Principal Owner, certain major shareholders, shareholding members of the board of directors and certain shareholding employees, including senior executives, agreed in connection with Azelio's listing on Nasdaq First North Growth Market in December 2018, subject to certain exceptions and for a certain period of time which amounts to a maximum of 360 days following the first day for trade, not to sell their shares or enter into transactions with a similar effect without the prior written consent of Pareto Securities, the Sole Global Coordinator and Bookrunner in the listing. In total, 12,380,462 shares are comprised by lock-up commitments entered into in connection with Azelio's listing, which amounts to approximately 29 per cent of the number of outstanding shares prior to the Rights Issue.

Further, some of the Company's major shareholders as well as members of the board and management entered into commitments to subscribe for shares in the Rights Issue. These subscription commitments amount to, in aggregate, approximately SEK 90 million, equivalent to approximately 26 per cent of the Rights Issue. Through the subscription commitments they also undertook not to sell their shares during a period of two weeks after the announcement of the outcome of the Rights Issue.

In addition, certain existing shareholders and external guarantors entered into guarantee commitments with customary conditions for subscription of shares up to a level of SEK 300 million which, in aggregate, amount to SEK 210 million, equivalent to approximately 60 per cent of the Rights Issue. Through the guarantee commitments they also undertook not to sell their shares during the period up until the announcement of the outcome of the Rights Issue.

After the expiry of the relevant lock-up period, the shareholders subject to lock-up will be free to sell their shares in Azelio. Any sales of substantial amounts of Azelio's shares in the public market by the Principal Owner or Azelio's other current shareholders, or the perception that such sales might occur, could cause the market price of Azelio's share to decline.

The Principal Owner will continue to have substantial influence over Azelio after the Rights Issue and could delay or prevent a change in control over the Company

After completion of the Rights Issue, and under the assumption that the Rights Issue is fully subscribed, the Principal Owner will, together with related parties, own in aggregate a minimum of approximately 19 per cent of the shares and votes in the Company. It is likely that the Principal Owner will continue to have a significant influence over the outcome of matters submitted to Azelio's shareholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of Azelio's assets. In addition, the Principal Owner could potentially have significant influence over the Company's senior executives and Azelio's operations.

The interests of the Principal Owner may differ significantly from or compete with Azelio's interests or those of the other shareholders, and the Principal Owner could exercise influence over Azelio in a manner that is not in the best interest of the other shareholders. By example, there could be a conflict between the interests of the Principal Owner on the one hand, and the interests of the Company or its other shareholders on the other hand with respect to resolutions on distribution of dividends. Such conflicts could have a significant negative impact on the business, results of operations and financial condition.

Potential future new share issues and exercises of warrants could result in dilution

According to plan, Azelio will need additional capital to fund its operations, which may also exceed the amounts that the Company today estimates to be in need of. In addition, Azelio may need to make additional investments in new technology and may need to raise additional funds through issue of new shares, other equity-related instruments or convertible debt instruments. There is a risk that additional financing will not be available to the Company at acceptable terms when required or will not be available at all. The holdings of existing shareholders may be diluted if the Company resolves to raise additional capital, for example by way of a new share issue, which could also affect the share price. As of the date of the Prospectus the Company also has 40,026,667¹⁾ outstanding warrants. These are held by some of the Company's board members, senior executives, employees, suppliers, partners and current shareholders. If individual holders or all holders of the warrants choose to subscribe for new shares in the Company in accordance with the respective conditions for these warrants, there is a risk that the holdings of the other shareholders may be diluted, which could affect the price of the shares. If all outstanding warrants in the Company is exercised to subscribe for new shares this would correspond to a dilution of approximately 4.8 per cent of the total number of shares and votes in the Company after the Rights Issue, assuming that the Rights Issue is fully subscribed. Were these risks to materialise, this could have a significant negative impact on investors' capital and/or the share price. Refer to section "Share capital and ownership structure – Convertibles, warrants, etc. – Incentive programmes" for further information on the Company's outstanding warrants. See also section "Risk Factors – Risks related to Azelio and its business – Future capital needs", regarding the Company's future capital needs.

Differences in currency exchange rates may materially adversely affect the value of shareholdings or dividends paid

Azelio's shares are quoted in SEK, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholding and their dividends, when converted into other currencies if SEK depreciates against the relevant currency. The recent weak development of SEK has thus had a negative effect on the value of shareholding denominated in other currencies.

¹⁾ This also includes the warrant program resolved upon on the extraordinary general meeting on 26 November 2019, but which as of the date of the Prospectus has not been registered with the Swedish Companies Registration Office.

Shareholders in the United States or other countries outside Sweden may not be able to participate in any potential future cash offers

If the Company issues new shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new shares proportionally to the number of shares held prior to the issue. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in such rights issues, or that otherwise makes participation difficult or limited. By example, shareholders in the United States may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Azelio is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that Azelio's shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their ownership in the Company may be diluted or reduced.

Risks relating to the Rights Issue

Trading in subscription rights and paid subscription rights (BTA) may be limited

Those who were registered as shareholders in Azelio on the record date receive subscription rights in proportion to their existing shareholdings. The subscription rights are expected to have an economic value that can only benefit the holder if he or she either exercises them for subscription for new shares no later than 23 December 2019 or sells them no later than 19 December 2019. After 23 December 2019, unexercised subscription rights will be removed, without prior notification, from the holder's securities account and the holder will thus, in full, be deprived of the expected economic value of the subscription rights. Both subscription rights and BTA which, after payment, are booked into the securities accounts of those who have subscribed for new shares, will be subject to trading on Nasdaq First North Growth Market for a limited period of time. Trading in these instruments may be limited, which may cause difficulties for individual holders to sell their subscription rights and/or BTA and thereby entail that the holders will not be able to compensate themselves for the economic dilution effect that the Rights Issue entails (see "*Risk factors – Risks relating to the Rights Issue – Shareholders who do not participate in the issue of new shares are affected by dilution*" below) as well as during the period when trading in BTA is expected to take place on Nasdaq First North Growth Market (from and including 9 December 2019 until and including 3 January 2020). Investors thereby risk being unable to realise the value of their BTA. Such circumstances would constitute a significant

risk for individual investors. Limited liquidity could also enhance fluctuations in the market price of subscription rights and/or BTA. Consequently, pricing of these instruments risks to be incorrect or misleading.

Shareholders who do not participate in the issue of new shares are affected by dilution

In the event shareholders decide not to exercise or sell their subscription rights in the prospective Rights Issue in accordance with the procedure described in this Prospectus, the subscription rights will expire and become useless without entitlement to compensation for the holder. Consequently, such shareholders' proportional ownership and voting rights in Azelio will decrease. Shareholders who decline to participate in the Rights Issue will have their ownership diluted by up to approximately 53.8 per cent through the issuance of not more than 49,405,405 new shares (corresponding to an increase of the number of shares of approximately 116.7 per cent). Furthermore, such shareholders are not compensated for the dilution of the earnings per Azelio share of not more than 53.8 per cent that the Rights Issue entails. Their relative share of Azelio's equity will also be reduced. In the event a shareholder chooses to sell his or her unutilised subscription rights or if these subscription rights are sold on behalf of the shareholder, there is a risk that the compensation that the shareholder receives for the subscription rights in the market does not correspond to the economic dilution of the shareholder's ownership in Azelio following the Rights Issue.

Unsecured subscription and guarantee commitments

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), Lars Thunell (through LHT Invest AB), Jonas Eklind and Kennet Lundberg have undertaken to subscribe for shares in the Rights Issue. These subscription commitments amount to, in aggregate, approximately SEK 90 million, equivalent to approximately 26 per cent of the Rights Issue. In addition, certain existing shareholders and external guarantors have provided guarantee commitments subject to customary conditions for subscription of shares up to a level of SEK 300 million which, in aggregate, amount to SEK 210 million, equivalent to approximately 60 per cent of the Rights Issue. However, the subscription and guarantee commitments are not secured through, for example, bank guarantees. Consequently, there is a risk that one or several of said parties will not be able to fulfil their commitments. If the aforementioned commitments are not fulfilled, it would have an adverse effect on Azelio's possibility to successfully implement the Rights Issue.

Invitation to subscribe for shares in Azelio

The shareholders in Azelio are hereby invited to, with preferential right, subscribe for new shares in Azelio, with ISIN code SE0011973940, in accordance with the terms and conditions outlined in this Prospectus.

On 28 November 2019, the board of directors of Azelio resolved, on the basis of the authorisation granted at the extraordinary general meeting on 26 November 2019, on the issue of shares in Azelio with preferential right for existing shareholders. The purpose of the Rights Issue is primarily to finance the Company's ongoing operations and the continued industrialisation of the system's design, construction and production, with the objective of reaching industrial volume production in 2021. Azelio also intends to strengthen the Company's sales and marketing organisation with the aim of increasing awareness of the Company in order 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 orders of the Company's system may be obtained during the first half of 2020. The Company intends to make further investments in production such as in tools and production equipment, as well as recruitment and training of production personnel and investments in computer and production systems.

The Rights Issue will increase Azelio's share capital by a maximum of approximately SEK 24,702,703 through the issuance of not more than 49,405,405 new shares. Azelio's existing shareholders will have a preferential right to subscribe for new Azelio shares in proportion to the number of shares that the holder already owns. The record date for determining which shareholders are entitled to subscribe with preferential right is 5 December 2019. Shares that are not subscribed for with preferential right will be offered to shareholders and other investors for subscription in accordance with what is stated in section "*Terms and conditions*". Subscription for shares can be made from and including 9 December 2019 until and including 23 December 2019, 2016, or such later date as is decided by Azelio's board of directors and in accordance with what is stated in section "*Terms and conditions*".

The Rights Issue resolution entails that registered shareholders in the Company on the record date receive one (1) subscription right for each share held. Six (6) subscription rights entitle to subscription for seven (7) new shares. The subscription price has been set at SEK 7.10 per new Azelio share, which entails that Azelio will raise approximately SEK 310 million after issue costs.¹⁾ The new Azelio shares will carry the same rights as existing Azelio shares.

Shareholders who choose not to participate in the Rights Issue will have their ownership share diluted with approximately 53.8 per cent but have the option to be financially compensated for the dilution effect by selling their subscription rights, as further described in section "*Terms and conditions*".

Subscription and guarantee commitments

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), Lars Thunell (through LHT Invest AB), Jonas Eklind and Kennet Lundberg have undertaken to subscribe for shares in the Rights Issue. These subscription commitments amount to, in aggregate, approximately SEK 90 million, equivalent to approximately 26 per cent of the Rights Issue. In addition, certain existing shareholders and external guarantors have provided guarantee commitments subject to customary conditions for subscription of shares up to a level of SEK 300 million which, in aggregate, amount to SEK 210 million, equivalent to approximately 60 per cent of the Rights Issue. In total, there are thus commitments to subscribe for, or guarantee subscriptions for, an amount of approximately SEK 300 million, corresponding to approximately 86 per cent of the Rights Issue. Furthermore, Alfred Berg Kapitalförvaltning AB/BNP Paribas has indicated that it intends to subscribe for its *pro rata* share of the Rights Issue, corresponding to approximately SEK 9 million or approximately 2.6 per cent of the Rights Issue. See further section "*Legal considerations and supplementary information – Subscription and guarantee commitments – Subscription commitments*".

Gothenburg, 4 December 2019

Azelio AB (publ)

The board of directors

¹⁾ From the issue proceeds of maximum approximately SEK 350 million, an estimated deduction is made for issue costs. These costs are estimated to approximately SEK 40 million, including compensation for guarantee commitments. After deduction of issue costs, the Company is estimated to raise approximately SEK 310 million.

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 energy storage solution to the extent that the energy storage now also can be charged by electricity, unlike previously when the storage could only 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 techniques such as photovoltaics (solar cells) and wind power. The improved solution thus enables Azelio to also offer its technology in geographical markets that have commercial conditions for photovoltaics and wind power but lack viable conditions for concentrated solar power ("CSP"), such as India. This has resulted in a significant increase of the addressable market for Azelio's solution, as the existing and continued expansion of intermittent sustainable electricity production with photovoltaics and wind power entails a great use for energy storage. The new solution entails that the Company's storage system can be directly connected to, and thus charged from, the existing electricity grid. Electricity can then be produced whenever needed, for instance for the purpose of handling imbalances in the electricity grid's pricing or for power equalisation. It is the Company's assessment that Azelio's storage solution in many circumstances will be the most competitive solution for distributed and demand-driven electricity production with storage capacity for around-the-clock use.

Azelio's technology solution is a system of thermal energy storage (TES) with a Stirling engine converting thermal energy into electricity. Through 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 demand-driven local electricity generation. Furthermore, the Company's technology is modular, entailing that it can be used in both large and small scale and can be adapted to specific customer needs.

177 units of Azelio's Stirling engines have been manufactured and they have accumulated over two million operating hours globally, of which several operating hours have been carried out in commercial installations with the gas version of the engine, where biogas is used as fuel. The Company's system for thermal energy storage was proven viable in a demonstration plant in June 2018 but has yet to be applied commercially. As part of the continued commercialisation of the Company's thermal energy system, a verification project will be carried out in Morocco together with state-controlled Masen from and including the fourth quarter of 2019, where two of the Company's systems for thermal energy storage charged by electricity from photovoltaics will be installed. The objective of the verification project is to generate operating data that may form basis for future financing of systems from the Company's customers.

The Company expects a large demand for Azelio's technology. More than one billion people today lack access to electricity and more than two billion people lack access to a stable electricity grids. In addition to already planned commitments, additional investments of USD 220 billion are required until 2030 to secure access to micro and mini 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. The potential for the improved storage solution in developed countries with widespread intermittent sustainable electricity production increases as the need for renewable baseload power grows.

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 interest enquiries from potential customers, which after qualification based on specific assessment criteria amounted to approximately 1,000 megawatt ("MW"), corresponding to approximately SEK 50 billion in potential order value.

The improved storage solution with charging by electricity has led the Company to adjust its assessment criteria. Following a new review of the old interest enquiries from potential customers together with new interest enquiries, the Company deems that 121 interest enquiries from potential customers can be commercially viable and interesting. Desired deliveries for said interest enquiries are during 2021–2023 and amount to, in aggregate, approximately 3,900 MW, corresponding to a value up to SEK 170 billion in potential order value.

It should be noted that these interest enquiries do not constitute orders or indications thereof, and that the number of interest enquiries exceeds the Company's expected production capacity over the coming five years. In addition, parts of the interest enquiries relate to geographies where the Company does not plan to operate over the coming five years.

The interest from potential customers and the Company's market analysis has led the Company to consider its solution and offer to be commercially viable and attractive. Since the listing on Nasdaq First North Growth Market, the Company has focused on the industrialisation 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 addition to said installations, the Company plans to carry out installations of two smaller commercial projects during 2020, equivalent of 50 kW each, and a verification project with Masdar during the second quarter of 2020, equivalent of 50 kW. Further, the Company plans to carry out a final internal product verification project, equivalent of 50 kW, before the Company is expected to reach volume production from mid-2021. In aggregate, the plan for 2020 is to install systems equivalent of approximately 200 kW.

¹⁾ A. Oyuke et al., *Off-grid or 'off-on': Lack of access, unreliable electricity supply still plague majority of Africans*, Afro Barometer, Dispatch no. 75, March 2016: http://afrobarometer.org/sites/default/files/publications/Dispatches/ab_r6_dispatchno75_electricity_in_africa_eng1.pdf (controlled 11 November 2019).

The purpose of the Rights Issue is primarily to finance the Company's ongoing operations and the continued industrialisation of the system's design, construction and production, with the objective of reaching industrial volume production in 2021. Azelio also intends to strengthen the Company's sales and marketing organisation with the aim of increasing awareness of the Company in order 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 orders of the Company's system may be obtained during the first half of 2020. The Company intends to make further investments in production such as in 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 310 million after deductions for costs related to the Rights Issue, which are estimated to amount to approximately SEK 40 million.

Azelio intends to use the net proceeds of approximately SEK 310 million for the following purposes stated in order of priority:

- Approximately SEK 116 million will be used for personnel expenses for the industrialisation work during the period up until September 2020, including the verification of the Company's planned installation in Morocco during the fourth quarter of 2019.
- Approximately SEK 94 million will be used for materials, production, purchased services as well as installation of the systems that the Company plans to produce in 2020.
- Approximately SEK 43 million will be used to bolster the Company's sales and marketing organisation – partly through new recruitment in Sweden, but primarily in the local markets that the Company regards as interesting.
- Approximately SEK 42 million will be used to purchase tools and production equipment.
- Approximately SEK 15 million will be used for other research and development, administration costs related to premises, insurance and IT-expenses.

The board of directors regards the existing working capital as being insufficient for Azelio's needs over the coming 12-month period given the Company's current business, research and development plan. The Company deems the working capital requirement over the coming 12-month period to amount to approximately SEK 450 million. In this sense, working capital requirement refers to the liquid capital required for the Company to fulfil its payment obligations as they fall due for payment. Without consideration taken to the proceeds from the Rights Issue, the working capital is considered to be sufficient up until February 2020.

If the Rights Issue is fully subscribed, the board of directors deems the Company's working capital to be sufficient up until September 2020. The board of directors deems that the Company thereafter 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, provided that the Company can obtain advance payments from customers on customary terms for the industry. The calculations of future cash flows are based on assumptions about future commercial orders and agreed pricing according to said orders. The Company expects significant cash flows from external customers from the beginning of the second quarter of 2021 and has made assumptions of being able to receive advance payment in connection with the receipt of orders. Deviations from said assumptions with regard to e.g. volume, price, payment model and timing could entail that the Company's financing has to be advanced or increased. The assumptions have also been based on today's exchange rates and raw material prices. The Company estimates that, as part of the said additional financing need of SEK 300 million, the Company could receive up to SEK 150 million in financing from e.g. bank loans, public grants and soft loans. If, on the other hand, the Rights Issue raises approximately SEK 263 million to the Company after deductions for issue costs, which corresponds to an amount of approximately SEK 300 million before deductions for issue costs that is covered by subscription and guarantee commitments, the board of directors deems that the Company will have sufficient working capital up until August 2020 and thereafter have an additional financing need of approximately SEK 350 million.

In the event that the Rights Issue is not carried through or would not become fully subscribed, the Company may revise its business, research and development plan, for example by reducing the rate of industrialisation of the Company's system, and seek alternative funding options, for example in the form of a new rights issue, a private placement or long-term loan financing from existing or new investors.

In other respects, reference should be made to the full particulars of this Prospectus, which has been prepared by the Company's board of directors for the purpose of the Rights Issue. The Company's board of directors is responsible for the contents of this Prospectus and to the best of the board of director's knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omissions likely to affect its import.

Gothenburg, 4 December 2019
Azelio AB (publ)
 The board of directors

Terms and conditions

Preferential rights and subscription rights

Those parties registered as shareholders in the share register maintained by Euroclear Sweden for Azelio on 5 December 2019, have preferential rights to subscribe for new shares in relation to the number of shares held on the record date.

Those parties registered as shareholders in the Company on the record date, are entitled to one (1) subscription right for each share held. Six (6) subscription rights entitle the holder to subscribe for seven (7) new shares.

The holdings of shareholders who choose not to participate in the Rights Issue and subscribe for shares will become diluted by approximately 53.8 per cent in relation of the number of shares outstanding.¹⁾

Subscription price

The new shares will be issued at a subscription price of SEK 7.10 per share. No commission will be charged.

Record date

The record date at Euroclear Sweden for determining which parties are entitled to receive subscription rights under the Rights Issue is on 5 December 2019. The Company's shares were traded together with subscription rights until and including 3 December 2019. The Company's shares will be traded ex-subscription rights in the Rights Issue from and including 4 December 2019.

Subscription period

Subscription for new shares under the subscription rights is carried out through payment during the period from and including 9 December 2019 until and including 23 December 2019. During this period, it is also possible to apply to subscribe for shares without subscription rights. The board of directors of the Company reserves the right to extend the subscription period, which, if it becomes relevant, will be announced by the Company in a press release not later than on 23 December 2019. The press release will be available on the Company's website, www.azelio.com.

Issue statement

Directly registered shareholders

A pre-printed issue statement with an attached payment form will be sent to shareholders, or representatives of shareholders, in the Company who, on the record date of 5 December 2019, are registered in the share register maintained by Euroclear Sweden for the Company. The pre-printed issue statement sets forth, *inter alia*, the number of subscription rights received and the full number of shares that may be subscribed for. No separate notification will be sent regarding the registration of subscription

rights in shareholders' securities accounts. Those parties included in the separate list of pledge holders and trustees maintained in connection with the share register will not receive any issue statement and will be informed separately.

Nominee-registered holdings

Shareholders whose holdings of shares in the Company are nominee-registered at a bank or other nominee will not receive any issue statement from Euroclear Sweden. Instead, application for subscription and payment should be carried out in accordance with the instructions from the respective nominee.

Shareholders resident in certain unauthorised jurisdictions

The allotment of subscription rights and the issue of new shares through the exercise of the subscription rights to shareholders who are resident outside of Sweden may be affected by securities legislation in such countries; please refer to section "*Important information to investors*". Consequently, subject to certain exceptions, shareholders whose existing shares are directly registered in a securities account and whose registered address is in Australia, Hong Kong, Japan, Canada, New Zealand, Singapore, South Africa, the United States or any other jurisdiction where participation would require additional prospectus, registration or action other than those arising from Swedish law, will not receive any subscription rights to their respective securities accounts or be allowed to subscribe for new shares. Subscription rights that would have been registered to such shareholders will be sold and the sales proceeds, less a deduction for costs, will be paid to such shareholders, however, amounts less than SEK 100 will not be paid out.

Trading in subscription rights

Subscription rights will be traded on Nasdaq First North Growth Market during 9 December 2019 to 19 December 2019. Carnegie, Pareto Securities and other securities institutions with the requisite licenses will provide brokerage services in connection with the purchase and sale of subscription rights. The ISIN code for the subscription rights is SE0013513991.

Subscription for new shares with the subscription rights

Subscription for new shares with the subscription rights is carried out through payment during 9 December 2019 through 23 December 2019. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. After 23 December 2019, unexercised subscription rights will be deleted from holders' securities accounts, without notice from Euroclear Sweden.

To ensure that the value of the subscription rights to subscribe for new shares is not lost, the holder must either:

¹⁾ Calculated on the basis of the maximum number of shares that could come in to existence through the Rights Issue in relation to the maximum number of outstanding shares in the Company after the Rights Issue.

- exercise the subscription rights to subscribe for new shares no later than 23 December 2019, or according to instructions received from the respective trustee; or
- sell the subscription rights that have not been exercised no later than 19 December 2019.

A subscription of new shares with the subscription rights is irrevocable and the subscriber cannot withdraw or change such subscription of new shares.

Directly registered shareholders resident in Sweden

Subscription for new shares with the subscription rights is carried out through cash payment, either by use of the pre-printed payment form or a separate application form, with concurrent payment in accordance with one of the following options:

- the payment form is to be used if all subscription rights in the issue statement from Euroclear Sweden are to be exercised. No additions or changes may be made to the payment form; and
- the application form named "*Application form for subscription of shares with subscription rights*" is to be used if subscription rights have been purchased, sold or transferred from another securities account, or if, for some other reason, the number of subscription rights to be exercised for subscription of new shares differs from the number on the pre-printed issue statement. Payment for the subscribed shares must be made concurrent to submitting the completed application form, which can be carried out in the same way as for other bank giro payments, for example through an internet bank, by giro transfer or at a bank branch office. The number of the securities account that holds the subscription rights must be stated together with the payment.

Application forms in accordance with the above may be ordered from Carnegie during office hours by telephone: +46 (0)8-58 86 85 10 or downloaded from Carnegie's website www.carnegie.se. Application forms and payments must be received by Carnegie no later than 1:00 p.m. on 23 December 2019. Please note that any payment for subscription of new shares with subscription rights that have not reached Carnegie by 1:00 p.m. on 23 December 2019 at the latest will be disregarded and consequently, payment must be made well in advance thereof.

Directly registered shareholders not resident in Sweden who are eligible to subscribe for new shares with subscription rights

Directly registered shareholders who are eligible to subscribe for new shares with subscription rights and who are not resident in Sweden, and who are not subject to the restrictions described above under "*Terms and conditions – Issue statement – Shareholders resident in certain unauthorised jurisdictions*" and who cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

Carnegie Investment Bank AB (publ)
Transaction Support
SE-103 38 Stockholm, Sverige
SWIFT address: ESSESESS
IBAN: SE385000000052211000363
Bank account number: 5221 10 003 63

Upon payment, the subscriber's name, address, securities account number and the reference number on the issue statement must be stated. The final day for payment to be received is 23 December 2019.

If the subscription pertains to another number of shares than stated in the issue statement, the following form should be used instead: "*Application form for subscription of shares with subscription rights*", which can be ordered from Carnegie during office hours by telephone: +46 (0)8-58 86 85 10 or downloaded from Carnegie's website www.carnegie.se. Payment is to be made in accordance with the instructions above with the number of the securities account that holds the subscription rights as reference. Application forms (in accordance with the above address) and payments must be received by Carnegie no later than 1:00 p.m. on 23 December 2019.

Nominee-registered shareholders

Nominee-registered shareholders who wish to subscribe for new shares with subscription rights must apply to subscribe for shares in accordance with the instructions from their respective nominee or nominees.

Paid subscribed shares (BTA)

After subscription and payment, Euroclear Sweden will distribute a securities notification confirming the registration of the BTA in the securities account.

New shares will be registered as BTA in the securities account until such time as the Rights Issue has been registered with the Swedish Companies Registration Office. Registration of new shares is expected to take place at the Swedish Companies Registration Office around 8 January 2020. Thereafter, BTA will be converted to shares, which is expected to take place around 10 January 2020 without special notification from Euroclear Sweden. Holders of nominee-registered depository accounts will receive BTA and information in accordance with the procedures of the respective nominee. BTA will be admitted for trading on Nasdaq First North Growth Market from 9 December 2019 to 3 January 2020. Carnegie, Pareto Securities and other securities institutions with the requisite licenses will provide brokerage services in connection with the purchase and sale of BTA. The ISIN code for BTA is SE0013514007.

Subscription for new shares without subscription rights

The new shares may also be subscribed for without subscription rights.

Directly registered shareholders and others

Application for subscription for new shares without subscription rights must be made on the special application form "Subscription without subscription rights". More than one application may be submitted; however, only the most recently dated application will be considered.

If the application concerns another person than signed, a special form "Guardians and authorised agents" must also be filled in and sent together with the application form "Subscription without subscription rights".

Application forms and other forms may be obtained from any of Carnegie's offices in Sweden or downloaded from Carnegie's website www.carnegie.se as well as from the Company's website www.azelio.com. The application form may either be sent by post to Carnegie Investment Bank AB, Transaction Support, SE-103 38 Stockholm or be handed in at one of Carnegie's branch offices in Sweden. The application form must be received by Carnegie no later than 1:00 p.m. on 23 December 2019.

Legal Entity Identifier (LEI-number)

As of 3 January 2018, all corporations need a global identification code, a so-called Legal Entity Identifier (LEI), to conduct a securities transaction. In order to be entitled to participate in the Rights Issue and to be allocated new shares subscribed for without subscription rights, a corporation must have and state a LEI-number.

Nominee-registered shareholders

Holders of depository accounts that wish to subscribe for new shares without subscription rights must apply to subscribe in accordance with the instructions from their nominee or nominees, who will also process allotment notifications and other questions.

Allotment of new shares subscribed for without subscription rights

If all of the shares are not subscribed for with subscription rights, allotment shall be made as follows:

- Firstly, those who subscribed for new shares with subscription rights and who applied to subscribe for additional new shares shall receive allocation, regardless if the subscriber was a shareholder on the record date 5 December 2019 or not, and in the case of oversubscription, *pro rata* to the number of shares subscribed for with subscription rights;
- Secondly, those who subscribed for new shares without subscription rights shall receive allocation, and in the case of oversubscription, *pro rata* to the new number of shares stated in each subscription application and insofar allocation cannot be done *pro rata*, by lottery; and

- Thirdly and last, allotment of shares subscribed for without subscription rights shall be made up to a subscription level of SEK 300 million to those who have entered into guarantee commitments in their capacity as guarantors, and insofar the guarantors cannot receive full allotment, in accordance with what has previously been agreed with the guarantors.

Around 30 December 2019, a settlement note will be sent to the subscriber as confirmation of the allotment of new shares subscribed for without subscription rights. Shareholders whose holdings are nominee-registered will receive confirmation of the allotment in accordance with the procedure of the respective nominee. No confirmation will be sent to subscribers who received no allotment. Payment for subscribed for and new shares is to be made in cash in accordance with the instructions on the settlement note sent to the subscriber.

After payment of subscribed and allotted new shares has been made and the new shares have been registered with the Swedish Companies Registration Office, Euroclear Sweden will send a notice as confirmation that the new shares have been registered to the securities account. The subscriber receives new shares directly and no BTA will be posted to the subscriber's securities account. Registration of the new shares subscribed for without subscription rights are expected to be registered with the Swedish Companies Registration Office around 8 January 2020. The registration of new shares on securities accounts is expected to take place around 10 January 2020.

Trading in new shares

The Company's issued shares are traded on Nasdaq First North Growth Market. After the Swedish Companies Registration Office has registered the Rights Issue, the new shares will be admitted for trading on Nasdaq First North Growth Market. Trading in new shares is expected to take place around 10 January 2020.

Right to dividend on shares

Dividends are paid following a resolution by the annual general meeting of shareholders. Payment of dividends will be administered by Euroclear Sweden or, for nominee-registered shareholdings, in accordance with the procedures of the respective nominee. Entitlement to receive a dividend is limited to shareholders registered in the share register maintained by Euroclear Sweden on the record date. The new shares carry the right to participate in the distribution of dividends for the first time on the dividend record date that occurs immediately following the registration of the new shares with the Swedish Companies Registration Office.

Irrevocable subscription

The Company is not entitled to revoke the Rights Issue. Subscription of new shares, with or without subscription rights, is irrevocable and the subscriber may not withdraw or change a subscription for new shares, unless otherwise stated in this Prospectus or applicable law.

Announcement of the outcome of the Rights Issue

The outcome of the Rights Issue is expected to be announced around 30 December 2019 through a press release from the Company.

Information about the processing of personal data

Parties who subscribe for, or apply to subscribe for, new shares will submit personal data to Carnegie. Personal data that is submitted to Carnegie, for example contact information and personal identification number, or which is otherwise registered in connection with the preparation or administration of the Rights Issue, is processed by Carnegie, as controller of the personal data, for the administration and execution of the offer. Processing of personal data also takes place to enable Carnegie to comply with its statutory duties.

Personal data may for a defined purpose, in observance of bank secrecy rules, occasionally be disclosed to other companies within the Carnegie Group or to undertakings which co-operate with Carnegie, within and outside the EU/EEA in accordance with EU's approved and appropriate protective measures. In certain cases Carnegie is also under a statutory duty to provide information, e.g. to the Swedish Financial Supervisory Authority and Swedish Tax Agency.

Similarly to the Swedish Securities Market Act (Sw. *lagen (2007:528) om värdepappersmarknaden*), the Swedish Banking and Financing Business Act (Sw. *lagen (2004:297) om bank- och finansieringsrörelse*) contains confidentiality provisions according to which all of Carnegie's employees are bound by a duty of confidentiality with regard to clients of Carnegie and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the Carnegie Group.

Information regarding what personal data is processed by Carnegie, deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data can be requested from Carnegie's Data Protection Officer. It is also possible to contact the data protection officer if the subscriber wishes to obtain further information about how

Carnegie processes personal data. If the subscriber wishes to make a complaint regarding Carnegie's processing of personal data, the investor is entitled to turn to the Swedish Data Protection Authority in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that Carnegie has no legal obligation to preserve the personal data. The normal storage time for personal data is 10 years. Address to Carnegie's data protection officer: dpo@carnegie.se.

Other information

Carnegie is the issuing institution in connection with the Rights Issue. The fact that Carnegie is the issuing institution does not imply that Carnegie views any party that applies to subscribe under the Rights Issue as a customer of Carnegie. In the event that a larger amount than necessary has been paid by a subscriber for new shares, Carnegie will arrange for the excess amount to be refunded. No interest will be paid on excess amounts. Incomplete or incorrectly completed application forms may be disregarded. If the subscription payment is made late, is insufficient or is paid incorrectly, the subscription application may be disregarded entirely or allotment may be for a lower amount, in which case, any excess amount will be refunded. No interest will be paid on any such excess amount. Amounts less than SEK 100 will not be refunded.

Taxation

For information pertaining to taxation, please refer to section "*Tax considerations in Sweden*".

Market overview

The Prospectus contains information concerning the size of Azelio's potential market and general market opportunities. Unless otherwise stated, the information in the Prospectus is based on Azelio's assessment of a number of sources, including Bloomberg New Energy Finance ("BNEF"), the International Energy Agency ("IEA"), the International Renewable Energy Agency ("IRENA") and the U.S. Energy Information Administration ("EIA"). Although there is no definitive unanimously accepted source for such market data, Azelio considers the information presented to be representative and reliable. Even though the information has been reproduced correctly and Azelio considers the sources to be reliable, Azelio has not independently verified the information and thus, its accuracy and completeness cannot be guaranteed. However, as far as Azelio is aware and can be assured of through comparison with other information published by these sources, no information has been omitted in a way that might render the reproduced information erroneous or misleading.

Introduction to Azelio's market

The renewable energy sector has grown rapidly in recent years and is predicted to continue to grow as a result of the technology being developed and becoming more cost-efficient compared to non-renewable energy sources, such as fossil fuels. There is a clear distinction between intermittent (non-continuous, fluctuating) energy sources and sources of baseload power (continuous). Solar and wind power are intermittent sources since they only produce energy when the sun shines or the wind blows. In contrast, nuclear power and fossil energy sources are baseload power sources since they can produce energy around-the-clock, regardless of wind and weather conditions.¹⁾ Therefore, in order for solar and wind power to be able to satisfy the need for a continuous energy supply and constitute adequate alternatives to nuclear power and fossil energy sources, solutions are required that allow storage of renewable energy.

As of the date of the Prospectus, large parts of the world lack access to a reliable electricity supply, i.e. an electricity supply every hour of the day without frequent interruptions. Access to a reliable electricity supply is important for economic and social development, and an inadequate supply of electricity has a negative impact both on households and on the public and private sectors. There is thus a significant demand for electricity-producing systems that can meet the need for a reliable electricity supply. Expanding the regular grid to geographies that currently lack or have an inadequate electricity supply requires substantial investment and is very time-consuming. Instead, systems for so-called distributed and demand-driven electricity production are often used to avoid costly infrastructure investments. This refers to sources of electricity production which, in addition to being able to supply a regular grid with electricity, can also supply micro and mini grids and off-grid systems.

Parallel to the lack of a reliable electricity supply, demand for electricity in developed nations is growing, for example, for use in areas such as infrastructure and modes of transport. In particular, there is a demand for an increase in the percentage of renewable energy sources used in order to reduce carbon emissions, and there is thus a need for access to sustainable electricity production also at the time of day when renewable, intermittent energy sources are not producing any electricity. There is also a demand for cost-competitive alternatives in markets with high electricity tariffs.

Consequently, there is a clear need for renewable energy storage in on-grid markets, in markets with micro and mini grids

and in markets with off-grid systems. A particularly large market demand exists for small-scale storage solutions that enable storage for long sustainable electricity production, an area where established market actors to a large extent are absent. A demand for such storage solutions can partly be seen in markets that are on-grid and characterised by significant access to renewable energy sources, by poorly performing grids, by greatly fluctuating electricity tariffs and by high carbon taxes, but above all in markets with off-grid systems that are dependent on expensive energy sources, such as diesel, but have access to cheap, unutilised charging sources such as solar and wind.

Azelio offers a system for sustainable electricity production around-the-clock, based on thermal storage of renewable energy. Energy can be extracted by concentrating solar heat and, following a technical breakthrough in May 2019, from photovoltaics (solar cells) or wind power, that is stored as thermal energy. The energy stored in the Company's system can be used to produce electricity whenever needed; for example, at times when solar radiation is not strong and the wind is not blowing. Further, the system is not dependent on connection to a regular grid either. The Company's system therefore constitutes an important part of the solution to the problem of intermittency that, for example, photovoltaics and wind power face, and at the same time the system is a solution for renewable, distributed and demand-driven electricity production around-the-clock. Azelio therefore deems that the system's field of application is two-fold. On one hand, it can supply electricity to the parts of the world which, as of the date of this Prospectus, have no reliable electricity supply or have no connection to a grid at all, and on the other hand it can supply developed nations that are on-grid with renewable, distributed energy around-the-clock. The Company's technology both enables the storage solution to be offered to geographical markets that have the right commercial conditions for photovoltaics and wind power but lack the necessary conditions for concentrated solar power (CSP) (or, although less common, vice versa), as well as enables the storage system to be used to manage imbalances in grid prices or to level out power fluctuation. In addition, there is also the potential to use surplus heat generated by the system for, where such possibilities and demands exist, e.g. heating, cooling (absorption refrigeration) and water desalination.

The Company's initial focus geographies are regions that are in need of small-scale energy storage for long electricity production, that have access to energy sources at low cost and for which alternative costs of electricity generation are high. The lowest energy storage costs on the market are often obtained

¹⁾ Continuous energy sources can also be divided into fast-regulating and slow-regulating sources. For example, coal power is a slow-regulating source of baseload power, while Azelio's solution is a fast-regulating energy source, which is essential for the use of renewable energy.

by charging the energy storage using electricity generated by photovoltaics, which is why regions with high solar radiation are of interest as initial target markets for Azelio's system. The Company has identified a number of areas that are characterised by both a high percentage of solar radiation and high alternative electricity generation costs, which therefore constitute initial focus geographies for Azelio. These are the MENA region (Middle East and North Africa), sub-Saharan Africa, the Andes, Mexico, Brazil, central and western United States and Australia. At a later stage, the target markets may include regions with shorter storage needs, such as the United States, Mexico, Brazil, Chile, Colombia, Peru, Germany, France, Spain, Italy, Scandinavia, Australia, South Korea, Japan, China and the Philippines. At the time for volume delivery, the Company will focus on projects with a size of between 500 kW and 20 MW, later including projects from 100 kW up to a size of 100 MW. The initial target segments for the Company's system consist of customers who need a reliable electricity supply around-the-clock, which includes both industries and communities that do not have access to electricity or grids with sufficient power.

The global energy mix

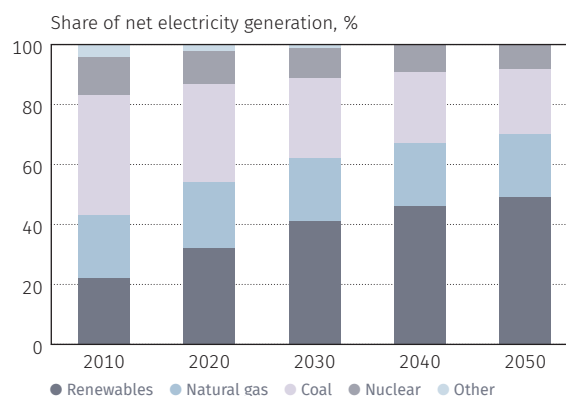
Global energy consumption grew by approximately 2.9 per cent in 2018, which constitutes the highest growth since 2010 and almost double the average growth of 1.5 per cent over the past decade.¹⁾ Further, global energy consumption is expected to grow by 20 per cent until 2040 from 2017 levels.²⁾ Growth in energy consumption is expected to be driven mainly by economic growth, improved living standards and demographic trends such as population growth. Countries that are not members of the Organisation for Economic Co-operation and Development ("OECD") are expected to lead the development of all of these aspects and thus also exhibit the most significant increase in energy consumption, with an expected 37 per cent increase in consumption by 2040. Electricity production is, and is expected to remain, the sector that accounts for the greatest share of demand for energy. Global demand for electricity is expected to grow by 59 per cent from 2017 to 2040.³⁾ More than one billion people today lack access to electricity and more than two billion lack access to a stable grid. Investment of USD 220 billion is needed until 2030 to ensure access to micro grids and mini grids for approximately 500 million people.⁴⁾

Renewable energy

Alongside increased global demand for energy and electricity, a shift is also under way from fossil to renewable energy sources. In 2017, the share of renewable energy sources in total energy production increased from 8.4 to 9.3 per cent, a trend that is expected to continue in the coming years; between 2018 and 2050 electricity production using renewable energy sources is

expected to increase by an average of 3.6 per cent per year.⁵⁾ By 2025 it is estimated that renewable energy sources will surpass coal as the largest source of electricity production and by 2050 it is estimated that renewable energy sources will account for almost half of global electricity production.⁷⁾

FIGURE 1. VARIOUS ENERGY SOURCES' SHARE OF NET ELECTRICITY PRODUCTION



Source: U.S. Energy Information Administration, *International Energy Outlook 2019*, September 2019 (controlled 11 November 2019).

The growth in renewable energy sources can be attributed to a number of trends and drivers,⁸⁾ the most important of which is considered to be increased environmental awareness prompted by rising temperatures measured in recent years. In addition, a technological development that has made renewable energy sources more cost-efficient has taken place. As of the date of the Prospectus, several renewable energy sources have achieved a levelised cost of electricity ("LCOE")⁹⁾ equal to or lower than a number of fossil energy sources. For an overview of LCOE for different technologies, and how LCOE for Azelio's system compares with other selected technologies, see section "Business overview – Product offering – Methods to estimate and calculate Azelio's thermal energy storage cost and competitiveness – LCOE". Further, for an overview of the levelised cost of storage ("LCOS")¹⁰⁾ for various energy storage technologies, and how LCOS for Azelio's system compares with other selected technologies, see section "Business overview – Product offering – Methods to estimate and calculate Azelio's thermal energy storage cost and competitiveness – LCOS".

¹⁾ BP, *Statistical review of World Energy 2019: 68th edition*, June 2019: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf> (controlled 11 November 2019).

²⁾ ExxonMobil, *2019 Outlook for Energy: A Perspective to 2040*, August 2019: https://corporate.exxonmobil.com/-/media/Global/Files/outlook-for-energy/2019-Outlook-for-Energy_v4.pdf (controlled 11 November 2019).

³⁾ ExxonMobil, *2019 Outlook for Energy: A Perspective to 2040*, August 2019: https://corporate.exxonmobil.com/-/media/Global/Files/outlook-for-energy/2019-Outlook-for-Energy_v4.pdf (controlled 11 November 2019).

⁴⁾ A. Oyuke et al., *Off-grid or 'off-on': Lack of access, unreliable electricity supply still plague majority of Africans*, Afro Barometer, Dispatch no. 75, March 2016: http://afrobarometer.org/sites/default/files/publications/Dispatches/ab_r6_dispatchno75_electricity_in_africa_eng1.pdf (controlled 11 November 2019).

⁵⁾ BP, *Statistical review of World Energy 2019: 68th edition*, June 2019: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf> (controlled 11 November 2019).

⁶⁾ U.S. Energy Information Administration, *International Energy Outlook 2019*, September 2019: <https://www.eia.gov/outlooks/ieo/pdf/ieo2019.pdf> (controlled 11 November 2019).

⁷⁾ U.S. Energy Information Administration, *International Energy Outlook 2019*, September 2019: <https://www.eia.gov/outlooks/ieo/pdf/ieo2019.pdf> (controlled 11 November 2019).

⁸⁾ See section "Market overview – Trends and drivers for increased production of sustainable electricity".

⁹⁾ The LCOE measure is an economic evaluation of energy-producing systems. It is calculated by dividing the system's total expected present value life-cycle costs by the system's expected total energy production.

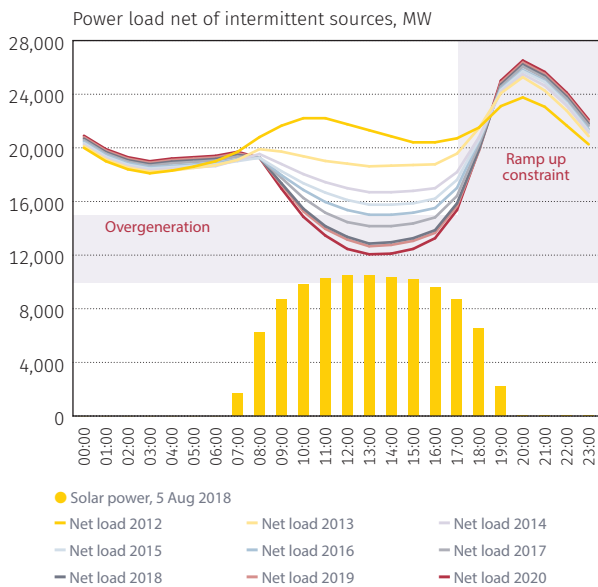
¹⁰⁾ The LCOS measure is a method for estimating the cost per produced energy unit for energy storage technologies. Production in this context does not mean actual energy production as with LCOE, but rather the stored amount of energy that is discharged from the energy storage unit. When an energy storage unit is not generating electricity and depends on other generating technology, it is referred to LCOS instead of LCOE. LCOS is calculated by dividing the system's expected total present value life-cycle costs by the total amount of energy expected to be obtained in the system.

The potential growth of intermittent renewable energy is limited

Despite the both historical and expected future positive development in renewable energy technology, the existing technologies are facing challenges. These challenges are an obstacle for more widespread use and are resulting in renewable energy sources not yet being a satisfactory substitute for fossil energy sources and nuclear power. One of the main challenges is considered to be the fact that both wind power and photovoltaics are intermittent energy sources.

Energy production from wind and solar power is dependent on the weather conditions, season and time of day, which results in non-continuous energy production. For example, photovoltaics produce the most energy in the middle of the day and then lose production capacity in the afternoon to often approach zero production capacity in the evening and at night. Energy consumption, on the other hand, is relatively continuous over time and follows a clear pattern each day with high consumption in the evenings, i.e. when production from photovoltaics is low. This results in two main problems for grid operators. Firstly, electricity production has to be supplemented with baseload power sources such as coal and nuclear power in order to meet demand when production from intermittent energy sources is low; secondly, widespread installation of photovoltaics may result in imbalance between electricity output and input when production capacity is at the highest and energy consumption is at the lowest, i.e. during the day. Such imbalance risks causing damage to the grid. The problems relating to solar energy are illustrated in Figure 2. As long as these problems remain, renewable intermittent energy sources will not constitute a satisfactory alternative to baseload power sources.

FIGURE 2. THE DUCK CURVE



Source: California Independent System Operator, www.caiso.com (controlled 11 November 2019).

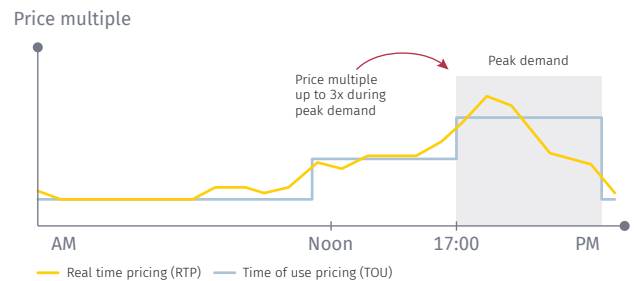
Figure 2 illustrates what is known as the so-called Duck Curve. Each line in the graph shows demand for electricity after deducting electricity production from photovoltaics. In the middle of the day, when production from photovoltaics is at its peak, net demand from baseload power sources decreases. However, demand for electricity is highest in the evening, i.e. when production from photovoltaics is at its lowest. The more photovoltaic capacity is expanded, the greater the imbalance between when the demand for baseload power is highest and when it is lowest, as illustrated

by the fact that the curve on the lines showing net demand increases with each year. The problem of increasing differences between peaks and troughs on the net demand curve is that several baseload power sources, such as coal power, produce at a relatively constant level regardless of the time of day, and due to their slow-regulating properties they cannot be combined with electricity from renewable sources without the output becoming too high. Alternating between turning baseload power sources on and off after peaks and troughs in photovoltaic production results in rising production costs due to the lower capacity utilisation of these production plants. The implication of this is that when electricity production from photovoltaics is at its highest, there is a risk that too much electricity will be produced; conversely, at times of peak demand, fossil sources will need to be used since photovoltaic production is low and coal power production cannot be increased sufficiently for a few hours. The graph is based on data from California, United States.

Intermittent energy sources affect price dynamics

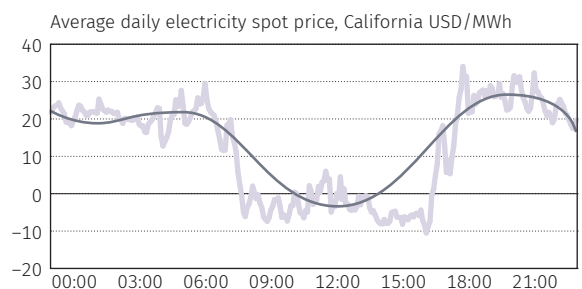
Figure 3 and figure 4 illustrate how the price of electricity can vary at different times of the day. The price may be up to three times as high in the afternoon and evening compared with during the morning. In extreme cases, electricity prices may even be negative when intermittent renewable energy sources are producing at their peak. Energy storage solutions thus allow electricity producers to store energy in the middle of the day when electricity prices are low and renewable energy sources are producing the most electricity, in order to then sell electricity at times when prices are higher. Therefore, a system such as Azelio's can create significant customer value. Electricity price-fixing that depends on the time of day mainly takes place in mature markets with a well-developed and reliable grid, i.e. not in any of the Company's initial focus geographies.

FIGURE 3. ILLUSTRATIVE GRAPH OF PRICING OF ELECTRICITY IN MARKETS WITH A WELL-DEVELOPED GRID



Source: Own compilation.

FIGURE 4. A NEGATIVE ELECTRICITY PRICE CAN BE OBSERVED IN THE MIDDLE OF THE DAY IN CERTAIN MARKETS



Source: Own compilation of data from J. Seel et al., *Impacts of High Variable Renewable Energy Futures on Wholesale Electricity Prices, and on Electric-Sector Decision Making*, May 2018: http://eta-publications.lbl.gov/sites/default/files/report_pdf_0.pdf (controlled 11 November 2019).

Distributed and demand-driven electricity production

Demand-driven electricity production refers to electricity that can be used on demand and where production can be controlled by the grid operator, which is necessary for reliable production of electricity around-the-clock. In turn, distributed electricity production refers to small local production sources that can either be connected to the regular grid in order to supply it with electricity, or be used to supply micro and mini grids and off-grid systems with electricity. Systems for distributed and demand-driven electricity production thus refer to production sources capable of providing micro and mini grids or off-grid systems with a reliable supply of electricity where there is no access to the regular grid. In case of access to a regular grid, these systems can also supply the grid with electricity. Both micro and mini grids and off-grid systems can be supplied by both renewable and fossil energy sources, as well as by hybrid systems where renewable sources are combined with batteries or a fossil energy source. As of the date of the Prospectus, diesel generators are a widespread electricity production source for off-grid systems. However, strong growth in solar-based systems is predicted. According to a report from the World Bank, the market for off-grid solar power is expected to grow by 25 per cent between 2017 and 2022.¹⁾ Also, wind power is now used in large parts of the world to produce electricity and it is estimated that, combined with solar energy, it will account for 70 per cent of all electricity generation from renewable energy sources by 2050.²⁾

Access to a reliable electricity supply is important for economic and social development, and an inadequate supply has a negative impact both on households and on the public and private sectors. Lack of an adequate supply is widespread in large parts of the world; more than one billion people lack access to electricity and more than two billion people lack access to a stable grid. Given the widespread lack of a reliable electricity supply and subsequent implications for economic development in the areas concerned, extensive investments are expected to be made to improve reliability. Around a third of investments in the period up to 2030 are expected to be made in micro and mini grids, of which approximately 90 per cent are expected to be attributable to renewable energy sources.³⁾ If renewable energy sources are to be able to meet the demand for a reliable electricity supply and thus be able to replace diesel generators as the most common electricity production technology for micro and mini grids and off-grid systems, storage solutions are required for storage equivalent to several hours of electricity production that can remedy the problem of intermittency associated with these energy sources.

In developed countries that are on-grid there may also be a demand for demand-driven and distributed electricity production. Regions that are on-grid and have a large supply of renewable energy often require so-called energy shifting, which means that the renewable energy is stored when it is least expensive – i.e. at times of day when the sun is shining in the case of solar energy and when there are strong winds in the case of wind power – and distributed during the hours when electricity is the most expensive. Further, micro and mini grids are not only useful to distribute electricity to off-grid systems,

but also as application to existing grids since they can increase the performance and reliability of existing electricity production. Not only developing countries are subject to weak and unreliable grids; for example, grids in the United States are vulnerable to natural disasters that often result in long power failures.

Energy storage for distributed and demand-driven electricity production

Long-term sustainable development signifies people consuming less of the Earth's resources now and leaving more for future generations. On the energy front, it has been clear for a long time that reducing emissions of greenhouse gases from burning fossil fuels is essential. Reducing the use of fossil fuels is, however, a difficult and challenging task based on the enormous amount of energy consumed and the low cost of fossil fuels.⁴⁾ According to the IEA, energy production in 2013 was dominated by fossil fuels and nuclear power at 86.2 per cent. The remainder consisted of renewable sources, including biomass combustion, and fossil fuels accounted for 78 per cent of electricity production. For OECD countries the share of fossil fuels was 90.5 per cent.⁵⁾ It is unlikely that the situation will change in the immediate future unless decisive, much-needed action is taken. The IEA writes:

*"In the absence of efforts to stabilise atmospheric concentrations of GHGs, average global temperature rise is projected to be at least 6°C in the long term."*⁶⁾

One way to reduce the use of fossil fuels is to increase energy production from renewable sources. Examples of such fast-growing sources are wind and solar, for which the most common variants for electricity production are wind turbines and photovoltaics. However, these sources are irregular and sporadic by nature, and in the case of solar energy there is also a periodicity over the day and night. The lack of predictability is not compatible with the instantaneous demands of the electricity grid, and energy storage is therefore a necessity for increased use of renewable sources.⁷⁾

For energy storage to be used on a large scale, it needs to be cost-competitive. Energy can then be produced or collected during favourable conditions for intermittent energy sources and the energy can subsequently be used in periods with less favourable conditions. Solar and wind power can then supply the grid with electricity around-the-clock and the difference between peaks and troughs in energy production can be evened out. A result of cost-efficient energy storage systems is therefore that solar and wind power become satisfactory alternatives to traditional baseload power sources and can be used to supply grids with up to 100 per cent renewable energy. Energy storage is thus expected to play a key role in the next stage of the transition from fossil to renewable energy sources.⁸⁾

"The next big technological revolution will be in the storage of solar energy"

– Narendra Modi, Prime Minister of India

Source: World Government Summit, February 2018: <https://gulfnews.com/uae/government/modi-storage-of-solar-energy-will-be-next-big-thing-1.2172027> (hämtad 11 november 2019).

¹⁾ The World Bank et al., *Off-Grid Solar Market Trends Report 2018*, 2018: https://www.lightingglobal.org/wpcontent/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Summary.pdf (controlled 11 November 2019).

²⁾ U.S. Energy Information Administration, *International Energy Outlook 2019*, September 2019: <https://www.eia.gov/outlooks/ieo/pdf/ieo2019.pdf> (controlled 11 November 2019).

³⁾ The World Bank et al., *State of Electricity Access Report 2017*, 2017: <https://openknowledge.worldbank.org/bitstream/handle/10986/26646/114841-WP-v2-FINALSEARwebop.pdf?sequence=6&isAllowed=y> (controlled 11 November 2019).

⁴⁾ M. Nilsson, *On Stirling Engine Thermodynamic Modeling*, licentiate thesis, Chalmers University of Technology, Gothenburg, 2016.

⁵⁾ International Energy Agency, *Key World Energy Statistics*, 2015: https://www.connaissancesdesenergies.org/sites/default/files/pdf-actualites/keyworld_statistics_2015.pdf (controlled 11 November 2019).

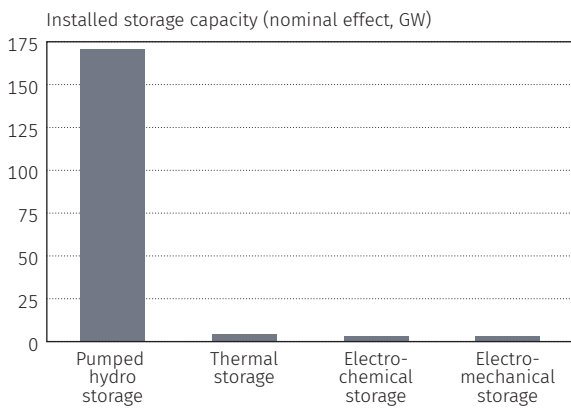
⁶⁾ IEA, *Glossary – Scenarios – The 6°C Scenario (6DS)*: <https://www.iea.org/about/glossary/s/> (controlled 11 November 2019).

⁷⁾ D. Lindley, *Smart Grids: The Energy Storage Problem*, *Nature* 463, 18, 2010: <https://www.nature.com/news/2010/100106/pdf/463018a.pdf> (controlled 11 November 2019).

⁸⁾ International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

Energy can be stored using various technologies and these can be divided into four main groups: 1) thermal storage, 2) electrochemical storage (batteries), 3) electromechanical storage, and 4) pumped hydro power. Each group in turn consists of a number of different storage technologies.¹⁾ Figure 5 presents an overview of selected storage technologies. For the Company's main target markets and application areas, i.e. small-scale energy storage for long electricity production in markets that need demand-driven and distributed electricity production, Azelio believes that thermal storage and batteries are currently the most relevant storage technologies. For a description of thermal storage, see section "Market overview – Energy storage for distributed and demand-driven electricity production – Thermal energy storage"; for a description of batteries, see section "Market overview – Competing technologies and Azelio's positioning". It is mainly technologies for storage for electricity production over a period exceeding four hours that are deemed to be relevant to the Company's market description. Pumped hydro power is the technology in the world that has the greatest nominal capacity with very long storage hours, but it has limitations as this technology can only be built in certain geographical areas around the world because the technology requires certain conditions such as a hilly terrain and access to water.

FIGURE 5. GLOBALLY INSTALLED STORAGE CAPACITY IN 2017 FOR THE MOST COMMON STORAGE SYSTEMS



Source: International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

FIGURE 6. DIFFERENT ENERGY STORAGE SYSTEMS

| Type of technology | Variants of sub-technologies |
|--------------------|--|
| Pumped | Open/closed loop with hydro power storage |
| Thermal | Thermal energy stored in aluminium alloy, cooling water, concrete, ice or molten salt |
| Electrochemical | Electrochemical condenser, lithium ion battery, flow battery, vanadium redox battery, lead battery, metal battery, sodium ion battery, zinc hybrid battery |
| Electromechanical | Compressed air storage, flywheel |
| Chemical | Hydrogen storage, liquid air energy storage |

Source: United States Department of Energy, *Global Energy Storage Database*, 2017: <http://www.energystorageexchange.org/projects> (controlled 11 November 2019).

Thermal energy storage

In the usage of thermal energy storage (TES), collected energy or electricity is stored as heat and converted into electricity on

demand – which is currently significantly more cost-efficient than storing electricity.²⁾

The most common variant of thermal energy storage is the storage of sensible energy in molten salt, usually a mixture of various nitrate salts at approximately 550°C. For higher temperatures chloride or carbonate salts must be used. However, here the risk of corrosion is a greater problem than when nitrate salts are used. In this type of energy storage, the salt is stored in two tanks, one heated to approximately 550°C and one to approximately 290°C. On discharge, molten salt is pumped from the hotter tank to a steam generator and on to the colder tank.

Other types of sensible energy storage include storage in solid material, often concrete, stone, ceramics or residual products from various industries. Examples of the latter materials group include slag from smelters or waste from the construction industry. In this category, the storage medium may be made of both solid material, most commonly concrete, and porous material, with pellets and balls being common forms (known as packed beds). Since the storage material is firm, it is kept stationary and is not transported anywhere. Instead, plants of this type use a fluid as a heat carrier between the storage and the thermal cycle. The fluid may be air, oil, molten salt or some other suitable fluid.

In addition to storage in sensible form, energy can be stored as latent energy. In this context, latent energy refers to the energy that is released or absorbed when materials change to a different phase in heat storage, i.e. a phase change. The Company's energy storage technology is of this type.

The cost of thermal energy storage largely consists of the cost of the actual storage medium. A storage unit with long storage capacity increases capacity utilisation for the entire system and is thus associated with lower electricity production cost per kWh stored than a unit with shorter storage capacity. It is therefore profitable to have large units with capacity for several hours of consumption, also exceeding what is needed to even out the peak load in the late afternoon or early evening. A large storage unit may have the capacity to deliver energy around-the-clock.

For a detailed description of Azelio's system with thermal energy storage, see section "Business overview – Product offering – Azelio's system for sustainable electricity production with thermal energy storage (TES)".

Technologies for the use of renewable solar and wind energy in electricity production

Technologies for conversion of renewable solar and wind energy to electricity can primarily be divided into three main categories: photovoltaics, wind power and concentrated solar power. In 2018, the global installed capacity for the three technologies amounted to 1,101.5 gigawatt ("GW"), of which wind power and photovoltaics accounted for a clear majority.³⁾ The reason that concentrated solar power makes up a limited share of the installed capacity is that the plants need to be built for large outputs making them capital intensive.

Photovoltaics

The most widespread technology for solar power is photovoltaics, where the photons in light energy are converted into electricity. This type of solar power can utilise diffuse horizontal irradiance ("DHI")⁴⁾, in contrast to concentrated solar power which can only utilise direct normal irradiance ("DNI")⁵⁾. The possibility of

¹⁾ International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

²⁾ International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

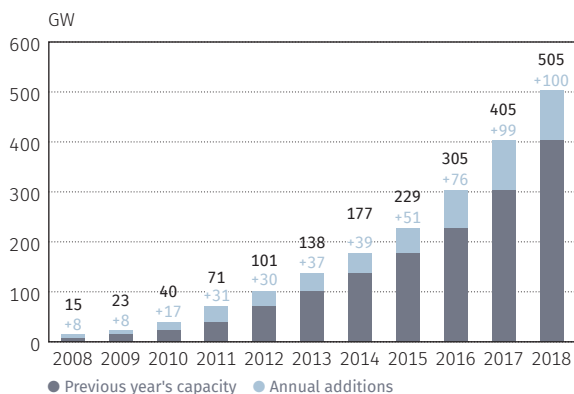
³⁾ REN21, *Renewables 2019 Global Status Report*, 2019: https://www.ren21.net/wp-content/uploads/2019/05/gsr_2019_full_report_en.pdf (controlled 11 November 2019).

⁴⁾ Diffuse horizontal irradiance (DHI) is a measure of the amount of sunlight received by a given surface area over a certain period of time and that has been scattered by particles in the atmosphere.

⁵⁾ Direct normal irradiance (DNI) is a measure of the amount of solar energy, excluding diffuse normal irradiance, received by a given ground area over a certain period of time.

utilising DHI and DNI, the ease of scaling up solar parks and the low investment requirement compared with concentrated solar power are among the main advantages of photovoltaics. Due to these advantages, concurrently with technological progress and political initiatives, the global installed capacity of photovoltaics increased from 15 GW to 505 GW over the period 2008 to 2018.¹⁾

FIGURE 7. GLOBALLY INSTALLED CAPACITY FOR PHOTOVOLTAICS



Source: REN21, *Renewables 2019 Global Status Report*, 2019: https://www.ren21.net/wp-content/uploads/2019/05/gsr_2019_full_report_en.pdf (controlled 11 November 2019).

Wind power

Wind power refers to electricity production where energy in the wind is extracted to power an electricity-producing unit. When air masses have different temperatures, air currents are created, and their kinetic energy can be converted into electrical energy via a generator in a wind turbine. Wind power is currently used in large parts of the world to produce electricity and it is estimated that, combined with solar energy, it will account for 70 per cent of all electricity generation from renewable energy sources by 2050.²⁾

Conversion of electricity from photovoltaics and wind power to thermal energy to electricity

Following Azelio's technological break-through in May 2019, electricity can also be generated through conversion of electricity into stored thermal energy, which is then converted into electricity on demand. The storage unit can be charged with electricity from any electricity source, including sustainable electricity from photovoltaics and wind power. In the case of electricity production with storage capacity for use around-the-clock, storing of thermal energy generated from electricity from photovoltaics or wind power is currently significantly less expensive than storing of electricity.

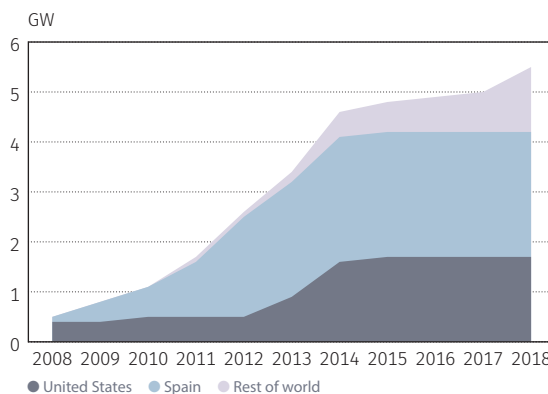
Conversion of electricity to thermal energy, and subsequently to electricity on demand, can be aptly combined with charging the storage system with electricity from photovoltaics and wind turbines, as such electricity production is entirely controlled by the sun or the wind (not demand-driven) and is also intermittent. This technology can thus enable delivery of electricity from a solar park or wind power plant also when the sun is not shining or the wind not blowing.

Concentrated solar power

Concentrated solar power is a solar energy system that uses mirrors or lenses to concentrate solar energy from a larger area to a small surface. The concentrated sunlight then heats a medium that drives a heat engine, which in turn is connected to an electric

generator. In contrast to photovoltaics, concentrated solar power can only utilise DNI to generate electricity. This entails that concentrated solar power is primarily suited for geographies with a high proportion of cloudless days and where there are no significant amounts of smog or dust particles in the air. In 2018, the total installed capacity from concentrated solar power amounted to approximately 5.6 GW.

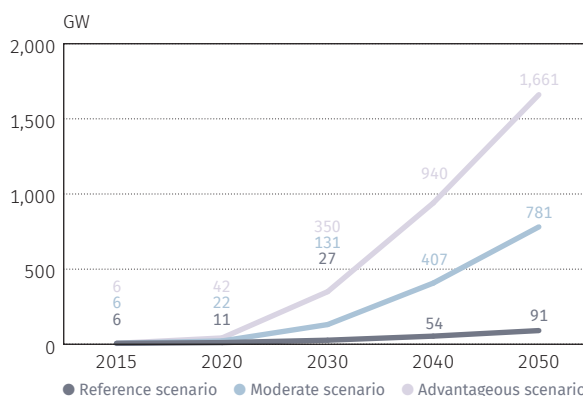
FIGURE 8. GLOBALLY INSTALLED CAPACITY FOR CONCENTRATED SOLAR POWER



Source: REN21, *Renewables 2018 Global Status Report*, 2018: <https://www.ren21.net/wp-content/uploads/2019/08/Full-Report-2018.pdf> (controlled 11 November 2019).

Growth in the installed capacity of concentrated solar power is predicted to continue in the future. The capacity growth until 2050 has been forecast based on three different scenarios: (1) a reference scenario that takes into consideration existing policies and measures that support renewable energy; (2) a moderate scenario which, in addition to taking into consideration existing policies and measures also includes planned policies and measures, and assumes that the targets for renewable energy set by many countries will be successfully implemented; and (3) an advantageous scenario showing the best possible outcome if, among other things, all the proposed policies are approved and there is a rapid increase in grid capacity in order to be able to utilise solar energy under optimal conditions. The respective scenarios are illustrated in figure 9.

FIGURE 9. CUMULATIVE INSTALLED CAPACITY FOR CONCENTRATED SOLAR POWER (GW)



Source: Greenpeace International et al., *Solar Thermal Electricity Global Outlook 2016*, 2016: http://www.estelasolar.org/wp-content/uploads/2016/02/GP-ESTELA-SolarPACES_Solar-Thermal-Electricity-Global-Outlook-2016_Full-report.pdf (controlled 11 November 2019).

¹⁾ REN21, *Renewables 2019 Global Status Report*, 2019: https://www.ren21.net/wp-content/uploads/2019/05/gsr_2019_full_report_en.pdf (controlled 11 November 2019).

²⁾ U.S. Energy Information Administration, *International Energy Outlook 2019*, September 2019: <https://www.eia.gov/outlooks/ieo/pdf/ieo2019.pdf> (controlled 11 November 2019).

Other technologies for distributed and demand-driven electricity production

Gas and diesel generators are technologies that historically have often been used in places with poor or no access to a reliable electricity grid. In these technologies gas or liquid fuels are burned by an engine for the purpose of obtaining electricity from a generator. These fuels are primarily fossil fuels, although biofuels are used to some extent. Gas and diesel generators are widely used to supply micro and mini grids and off-grid systems with electricity since such systems can supply reliable baseload power to grids. As renewable energy technology has developed, the use of hybrid systems that combine renewable energy sources with gas and diesel generators has increased. By reducing dependence on fossil fuels, such hybrid systems have demonstrated cost savings of 12 to 20 per cent, depending on the fuel price, which in the case of fossil fuels is linked to the price of oil.¹⁾

Gas turbines are another technology for distributed and demand-driven electricity production. These are turbines that are driven by combustion gases such as natural gas. They can be turned on and off quickly, making them suitable for reserve power in areas where the regular grid is not sufficiently reliable.

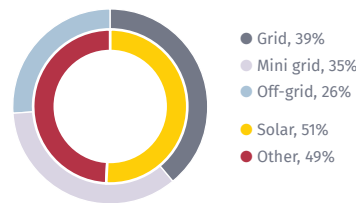
Azelio's market focus

The Company plans to focus primarily on medium-sized projects aimed at offering customers systems with cost-efficient thermal energy storage solutions. The aim is for the projects to initially vary from 500 kW to 20 MW and will focus on electricity production for application areas where photovoltaics together with batteries as storage medium do not provide an adequate solution to meet the demand for reliable distributed and demand-driven electricity. The Company's target markets are thus regions that are in need of small-scale energy storage for long electricity production around-the-clock or during specific periods, such as during the night; in other words, to level out power fluctuation over and between 24-hour periods. At a later stage, the projects that the Company's system targets may also include installations down to 100 kW, and may be scaled up to installations up to 100 MW. The target segment consists of industrial sectors that require a reliable

electricity supply around-the-clock to avoid production disruption, the commercial sector including hotels and shopping centres, and of communities in geographies which, as of the date of the Prospectus, lack access to stable grids or any electricity at all. Industries account for more than 50 per cent of global energy consumption and their consumption is expected to increase by 30 per cent between 2018 and 2050.²⁾ The Company will therefore focus its first installations on industries in remote locations with a substantial demand for a reliable energy source.

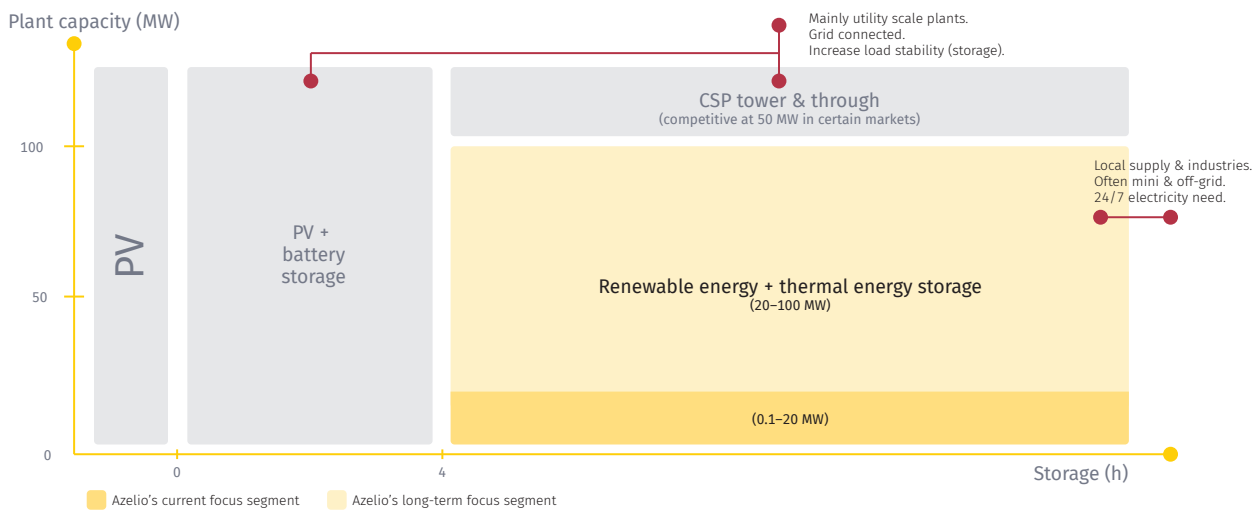
Many communities in developing countries do not currently have access to electricity, and expanding the regular grid to meet the electricity need is expensive since many of these communities are in remote locations. Micro and mini grids and off-grid systems will therefore play a key role in satisfying electricity demand in these geographies; 61 per cent of the population that is expected to gain access to electricity during the period 2017 to 2030 is expected to get it from off-grid systems or micro and mini grids.³⁾ As illustrated by figure 10, a large proportion of these off-grid systems and micro and mini grids are expected to run on solar power, which is why Azelio sees communities that are expected to gain access to electricity in the coming decade as suitable target markets. For information about Azelio's customer types, see section "Business overview – Business model – Customer types".

FIGURE 10. SOURCES FOR ACCESS TO ELECTRICITY, EXPANSION DURING THE PERIOD 2017 TO 2030



Source: International Energy Agency, *Energy Access Outlook 2017*, 2017: https://www.iea.org/publications/freepublications/publication/WE02017SpecialReport_EnergyAccessOutlook.pdf (controlled 11 November 2019).

FIGURE 11. AZELIO'S MARKET NICHE



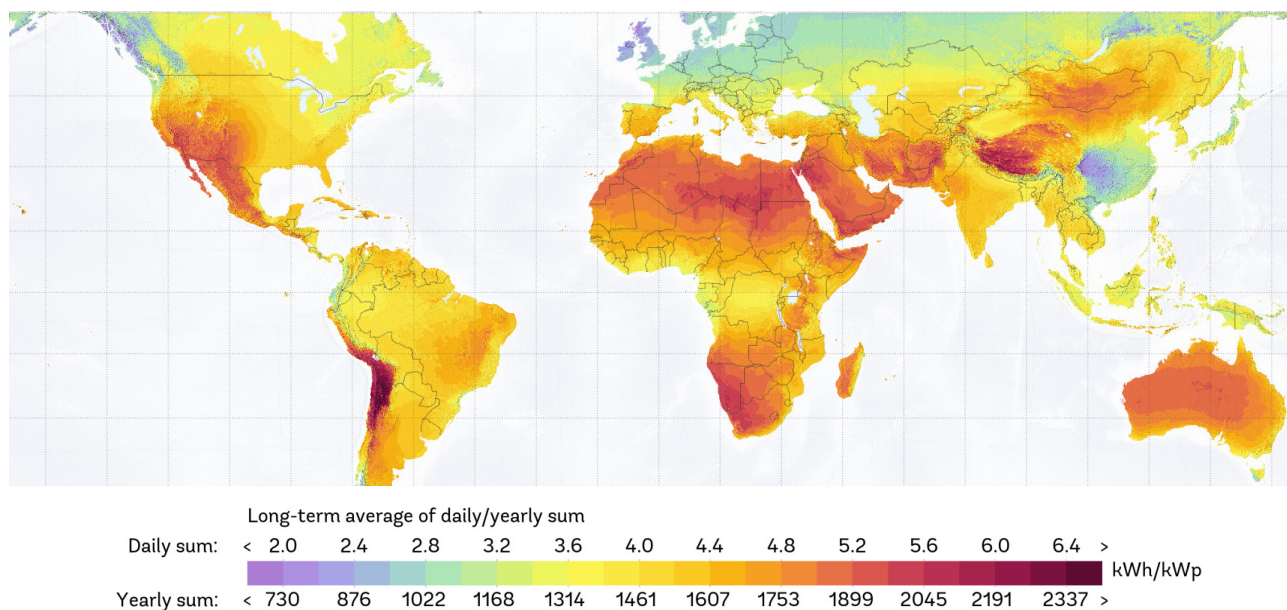
¹⁾ The World Bank et al., *State of Electricity Access Report 2017*, 2017: <https://openknowledge.worldbank.org/bitstream/handle/10986/26646/114841-WP-v2-FINALSEARwebopt.pdf?sequence=6&isAllowed=y> (controlled 11 November 2019).
²⁾ U.S. Energy Information Administration, *International Energy Outlook 2019*, September 2019: <https://www.eia.gov/outlooks/ieo/pdf/ieo2019.pdf> (controlled 11 November 2019).
³⁾ International Energy Agency, *Energy Access Outlook 2017*, 2017: https://www.iea.org/publications/freepublications/publication/WE02017SpecialReport_EnergyAccessOutlook.pdf (controlled 11 November 2019).

Geographical market segments

The Company's initial focus geographies consist of regions that are in need of small-scale energy storage for long electricity production (exceeding 10 hours at nominal output), that have access to charging sources at low cost and for which the alternative costs of electricity generation are high (mainly attributable to diesel). The determination of Azelio's initial target markets is made using two main assessment criteria. First, areas with high solar radiation are identified, since the lowest storage

costs in the market today are achieved using photovoltaics. Such areas are illustrated in figure 12. Then, it is identified which of these areas that also have high alternative electricity generation costs. This is usually the case in geographies that have undeveloped grids, low access to electricity, off-grid systems, isolated micro and mini grids or industries in remote areas such as deserts and mountainous areas.

FIGURE 12. MAP OF GLOBAL POTENTIAL FOR PHOTOVOLTAICS



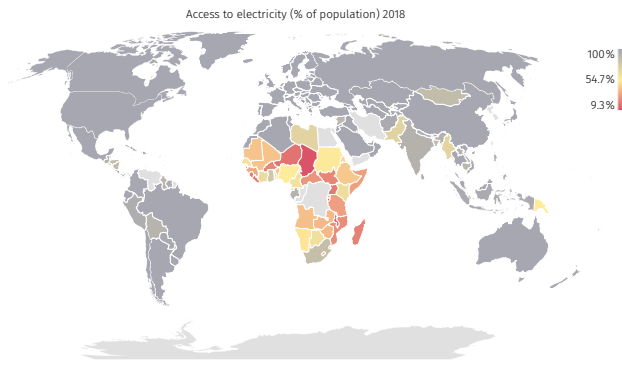
Source: Solar GIS, Solar GIS: <https://solargis.com/> (controlled 11 November 2019).¹⁾

Access to electricity is high in large parts of the world. However, having access to electricity does not always mean that the access is constant. Geographies in the periphery of grids may be given low priority in the event of limited output, which e.g. occurs in the United States. Similarly, high access to electricity does not necessarily mean that electricity prices are low. In view of this, Azelio's system will also be introduced to markets where de-prioritisation occurs when power is limited and where

electricity costs for existing central or local grids are high. This is the case in geographies such as Australia, Latin America, islands in the Mediterranean and certain regions in North and Central America such as Mexico and California. Further, the Company's technology will be established in areas with low access to electricity. These are illustrated in figure 13 and consist of sub-Saharan Africa, the MENA region (Middle East and North Africa) and, to a lesser extent, Latin America.

¹⁾ The map is obtained from "Global Solar Atlas 2.0", a free, online application developed and run by Solar GIS s.r.o. on behalf of the World Bank, using Solar GIS' data, with funding from the Energy Sector Management Assistance Program (ESMAP). For additional information: <https://globalsolaratlas.info> (controlled 11 November 2019).

FIGURE 13. MAP OF GLOBAL ACCESS TO ELECTRICITY



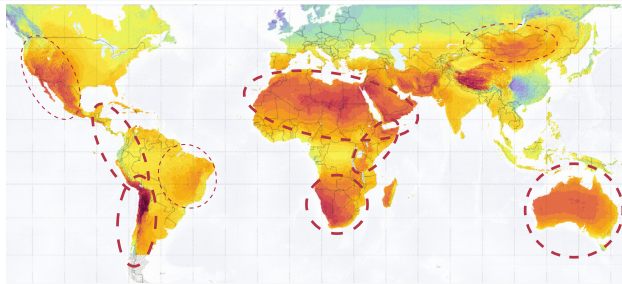
Source: Own compilation of World Bank data, *Data World Bank*: https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?most_recent_value_desc=true (controlled 11 November 2019).

Additional parameters that the Company takes into account when evaluating various geographies are existing regulations, financing solutions for renewable energy and the competitiveness of the Company's system within the geographical segment.

All in all, the Company's initial geographical focus segments can be divided into:

- The MENA region. This segment has a high percentage of solar radiation, access to electricity is at the medium level and alternative costs for electricity production are high.
- Sub-Saharan Africa. The segment has a high percentage of solar radiation and the electricity supply is characterised by low access to electricity and high alternative costs for electricity production.
- The Andes, Mexico and Brazil. Segments with a high percentage of solar radiation with a need for electricity supply for micro and mini grids and off-grid systems.
- Australia and central and western United States. A high percentage of solar radiation and high electricity prices.

FIGURE 14. FOCUS GEOGRAPHIES AT MACRO LEVEL



Source: Own compilation of data from Solar GIS, *Solar GIS*: <https://solargis.com/> (controlled 11 November 2019).

At the time for the launch of the Company's technology in the market, the described initial target markets will be narrowed down to geographical market segments that are considered to have particularly high potential for implementation of Azelio's application – so-called high-priority markets. The high-priority markets have been identified based on criteria such as significant potential for the Company's technology, good mandates for renewable energy, existence of incentives for renewable energy and a stable political climate, demand for storage capacity for electricity production exceeding 10 hours and high alternative electricity generation costs. These markets are Morocco, Egypt and Jordan in the MENA region, and Kenya, Tanzania, South Africa, Zambia, Ghana and Togo in sub-Saharan Africa. Other initial target markets not considered to have the same favourable

conditions as the high-priority markets but still of significant initial interest for the Company include Saudi Arabia, Oman, Tunisia, Pakistan, India, Ethiopia, Zimbabwe, Botswana, Namibia, Madagascar, Mozambique, Malawi, Swaziland and Lesotho. Greece is also included in this category as it is a country covered by the European Commission's initiative to support islands in their transition to renewable energy.

When Azelio has established its technology in high-priority markets and other initial target markets, the Company intends to introduce its technology in countries with storage needs exceeding six hours. The size of this market is significantly larger than the initial target markets. Potential geographies for this phase have been preliminarily identified and include the United States, Mexico, Brazil, Chile, Colombia, Peru, Germany, France, Spain, Italy, Scandinavia, Australia, South Korea, Japan, China and the Philippines.

Market size

In connection with the Company's listing on Nasdaq First North Growth Market in December 2018, the Company estimated that its serviceable achievable market amounted to 16 GW, equivalent to approximately 1.2 million units of the Company's system, within the five countries that the Company at that time categorised as high-priority areas (Morocco, Egypt, Jordan, Tunisia and Saudi Arabia). As a result of the development of the Company's technology in May 2019, which enabled charging of the thermal energy storage system with electricity from e.g. renewable sources such as photovoltaics and wind power and which thereby significantly increased the application area for the Company's system, the Company estimates that the size of its serviceable achievable market has expanded significantly.

Trends and drivers for increased production of sustainable electricity

Statistics from the US National Oceanic and Atmospheric Administration (NOAA) show that 2016 was the warmest year to date in modern times. 2018 was the fourth warmest, and 9 of the 10 warmest years in modern times have been measured since 2005. As a result of, among others, the rising temperatures, environmental awareness among both politicians and the public has increased considerably. Increasing environmental awareness, combined with decreasing production costs, is in turn contributing to the development of renewable energy. In addition, political decisions have resulted in favourable incentives, further accelerating technological development within the sector.

Drivers within international politics

Global transition of energy systems

As a result of political decisions that have been taken, a transition is taking place in the world from energy systems based on fossil energy to renewable energy. This is in turn expected to drive demand for environmentally sound electricity, where, among other sources, solar and wind energy are expected to play a significant role.

The Paris Agreement

One of the biggest political events in recent years was the Climate Change Conference held in Paris in 2015. At the conference a total of 195 countries adopted the first universal, legally binding global climate agreement. The agreement, the aim of which is to avoid dangerous climate change, describes a number of measures that favour the switch to renewable energy sources.¹⁾ Political pressure to change the energy market is likely to increase in the future.

¹⁾ United Nations, *Paris Agreement*, 2015: https://unfccc.int/sites/default/files/english_paris_agreement.pdf (controlled 11 November 2019).

The 2030 Agenda for Sustainable Development

In 2015 the UN's Sustainable Development Goals were adopted, forming part of the 2030 Agenda for Sustainable Development. One of the aims is to secure access to affordable, reliable, sustainable and modern electricity for all. Goals for 2030 include achieving a substantially greater share of renewable energy in the global energy mix and upgrading technology in order to deliver sustainable electricity to all in developing countries.¹⁾ Furthermore, the World Bank has announced an investment package of USD 200 million for the period 2021–2025 to help countries take ambitious measures for the climate. This gives the Company confidence in expanding solutions for renewable energy.

Feed-in tariffs

One of many favourable incentives for the sector is feed-in tariffs, which is a policy mechanism aimed at accelerating investments in renewable energy technology. Energy producers are offered long-term contracts which guarantee fixed electricity prices for each unit of electricity produced and sold in the grid. Usually, the tariff is determined based on the cost of the electricity produced. This enables even small producers to produce electricity profitably.

Local circumstances and political drivers

The development of the market is affected by many different factors, including at the regional level. Since laws and regulations differ significantly between different countries, the Company's system will have varying impacts in the different geographies.

Morocco

Through the Company's partnership with Masen, Morocco constitutes one of Azelio's high-priority markets in the launch of the Company's technology in the market (for more information about the Company's partnership with Masen, see section "Business overview – Partners").

Morocco is considered to be a particularly favourable platform for the Company's commercialisation and continued growth in the MENA region based on a number of factors. The country enjoys almost perfect solar conditions with very high insolation and it has a clear objective for the role that renewable energy will have in the country's future energy mix.

In contrast to other nearby North African countries, Morocco has almost non-existent oil resources, which has entailed that the country historically has been dependent on importing fossil fuels to satisfy its energy needs. In addition, due to strong economic growth, the country's electricity production increased by approximately 5 per cent per year over the period 2004 to 2016.

In order to increase independence in energy production and meet a growing demand for electricity, Morocco has worked intensively to diversify its energy mix. As part of this strategy the country adopted a national energy strategy in 2009, which was renewed in 2015/2016. This strategy includes increasing the share of electricity production capacity from renewable sources to 42 per cent by 2020 and to 52 per cent by 2030. The country was also one of the first countries in the MENA region to remove subsidies for fossil fuels.²⁾

Other MENA countries

There are good prospects for continued investment in renewable energy within the MENA region since all the countries in the region have announced ambitious targets for the expansion of renewable energy in their future energy systems.³⁾ The countries will not only benefit from climate gains, but also have significant financial motivation. In 2016, IRENA assessed that the MENA region as a whole will save approximately USD 750 billion net by 2030 if the current targets for renewable energy in 2030 are achieved.⁴⁾

In oil-producing countries there is also an underlying economic driver for renewable energy since more renewable energy entails that more oil can be exported instead of being utilised in domestic energy production.⁵⁾

In contrast to *inter alia* Morocco, it is difficult to make investments in the energy market as a foreign private operator in certain countries of the MENA region because of national legislation. This is illustrated by the fact that foreign investments in renewable energy projects in Morocco increased over the period 2013 to 2016 by approximately 18 per cent, while the corresponding figure for Egypt, Tunisia and Saudi Arabia was just under 2 per cent for each country.⁶⁾ The explanation is that often it is difficult for foreign private operators to access the market in countries such as Saudi Arabia since domestic operators are favoured instead.⁷⁾

Tunisia, Jordan and Egypt are three countries with clear objectives with respect to the development of renewable energy. Algeria's intention is for renewable energy to make up 27 per cent of its energy production by 2030. Furthermore, by 2020, the installed capacity of concentrated solar power is to reach 2,000 MW and the installed capacity of photovoltaics 3,000 MW. Egypt's intention is for renewable energy to make up 20 per cent of energy production by 2020, of which 1,100 MW is to be concentrated solar power. By 2030 a total of 2,800 MW is to come from concentrated solar power. Tunisia has similar targets; renewable energy is to make up 30 per cent of energy production by 2030.⁸⁾

Sub-Saharan Africa

More than one billion people live in Africa and despite great progress over the past two decades, the region still has major problems with regard to electricity production. This issue is illustrated by the fact that only around half of the population has reliable access to electricity. Combined with the fact that the demand for electricity is expected to increase considerably as countries in Africa transition into middle class economies, this leads to a growing number of foreign investors establishing renewable energy production projects in the region. To further encourage foreign investment, governments have granted financial incentives and removed bureaucratic hurdles. A strong supply of solar energy provides good opportunities not only to meet the continent's growing energy demand, but also to offer reliable sustainable electricity to communities and households that previously relied on expensive and carbon-heavy fossil fuels.⁹⁾

¹⁾ United Nations, *Transforming our world: the 2030 Agenda for Sustainable Development*, 2015: https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E (controlled 11 November 2019).

²⁾ M. Azeroual et al., *Renewable energy potential and available capacity for wind and solar power in Morocco towards 2030*, 2018: <http://www.jestr.org/downloads/Volume11Issue1/fulltext231112018.pdf> (controlled 11 November 2019).

³⁾ A. Rubino et al., *Regulation and Investments in Energy Markets*, p. 89-100, 2016; Renewables Now, *MENA ready for massive solar roll-out in 2018, pipeline nears 12 GW*, 2018 (controlled 11 November 2019).

⁴⁾ A. Amin, Director General of IRENA, 6th annual MENA Renewable Energy Conference, Kuwait 2016.

⁵⁾ K. Hamilton, *Investing in Renewable Energy in the MENA Region: Financier Perspective*, 2011: <https://www.chathamhouse.org/sites/default/files/0611hamilton.pdf> (controlled 11 November 2019).

⁶⁾ Regional Center for Renewable Energy and Energy Efficiency, *Arab Future Energy Index Renewable Energy 2016*, 2016: http://www.rcreee.org/sites/default/files/final_afex_re_2016.pdf (controlled 11 November 2019).

⁷⁾ M. Bardolet, *Regulatory Overview Saudi Arabia*, 2014: <https://dii-desertenergy.org/wp-content/uploads/2017/02/Regulatory-Overview-Saudi-Arabia.pdf> (controlled 11 November 2019).

⁸⁾ A. Rubino et al., *Regulation and Investments in Energy Markets*, p. 89-100, 2016.

⁹⁾ Solarplaza, *Facts & Figures, Solar Energy Northern Africa 2018*, 2018.

Technological development

Photovoltaics and wind power

The most important development within the renewable energy sector in the past five years is that the cost of renewable energy technology has continually decreased. This trend has been the strongest for photovoltaics, where costs have fallen by 85 per cent since 2010. The cost of wind power has fallen by 49 per cent over the same period. BNEF predicts that renewable energy production capacity will double by 2040 and that costs for photovoltaics and wind power will be lower than for coal power plants as soon as 2027.¹⁾ Azelio sees these as important milestones for the conditions for the Company's technology.

Concentrated solar power

Development of concentrated solar power has in recent years been focused on reducing costs for the technology. Research specifically for the US market found that the costs for thermal energy had fallen in line with expectations established in 2012. At that time, it was predicted that the price per kilowatt hour ("kWh") would fall by 75 per cent between 2012 and 2020.²⁾ Other technological development has focused on improvements, alternatives and cost reductions relating to the storage of concentrated solar energy.³⁾ Streamlining the heat transfer process has also been an important area.⁴⁾ The technological advances are expected to continue, and IRENA has predicted that LCOE for concentrated solar power using solar towers is expected to decrease by 43 per cent by 2025.

Investments

An issue that is rarely addressed is that institutions historically have been restricted from injecting large amounts of capital into the renewable energy technology sector. However, recently technological and political developments have led to increased investment in renewable energy infrastructure. These investments are now more comparable to investments for the public benefit such as in road networks, water systems and electricity grids than with investments in new technology, and with the risks associated with new technology. In fact, a global record was set in 2015 when the total promised investments in renewable energy amounted to SEK 2,400 billion.⁵⁾ Azelio considers this trend to be favourable for the Company and believes it will favour the use of its technology.

Trends affecting the Company's potential market

Shift from fossil to renewable energy sources

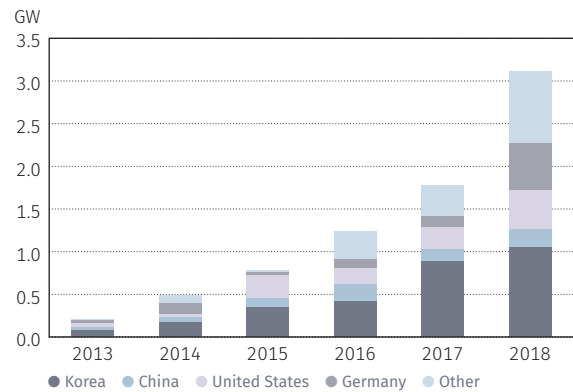
There is currently a shift taking place from fossil to renewable energy sources. In 2017, for example, renewable energy as a percentage of total energy production increased from 8.4 to 9.3 per cent. Growth in renewable energy sources can be largely attributed to increased environmental awareness prompted by the rising temperatures that have been measured in recent years, but also to the technology development that has made renewable energy sources cost-efficient, see further section "Market overview – The global energy mix – Renewable energy". This trend towards increased demand for renewable energy favours the

Company's position primarily in markets with good connections to the regular grid and with requirements for increased use of renewable energy around-the-clock.

Increase in energy storage in the years to come

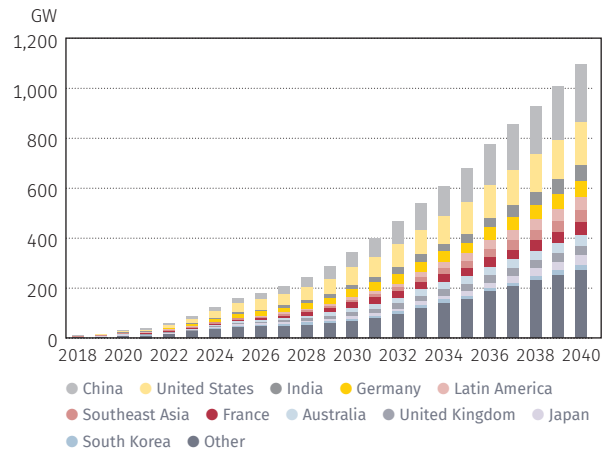
The number of stationary energy storage systems has increased significantly in recent years. According to the IEA, the spread of stationary storage systems doubled between 2017 and 2018. The strongest trends were evident in South Korea, China, the United States and Germany. BNEF predicts that stationary energy storage systems, excluding pumped storage plants, will amount to 1,095 GW/2,850 gigawatt hours ("GWh") by 2040.⁶⁾

FIGURE 15. SPREAD OF LARGE-SCALE STORAGE INSTALLATIONS AND BEHIND THE METER STORAGE INSTALLATIONS



Source: International Energy Agency, *Energy Storage*, 2019: <https://www.iea.org/tcep/energyintegration/energystorage/> (controlled 11 November 2019).

FIGURE 16. FORECAST FOR GLOBAL SPREAD OF STATIONARY ENERGY STORAGE SYSTEMS



Source: Bloomberg New Energy Finance, *2019 Long-Term Energy Storage Outlook*, 2019.

¹⁾ Bloomberg New Energy Finance, *2019 Long-Term Energy Storage Outlook*, 2019.

²⁾ National Renewable Energy Laboratory et al., *On the Path to SunShot: Advancing Concentrating Solar Power Technology, Performance, and Dispatchability*, May 2016: <https://www.nrel.gov/docs/fy16osti/65688.pdf> (controlled 11 November 2019).

³⁾ M. Irving, *Solar thermal record sees 97% conversion of sunlight into steam*, August 2016: <https://newatlas.com/solar-thermal-record-anu/45027/> (controlled 11 November 2019).

⁴⁾ Commonwealth Scientific and Industrial Research Organisation, *Supercritical solar - new frontier for power generation*, June 2014: <https://www.csiro.au/en/News/News-releases/2014/Supercritical-solar-new-frontier-for-power-generation> (controlled 11 November 2019).

⁵⁾ Given an exchange rate of USD 1/SEK 8.5. Source: World Economic Forum, *Renewable Infrastructure Investment Handbook: A Guide for Institutional Investors*, December 2016: http://www3.weforum.org/docs/WEF_Renewable_Infrastructure_Investment_Handbook.pdf (controlled 11 November 2019).

⁶⁾ Bloomberg New Energy Finance, *2019 Long-Term Energy Storage Outlook*, 2019.

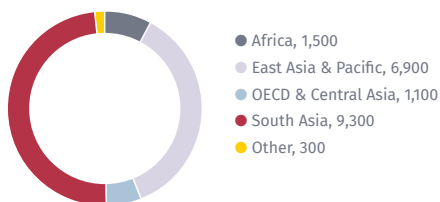
Increased development of micro and mini grids

In recent years significant effort has been put into achieving total global access to electricity. From 2000 to 2010, access to electricity increased on average by 100 million people per year. Between 2015 and 2017 this statistic increased to 150 million people per year, which entailed that global access to electricity in 2017 amounted to 87 per cent.¹⁾ However, 990 million people lack access to electricity, which makes the objective of total global access to electricity before 2030 difficult to attain.

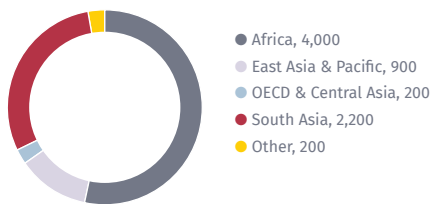
In light of this, a shift is starting to take place in the approach towards micro and mini grids. Expanding the central grid to remote areas that have no electricity is often not a profitable undertaking, and consequently micro and mini grids serve an important purpose here. Micro and mini grids are also beginning to be used to increase the performance and reliability of existing grids. Figure 17 shows existing and planned micro and mini grids globally.

FIGURE 17. NUMBER OF EXISTING AND PLANNED MICRO AND MINI GRIDS GLOBALLY

Existing mini grids (mostly hydro and diesel)



Planned mini grids (mostly solar-hybrid)

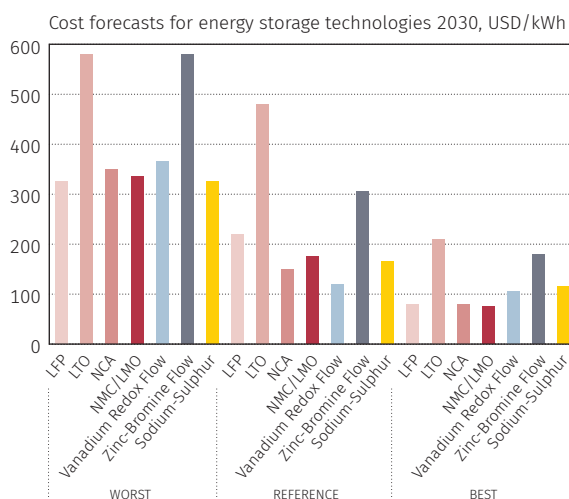


Source: Bloomberg New Energy Finance, 2019 Long-Term Energy Storage Outlook, 2019.

Fall in cost of energy storage technologies

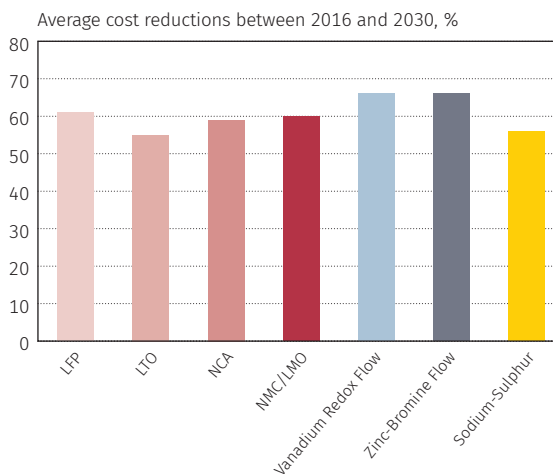
In recent years, a fall in the cost of energy storage has been observed and this has made the technology attractive to investors. Figure 18 illustrates cost forecasts for various types of energy storage technologies in 2030. IRENA predicts that the cost of energy storage will on average be cut by more than 50 per cent between 2016 and 2030, which is shown in figure 19.

FIGURE 18. COST FORECASTS FOR ENERGY STORAGE TECHNOLOGIES 2030²⁾



Source: International Renewable Energy Agency, Electricity Storage and Renewables: Costs and Market to 2030, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

FIGURE 19. AVERAGE COST REDUCTIONS BETWEEN 2016 AND 2030



Source: International Renewable Energy Agency, Electricity Storage and Renewables: Costs and Market to 2030, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

¹⁾ The Energy Sector Management Assistance Program, *Mini grids for half a billion people: Market Outlook and Handbook for Decision Makers*, 2019: <https://openknowledge.worldbank.org/bitstream/handle/10986/31926/Mini-Grids-for-Half-a-Billion-People-Market-Outlook-and-Handbook-for-Decision-Makers-Executive-Summary.pdf?sequence=1&isAllowed=y> (controlled 11 November 2019).

²⁾ Lithium ferro phosphate (LFP), lithium-titanate (LTO), lithium nickel manganese cobalt oxide/lithium manganese oxide (NMC/LMO) och lithium nickel cobalt aluminium oxide (NCA) constitute different types of lithium ion batteries, sodium-sulphur constitutes a high-temperature battery and Vanadium Redox Flow and Zinc-Bromine Flow constitute different types of flow batteries.

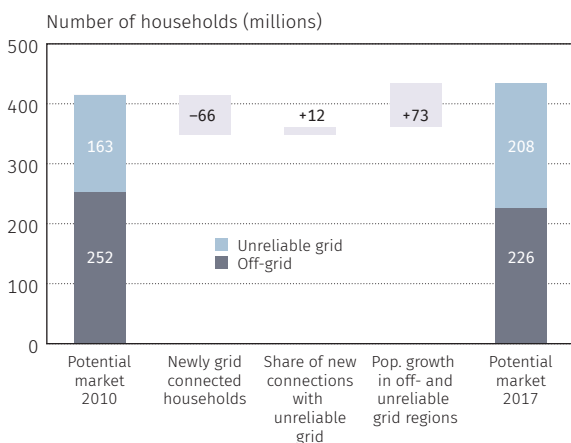
Increased development of off-grid systems

Although there is a global trend towards increasing access to electricity, and in many countries the expansion of grids is exceeding population growth, the market potential for off-grid systems continues to grow. This is illustrated in figure 20 and can be explained by two factors, with examples for the period 2010 to 2017:

- Grid expansion supplied an additional 66 million households with electricity during the period. However, of these 66 million, the supply to at least 12 million is not reliable and these households therefore also continue to be a potential market for off-grid systems.
- Population growth in regions with a high proportion of off-grid systems or unreliable electricity grids added 73 million households to the potential market during the period.

These two factors resulted in the potential market for technologies such as the Company's growing by nearly 20 million households. This calculation only includes households but the same conclusions can be drawn for larger applications such as industries.¹⁾ Although there is positive development towards more people gaining access to electricity, the potential market for technologies such as Azelio's continues to grow.

FIGURE 20. MARKET FOR OFF-GRID SYSTEMS (MEASURED IN NUMBER OF HOUSEHOLDS)



Source: The World Bank et al., *Off-Grid Solar Market Trends Report 2018*, 2018: https://www.lightingglobal.org/wp-content/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Summary.pdf (controlled 11 November 2019).

Incentives for energy storage technologies

It has been observed that the spread of energy storage technologies takes place at a faster pace in countries where incentives are provided for developing renewable energy storage technologies, which is, for example, the case in Korea and Japan. A need for financial subsidies and policies has thus been identified, which has resulted in a global trend towards stronger incentives for energy storage technologies. The European Investment Bank, for example, has energy storage technologies as one of its four focus areas. The European Commission is supporting islands in their transition to renewable energy through the "Clean Energy for EU Islands" initiative. The Clean Energy Finance Corp in Australia has undertaken to prioritise investments in grid-supporting energy storage in 2020, and in the United States an investment tax credit has been introduced to support commercial, residential and large-scale storage projects through a 30 per cent tax reduction.

¹⁾ The World Bank et al., *Off-Grid Solar Market Trends Report 2018*, 2018: https://www.lightingglobal.org/wp-content/uploads/2018/02/2018_Off_Grid_Solar_Market_Trends_Report_Summary.pdf (controlled 11 November 2019).
²⁾ Based on the Company's internal calculations.

Competing technologies and Azelio's positioning

Within Azelio's market segment there are a number of operators who have developed similar systems for thermal energy storage to Azelio's. However, Azelio believes there to be a market gap for sustainable energy storage in the storage dimensions that the Company's system is focused on. To the Company's knowledge, there are no other available technologies for renewable energy that can be cost-efficiently used both in the form of baseload power for micro and mini grids and off-grid systems, and in the form of supplementary applications for existing photovoltaic and wind power parks at a reasonable cost. Azelio therefore believes that the Company has created a head start for itself in the segment for installations of between 100 kW and 100 MW with a storage capacity of 13 hours of electricity production at nominal output, where it has achieved product superiority and is positioned to establish a strong standing in the market. For that reason, Azelio does not consider e.g. storage solutions with significantly lower (economically profitable) storage capacities can be considered as directly competing technologies to the Company's technology. As an example, lithium-ion batteries can be mentioned; from a cost perspective battery storage with a capacity greater than four hours of consumption is currently not profitable, since revenues decline after consumption peaks between late afternoon and evening. Thus, a larger battery storage solution does not cover its own costs. Solar power plants can be used for storage for electricity production exceeding four hours, but are only competitive in large installations of 100 MW or more. Consequently, the Company believes that its system for small-scale thermal energy storage for distributed and demand-driven electricity production fills a market gap.

The Company has, however, identified a number of technologies and market actors with properties and characteristics that partly overlap with those of Azelio's product offering and that can thus be described as competing technologies and competitors with similar products. These have been identified through analysis of nominal output capacity and discharge time at nominal output. The competing technologies mainly constitute: gas and diesel generators; liquid air energy storage (LAES); flow batteries; and sodium-sulphur batteries (NaS).

Gas and diesel generators

Gas and diesel generators have historically been used to a great extent to satisfy demand for distributed and demand-driven electricity production in areas with poor accessibility and reliability with respect to the regular electricity grid. The advantages are mainly that combustion efficiency is relatively high and that the system is flexible in terms of location. At the same time, the technology has clear disadvantages in the form of significant carbon emissions combined with high and volatile operating costs. Studies have shown that, depending on fuel costs, the LCOS for Azelio's technology is between one and two thirds the LCOS for diesel and gas generators.²⁾ This is without taking into account any subsidies or other incentive programmes that are available.

Liquid air energy storage (LAES)

Liquid air energy storage ("LAES") systems are designed for large output capacity – from 10 MW to hundreds of MW (exceeding four hours of electricity production at nominal output). The technology generates liquid air through electricity that cools air to approximately -196°C, which is then stored. The liquid air is then expanded in a turbine in order to produce electricity.

The main operator in this segment is HighView Power.

Flow batteries

Flow batteries are a type of electrochemical battery in which energy is stored in an electrolyte. The liquid electrolyte is stored in external tanks and the energy capacity is determined by the size of the tanks. Storage applications with flow batteries for electricity generation over a long period of time are offered in the market, but the competitiveness of such storage solutions decreases when the electricity production demand exceeds four hours. The reason therefore is that the cost of batteries to a large extent scales down the capacity, i.e. the amount of energy stored, but also because the benefit of batteries to the grid is often linked to regulation capacity (nominal capacity, load balancing and frequency regulation) and to the ability to delay electricity production from the daytime to a number of hours in the evening. Shifting more production than is needed to cover the evening demand is rarely worthwhile since a significant portion of the energy is lost along the way.

The main operators in this niche are CellCube, Rongke Power, UniEnergy Technologies and VRB Energy.

Sodium-sulphur batteries (NaS)

Sodium-sulphur batteries consist of liquid sodium and sulphur, and operate at high temperatures of approximately 300°C. This battery technology has a system efficiency of 80 per cent. In general, sodium-sulphur batteries are considered reliable but their safety is still being questioned to some extent. For example, a large fire in a battery installation occurred in Japan in 2012. The system also requires an electric heater to heat the battery cells to the operating temperature.

NGK Insulator Ltd, in cooperation with Tokyo's Electric Power Company (TEPCO), is the company that has commercialised this type of battery and is the main operator in this segment.

Storage through a combination of batteries and photovoltaics

An emerging technology for distributed and demand-driven sustainable electricity production is the combination of photovoltaics and batteries. This combination achieves a cost-

efficient system with a storage capacity for shorter periods. Photovoltaics have in recent years fallen significantly in price and are increasingly available. When the storage capacity is intended for electricity production at a level up to four hours, the combination of photovoltaics with battery storage is the most cost-efficient alternative, but when demand exceeds four hours, batteries gradually lose their cost-efficiency since they are not designed from an economic perspective for long storage periods but instead result in expensive overhead costs. Therefore, the Company's assessment is that Azelio's technology in many contexts is the most competitive solution for distributed and demand-driven electricity production with storage capacity for use around-the-clock, see section "*Market overview – Energy storage for distributed and demand-driven electricity production*".

Azelio does not consider wind power, photovoltaics or concentrated solar power in themselves to be competing technologies. Wind power and photovoltaics do not address the need for demand-driven electricity production, and concentrated solar power targets large plants and thus a different market segment than Azelio's system. Thus, said techniques constitute opportunities rather than competing technologies as the Company's technology enables these technologies to become demand-driven and/or small-scale. This distinguishes Azelio in the market.

Business overview

Introduction to Azelio

Azelio was established in 2008 with a conviction that the future can be powered by solar energy. Azelio's initial offering was a system with concentrated solar power and combined heat and power (CSP). The Company's offering has gradually been developed and updated to meet the demand for sustainable electricity production that is demand-driven and distributed. In 2015, the work to develop a system for thermal energy storage (TES) began. It was presented to the public in January 2017 and was at that time based on storing of concentrated solar power for Stirling-based electricity production. Following a technical breakthrough in May 2019, the Company's thermal energy storage system cannot only be charged with concentrated solar power, but also with electricity; for example, from renewable sources such as photovoltaics and wind power. The application area for the Company's technology has thus been expanded to include markets that lack the necessary conditions for CSP but that have good conditions for photovoltaics (solar cells) or wind power. The system can be offered both to customers without access to a reliable electricity supply or any electricity supply at all, as well as to customers with reliable grids that demand sustainable, demand-driven electricity 24 hours a day. The system is mainly suitable for installations between 100 kW and 100 MW for electricity production during the day in combination with energy storage for up to 13 hours of electricity production at nominal output. Currently, there are no sustainable and cost-efficient solutions in the global energy market for this segment of small and medium-scale installations with long storage periods.

The world is in need of renewable energy that is accessible and cost-efficient in order to manage current and future economic, environmental and social needs. In recent years, there has been positive development, with more than half of the new global energy being renewable, of which the predominant share is solar energy.¹⁾ With decreased costs for renewable energy sources, the growth of renewable energy is expected to increase.²⁾ However, growth is not only dependent on cost development; as the share of renewable energy sources increases, the importance of regularity in the energy supply is gradually increasing. Most renewable energy solutions are intermittent and are therefore unable to supply electricity based on demand. The irregular production pattern also gives rise to new costs for grid stabilisation and indirect costs for the use of other energy sources.

Azelio's objective is to offer renewable energy through low-cost energy storage and distribution on demand, thereby making renewable energy the most cost-efficient alternative on the market. The technology is well suited to areas that currently lack access to an electricity grid or do not have a reliable grid, where the Company's assessment is that Azelio's solution can be used to accelerate the roll-out of electricity to the approximately one billion people in the so-called sun belt who currently lack access to reliable electricity. In addition, the technology is also suitable for areas with access to a grid and in need of distributed, demand-driven renewable energy at any time of the day or night.

History

Azelio was established in 2008 under the name Cleanergy AB by four Swedish entrepreneurs with a strong shared interest in green technology and renewable energy. By buying rights from a German company and thereby securing the technology for the Stirling engine, the foundations were laid for a company that would focus on renewable energy based on the Stirling engine technology. Since then, more than SEK 1 billion has been invested in the Company to develop the Stirling engine and thermal energy storage. Azelio has installed tested and commercial demonstration units using the Stirling engine and its thermal energy storage system all over the world. In conjunction with the demonstration of the Company's new ground-breaking solution for thermal energy storage in June 2018, the company name was changed to Azelio AB. In December 2018, the Company was listed on Nasdaq First North Growth Market. Below is a summary of the major events in the Company's history.

| | |
|------|--|
| 2008 | <ul style="list-style-type: none"> Cleanergy AB established in Åmål, Sweden. |
| 2009 | <ul style="list-style-type: none"> The first step in the production unit in Åmål. |
| 2012 | <ul style="list-style-type: none"> The first demonstration plant for concentrated solar power is installed in Ordos, Inner Mongolia, China. |
| 2013 | <ul style="list-style-type: none"> Acquires state-of-the-art engine production line with high volume capacity from Volvo Cars. |
| 2015 | <ul style="list-style-type: none"> A second demonstration plant for concentrated solar power is installed in Dubai. |
| 2016 | <ul style="list-style-type: none"> Partnership agreement with Masen and pilot installation in Morocco. |
| 2017 | <ul style="list-style-type: none"> Azelio implements a shift in strategy to focus on thermal energy storage and at the same time decides to discontinue the business area focusing on solar application with a Stirling engine-based parabolic dish (concentrated solar power without thermal energy storage) and put the business area for gas application through the Company's product GasBox on hold. The Company made the assessment that the Stirling engine-based parabolic dish was not able to achieve commercial viability without thermal energy storage. In connection with ending the development and sales of Azelio's previous products, dismissal of some personnel also occurs. Azelio discontinues the Stirling engine-based parabolic dish project in Cyprus after the Company's counterparty, the Cypriot government, decides not to guarantee feed-in tariffs, which results in the project lacking commercial viability. The Company carries out development and patent applications for thermal energy storage. |
| 2018 | <ul style="list-style-type: none"> Successful testing of thermal energy storage. Development agreement with Masen for the commercialisation of thermal energy storage and joint development agreement with Masdar for thermal energy storage. The Company changes its name to Azelio. The Company is listed on Nasdaq First North Growth Market, raising SEK 242 million before transaction costs and bringing in 2,200 new shareholders. |
| 2019 | <ul style="list-style-type: none"> The production unit in Åmål expands its test facilities for product verification and Azelio's global presence is increased by the addition of an office in Morocco. Azelio makes a technical breakthrough that enables the Company's energy storage system to be charged with electricity from renewable sources, which in turn allows Azelio to supplement established technologies with energy storage for sustainable electricity production at a low cost 24 hours a day. A number of memorandums of understanding and letters of intent are signed with strategic parties. Agreement is signed with sales agent Pansanté AB ("Pansanté") for sustainable electricity supply to hospitals in sub-Saharan Africa and with Masdar and Khalifa University for pilot projects to evaluate new energy storage technology. Letter of intent signed with AQ Enclosure Systems AB ("AQ Enclosure Systems") for production of Azelio's energy storage system. Memorandums of understanding are also signed with STELLA Futura AB ("STELLA Futura") and with ND Power AB ("ND Power") respectively for the use of the Company's technology in sub-Saharan Africa, and with JD Aviation Sourcing and Engineering Services (Private) Limited ("JD Aviation") to establish a market presence in Pakistan. Further, a memorandum of understanding is entered into with BIODICO INC ("Biodico") for the establishment of Azelio's technology in California, United States. The first Stirling engine adapted for the advanced technology leaves the production line at the plant in Uddevalla. |

¹⁾ U.S. Energy Information Administration, *International Energy Outlook 2017*, September 2017: [https://www.eia.gov/outlooks/ieo/pdf/0484\(2017\).pdf](https://www.eia.gov/outlooks/ieo/pdf/0484(2017).pdf) (controlled 11 November 2019).

²⁾ U.S. Energy Information Administration, *International Energy Outlook 2017*, September 2017: [https://www.eia.gov/outlooks/ieo/pdf/0484\(2017\).pdf](https://www.eia.gov/outlooks/ieo/pdf/0484(2017).pdf) (controlled 11 November 2019).

Business concept and vision

Business concept

Azelio's business concept is to develop, sell and deliver an environmentally sound energy storage system that prolong production of sustainable electricity by an additional 13 hours at nominal output.

Vision

To establish renewable energy as the obvious choice of energy source by enabling electricity to be sustainably produced 24 hours a day, when and where it is most needed, at a lower cost and more sustainably than the competitors.

Product offering

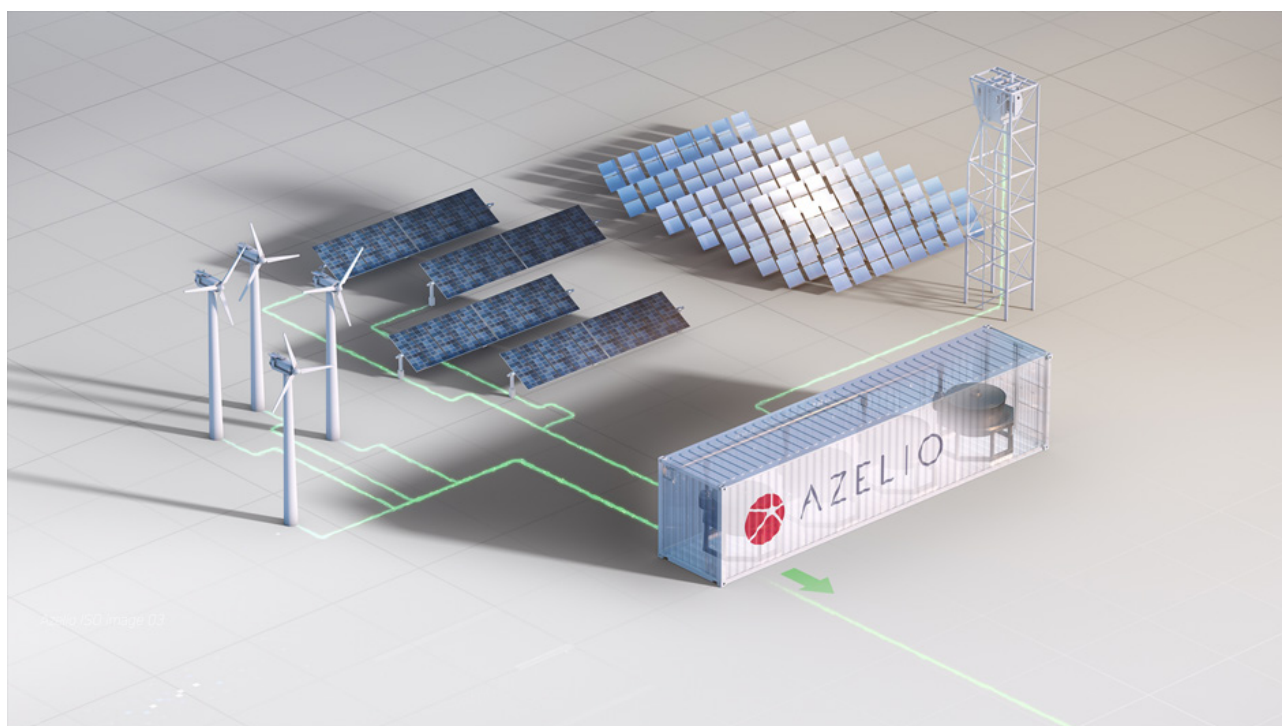
Azelio's system for sustainable electricity production with thermal energy storage (TES)

Azelio's system is built on Stirling-based electricity production based on thermal energy storage and is a combination of proven technology and innovation. The Company has been developing and improving the Stirling engine and concentrated solar power technology for several years. Since May 2019 the Company is also able to convert electricity from e.g. photovoltaics and wind power into stored thermal energy. The enhanced solution that enables electrical heating of the storage medium uses the same

technology as was already used to move heat from the storage to the Stirling engine in electricity production. The expertise needed to develop the technology thus already existed within the Company. With new innovation in thermal energy storage, the Company has created an energy-producing system for installations between 100 kW and 100 MW with a storage capacity of 13 hours of electricity generation at nominal output – a system that can thus supply for example a hospital, a plant or a smaller community with sustainable electricity around-the-clock. With efficient storage of thermal energy and conversion to electricity, Azelio is thus able to offer various industries and communities in large parts of the world an accessible, decentralised, cost-efficient and environmentally optimised solution for electricity production around-the-clock, or when demand is at its peak.

The Company's system has a modular design, enabling small-scale projects, a standardised building process, rapid installation and incremental expansion. The system is manufactured to Swedish quality standards and the various components are of a robust design that requires minimal maintenance, even in demanding conditions. The modular design allows the system to be expanded and each model to be maintained separately with minimal loss of production capacity for the system as a whole. Each module has a service interval of 6,000 hours of operation, as compared with a car which usually requires servicing after 200 to 300 hours.

FIGURE 21. AZELIO'S SYSTEM FOR STIRLING-BASED ELECTRICITY PRODUCTION WITH THERMAL ENERGY STORAGE (TES). THE THERMAL ENERGY STORAGE SYSTEM CAN BE CHARGED WITH BOTH CONCENTRATED SOLAR ENERGY FROM A HELIOSTAT FIELD AND WITH ELECTRICITY FROM E.G. PHOTOVOLTAICS AND WIND POWER



Increased product offering to energy storage for photovoltaics and wind power

Since May 2019, the Company’s thermal energy storage can be charged with electricity, such as from sustainable electricity sources as photovoltaics and wind power, instead of solely with concentrated solar power. The work of expanding Azelio’s product offering from energy storage with concentrated solar power to energy storage through electric heating began in 2018 when the first demonstration of electric charging of the thermal energy storage could be presented. This development has enabled the application area for the Company’s product offering to be significantly expanded, since the Company’s system can now both supplement established energy storage technologies and is suitable for markets that lack the necessary conditions for concentrated solar power but have commercial conditions for photovoltaics and/or wind power. This is the case in most of the geographies which Azelio has identified as target markets. Accordingly, the Company’s primary product offering now consists of thermal energy storage through charging with electricity, above all from photovoltaics as the lowest storage costs on the market are currently achieved through photovoltaics. However, the charging of Azelio’s energy storage system with electricity is not limited to electricity from photovoltaics or wind power, but rather the system can be charged with electricity from any electricity source, including electricity from small-scale hydro power or from the existing grid.

The Company considers this shift in the core business focus to be a favourable one, since photovoltaics are an established technology for which the price is constantly falling. The shift is reflected in enquiries received from customers that, following the expansion of the technology, are mainly attributable to thermal energy storage for photovoltaics. At the same time, Azelio’s energy storage technology can still be used with concentrated solar power in geographies where favourable conditions exist for this, such as where there is government funding for concentrated solar power.

The process of electricity production with thermal energy storage

Azelio’s system stores energy by a heat-transferring fluid being heated up either by concentrated solar power from a heliostat field using controlled mirrors or in an electrical resistive heater, depending on whether the storage medium is heated using concentrated solar power or electricity from photovoltaics and wind power. The heat-transferring fluid is pumped to the outside of the base of the thermal storage unit where the heat is transferred to the unit and melts the aluminium alloy.

When the heat is then transferred to the Stirling engine to produce electricity, it is done with another cycle with the same heat-transferring fluid, by means of the fluid being pumped from the storage to the Stirling engine’s hot heat exchanger. The heat-transferring fluid is cooled down by the Stirling engine’s heat exchanger and heated by the storage medium by freezing the aluminium alloy; in other words, latent heat is transferred to the heat-transferring fluid. The Stirling engine produces electricity also during the darkest hours of the night.

The Stirling engine produces electricity at nominal output when heat is transferred at a temperature of approximately 600°C in the heated heat exchanger and cooled in the cold heat exchanger

with cooling water at a temperature of 60°C. The engine produces electricity as long as heat is both added and removed at the same time in both heat exchangers. If the hot temperature rises, the efficiency of the engine increases; if the cold temperature rises, the efficiency of the engine decreases.

At a cold cooling water temperature of 55–65°C, the Company’s system has a total efficiency of 90 per cent. This total efficiency includes, as products of the system, both electricity production and surplus heat from the engine’s cooling cycle, which is transferred to a district heating system. The heat can also be used to run absorption cooling processes or to produce desalinated water in a thermal-driven desalination process. The energy supply is obtained from electricity from e.g. photovoltaics or wind power, or heat from concentrated sunlight. According to the Company, Azelio’s Stirling engine demonstrates a heat to electricity efficiency of 29 per cent. It is the Company’s assessment that no other thermodynamic process for a commercial, industrial application within Azelio’s scale segment demonstrates such high efficiency, which makes the system highly competitive in comparison with other technologies. In addition, Azelio’s system offers energy storage in the form of heat, which can be achieved at a significantly lower cost than for electricity storage.¹⁾ All in all, the Company’s assessment is that Azelio’s system, at full production, is more competitive than other competing technologies for installations between 100 kW and 100 MW.

FIGURE 22. INSTALLATION OF THE THERMAL ENERGY STORAGE IN A CONTAINER OF APPROXIMATELY 12 METRES

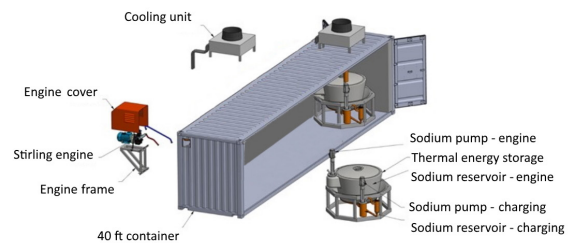
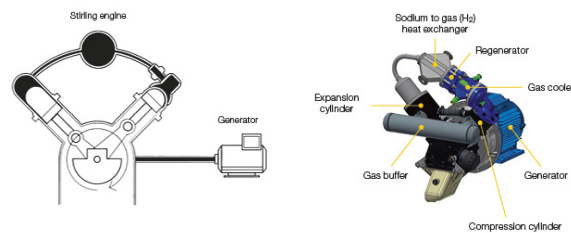
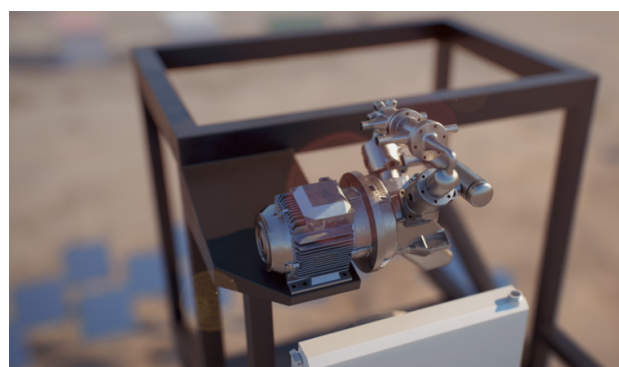
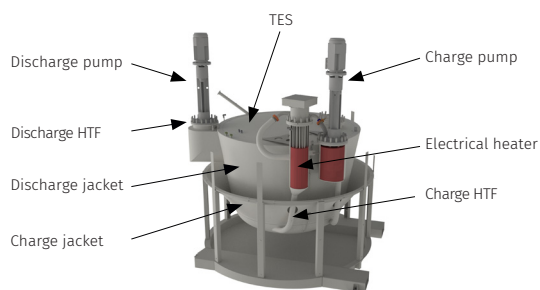


FIGURE 23. SCHEMATIC DRAWING OF THE STIRLING ENGINE AND THE STIRLING ENGINE WITH GENERATOR



¹⁾ International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

FIGURE 24. THERMAL ENERGY STORAGE WITH PERIPHERAL EQUIPMENT SUCH AS PUMPS AND HEATERS



The Stirling engine

The Stirling engine was invented in 1816 as an industrial engine to compete with the steam engine and was first used to pump water out of mines. Since its invention, however, the Stirling engine has been in need of further development in order to reach commercial application. In Sweden, the best-known application is Kockum's submarine engines. The Stirling engine offers high efficiency and a closed internal gas system, which implies no external pollution or pollution from internal combustion. The engine's construction requires a supply of energy at a constant high temperature. This entails that the Company's system of electricity production based on thermal energy storage is very well suited to be combined with a Stirling engine, since the thermal energy storage delivers constant temperatures from latent heat as the aluminium alloy solidifies. According to the Company, the Stirling engine is well suited to small projects built for 100 kW and upwards, as compared with steam turbine-based concentrated solar power, which is only competitive for projects from 100 MW upwards.

In 2008, Azelio acquired the rights to the Stirling engine technology from Solo Kleinmotoren GmbH, which had been developing the Stirling engine since 1990. The Company has since developed the Stirling engine further to make it more robust and efficient, to lower costs and to reduce the need for maintenance. The Company's Stirling engine has been developed over a period of approximately 30 years and has more than two million accumulated operating hours from gas installations and solar parks, mainly in Northern European countries such as Sweden, Norway, Germany and the United Kingdom, but also in Morocco, Dubai and China.

The Stirling engine operates by a gas in the engine being alternately heated up and cooled down, and is at the same time compressed on the cold side and expands on the hot side. This results in a positive force, since more force is generated during the expansion phase than in the compression phase, which in turn is converted to electricity by means of a generator. The Company has developed a reliable and robust design, which causes the Stirling engine to require minimal maintenance. In addition, Azelio has refined the Stirling engine's sealing technology, minimised oil leakage and developed unique simulation software in order to increase understanding of the engine's gas channel and to drive development of the next generation Stirling engine. As a result of this development, the Stirling engine is a significant part of Azelio's new system for producing renewable energy.

Thermal energy storage (TES)

In thermal energy storage, generated energy or electricity is stored as heat and converted into electricity on demand. This can be done at a lower cost and is considerably more efficient than storing electricity.¹⁾ The technology differs from storage of energy using batteries, which convert electricity into stored chemical energy that is then converted back into electricity through a chemical reaction.

Thermal energy storage in the Company's application is based on phase transformation and the energy is stored in a phase change material ("PCM"), which in Azelio's system constitutes an aluminium alloy. This process in which a material goes through a phase change when heat is stored is called latent energy storage. The heated heat transfer fluid transfers energy to the PCM in a receptacle at the base of the container holding the PCM. The aluminium alloy melts at a temperature of 577°C. As the aluminium alloy absorbs heat, it changes from solid to liquid form and is charged with energy that is waiting to be released. The energy is then transferred on demand to the Stirling engine when demand for electricity production arises.

The advantage of latent energy storage over sensible energy storage in molten salt – the most common version of thermal energy storage – is above all higher energy density, entailing reduced material consumption and thus potentially lower costs. The Company's technological solution, which includes a latent energy storage system for optimisation of the total efficiency, can also utilise a greater potential between its hot and cold heat exchangers; the temperature of the hot exchanger is approximately 600°C, while the temperature of the cold exchanger is 60°C.

Aluminium is the most common metal in the Earth's crust, making it highly available. At the same time, it is a material with a low purchasing cost. According to the Company, the chosen aluminium alloy also has a suitable melting point, as well as excellent heating and storage capacity. The aluminium alloy offers a high energy density and does not require a continual supply of storage material. Other established solutions for thermal energy storage, that are commonly used for steam turbine-based concentrated solar power, are constantly in need of new salt or water. The use of salt or water has a negative impact on the environment; salt is a pollutant and water is a scarce resource in several areas around the sun belt. Azelio intends to use recycled aluminium produced exclusively using electricity from wind, water and solar energy. The use of recycled aluminium creates an

¹⁾ International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

environmentally sound solution without using rare raw materials or toxic substances such as cobalt, as is used in batteries.

Software

Proprietary software, executed in a commercial real-time operating system, is used to control and monitor Azelio's system for thermal energy storage and electricity production. Azelio has also developed its own platform to control storage and the Stirling engine. The Company uses commercially purchased standard software for industrial systems to control, for example, power distribution. Furthermore, both commercial and proprietary software are used for data logging and remote communication.

Service and aftermarket

Azelio intends to provide service and aftermarket services in terms of:

- Training of service personnel, operators and installations;
- Optimisation of performance and upgrades;
- Spare parts and service; and
- On-site service via a third party.

Methods to estimate and calculate Azelio's thermal energy storage cost and competitiveness

LCOE

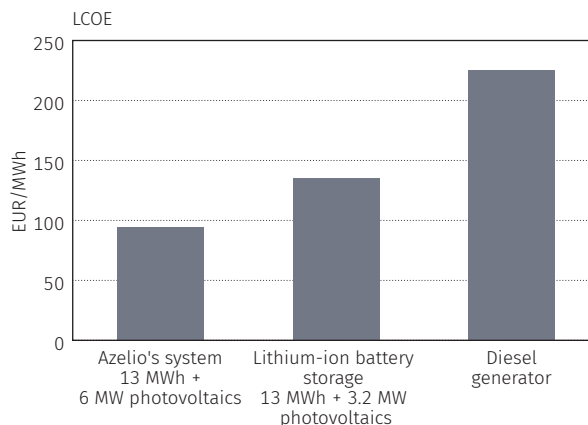
LCOE¹⁾ is a method of estimating the life-cycle cost of an energy source per unit of energy generated over its useful life. Within Azelio's market segment for around-the-clock electricity production, Azelio's system shows a lower LCOE compared to competing energy solutions. This is the case thanks to the Company's efficient Stirling engine, the lower total material costs and the fact that energy can be stored in the form of heat at a substantially lower cost than the cost of storing electricity.

Demand for energy storage is growing rapidly alongside increased penetration of renewable energy, resulting in an increased demand for thermal energy storage. As this trend continues, the costs of the technology continually decrease.

The Company's assessment is that, once volume production is achieved in 2021, Azelio's system combined with photovoltaics will have an LCOE of EUR 93/megawatt hour ("MWh") for around-the-clock electricity production. The Company in that case makes the assumption that a module has a lifetime of 30 years and a discount rate of 4.5 per cent. This is an initial cost that will be significantly reduced by increased volume production, and is estimated to amount to EUR 64/MWh in 2025. Azelio's LCOE calculations do not include usable low-temperature heat or the effect of (in some cases pre-determined) emission rights and possible carbon taxes, which, according to the Company, would further increase competitiveness.

LCOE for Azelio's system combined with photovoltaics in 2021 can be compared with fossil fuels such as diesel which today have an LCOE exceeding EUR 200/MWh. Photovoltaics with 13 hours of storage in batteries will provide an LCOE of EUR 135/MWh in 2021.²⁾ Figure 25 shows a comparison between LCOE for Azelio's technology and for competing technologies.

FIGURE 25. LCOE COMPARISON FOR 2021³⁾



Breakdown of LCOE for Azelio's system⁴⁾

Below is a breakdown of LCOE per MWh for an installation of photovoltaics and Azelio's system in 2021 and 2025, where the customer is assumed to have a need for 5 MW electricity around-the-clock. More specifically, the Company has assumed an installation size of 5 MW, an exchange rate of EUR 1/SEK 10.70, a project lifetime of 30 years and a discount rate of 4.5 per cent. The installation size is industrial or commercial grade.

| 2021 LCOE | SEK/MWh | EUR/MWh |
|---|------------|-----------|
| Levelised capital cost Azelio's system | 431 | 40 |
| Levelised capital cost photovoltaics | 350 | 33 |
| Fixed operation and maintenance costs | 214 | 20 |
| <i>Spare parts incl. service materials</i> | 88 | 8 |
| <i>Insurance, permits, and other</i> | 39 | 4 |
| <i>Operating costs (personnel, electricity, etc.)</i> | 13 | 1 |
| <i>Operation and maintenance costs photovoltaics</i> | 74 | 7 |
| Total | 995 | 93 |

| 2025 LCOE | SEK/MWh | EUR/MWh |
|---|------------|-----------|
| Levelised capital cost Azelio's system | 304 | 27 |
| Levelised capital cost photovoltaics | 253 | 24 |
| Fixed operation and maintenance costs | 142 | 13 |
| <i>Spare parts incl. service materials</i> | 48 | 4 |
| <i>Insurance, permits, and other</i> | 30 | 3 |
| <i>Operating costs (personnel, electricity, etc.)</i> | 9 | 1 |
| <i>Operation and maintenance costs photovoltaics</i> | 55 | 5 |
| Total | 699 | 64 |

¹⁾ The LCOE measure (levelised cost of electricity) is calculated by dividing the system's total expected present value life-cycle costs by the system's expected total energy production.

²⁾ Based on the Company's internal calculations which are based on data from Lazard Levelized Cost of Storage 4.0 and performance simulations by the National Renewable Energy Laboratory (NREL) tool SAM 18.11.11.

³⁾ Based on the Company's internal calculations which are based on data from Lazard Levelized Cost of Storage 4.0 and performance simulations by the National Renewable Energy Laboratory (NREL) tool SAM 18.11.11.

⁴⁾ Based on the Company's internal calculations.

LCOS

LCOS¹⁾ is a method for estimating the cost per produced energy unit for energy storage technologies. Production in this context does not mean actual energy production as with LCOE, but rather the stored amount of energy that is discharged from the energy storage unit. When an energy storage system is not generating electricity and depends on other generating technology, it is referred to LCOS instead of LCOE.

LCOS is used to estimate costs relating to storage of energy over time, and Azelio's pricing strategy is based on LCOS to ensure that not only the customers' investments in a storage solution are taken into account, but also operating costs, discharged electricity and project financing. LCOS, and thus pricing, are expected to fall over time. For example, the price of a 5 MW example installation in Morocco with zero charging cost is expected to fall over time as shown in figure 26.

FIGURE 26. PRICE FORECAST FOR A 5 MW EXAMPLE INSTALLATION IN MOROCCO

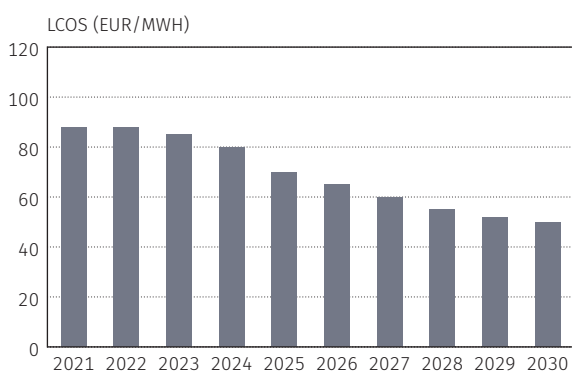
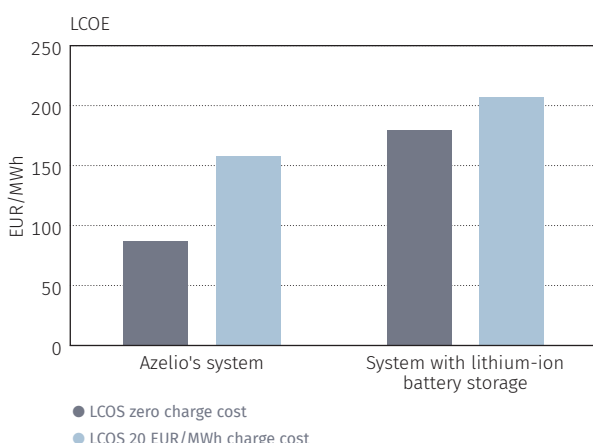


FIGURE 27. COMPARISON BETWEEN AZELIO'S TECHNOLOGY AND LITHIUM ION BATTERY STORAGE FOR 2021, BASED ON LCOS FOR 13 HOURS OF ENERGY STORAGE



¹⁾ The LCOS measure (levelised cost of storage) is calculated by dividing the system's total expected present value life-cycle costs by the system's expected total quantity of energy supplied.
²⁾ The LCOH measure (levelised cost of heat) is calculated by dividing the system's total expected present value life-cycle costs by the system's expected total amount of heat supplied at a certain temperature.

The graph in figure 27 is based on the input data below.

| | Azelio's system | System using lithium ion energy storage |
|---|------------------|---|
| CAPEX ¹⁾ (EUR per installed kWh) | 372 | 294 |
| OPEX ²⁾ (EUR per installed kWh per year) | 9 | 4 |
| Discharge depth | 100% | 80% |
| Annual degradation | 0% ³⁾ | 5% |
| Replacement frequency | N/A | Every four years |
| Replacement cost | N/A | 40% of CAPEX (estimated) |
| Total electricity efficiency | Approx. 30% | Approx. 75% |

¹⁾ Capital expenditures.
²⁾ Operating expenses.
³⁾ Assuming on-going service of the Stirling engine.

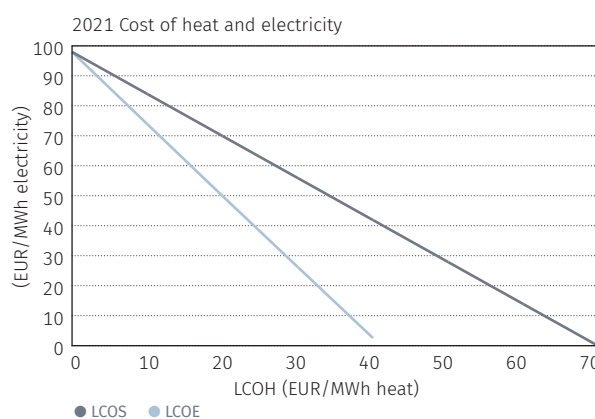
Source: Based on the Company's internal calculations which are based on data from Lazard Levelized Cost of Storage 4.0 and performance simulations by the National Renewable Energy Laboratory (NREL) SAM 18.11.11 tool.

LCOH

LCOH²⁾ is a method to estimate the cost per heat unit produced and can, for example, be used in production of district heating or heat for industrial processes.

For a customer in need of both electricity and low-temperature heat, Azelio's system provides an opportunity for system optimisation as electricity and heat can be generated simultaneously. The graph below shows that if a customer, for example, measures produced heat (LCOH) at EUR 20/MWh, the electricity produced can reach an LCOE of less than EUR 70/MWh for an installation in Morocco with photovoltaics combined with Azelio's system. The same graph also shows how LCOS compares to the value of low-temperature heat (LCOH), at EUR 20/MWh in LCOH, LCOS values of approximately EUR 50/MWh is achieved.

FIGURE 28. EXAMPLE GRAPH OF COST OF HEAT AND ELECTRICITY WITH PHOTOVOLTAICS AND AZELIO'S SYSTEM



Calculation example

The application area for Azelio's system is twofold. It can both supply electricity to the parts of the world which, as of the date of this Prospectus, have no reliable electricity supply or have no connection to a grid at all, and supply developed nations that are on-grid with renewable, distributed energy around-the-clock. Azelio can offer a cost-efficient and environmentally sound solution for regional and local electricity generation around-the-clock, which is a strong incentive to switch from competing diesel generators to Azelio's system. Below are illustrative customer examples for a power grid operator and a mine.

Calculation example – Power grid operator with a small local grid

- The customer is an energy company that operates a small local electricity grid in Ouarzazate, Morocco and sells electricity to the local community and industries.
- Azelio offers the customer a cost-efficient and environmentally sound solution for local electricity production around-the-clock.
- By investing in photovoltaics and Azelio's system, the customer can reduce its diesel consumption and thereby increase cash flow by close to EUR 8 million per year and repay the investment after five years.

| | Diesel consumption | Azelio + photovoltaics |
|--|-------------------------|-------------------------|
| Annual production (5 MW ¹) plant with 78% capacity factor) | 33,960 MWh ² | 33,960 MWh ² |
| Fuel cost (Diesel, EUR 0.8/litre) | EUR 8,150,400 | – |
| Production cost (Excluding fuel cost) | EUR 307,862 | EUR 697,000 |
| Total annual cost | EUR 8,458,262 | EUR 697,000 |
| Annual saving | – | EUR 7,761,262 |
| Total project investment | – | EUR 40,734,000 |
| Repayment period | – | 5 years |

¹ A 5 MW plant of Azelio's system approximately requires a 30 MW plant of photovoltaics, corresponding to an area of 600 metres x 800 metres.

² MW refers to energy conversion per unit of time (effect); MWh refers to energy conversion per hour (consumption).

Calculation example – Mine in need of both electricity and heat

- The customer owns a mine in Ouarzazate, Morocco that needs continuous energy production and uses heat for the preheating of its processes. Many mines are not connected to a grid and instead use diesel generators for their energy supply.
- Azelio offers the customer a cost-efficient and environmentally sound solution for local electricity and heat production around-the-clock.
- By investing in photovoltaics and Azelio's system, the customer can reduce diesel consumption and thereby increase cash flow by EUR 10 million per year and repay the investment after four years.

| | Diesel consumption | Azelio + photovoltaics |
|--|-------------------------|-------------------------|
| Annual electricity production (5 MW ¹) plant with 74% capacity factor) | 32,620 MWh ² | 32,620 MWh ² |
| Annual heat production | 31,990 MWh ² | 31,990 MWh ² |
| Fuel cost electricity production (Diesel, EUR 0.8/litre) | EUR 7,828,800 | – |
| Electricity production cost (OPEX excluding fuel cost) | EUR 295,714 | EUR 697,000 |
| Fuel cost heat production (Diesel, EUR 0.8/litre, burner) | EUR 2,843,556 | – |
| Total annual cost | EUR 10,968,070 | EUR 697,000 |
| Annual saving | – | EUR 10,271,070 |
| Total project investment (Installation cost) | – | EUR 40,734,000 |
| Repayment period | – | 4 years |

¹ A 5 MW plant of Azelio's system approximately requires a 30 MW plant of photovoltaics, corresponding to an area of 600 metres x 800 metres.

² MW refers to energy conversion per unit of time (effect); MWh refers to energy conversion per hour (consumption).

GasBox and Stirling engine-based parabolic dish

The Company previously had a gas application business area based on the Company's GasBox product. In the gas application, the working gas was heated with hot combustion gases from a gas burner via a heat exchanger. In the gas burner, both fossil and renewable gases (e.g. gases from landfill sites and waste facilities) could be burned.

Further, the Company previously had a solar application business area based on a Stirling engine-based parabolic dish (concentrated solar power without thermal energy storage).

In 2017, Azelio implemented a shift in strategy to focus on developing a system with thermal energy storage for distributed and demand-driven electricity production. In conjunction with this strategy shift, the Company decided to discontinue development work on the solar application and put development work on the gas application on hold. The Company today provides service for some 60 GasBox units operated by industrial customers.

The development work currently being performed on the Stirling engine consists of enhancement for optimal adaption to thermal energy storage. The Company expects to be able to re-launch the gas application when production of the Stirling engine reaches volume growth, which can then be coordinated with market growth in gas.

Business model

Azelio offers a system of thermal energy storage for Stirling engine-based electricity production around-the-clock or during peak demand. Azelio owns all of the unique product design for the Company's system and performs final assembly of the Stirling engine at the plant, while subcontractors produce the system's components and subsystems, such as the storage vessel. Research and development, as well as sales and marketing, are carried out internally and in cooperation with the Company's strategic partners.

Azelio may use two distinct business models, depending on the commercial conditions and requirements specific to each individual project. Initially, Azelio may run jointly owned projects in cooperation with third parties to establish the Company's

technology in the market. In time when Azelio's system and technology are established and tested, Azelio intends to act as a technology provider, sell the technology and train customers in procedures for creating successful and commercially viable projects.

Azelio's system is offered to customers in the global energy market, initially to customers who are building projects in the MENA region, sub-Saharan Africa, the Andes, Mexico, Brazil, Australia and central and western United States with installations between 500 kW and 20 MW for electricity production during the day and with a storage capacity equivalent to 13 hours of electricity production at nominal output. Azelio also intends to develop its offering to include projects from 100 kW up to 100 MW, and to offer the system to customers in developed nations in need of storage capacity for electricity production from six hours. The Company intends to sell its system to final users, either directly or through companies in engineering, procurement and construction ("**EPC contractors**") who assemble the system for the final user, to project developers and to vertically integrated utilities and independent system operators. To start with, however, Azelio will participate in the start-up phase for new installations in order to train EPC contractors and final users in how to successfully install and maintain Azelio's system. Final users may for instance be energy-intensive industries such as the mining, cement and processing industries. Project developers incorporate Azelio's technology in existing energy projects, while vertically integrated utilities and independent system operators own and manage grids themselves. In addition to sales of the Company's system, the Company also offers monitoring, maintenance, upgrading and servicing of the system.

Revenue model

Azelio's revenue model depends on the commercial circumstances and specific requirements of each project, and is thus determined by which business model the Company applies. Initially, the Company may run jointly owned projects with third parties and then intends to transition into being a technology provider and selling Azelio's system.

Run jointly owned projects

The Company may collaborate with project development companies that are willing to share the risk with Azelio. These companies are joint owners of the project and are responsible for project development, with support from Azelio. Together with the Company, the project development company will also take part in discussions with potential project stakeholders such as financial institutions and local authorities – a key element since project development companies have experience of the technology. This approach will help Azelio to generate revenue both as a project owner and technology provider, but it will also generate aftermarket revenue through system monitoring, maintenance and service. The aftermarket will be particularly important for Azelio in the Company's initial projects. By having full control, the Company can obtain data on and understanding of the systems that are in operation in order to ensure a faster transition to a business model as a technology provider.

Selling of Azelio's system

The Company intends to use a sales model involving payment instalments. The first payment is received on the date that Azelio's system is ordered and is expected to amount to approximately

15 per cent of the order value. Under normal circumstances, this cash flow is expected to be sufficient to provide the necessary working capital for completion and delivery of Azelio's system. Approximately 40 per cent of the order value will then be paid upon delivery, followed by approximately 30 per cent of the order value upon commissioning of the system. The remaining approximately 15 per cent of the order value will be paid at the end of the warranty period, which the Company expects to amount to two years. In the aftermarket, the Company intends to apply a revenue model taking the form of a consultancy fee, whereby the Company receives recurring revenue from monitoring, servicing and maintenance of the Company's system.

Project financing

Azelio has ongoing discussions with various national and international, private and public financiers who can support the Company's projects through loan financing regarding possible cooperation where the financier provides Azelio with a loan where the production risk and risk of loss on receivables are covered by a guarantee from the financier. This approach results in lower interest expense for Azelio than in the case of normal loan financing. In addition, the Company also has the opportunity to seek equity, loans or grants from organisations, authorities and international development banks such as the World Bank and European Bank for Reconstruction and Development to finance projects.

Customer types

The Company's technology will mainly be delivered to three customer types:

- final users;
- developers; and
- vertically integrated utilities and independent system operators.

Final users

Final users are customers who are in need of storage for their own energy production. Typically, these customers have established infrastructure and access to inexpensive renewable energy to charge the storage unit. Final users may, for example, constitute actors in the industrial or commercial sector, or in retail. These final users will generally use Azelio's technology to replace existing expensive and polluting electricity production based on diesel with renewable and cost-competitive energy.

In small installations the final user may be a direct counterparty, whereas medium-scale to large installations are often procured by EPC contractors who then, for example, assemble systems for the final user. Future Azelio customers who are EPC contractors can include project developers such as Masdar, ACWA Power and Adani Group. It is not unusual for large project developers to have medium-scale projects in the range of 20 MW–50 MW to meet the demand for distributed installations and shorter construction times. For further information about the EPC contractors' role, see sections "*Business overview – Value chain*". The final users that constitute the Company's initial target groups are energy-intensive customers that require a stable and reliable energy supply around-the-clock. These customers can be divided into users that are connected to a regular grid and those that are connected to micro and mini grids and off-grid systems. A description of the final users of the Company's systems is presented below.

Customers connected to the regular grid

Customers that are connected to the regular grid, which includes energy-intensive industries such as the mining, cement and processing industries, can be divided into two categories: stable grid and unstable grid.

Stable grid: Operators that are connected to a reliable grid do not always have a particular interest in an independent renewable energy source, irrespective of the advantages associated with this. These types of operators are interested in the price paid for the electricity consumed, and thus, Azelio's value proposition to these customers is to offer an electricity price that can compete with the customer's existing price. In particular in cases where the existing grid price model involves fluctuation (even if the electricity delivery in itself may be stable), Azelio can profile itself as a strong competitor.

Unstable grid: For operators whose grid connection is characterised by a lack of reliability, the uneven electricity supply potentially entails a serious problem since a lack of electricity can cause processes and production chains to be shut down, which in turn can have an adverse impact on profitability. To counter such risks, several operators invest in their own solutions such as diesel generators or a combination of photovoltaics and batteries. The Company's value proposition of reliable, distributed and demand-driven electricity supply thus provides protection against insufficient electricity supply from the unstable grid for these customers.

Customers connected to an off-grid system

Energy-intensive mines, isolated villages, telecommunications towers, hospitals etc. that are not connected to the regular grid are highly dependent on diesel generators, on photovoltaics with batteries or on hybrid solutions of these two types of systems for

their electricity supply. Investing in a grid connection is usually costly, and there is a risk that the grid is unstable or unable to cope with further demand. The Company's value proposition to these customers is therefore to offer the reliable electricity supply that they require.

Project developers

The intention is that project developers normally will use the Company's storage solution to develop energy projects in various scales that are subsequently financed and/or sold. Consequently, project developers will supplement existing energy systems with Azelio's technology to enable charging of the systems with inexpensive renewable energy.

Vertically integrated utilities and independent system operators

Vertically integrated utilities and independent system operators own and manage the existing grid. These customers are in need of storage to reduce their total delivery costs and improve quality.

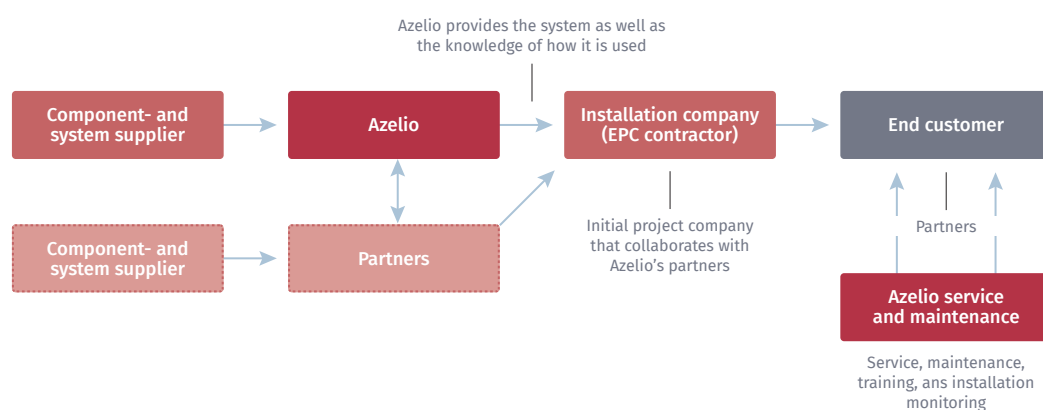
Value chain

Azelio's overall strategy is to be a technology provider, which entails that the Company will deliver Azelio's complete system with the Stirling engine, energy storage and, where applicable, solar concentrator. In other cases, where Azelio's system is to be used in combination with electricity from renewable sources, Azelio will deliver its system with the Stirling engine and energy storage to be connected to the electricity source in question. Subcontractors provide Azelio with components and subsystems, such as storage unit assembly (AQ Enclosure Systems), while Azelio is responsible for final assembly of the Stirling engine at the plant. Azelio's offering to customers includes the system and expertise in how to utilise the system. EPC contractors or, in the case of smaller installations, final users are responsible for on-site assembly, installation, project management and ensuring electricity production. An independent electricity provider

is responsible for power purchase agreements and provides operation and financing, while an electricity provider provides electricity to the final user. In the aftermarket, the Company offers ongoing maintenance and servicing of Azelio's system. Depending on the size of the project, Azelio may also engage service partners from third parties. The role of external parties is mainly to increase the organisational efficiency so that Azelio can focus on the Company's core expertise and develop Azelio's offering to increase customer satisfaction.

The Company's value chain is largely local, which means that cooperation with external partners and authorities plays a key role. A local value chain gives the Company political advantages through close dialogue with local authorities and more efficient decision processes.

FIGURE 29. VALUE CHAIN



Operational, financial and production targets

Operational targets

Azelio's objective is to provide renewable energy through low-cost energy storage and distribution on demand. The Company intends to offer the most cost-efficient option for demand-driven and distributed electricity production, and to contribute to development towards renewable energy constituting a majority of the future global energy mix.

In order to achieve the above objectives, the Company has established the following targets for each year in the period 2019 to 2021:

| | | |
|------|----|--|
| 2019 | | <ul style="list-style-type: none"> Launch of technology verification project in Morocco |
| 2020 | Q1 | <ul style="list-style-type: none"> Initial verification data presented from the technology verification project in Morocco |
| | Q2 | <ul style="list-style-type: none"> First commercial order for a project of 50 kW Installation and launch of technology verification project in Abu Dhabi Launch of the concept heat recovery |
| | Q3 | <ul style="list-style-type: none"> Delivery of first commercial project of 50 kW First verification data presented from the technology verification project in Abu Dhabi Second commercial order for a project of 50 kW |
| | Q4 | <ul style="list-style-type: none"> Installation of volume production verification project Verification data presented from the verification projects in Abu Dhabi and Morocco for commercial projects Expected installation of second commercial project of 50 kW Upscaling of production to ensure resources for production of 1,500 systems during H2 2021 |
| 2021 | | <ul style="list-style-type: none"> Volume production up and running from June 2021 Installation and launch of the first larger commercial project Production capacity of 5,000 systems per year and shift by the end of the year |

Production targets

Azelio has the following targets for annual production of the Company's Stirling engine:

2021: 1,500 units

2022: 6,000 units

2023: 17,000 units

2024: 35,000 units

Financial targets

The Company has a long-term target of achieving an EBIT margin of at least 15 per cent.

Strengths and competitive advantages

The Company's board of directors considers Azelio to have the following strengths and competitive advantages, which are expected to help enable the Company to realise its future strategic and financial targets:

- Cost-efficient technology with modular design
- Cost-efficient solution with first class performance and efficiency
- High quality assembly plant for large-scale production of the Stirling engine
- Global network of established partners

Cost-efficient technology with modular design

Azelio's system is based on the Stirling engine which the Company has further developed from Solo Kleinmotoren GmbH. The Stirling engine has been developed over a total of approximately 30 years and has more than two million accumulated hours of operation. In the Company's opinion, combining the efficiency of the Stirling engine with the system's ability to store thermal energy – rather than utilising the considerably more expensive storage of electricity¹⁾ – creates a competitive, cost-efficient offering for installations of up to 100 MW and with a storage capacity for 13 hours of nominal electricity production.

Azelio's system has a modular design, enabling smaller projects and allowing a standardised building process, quick installation, incremental expansion and multiple application areas. The modular design allows the system to be expanded and each model to be maintained separately with minimal loss of production capacity for the system as a whole. At modular level, a system with a capacity of 5 MW is no more complicated to install than a system capable of generating 500 kW. With its modular design, Azelio's system can be installed in rural areas and in areas where no reliable electricity supply is available. Even small installations can therefore generate electricity locally and cost-efficiently.

Cost-efficient solution with first class performance and efficiency

Storage of heat in accordance with Azelio's system can be made at a lower cost and considerably more efficiently than storing electricity. At a lowest temperature of 55–65°C the Company's system has a total efficiency of 90 per cent. This total efficiency includes products from the system in the form of electricity production and surplus heat. The surplus heat can be used as low-temperature district heating, for desalination of thermal water, for industrial process heat and cooling through absorption cooling processes. The Company appreciates that Azelio's Stirling engine has an efficiency level from heat to electricity of approximately 29 per cent. This high efficiency combined with the modular and distributed design makes it highly competitive even for relatively small installations. Azelio's system is competitive for smaller installations from 100 kW and is well suited both for areas that do not currently have a reliable electricity grid and for areas with access to a stable grid where there is demand for a higher percentage of renewable energy.

¹⁾ International Renewable Energy Agency, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Oct/IRENA_Electricity_Storage_Costs_2017.pdf (controlled 11 November 2019).

High quality assembly plant for large-scale production of the Stirling engine

The Company's assembly plant is constructed with the highest quality and based on the latest manufacturing principles. Azelio's production takes place in an environment surrounded by suppliers to and partners of the global automotive industry. These actors have considerable experience of producing components in large volumes, of the right quality and at the right cost. With established subcontractors with its own production plant built according to the latest manufacturing principles, the Company can ensure high quality volume production at a low production cost throughout the manufacturing chain, creating competitive advantages and the opportunity to accomplish rapid growth in production.

Global network of established partners

Azelio has developed a strong global network of leading players within renewable energy, including Masen and Masdar. This network has enabled the Company to create global awareness within the sustainable energy market. In cooperation with the Company's partners, the Company can validate its system in representative regions with high solar radiation and good wind conditions where there is a need for small-scale storage and long electricity production. The Company's partners contribute valuable knowledge about the renewable energy market, research and development, industrialisation, verification and business development. The collaboration with the Company's partners is largely locally based, creating good conditions for Azelio to identify business opportunities and develop local relationships with potential customers, suppliers and authorities. The Company intends to work actively to expand its network of partners in the countries where it has identified potential business opportunities. For more information about the Company's partners, see section "*Business overview – Partners*".

Growth strategy and development potential

Establish technology as market leading within Azelio's market segment

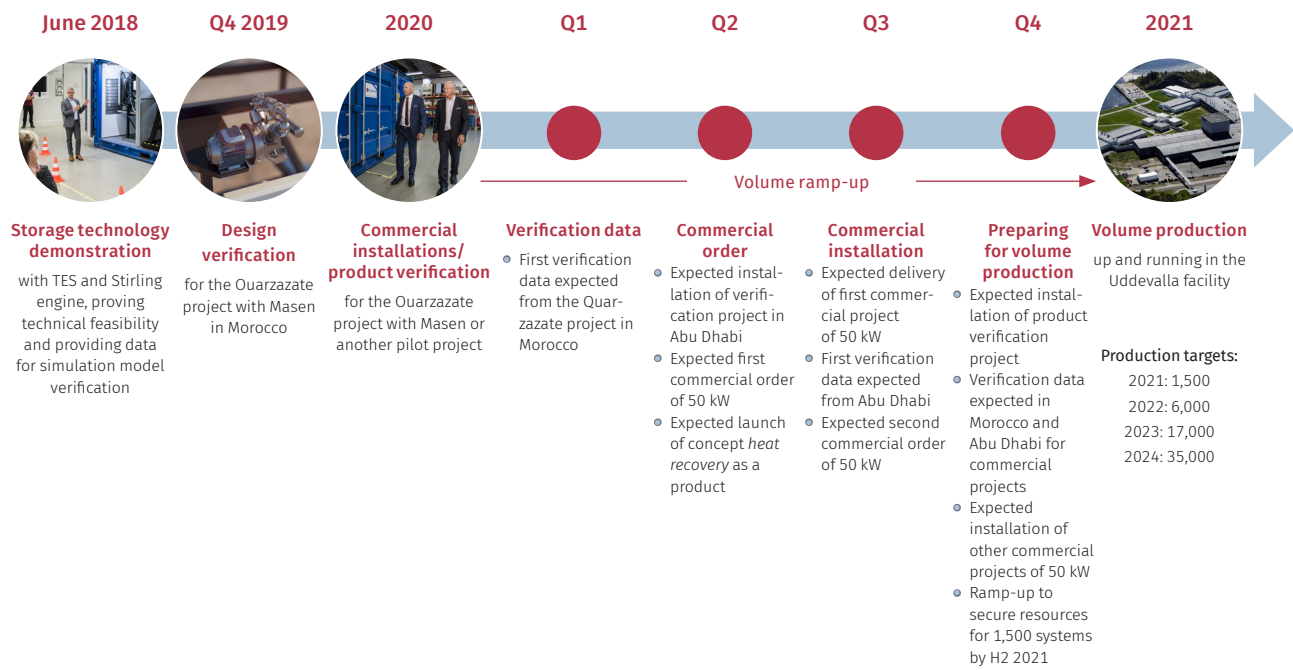
Azelio has further developed the Stirling engine acquired from Solo Kleinmotoren GmbH in order to achieve optimal energy efficiency at the lowest possible cost level. The Stirling engine is used in commercial applications and in August 2019, the first Stirling engine adapted for Azelio's developed energy storage system was produced at the Uddevalla plant. The subsystem for thermal energy storage was proven viable in a demonstration plant in June 2018 but has yet to be applied commercially.

The Company considers itself to have a head start in technological development in relation to other market operators of energy storage within the Company's market segment. The Company believes that Azelio offers a robust, modular, cost-efficient system already from smaller installations and upwards, with high energy density in the thermal storage, reliable conversion of heat to electricity, no dependence on rare or toxic materials, no consumption of storage media or process water, and the possibility of distributed production that matches the customer's demand profile. In addition to electricity production, surplus heat from the engine can also be used to optimise the overall efficiency to deliver district heating, cooling or to produce desalinated water. All in all, this results in Azelio's system being able to demonstrate higher competitiveness than other competing technologies for installations of between 100 kW and 100 MW and with a storage capacity for 13 hours of production.

Azelio therefore considers the Company to have created a head start for itself in the segment for installations between 100 kW and 100 MW and with a storage capacity for electricity production of 13 hours at nominal output, where it has achieved product superiority and is positioned to establish a strong standing in the market. To the Company's knowledge, there are no other available renewable energy technologies that can be used both in the form of baseload power for micro and mini grids and off-grid systems, and in the form of supplementary application for existing photovoltaic and wind power parks at a reasonable cost, see further section "*Market overview – Competing technologies and Azelio's positioning*". Azelio will work to leverage its present position in the market and its competitive technology with the aim of its technology becoming market leading within Azelio's market segment.

Azelio's focus forward is to, during the fourth quarter of 2019 and into 2020, focus on the industrialisation of the system's design, construction and production. During the fourth quarter of 2019, two systems are planned to be installed in a verification project in Morocco together with state-controlled Masen. Further, two additional systems are planned to be installed in a verification project in Sweden during the fourth quarter of 2019. In addition to said installations, the Company plans to carry out installations of two smaller commercial projects during 2020, equivalent of 50 kW each, and a verification project with Masdar during the second quarter of 2020, equivalent of 50 kW. Further, the Company plans to carry out a final internal product verification project, equivalent of 50 kW, before the Company is expected to reach volume production from mid-2021. In aggregate, the plan for 2020 is to install systems equivalent of approximately 200 kW.

FIGURE 30. THE ROAD TO MARKET LAUNCH



Further, the Company’s thermal energy storage technology does not necessarily compete with conventional methods for renewable energy storage and sustainable energy production but rather supplements these, since Azelio’s system can be combined with other established technologies such as photovoltaics, wind turbines, batteries and diesel generators.

Growth within profitable segments and geographies

Azelio intends to prioritise growth within geographies and segments where the Company identifies the most attractive business opportunities and where Azelio has an economic and technical competitive advantage. Azelio’s initial target market is the segment for installations between 500 kW and 20 MW and with a storage capacity equivalent to 13 hours of electricity production in the MENA region, sub-Saharan Africa, the Andes, Mexico, Brazil, Australia and central and western United States.

Currently, there are no sustainable and cost-efficient solutions for these segments in the global energy market. Depending on the geography, this could either be attributable to people lacking access to a reliable grid or any grid at all and being forced to use local energy production based on diesel or gas to secure their electricity supply, or due to electricity prices and carbon tax amounting to high levels. The Company can offer a system that produces electricity locally close to the final user. This reduces the need for over-dimensioned grids and reduces losses in

connection with transfer and distribution of electricity. With a storage capacity exceeding 10 hours of electricity production, the system can produce electricity also when solar radiation is weak, during periods when the electricity demand usually is at its highest.

The Company considers there to be favourable conditions for growth in the above-mentioned target geographies where there are good solar or wind conditions, high electricity prices and a high level of demand for reliable electricity during all hours of the day and night. For more information about the Company’s market, see section “Market overview”.

Sales and marketing

Azelio’s sales and marketing department today works mainly on activities to develop scientific credibility, increase awareness of the Company’s system within the solar energy industry and expand collaboration with important partners such as Masen and Masdar. A large part of the sales and marketing work is currently conducted internally. Azelio intends to develop and adapt the Company’s sales and marketing department in order to develop target markets and identify commercially profitable opportunities.

Projects and interest enquiries

Projects

The table illustrates the non-binding memorandums of understanding that the Company has entered into, including, where applicable, estimates of size/projected effect (pipeline) and timing. These are further described below.

In addition to the below non-binding memorandums of understanding, the Company has entered into, as well as negotiates, a number of agreements with other parties. Since the Company deems that said agreements cannot currently be determined as to the size or time of installation, they have been omitted from the table below.

| # | Company | Country, company's head office | Project countries | Pipeline (MW) | Installation time | Segment |
|---|-------------------------------|--------------------------------|-------------------|---------------------------------|---------------------|-------------|
| 1 | Masen | Morocco | Morocco | – | Fourth quarter 2019 | EL-TES |
| 2 | Masdar and Khalifa University | Abu Dhabi | Abu Dhabi | – | Second quarter 2020 | EL-TES |
| 3 | STELLA Futura | Sweden | Ghana and Togo | 6.5 | Third quarter 2020 | EL-TES |
| 4 | ND Power | Sweden | Zambia | 7.55 | Third quarter 2020 | CSP, EL-TES |
| 5 | Biodico | United States | United States | Approximately 120 ¹⁾ | 2021 ²⁾ | EL-TES |
| 6 | JD Aviation | Pakistan | Pakistan | – | N/A | CSP, EL-TES |
| 7 | Pansanté | Sweden | Africa | – | N/A | CSP, EL-TES |

¹⁾ Distributed as follows: 13 kW 2021, 15 MW 2022, 35 MW 2023, 70 MW 2024.

²⁾ Projected installation of the first project.

Morocco

In Ouarzazate, Morocco, Azelio intends to, together with Masen, build a pilot plant for verification of the Company's thermal energy storage with charging through electricity from photovoltaics. The pilot plant is located outside Masen's visitor and research centre next to Noor Ouarzazate Solar Park, one of the world's largest solar parks with a capacity of 580 MW. The Company's pilot plant was launched in 2016 and has a total installed capacity of 13 kW. At the end of 2017, operational responsibility was transferred to Masen, with continued integration of operating data and evaluation in Azelio's development project. In the fourth quarter of 2019, the Company plans to verify Azelio's new system of thermal energy storage in combination with electrical charging of the storage medium in Ouarzazate, under optimal solar conditions.

Abu Dhabi

Installation of a verification project in Abu Dhabi is planned for the second quarter of 2020 in cooperation with Masdar and Khalifa University with the aim to evaluate and demonstrate Azelio's energy storage for renewable projects that use photovoltaics, concentrated solar energy and wind power, or for projects that deliver solutions for off-grid systems to assess whether Azelio's technology can be included in existing and future renewable energy projects.

United States

From 2021, a commercial project is planned in Atascadero, California together with Biodico. Azelio's system will supply Biodico's bio fuel production system with electricity on demand. The energy system will include photovoltaics, wind power and Azelio's storage which will supply baseload power to the process around-the-clock. Azelio's unit will be operated under veritable conditions and serve as a model for Azelio's future projects in California.

Sub-Saharan Africa

Azelio intends to install a small-scale commercial project in sub-Saharan Africa with the help of partner STELLA Futura. The

installation of 50 kW is planned to be commissioned in the third quarter of 2020. Two possible locations for the project are under evaluation – one in Ghana and one in Togo. The purpose of the project is to demonstrate Azelio's technology in an actual commercial environment to pave the way for a broader application of the technology in the region in cooperation with STELLA Futura.

Further, Azelio intends to install a smaller project in Zambia with the help of partner ND Power. The plant of 50 kW, which is expected to be commissioned in the third quarter of 2020, will be operated under actual commercial conditions and will serve as a model for ND Power's future installations in the sub-Saharan Africa region.

Sweden

In Åmål, Sweden, the Company has a demonstration plant that is continually being upgraded to demonstrate and test Azelio's system. The Company has developed a demo system that demonstrates the entire process of energy storage capacity, transfer of energy and the use of stored heat to run the Stirling engine which then produces electricity. The Company also has a demonstration plant in Åmål for thermal energy storage.

Customer identification

As of the date of the submission of the Prospectus, Azelio has a total of 121 interest enquiries from potential customers. Each project undergoes an evaluation in which Azelio analyses the project's status, permits, financing, technical aspects, contracted EPC contractors, feed-in tariffs, power purchase agreements and final users for the project. The Company also analyses solar and wind conditions, electricity prices and grid status. This information is used as a basis for decision on a launch plan and for prioritisation of resources for sales and marketing.

Ongoing discussions with customers

Following the demonstration of the energy storage solution in June 2018, the interest from potential customers increased significantly. In connection with the Company's listing on Nasdaq First North Growth Market in December 2018, the Company

announced that it had received interest enquiries 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 charging by electricity has led the Company to adjust its assessment criteria. Following a new review of the old interest enquiries from potential customers together with new interest enquiries, the Company deems that 121 interest enquiries from potential customers can be commercially viable and interesting. Desired deliveries for said interest enquiries are during 2021-2023 and amount to, in aggregate, approximately 3,900 MW, corresponding to a value up to SEK 170 billion in potential order value.

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

Breakdown of interest enquiries and MW

| Interest enquiry | MW |
|-------------------------------------|--------------|
| Interest enquiry 1 | 500 |
| Interest enquiry 2 | 500 |
| Interest enquiry 3 | 200 |
| Interest enquiry 4 | 200 |
| Interest enquiry 5 | 200 |
| Interest enquiry 6 | 200 |
| Interest enquiry 7 | 100 |
| Interest enquiry 8 | 100 |
| Interest enquiry 9 | 100 |
| Interest enquiry 10 | 100 |
| Other 111 interest enquiries | 1,700 |
| Total 121 interest enquiries | 3,900 |

Production

Azelio's production strategy enables the Company to ensure rapid growth in production. At the same time, it is important to be flexible in terms of volume in production, assembly and installation since the Company's projects involve installations from 500 kW to 20 MW.

Azelio has a production plant in Uddevalla which has previously been utilised in the automotive industry and is thus built for the latest manufacturing principles. The production plant, which consists of one assembly line with peripheral systems for automatic logging of operations, database management and test facilities, was acquired from Volvo Cars and is located in a region that has a network of suppliers to and partners of the global automotive industry. As of the date of the Prospectus, Azelio has produced a total of 177 Stirling engines that have accumulated over two million operating hours globally and have been delivered to solar parks and gas plants (including landfill sites) as well as for tests and demonstrations globally. In August 2019, Azelio launched production at its plant in Uddevalla of its Stirling engine adapted for the Company's solution for energy storage with production of sustainable electricity around-the-clock. Azelio has assembled Stirling engines at its plant for earlier product solutions. The subsystem for thermal energy storage was

proven viable in a demonstration plant in June 2018 but has yet to be applied commercially.

The components for the first 20 systems manufactured in 2020 will primarily be individually produced, which is a time-consuming, complicated and costly method. Consequently, the first systems will have a production cost that is significantly higher than the estimated future cost of volume production. This approach is intended to ensure the design and function of each individual component before the tools needed for volume production are ordered and installed. The investment costs for these tools, which generally have a long life, will be high.

At present, Azelio has one assembly line in the facilities that the Company rents. With the existing assembly line, Azelio has a production capacity of approximately 5,000 Stirling engines a year, which corresponds to one shift per 24 hours. At maximum capacity for the existing assembly line, the number of shifts can be increased to five shifts per 24 hours, which corresponds to an annual production capacity of 23,000 Stirling engines. This entails a total delivery capacity for Azelio's systems of approximately 300 MW which can be estimated to SEK 13 billion in sales. As the Company's production needs increase (see Azelio's targets for annual production until 2024 in section "Business overview – Operational, financial and production targets – Production targets"), the Company plans to install an additional assembly line either in the existing plant where there is space for such, in the plant's proximity or elsewhere. In order to reach the Company's production targets, production investments relating to the Company's plant are estimated to amount to approximately SEK 10 million during 2020–2021. With its own production facility available for volume production, Azelio can ensure high quality while minimising production costs.

In its production, the Company's focus is on final assembly of components and subsystems. Azelio owns the designs for all critical non-standardised components, which entails that the core expertise is kept within the Company. Azelio is foremost concentrating on the final assembly of the Stirling engine, while other detailed components are manufactured by local subcontractors. In September 2019, the Company entered into an agreement with AQ Enclosure Systems for final assembly of the thermal energy storage. Assembly of the first systems will take place in the fourth quarter of 2019. Components and subsystems are produced by subcontractors that are used to producing components in high volumes, of the right quality and at the right cost. Working with established suppliers gives Azelio access to high quality production and product development experience. Access to industrial automation and volume production of components ensures low production costs and high efficiency throughout the manufacturing chain.



Plant in Uddevalla which is shared by Azelio and other companies, and which the Company's production facility is a part of.

Partners

Azelio cooperates with international partners who share the ambition to improve the world's electricity supply through more efficient, sustainable and reliable solutions. The Company's partners consist of organisations and companies that collaborate on research and development, production, installation, industrialisation, verification and business development. With various starting positions and focus areas within renewable energy, reciprocal trust is created through cooperation within development and validation. Azelio aims to add value for the Company and its partners in various local projects and for all actors to utilise each other's expertise to create influence in different markets.

Masen

Masen has been one of the Company's strategic partners since 2016 and has also had a representative on Azelio's board of Directors since 2018. Masen, which is state-controlled, is one of the most important stakeholders in Morocco's comprehensive energy strategy. Masen contributes valuable knowledge about the solar energy market and has a key role in the Company's research and development for thermal energy storage, industrialisation, verification and business development.

Further, Masen provides access to a large network of established companies and stakeholders within the solar energy industry, as well as to new suppliers for local purchasing and local production. Masen's research and development platform for concentrated solar

power is located in Ouarzazate where one of the world's largest solar power plants with a capacity of 580 MW is located.

Since 2016, Azelio and Masen have a joint pilot facility of 13 kW in Ouarzazate. The next step is for the Company and Masen to build a verification project using two units of Azelio's systems in Ouarzazate in the fourth quarter of 2019.

Masdar

Masdar is Azelio's research partner for the development of thermal energy storage. The partnership with Masdar began in 2018 with the Masdar Institute of Science and Technology. Masdar Institute of Science and Technology was founded in 2007 in Abu Dhabi, in cooperation with the Massachusetts Institute of Technology (MIT), as an independent, non-profit research university focusing on advanced energy and sustainable technology. Masdar Institute of Technology is now part of Khalifa University. In September 2019, Azelio entered into a research partnership agreement with Masdar (Abu Dhabi Future Energy Company) and Khalifa University to run a pilot project for evaluation and demonstration of Azelio's energy storage for renewable projects using photovoltaics, concentrated solar energy and wind power, or for projects that deliver solutions for off-grid systems, for the purpose of assessing if Azelio's technology can be included in existing and future renewable energy projects.

The Masdar Institute Solar Platform ("MISP"), which is part of Masdar, is located in the MENA region's epicentre for solar energy and provides opportunities for testing in reasonable solar conditions. Masdar's experience in thermal energy storage along with the opportunities to demonstrate and validate systems in a straining desert environment were considered crucial in the choice of research partner.

BIODICO INC

In 2019, Azelio signed a memorandum of understanding with the American company Biodico regarding a project for storage of energy from both solar energy and wind power. The project is expected to be commissioned in 2021 as a commercial model for Biodico's modular and renewable biofuel production system in Atascadero, California.

Biodico produces biodiesel from fats and oils, and uses by-products from biodiesel production and raw material resources to create other types of renewable energy.

Glava Energy Center

Glava Energy Center has been a Swedish partner of Azelio since 2019. Glava Energy Center is a development centre at the regional, national and international level for companies and organisations that operates within renewable energy or energy efficiency.

The partnership with Glava Energy Center concerns verification of Azelio's technology in Sweden and is expected to be initiated in 2020. The cooperation will enable tests to be carried out close to the Company's development processes and in systems with various renewable technologies and grid configurations. The varied test environments will accelerate the verification process for a broad application area and an expanded market. The verification in Sweden will be implemented using photovoltaics, where the energy storage with electricity production will be placed in a container. The solution has benefits in terms of increased mobility and the fact that the heat generated in the electricity production can be used, which increases system efficiency and the value that the system can deliver.

AQ Enclosure Systems

In August 2019, Azelio entered into a non-binding letter of intent with AQ Enclosure Systems regarding cooperation to secure long-term production of Azelio's energy storage. The objective is for AQ Enclosure System to become a full-scale production partner who offers purchase, assembly and logistics services for Azelio's finished systems. Assembly of the first systems is planned for the fourth quarter of 2019 for delivery to Azelio's verification project in Morocco.

Datang

Datang Holdings New Energy Technologies Limited ("Datang") has been the Company's partner in China since 2017. The partnership with Azelio involves manufacturing, installation and development. The aim of the partnership is to later on establish Azelio's technology as a recognised solution in China for renewable energy and to achieve a competitive cost level through local production.

Datang was founded in 2016 and is a Chinese project development company that is increasingly shifting its focus to large plants for solar energy and energy storage. Datang is a subsidiary of Datang International Investment Corp. Ltd., with its headquarter in Beijing, China. The country has an objective of achieving 10 GW of installed solar energy with storage by 2030,¹⁾ and Datang's aim is to develop new demand-driven solar energy projects of 1 GW per year.

Datang has plans to construct its first solar park for 200 MW. Azelio and Datang have entered into an agreement, which was extended in March 2019, which stipulates that the Company will deliver Stirling engines and concentrated solar power to the solar park. However, Azelio does not expect construction of the solar park to begin in the immediate future and therefore, Azelio does not view its partnership with Datang as a part of the Company's commercialisation plan.

Research and development

Research and development is a core aspect of Azelio's operations and the Stirling engine is the foundation of the Company's system. The Stirling engine has been used in commercial applications, while the subsystem for thermal energy storage has been proven viable in a demonstration plant but has yet to be commercially applied.

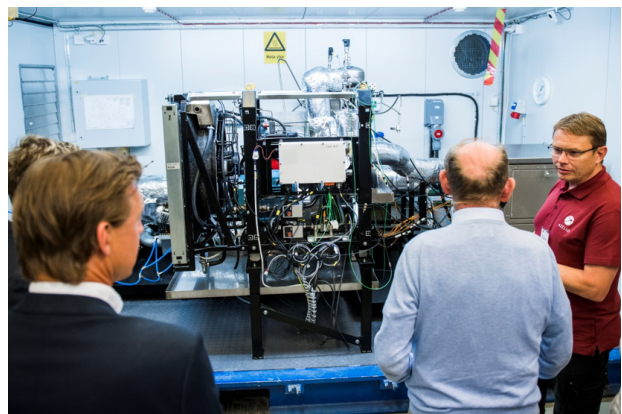
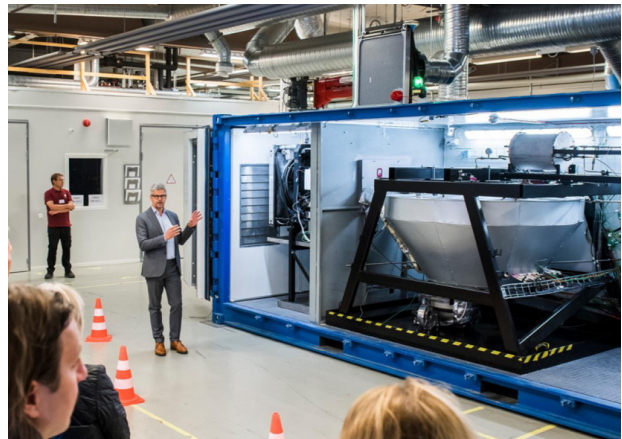
Azelio's research and development take place in Åmål and Gothenburg. Development of the Stirling engine and software takes place in Åmål, along with testing of both the subsystems and the whole system in the Company's testing facilities and solar lab. Development of the thermal energy storage and the solar concentrators takes place in both Åmål and Gothenburg. Most of the development takes place internally, with external partners to assist with development or improvement of specific components. Azelio's research and development department consists of 6 individuals, but for specific projects additional resources within the Company are used.

The Company's focus going forward will be on continued development in order to achieve industrial verification of Azelio's complete system with thermal energy storage. The Company is also prioritising improving the system's performance and reducing manufacturing costs.

Azelio's current development work is mainly focused on two subsystems:

The Stirling engine: Efficiency improvements of the Stirling engine for optimal adaptation to thermal energy storage. Further increase of efficiency and reduction of manufacturing costs.

Thermal energy storage: Develop design from prototype level to production level and increase storage capacity.



Demonstration of the thermal energy storage took place in June 2018 at the Company's development centre in Åmål.

Patents

Azelio's core expertise can be found in the in-house knowledge that the Company has developed for the thermal energy storage system and Stirling-based electricity production, composition and development of the Stirling engine, and components for subsystems such as thermal energy storage and concentrated solar power.

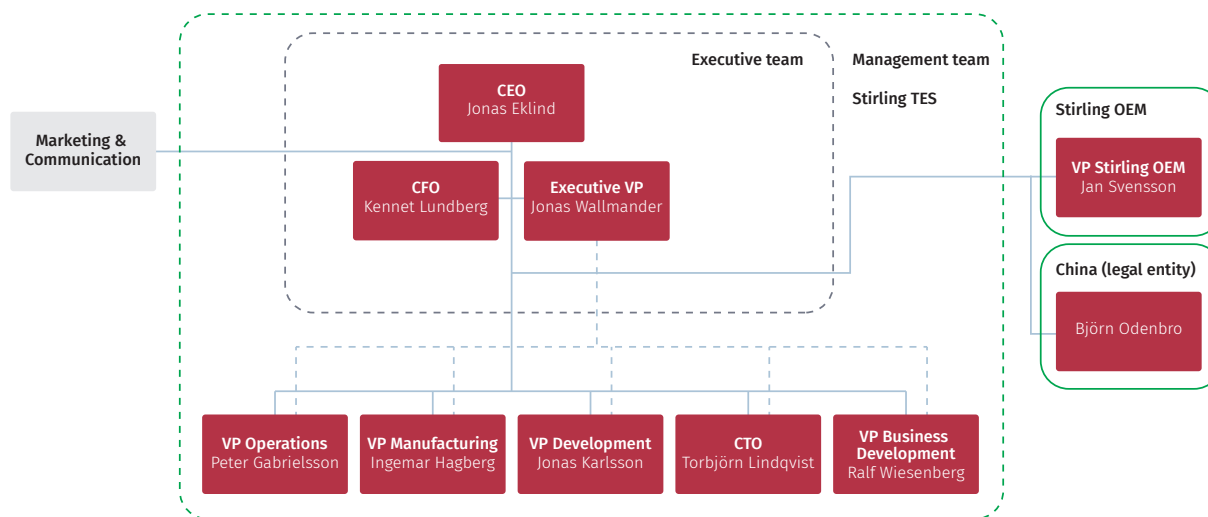
Azelio works actively on patent applications and enlists the help of Bergenstråhle & Partners on matters concerning intellectual property and patents. The Company has six granted patents as well as pending patent applications regarding twelve patent families. The Company's patent applications relate primarily to specific components that constitute critical improvements of the Company's Stirling engine, a solution for concentrated solar power, and the thermal energy storage which, according to the Company, together make possible the system's high performance and low cost. For further information on Azelio's patents and patent applications, see section "Legal matters and supplementary information – Immaterial rights".

¹⁾ J. Wang et al., *Status and future strategies for Concentrating Solar Power in China*, 2017: file:///C:/Users/jhg3632/Desktop/Status_and_future_strategies_for_Concentrating_Sol.pdf (controlled 11 November 2019).

Organisation, policy and employees

Figure 31 provides an overview of Azelio's organisational structure as of the date of the Prospectus.

FIGURE 31. ORGANISATIONAL STRUCTURE



Organisation

The Company has its head office in Gothenburg, Sweden, with production in Uddevalla, development centre in Gothenburg, development centre and test centre in Åmål, offices in Stockholm, a sales office and technical sales support in Beijing, China, representation office and stationed personnel in Madrid, Spain, office and stationed personnel in Morocco as well as a contracted technician in Abu Dhabi, United Arab Emirates.

Policy

Employee policy/code of conduct

Azelio's employee policy contains a number of principles describing the Company's shared values. The principles are on a comprehensive level and are supplemented by Azelio's company-wide policies and procedures. The purpose of having an employee policy is to communicate Azelio's values and business principles to all of the Company's employees, customers, suppliers, business partners and owners, and to provide guidance in the Company's daily operations. The employee policy is based on the UN Global Compact's ten principles, which are in turn based on the UN Declaration of Human Rights, the ILO Conventions and human rights in working life, the Rio Declaration and the UN Convention against Corruption. The employee policy also addresses, *inter alia*, business ethics, respect, conflicts of interest, confidential information and relationships with external parties such as suppliers and partners.

Environment

Azelio works actively and consistently on long-term protection of the environment in order to contribute to a sustainable society. In broad terms, Azelio's ambition is to live up to the expectations that the Company's shareholders, employees, other stakeholders and the external environment may have of the Company's business model and its long-term sustainability and development plan. The Company endeavours to reduce its environmental impact to the extent possible by preventing and reducing pollution and the use of harmful substances within the operations. Environmental considerations have been, and will continue to be, a natural part of Azelio's business.

Work environment policy

Azelio's work environment policy encompasses all operations and the employees' overall work situation, with the objective of providing a physically, mentally and socially healthy and developing workplace for the Company's employees. Azelio thus works actively to minimise any risk of industrial injuries, accidents and near-accidents. In addition, Azelio encourages activities and initiatives that promote employee health, job satisfaction and efficiency. The Company considers legislation and conventions to be minimum requirements for the work environment, and therefore endeavours to maintain a higher standard than what these stipulate. Further, employees are expected to take responsibility for their health in their daily work by making active efforts to continually improve the work environment.

Communication

Azelio has adopted a communication policy that regulates internal and external communication. The Policy applies to all employees and board members of the Company, and includes both written and oral communication. The policy has been designed with the purpose of ensuring that Azelio fulfils the requirement of providing accurate information to the stock market. The communication policy includes procedures for press releases, year-end reports, interim reports, annual reports, annual general meetings, investor relation meetings and other presentations, as well as the information found on Azelio's website.

Employees

As per 30 September 2019, Azelio had 115 employees, of whom 111 were employed in Sweden and four were employed at the Company's subsidiary in China. The Company also had 49 consultants, equivalent to 44 full-time positions. Since the Company as of the date of the Prospectus constitutes a development company, the majority of the Company's employees work with development. Some ten employees work with production and suchlike fields of work.

At the end of 2018 Azelio had 86 employees, of whom 82 were employed in Sweden and four were employed at the Company's subsidiary in China. The Company also had 38 consultants, equivalent to 34 full-time positions.

At the end of 2017 Azelio had 70 employees, of whom 65 were employed in Sweden and five were employed at the Company's subsidiary in China. The Company also had 22 consultants, equivalent to 21 full-time positions.

At the end of 2016 Azelio had 88 employees, of whom 82 were employed in Sweden and six were employed at the Company's subsidiary in China. The Company also had 30 consultants, equivalent to 29 full-time positions.

Selected financial information

The financial information reported here has been taken from the Company's audited consolidated financial statements for the financial years that ended 31 December 2018, 2017 and 2016, which have been prepared in accordance with the Swedish Annual Accounts Act (Sw. årsredovisningslagen (1995:1554)) and the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 on annual financial statements and consolidated financial statements (K3) ("BFNAR"), unless otherwise stated. In the Company's consolidated financial statements for the financial year that ended 31 December 2017, comparative figures for the financial year that ended 31 December 2016 have been recalculated due to incorrect capitalisation of development expenses, which means that the financial information differs from Company's audited consolidated financial statements for the financial year that ended 31 December 2016. The information has also been taken from the Company's unaudited reviewed consolidated financial statements for the nine-month period from 1 January to 30 September 2019, including comparative figures for the corresponding period in 2018, prepared in accordance with the Swedish Annual Accounts Act and BFNAR. In some cases, the figures reported in the Prospectus have been rounded off and therefore do not necessarily add up in the tables in the Prospectus. All financial amounts are in Swedish kronor (SEK) unless otherwise indicated. Except where expressly stated otherwise, no information in the Prospectus has been reviewed or audited by the Company's auditor.

The following information should be read in conjunction with the sections "Comments to the selected financial information" and "Capitalisation, debt and other financial information" and with the Company's financial information, with associated notes, that is incorporated in the Prospectus by reference.

The Group's Income Statement

| SEK | January–September | | Financial year | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 Unaudited | 2018 Unaudited | 2018 Audited | 2017 Audited | 2016 Unaudited |
| INCOME | | | | | |
| Net sales | 1,099,460 | 1,672,121 | 1,941,601 | 2,920,586 | 3,665,335 |
| Capitalised work for own account | 91,194,724 | 41,286,072 | 66,391,826 | 72,980,110 | 84,396,065 |
| Other operating income | 616,075 | 1,378,050 | 2,007,450 | 2,701,203 | 3,503,143 |
| | 92,910,259 | 44,336,243 | 70,340,878 | 78,601,899 | 91,564,543 |
| EXPENSES | | | | | |
| Raw materials and consumables | -1,819,303 | -3,814,840 | -7,757,626 | -9,293,443 | -5,073,719 |
| Other external expenses | -101,051,183 | -39,821,055 | -65,820,546 | -81,383,497 | -105,550,864 |
| Employee benefit expenses | -74,362,053 | -54,499,836 | -72,960,581 | -68,310,464 | -65,812,453 |
| Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets | -22,910,377 | -11,650,356 | -15,546,330 | -15,193,785 | -13,488,187 |
| Other operating expenses | -167,750 | -118,836 | -214,670 | -65,237 | - |
| Total operating expenses | -200,310,666 | -109,904,923 | -162,299,752 | -174,246,426 | -189,925,223 |
| Operating profit/loss | -107,400,407 | -65,568,680 | -91,958,874 | -95,644,527 | -98,360,680 |
| FINANCIAL ITEMS | | | | | |
| Income from securities and receivables held as fixed assets | - | - | - | 37,614 | -9,161,951 |
| Interest income and similar profit/loss items | 269,885 | 296,725 | 402,765 | 462,429 | 271,317 |
| Interest expense and similar charges | -128,040 | -231,953 | -289,157 | -2,298,798 | -488,715 |
| Total financial items | 141,845 | 64,772 | 113,608 | -1,798,755 | -9,379,349 |
| Profit/loss after financial items | -107,258,562 | -65,503,908 | -91,845,266 | -97,443,281 | -107,740,029 |
| Tax on profit for the period | - | - | - | - | - |
| Profit/loss for the period | -107,258,562 | -65,503,908 | -91,845,266 | -97,443,281 | -107,740,029 |

The Group's Balance Sheet

| SEK | As of 30 September | | As of 31 December | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2019 Unaudited | 2018 Unaudited | 2018 Audited | 2017 Audited | 2016 Unaudited |
| ASSETS | | | | | |
| Fixed assets | | | | | |
| Intangible fixed assets | | | | | |
| Capitalised expenditure for development and similar | 363,810,957 | 270,348,131 | 291,223,681 | 237,599,827 | 176,034,679 |
| Investments in progress, intangible assets | - | - | 1,353,008 | - | - |
| Total intangible fixed assets | 363,810,957 | 270,348,131 | 292,576,689 | 237,599,827 | 176,034,679 |
| Property, plant and equipment | | | | | |
| Leasehold improvements | 2,401,385 | 1,045,222 | 986,896 | 1,218,298 | 1,297,366 |
| Equipment, tools, fixtures and fittings | 12,076,658 | 7,037,968 | 6,797,711 | 9,670,103 | 7,094,795 |
| Total property, plant and equipment | 14,478,044 | 8,083,190 | 7,784,607 | 10,888,401 | 8,392,161 |
| Total fixed assets | 378,289,000 | 278,431,321 | 300,361,296 | 248,488,228 | 184,426,840 |
| Current assets | | | | | |
| Inventories etc. | | | | | |
| Raw materials and consumables | 10,138,795 | 8,872,263 | 8,809,495 | 11,090,584 | 11,915,680 |
| Finished goods and goods for resale | 704,111 | 3,064,077 | 617,550 | 3,528,945 | 4,296,270 |
| Supplier advances | 9,773,802 | 351,496 | 178,631 | 1,605,582 | 1,861,734 |
| Total inventories etc. | 20,616,708 | 12,287,836 | 9,605,676 | 16,225,111 | 18,073,684 |
| Current receivables | | | | | |
| Trade receivables | 98,797 | 27,779 | 69,008 | 1,208,088 | 1,002,407 |
| Current tax assets | 906,051 | 605,202 | 918,985 | 714,955 | 599,746 |
| Other receivables | 358,168 | 330,986 | 336,024 | 1,060,970 | 3,002,302 |
| Prepaid expenses and accrued income | 5,100,125 | 3,100,280 | 3,156,930 | 1,077,072 | 1,425,373 |
| Total current receivables | 6,463,142 | 4,064,247 | 4,480,947 | 4,061,085 | 6,029,828 |
| Cash and bank balances | | | | | |
| Cash and bank balances | 136,140,193 | 78,498,459 | 331,196,089 | 18,019,543 | 20,858,948 |
| Total cash and bank balances | 136,140,193 | 78,498,459 | 331,196,089 | 18,019,543 | 20,858,948 |
| Total current assets | 163,220,042 | 94,850,542 | 345,282,712 | 38,305,739 | 44,962,460 |
| TOTAL ASSETS | 541,509,043 | 373,281,863 | 645,644,008 | 286,793,967 | 229,389,300 |
| EQUITY AND LIABILITIES | | | | | |
| Share capital | 21,173,748 | 14,356,517 | 21,173,748 | 9,753,337 | 2,895,622 |
| Other paid-in capital | 1,294,698,880 | 1,028,898,864 | 1,291,970,796 | 890,604,593 | 691,730,854 |
| Reserves | -785,871 | -236,039 | -340,825 | -249,798 | 130,682 |
| Retained earnings incl. profit/loss for the period | -858,156,786 | -728,168,131 | -750,927,623 | -662,962,495 | 565,519,214 |
| Equity attributable to equity holders of the parent | 456,929,972 | 314,851,211 | 561,876,096 | 237,145,637 | 129,237,944 |
| Total equity | 456,929,972 | 314,851,211 | 561,876,096 | 237,145,637 | 129,237,944 |
| Provisions | | | | | |
| Other provisions | - | 15,629 | - | 71,287 | 2,330,570 |
| Total provisions | - | 15,629 | - | 71,287 | 2,330,570 |
| Non-current liabilities | | | | | |
| Other liabilities | 22,755,116 | 22,990,094 | 22,850,339 | 22,990,094 | 23,160,290 |
| Total non-current liabilities | 22,755,116 | 22,990,094 | 22,850,339 | 22,990,094 | 23,160,290 |
| Current liabilities | | | | | |
| Advances from customers | - | 54,499 | - | 218,010 | 262,265 |
| Trade payables | 26,057,663 | 11,262,117 | 34,331,801 | 5,308,591 | 15,458,587 |
| Other liabilities | 269,237 | 8,233,578 | 8,828,305 | 10,189,640 | 47,630,487 |
| Accrued expenses and deferred income | 35,497,055 | 15,874,736 | 17,757,466 | 10,870,709 | 11,309,157 |
| Total current liabilities | 61,823,955 | 35,424,929 | 60,917,572 | 26,586,950 | 74,660,496 |
| Total liabilities | 84,579,071 | 58,415,023 | 83,767,911 | 49,577,044 | 97,820,786 |
| TOTAL EQUITY AND LIABILITIES | 541,509,043 | 373,281,864 | 645,644,008 | 286,793,968 | 229,389,300 |

The Group's Cash Flow

| SEK | January–September | | Financial year | | |
|--|---------------------|--------------------|--------------------|--------------------|---------------------|
| | 2019 Unaudited | 2018 Unaudited | 2018 Audited | 2017 Audited | 2016 Unaudited |
| OPERATING ACTIVITIES | | | | | |
| Profit/loss after financial items | -107,231,162 | -65,433,424 | -91,845,235 | -97,446,976 | -104,524,724 |
| Adjustment for non-cash items | 25,322,729 | 11,383,977 | 18,627,658 | 15,405,094 | 27,682,621 |
| Income tax paid | - | 86,540 | -226,855 | -217,066 | -277,416 |
| Cash flow from operating activities before changes in working capital | -81,908,434 | -53,962,907 | -73,444,432 | -82,258,948 | -77,119,519 |
| Cash flow from changes in working capital | | | | | |
| Increase (-)/decrease (+) in inventories | -11,849,090 | 3,937,275 | 3,531,803 | - 622,000 | -6,921,503 |
| Increase (-)/decrease (+) in operating receivables | -9,009,941 | -203,064 | -257,027 | 3,667,423 | -539,194 |
| Increase (+)/decrease (-) in operating liabilities | -1,529,955 | 8,842,920 | 34,154,223 | -4,662,271 | 8,549,214 |
| Cash flow from changes in working capital | -22,388,986 | 12,577,131 | 37,428,999 | -1,616,848 | 1,088,517 |
| Cash flow from operating activities | -104,297,419 | -41,385,776 | -36,015,433 | -83,875,796 | -76,031,002 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | -9,644,733 | -320,750 | -1,108,322 | -6,276,551 | -4,411,739 |
| Purchase of intangible fixed assets | -83,739,921 | -41,286,072 | -66,391,826 | -73,004,426 | -87,611,365 |
| Purchase of financial fixed assets | - | - | - | - | -9,161,251 |
| Cash flow from investing activities | -93,384,654 | -41,606,822 | -67,500,149 | -79,280,978 | -101,184,355 |
| FINANCING ACTIVITIES | | | | | |
| New share issue | 2,728,084 | 143,159,124 | 416,066,553 | 205,731,454 | 82,962,256 |
| Warrant programme | 29,400 | 247,000 | 600,200 | - | - |
| Borrowings | - | - | - | - | 45,000,000 |
| Repayment of debt | -95,223 | - | -139,755 | -45,170,195 | -363,524 |
| Cash flow from financing activities | 2,662,261 | 143,406,123 | 416,526,998 | 160,561,259 | 127,598,732 |
| CASH FLOW FOR THE PERIOD | -195,019,813 | 60,413,526 | 313,011,418 | -2,595,515 | -49,616,625 |
| Cash and cash equivalents at beginning of period | 331,196,089 | 18,019,543 | 18,019,543 | 20,858,948 | 70,366,749 |
| Exchange rate differences in cash and cash equivalents | -36,083 | 65,389 | 165,127 | - 243,890 | 108,824 |
| Cash and cash equivalents at end of period | 136,140,194 | 78,498,458 | 331,196,089 | 18,019,543 | 20,858,948 |

Key performance measures and data

The Prospectus contains certain alternative performance measures not defined or specified by BFNR (“**Alternative Performance Measures**”). Azelio expects the Alternative Performance Measures to be used by certain investors, securities analysts and other stakeholders as supplementary indicators of performance and financial position. Unless specified otherwise, the Alternative Performance Measures have not been audited and are not to be considered on their own or as an alternative

to performance measures produced in accordance with BFNR. Moreover, the Alternative Performance Measures, as defined by Azelio, are not comparable with other performance measures of similar names used by other companies. This is because the Alternative Performance Measures are not always defined in the same way and other companies may have calculated them differently to Azelio.

| Key performance measures SEK | January–September | | Financial year | | |
|---|-------------------|-------------------|-----------------|-----------------|-------------------|
| | 2019 Unaudited | 2018 Unaudited | 2018 Audited | 2017 Audited | 2016 Unaudited |
| Financial performance measures | | | | | |
| Total assets | 541,509,043 | 373,281,863 | 645,644,008 | 286,793,967 | 229,389,300 |
| Net sales | 1,099,460 | 1,672,121 | 1,941,601 | 2,920,586 | 3,665,335 |
| Profit/loss for the period | -107,258,562 | -65,503,908 | -91,845,266 | -97,443,281 | -107,740,029 |
| Alternative Performance Measures | | | | | |
| Equity to asset ratio at end of period, % ¹⁾ | 84.4 | 84.3 | 87.0 | 82.7 | 56.3 |
| Employees | | | | | |
| Average number of employees | 102 | 66 | 68 | 84 | 85 |
| Share data | | | | | |
| Average number of shares ²⁾ | 42,347,495 | 24,109,854 | 30,927,085 | 12,648,958 | 5,444,734 |

¹⁾ For definitions see section “Selected historical financial information – Definitions of key performance measures”.

²⁾ The average number of shares has been recalculated due to aggregation of shares in the Company, resolved at the extraordinary general meeting on 12 November 2018. The average numbers of shares for January–September 2018 and 2019 have been obtained from the Company’s financial interim report for the third quarter of 2019. The average numbers of shares for the financial years 2016, 2017 and 2018 have been obtained from the Company’s internal reporting system.

Reconciliation tables

A reconciliation of the equity to asset ratio is given in the table below.

| Calculation of Alternative Performance Measures SEK | As of 30 September | | As of 31 December | | |
|--|--------------------|-------------------|-------------------|-----------------|-------------------|
| | 2019 Unaudited | 2018 Unaudited | 2018 Audited | 2017 Audited | 2016 Unaudited |
| Calculation of equity to asset ratio | | | | | |
| (A) Equity | 456,929,972 | 314,851,211 | 561,876,096 | 237,145,637 | 129,237,944 |
| (B) Total assets | 541,509,043 | 373,281,863 | 645,644,008 | 286,793,967 | 229,389,300 |
| (A/B) Equity to asset ratio, % | 84.4 | 84.3 | 87.0 | 82.7 | 56.3 |

Definitions of key performance measures

| NON-BFNR MEASURE | DEFINITION | REASONS FOR USE |
|------------------------------|--|--|
| Equity to asset ratio | Equity divided by total assets at end of period. | The equity to asset ratio is stated since the Company considers it to be a measure of the Company’s financial position that is commonly used by certain investors, securities analysts and other stakeholders. The Company regards the equity to asset ratio as contributing to investors’ understanding of the Company’s financial position at the end of the period. |

Comments to the selected financial information

The information below is to be read together with the section “Selected financial information” and the Company’s audited consolidated financial statements for the financial years that ended 31 December 2018, 2017 and 2016, which have been prepared in accordance with the Swedish Annual Accounts Act (Sw. årsredovisningslagen (1995:1554) and BFNAR, unless otherwise stated. In the Company’s consolidated financial statements for the financial year that ended 31 December 2017, comparative figures for the financial year that ended 31 December 2016 have been recalculated due to incorrect capitalisation of development expenses, which means that the financial information differs from Company’s audited consolidated financial statements for the financial year that ended 31 December 2016. The information has also been taken from the Company’s unaudited reviewed consolidated financial statements for the nine-month period from 1 January to 30 September 2019, including comparative figures for the corresponding period in 2018, prepared in accordance with the Swedish Annual Accounts Act and BFNAR. In some cases, the figures reported in the Prospectus have been rounded off and therefore do not necessarily add up in the tables in the Prospectus. All financial amounts are in Swedish kronor (SEK) unless otherwise indicated. Except where expressly stated otherwise, no information in the Prospectus has been reviewed or audited by the Company’s auditor.

The summary below may contain forward-looking information that is associated with a number of risks and uncertainties. The Group’s actual results may depart significantly from the projections in the forward-looking information due to many different factors, including but not limited to what is stated in the Prospectus, including those stated in the section “Risk factors” and elsewhere in the Prospectus.

Comparison between the periods 1 January - 30 September 2019 and 1 January - 30 September 2018

Income statement

Net sales

The Group’s net sales decreased by SEK 573 thousand, or 34 per cent, from SEK 1,672 thousand in the period 1 January – 30 September 2018 to SEK 1,099 thousand in the period 1 January – 30 September 2019. The decrease in net sales was mainly attributable to lower sales of spare parts for Azelio’s dormant business area with development and sales of the product GasBox.

Capitalised work for own account

Capitalised work for own account increased by SEK 49,909 thousand, or 121 per cent, from SEK 41,286 thousand in the period 1 January – 30 September 2018 to SEK 91,195 thousand in the period 1 January – 30 September 2019. The increase in capitalised work for own account was mainly attributable to development of Azelio’s product in accordance with the adopted business plan.

Operating profit

The Group’s operating profit decreased by SEK 41,831 thousand, or 64 per cent, from SEK –65,569 thousand in the period 1 January – 30 September 2018 to SEK –107,400 thousand in the period 1 January – 30 September 2019. The decrease in operating profit was mainly attributable to the following:

- Raw materials and consumables decreased by SEK 1,996 thousand, or 52 per cent, from SEK 3,815 thousand in the period 1 January – 30 September 2018 to SEK 1,819 thousand in the period 1 January – 30 September 2019. The decrease in raw materials and consumables was mainly attributable to the decreased sales of GasBox.
- Other external costs increased by SEK 61,230 thousand, or 154 per cent, from SEK 39,821 thousand in the period 1 January – 30 September 2018 to SEK 101,051 thousand in the period 1 January – 30 September 2019. The increase in other external costs was mainly attributable to an increased number of consultants engaged in the development of Azelio’s product in accordance with the business plan.
- Employee benefit expenses increased by SEK 19,862 thousand, or 36 per cent, from SEK 54,500 thousand in the period 1 January – 30 September 2018 to SEK 74,362 thousand in the period 1 January – 30 September 2019. The increase in employee benefit expenses was mainly attributable to the development of Azelio’s product in accordance with the business plan.
- Depreciation, amortisation and impairment losses increased by SEK 11,260 thousand, or 97 per cent, from SEK 11,650 thousand in the period 1 January – 30 September 2018 to SEK 22,910 thousand in the period 1 January – 30 September 2019. The increase in depreciation, amortisation and impairment losses was mainly attributable to impairment of intangible fixed assets.

Financial income and expense

The Group's net financial items increased by SEK 77 thousand, from SEK 65 thousand in the period 1 January – 30 September 2018 to SEK 142 thousand in the period 1 January – 30 September 2019. The increase was mainly attributable to a reduction in interest expense and similar charges.

Tax

The Group has had no tax expenses in any of the periods compared since the Group did not report any taxable profit in the periods concerned. Nor does the Group report any deferred tax.

Earnings before and after tax

The Group's earnings before and after tax decreased by SEK 41,755 thousand, or 64 per cent, from SEK –65,504 thousand in the period 1 January – 30 September 2018 to SEK –107,259 thousand in the period 1 January – 30 September 2019.

Cash flow**Cash flow from operating activities**

Cash flow from operating activities decreased by SEK 62,911 thousand, or 152 per cent, from SEK –41,386 thousand in the period 1 January – 30 September 2018 to SEK –104,297 thousand in the period 1 January – 30 September 2019. The decrease was mainly attributable to increased employment within the Group.

Cash flow from investing activities

Cash flow from investing activities decreased by SEK 51,778 thousand, or 124 per cent, from SEK –41,607 thousand in the period 1 January – 30 September 2018 to SEK –93,385 thousand in the period 1 January – 30 September 2019. The decrease was mainly attributable to the increased level of employment in the Group and the thereto related increase in capitalised expenditure for development.

Cash flow from financing activities

Cash flow from financing activities decreased by SEK 140,744 thousand, or 98 per cent, from SEK 143,406 thousand in the period 1 January – 30 September 2018 to SEK 2,662 thousand in the period 1 January – 30 September 2019.

Liquidity and financial position

The Group's equity increased by SEK 142,079 thousand, or 45 per cent, from SEK 314,851 thousand in the period 1 January – 30 September 2018 to SEK 456,930 thousand in the period 1 January – 30 September 2019. The Group's non-current and current liabilities increased by SEK 26,164 thousand, or 45 per cent, from SEK 58,415 thousand in the period 1 January – 30 September 2018 to SEK 84,579 thousand in the period 1 January – 30 September 2019. The increase was mainly attributable to accrued costs attributable to Masen of SEK 13,259 thousand, other accrued costs of SEK 4,634 thousand, as well as an increase in trade payables amounting to SEK 7,745 thousand. The Group's cash and cash equivalents increased by SEK 57,642 thousand, or 73 per cent, from SEK 78,498 thousand in the period 1 January – 30 September 2018 to SEK 136,140 thousand in the period 1 January – 30 September 2019.

Comparison between the 2018 and 2017 financial years**Income statement****Net sales**

The Group's net sales decreased by SEK 979 thousand, or 34 per cent, from SEK 2,921 thousand in 2017 to SEK 1,942 thousand in 2018. The decrease in net sales was mainly attributable to lower sales within Azelio's dormant business area with development and sales of the product GasBox.

Capitalised work for own account

Capitalised work for own account decreased by SEK 6,588 thousand, or 9 per cent, from SEK 72,980 thousand in 2017 to SEK 66,392 thousand in 2018. The decrease in capitalised work for own account was mainly attributable to a somewhat lower level of activity in the Group at the end of 2017 and early 2018, and thus slightly lower capitalised development costs.

Operating profit

The Group's operating profit increased by SEK 3,686 thousand, or 4 per cent, from SEK –95,645 thousand in 2017 to SEK –91,959 thousand in 2018. The increase in operating profit was mainly attributable to the following:

- A decrease in the Group's costs for raw materials and consumables by SEK 1,535 thousand, or 16 per cent, from SEK 9,293 thousand in 2017 to SEK 7,758 thousand in 2018. The decrease was mainly attributable to materials procurement for Azelio's dormant business area involving the development and sale of the GasBox product.
- A decrease in the Group's other external costs by SEK 15,562 thousand, or 19 per cent, from SEK 81,383 thousand in 2017 to SEK 65,821 thousand in 2018. The decrease was mainly attributable to a decrease in expenses for Azelio's dormant business area involving the development and sale of the GasBox product.
- An increase in the Company's employee benefit expenses by SEK 4,651 thousand, or 7 per cent, from SEK 68,310 thousand in 2017 to SEK 72,961 thousand in 2018. The increase was mainly attributable to the increase in the number of employees with 16 people to 86 people.
- An increase in the Group's depreciation, amortisation and impairment losses by SEK 352 thousand, or 2 per cent, from SEK 15,194 thousand in 2017 to SEK 15,546 thousand in 2018. The increase was mainly attributable to capitalised expenditures for development.

Financial income and expense

The Group's net financial items increased by SEK 1,913 thousand, from SEK –1,799 thousand in 2017 to SEK 114 thousand in 2018. The increase was mainly attributable to reduced interest costs and similar entries.

Tax

The Group has had no tax expenses in any of the periods compared since the Group did not report any taxable profit in the periods concerned. Nor does the Group report any deferred tax.

Earnings before and after tax

The Group's earnings before and after tax expenses increased by SEK 5,598 thousand, from SEK –97,443 thousand in 2017 to SEK –91,845 thousand in 2018.

Cash flow**Cash flow from operating activities**

Cash flow from operating activities increased by SEK 47,861 thousand, or 57 per cent, from SEK –83,876 thousand in 2017 to SEK –36,015 thousand in 2018. The increase was mainly attributable to increased working capital attributable to reduced inventories and increased operating liabilities.

Cash flow from investing activities

Cash flow from investing activities increased by SEK 11,781 thousand, or 15 per cent, from SEK –79,281 thousand in 2017 to SEK –67,500 thousand in 2018. The increase was primarily attributable to decreased investments in capitalised development costs.

Cash flow from financing activities

Cash flow from financing activities increased by SEK 255,966 thousand, or 159 per cent, from SEK 160,561 thousand in 2017 to SEK 416,527 thousand in 2018. The increase was mainly attributable to new share issues in 2018.

Liquidity and financial position

The Group's equity increased by SEK 324,730 thousand, or 137 per cent, from SEK 237,146 thousand in 2017 to SEK 561,876 thousand in 2018. The increase was mainly attributable to new share issues. The Group's non-current and current liabilities increased by SEK 34,191 thousand, or 69 per cent, from SEK 49,577 thousand in 2017 to SEK 83,768 thousand in 2018. The increase was mainly attributable to accrued costs in connection with a new share issue in the end of 2018. The Group's cash and cash equivalents increased by SEK 313,176 thousand, or 1,738 per cent, from SEK 18,020 thousand in 2017 to SEK 331,196 thousand in 2018.

Comparison between the 2017 and 2016 financial years**Income statement****Net sales**

The Group's net sales decreased by SEK 744 thousand, or 20 per cent, from SEK 3,665 thousand in 2016 to SEK 2,921 thousand in 2017. The decrease in net sales was mainly attributable to lower sales of the Company's GasBox, a product in the Company's dormant business area.

Capitalised work for own account

Capitalised work for own account decreased by SEK 11,416 thousand, or 14 per cent, from SEK 84,396 thousand in 2016 to SEK 72,980 thousand in 2017. The decrease in capitalised work for own account was mainly attributable to a reduction in time spent and materials acquisition attributable to the Company's dormant business area involving development of the GasBox product.

Operating profit

The Group's operating profit increased by SEK 2,716 thousand, or 3 per cent, from SEK -98,361 thousand in 2016 to SEK -95,645 thousand in 2017. The increase in operating profit was mainly attributable to the following:

- An increase in the Group's costs for raw materials and consumables by SEK 4,219 thousand, or 83 per cent, from SEK 5,074 thousand in 2016 to SEK 9,293 thousand in 2017. The increase was mainly attributable to materials procurement for development of Azelio's system.
- A decrease in the Group's other external costs by SEK 24,167 thousand, or 23 per cent, from SEK 105,551 thousand in 2016 to SEK 81,384 thousand in 2017. The decrease was mainly attributable to a decrease in expenses for Azelio's dormant business area involving the development and sale of the GasBox product.
- An increase in the Group's employee benefit expenses by SEK 2,498 thousand, or 4 per cent, from SEK 65,812 thousand in 2016 to SEK 68,310 thousand in 2017. The increase was mainly attributable to organisational changes with the aim of creating a more efficient business.
- An increase in the Group's depreciation, amortisation and impairment losses by SEK 1,706 thousand, or 13 per cent, from SEK 13,488 thousand in 2016 to SEK 15,194 thousand in 2017. The increase was mainly attributable to depreciation of investments in tools which increased by SEK 1,480 thousand.

Financial income and expense

The Group's net financial items increased by SEK 7,580 thousand, from SEK -9,379 thousand in 2016 to SEK -1,799 thousand in

2017. The increase was mainly attributable to increased income from securities and receivables.

Tax

The Group has had no tax expenses in any of the periods compared since the Group did not report any taxable profit in the periods concerned. Nor does the Group report any deferred tax.

Earnings before and after tax

The Group's earnings before and after tax increased by SEK 10,297 thousand, from SEK -107,740 thousand in 2016 to SEK -97,443 thousand in 2017.

Cash flow**Cash flow from operating activities**

Cash flow from operating activities decreased by SEK 7,845 thousand, or 10 per cent, from SEK -76,031 thousand in 2016 to SEK -83,876 thousand in 2017. The decrease was mainly attributable to decreased working capital attributable to reductions in operating receivables and operating liabilities.

Cash flow from investing activities

Cash flow from investing activities increased by SEK 21,903 thousand, or 22 per cent, from SEK -101,184 thousand in 2016 to SEK -79,281 thousand in 2017. The increase was primarily attributable to the Group's net investments in intangible fixed assets.

Cash flow from financing activities

Cash flow from financing activities increased by SEK 32,963 thousand, or 26 per cent, from SEK 127,599 thousand in 2016 to SEK 160,561 thousand in 2017. The increase was mainly attributable to a new share issue completed in 2017.

Liquidity and financial position

The Group's equity increased by SEK 107,908 thousand, or 83 per cent, from SEK 129,238 thousand in 2016 to SEK 237,146 thousand in 2017. The increase was mainly attributable to a new share issue completed in 2017. The Group's non-current and current liabilities decreased by SEK 48,244 thousand, or 49 per cent, from SEK 97,821 thousand in 2016 to SEK 49,577 thousand in 2017. The decrease was mainly attributable to a decrease in other current liabilities by SEK 37,441 thousand and a decrease in trade payables by SEK 10,150 thousand. The Group's cash and cash equivalents decreased by SEK 2,839 thousand, or 14 per cent, from SEK 20,859 thousand in 2016 to SEK 18,020 thousand in 2017.

Capital resources**Property, plant and equipment**

On 30 September 2019, the Group's property, plant and equipment amounted to SEK 14,478 thousand. The largest share of the Group's property, plant and equipment consisted of equipment, tools, fixtures and fittings.

Intangible fixed assets

On 30 September 2019, the Group's intangible fixed assets amounted to SEK 363,811 thousand and consisted of capitalised expenditure for development and similar.

Tax loss carry-forwards

For each financial year since it was formed, up until the date of the Prospectus, the Group has reported losses. For the period covered by the historical financial information these amounted to SEK -107,740 thousand for 2016, SEK -97,443 thousand for 2017 and SEK -91,845 thousand for 2018, which has resulted in

large accumulated tax loss carry-forwards. The unutilised loss carry-forward amounted to SEK 545,658 thousand at the end of the 2016 financial year, SEK 618,682 thousand at the end of 2017 and SEK 730,968 thousand at the end of 2018. The tax loss carry-forward has not been capitalised in the balance sheet. The accumulated loss carry-forwards may in the future reduce any taxable profits reported by the Group and thereby reduce the corporate tax that might be incurred on any future profits.

Investments

The following section describes the Group's additions of assets during the period covered by the historical financial information, as well as any ongoing additions and commitments regarding future ones. Additions are defined as "investments".

Investments made

Azelio continually invests in the further development of the Company's system in order to achieve industrial verification. The Company's investments mainly relate to the capitalisation of development expenses and to machinery and equipment.

In 2016, capitalised expenditure for development amounted to SEK 84,396 thousand, of which SEK 408 thousand was attributable to development of Azelio's GasBox and the remaining SEK 83,988 thousand to development of Azelio's solar application with a Stirling based parabolic dish. Investments in property, plant and equipment amounted to SEK 4,411 thousand, attributable to equipment, tools and installations.

In 2017, capitalised expenditure for development amounted to SEK 72,980 thousand, attributable to development of Azelio's solar application with a Stirling based parabolic dish as well as system of thermal energy storage with Stirling engine-based electricity production. Investments in property, plant and equipment amounted to SEK 6,277 thousand, attributable to equipment and tools.

In 2018, capitalised expenditure for development amounted to SEK 65,039 thousand, attributable to development of Azelio's system of thermal energy storage with Stirling engine-based electricity production. Investments in property, plant and equipment amounted to SEK 1,092 thousand, attributable to computers and equipment.

In the nine-month period that ended 30 September 2019, capitalised expenditure for development amounted to SEK 91,195 thousand, attributable to capitalised development costs and similar. Investments in property, plant and equipment amounted to SEK 9,643 thousand, attributable to leasehold improvements as well as computers, equipment, tools and installations.

As of the date of the Prospectus, no additional investments other than those described above have been carried out.

Current and planned investments

The Group's current investments relate mainly to capitalised development expenses for the further development of Azelio's system, focusing on thermal energy storage, in order to achieve industrial verification of Azelio's complete system via verification projects in Morocco in the fourth quarter of 2019 and in Abu Dhabi during the second quarter of 2020. Current investments are expected to be financed mainly through the Rights Issue.

Other than the investments described above, the Group has no significant investments in progress and has made no such commitments regarding future investments.

Significant changes after 30 September 2019

Memorandums of understanding were signed with STELLA Futura and ND Power regarding two smaller commercial projects in sub-Saharan Africa. A new organisation was introduced for the industrialisation and volume production in 2021. Final testing was carried out for pump systems that transfer heat in the energy storage and have been developed with Swiss Emile Egger & Cie SA. The verification project for Azelio's energy storage solution in Morocco was carried out with solar panels after agreement with JET Energy. Interest enquiries were updated to approximately 3,900 MW, corresponding to a value of up to SEK 170 billion in potential order value. The board of directors resolved on the Rights Issue.

Apart from what is explicitly stated or referred to above, no significant changes of the Azelio Group's financial position have occurred since 30 September 2019.

Capitalisation, indebtedness and other financial information

The tables in this section report the Company's capitalisation and debt at group level as of 30 September 2019. See section "Share capital and ownership structure" for more information on the Company's share capital and shares. The tables in this section should be read in conjunction with the section "Comments to the selected financial information" and the Company's financial information, with associated notes, incorporated into the Prospectus by reference.

Capitalisation

| SEK thousand | As of 30 September 2019 |
|--------------------------------------|-------------------------|
| Current liabilities | |
| Against guarantees | - |
| Against security | - |
| Unsecured credit ¹ | 61,900 |
| Total current liabilities | 61,900 |
| Non-current liabilities | |
| Against guarantees | - |
| Against security | - |
| Unsecured credit ² | 22,679 |
| Total non-current liabilities | 22,679 |
| Equity | |
| Share capital | 21,174 |
| Other reserves | 1,294,699 |
| Statutory reserve | -786 |
| Retained earnings | -858,157 |
| Total equity | 456,930 |

¹ Refers to trade payables and other short-term non-interest-bearing liabilities as well as short-term interest-bearing liabilities.

² Refers to credit from the Swedish Energy Agency.

Net debt

Azelio's net debt as of 30 September 2019 is presented in the table below. The table only includes interest-bearing liabilities. As of 30 September 2019, the Company has no indirect liabilities or contingent liabilities.

| SEK thousand | As of 30 September 2019 |
|--|-------------------------|
| (A) Cash | - |
| (B) Cash equivalents ¹ | 136,140 |
| (C) Readily realisable securities | - |
| (D) Liquidity (A)+(B)+(C) | 136,140 |
| (E) Current receivables | - |
| (F) Current bank loans | - |
| (G) Current portion of non-current liabilities | 76 |
| (H) Other current liabilities | - |
| (I) Current liabilities (F)+(G)+(H) | 76 |
| (J) Net current debt (I)-(E)-(D) | -136,064 |
| (K) Long-term bank loans | - |
| (L) Bonds issued | - |
| (M) Other long-term loans | 22,679 |
| (N) Non-current liabilities (K)+(L)+(M) | 22,679 |
| (O) Net debt (J)+(N) | -113,385 |

¹ Cash equivalents consist of bank balances.

Other financial information

Statement concerning working capital

The board of directors regards the existing working capital as being insufficient for Azelio's needs over the coming 12-month period given the Company's current business, research and development plan. The Company deems the working capital requirement over the coming 12-month period to amount to approximately SEK 450 million. In this sense, working capital requirement refers to the liquid capital required for the Company to fulfil its payment obligations as they fall due for payment. Without consideration taken to the proceeds from the Rights Issue, the working capital is considered to be sufficient up until February 2020.

If the Rights Issue is fully subscribed, the Company will raise approximately SEK 310 million after deductions for costs related to the Rights Issue, which are estimated to amount to approximately SEK 40 million. If the Rights Issue is fully subscribed, the board of directors deems the Company's working capital to be sufficient up until September 2020. The board of directors deems that the Company thereafter 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, provided that the Company can obtain advance payments from customers on customary terms for the industry. The calculations of future cash flows are based on assumptions about future commercial orders and agreed pricing according to said orders. The Company expects significant cash flows from external customers from the beginning of the second quarter of 2021 and has made assumptions of being able to receive advance payment in connection with the receipt of orders. Deviations from said assumptions with regard to e.g. volume, price, payment model and timing could entail that the Company's financing has to be advanced or increased. The assumptions have also been based on today's exchange rates and raw material prices. The Company estimates that, as part of the said additional financing need of SEK 300 million, the Company could receive up to SEK 150 million in financing from e.g. bank loans, government grants and soft loans. If, on the other hand, the Rights Issue raises approximately SEK 263 million to the Company after deductions for issue costs, which corresponds to an amount of approximately SEK 300 million before deductions for issue costs that is covered by subscription and guarantee commitments, the board of directors deems that the Company will have sufficient working capital up until August 2020, and thereafter have an additional financing need of approximately SEK 350 million.

In the event that the Rights Issue is not carried through or would not become fully subscribed, the Company may revise its business, research and development plan, for example by reducing the rate of industrialisation of the Company's system, and seek alternative funding options, for example in the form of a

new rights issue, a private placement or long-term loan financing from existing or new investors. If such a change proves necessary, there is a risk of a negative impact on the Company's future cash flows, which could result in an additional need for financing of the Company.

Tendencies

As far as the board of directors is aware, as of the date of the Prospectus there are no known tendencies, other than as stated in the section "*Market Overview – Trends and drivers for increased production of sustainable electricity*", uncertainties, potential demands or other requirements, commitments or events, other than as stated in the section "*Risk factors*", that might be expected to have a material impact on the Company's future prospects.

Other than as stated above and in the section "*Risk factors*", the Company is also not aware of any public, economic, fiscal policy, monetary policy or other political measures which, directly or indirectly, have had or could have a material impact on the Company's business.

Board of directors, senior executives and auditor

Board of directors

Azelio's board of directors consists of eight ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual general meeting 2020. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the Principal Owner.

| Name | Position | Member since | Independent of | |
|-------------------|--------------|--------------|-----------------------------------|---------------------|
| | | | The Company and senior executives | The Principal Owner |
| Bo Dankis | Chairman | 2011 | No | Yes |
| Bertil Villard | Board member | 2010 | Yes | Yes |
| Kent Janér | Board member | 2016 | Yes | No |
| Pär Nuder | Board member | 2012 | Yes | Yes |
| Mattias Bergman | Board member | 2017 | Yes | Yes |
| Sigrun Hjelmquist | Board member | 2019 | Yes | Yes |
| Hicham Bouzekri | Board member | 2018 | No | Yes |
| Lars Thunell | Board member | 2018 | Yes | Yes |

BO DANKIS

Born 1954. Chairman of the board since 2011.

Education: M.Sc. Institute of Technology at Linköping University, Industrial Engineering and Management.

Other current assignments: Chairman of the board of IV Produkt Aktiebolag, Board member of Ekeby Invest AB and Kapitalförvaltning Ekeby AB. Deputy board member of IV Produkt Holding Sweden AB.

Previous assignments (last five years): Board member of Gunnebo Aktiebolag and UF Support AB. Deputy board member of Choklad från Ekeby AB and IV Produkt Holding AB.

Shareholding in the Company: Bo Dankis holds (directly and through companies) 327,638 shares and 940,000 warrants of Series B¹ in the Company.

BERTIL VILLARD

Born 1952. Board member since 2010.

Education: Master of Laws, Stockholm University.

Other current assignments: Chairman of the board of Strax AB, Landsort Care 3 AB and Landsort Care 4 AB. Board member of Prior & Nilsson Fond- och Kapitalförvaltning Aktiebolag, Bertil Villard Holding AB, Polaris Management A/S, Polaris Invest II ApS, Polaris II Invest Fonden and iCoat Medical AB. Deputy board member of Tengroth & Co AB, Alltid Oavsett AB, CJMGB Förvaltning AB and PPRD Nordic AB.

Previous assignments (last five years): Partner and external company signatory for Advokatfirman Vinge Aktiebolag. Chairman of the board of Landsort Care AB, Landsort Care 2 AB and Rabbalshede Kraft AB (publ). Board member of ECODC AB, Gränges AB, Mercuri International Group AB, SamSari Aktiebolag, Auriant Mining AB and Samsari Act Group AB. Deputy board member of Voddler Sweden AB.

Shareholding in the Company: Bertil Villard holds 654,878 shares, 300,000 warrants of Series B¹ and 50,000 buy options issued by the Principal Owner in the Company.

KENT JANÉR

Born 1961. Board member since 2016.

Education: Master's in Business and Economics, Stockholm School of Economics.

Other current assignments: Chairman of the board of Frost Asset Management AB. Board member of Nektar Asset Management AB, Brummer & Partners AB, Blue Marlin AB, Eastfort Asset Management Ltd, Eastfort Dynamic Master Fund and Eastfort Dynamic Feeder Fund.

Previous assignments (last five years): Board member of Honung AB and Namint AB.

Shareholding in the Company: Kent Janér holds (directly, through companies and related parties) 11,691,868 shares in the Company.

PÄR NUDER

Born 1963. Board member since 2012.

Education: Master of Laws, Stockholm University.

Other current assignments: Chairman of the board of Tapetlagret Öbergs Färghus i Västerås Aktiebolag and Hemsö Fastighets AB. Board member of Beijerinvest Aktiebolag, Dabok AB and Dabok Advisory AB. Deputy board member of Dabo Idé AB.

Previous assignments (last five years): Chairman of the board of Sundbybergs stadshus AB, I&P Förvaltning AB, AMF Pensionsförsäkring AB, SkiStar Aktiebolag and Fjällförsäkringar AB. Board member of Fabege AB, Åre 2019 AB, Swedegas AB, STEN HECKSCHER AB, Narob TopHolding AB, Narob Holding AB, Narob AB, Business Challenge AB, Nyx Group AB, Nyx Security AB and IP-Only Holding AB.

¹ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Incentive programmes – Warrant programme 2018/2021".

Shareholding in the Company: Pär Nuder holds (through companies) 315,947 shares and 300,000 warrants of Series B¹⁾ in the Company.

MATTIAS BERGMAN

Born 1966. Board member since 2017.

Education: Executive MBA, Copenhagen Business School. Master's in Business and Economics, Stockholm University.

Other current assignments: CEO and board member of BIL Sweden Adm AB. Chairman of the board of Odette Sweden AB. Board member of Neonode Inc (Nasdaq).

Previous assignments (last five years): CEO and board member of National Electric Vehicle Sweden AB and Attaro Consulting AB. Chairman of the board of ReformTech Heating Holding AB and ReformTech Heating Technologies AB. Board member of Automobile Property AB, Automobile Laboratory Sweden AB, Automotive Interior Parts Sweden AB and Automobile i Trollhättan nr 2 AB.

Shareholding in the Company: Mattias Bergman holds 16,000 shares and 600,000 warrants of Series B¹⁾ in the Company.

SIGRUN HJELMQUIST

Born 1956. Board member since 2019.

Education: Master of Science and Licentiate of Technology, Engineering Physics, KTH Royal Institute of Technology.

Other current assignments: Chairman of the board of Facesso AB. Board member of Addnode Group Aktiebolag (publ), Eolus Vind Aktiebolag (publ), Edgeware AB (publ), Ragn-Sellsföretagen AB, Transcendent Group AB (publ), IGOT AB and Teqnon AB.

Previous assignments (last five years): Chairman of the board of ALMI Stockholm Investeringsfond AB, ALMI Invest Östra Mellansverige AB, ALMI Invest Stockholm AB, Fouriertransform Aktiebolag and Nordic Iron Ore AB. Board member of Clavister Holding AB, Saminvest AB, Silex Microsystems AB and Bluetest Aktiebolag.

Shareholding in the Company: Sigrun Hjelmquist holds no shares but 60,000 warrants of Series D²⁾ in the Company.

HICHAM BOUZEKRI

Born 1973. Board member since 2018.

Education: Engineer, Electronics Communications, École Mohammadia d'Ingénieur, Morocco. M.Sc., University of Florida, Gainesville, Florida, United States. PhD in Electrical Engineering, Texas A&M University, College Station, Texas, United States.

Other current assignments: Director, Research and development, Industrial integration for Masen. Founder and main shareholder of Microtronix.

Previous assignments (last five years): CEO of MASciR.

Shareholding in the Company: Hicham Bouzekri holds no shares but (through related parties) 300,000 warrants of Series B³⁾ and 16,666,667 warrants of Series H⁴⁾ in the Company.

LARS THUNELL

Born 1948. Board member since 2018.

Education: Ph.D. in Political Science, Stockholm University. Research assistant, Harvard University, Cambridge, Massachusetts, United States.

Other current assignments: Chairman of the board of Björnberget Fastighetsförvaltning AB, Jaktfågeln Holding AB, LHT Konsult AB, LHT Invest AB and ECODC AB. Board member of Björnberget Residens AB, Björnberget Drivhus AB, Björnberget Lägenheter AB, Björnberget Produktion i Åre AB, Björnen By AB, Åre-Svedje 1:433 AB and Sadeln Restaurangutveckling AB. Deputy board member of Sadeln Fjällgården Linbane AB and FOLT Holding AB.

Previous assignments (last five years): Chairman of the board of Flexenclosure AB (publ), Björnen By AB and Africa Risk Capacity Ltd. Board member of Hermelinbacken 1 AB, Slutplattan LEMRO 101383 AB, Slutplattan LEMRO 101407 AB, Åre-Svedje 1:401 AB, Slutplattan PLASI 103648 AB, Slutplattan UMRIV 104546 AB, Standard Chartered Bank, Kosmos Energy, Fistera, Global Water Development, Access Health International, eSite Power System AB and Middle East Investment Initiative. Deputy board member of Sadeln Fjällgården Linbane AB. Senior Advisor to Blackstone and Advisor to Africa Development Bank.

Shareholding in the Company: Lars Thunell holds 235,000 shares and 3,300,000 buy options issued by the Principal Owner in the Company.

Senior executives

JONAS EKLIND

Born 1963. CEO since 2015.

Education: University degree in physics and biotechnology, Uppsala University. Diploma in practical Swedish and communication, Uppsala University. Diploma in leadership in technological companies, ManTech IFL Executive Education, Stockholm School of Business. DIHM-diploma, Market economist, IHM Business School.

Other current assignments: Chairman of the board of Shapeline AB. Board member and owner of Deep Powder AB. Board member of Cleanergy AB, Advanced Stabilized Technologies Group AB, ASTGW AB, Advanced Inertial Measurement Systems Sweden AB and Nordic New Energy Partners Ekonomiska förening.

Previous assignments (last five years): CEO and board member of Woodeye AB. CEO of Inovativ Vision Holding Aktiebolag. Board member and deputy board member of Dendro Fortune AB. Board member of Vita Vonni AB.

Shareholding in the Company: Jonas Eklind holds 33,000 shares and 5,000,000 warrants of Series A⁵⁾ in the Company.

¹⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Incentive programmes – Warrant programme 2018/2021".

²⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Incentive programmes – Warrant programme 2019/2022".

³⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Incentive programmes – Warrant programme 2018/2021".

⁴⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Other issues of warrants – Issue of warrants to Masen".

⁵⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Incentive programmes – Warrant programme 2017/2021".

KENNET LUNDBERG

Born 1957. CFO since 2018.

Education: Executive MBA, University of Gothenburg School of Business, Economics and Law.

Other current assignments: Board member and owner of Kennet Lundberg AB. Board member and partner of Chamber Group Sweden AB, Lecka Alpha Trading GP Ltd and Stella Analytics Ltd. Board member of Lecka Alpha Trading LP. Deputy board member of Cleanergy AB.

Previous assignments (last five years): Vice President and CFO of Xellia Pharmaceuticals ApS. CFO of Real Holding i Sverige AB (publ). Board member of Victor Hasselblad Aktiebolag, Hasselblad Aktiebolag, Troax Group AB (publ) and Instalco AB.

Shareholding in the Company: Kennet Lundberg holds 10,000 shares in the Company.

JONAS WALLMANDER

Born 1976. Executive VP since 2019.

Education: Master of Science in Engineering, Mechanical Engineering, Linköping University of Technology.

Other current assignments: -

Previous assignments (last five years): VP Partners & Collaborations for Azelio.

Shareholding in the Company: Jonas Wallmander holds 617 shares and 2,000,000 warrants of Series A¹⁾ in the Company.

TORBJÖRN LINDQUIST

Born 1969. CTO since 2017.

Education: Master of Science in Engineering, Mechanical Engineering, Lund University of Technology. Ph.D. in Energy Technology, Mechanical Engineering, Lund University of Technology.

Other current assignments: -

Previous assignments (last five years): -

Shareholding in the Company: Torbjörn Lindquist holds 1,000 shares and 2,000,000 warrants of Series A¹⁾ in the Company.

JAN SVENSSON

Born 1971. VP Stirling OEM since 2019.

Education: Master of Science in Engineering, Mechanical Engineering, Linköping University of Technology. Degree of Master of Project Management, University of Linköping.

Other current assignments: -

Previous assignments (last five years): VP Development for Azelio.

Shareholding in the Company: Jan Svensson holds 2,040 shares and 2,000,000 warrants of Series A¹⁾ in the Company.

JONAS KARLSSON

Born 1970. VP Development since 2019.

Education: Master of Science in Engineering, Mechanical Engineering, Chalmers University of Technology.

Other current assignments: -

Previous assignments (last five years): VP Projects for Azelio.

Shareholding in the Company: Jonas Karlsson holds 5,000 shares and 2,000,000 warrants of Series A¹⁾ in the Company.

RALF WIESENBERG

Born 1969. VP Business Development since 2018.

Education: Master's Degree in Energy Engineering, and a PhD in Engineering, Department of Energy Systems, Technical University of Berlin.

Other current assignments: Sole administrator and owner of Lifecycle Associates S.L.

Previous assignments (last five years): CEO of ÅF Aries Energia S.L.

Shareholding in the Company: Ralf Wiesenberg holds 3,180 shares and 200,000 warrants of Series C²⁾ in the Company.

PETER GABRIELSSON

Born 1973. VP Operations since 2019.

Education: Bachelor of Science in Civil Engineering, University of Jönköping.

Other current assignments: -

Previous assignments (last five years): Regional Manager of Lindbäcks Bygg AB, VP Projects at Apply Emtunga AB.

Shareholding in the Company: Peter Gabrielsson holds no shares but 200,000 warrants of Series E³⁾ in the Company.

INGEMAR HAGBERG

Born 1970. VP Manufacturing since 2019.

Education: Practical Project Management, Process Development and Ergonomics, Lean Production, Continuous Improvement, 6-Sigma Green Belt, all training within Volvo Cars.

Other current assignments: -

Previous assignments (last five years): -

Shareholding in the Company: Ingemar Hagberg holds 1 share and 100,000 warrants of Series A⁴⁾ and 200,000 warrants of Series E⁵⁾ in the Company.

¹⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. - Incentive programmes – Warrant programme 2017/2021".

²⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. - Incentive programmes – Warrant programme 2018/2022".

³⁾ As of the date of the Prospectus, the warrants of Series E have not yet been registered with the Swedish Companies Registration Office. For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. - Incentive programmes – Warrant programme 2019/2021".

⁴⁾ For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. - Incentive programmes – Warrant programme 2017/2021".

⁵⁾ As of the date of the Prospectus, the warrants of Series E have not yet been registered with the Swedish Companies Registration Office. For more information about the warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. - Incentive programmes – Warrant programme 2019/2021".

Other information about the board of directors and senior executives

There are no family ties between any of the members of the board of directors or senior executives.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and senior executives towards the Company and their private interests and/or other undertakings.

Lars Thunell was the chairman of the board and board member of Flexenclosure AB (publ) at the time of the initiation of the company's corporate restructuring in April 2019. The company's bankruptcy was initiated in October 2019. Mattias Bergman was the chairman of the board of ReformTech Heating Holding AB and ReformTech Heating Technologies AB at the time of the initiation of the companies' respective bankruptcies in December 2018. During 2017, Kennet Lundberg's wholly-owned company Kennet Lundberg AB paid a penalty fee to the Swedish Tax Authority for a late income-tax return and employer's contributions return. Furthermore, Pär Nuder was the board member of Nyx Group AB until the closing of the company's bankruptcy in August 2015, as well as board member of Nyx Security AB until the closing of its bankruptcy in April 2015.

Other than the events mentioned above, none of the members of the board of directors or the members of the senior executives

have, during the last five years, (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy, (iii) incriminated and/or sanctioned for a crime by statutory or regulatory authorities (including designated professional bodies) or (iv) been prohibited by a court of law from being a member of any company's administrative, management or supervisory body or from holding a senior or overarching position of any company.

All members of the board of directors and the members of the senior executives are available at the Company's address at Forsbrogatan 4, 662 34 Åmål.

Auditor

KPMG AB has been the Company's auditor since 2008 and was, at the annual general meeting 2019, re-elected until the end of the annual general meeting 2020. Fredrik Waern (born 1971) is the auditor in charge since 2014. Fredrik Waern is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). KPMG AB's office address is Box 11908, 404 39 Gothenburg. KPMG AB has been auditor throughout the entire period which the historic financial information in this Prospectus covers.

Corporate governance

Corporate governance

Azelio is a Swedish public limited liability company. The Company's corporate governance is based on Swedish law, Nasdaq First North Growth Market Rulebook and internal rules and instructions. The Swedish Corporate Governance Code (the "Code") applies to all Swedish companies with shares listed on a regulated market in Sweden. The Code is currently not applicable for companies whose shares are listed on Nasdaq First North Growth Market. It is thus not compulsory for the Company to comply with the Code. In case the Code becomes compulsory for Azelio, the Company will comply with it.

General meeting

According to the Swedish Companies Act (the "Companies Act", Sw. *aktiebolagslagen (2005:551)*), the general meeting is the Company's ultimate decision-making body. At the general meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual general meeting must be held within six months from the end of the financial year. In addition to the annual general meeting, extraordinary general meetings may be convened. According to the articles of association, general meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

Right to participate in general meetings

Shareholders who wish to participate in a general meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the general meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the general meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the general meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the general meeting.

Board of directors

The board of directors is the second-highest decision-making body of the Company after the general meeting. According to the Companies Act, the board of directors is responsible for the organisation of the company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO.

Members of the board of directors are normally appointed by the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the members of the board of directors elected by the general meeting shall be not less than three and not more than ten members.

The board of directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the board of directors and the CEO continuously discuss the management of the Company.

Currently, the Company's board of directors consists of eight ordinary members, who are presented in section "Board of directors, senior executives and auditor".

Finance committee

Azelio has a finance committee consisting of three members: Bo Dankis (chairman), Kent Janér and Lars Thunell. The finance committee shall, without it affecting the responsibilities and tasks of the board of directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the general meeting's decision on election of auditors. In 2019, the duties of the finance committee have been handled by the board in plenum.

Remuneration committee

Azelio has a remuneration committee consisting of three members: Bo Dankis (chairman), Bertil Villard and Kent Janér. The remuneration committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the senior executives.

The CEO and other senior executives

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the board of directors receives adequate information for the board of directors to be able to continuously evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and senior executives are presented in section "Board of directors, senior executives and auditor".

Remuneration to the members of the board of directors, CEO and senior executives

Remuneration to the members of the board of directors

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved by the general meeting. At the annual general meeting held on 18 June 2019, it was resolved that the fee to the chairman of the board of directors should be SEK 500,000 and that the fee to the other members should be SEK 150,000, as well as that the board member Sigrun Hjelmquist, newly elected on the annual general meeting, should receive a one-time payment of SEK 63,000 in order to cover the cost of subscribing for warrants. The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board.

Remuneration to the board of directors during the 2018 financial year

The table below presents an overview of remuneration to the board of directors elected by the shareholders for the 2018 financial year.

| Name | Function | Board fee (SEK) |
|---------------------------------|--------------------------------|------------------|
| Bo Dankis | Chairman | 531,111 |
| Bertil Villard | Board member | 159,333 |
| Kent Janér | Board member | 150,000 |
| Pär Nuder | Board member | 159,333 |
| Mattias Bergman | Board member | 121,407 |
| Sigrun Hjelmquist ¹⁾ | Board member | - |
| Hicham Bouzekri ²⁾ | Board member | 4,200 |
| Lars Thunell ³⁾ | Board member | - |
| Chris Beaufait ⁴⁾ | Former board member | 106,940 |
| Teo Jörlén ⁵⁾ | Former employee representative | - |
| Gustav Bos ⁶⁾ | Former employee representative | - |
| Total | | 1,232,324 |

¹⁾ Elected at the annual general meeting on 18 June 2019.

²⁾ Elected at the annual general meeting on 27 June 2018.

³⁾ Elected at the extraordinary general meeting on 30 November 2018.

⁴⁾ Served as board member until 26 June 2019.

⁵⁾ Served as employee representative until 21 May 2019.

⁶⁾ Served as employee representative until 4 May 2018.

Current employment agreements for the CEO and other senior executives

The remuneration to the CEO and other senior executives consists of basic salary, other benefits, pension and a variable remuneration if certain targets are met. The CEO and other senior executives are paid a market based monthly salary and receive ordinary employment benefits.

Resolutions as to the current remuneration levels and other conditions of employment for the CEO have been taken by the board of directors.

The table below presents an overview of remuneration to the CEO and other senior executives for the 2018 financial year.

| Name | Basic salary/director's fee (SEK) | Variable remuneration (SEK) | Other benefits (SEK) | Pension costs (SEK) | Sum (SEK) |
|-------------------------------|-----------------------------------|-----------------------------|----------------------|---------------------|-------------------|
| Jonas Eklind, CEO | 1,722,661 | 705,660 | - | 422,420 | 2,850,741 |
| Other senior executives (six) | 7,340,000 | 2,264,000 | - | 1,161,000 | 10,765,000 |
| Total | 9,062,661 | 2,969,660 | - | 1,583,420 | 13,615,420 |

According to his employment contract the CEO is entitled to a monthly remuneration of SEK 118,915, as well as a monthly additional remuneration for a company car of SEK 8,500. The CEO is also entitled to a variable remuneration which amounts to at most 50 per cent of the yearly fixed remuneration. In addition, the Company pays individual occupational pension insurance where the premium may be at most 30 per cent of the yearly fixed remuneration. Both the Company and the CEO shall observe a six-month period of notice. The CEO is entitled to a severance pay

equal to six months of salary if the employment is terminated by the Company, or if the employment is terminated by the CEO attributable to a substantial change in the conditions of employment or a gross breach of contract by the Company.

The other senior executives are entitled to customary conditions of employment and individual occupational pension insurance according to applicable collective agreement. The other senior executives are also entitled to a variable remuneration amounting to a maximum of six months of salary. Other senior

executives shall observe a three to six-month period of notice alternatively according to the applicable collective agreement.

The Company's CFO performs his work as a consultant in accordance with a consulting agreement dated 19 February 2018 which, in accordance with the terms of the consulting agreement, was extended on 1 July 2019 until 31 December 2019.

Incentive programme

For a description of the Company's incentive programme, see section "*Share capital and ownership structure - Incentive programmes*".

Internal control

Internal control comprises the control of the Company's and the Group's organisation, procedures and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the Company's and the Group's financial reporting is prepared in accordance with law and applicable accounting standards, that the Company's assets are protected and that other requirements are fulfilled. The system for internal control is also intended to monitor compliance with the Company's and the Group's policies, principles and instructions. Internal control also comprises risk analysis and follow-up of incorporating information and business systems. The Group identifies, assesses and manages risks based on the Group's vision and goals. Risk assessment of strategic, compliance, operational and financial risks shall be performed annually by the CFO and presented to the finance committee and the board of directors.

The board of directors and the board's finance committee are responsible for internal control. Processes managing the business and delivering value shall be defined within the business management system. The CEO is responsible for the process structure within the Group.

A self-assessment of minimum requirements of defined controls mitigating identified risks for each business process shall annually be performed and reported to the finance committee and the board of directors. The CFO is responsible for the self-assessment process, which is facilitated by the internal controls function. In addition, the internal controls function performs reviews of the risk and internal controls system according to the plan agreed with the board of directors and group management.

Auditing

The auditor shall review the Company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual general meeting.

Pursuant to the Company's articles of association, the Company shall have a registered accounting firm or one or two auditors with or without deputy auditors. The Company's auditor is KPMG AB, with Fredrik Waern as auditor in charge. The Company's auditor is presented in more detail in section "*Board of directors, senior executives and auditor*".

In 2018, the total remuneration of the Company's auditor amounted to SEK 415,156.

Share capital and ownership structure

General information

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 20,000,000 and not more than SEK 80,000,000, and the number of shares may not be less than 40,000,000 and not more than 160,000,000. As of the date of the Prospectus, the Company has issued a total of 42,347,495 shares. The shares are denominated in SEK and the quota value of each share is approximately SEK 0.5.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable.

Dilution

If fully subscribed, the Rights Issue will entail that the number of shares in Azelio increases from 42,347,495 to 91,752,900, representing an increase of approximately 116.7 per cent.

Shareholders who decline to subscribe for shares in the Rights Issue will be subject to a dilution effect of a total of 49,405,405 new shares, representing approximately 53.8 per cent of the total number of shares and votes in Azelio following the Rights Issue.

The table below sets forth the net asset value per share before and after the forthcoming Rights Issue, respectively, based on equity as of 30 September 2019 and the maximum number of ordinary shares that may be issued in the forthcoming Rights Issue.

| | Before the Rights Issue (as of 30 September 2019) | After the Rights Issue |
|---|--|---------------------------|
| Equity, SEK | 456,929,972 | 767,708,348 |
| Number of shares | 42,347,495 | 91,752,900 |
| Net asset value per share, SEK | 10.8 | 8.4 |

For a compilation of potential dilution following from the outstanding warrants, see section "Share capital and ownership structure – Convertibles, warrants, etc. – Dilution following from the Company's outstanding warrants".

Certain rights associated with the shares

The offered shares are all of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Companies Act.

Voting rights

Each share in the Company entitles the holder to one vote at general meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

Preferential rights to new shares etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general

rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

Rights to dividends and balances in case of liquidation

All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividend are passed by the general meeting. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "Tax issues in Sweden".

Information regarding takeover offers and redemption of minority shares

The Swedish Stock Market (Takeover Bids) Act (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) contains fundamental provisions on public takeover bids for shares in companies whose shares are admitted to trading on a regulated market in Sweden. The act also contains provisions on mandatory bids and defence measures. Furthermore, according to the Swedish Securities Market Act (Sw. *lagen (2007:528) om offentliga uppköpserbjudanden*), an exchange must have rules on public takeover bids for shares that are admitted to trading on the regulated market operated by the exchange. The exchanges Nasdaq Stockholm AB and Nordic Growth NGM AB have such rules today. The Swedish Corporate Governance Board (Sw. *Kollegiet för svensk bolagsstyrning*), which shall aim to promote good practice on the Swedish securities market, recommends that, in all essentials, the same rules are applied with regard to companies whose shares are traded on the trading platforms Nasdaq First North Growth Market, Nordic MTF and Spotlight Stock Market.

The applicable framework for Azelio is "Takeover rules for certain trading platforms", published by the Swedish Corporate Governance Board. A takeover bid may apply to all or a part of the shares, either voluntarily through a public takeover bid or mandatory through a mandatory offering. The latter occurs when an individual shareholder, alone or through related parties, holds 30 per cent of the votes or more.

A takeover bid may be made in cash or through a share offer where new shares in the acquiring company are offered, or through a combination of the two. The offer may be conditional or unconditional. All shareholders can accept or reject the offer, although a compulsory redemption might occur at a later stage if the bidder obtains 90 per cent of the shares and so demands.

A compulsory redemption entails that minority shareholders are forced to sell their shares despite the shareholder not having accepted the offer. This can occur when a bidder or shareholder holds more than 90 per cent of the shares in the acquired company. Compulsory redemption may also be demanded by a minority shareholder when a shareholder holds more than 90 per cent of the shares. This process constitutes part of the minority protection and aims to ensure fair treatment of all shareholders by giving shareholders who are forced to dispose of their shares reasonable compensation.

The offered shares in Azelio are not subject to any mandatory offering, redemption right or sell-out obligation. No public takeover bid has been made for the offered shares during the current or preceding financial year.

Dividend policy

The Company has so far not paid out any dividend.

Any future dividend and the size thereof, will be determined based on long term growth, earnings trends and capital requirements of the Company. It is the view of the board of directors, that the Company should prioritise the development of the Company's system, and until the future commercial launch of the system, the financial resources should mainly be used to finance the Company's business, research and development

programs. In view of Azelio's financial position and negative earnings, the Company's board of directors does not intend to propose any dividend before the Company generates long term sustainable profits and positive cash flow. Dividends shall, as far as dividend is proposed, be balanced with regard to the business risk.

Central securities register

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*Sw. lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. The ISIN code for the shares is SE0011973940.

Share capital development

The below table shows historic changes in the Company's share capital for the period covered by the historical financial information, and changes in the number of shares and the share capital due to the Rights Issue.

| Time | Event | Change in number of shares and votes | Number of shares and votes after the transaction | Share capital (SEK) | |
|------------|-------------------------------------|--------------------------------------|--|---------------------|---------------|
| | | | | Change | Total |
| 2016-05-04 | New share issue ¹⁾ | 100,000 | 51,082,250 | 5,000.00 | 2,554,112.50 |
| 2016-08-25 | New share issue ²⁾ | 6,830,188 | 57,912,438 | 341,509.40 | 2,895,621.90 |
| 2017-09-05 | New share issue ³⁾ | 26,887,966 | 84,800,404 | 1,344,398.30 | 4,240,020.20 |
| 2017-09-20 | New share issue ⁴⁾ | 86,133,003 | 170,933,407 | 4,306,650.15 | 8,546,670.35 |
| 2017-09-25 | New share issue ⁵⁾ | 800,000 | 171,733,407 | 40,000.00 | 8,586,670.35 |
| 2017-10-31 | New share issue ⁶⁾ | 23,333,333 | 195,066,740 | 1,166,666.65 | 9,753,337.00 |
| 2018-04-19 | Exercise of warrants ⁷⁾ | 17,333,974 | 212,400,714 | 866,698.70 | 10,620,035.70 |
| 2018-04-25 | New share issue ⁸⁾ | 1,201,232 | 213,601,946 | 60,061.60 | 10,680,097.30 |
| 2018-06-01 | Exercise of warrants ⁹⁾ | 10,366,861 | 223,968,807 | 518,343.05 | 11,198,440.35 |
| 2018-07-10 | New share issue ¹⁰⁾ | 63,161,533 | 287,130,340 | 3,158,076.65 | 14,356,517.00 |
| 2018-11-13 | Exercise of warrants ¹¹⁾ | 26,344,619 | 313,474,959 | 1,317,230.95 | 15,673,747.95 |
| 2018-11-19 | Reversed share split (10:1) | -282,127,464 | 31,347,495 | - | 15,673,747.95 |
| 2018-12-07 | New share issue ¹²⁾ | 11,000,000 | 42,347,495 | 5,500,000.16 | 21,173,748.11 |

¹⁾ Paid in cash. The subscription price amounted to SEK 10 per share.

²⁾ Paid partially in cash and partially by way of set off. The subscription price amounted to SEK 12 per share. The set-off concerned a loan raised by the Company.

³⁾ Paid in cash. The subscription price amounted to SEK 1.50 per share.

⁴⁾ Paid partially in cash and partially by way of set off. The subscription price amounted to SEK 1.50 per share. The set-off concerned a loan raised by the Company.

⁵⁾ Paid in cash. The subscription price amounted to SEK 1.50 per share.

⁶⁾ Paid by way of set off. The subscription price amounted to SEK 1.50 per share. The set-off concerned a loan raised by the Company.

⁷⁾ The subscription price amounted to SEK 1.50 per share.

⁸⁾ Paid in cash. The subscription price amounted to SEK 0.05 per share, which corresponded to the shares' then quota value.

⁹⁾ The subscription price amounted to SEK 1.50 per share.

¹⁰⁾ Paid in cash. The subscription price amounted to SEK 1.65 per share.

¹¹⁾ The subscription price amounted to SEK 2 per share.

¹²⁾ Paid in cash. The subscription price amounted to SEK 22 per share.

Convertibles, warrants, etc.

There are no outstanding warrants, convertibles or other share-related instruments in the Company, other than as described in the sections “*Convertibles, warrants, etc. – Incentive programmes*” and “*Convertibles, warrants, etc. – Other issues of warrants*” below.

Incentive programmes

Warrant programme 2017/2021

In 2017, Azelio implemented a warrant programme for the CEO, interim CFO, members of the management and other employees (“**Warrant Programme 2017**”). In total, 19,000,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2017 (“**Series A**”) may be exercised up until 30 September 2021 and ten (10) warrants will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 40 per share.¹⁾ The warrants have, at the time of issue, been valued at market value in accordance with the Black Scholes valuation model.

At full exercise of the number of warrants in Warrant Programme 2017, the dilution would amount to approximately 2.0 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Warrant programme 2018/2021

In 2018, Azelio implemented a warrant programme for the Company’s board of directors (“**Warrant Programme 2018 (1)**”). In total, 2,800,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2018 (1) (“**Series B**”) may be exercised up until 30 June 2021 and ten (10) warrants will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 40 per share.¹⁾ The warrants have, at the time of issue, been valued at market value in accordance with the Black Scholes valuation model.

At full exercise of the number of warrants in Warrant Programme 2018 (1), the dilution would amount to approximately 0.3 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Warrant programme 2018/2022

In 2018, Azelio implemented a warrant programme for members of the management on similar terms as Warrant Programme 2017 (“**Warrant Programme 2018 (2)**”). In total, 200,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2018 (2) (“**Series C**”) may be exercised up until 19 November 2022 and each warrant will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 40 per share. The warrants have, at the time of issue, been valued at market value in accordance with the Black Scholes valuation model.

At full exercise of the number of warrants in Warrant Programme 2018 (2), the dilution would amount to approximately 0.2 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Warrant programme 2019/2022

In 2019, Azelio implemented a warrant programme for the new board member Sigrun Hjelmquist (“**Warrant Programme 2019 (1)**”). In total, 60,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2019 (1) (“**Series D**”) may be exercised during two periods, either for two weeks from the date of the publication of the interim report for the period 1 January – 31 March 2022, or for two weeks from the date of the publication of the interim report for the period 1 January – 31 September 2022. Each warrant will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 40 per share. The warrants have, at the time of issue, been valued at market value in accordance with the Black Scholes valuation model.

At full exercise of the number of warrants in Warrant Programme 2019 (1), the dilution would amount to approximately 0.1 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Warrant programme 2019/2021

On 26 December 2019, an extraordinary general meeting resolved to implement a warrant programme directed to the two new members of the executive management Peter Gabrielsson and Ingemar Hagberg (“**Warrant Programme 2019 (2)**”). In total, 400,000 warrants will be outstanding under the programme. The warrants in Warrant Programme 2019 (2) (“**Series E**”) may be exercised from the date of the publication of the interim report for the period 1 January – 30 June 2021 up until 30 September 2021. Each warrant will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 40 per share. The warrants have, at the time of resolution on issuance, been valued at market value in accordance with the Black Scholes valuation model.

At full exercise of the number of warrants in Warrant Programme 2019 (2), the dilution would amount to approximately 0.4 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Other issues of warrants

Issue of warrants to Albright Stonebridge Group (1)

In 2015, Azelio issued warrants to the Company’s supplier Albright Stonebridge Group. In total, 450,000 warrants are outstanding. The warrants (“**Series F**”) may be exercised by Albright Stonebridge Group up until 17 December 2020 and ten (10) warrants will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 10 per share.¹⁾

At full exercise of the issued warrants, the dilution would amount to approximately 0.0 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Issue of warrants to Albright Stonebridge Group (2)

In 2015, Azelio issued additional warrant to the Company’s supplier Albright Stonebridge Group. In total, 450,000 warrants are outstanding. The warrants (“**Series G**”) may be exercised up

¹⁾ Number of shares and subscription price have been recalculated due to reversed share splits in the Company resolved on extraordinary general meeting on 12 November 2018, in accordance with the terms and conditions for the warrants.

until 17 December 2020 and ten (10) warrants will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 130 per share.¹⁾

At full exercise of the issued warrants, the dilution would amount to approximately 0.0 per cent of the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Issue of warrants to Masen

In 2019, Azelio issued warrants to Masen in accordance with an investment agreement between Masen and the Company.²⁾ In total, 16,666,667 warrants are outstanding. The warrants (“**Series H**”) may be exercised up until 8 March 2024, and ten (10) warrants will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 15 per share.

At full exercise of the issued warrants, the dilution would amount to approximately 1.8 per cent the total number of shares in the Company after the completion of the Rights Issue, assuming that the Rights Issue is fully subscribed.

Dilution following from the Company's outstanding warrants

The table below compiles information on the Company's outstanding warrants including dilution of the total number of shares and votes in the Company following the Rights Issue, assuming that the Rights Issue is fully subscribed.

| | Number of shares upon full exercise | Strike price per share, SEK | Dilution, % |
|--------------|-------------------------------------|-----------------------------|-------------|
| Series A | 1,900,000 | 40 | 2.0 |
| Series B | 280,000 | 40 | 0.3 |
| Series C | 200,000 | 40 | 0.2 |
| Series D | 60,000 | 40 | 0.1 |
| Series E | 400,000 | 40 | 0.4 |
| Series F | 45,000 | 10 | 0.0 |
| Series G | 45,000 | 130 | 0.0 |
| Series H | 1,666,666 | 15 | 1.8 |
| Total | 4,596,666 | - | - |

Ownership structure

As of the date of the Prospectus, Azelio had more than 4,000 shareholders. The largest shareholder was Kent Janér (directly, through Blue Marlin AB and related parties), holding approximately 27.6 per cent of the shares and votes. Azelio's major shareholders as of the date of the Prospectus are set forth below.

| Shareholder | Number | Per cent |
|--|-------------------|--------------|
| Kent Janér (directly, through Blue Marlin and related parties) | 11,691,868 | 27.60 |
| Thames Trust with Trustee Tower Bridge Fiduciary Ltd | 3,052,472 | 7.21 |
| Back in Black Capital Limited | 3,000,000 | 7.08 |
| Deutsche Bank (Suisse) S A, W8IMY | 2,531,255 | 5.98 |
| UBS Switzerland AG, W8IMY | 2,044,388 | 4.83 |
| Byggmästare Anders J Ahlström | 1,136,300 | 2.68 |
| BNP Paribas Sec Serv Luxembourg, W8IMY | 1,111,300 | 2.62 |
| Pareto Securities AB | 891,457 | 2.11 |
| Bertil Villard | 654,878 | 1.55 |
| Gryningskust Holding AB | 606,237 | 1.43 |
| Total ten largest shareholders | 26,720,155 | 63.09 |
| Other shareholders | 15,627,340 | 36.91 |
| Total | 42,347,495 | 100 |

Undertaking to refrain from selling shares

The Principal Owner, certain major shareholders, shareholding members of the board of directors and certain shareholding employees, including senior executives, agreed in connection with Azelio's listing on Nasdaq First North Growth Market in December 2018, subject to certain exceptions and for a certain period of time which amounts to a maximum of 360 days following the first day for trade, not to sell their shares or otherwise enter into transactions with a similar effect without the prior written consent of Pareto Securities, the Sole Global Coordinator and Bookrunner in the listing. In total, 12,380,462 shares are comprised by lock-up commitments entered into in connection with Azelio's listing, which amounts to approximately 29 per cent of outstanding shares prior to the Rights Issue.

For commitments not to sell shares made in connection with the Rights Issue, see section “*Legal considerations and supplemental information – Subscription and guarantee commitments – Commitment not to sell shares in connection with the Rights Issue*”.

¹⁾ Number of shares and subscription price have been recalculated due to reversed share splits in the Company resolved on extraordinary general meeting on 12 November 2018, in accordance with the terms and conditions for the warrants.

²⁾ For more information about the investment agreement, see section “*Legal considerations and supplementary information – Material Agreements – Contract with Masen*”.

Articles of association

Articles of association for Azelio AB (publ), registration number 556714-7607, adopted by the extraordinary general meeting on 26 November 2019.

1 § Name

The company's name is Azelio AB. The company is a public limited liability company (publ).

2 § Registered office

The board of directors' registered office shall be situated in Gothenburg.

3 § Object of the company's business

The object of the company's business is to conduct research, production, sale and installation of products within the energy industry; development of software for control, regulation and monitoring within the solar energy industry; storage and distribution of electricity and gas; engineering services within the energy industry and any other activities compatible therewith.

4 § Share capital

The share capital shall be not less than SEK 20,000,000 and no more than SEK 80,000,000.

5 § Number of shares

The number of shares shall be no less than 40,000,000 and not more than 160,000,000.

6 § Board of directors

The board of directors shall consist of no less than three (3) and no more than ten (10) directors.

7 § Auditors

The company shall appoint an accounting firm; or no less than one and no more than two auditors, with or without deputy auditors, for the review of the Company's annual report, accounts and the management of the board of directors and the CEO.

8 § Notice

Notice of general meetings shall be published in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet. The general meeting shall be held where the company has its registered office, in Åmål or in Stockholm.

9 § Participation in general meetings

Shareholders who wish to participate at a general meeting shall be registered as shareholders on a transcript of the entire share register as stipulated in Chapter 7, Section 28, third paragraph of the Swedish Companies Act (2005:551) that relates to the conditions prevailing five workdays prior to the meeting and shall also provide notification of their intention to attend the meeting no later than on the date stipulated in the notice convening the general meeting. The latter mentioned day must not be a Sunday,

any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the fifth weekday prior to the meeting.

A shareholder may be accompanied by advisers (not more than two) when attending a general meeting under the condition that the shareholder notifies the company in accordance with what has been stated in the preceding paragraph.

10 § General meeting

The annual general meeting shall be held annually within six (6) months after the end of the financial year.

The following business shall be addressed at annual general meetings:

1. Election of a chairman of the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons who shall approve the minutes of the meeting;
5. Determination of whether the meeting was duly convened;
6. Presentation of submitted annual report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group;
7. Resolutions
 - a. regarding the adoption of the income statement and the balance sheet and, when applicable, the consolidated income statement and the consolidated balance sheet;
 - b. regarding allocation of the company's profits or losses in accordance with the adopted balance sheet;
 - c. regarding discharge of the members of the board of directors and the managing director from liability;
8. Election of the members of the board of directors and auditors and, where applicable, deputy auditors;
9. Determination of fees for members of the board of directors and auditors;
10. Other matters, which are set out in the Swedish Companies Act or the company's articles of association.

11 § Collection of proxies

The board of directors may collect proxies at the expense of the company in accordance with the procedure described in Chapter 7 Section 4 Paragraph 2 of the Swedish Companies Act (2005:551).

12 § Financial year

The company's financial year shall comprise 1 January –31 December.

13 § VPC company

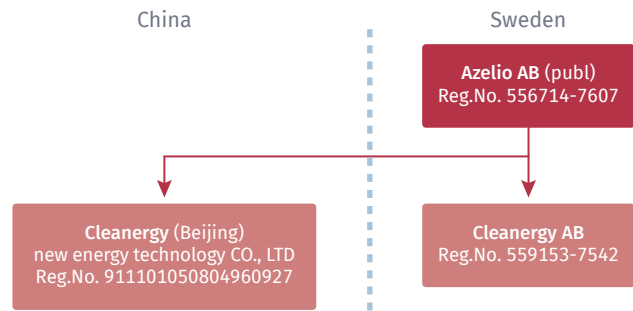
The company's shares shall be registered in a securities register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

Legal group structure

Azelio is a Swedish public limited liability company whose business is conducted in accordance with the Companies Act. The Company's registered corporate name is Azelio AB, its registration number is 556714-7607 and its identification code (LEI) is 549300SJ2OCBQN1HH364. Azelio was founded in Sweden on 17 October 2006 and registered with the Swedish Companies Registration Office on 6 November 2006. The Company's registered office is situated in Gothenburg.

The Company is currently the parent company of two wholly owned subsidiaries located in Sweden and China. The Group structure is shown in the chart.



Legislation and regulations

As mentioned, Azelio is a Swedish public limited liability company governed by Swedish law, primarily by the Companies Act. In addition, the Company applies the laws, rules and recommendations and good securities market practice in accordance with the self-regulation that follows from the listing of the Company's shares on Nasdaq First North Growth Market.

Azelio's business and products are today outlined in accordance with applicable EU directives as well as harmonised European Standards and national legislation within the EU. The most significant directives for Azelio are the Machinery Directive (2006/42/EG) which *inter alia* stipulates requirements for the avoidance of accidents in industrial machinery parks in the construction, manufacturing, operation and maintenance of machines, the Pressure Equipment Directive (2014/68/EU) (the "PED") which establishes requirements for the calculation, construction, manufacturing and testing of pressure vessels, the ATEX Directives (1999/92/EC and 2014/34/EU) which consider equipment and work environment in areas with a risk for explosive atmosphere, the EMC Directive (2014/30/EU) regarding electromagnetic compatibility, the Low Voltage Directive (2014/35/EU) which *inter alia* stipulates the rules which an

electric product must comply with, as well as the RoHS Directive (2011/65/EU) which prohibits or restricts the use of certain heavy metals and flame retardants in electrical and electronic products.

Since Azelio's production takes place in Sweden at the Company's plant in Uddevalla, Azelio's business is also regulated by Swedish legislation and regulations such as the Swedish Work Environment Act (Sw. *arbetsmiljölagen (1977:1160)*), the Swedish Electricity Safety Act (Sw. *elsäkerhetslagen (2016:732)*) as well as the Swedish Work Environment Authority's regulations on the use and control of pressurised equipment (AFS 2017:3).

Further, Azelio's products are intended to be sold globally within the geographies where the Company's system is best suited. As a result, the Company will operate in different jurisdictions that in some cases require regulatory permits, certifications, approvals or requirements from state authorities or other administrative bodies which moreover may have different local standards or specific deviations, which is common within the energy industry. Thus, Azelio can henceforth be required to adapt its products to the local standards or specific deviations that do not harmonise with the standards after which Azelio currently outlines its products.

Material agreements

The Company assesses its material agreements to be certain partnership agreements, memorandums of understandings, supplier agreements and distribution agreements, as well as certain leasing agreements.

Memorandums of understanding

Azelio has entered into several non-binding memorandums of understanding with prospective partners in several of Azelio's focus markets.

Azelio has, *inter alia*, entered into a memorandum of understanding with BIODICO INC ("**Biodico**"), an American company, regarding a commercial model for Biodico's modular and renewable bio fuel production system in Atascadero, California. The memorandum of understanding comprises a capacity of approximately 120 MW of Azelio's energy storage technology in the American market up until 2024, and it is the Company's and Biodico's intention that their business offerings will be established and expanded in California, as well as that Biodico becomes a non-exclusive distributor of Azelio's technology in the region.

Similar memorandums of understanding have been entered into with

- STELLA Futura regarding a small-scale commercial project in Ghana or Togo, and it is Azelio's and STELLA Futura's desire that STELLA Futura becomes one of Azelio's partners for sales, installation, operation and maintenance in sub-Saharan Africa;
- ND Power, a Swedish company, regarding a project in Zambia as well as future business development in sub-Saharan Africa;
- JD Aviation, a Pakistani company, regarding a project in Pakistan as well as future business relations in the Pakistani market.

Letter of intent with the supplier AQ Enclosure Systems

In August 2019, Azelio entered into a non-binding letter of intent with AQ Enclosure System regarding cooperation to ensure long-term production of Azelio's energy storage. The aim is for AQ Enclosure Systems to become a full-scale production partner offering the purchase, assembly and logistics services for Azelio's complete systems. The first units are planned to be assembled during the fourth quarter of 2019 for delivery to Azelio's verification project in Morocco.

Research cooperation agreement with Masdar and Khalifa University

On 12 September 2019, Azelio entered into a research cooperation agreement with Masdar and Khalifa University to operate a pilot project for the evaluation and demonstration of Azelio's energy storage for renewable energy projects that use photovoltaics, concentrated solar power and wind energy, or projects that provide off-grid solutions, with the purpose of determining if the technology can be included in current and future renewable energy projects.

Distribution agreement with Pansanté

In May 2019, Azelio entered into a three-year, non-exclusive distribution agreement with the Swedish company Pansanté, comprising Tanzania, Uganda, Kenya and Botswana, as well as an electricity production project in the Kashmir area.

Contract with Masen

On 10 May 2018 Azelio entered into an investment agreement with Masen, see section "*Business overview – Partners – Masen*" above, which was later partly altered through an amending agreement concluded between the parties on 12 November 2018. According to the agreement Masen shall provide services regarding, *inter alia*, research and development, industrialisation, verification of technology, initial marketing activities and commercial analysis, to a total value of SEK 25 million. Azelio has issued and allotted 16,666,667 warrants in Azelio to Masen, without consideration, in accordance with the agreement. Ten (10) warrants entitle Masen to subscribe for one (1) share in Azelio for a subscription price of SEK 15. Masen has an obligation to pay the subscription rate by continuously offsetting it against the value of the services provided in accordance with the contract. For more information on the Company's outstanding warrant programmes, see section "*Share capital and ownership structure – Other issues of warrants*". Payment for the provided services under the contract will thus be made through the acquisition of shares in Azelio. In the event Masen no longer may own shares in Azelio, Azelio has an obligation to assist Masen in the sale of the shares Masen has received as part of the contract. If the consideration Masen receives at such sale amount to less than the value of the services provided according to the contract Azelio must, in accordance with the contract, compensate Masen for the difference.

Material leasing agreements

Azelio has at the date of the Prospectus four leasing agreements in Sweden, which the Company considers to be material, and a number of non-material leasing agreement in China, Morocco, Spain and Stockholm. The four material agreements contain standardised terms and conditions as follows:

| Location | Type of premises | End of current agreement |
|------------|-----------------------|--------------------------|
| Gothenburg | Offices | 2022-03-31 |
| Uddevalla | Production | 2022-12-31 |
| Åmål | Production, inventory | 2022-01-31 |
| Åmål | Offices | 2022-06-30 |

If the leasing agreements are not terminated before their date of expiration, they will be extended on current terms and conditions for three years.

Intellectual property

Azelio is the owner of the trademarks CLEANERGY (registered in Sweden, Morocco and China), GasBox and AZELIO (registered in the EU). Azelio furthermore has two registered pattern rights in the EU for solar collectors, flexdisc and coasters, and for “Piston assembly for Stirling engine” in China. Azelio has registered the domains www.cleanergy.com, www.cleanergy.eu, www.cleanergy.com.cn, www.cleanergyindustries.se, www.azelio.se and www.azelio.com.

At the date of the Prospectus Azelio holds six granted patents as well as pending patent applications in twelve patent families. The chart below demonstrates the patents of the Company and patent applications at the date of the Prospectus.

| Country/ Region | Patent family/title | Date of application | Application number | Publication number | Status |
|--------------------|--|------------------------|-----------------------|-----------------------|---------------------------|
| Sweden | Concentrated solar power device and support | 2016-11-04 | SE 1651455-6 | SE 541659 | Granted |
| Sweden | A preheating system and method for a Stirling engine | 2014-03-27 | SE 1450354-4 | SE 539288 | Granted |
| China | A preheating system and method for a Stirling engine | 2015-03-27 | CN 201510141344.9 | CN 104948401 | Granted |
| Hong Kong | A preheating system and method for a Stirling engine | 2016-03-30 | HK 16103675.8 | HK 1215725 | Application |
| Sweden | Methods of pumping heat transfer fluid in thermal energy storage systems | 2017-02-14 | SE 1750135-4 | SE 1750135 | Application |
| China | Methods of pumping heat transfer fluid in thermal energy storage systems | 2019-07-23 | CN 201880008089.2 | N/A | Application |
| EPO ¹⁾ | Methods of pumping heat transfer fluid in thermal energy storage systems | 2019-06-26 | EP 18753960.6 | N/A | Application |
| USA | Methods of pumping heat transfer fluid in thermal energy storage systems | 2019-07-24 | US 16/480,409 | N/A | Application |
| Sweden | Concentrated solar power system and thermal energy storage system | 2017-02-14 | SE 1750136-2 | SE 1750136 | Application |
| Sweden | Attachment hub for parabolic solar collector and methods of transport of a parabolic solar collector | 2017-02-14 | SE 1750134-7 | SE 540859 | Granted |
| Sweden | An arrangement of fasteners for securing a mirror to a support of a parabolic solar reflector | 2017-02-14 | SE 1750139-6 | SE 540855 | Granted |
| Sweden | A fastener and a fastening element for securing a mirror to a support of a parabolic solar reflector | 2017-02-14 | SE 1750138-8 | SE 540889 | Granted |
| Sweden | Thermal energy storage assembly | 2018-10-29 | SE 1851339-0 | N/A | Application not published |
| Sweden | PCM storage vessel | 2018-10-29 | SE 1851338-2 | N/A | Application not published |
| PCT ²⁾ | PCM storage vessel | 2019-10-29 | PCT/SE/2019/051077 | N/A | Application not published |
| Sweden | Thermal energy storage assembly | 2019-05-14 | SE 1950569-2 | N/A | Application not published |
| Sweden | Improved Stirling engine design and assembly | 2019-01-29 | SE 1950104-8 | N/A | Application not published |
| Sweden | Improved rod seal assemblies for machines with crossheads and sealed oscillating rods | 2019-01-29 | SE 1950105-5 | N/A | Application not published |
| Sweden | Pressure compensated rod seal assembly | 2019-01-29 | SE 1950106-3 | N/A | Application not published |

¹⁾ European Patent Office (“EPO”). Upon the EPO’s decision to grant a European patent application, the decision is acknowledged in all countries that have adopted the European Patent Convention. However, this does not entail that the patent enters into force; in order for the EPO application to provide national patent protection, it must be validated.

²⁾ The Patent Cooperation Treaty (“PCT”). The PCT is an international agreement which in simplified terms entails that one can receive an international filing date through a single patent application in one language. This implies that the application is considered to be filed in all PCT member countries (more than 150) as of that day. A PCT application does not in itself lead to a patent, but to a novelty search and a preliminary assessment of patentability.

Disputes

In 2016, Azelio sued Quest for Advisory and Implementation Venture Holding Nordic AB (“**Quest**”) at the District Court of Stockholm and pleaded that an issue in kind of 1,730,656 shares to Quest shall be deemed invalid and reverted to the Company in its entirety.

The background of the process is a resolution by a general meeting in 2010 in Azelio to issue new shares on certain specified conditions including that they would be issued on market terms. The board of directors thereafter decided to, *inter alia*, issue shares to Quest against non-cash consideration. Through the new share issue through non-cash consideration Azelio received a capital injection of SEK 2,425,280. However, the Company believes the true market value of the shares were SEK 14,331,200 (i.e. a difference of SEK 11,905,920).

Azelio is of the opinion that the board of directors’ resolution to issue shares to Quest through non-cash consideration significantly deviated from the authorisation of the general

meeting since it was not executed in accordance with the condition of market terms. Therefore, Azelio believes that the then board of directors has exceeded its authority.

The District Court of Stockholm found that the board of directors’ resolution had constituted an excess of its authority which, however, is not such a strong form of invalidity required to invalidate the resolution to issue shares. Azelio’s plead was thus rejected.

Azelio appealed the verdict to the Svea Court of Appeal which granted a leave to appeal. The main session was held on 8–9 October 2018.

The judgment of Svea Court of Appeal was announced on 2 November 2018. While Svea Court of Appeal found that the specified conditions resolved upon by the general meeting, that the shares would be issued on market terms, does set the framework for the competence of the board, they also found that Azelio has not been able to show that the issue was not executed on market terms. Svea Court of Appeal therefore determined the judgment of the District Court of Stockholm.

Azelio requested a leave to appeal to the Supreme Court, but in 2019 the Supreme Court decided not to grant appeal. The decision entailed that Azelio was imposed to compensate Quest's costs incurred due to the trial in the District Court and Court of Appeal including interest (*Sw. räntelagen (1975:635)*) according to Section 6 of the Swedish Act of Interest from the day of each ruling until payment. Payment was made following the Supreme Court's decision not to grant appeal.

In parallel with the litigation against Quest, Azelio has brought damages against the board members who resolved on the issue in kind for the difference between the value of the capital injection and the fair market value of the issued shares. One of these processes, in the District Court of Stockholm, has been withdrawn on Azelio's request. The other process, in the District Court of Gothenburg against two former board members who participated in resolving on the issue in kind, was settled on 25 October 2019 and dismissed on 28 October 2019.

In addition to the processes mentioned above Azelio is not, and has not been, involved in any litigations, governmental procedures or arbitrations (including any procedure not yet decided and procedures the Company believes could occur) during the last twelve months, which have had or could have had a considerable effect on the financial position or profitability of Azelio.

The costs for the disputes totalled to slightly below approximately SEK 4 million.

Insurance

Azelio and its insurance advisors assess that the current insurances are adequate and in accordance with market customs. The insurances of the Company consist of an insurance for property on specified places, a liability insurance for the board of directors and the CEO, and a travel and health care insurance for the Company employees. Furthermore, the Company signs a transport insurance for each individual transport. There are, however, no guarantees that Azelio will not be affected by losses not covered by the insurances.

Related party transactions

During the financial years 2016 and 2017, the Group acquired advisory services from Albright Stonebridge Group LLC, in which the board member Pär Nuder is a Senior Counsellor, for approximately SEK 3 million and SEK 2 million, respectively.¹⁾

During the financial years 2016 and 2017, the Company received two loans from Blue Marlin AB, the largest shareholder in Azelio and wholly owned by board member Kent Janér, amounting to SEK 25 million and SEK 125.2 million respectively, which have been repaid by the Company. Interest on the loans was SEK 92,456 and SEK 1,932,850, respectively.¹⁾

During the financial year 2019, an amount of SEK 4,900 thousand was entered as a liability in the accounts for services rendered in connection with the Company's demonstration plant in Ouarzazate, Morocco. The counterpart was Masen, which holds 16,666,667 warrants in the Company as well as has a representative on the board of directors of the Company. In total, the accrued costs amount to SEK 13,259 thousand.²⁾

See section "Corporate governance – Remuneration to the members of the board of directors, CEO and senior executives" and note 6 to the Company's 2018 annual report for information about the wages and other remunerations, costs and pension agreements for the board of directors, CEO and other executives.

Related party transactions are made on market conditions.

Interests of advisors

Carnegie and Pareto Securities provide financial advisory and other services to the Company as Joint Global Coordinators and Bookrunners. The total compensation to Carnegie and Pareto Securities is partially dependent on the outcome of the Rights Issue. The Joint Global Coordinators and Bookrunners have provided, and may in the future provide services within banking, finance, investments and commercial services as well as other services for which Carnegie and Pareto Securities have been, and may in the future be, compensated.

Advokatfirman Vinge KB has been legal counsel in connection with the Rights Issue and may provide additional legal services to the Company.

Subscription and guarantee commitments

Subscription commitments

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), Lars Thunell (through LHT Invest AB), Jonas Eklind and Kennet Lundberg have undertaken to subscribe for new shares in the Rights Issue. These subscription commitments amount to, in aggregate, approximately SEK 90 million, equivalent to approximately 26 per cent of the Rights Issue. No compensation is paid for the commitments.

Furthermore, Alfred Berg Kapitalförvaltning AB/BNP Paribas has indicated that it intends to subscribe for its *pro rata* share of the Rights Issue, corresponding to approximately SEK 9 million or approximately 2.6 per cent of the Rights Issue.

Guarantee commitments

Certain existing shareholders and external guarantors have provided guarantee commitments subject to customary conditions for subscription of shares up to a level of SEK 300 million which, in aggregate, amount to SEK 210 million, equivalent to approximately 60 per cent of the Rights Issue. For this guarantee commitment, the Company will pay a compensation of approximately SEK 12 million. Allotment of shares subscribed for in accordance with the guarantee commitment is made according to the principles described in section "Terms and conditions – Subscription for new shares without subscription rights – Allotment of new shares subscribed for without subscription rights".

The guarantee commitments are conditional upon Azelio's general meeting having resolved on authorisation for the board of directors to resolve on the Rights Issue and the board of directors having resolved on the Rights Issue by 10 January 2020 at the latest, as well as upon the outcome of the Rights Issue being announced no later than on 31 January 2020. The first-mentioned condition is fulfilled given the extra general meeting's resolution on authorisation on 26 November 2019 and the board of director's issue resolution on 28 November 2019.

Unsecured commitments

The above-mentioned subscription and guarantee commitments are not secured, entailing that there is no secured capital to fulfil the commitments. Consequently, there is a risk that the commitments will not be fulfilled. See section "Risk factors – Risks relating to the Rights Issue – Unsecured subscription and guarantee commitments".

¹⁾ The Company's net sales amounted to SEK 3,665,335 during 2016 and SEK 2,920,586 during 2017.

²⁾ The Company's net sales amounted to SEK 1,099,460 during the period 1 January – 30 September 2019.

Total commitments^{*)}

| Name | Current holding | Subscription commitment, share of the Rights Issue, % | Guarantee commitment, SEK | Guarantee commitment, share of the Rights Issue, % | Total commitment, share of the Rights Issue, % | Date of conclusion of the guarantee commitment |
|--|-----------------|---|---------------------------|--|--|--|
| Back in Black Capital Limited | 3,000,000 | 7.1 | - | - | 7.1 | - |
| Bertil Villard | 654,878 | 0.6 | - | - | 0.6 | - |
| Blue Marlin AB | 11,140,156 | 11.4 | - | - | 11.4 | - |
| Byggmästare Anders J Ahlström Holding AB ¹⁾ | 1,136,300 | 2.7 | 10,000,000 | 2.9 | 5.5 | 23 October 2019 |
| Carl Rosvall ²⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 22 October 2019 |
| Carl Rosvall ²⁾ | - | - | 3,500,000 | 1.0 | 1.0 | 28 November 2019 |
| Carnegie Investment Bank AB (publ) ³⁾ | - | - | 15,000,000 | 4.3 | 4.3 | 28 November 2019 |
| Dabok AB and Dabok Advisory AB | 148,158 | 0.4 | - | - | 0.4 | - |
| Daniel Lifveredson Invest AB ⁴⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 23 October 2019 |
| Dirbal AB ⁵⁾ | - | - | 3,500,000 | 1.0 | 1.0 | 28 November 2019 |
| Dr. Saeid AB ⁶⁾ | - | - | 17,000,000 | 4.8 | 4.8 | 22 October 2019 |
| Ekeby Invest AB and Kapitalförvaltning Ekeby AB | 327,638 | 0.3 | - | - | 0.3 | - |
| Erik Lindholm ⁷⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 23 October 2019 |
| Fibonacci Growth Capital AB ⁸⁾ | - | - | 13,000,000 | 3.7 | 3.7 | 25 October 2019 |
| Formue Nord Markedsneutral AS ⁹⁾ | - | - | 5,000,000 | 1.4 | 1.4 | 23 October 2019 |
| Fredrik Lundgren ¹⁰⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 23 October 2019 |
| Gryningskust Förvaltning AB ¹¹⁾ | - | - | 5,000,000 | 1.4 | 1.4 | 22 October 2019 |
| Gryningskust Förvaltning AB ¹¹⁾ | - | - | 2,000,000 | 0.6 | 0.6 | 27 October 2019 |
| Gryningskust Holding AB | 606,237 | 1.4 | - | - | 1.4 | - |
| Göran Källebo ¹²⁾ | - | - | 3,500,000 | 1.0 | 1.0 | 23 October 2019 |
| Göran Källebo ¹²⁾ | - | - | 1,000,000 | 0.3 | 0.3 | 27 November 2019 |
| Invium Partners AB ¹³⁾ | - | - | 7,000,000 | 2.0 | 2.0 | 22 October 2019 |
| Johan Unger ¹⁴⁾ | - | - | 2,000,000 | 0.6 | 0.6 | 27 November 2019 |
| John Fällström ¹⁵⁾ | - | - | 17,000,000 | 4.8 | 4.8 | 22 October 2019 |
| John Fällström ¹⁵⁾ | - | - | 10,000,000 | 2.9 | 2.9 | 28 November 2019 |
| Jonas Eklind | 33,000 | 0.1 | - | - | 0.1 | - |
| Kennet Lundberg | 10,000 | 0.0 (82,800 shares) | - | - | 0.0 | - |
| LHT Invest AB | 200,000 | 0.3 | - | - | 0.3 | - |
| Martin Bjäringer ¹⁶⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 22 October 2019 |
| Mats Nilsson ¹⁷⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 23 October 2019 |
| Mertiva AB ¹⁸⁾ | - | - | 8,500,000 | 2.4 | 2.4 | 23 October 2019 |
| Pareto Securities AB | 891,457 | 1.4 | - | - | 1.4 | - |
| Pareto Securities AB ¹⁹⁾ | 891,457 | - | 15,000,000 | 4.3 | 4.3 | 28 November 2019 |
| Patrik Enblad ²⁰⁾ | - | - | 2,000,000 | 0.6 | 0.6 | 27 November 2019 |
| Shaps Capital AB ²¹⁾ | - | - | 3,000,000 | 0.9 | 0.9 | 22 October 2019 |
| Theodor Jeansson ²²⁾ | - | - | 17,500,000 | 5.0 | 5.0 | 23 October 2019 |
| Thomas Krishan ²³⁾ | - | - | 4,500,000 | 1.3 | 1.3 | 23 October 2019 |
| Thomas Krishan ²³⁾ | - | - | 2,000,000 | 0.6 | 0.6 | 27 November 2019 |
| Wilhelm Risberg ²⁴⁾ | 20 | - | 10,000,000 | 2.9 | 2.9 | 23 October 2019 |
| Wilhelm Risberg ²⁴⁾ | 20 | - | 4,000,000 | 1.1 | 1.1 | 28 November 2019 |
| Zantoor AB ²⁵⁾ | - | - | 2,000,000 | 0.6 | 0.6 | 23 October 2019 |
| Total | - | 25.7 | 210,000,000 | 59.9 | 85.6 | - |

¹⁾ Hälsingegatan 40, SE-113 43 Stockholm, Sweden.

²⁾ Artillerigatan 46, SE-114 45 Stockholm, Sweden.

³⁾ Regeringsgatan 56, SE-111 56 Stockholm, Sweden.

⁴⁾ Västra Strandvägen 21, SE-439 92 Onsala, Sweden.

⁵⁾ C/O Monterro, Grev Turegatan 30, SE-114 38 Stockholm, Sweden.

⁶⁾ Wallingatan 12, SE-111 60 Stockholm, Sweden.

⁷⁾ Eddavägen 10 B, SE-182 63 Djursholm, Sweden.

⁸⁾ Apelvägen 18 A, SE-182 75 Stocksund, Sweden.

⁹⁾ Østre Allé 102, DA-9000 Aalborg, Denmark.

¹⁰⁾ Erik Dahlbergsallén 15, SE-115 20 Stockholm, Sweden.

¹¹⁾ C/O Thorell, Baldersuddevägen 26, SE-134 38 Gustavsberg, Sweden.

¹²⁾ Karlavägen 77, SE-114 49 Stockholm, Sweden.

¹³⁾ Smålandsgatan 14, SE-111 46 Stockholm, Sweden.

¹⁴⁾ Birger Jarlsgatan 8, SE-114 34 Stockholm, Sweden.

¹⁵⁾ Linnégatan 83, SE-114 60 Stockholm, Sweden.

¹⁶⁾ Cordée des Alpes 501, Rue du Centre Sportif 24, CH-1936 Verbier, Switzerland.

¹⁷⁾ Via dell Brima 15 B, CH-6612 Ascona, Switzerland.

¹⁸⁾ Edsviksvägen 89, SE-182 35 Danderyd, Sweden.

¹⁹⁾ Berzelii Park 9, P.O. Box 7415, SE-103 91 Stockholm, Sweden.

²⁰⁾ Narvavägen 22, SE-115 22 Stockholm, Sweden.

²¹⁾ Mailbox 642, SE-114 11 Stockholm, Sweden.

²²⁾ Agnevägen 23, SE-182 64 Djursholm, Sweden.

²³⁾ Drottavägen 5, SE-182 64 Djursholm, Sweden.

²⁴⁾ Narvavägen 33, SE-114 60 Stockholm, Sweden.

²⁵⁾ C/O Amin Omrani, Västra vägen 1 C, SE-169 61 Solna, Sweden.

^{*)} The figures reported in the table have in certain cases been rounded off and therefore, the table does not necessarily add up.

Commitment not to sell shares in connection with the Rights Issue

The major shareholders that have entered into commitments to subscribe for shares in the Rights Issue have also undertaken not to sell their shares for a certain period, a so-called lock-up commitment. This commitment covers the period of two weeks after the announcement of the outcome of the Rights Issue.

In addition, the existing shareholders and external guarantors that have entered into guarantee commitments have also entered into a lock-up commitment. This commitment covers the period up until the announcement of the outcome of the Rights Issue.

Costs related to the Rights Issue

In consideration of the Joint Global Coordinators and Bookrunners' assistance in the Rights Issue, the Joint Global Coordinators and Bookrunners will, subject to certain reservations, be reimbursed by the Company for external expenses incurred by them.

Azelio's costs associated with the Rights Issue are expected to amount to approximately SEK 40 million. Such costs primarily relate to costs for compensation for issue guarantees, sales commission to Joint Global Coordinators and Bookrunners, auditors, attorneys, printing of the Prospectus, costs related to management presentations, etc.

Approval of the Prospectus

The Prospectus has been approved by the Swedish Financial Supervisory Authority (the "**SFSA**", Sw. *Finansinspektionen*) as competent authority under Regulation (EU) 2017/1129. The SFSA only approves this Prospectus to the extent that it meets the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and this approval should not be considered as any endorsement of the issuer that is the subject of this Prospectus. This approval should neither be considered as any endorsement of the quality of the securities referred to in the Prospectus and investors should make their own assessment of whether it is appropriate to invest in the securities.

Documents available for inspection

Azelio's certificate of registration, articles of association, and Azelio's and its subsidiaries' annual reports for the financial years 2016, 2017 and 2018, including auditors' reports, are available for inspection during office hours at the Company's head office at Lindholmsplatsen 1, 417 56 Gothenburg. The documents (with the exception for subsidiaries' articles of association and annual reports) are also available in electronic form on Azelio's web page, www.azelio.com.

Tax considerations in Sweden

The tax legislation in the investor's member state and the issuer's country of registration may affect the income of the securities. Below is a summary of certain Swedish tax issues related to the Rights Issue for physical persons and limited liability companies who hold shares, BTA or subscription rights in the Company and who are domiciled in Sweden for tax purposes, unless otherwise specified. The summary is based on currently applicable legislation and is intended only as general information relating to the shares and subscription rights as from the shares' and subscription rights' admission to trading on Nasdaq First North Growth Market.

The summary does not cover:

- situations where shares are held as current assets in business operations;
- situations where shares are held by limited partnerships or partnerships;
- situations where shares are held in an investment savings account (Sw. *investeringssparkonto*);
- the specific rules on tax-free capital gains (including prohibition of deduction in the event of capital losses) and dividends in the corporate sector which may become applicable when the investor holds shares or subscription rights in the Company which are considered to be business related (for tax purposes);
- the specific rules which may in certain cases become applicable to shares in companies which are, or have been, micro-enterprises or shares acquired with the aid of such shares;
- the specific rules which may become applicable to physical persons who apply or return investment deductions;
- foreign enterprises carrying out activities from permanent establishments in Sweden; or
- foreign enterprises that have been Swedish enterprises.

Specific tax rules also apply to certain categories of enterprises. The tax treatment of each individual shareholder depends in part on his or her particular situation. Each shareholder should consult independent tax advisers about the tax consequences that the Rights Issue may give rise to for his or her part, including the applicability and impact of foreign legislation and double taxation agreements. The summary below is based on the assumption that the shares in the Company are considered to be quoted for tax purposes (if the shares are not considered to be quoted, partially different rules than those listed below apply). However, no guarantee that the shares will be considered quoted is given.

General

Physical persons

For physical persons who are subject to unlimited tax liability in Sweden, capital income such as interest, dividends and capital gains are taxed as income from capital assets. The tax rate for income from capital assets is 30 per cent.

Capital gains and capital losses are equivalent to the difference between sales compensation, after deduction for sales costs, and the acquisition value. The total acquisition value for all shares of the same class and type is added together and computed collectively in accordance with the so-called average method (Sw. *genomsnittsmetoden*). In this context, BTA are not regarded as constituting the same series and type as the existing shares in the Company until the resolution on the Rights Issue is registered with the Swedish Companies Registration Office. As an alternative, the so-called standard method (Sw. *schablonmetoden*) may be

used at the disposal of listed shares. This method entails that the acquisition value may be determined as 20 per cent of the consideration less selling expenses.

Capital losses on listed shares and other listed securities which are taxed as shares (e.g. subscription rights and BTA) may be fully offset against taxable capital gains on shares that same year, as well as on listed securities which are taxed as shares (however not mutual funds or special funds which only comprise Swedish receivables, so-called interest relief funds). Capital losses which are not offset by said offset facility are deductible at 70 per cent of income from capital assets.

If a net loss arises in income from capital assets, a reduction of the tax on income from service and business activities, as well as property tax and municipal property tax, is permitted. The tax reduction is 30 per cent of the net loss up to SEK 100,000 and 21 per cent of the potentially remaining net loss. A net loss may not be transferred to future tax years.

For physical persons who are subject to unlimited tax liability in Sweden, a preliminary tax on dividends of 30 per cent is withheld. The preliminary tax is usually withheld by Euroclear Sweden or, in the case of nominee-registered shares, by the nominee.

Limited liability companies

For limited liability companies, all income, including taxable capital gains and taxable dividends, are taxed as income from business activities at 21.4 per cent for financial years commencing on 1 January 2019 at the earliest. Capital gains and capital losses are calculated in the same way as described for physical persons above.

Deductions for deductible capital losses on shares and other securities taxed as shares are only permitted against taxable capital gains on such securities. Capital losses on shares and other securities taxed as shares which have not been possible to utilise in a certain year, may be saved for an unlimited period (by the limited liability company which suffered the loss) and offset against taxable capital gains on shares and other securities taxed as shares in the following tax year. If a capital loss cannot be offset by the company which made the loss, it may be offset against taxable capital gains on shares and other securities taxed as shares by another company in the same group, if group contribution rights exist between the companies and both companies request this for a tax year which has the same declaration date (or would have had it if the companies' accounting obligation had not expired). Specific tax rules may be applicable to certain categories of companies or certain legal entities, for example investment companies and life-insurance companies.

Exercise of received subscription rights

If shareholders in the Company exercise their received subscription rights for subscription of new shares, no tax is levied. The acquisition cost for a share is the issue price.

Sale of received subscription rights

Shareholders that do not wish to make use of their preferential right to participate in the Rights Issue can sell their subscription rights. At the disposal of the subscription rights, the taxable capital gain shall be calculated. Subscription rights deriving from the holding of shares in the Company are deemed to be acquired for SEK 0. In this case, the standard method may not be used to determine the acquisition value. The entire consideration less selling expenses is thus liable to taxation. The acquisition value of the original shares is not affected. A subscription right that is neither exercised nor sold and therefore expires is deemed to be disposed of for SEK 0. Since subscription rights received in the aforementioned manner are deemed to be acquired for SEK 0, neither a capital gain nor a capital loss will arise.

Acquired subscription rights

For anyone buying or similarly acquiring subscription rights in the Company, the consideration constitutes the acquisition value of the same. No tax is levied if the subscription rights are exercised to subscribe for shares. The acquisition value of the subscription rights shall be included when calculating the acquisition value of the shares. If the subscription rights on the other hand are sold, capital gains taxation is triggered. The acquisition value for the subscription rights is calculated in accordance with the average method. The standard method may be used for listed subscription rights acquired in the aforementioned manner. A subscription right that is neither exercised nor sold and therefore expires, is deemed to be disposed of for SEK 0.

Shareholders with limited tax liability in Sweden

For shareholders not resident in Sweden for tax purposes that receive dividends on shares of a Swedish limited liability company, Swedish withholding tax is normally levied. The same applies to payments made by a Swedish limited liability company in connection with redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The withholding tax rate is 30 per cent. The tax rate is, however, generally reduced under a double taxation treaty. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. The tax treaties that Sweden has entered into generally enable the withholding tax deduction to be made in accordance with the tax rate stipulated in the treaty at the occasion of disbursement, provided that Euroclear Sweden or the nominee has received requisite information about the investor entitled to dividend. Investors entitled to reduced tax rates under applicable tax treaties may seek a refund from the Swedish tax authorities if the withholding tax cent has been withheld at a higher tax rate. The receipt of subscription rights does not trigger any obligation to pay withholding tax.

Shareholders and holders of subscription rights who are not resident in Sweden for tax purposes are normally not liable for capital gains taxation in Sweden upon disposals of shares or subscription rights. Shareholders or holders of subscription rights may, however, be subject to taxation in their state of residence.

According to a special rule, physical persons who are not resident in Sweden for tax purposes and who do not conduct business from a permanent establishment in Sweden are, however, subject to Swedish capital gains taxation upon disposals of shares or subscription rights in the Company, if they have been residents of Sweden due to a habitual abode in Sweden or a stay in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. However, in several cases, the applicability of the rule is limited by tax treaties.

Definitions

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| Azelio, the Company or the Group | Azelio AB (publ), the group in which Azelio AB (publ) is the parent company or a subsidiary of the group, as the context may require |
| Carnegie | Carnegie Investment Bank AB (publ) |
| EUR | Euro |
| Euroclear Sweden | Euroclear Sweden AB |
| Joint Global Coordinators and Bookrunners | Carnegie and Pareto Securities |
| Nasdaq First North Growth Market | The alternative market operated by the different exchanges within Nasdaq |
| Pareto Securities | Pareto Securities AB |
| SEK | Swedish krona |
| The Principal Owner | Kent Janér personally and through the company Blue Marlin AB, unless otherwise stated |
| The Prospectus | This Prospectus |
| The Rights Issue | The Rights Issue as set out in the Prospectus |
| The Rights Issue Price | SEK 7.10 per share |
| USD | US Dollar |

Documents incorporated by reference

The following information is incorporated by reference and forms part of the Prospectus. The annual financial reports of the Group for 2016, 2017 and 2018 have been audited by KPMG AB, with authorised public accountant Fredrik Waern as Auditor in charge. The audit reports for the financial years 2016, 2017 and 2018 for the Company, as well as the auditor's report on the review of the Company's unaudited consolidated financial statements for the 9-month periods 1 January – 30 September 2018 and 2019 deviate from the standard formulation. The deviation relates to the significant uncertainties regarding going concern assumption. The documents that are incorporated by reference are available on Azelio's website, www.azelio.com/investors/documents/. Apart from the information that is incorporated in the Prospectus by references, the information on Azelio's web page, or any other specified web page, is not included in the Prospectus and has not been reviewed or approved by the competent authority.

- i. The Company's audited financial report for the financial year ended 31 December 2016, including the audit report;
- ii. The Company's audited financial report for the financial year ended 31 December 2017, including the audit report;
- iii. The Company's audited financial report for the financial year ended 31 December 2018, including the audit report; and
- iv. The Group's Interim report for the nine-month period 1 January – 30 September 2019, including the auditor's report on review of financial interim information.

Addresses

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