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Press release November 28, 2019

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

The Board of Directors in Azelio AB (publ) ("Azelio" or the "Company") has today, pursuant to the authorization granted by the extra general meeting on 26 November 2019, resolved on a partly guaranteed new share issue of a maximum of 49,405,405 shares with preferential right for the Company's existing shareholders (the "Rights Issue"). The subscription price in the Rights Issue is SEK 7.10 per share. If the Rights Issue is fully subscribed, the Company will receive approximately SEK 350 million before deduction of transaction costs related to the Rights Issue. Due to an increased subscription undertaking from Kent Janér (through Blue Marlin AB), a subscription undertaking from Lars Thunell (through LHT Invest AB) and additional guarantee commitments, the Rights Issue is now secured to approximately SEK 300 million.

Summary

- The net proceeds from the Rights Issue will be used to finance the Company's ongoing operations and the commercialisation of its Thermal Energy Storage (TES) and Stirling based electricity production technology.
- Existing shareholders in the Company receive one subscription right for each share held as of the record date. Six (6) subscription rights entitle the holder to subscribe for seven (7) new shares in the Rights Issue.
- Record date for participation in the Rights Issue is set to 5 December 2019.
- Subscription period of the Rights Issue is set to 9–23 December 2019.
- If the Rights Issue is fully subscribed, the Company will receive approximately SEK 350 million before deduction of transaction costs related to the Rights Issue.
- The subscription price in the Rights Issue is SEK 7.10 per share, which corresponds to a discount of approximately 32 percent compared with the theoretical price after separation of subscription rights, based on the closing price of the Azelio share on Nasdaq First North Growth Market on 27 November 2019.
- For existing shareholders not participating in the Rights Issue, a dilution effect corresponding to 53.8 percent of the total number of shares and votes in the Company following the Rights Issue will arise.
- 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 undertakings amount to, in aggregate, approximately SEK 90 million, equivalent to approximately 26 percent of the Rights Issue.
- Certain existing shareholders and external guarantors have provided guarantee commitments up to a subscription level of approximately SEK 300 million subject to customary conditions which, in aggregate, amount to SEK 210 million, equivalent to approximately 60 percent of the Rights Issue.
- In addition to the subscription undertakings and the guarantee commitments, 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 percent of the Rights Issue.

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



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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 renewable 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 equalization. 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 commercialization of the Company's thermal energy system, a verification project will be carried out in Morocco together with state-controlled Masen, from 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 the basis for the future financing of systems on behalf of the Company's clients.

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 renewable electricity production increases as the need for renewable baseload power grows.

The purpose of the Rights Issue is primarily to finance the Company's ongoing operations and the continued industrialization 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 organization 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.

Use of proceeds

If the Rights Issue is fully subscribed, the Company will raise approximately SEK 310 million after deductions of transaction costs related to the Rights Issue, which are estimated to amount to approximately SEK 40 million. Azelio intends to use the net proceeds to finance e.g. the Company's ongoing industrialization, personnel, product design

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

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and verification, sales organization, prototype materials, production equipment and for administration and general corporate purposes.

If the Rights Issue is fully subscribed, the Board of Directors deems the Company's working capital to be sufficient 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 payments 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 undertakings and guarantee commitments, the Board of Directors deems that the Company will have sufficient working capital until August 2020, and thereafter have an additional financing need of approximately SEK 350 million.

Rights Issue

The Board of Directors of the Company has today, pursuant to the authorization granted by the extra general meeting held on 26 November 2019, resolved on a new share issue of up to a maximum of approximately SEK 350 million with preferential rights for the Company's existing shareholders in proportion to their shareholdings as of the record date 5 December 2019.

Shareholders receive one subscription right for each share held on the record date. Six (6) subscription rights entitle to subscription of seven (7) shares in the Rights Issue, at a subscription price of SEK 7.10 per share. The subscription price corresponds to a discount of approximately 32 percent compared to the theoretical price after the separation of subscription rights, based on the closing price of the Azelio share on 27 November 2019 on Nasdaq First North Growth Market. The Rights Issue will provide Azelio with a maximum of SEK 350,778,375.50, before deduction of transaction costs, by issuing a maximum of 49,405,405 shares.

The Rights Issue will result in an increase of the share capital of a maximum of approximately SEK 24,702,703. Upon full subscription, the number of shares in Azelio, after the Rights Issue, will amount to a maximum of 91,752,900 shares and the share capital will amount to a maximum of approximately SEK 45,876,451. For existing shareholders not participating in the Rights Issue, a dilution effect corresponding to approximately 53.8 percent of the total number of shares and votes in the Company following the Rights Issue will arise. Shareholders who choose not to participate in the Rights Issue have the opportunity to compensate for the economic dilution effect by selling their subscription rights.

The last day of trading in Azelio's shares, including the right to receive subscription rights in the Rights Issue, is 3 December 2019. Subscription of shares with subscription rights shall be made by cash payment during the period from 9–23 December 2019. Subscription of shares without subscription rights shall be made on a special subscription list during the period from 9–23 December 2019. Payment for shares subscribed without subscription rights shall be made in cash no later than two banking days following the issue of the settlement note, which indicates notification of allocation. The Board of Directors is entitled to extend the subscription period and the last day for payment.

If all of the new shares are not subscribed for with subscription rights, allotment of new shares 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.

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- 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.
- Finally, allotment of shares subscribed for without subscription rights shall be made up to a subscription level of SEK 300 million to the investors who have provided guarantees in their capacity as guarantors, and insofar the guarantors cannot receive full allotment, in accordance with what has previously been agreed with the guarantors.

The full terms and conditions of the Rights Issue and information about the Company will be included in a prospectus expected to be published on the Company's website on or around 4 December 2019.

Subscription undertakings 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 undertakings amount to, in aggregate, approximately SEK 90 million, equivalent to 26 percent of the Rights Issue.

In addition to the aforementioned subscription undertakings, certain existing shareholders and external guarantors have provided guarantee commitments up to a subscription level of SEK 300 million subject to customary conditions which, in aggregate, amount to SEK 210 million, equivalent to approximately 60 percent of the Rights Issue.

Consequently, the Rights Issue is secured to an amount of approximately SEK 300 million, equivalent to approximately 86 percent of the Rights Issue, through the subscription undertakings and guarantee commitments mentioned above.

In addition to the subscription undertakings and the guarantee commitments, 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 percent of the Rights Issue.

Timetable for the Rights Issue

Timetable	
Last day of trading in shares including right to receive subscription rights	3 December 2019
First day of trading in shares excluding right to receive subscription rights	4 December 2019
Prospectus published on the Company's webpage	4 December 2019
Record date for participation in the Rights Issue	5 December 2019
Subscription period	9–23 December 2019
Trading in subscription rights	9–19 December 2019
Trading in BTAs	9 December 2019–3 January 2020
Announcement of final outcome in the Rights Issue	Around 30 December 2019
Delivery of and trading in new shares	Around 10 January 2020

Advisers

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

This information is information that Azelio AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 12.00 CET on 28 November 2019.

For further information, please contact



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About Azelio

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

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Important information

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

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

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

Forward-looking statements

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

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

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