

Invitation to acquire shares in Azelio AB (publ)



IMPORTANT INFORMATION REGARDING NASDAQ FIRST NORTH

First North is an alternative marketplace operated by the several exchanges within the Nasdaq group. It does not have the same legal status as a regulated market. Companies on First North are not subject to the same rules as companies on the regulated main market. The risk in investing in a company on First North may therefore be higher than investing in a company on the main market. All Companies with shares traded on First North have a Certified Adviser that monitors that the rules are followed. The Exchange (Nasdaq Stockholm AB) approves the application for admission to trading on First North. FNCA has been designated Certified Adviser for Azelio.

SOLE GLOBAL COORDINATOR OCH BOOKRUNNER

Important information to investors

This offering circular (the "**Offering Circular**") has been prepared in connection with the offering to the public in Sweden of shares in Azelio AB (publ) (a Swedish public limited liability company) (the "**Offering**"). In the Offering Circular, "**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 "**Sole Global Coordinator and Bookrunner**" refers to Pareto Securities AB ("**Pareto Securities**"). See section "**Definitions**" for the definitions of these and other terms in the Offering Circular.

The figures included in the Offering Circular have, in certain cases, been rounded off and, consequently, the tables contained in the Offering Circular do not necessarily add up. Furthermore, some per centages used in the Offering Circular have been calculated through underlying figures which have not been rounded off and may therefore partly deviate from the per centages used by calculations using rounded figures. All financial amounts are in Swedish kronor ("**SEK**") unless indicated otherwise.

Except as expressly stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The Offering is not directed to the general public in any country other than Sweden. Nor is the Offering directed to such persons whose participation requires additional offering circulars, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden, that would allow any offer of the shares to the public or allow holding and distribution of the Offering Circular or any other documents pertaining to the Company or the shares in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Persons into whose possession the Offering Circular comes are required by the Company and the Sole Global Coordinator and Bookrunner to inform themselves about and to observe such restrictions. Neither the Company nor the Sole Global Coordinator and Bookrunner accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. The shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. All offers, and sales of shares will be made in compliance with Regulation S under the Securities Act. The shares may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The shares in the Offering have not been approved by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Offering Circular is only being distributed to and is only 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 any persons to whom it may lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The Offering Circular 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 the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

The Offering and the Offering Circular are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Offering Circular.

A separate prospectus in Swedish has been approved and registered by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:1980) (*Sw. lagen (1991:980) om handel med finansiella instrument*). In the event of discrepancies between the Offering Circular and the Swedish prospectus, the Swedish prospectus shall prevail.

STABILISATION

In connection with the Offering, Pareto Securities may carry out transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilisation transactions may be effected on Nasdaq First North, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq First North and ending no later than 30 calendar days thereafter. Pareto Securities are, however, not required to undertake any stabilisation and there is no assurance that stabilisation will be undertaken.

Stabilisation, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilisation transactions have been undertaken, Pareto Securities shall disclose that stabilisation transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilisation period, Pareto Securities will make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

FORWARD-LOOKING STATEMENTS

The Offering Circular contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to

identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Offering Circular concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Offering Circular, including the following sections: "**Summary**", "**Risk factors**", "**Business overview**" and "**Comments to the selected financial information**", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Principal Owner or the Sole Global Coordinator and Bookrunner can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Offering Circular may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Offering Circular may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, shortage of attractive products to sell, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, and occurrence of accidents or systematic supply shortages.

After the date of the Offering Circular, none of the Company, the Principal Owner or the Sole Global Coordinator and Bookrunner assume any obligation, except as required by law or Nasdaq First North Nordic Rule Book, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

BUSINESS AND MARKET DATA

The Offering Circular 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 Offering Circular 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.

IMPORTANT INFORMATION ABOUT THE SELLING OF SHARES

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on or around 6 December 2018. Institutional investors are expected to receive notification of allotment on or about 6 December 2018 in particular order, whereupon contract notes are dispatched. After payments for the allocated shares have been processed by Pareto Securities, the duly paid shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Azelio means that these acquirers will not have shares available in the specified securities depository account or the securities account until 10 December 2018, at the earliest. Trading in Azelio's shares on Nasdaq First North is expected to commence on or around 10 December 2018. Accordingly, if shares are not available in an acquirer's securities account or securities depository account until 10 December 2018 at the earliest, the acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

TARGET MARKET

Exclusively for the producer's (in this occasion "**Producer**" refers to Pareto Securities AB) process of product acceptance, the assessment of the target market regarding shares in Azelio has led to the conclusion that: (i) the target market for the shares are eligible counterparties, professional clients and retail, each and every one in accordance with the definition in Directive 2014/65/EU (in its wording "**MIFID II**"); (ii) the negative target market for the shares are customers seeking full protection of capital or total repayment of invested capital, are fully unwilling to take risks/lack tolerance towards risks, or are in need of a guaranteed income or fully predictable return profile and (iii) all channels of distribution of the shares to eligible counterparties, professional clients and retail are suitable. Anyone who later offers, sells or recommends the shares (a "**Distributor**") should take the Producer's assessment of the target market into account; a Distributor covered by MIFID II is however responsible for making their own assessment of the target market regarding the shares (either through the acceptance or refinement of the Producer's assessment) and establish suitable channels of distribution. To avoid misunderstandings, the assessment of the target market is not: (a) an assessment of suitability or expediency regarding the purpose of MIFID II; or (b) a recommendation to any investor or group of investors to invest in, purchase or take any other action regarding the shares.

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Summary of the offering

Offering price

SEK 22 per share

Application period for the general public

20 November – 4 December 2018

Application period for institutional investors

20 November – 5 December 2018

First day of trading in Azelio's shares

10 december 2018

Settlement Date

10 december 2018

Other information

Ticker: AZELIO

ISIN code: SE0011973940

Financial calendar

Interim report for the period

1 January – 31 December 2018 28 February 2019

Annual report 2018 17 May 2019

Interim report for the period

1 January – 31 March 2019, Q1 26 April 2019

Annual general meeting 2019 18 June 2019

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.

Cornerstone Investors

Alfred Berg Kapitalförvaltning AB, Back in Black Capital Ltd, Blue Marlin AB, Byggmästare Anders J Ahlström Holding AB (publ) and LMK Venture Partners AB.

Euroclear Sweden

Euroclear Sweden AB.

Principal Owner

Kent Janér personally and through the company Blue Marlin AB unless otherwise stated.

Nasdaq First North

An alternative market run by the exchanges in Nasdaq.

Pareto Securities

Pareto Securities AB.

SEK

Swedish krona.

Sole Global Coordinator and Bookrunner

Pareto Securities.

Summary

The summary is drawn up in accordance with information requirements in the form of a number of “paragraphs” which should include certain information. The paragraphs are numbered in sections A–E (A.1–E.7). This summary contains all the paragraphs required in a summary for the relevant type of security and issuer. However, as certain paragraphs are not required, there may be gaps in paragraph numbering sequences. Even if it is necessary to include a paragraph in the summary for the security and issuer in question, it is possible that no relevant information can be provided for that paragraph. In such instances, the information has been replaced by a brief description of the paragraph, along with the specification “not applicable”.

Section A - Introduction and warnings

A.1	Introduction and warnings	This summary should be read as an introduction to the Offering Circular. Any decision to invest in the securities should be based on an assessment of the Offering Circular in its entirety by the investor. Where statements in respect of information contained in an offering circular are challenged in a court of law, the plaintiff investor may, in accordance with member states’ national legislation, be forced to pay the costs of translating the offering circular 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 offering circular or if it does not, together with other parts of the offering circular, provide key information to help investors when considering whether to invest in the securities.
A.2	Consent for use of the Offering Circular by financial intermediaries	Not applicable. Financial intermediaries are not entitled to use the Offering Circular for subsequent trading or final placement of securities.

Section B - Issuer

B.1	Company and trading name	Azelio AB (publ), reg. no. 556714-7607.
B.2	Issuer’s registered office and corporate form	Azelio’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 (2005:551).
B.3	Description of the Issuer’s operations	Azelio offers a system of Stirling engine-based concentrated solar power with thermal energy storage for electricity production 24 hours a day or at times of peak demand. The Company carries out final assembly of the Stirling engine in a factory and owns all of the unique product design for the Company’s system, while subcontractors produce the system’s components and subsystems, such as heliostats. Research and development, as well as sales and marketing, are carried out internally and in cooperation with the Company’s strategic partners. Azelio may apply one of 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 will act as technology provider, sell the technology and provide training in how to build a successful and commercially viable project. Azelio’s system is offered to customers in the global energy market who are building projects around the sun belt involving installations of between 500 kW and 20 MW for electrical production during the day together with a storage capacity of 13 hours. In the longer term Azelio intends to develop its offering and offer systems for projects of towards 100 MW. Azelio sells the system 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.

B.4a	Trends	<p>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-effective compared with, for example, fossil fuels. However, there is a clear split between intermittent energy sources (non-continuous, fluctuating) and sources of base 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 base power sources, since they can produce energy 24 hours a day regardless of wind and weather. For solar and wind power to be able to satisfy the demand for a continuous energy supply and be an adequate alternative to nuclear power and fossil energy sources, therefore, solutions are needed that allow energy to be stored.</p> <p>As at the date of the Offering Circular, large parts of the world do not have access to a reliable electricity supply; in other words, electricity supplied every hour of the day that does not suffer frequent interruptions. Access to a reliable electricity supply is important for economic development, and a lack of such access has a negative impact both on households and on the public and private sectors. There is thus significant demand for electricity-producing systems that can meet the need for a reliable electricity supply. Many of the geographies that currently lack an electricity supply are remotely situated and expanding the regular electricity grid to these locations requires extensive investment. Systems for what is known as distributed and dispatchable electricity production are often used instead. This refers to sources of electricity production which, in addition to being able to supply a regular grid with electricity, can also supply small local grids (mini grids) and standalone (off-grid) systems.</p>																																																
B.5	Description of the Group and the issuer's position within the Group	<p>The Group comprises the parent company Azelio AB (publ) and two directly and wholly owned subsidiaries.</p>																																																
B.6	Major shareholders, control over the Company and notifiable individuals, larger shareholders and control	<p>As at the date of the Offering Circular, Azelio had 378 shareholders. As at the date of the Offering Circular, Azelio's largest shareholder was Kent Janér personally and through the company Blue Marlin AB (the "Principal Owner"), holding, together with related parties, 10,362,491 shares, corresponding to approximately 33.06 per cent of the shares and votes in the Company.</p> <table border="1" data-bbox="566 884 1436 1176"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Shareholding before the Offering</th> <th colspan="2">After the Offering (if the Over-allotment Option is not exercised)</th> <th colspan="2">After the Offering (if the Over-allotment Option is exercised in full)</th> </tr> <tr> <th>Number</th> <th>Per cent</th> <th>Number</th> <th>Per cent</th> <th>Number</th> <th>Per cent</th> </tr> </thead> <tbody> <tr> <td colspan="7"><i>Shareholders with holdings exceeding 5 per cent of the shares</i></td> </tr> <tr> <td>Kent Janér (directly, through Blue Marlin AB and with related parties)</td> <td>10,362,491</td> <td>33.06</td> <td>11,044,491</td> <td>24.55</td> <td>11,044,491</td> <td>23.48</td> </tr> <tr> <td>Thames Trust with Trustee Tower Bridge Fiduciary Ltd</td> <td>3,052,471</td> <td>9.74</td> <td>3,052,471</td> <td>6.79</td> <td>3,052,471</td> <td>6.49</td> </tr> <tr> <td>Back in Black Capital Ltd</td> <td>2,000,000</td> <td>6.38</td> <td>3,000,000</td> <td>6.67</td> <td>3,000,000</td> <td>6.38</td> </tr> <tr> <td>BFO Private Equity Holding Ltd</td> <td>1,950,000</td> <td>6.22</td> <td>1,950,000</td> <td>4.33</td> <td>1,950,000</td> <td>4.15</td> </tr> </tbody> </table>	Shareholder	Shareholding before the Offering		After the Offering (if the Over-allotment Option is not exercised)		After the Offering (if the Over-allotment Option is exercised in full)		Number	Per cent	Number	Per cent	Number	Per cent	<i>Shareholders with holdings exceeding 5 per cent of the shares</i>							Kent Janér (directly, through Blue Marlin AB and with related parties)	10,362,491	33.06	11,044,491	24.55	11,044,491	23.48	Thames Trust with Trustee Tower Bridge Fiduciary Ltd	3,052,471	9.74	3,052,471	6.79	3,052,471	6.49	Back in Black Capital Ltd	2,000,000	6.38	3,000,000	6.67	3,000,000	6.38	BFO Private Equity Holding Ltd	1,950,000	6.22	1,950,000	4.33	1,950,000	4.15
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B.7	Financial information in summary	<p>The financial information reported here has been taken from the Company's audited consolidated financial statements for the financial year that ended 31 December, 2017 including comparative figures for the financial year that ended 31 December, 2016, which have been prepared in accordance with the Swedish Annual Accounts Act 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 ended 31 December 2017, comparative figures for the financial year 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 ended 31 December 2016. The information has also been taken from the Company's unaudited consolidated financial statements for the nine-month period from 1 January to 30 September 2018 including the auditor's report on review of financial interim information, which deviates from the standard formulation, including comparative figures for the corresponding period in 2017 (not reviewed), prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 on annual financial statements and consolidated financial statements (K3) ("BFNAR"). The deviation relates to the Company's strained liquidity situation and the need for additional financing to continue the business. In some cases the figures reported in the Offering Circular have been rounded off and therefore do not necessarily add up in the tables in the Offering Circular. All financial amounts are in Swedish kronor (SEK) unless otherwise indicated. Except where expressly stated otherwise, no information in the Offering Circular has been reviewed or audited by the Company's auditor.</p>																																																

B.7	Cont. Financial information in summary	The Group's Income Statement			
		January-September		Financial year	
		2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
SEK					
INCOME					
Net sales		1,672,121	2,260,207	2,920,586	3,665,335
Capitalised work for own account		41,286,072	68,291,693	72,980,110	84,396,065
Other operating income		1,378,050	2,266,509	2,701,203	3,503,143
Total operating income		44,336,243	72,818,409	78,601,899	91,564,543
EXPENSES					
Raw materials and consumables		-3,814,840	-7,265,687	-9,293,443	-5,073,719
Other external expenses		-39,821,055	-67,588,891	-81,383,497	-105,550,864
Employee benefit expenses		-54,499,836	-50,849,207	-68,310,464	-65,812,453
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets		-11,650,356	-11,248,128	-15,193,785	-13,488,187
Other operating expenses		-118,836	-83,217	-65,237	-
Total operating expenses		-109,904,923	-137,035,129	-174,246,426	-189,925,223
Operating profit/loss		-65,568,680	-64,216,720	-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		296,725	295,409	462,429	271,317
Interest expense and similar charges		-231,953	-2,187,573	-2,298,798	-488,715
Total financial items		64,772	-1,892,164	-1,798,755	-9,379,349
Profit/loss after financial items		-65,503,908	-66,108,885	-97,443,281	-107,740,029
Tax on profit for the period		-	-	-	-
Profit/loss for the period		-65,503,908	-66,108,885	-97,443,281	-107,740,029

B.7	Cont. Financial information in summary	The Group's Balance Sheet			
		As of 30 September		As of 31 December	
		2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
SEK					
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalised expenditure for development and similar	270,348,131	235,788,603	237,599,827	176,034,679	
Total intangible fixed assets	270,348,131	235,788,603	237,599,827	176,034,679	
Property, plant and equipment					
Leasehold improvements	1,045,222	1,276,623	1,218,298	1,297,366	
Equipment, tools, fixtures and fittings	7,037,968	10,372,595	9,670,103	7,094,795	
Total property, plant and equipment	8,083,190	11,649,218	10,888,401	8,392,161	
Total fixed assets	278,431,321	247,437,821	248,488,228	184,426,840	
Current assets					
Inventories etc.					
Raw materials and consumables	8,872,263	14,742,191	11,090,584	11,915,680	
Finished goods and goods for resale	3,064,077	1,754,475	3,528,945	4,296,270	
Supplier advances	351,496	2,584,333	1,605,582	1,861,734	
Total inventories etc.	12,287,836	19,080,999	16,225,111	18,073,684	
Current receivables					
Trade receivables	27,779	985,108	1,208,088	1,002,407	
Current tax assets	605,202	436,447	714,955	599,746	
Other receivables	330,986	223,656	1,060,970	3,002,302	
Prepaid expenses and accrued income	3,100,281	984,251	1,077,072	1,425,373	
Total current receivables	4,064,248	2,629,462	4,061,085	6,029,828	
Cash and bank balances					
Cash and bank balances	78,498,459	44,210,569	18,019,543	20,858,948	
Total cash and bank balances	78,498,459	44,210,569	18,019,543	20,858,948	
Total current assets	94,850,543	65,921,029	38,305,739	44,962,460	
TOTAL ASSETS	373,281,863	313,358,851	286,793,967	229,389,300	
EQUITY AND LIABILITIES					
Share capital	14,356,517	5,586,670	9,753,337	2,895,622	
Other paid-in capital	1,028,898,864	769,771,259	890,604,593	691,730,854	
Reserves	198,537,808	152,634,144	157,251,736	84,342,451	
Retained earnings incl. profit/loss for the period	-926,941,979	-784,368,511	-820,464,030	-649,730,983	
Equity attributable to equity holders of the parent	314,851,211	143,623,562	237,145,637	129,237,944	
Total equity	314,851,211	143,623,562	237,145,637	129,237,944	
Provisions					
Other provisions	15,629	910,494	71,287	2,330,570	
Total provisions	15,629	910,494	71,287	2,330,570	
Non-current liabilities					
Other liabilities	22,990,094	23,160,290	22,990,094	23,160,290	
Total non-current liabilities	22,990,094	23,160,290	22,990,094	23,160,290	
Current liabilities					
Advances from customers	54,499	348,475	218,010	262,265	
Trade payables	11,262,117	6,783,518	5,308,591	15,458,587	
Other liabilities	8,233,578	133,221,778	10,189,640	47,630,487	
Accrued expenses and deferred income	15,874,736	5,310,733	10,870,709	11,309,157	
Total current liabilities	35,424,929	145,664,505	26,586,950	74,660,496	
Total liabilities	58,415,023	168,824,795	49,577,044	97,820,786	
TOTAL EQUITY AND LIABILITIES	373,281,863	313,358,851	286,793,968	229,389,300	

B.7	Cont. Financial information in summary	The Group's Cash Flow				
		January–September		Financial year		
		2018	2017	2017	2016	
	SEK	Unaudited	Unaudited	Audited	Unaudited	
	OPERATING ACTIVITIES					
	Profit/loss after financial items	-65,433,424	-65,987,805	-97,446,976	-104,524,724	
	Adjustment for non-cash items	11,383,977	10,438,971	15,405,094	27,682,621	
	Income tax paid	86,540	59,612	-217,066	-277,416	
	Cash flow from operating activities before changes in working capital	-53,962,907	-55,489,223	-82,258,948	-77,119,519	
	Cash flow from changes in working capital					
	Increase (-)/decrease (+) in inventories	3,937,275	-1,618,937	-622,000	-6,921,503	
	Increase (-)/decrease (+) in operating receivables	-203,064	4,800,317	3,667,423	-539,194	
	Increase (+)/decrease (-) in operating liabilities	8,842,920	-10,519,694	-4,662,271	8,549,214	
	Cash flow from changes in working capital	12,577,131	-7,338,314	-1,616,848	1,088,517	
	Cash flow from operating activities	-41,385,776	-62,827,537	-83,875,796	-76,031,002	
	INVESTING ACTIVITIES					
	Purchase of property, plant and equipment	-320,750	-5,988,035	-6,276,551	-4,411,739	
	Purchase of intangible fixed assets	-41,286,072	-68,291,693	-73,004,426	-87,611,365	
	Purchase of financial fixed assets	-	-	-	-9,161,251	
	Cash flow from investing activities	-41,606,822	-74,279,729	-79,280,978	-101,184,355	
	FINANCING ACTIVITIES					
	New share issue	143,159,124	80,731,454	205,731,454	82,962,256	
	Warrant program	247,000	-	-	-	
	Borrowings	-	80,000,001	-	45,000,000	
	Repayment of debt	-	-	-45,170,195	-363,524	
	Cash flow from financing activities	143,406,124	160,731,455	160,561,259	127,598,732	
	CASH FLOW FOR THE PERIOD	60,413,526	23,624,189	-2,595,515	-49,616,625	
	Cash and cash equivalents at beginning of period	18,019,543	20,858,948	20,858,948	70,366,749	
	Exchange rate differences in cash and cash equivalents	65,389	-272,566	-243,890	108,824	
	Cash and cash equivalents at end of period	78,498,458	44,210,571	18,019,543	20,858,948	
	Significant events during the period 1 January 2016 – 30 September 2018					
	In 2016 the Company entered into a partnership agreement with Masen and installed Azelio's first pilot plant in Morocco.					
	In 2017 Azelio began developing thermal energy storage and submitted its first patent application for thermal energy storage. The Company also entered into a partnership agreement with Datang.					
	At the beginning of 2018, Azelio signed an intensified partnership agreement with Masen (the state-controlled Moroccan Agency for Sustainable Energy) involving technical development, verification and business development.					
	In June 2018 the Company changed its name from Cleanergy AB to Azelio to strengthen its position in the global market where several companies already exist with "clean energy" or similar wording in their name.					
	At the end of June 2018 Azelio completed a successful demonstration of thermal energy storage at the Company's development facility in Åmål.					
	Following the demonstration plant launch in June 2018, enquiries about Azelio's unique solution have been received from a total of 52 countries with 110 projects. In order to handle the enquiries and advance the business, Azelio has employed Dr. Ralf Wiesenberg as VP Business Development. With 22 years in the energy industry and 10 years in concentrated solar and thermal storage, Ralf brings extensive experience that will enhance Azelio's global approach and commercial development.					
	In July 2018 Azelio completed a new share issue which provided the Company with issue proceeds amounting to approximately SEK 105 million.					
	Significant events after 30 September 2018					
	In October 2018 Azelio redeemed outstanding warrants in the Warrant Program 2017/2018, thereby providing the Company with around SEK 52 million in equity.					
	Since 2016, Azelio has pursued an action in court against Quest for Advisory and Implementation Venture Holding Nordic AB. The dispute is about whether a former board of directors has exceeded the mandate the general meeting had given the board of directors in relation to a resolution on an issue of new shares to Quest for Advisory and Implementation Venture Nordic AB against non-cash consideration. Accordingly, the dispute does not relate to the business or the products of the Company. On 2 November 2018, the Svea Court of Appeal denied Azelio's claim. The Company has, in its accounts, reserved an amount that is expected to correspond to the costs for the Company in relation to the dispute. The Company considers to appeal Svea Court of Appeal's judgment and request leave to appeal to the Supreme Court.					
	At the extraordinary general meeting on November 12, 2018, it was resolved to carry out an aggregation of shares in the Company with the terms 10:1.					
	Other than the events mentioned above, no significant changes affecting the Group's financial position have taken place since 30 September 2018.					

B.8	Proforma accounting	Not applicable. The Offering Circular does not contain proforma accounting.
B.9	Profit/loss forecast	Not applicable. The Company has not presented any profit/loss forecast.
B.10	Audit remarks	The audit reports for the financial years 2016 and 2017 for Azelio AB (publ) deviate from the standard formulation. The deviation relates to the Company's strained liquidity position and the need for additional financing in order to continue its operations.
B.11	Net working capital	<p>The board of directors regards the existing working capital, prior to implementation of the Offering, as being insufficient for Azelio's needs over the coming 12-month period given the Company's current business, research and development plan. The existing working capital is considered to be sufficient for the period up to the end of March 2019.</p> <p>Azelio's working capital requirement over the coming 12-month period amounts to approximately SEK 330 million. It is expected that the working capital requirement can be met through the new share issue that forms part of the Offering along with the Company's existing funds, which as of October 31, 2018 amounted to SEK 64 million. In October 2018, Azelio redeemed outstanding warrants, thereby providing the Company with around SEK 52 million in equity, and the Company's existing funds thus amounted to SEK 114 million as of November 9, 2018. The deficit to cover the Company's working capital needs over the coming 12-month period thereby amounts to approximately SEK 216 million if the Offering is not completed. The new share issue is expected to provide the Company with proceeds of around SEK 300–345 million before transaction expenses, depending on the extent to which the over-allotment option that the Company will grant to the Sole Global Coordinator and Bookrunner to acquire additional newly issued shares from the Company (the "Over-allotment Option") is exercised.</p> <p>In the event that the Offering is not fully subscribed or completed, the Company may revise the planned business, research and development plan, for example by reducing the rate of industrialisation of the Company's system, or seek alternative funding options, for example in the form of a rights issue, a private placement or long-term loan financing from existing or new investors.</p>

Section C - Securities

C.1	Securities offered	Shares in Azelio AB (publ), ISIN number SE0011973940.
C.2	Denomination	The shares are denominated in SEK.
C.3	Total number of shares in the Company	<p>As at the date of the Offering Circular, there are 31,347,495 shares in the Company, each with a quota value of approximately SEK 0.5. The Offering comprises up to 13,636,363 newly issued shares in the Company based on the full acceptance of the Offer.</p> <p>In addition, the Over-allotment Option may lead to an additional issue of up to 2,045,454 shares, whereby the total number of shares in the Company will amount to 47,029,312.</p>
C.4	Rights associated with the securities	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. 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 carry the right to payment of dividend for the first time from the first dividend record date following the completion of the Offering. All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.
C.5	Restrictions in free transferability	Not applicable. The shares are not subject to any restrictions on transferability.
C.6	Admission to trading	Not applicable; Azelio has applied for the listing of the Company's shares (ticker AZELIO) on Nasdaq First North which is a Multilateral Trading Facility (MTF) and which does not have the same legal status as a regulated market. On condition that Nasdaq Stockholm AB grants the Company's application, the first day of trading will be 10 December 2018.
C.7	Dividend policy	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 the 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.

Section D – Risks

D.1	Main risks related to the issuer or the industry	<p>Main risks related to Azelio and its industry consists 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, 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 building of in-house marketing, sales and distribution capabilities through recruitment of additional personnel and the introduction of new processes and strategies within the Company • risks related to the Company’s ability to launch the Company’s products and technology to the market in accordance with the Company’s time plan • risks related to Azelio’s dependency on key personnel such as experts within energy technology • risks related to Azelio’s dependency on certain partners and especially the partnership agreement with Masen, and • risks related to the local business risks and/or political decisions in the countries on the global market on which Azelio operates.
D.3	Main risks related to the securities	<p>Main risks related to the Offering and Azelio’s shares consist of:</p> <ul style="list-style-type: none"> • the risk that the price in the Offering will not correspond to the price at which the shares in Azelio will be traded on the stock market after the completion of the Offering 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 Offering, 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.

Section E – Offering

E.1	Issue proceeds and issue costs	<p>In connection with the Offering, the Company is making a new share issue which is expected to generate proceeds of SEK 300–345 million, before transaction costs, depending on the extent to which the Over-allotment Option is exercised.</p> <p>The Company’s total costs for listing on Nasdaq First North and the Offering, including compensation to the Sole Global Coordinator and Bookrunner and other advisors, are estimated to approximately SEK 40 million.</p>
E.2a	Motive and use of proceeds	<p>The purpose of the Offering is primarily to finance the Company’s continued industrialisation of the system’s design, construction and production, with the aim of achieving industrialised volume production. The Company also intends to establish a sales and marketing organisation that will work in a structured way to increase awareness of the Company and to establish, maintain and develop relationships with potential customers in the markets that the Company regards as being of interest. Azelio expects the first commercial order of the Company’s system to be received in the first half of 2020, and by that time, the Company intends to make further investments in production, such as in tools and production equipment and in recruiting and training production personnel, and in computer and production systems.</p> <p>The new share issue in the Offering is expected to provide the Company with proceeds of approximately SEK 300–345 million before transaction expenses, which are expected to amount to approximately SEK 40 million.</p> <p>Around SEK 139 million will be used for employee benefit expenses for industrialisation work in 2018/2019 and for verification of the Company’s planned installation in Morocco during the fourth quarter 2019. Around SEK 16 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 being of interest. Around SEK 47 million will be used for materials and production of the 11–19 systems that the Company plans to produce in 2019. Around SEK 8 million will be used to purchase tools and production equipment. Around SEK 35 million will be used for admiration costs related to premises, insurance and IT-expenses. Finally, around SEK 15 million will be used as working capital for large orders of tools and production equipment in connection with the first commercial order of the Company’s system that is expected to be received in the first half of 2020.</p> <p>If the Offering is fully subscribed and the Over-allotment Option is exercised in full the Company intends to use the net proceeds from the Over-allotment Option of SEK 45 million for the above listed purposes, distributed pro rata.</p> <p>The board of directors regards the existing working capital, prior to implementation of the Offering, as being insufficient for Azelio’s needs over the coming 12-month period given the Company’s current business, research and development plan. The existing working capital is considered to be sufficient for the period up to the end of March 2019. Azelio’s working capital requirement over the coming 12-month period amounts to approximately SEK 330 million. It is expected that the working capital requirement can be met through the new share issue that forms part of the Offering along with the Company’s existing funds, which as of October 31, 2018 amounted to SEK 64 million. In October 2018, Azelio redeemed outstanding warrants, thereby providing the Company with around SEK 52 million in equity, and the Company’s existing funds thus amounted to SEK 114 million as of November 9, 2018. The deficit to cover the Company’s working capital needs over the coming 12-month period thereby amounts to approximately SEK 216 million if the Offering is not completed.</p>

E.2a	Motive and use of proceeds	<p>In the event that the Offering is not fully subscribed or completed, the Company may revise the planned business, research and development plan, for example by reducing the rate of industrialisation of the Company's system, or seek alternative funding options, for example in the form of a rights issue, a private placement or long-term loan financing from existing or new investors.</p> <p>In addition to the above, the Offering will also increase the number of shareholders in Azelio and improve the Company's access to Swedish and international capital markets, which in turn is expected to support the Company's continued development. Azelio's board of directors and management see the Offering as a logical and important next step in the Company's development, and believe that it will further increase awareness among present and potential partners, customers and opinion-formers within the solar power industry. In view of the above, Azelio's board of directors has applied for listing of the Company's shares on Nasdaq First North.</p>
E.3	Offering forms and conditions	<p>The Offering: The Offering is made to existing shareholders in Sweden and to institutional investors in Sweden and abroad. The Offering comprises a maximum of 13,636,363 newly issued shares, offered by the Company. The Offering may comprise a maximum of 2,045,454 additional newly issued shares if the Over-allotment Option is exercised in full.</p> <p>The offering price: SEK 22 per share. The price of the shares in the Offering is based on discussions with Cornerstone Investors, the evaluation at the latest share issue which was performed in July 2018, the developments of the Company since, total invested equity in the Company and other considerations.</p> <p>Conditions for the Offering: The Offering is conditioned on that (i) Pareto Securities deems the interest in the Offering to be sufficient for a satisfactory trading in the share, (ii) that Nasdaq approves the board of directors' application for listing of the Company's share on Nasdaq First North and (iii) that no events occur which have such a materially negative effect on the Company that it would be inappropriate to complete the Offering ("Material negative events"). Such Material negative events may, for example, be of economic, financial or political nature and may relate to Material negative events in Sweden as well as abroad. When determining if the interest in the Offering is sufficient for a satisfactory trading in the share, factors such as the number of received applications and the aggregate amount applied for will be taken into consideration. This assessment is made by Pareto Securities. If the above stated conditions are not met the Offering may be cancelled.</p> <p>Application: Applications for acquisitions of shares by existing shareholders shall relate to a maximum of 45,000 shares. Applications for acquisitions of shares by the public in Sweden may be made during the period 20 November–4 December, 2018 and shall relate to a minimum of 250 shares and a maximum of 45,000 shares in even trading lots of 10 shares. Applications are binding. Institutional investors in Sweden or abroad apply for acquisitions in the Offering in accordance with specific instructions.</p> <p>Allotment: Allotment of shares will be determined by the Company's board of directors in consultation with Pareto Securities.</p> <p>Settlement: Settlement is expected to occur on 10 December 2018.</p>
E.4	Interests and conflict of interests	<p>Pareto Securities act as Sole Global Coordinator and Bookrunner in connection with the Offering. The Sole Global Coordinator and Bookrunner provide financial advisory and other services to the Company and the Principal Owner in connection with the Offering. From time to time, the Sole Global Coordinator and Bookrunner provide services in the ordinary course of business to the Principal Owner and parties affiliated to the Principal Owner in connection with other transactions.</p>
E.5	Principal Owner/Lock-up agreements	<p>The Principal Owner, certain major shareholders, shareholding members of the board of directors and certain shareholding employees within the Group, including senior executives, have through lock-up agreements entered into in October 2018, vis-à-vis Pareto Securities, undertaken during a certain period of time from the first day of trading in the Company's shares on Nasdaq First North, with certain reservations, not to sell any shares without the written consent of Pareto Securities (the "Lock-up period"). The Lock-up period for the Principal Owner, shareholding members of the board of directors and certain shareholding employees within the Group, including senior executives is 360 days from the first day of trading in the Company's shares. The Lock-up period for other, certain major shareholders, is 180 days from the first day of trading in the Company's shares. The undertaking also covers shares subscribed to as part of the Offering. The lock-up undertakings comprise a total of approximately 78 per cent of the outstanding shares before the Offering. The obligation not to sell any shares does not apply, for example, if a public takeover bid is directed to all shareholders in the Company. Pareto Securities may allow exceptions to lock-up undertakings on an entirely discretionary basis. Consent to such exceptions will be determined by Pareto Securities on a case by case basis and can be of both a personal and commercial character.</p> <p>Lock-up undertakings</p> <p>Board of directors and senior executives: Bertil Villard, Blue Marlin AB, Dabok AB, Dabok Advisory AB, Ekeby Invest AB, Jan Svensson, Jonas Eklind, Jonas Wallmander, Kapitalförvaltning Ekeby AB, Kent Janér, Torbjörn Lindquist.</p> <p>Other shareholders: AGB Kronolund AB, Alarik Förvaltning AB, Anton Janér, Back in Black Capital Ltd, BFO Private Equity Holding Ltd, David Braginsky, Erik Mitteregger förvaltnings AB, Fredrik Ljungström, Galba Holding AB, Glima AB, Gryningskust Holding AB, Göran Gezelius, John Janér, Lozac AB, Martin Sandquist, Paul Meyer, Rosetti AB, Sidney Taurel, Stockage du Petrole S.A., Thames Trust with Trustee Tower Bridge Fiduciary Ltd, Ulf Vleeshouwers, Vincent Janér, Vivara Discretionary Trust, Ålands Ömsesidiga Försäkringsbolag.</p>

E.6	Dilution effect	<p>The new share issue in the Offering can result in an increase in the number of shares in the Company up to 44,983,858, corresponding to a dilution of 30 per cent of the total number of shares in the Company after the Offering.</p> <p>If the Over-allotment Option is exercised in full, it can result in an increase in the number of shares in Azelio up to 15,681,817 to 47,029,312 corresponding to a dilution of 33 per cent of the total amount of shares in the Company, after the Offering, assuming the Over-allotment Option is exercised in full.</p> <p>Existing shareholders who choose not to participate in the offering to the existing shareholders, will have their shareholdings diluted by a total of not more than 5,400,000 shares, representing approximately 11.5 per cent of the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.</p>
E.7	Costs imposed on investors by the issuer or offerer	Not applicable. Brokerage commission will not be charged.

Risk factors

An investment in Azelio's shares involves various risks. A number of factors affect, or could affect, Azelio's business, both directly and indirectly. Described below, in no particular order and without claim to be exhaustive, are the risk factors and significant circumstances considered to be material to Azelio's business and future development. The risks described below are not the only risks to which Azelio and its shareholders may be exposed. Additional risks that are not currently known to Azelio, or that Azelio currently believes are immaterial, may also adversely affect Azelio's business, results of operations or financial condition. Such risks could also cause the price of Azelio's shares to fall significantly, and investors could potentially lose all or part of their investment.

In addition to this section, investors should also take into consideration the other information contained in the Offering Circular in its entirety. The Offering Circular also contains forward-looking statements that are subject to future events, risks and uncertainties. Azelio's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in the Offering Circular.

Risks related to Azelio

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 of Stirling engine-based concentrated solar power with thermal energy storage, 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 program 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 operations, financial position and earnings 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 the 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. Realisation of these risks may negatively impact Azelio's operations, financial position and earnings.

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

Azelio's system of Stirling engine-based concentrated solar power with 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 market. The Company invests capital in product development in order to adapt the Company's products to a commercial environment that can secure its revenue flow; which the Company will continue doing after the date of the Offering Circular. However, product development and its associated operations are complex, particularly in the Company's industry, and it is difficult to predict the temporal and financial consequences of individual investments. The Company is also dependent on the successful conversion of acquired customer enquiries into actual customer agreements. There is a risk that the planned product development will require more time and money than the Company has anticipated, that the Company's products cannot be adapted to a commercial environment, that the expected transition from development company to industrial company does not go as planned, or that the Company does not manage to convert customer enquiries into actual customer agreements which could have a significant negative impact on the Company's operations, financial position or earnings. The Company may also need more capital than the amount which has been predicted today. For more information

regarding the future capital needs of the Company, see section “Risk Factors – Risks related to Azelio – Future capital needs”.

In addition, there is a risk that future developments in technology that Azelio carries out, for example in collaboration with some of the Company's component suppliers, will not be able to 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 collaboration initiatives 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. The current or future development of products or technologies may prove to have hidden faults, whose consequences may only come to light much later. Were any of these risks to materialise, this could have a significant negative impact on the Company's reputation, financial position and earnings.

In-house marketing, sales and distribution capabilities

Azelio intends to build in-house marketing, sales and distribution capabilities. This will require recruitment of additional personnel and the introduction of new processes and strategies within the Company, which is likely to be time and cost consuming. There is a risk that it proves difficult to attract personnel with relevant knowledge and experience and that the Company's efforts in this respect are unsuccessful. Were any of these risks to materialise, this could have a significant negative impact on Azelio's operations, financial position and earnings.

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.

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 market, it could hurt 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. Were any of these risks to materialise, this could have a significant negative impact on Azelio's operations, financial position and earnings.

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. If the Company expands its operations, it will also need to attract employees with experience, competence and/or expertise. If one or more key personnel or other personnel with specialist expertise decide to resign or significantly change their involvement at the Company and the Company, where applicable, cannot replace them with personnel with the corresponding experience, competence or expertise, there is a risk that this could have a significant negative impact on the Company's operations, financial position or earnings.

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, a major part of the Company's partnerships, such as Masen (Moroccan Agency for Sustainable Energy), is 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 result in the Company 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, operations, financial position and earnings.

Partnership agreement and relationship with Masen

One of Azelio's most important partnerships is the one with Masen and since 2018 Masen has a representative in the board of directors. 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 it also gives Azelio 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 kW in Quarzazate. The next step is to, together with Masen, build a verification project using three units of Azelio's system in Quarzazate 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. 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, growth and financial position.

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 hire 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 in Sweden, by risks relating to corruption or other local business risks which, as at the date of the Offering Circular, are unfamiliar or unknown to the Company. Expanding geographically to jurisdictions 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 have a significant negative impact on Azelio's reputation and standing on the market, operations, financial position and earnings.

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 have a significant negative impact on Azelio's operations, financial position and earnings.

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 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 Company will, for instance, develop its sales, delivery and service organisations in the coming years.

As at the date of the Offering Circular, 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 gas and the potential end user market for Azelio's products in solar power is global. In the future, the Company may therefore need to expand its operations as part of its future growth plans to jurisdictions 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 take into account every relevant risk associated with the expansion to existing and new markets and jurisdictions. 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 and marketing, and there is a risk that the Company may not be able to recruit the right competence, which could result in the

Company's growth rate falling or coming to a complete stop. This development would result in higher costs or costs that do not give the Company any benefit whatsoever.

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 or jurisdictions, this could have a significant negative impact on the Company's operations, financial position and earnings.

Future capital needs

It is the assessment of the Company that its current working capital is not adequate for the Company's actual needs over the next 12 months. Based on its current business plan and the investments that the Company intends to make, the Company estimates a working capital need over the next 12-month period of approximately SEK 330 million. The working capital need for the next 12 months is expected to be met through the new share issue as part of this Offering, which is expected to provide the Company with SEK 300–345 million before transaction costs, depending on the extent to which the Over-allotment Option is exercised. Were the Offering not to be pursued and the Company not able to generate additional income, the Company would be forced to seek alternative financing or postpone existing projects, and implement cost-cutting measures, which would have a negative impact on the Company's operations, financial position and earnings.

Since the Company started conducting business, the Company has carried out several measures to raise capital in order to expand its operations and strengthen the Company's cash. With a view to continued industrialisation in 2020 followed by volume production from 2021 onwards, the Company will need further financing in the second quarter of 2020 of around SEK 450 million, of which the Company estimates that approximately SEK 200 million can be financed through a new share issue and the remaining through loan financing. This financing could come from existing shareholders, or from third parties through public or private financing alternatives. In addition, 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 might not be able to be raised when it is required, that new capital will not be able to 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 position on the market weakening compared to the Company's competitors. Were any of the risks stated above to materialise, this could have a significant negative impact on Azelio's operations, financial position and earnings.

Competition

As at the date of the Offering Circular, there are a number of known competitors to Azelio on both existing and new markets, who are developing and offering 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 as at the date of the Offering Circular unknown to the Company. 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 widely 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. Were any of these events to materialise, there is a risk that the Company's position in the market could weaken, which could have a significant negative impact on the Company's operations, financial position or earnings.

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 jurisdictions, 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 jurisdictions 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, this could have a significant negative impact on Azelio's operations, financial position and earnings.

The Company's products and operations also include processes for handling substances and chemicals which, either individually or together, could be flammable. The Company will therefore apply for a permit to handle flammable substances such as natrium. This 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 higher costs and could have a negative impact on the Company's operations, financial position and earnings.

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 have a significant negative impact on the Company's operations, financial position and earnings, depending on the scope and severity of the disruption.

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 at the date of the Offering Circular Azelio holds one granted patent as well as pending patent applications regarding 10 patent families.

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 obtain or uphold patents in key jurisdictions, 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.

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 have a significant, negative impact on the Company's operations, financial position or earnings.

Azelio, together with Chalmers, has developed certain software that is important to Azelio. 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 have a significant, negative impact on the Company's operations, financial position or earnings.

Other parties' intellectual property rights

If Azelio utilises or is accused of utilising products or methods in its own operations that are subject to intellectual property protection by another party, the holder of these intellectual property rights may accuse Azelio of intellectual property right infringement. Third party intellectual property rights may also obstruct or restrict the Company from freely utilising a specific product or production method. Accordingly, there is a risk of Azelio being forced into litigation or other proceedings for alleged intellectual property right infringements. Such disputes or proceedings may be costly and time consuming, even if ultimately resolved in the Company's favour. If any such dispute or any such proceeding result in an unfavourable outcome for Azelio, the Company might be forced to pay damages, cease the infringing activity and/or be forced to obtain a license, and thereby accrue additional cost, in order to continue to manufacture or market the affected products and/or processes. In addition, there is a risk that the Company's competitors, in order to obtain early market shares or to prevent the Company from obtain market shares, allege that the Company infringes their intellectual property rights. This could, irrespective of whether the claim is legitimate or not, be both time and cost consuming. If Azelio were to infringe, or be alleged to infringe, other parties' intellectual property rights, this could have a significant negative impact on Azelio's reputation, operations and financial position.

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. 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. This could have a significant negative impact on Azelio's reputation, operations, financial position and earnings. 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 the protection of Azelio's software cannot be maintained, this could have a significant negative impact on Azelio's operations, financial position and earnings.

General economic climate

Azelio's business is affected by the general economic climate and this can affect the Company both locally and globally. While Azelio mainly carries on its operational activities in Sweden the Company is looking for business opportunities globally, for example in the Middle East and North Africa. A weak economic trend throughout all or parts of the world could result in lower than expected market growth for the Company's products, for example due to delays in or an absence of customer orders, or potential disruptions to distribution. This also affects the general willingness to invest among Azelio's current and potential customers. Furthermore, a continuing positive development in the general economic climate could result in increased competition for suppliers and qualified personnel. The demand, cost and price of Azelio's products may vary substantially in the future, and changes in the general economic climate could have a significant negative impact on the Company's operations, financial position and earnings.

Azelio's insurance cover may prove inadequate to protect the Company against all of its obligations in its operations

Azelio believes that it has adequate insurance cover given its current operations. However, there is a risk that such cover might prove to be inadequate to claims that may be brought against the Company. Furthermore, the Company may not be able to maintain its insurance cover on acceptable terms, or at all. There are certain kinds of losses that are generally not covered by insurance, as these kinds of losses are not considered to be insurable. For example, this could include damage caused by war or terrorism, and employment liability or personal liability where there has been negligence, intent or a criminal act. Furthermore, there is a risk that, with regards to the transition from development company to industrial company, it will be initially 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 are also losses that are expressly exempted from or not covered by the Company's existing insurance for various reasons. Most of Azelio's insurance is limited (insured amounts) to specific maximum amounts per damage or series of damage or a total amount over a specific insurance period. Compensation is also generally dependent on the insured party paying the surplus or excess, and that the maximum amount has not already been paid out during the insurance period. If a loss is not covered by insurance, exceeds the limit or causes consequential losses, this could have a significant negative impact on the Company's reputation, operations, financial position and earnings.

Risks related to protracted sales processes

Azelio's products 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. This is because 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, and this will have a negative impact on the Company's operations, financial position and earnings.

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, glass and energy, 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 fall in prices in relation to average historic raw material prices could result in increased production costs for the Company, which in turn could have a significant negative impact on the Company's operations, financial position and earnings.

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

The segments that the Company is targeting are not geographically limited and 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 have a significant negative impact on the Company's reputation, customer relations, operations, financial position and earnings.

Azelio's assets mainly consist of intangible fixed assets

On 30 September 2018, the Company's total intellectual property rights amounted to SEK 270 348 thousand. Out of these, SEK 270 348 thousand constitutes intangible fixed assets, 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. The main financial risk in the Company is the credit risk in outstanding accounts receivable and the fact that the Company collaborates with financial players in its sales abroad, including the Swedish Export Credit Corporation, the Swedish Export Credit Agency and private credit insurers. The general credit risk that the Company is exposed to is particularly accentuated by the fact that the Company is dependent on a few customer agreements as at the date of the Offering Circular. If the Company fails to handle the Company's 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 operations, financial position and earnings.

Azelio's tax position can deteriorate if the Company's dealing with tax issues is successfully disputed or due to changes in the tax legislation

An exhaustive tax due diligence has not been executed on the Company.

Azelio operates through companies in Sweden and China. The tax strategies utilised by Azelio are based on interpretations of the current tax laws, tax treaties and other tax regulations of the various countries involved and the requirements of the relevant tax authorities. In the event that the Company's interpretation of tax laws, treaties and other tax regulations or their applicability is incorrect, if one or more governmental authorities successfully make negative tax adjustments with regard to an entity of Azelio, or if the applicable laws, tax treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, Azelio's past or current tax positions may be challenged. In the event tax authorities were to succeed with such claims, this could result in an increased tax cost, including tax surcharges and interest, which could have a significant negative impact on Azelio's operations, earnings and financial position.

As laws, agreements and other regulations on taxation, as well as other fiscal fees, historically have been subject to repeated changes and adjustments, further changes are to be expected, possibly with a retroactive effect. Such changes may result in an increase of the Company's tax burden, which could have a significant negative impact on the Company's operations, earnings and financial position.

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 2017, which 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, and could have a significant negative impact on the Company's business, result of operations and financial condition.

Disputes

Azelio is a commercial company that operates in an international market. From time to time the Company may become involved in legal disputes or be the subject of claims, investigations or other administrative procedures, which could result in Azelio having to pay damages or stop some of its operations, or that the board members and other employees in the Company may risk criminal sanctions. These procedures are generally time consuming and expensive, disrupt day-to-day operations in the Company and their outcome is difficult to predict. The Company is at present involved in a dispute against Quest for Advisory and Implementation Venture Holding Nordic AB. The Company lost the dispute in Svea Court of Appeal but is currently evaluating the possibility to appeal and request a leave to appeal in the Supreme Court. If the dispute results in an unfavourable outcome for Azelio, the Company might be forced to pay both its own and the counterpart's legal expenses. Potential disputes may also take place abroad and be settled pursuant to foreign substantive law. The outcome, duration and costs of these disputes are generally more uncertain than disputes that take place in Sweden and are settled by Swedish law. If the Company becomes involved in legal disputes or becomes the subject of administrative procedures, investigations, or claims from a third party, irrespective of whether these disputes take place in Sweden or abroad, this could have a negative impact on Azelio's operations, financial position and earnings.

Risks relating to the Offering

An active, liquid and orderly trading market for Azelio's shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment

Prior to the Offering, there is no public market for Azelio's shares. There is a risk that an active and liquid market will not develop or, if developed, that it will be sustained after completion of the Offering. The Offering price has been determined through discussions with Cornerstone Investors and has consequently, been based on demand and the overall market conditions. The Offering price has been set by the board of directors in consultation with Sole Global Coordinator and Bookrunner. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the shares following the Offering. Investors may, thus, not be able to resell share at or above the Offering price.

The Company intends to be listed on Nasdaq First North, which is an alternative market operated by the different exchanges within Nasdaq. Nasdaq First North does not have the same legal status a regulated market. Companies listed on Nasdaq First North are regulated by Nasdaq First North's rules and not by the legal requirements imposed on trading on a regulated market. The risk of investing in a company whose shares are traded on Nasdaq First North is higher than investing in a company listed on a regulated market.

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, have each agreed, subject to certain exceptions, for a certain period of time, not to sell their shares or enter into transactions with a similar effect without the prior written consent of Sole Global Coordinator and Bookrunner. 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 Offering and could delay or prevent a change in control over the Company

After completion of the Offering, and under the assumption that the Over-allotment option is not exercised, the Principal Owner will, together with related parties, own in aggregate approximately 24.55 per cent of the shares in the Company. Assuming that the Offering is fully subscribed and the Over-allotment option is exercised in full, the Principal Owner will, together with related parties, own in aggregate approximately 23.48 per cent of the shares in the Company after the Offering. Thus, the Principal Owner is likely to 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 distribution of dividends. Such conflicts could have a significant negative impact on the business, results of operations and financial condition.

Azelio's ability to pay dividends to its shareholders is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors

The amount of any future dividends that Azelio will pay will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. Azelio also may not have sufficient distributable funds and Azelio's shareholders may not resolve to pay dividends in the future.

Future new share issues and exercise of warrants could result in dilution

Azelio may need additional capital to fund its operations. In addition, Azelio may need to make additional investments in new technology and may need to raise additional funds through an issue of new shares, other equity-related debt 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 at the date of the Offering Circular the Company has 40,140,667 outstanding warrants¹⁾. 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 from one of the nine²⁾ outstanding warrant programs 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 9.57 per cent of the total number of shares in the Company after the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full. 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 – Incentive programmes" for further information on the Company's outstanding warrants. See also section "Risk Factors – Risks related to Azelio – 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 will be quoted in SEK only, 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.

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 offerings, 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.

Commitments of Cornerstone Investors are not secured and may thus not be fulfilled

Alfred Berg Kapitalförvaltning AB, Back in Black Capital Ltd, Blue Marlin AB, Byggmästare Anders J Ahlström Holding AB (publ) and LMK Venture Partners AB have undertaken to acquire shares in the Offering for a total of approximately SEK 117 million. Cornerstone Investors will altogether hold around 34.91 per cent of the total number of shares and votes in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full. However, the commitments of the Cornerstone Investors are not secured by any bank guarantee, blocked funds or pledge of collateral, or similar arrangements, for which reason there is a risk the Cornerstone Investor's commitment, in full or partly, will not be fulfilled. The commitments of the Cornerstone Investors are associated with certain conditions, such as the completion of the Offering within a certain period of time and their full allocation in the Offering. In the event that any of these conditions is not fulfilled there is a risk the Cornerstone Investors will not fulfil their commitments, which could have a negative impact on the completion of the Offering.

¹⁾ This includes the warrant program for Masen which the board of directors in Azelio has undertaken to resolve upon. For more information see section "Legal considerations and supplementary information – Material agreements – Contract with Masen".

²⁾ This includes the warrant program for Masen which the board of directors in Azelio has undertaken to resolve upon. For more information see section "Legal considerations and supplementary information – Material agreements – Contract with Masen".

Invitation to acquire shares in Azelio

The board of directors of Azelio has resolved to diversify the Company's ownership base and raise new capital to promote Azelio's growth and continued development. The board of directors has therefore applied for admission to trading of Azelio's shares on Nasdaq First North. Investors are hereby invited, in accordance with the terms of the Offering Circular, to subscribe for shares in Azelio.

The Offering comprises a maximum of 13,636,363 newly issued shares, which will be issued with the support of the authorisation from the Annual General Meeting on June 27, 2018. The Offering corresponds to approximately 30 per cent of the total number of shares in the Company after the Offering. In order to cover any over-allotment in connection with the Offering the Company has, at the request of Pareto Securities, undertaken to issue a maximum of 2,045,454 additional newly issued shares, corresponding to a maximum of 15 per cent of the number of shares in the Offering (the "**Over-allotment Option**"). The Over-allotment Option can be fully or partly exercised within 30 calendar days from the first day of trading of the Company's shares on Nasdaq First North. If the Offering is fully subscribed and the Over-allotment Option is exercised in full, the Offering will comprise 15,681,817 shares, corresponding to approximately 33 per cent of the total number of shares in the Company after the Offering.

The Offering Price has been determined by the board of directors in consultation with Pareto Securities to SEK 22 per share and is the same for existing shareholders, institutional investors and the general public in Sweden. No brokerage commission will be charged. The price of the shares in the Offering is based on discussions with Cornerstone Investors, the evaluation at the latest share issue which was performed in July 2018, the developments of the Company since, total invested equity in the Company and other considerations. Based on a price of SEK 22 per share the total value of the Company before the Offering is approximately SEK 690 million. If the Offering is fully subscribed and the Over-allotment Option is exercised in full, the total value of the Company will amount to approximately SEK 1,035 million after the Offering.

The new share issue which is performed as a part of the Offering is expected to provide Azelio with proceeds of approximately SEK 300–345 million before transaction costs which are expected to amount to approximately SEK 40 million. Alfred Berg Kapitalförvaltning AB, Back in Black Capital Ltd, Kent Janér through Blue Marlin AB, Byggmästare Anders J Ahlström Holding AB (publ) and LMK Venture Partners AB have, as Cornerstone Investors, undertaken to acquire 5,318,362 shares in the Offering, equivalent to approximately SEK 117 million. Other individuals, among others, on the board of directors and management of the Company, have undertaken to acquire 933,861 shares in the Offering, equivalent to approximately SEK 21 million. If the Offering is fully subscribed and the Over-allotment Option is exercised in full the undertakings in total amount to approximately 40 per cent of the total amount of shares in Offering and approximately 13 per cent of the total amount of shares in the Company after the completion of the Offering.

The new shares in the Offering are issued by the Company with deviation from the shareholders' preferential rights, with support from the Annual General Meeting on June 27, 2018. Existing shareholders will be specially considered in the allotment, see section "*Terms and Conditions – Offering to existing shareholders*" for more information. The right to subscribe for new shares shall reside with the general public in Sweden and with institutional investors in Sweden and internationally. The reasons for the deviation from the shareholders' preferential rights are to achieve a wider distribution of ownership in the Company, thus creating conditions for good liquidity in the Company's shares on Nasdaq First North and to provide the Company with access to the Swedish and international capital markets. The new share issue conducted as part of the Offering will, under the condition that the Offering is fully exercised and that the Over-allotment Option is not exercised, increase the number of shares in the Company with 13,636,363 shares, from 31,347,495 shares to 44,983,858 shares, corresponding to a dilution of approximately 30 per cent of the total number of shares in the Company after the Offering. If the Offering is fully exercised and the Over-allotment Option is exercised in full the Offering will concern 15,681,817 shares in Azelio, corresponding to a dilution of approximately 33 per cent of the total amount of shares in the Company, after the Offering. Existing shareholders who choose not to participate in the offering to the existing shareholders, will have their shareholdings diluted by a total of not more than 5,400,000 shares, representing approximately 11.5 per cent of the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full. Under the assumption that the Offering will be fully exercised and that the Over-allotment Option is exercised in full, the new share issue conducted in the Offering will increase the Company's share capital by SEK 7,840,909, from SEK 15,673,748, in order to reach approximately SEK 23,514,657 distributed over 47,029,312 shares, after the Offering.

Gothenburg, 19 November 2018

Azelio AB (publ)

The board of directors

Background and reasons

Azelio offers a system of Stirling engine-based concentrated solar power with thermal energy storage. Through efficient storage and conversion of thermal energy into electricity, Azelio is able to offer industries and communities in large parts of the world a cost-effective and environmentally friendly solution for local electricity production around the clock. The technology is also modular, which means it can be used on a large scale or a small scale and can be adapted to specific customer needs.

The Company's Stirling engine is well proven, having accumulated over two million operating hours and 172 installations globally while the subsystem for thermal energy storage has been proven in a demonstration plant in June 2018, but has not yet been applied commercially.

Over the period 2018–2020 the Company will focus on the industrialisation of the system's design, construction and production. In the fourth quarter 2019 three systems will be installed in a verification project in Morocco jointly with Masen (the state-controlled Moroccan Agency for Sustainable Energy). From 2020 onwards, additional 8–16 systems are expected to be installed in commercial projects, with volume production expected from 2021.

Following the demonstration in June 2018 there was a marked increase in interest from customers. As at the date of the Offering Circular, the Company has received enquiries from customers in geographies with favourable solar conditions amounting to approximately 1,000 MW, corresponding to around SEK 50 billion in potential order value. Based on the significant interest from customers, as well as the Company's market analysis, the Company expects the system to be commercially viable and highly competitive.

The Company anticipates that customer interest will continue to grow, since there is a great underlying demand. More than a billion people in the area known as the sun belt do not currently have access to a reliable electricity grid and therefore have no choice but to use expensive local production based on diesel or gas to ensure a continuous electricity supply. This is particularly important for process industries, but also for community facilities such as hospitals and infrastructure. Developed countries with widespread intermittent renewable electricity production are also markets of interest where demand for renewable base power is growing.

The purpose of the Offering is primarily to finance the Company's continued industrialisation of the system's design, construction and production, with the aim of achieving industrialised volume production. The Company also intends to establish a sales and marketing organisation that will work in a structured way to increase awareness of the Company and to establish, maintain and develop relationships with potential customers in the markets that the Company regards as being of interest. Azelio expects the first commercial order of the Company's system to be received in the first half of 2020, and by that time, the Company intends to make further investments in production, such as in tools and production equipment and in recruiting and training production personnel, and in computer and production systems.

The new share issue in the Offering is expected to provide the Company with proceeds of approximately SEK 300–345 million before transaction expenses, which are expected to amount to approximately SEK 40 million.

Azelio intends to use the net proceeds of approximately SEK 260–305 million, depending on the extent to which the Over-allotment Option is exercised, to the following purposes listed in priority:

- Around SEK 139 million will be used for employee benefit expenses for industrialisation work in 2018/2019 and for verification of the Company's planned installation in Morocco during the fourth quarter 2019.
- Around SEK 16 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 being of interest.
- Around SEK 47 million will be used for materials and production of the 11–19 systems that the Company plans to produce in 2019.
- Around SEK 8 million will be used to purchase tools and production equipment.
- Around SEK 35 million will be used for admiration costs related to premises, insurance and IT-expenses.
- Finally, around SEK 15 million will be used as working capital for large orders of tools and production equipment in connection with the first commercial order of the Company's system that is expected to be received in the first half of 2020.

If the Offering is fully subscribed and the Over-allotment Option is exercised in full the Company intends to use the net proceeds from the Over-allotment Option of SEK 45 million for the above listed purposes, distributed pro rata.

The board of directors regards the existing working capital, prior to implementation of the Offering, as being insufficient for Azelio's needs over the coming 12-month period given the Company's current business, research and development plan. The existing working capital is considered to be sufficient for the period up to the end of March 2019. Azelio's working capital requirement over the coming 12-month period amounts to approximately SEK 330 million. It is expected that the working capital requirement can be met through the new share issue that forms part of the Offering along with the Company's existing funds, which as of October 31, 2018 amounted to SEK 64 million. In October 2018, Azelio redeemed outstanding warrants, thereby providing the Company with around SEK 52 million in equity, and the Company's existing funds thus amounted to SEK 114 million as of November 9, 2018. The deficit to cover the Company's working capital needs over the coming 12-month period thereby amounts to approximately SEK 216 million if the Offering is not completed.

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

In addition to the above, the Offering will also increase the number of shareholders in Azelio and improve the Company's access to Swedish and international capital markets, which in turn is expected to support the Company's continued development. Azelio's board of directors and management see the Offering as a logical and important next step in the Company's development, and believe that it will further increase awareness among present and potential partners, customers and opinion-formers within the solar power industry. In view of the above, Azelio's board of directors has applied for listing of the Company's shares on Nasdaq First North.

In other respects please refer to the information in this Offering Circular, which has been prepared by the board of directors of Azelio for the purpose of the application for listing of the Company's shares on Nasdaq First North and the Offering being made in conjunction therewith.

Azelio's board of directors is responsible for the content of this Offering Circular. The board of directors hereby declares that, to the best of its knowledge, all reasonable care has been taken to ensure that the information in the Offering Circular is in accordance with the facts and contains no omission likely to affect its import.

Gothenburg, 19 November 2018

Azelio AB (publ)

The board of directors

Terms and conditions

The Offering

The Offering comprises a maximum of 13,636,363 newly issued shares offered by the Company. All shares in the Offering are ordinary shares with ISIN-code SE0011973940, which will have the ticker AZELIO on Nasdaq First North. The newly issued shares included in the Offering will be issued by the Company with deviation of the shareholders preferential rights.

The Offering is divided into three parts:

- (1) the Offering directed to existing shareholders¹⁾;
- (2) the Offering directed to the general public in Sweden²⁾; and
- (3) the Offering to institutional investors in Sweden and internationally³⁾.

The outcome of the Offering will be published through a press release on or about December 6, 2018.

Over-allotment Option

To cover a possible over-allotment in connection with the Offering, upon request from Pareto Securities, the board of directors has with the support from the Annual General Meeting on June 27, 2018, have undertaken to issue a maximum of 2,045,454 additional new shares, corresponding to a maximum of 15 per cent of the total number of shares that are offered in the Offering. The Over-allotment Option may be fully or partly exercised during 30 days from the first day of trading of the Company's shares on Nasdaq First North. The price for shares in the Over-allotment Option will be the same as the price in the Offering.

Allotment of shares

The allotment of shares between each part of the Offering will be based on demand. The allotment will be determined by the Company's board of directors in consultation with Pareto Securities.

Offering Price

The Offering Price is 22 SEK per share. It has been determined by the board of directors in consultation with Pareto Securities and is based on discussions with Cornerstone Investors⁴⁾, starting-point was the valuation of the latest share issue carried out in July 2018, the Company's development since then, total invested equity in the Company and other considerations. The Offering Price is the same for existing shareholders, institutional investors and the general public in Sweden. No brokerage commission will be charged.

The Offering to the existing shareholders

Application for acquisition of up to 45,000 shares shall be made to Pareto Securities using a special application form for existing shareholders including a certificate of ownership, which are available on Azelio's website ((www).azelio.com) and Pareto Securities' website ((www).paretosec.com/corp/azelio). The application form is also available at Azelio's and Pareto Securities' respective offices. Note that the applicant's shareholding in the Company needs to be proven with the certificate of ownership as per the record date November 26, 2018. Application shall be made in accordance with instructions in the section "Terms and conditions - The Offering to the general public in Sweden – Application - Application via application form to Pareto Securities".

Application for acquisition of 45,000 shares or more shall be made in accordance with instructions in the section "Terms and conditions - The institutional Offering". Note that the applicant's shareholding in the Company needs to be proven with the certificate of ownership as per the record date November 26, 2018.

Allotment

Decision on allotment of shares is made by the board of directors in consultation with Pareto Securities, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in the Company's shares on Nasdaq First North.

Allotment to existing shareholders with priority will be made up to a total of 5,400,000 shares distributed pro rata based on the holding at the record date November 26, 2018. No subscription rights will be allocated to existing shareholders. The right to allotment with priority may be transferred to another party without subsidiary preferential right of other existing shareholders. Such transfer shall be notified to Pareto Securities in accordance with certain instructions.

Information regarding allotment

Notice of allotment is made in accordance with the conditions in the section "Terms and conditions – The Offering to the general public in Sweden", as well as "Terms and conditions – The institutional Offering".

Payment

Payment for allotted shares shall be made in accordance with the instructions in the section "Terms and conditions – The Offering to the general public in Sweden", as well as "Terms and conditions – The institutional Offering".

¹⁾ Existing shareholders refers to private individuals and legal entities that as of the record date November 26, 2018, is a shareholder in the Company.

²⁾ The general public refers to private individuals and legal entities subscribing for up to 45,000 shares.

³⁾ Institutional investors refers to private individuals and legal entities subscribing for 45,000 shares or more.

⁴⁾ See section "Legal considerations and supplementary information – Cornerstone Investors".

Insufficient or incorrect payment

Conditions for insufficient or incorrect payment are in accordance with the section "Terms and conditions – The Offering to the general public in Sweden", as well as "Terms and conditions – The institutional Offering".

The Offering to the general public in Sweden**Application**

Applications for acquisition of shares are to be made during the period November 20 – December 4, 2018.

Applications for the acquisition of shares should relate to a minimum of 250 shares and a maximum of 45,000 shares, in even lots of 10 shares. The application is binding. Applications from institutional investors for acquisition of 45,000 shares or more must contact Pareto Securities in accordance with instructions specified in the "Terms and conditions - The Institutional Offering" section.

Applications to acquire shares shall be made either via a special application form for existing shareholder to be submitted to Pareto Securities or via Pareto Securities, Aktieinvest, Avanza or Nordnet internet service for those who hold securities depository accounts with Pareto Securities, Aktieinvest, Avanza or Nordnet. Applications must have been received by Pareto Securities by December 4, 2018 by 5:00 p.m.

Late, incomplete or incorrectly completed application forms may be disregarded. No amendments or additions may be made to pre-printed text. Only one application per investor may be made. In case more than one application is made, Pareto Securities has the right to only consider the first received application.

Investors who have an account with specific rules for securities transactions, such as an IPS-deposit, ISK-deposit (Sw. Investeringssparkonto) or deposit within an endowment insurance, should confer with their nominee if and how they can apply for acquisition of shares in the Offering.

The Company, in conjunction with Pareto Securities, has the right to extend the application period. Such an extension will be communicated through a press release before the expiration of the application period.

Application via application form to Pareto Securities

Existing shareholders applying to acquire shares with Pareto Securities must have a securities account, service account or a securities depository account with a securities institution of their choice or an investment savings account with Pareto Securities.

If an applicant does not have any of the mentioned accounts, such an account must be opened before submission of the application form. Please note that the opening of such an account may take time. Investors who have an account with specific rules for securities transactions, such as an IPS-deposit, ISK-deposit (Sw. Investeringssparkonto) or deposit within an endowment insurance, should confer with their nominee if and how they can apply for acquisition of shares in the Offering.

Application shall be made using a special application form, which is available on Azelio's website (www.azelio.com) and Pareto Securities' website (www.paretosec.com/corp/azelio). The application form is also available at Azelio's and Pareto Securities' respective offices. Applications must have been received by Pareto Securities no later than December 4, 2018 by 5:00 p.m. Applications shall be sent to, or handed in at: Pareto Securities AB
Issuer Service/Azelio
Box 7415

103 91 Stockholm

Visiting address: Berzelii Park 9, Stockholm

Tel: +46 8 402 51 40

Fax: +46 8 402 51 41

E-mail: issueservice.se@paretosec.com (scanned-in application form)

Application via Pareto Securities

For holders of securities depository account with Pareto Securities, application to subscribe for shares may be made via Pareto Securities online service as from November 20, 2018 to December 4, 2018 5:00 p.m. In order not to risk losing the right to possible allotment, sufficient funds must be available on the Pareto Securities account until the settlement day expected to be on December 10, 2018. Additional information is available at (www.paretosec.se/aktuellt/azelio)

Application via Aktieinvest

For holders of securities depository account with Aktieinvest, application to subscribe for shares may be made via Aktieinvest's online service up until December 4, 2018 11:59 p.m. In order not to risk losing the right to possible allotment, sufficient funds must be available on the Aktieinvest account as from December 4, 2018 11:59 p.m., until the settlement day expected to be on December 10, 2018. Additional information is available at (www.aktieinvest.se/azelio)

Application via Avanza

For holders of securities depository account with Avanza, application to subscribe for shares may be made via Avanza's online service as from November 20, 2018 to December 4, 2018 11:59 p.m. In order not to risk losing the right to possible allotment, sufficient funds must be available on the Avanza account as from December 4, 2018 by 11:59 p.m., until the settlement day expected to be on December 10, 2018. Additional information is available at (www.avanza.se).

Application via Nordnet

For holders of securities depository account with Nordnet, application to subscribe for shares may be made via Nordnet's online service up until December 4, 2018 11:59 p.m. order not to risk losing the right to possible allotment, sufficient funds must be available on the Nordnet account as from December 4, 2018 11:59 p.m., until the settlement day expected to be on December 10, 2018. Additional information is available at (www.nordnet.se).

Allotment

Decision on allotment of shares is made by the board of directors in consultation with Pareto Securities, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in the Company's shares on Nasdaq First North. The allotment does not depend on when the application is submitted during the application period. In the event of oversubscription, allotment may take place with a lower number of shares than the application concerns, at which allotment wholly or partly may take place by random selection. Employees, business partners, existing shareholders and certain related parties to Azelio as well as certain customers of Pareto Securities may be considered separately during allotment. Allotment may also be made to employees of Pareto Securities, Aktieinvest, Avanza or Nordnet, however, without priority. In such cases, the allotment takes place in accordance with the rules

of the Swedish Securities Dealers Association and the Swedish Financial Supervisory Authority's regulations.

Information regarding allotment

Via Pareto Securities

Notice of allotment for those who have applied via the application form with Pareto Securities is expected to take place on or about December 6, 2018. Shortly thereafter, a contract note will be sent to those who received allotment in the Offering. Those persons who have not been allotted shares will not be notified.

Via Aktieinvest

Those who have applied via Aktieinvest's online service will receive notice of allotment through a subscription of shares against a simultaneous charge of funds from the specified account, which is expected to occur on or about December 6, 2018.

Via Avanza

Those who have applied via Avanza's online service will receive notice of allotment through a subscription of shares against a simultaneous charge of funds from the specified account, which is expected to occur on or about December 6, 2018.

Via Nordnet

Those who have applied via Nordnet's online service will receive notice of allotment through a subscription of shares against a simultaneous charge of funds from the specified account, which is expected to occur on or about December 6, 2018 09:00 a.m.

Payment

Via Pareto Securities – existing shareholders

Payment for allotted shares shall be made in cash in accordance with the instructions on the contract note received, although by December 10, 2018, at the latest. Note that if sufficient payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the price in the Offering.

Via Pareto Securities – customers with depository account

For customers with securities depository account with Pareto Securities allotted shares will be booked against a charge of funds from the specified account around December 6, 2018 when notice of allotment is given, however at latest on the settlement day of December 10, 2018. Note that cash for the registered number of shares shall be available at the account from the settlement day of December 10, 2018.

Via Aktieinvest

For customers with securities depository account with Aktieinvest allotted shares will be booked against a charge of funds from the specified account around December 6, 2018 when notice of allotment is given, however at latest on the settlement day of December 10, 2018. Note that cash for the registered number of shares shall be available at the account from last day of applying on December 4, 2018 to, and including, the settlement day of December 10, 2018.

Via Avanza

For customers with securities depository account with Avanza allotted shares will be booked against a charge of funds from the specified account around December 6, 2018 when notice of allotment is given, however at latest on the settlement day of December 10, 2018. Note that cash for the registered number of shares shall be available at the account from last day of applying

on December 4, 2018 to, and including, the settlement day of December 10, 2018.

Via Nordnet

Allotted shares will be booked against a charge of funds from the specified account around December 6, 2018.

Insufficient or incorrect payment

If sufficient funds are not available on the bank account, securities depository account or Investment Savings Account on the settlement day or if full payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the price in the Offering.

The institutional Offering

Application

The application period for institutional investors in Sweden and internationally is lasting November 20 – December 5, 2018. Applications shall be made to Pareto Securities in accordance with certain instructions.

Azelio reserves the right to shorten or extend the application period in the institutional offering. Any such shortening or extension of the application period will be made public by the Company in a press release prior to the end of the application period.

Allotment

Decision on allotment of shares is made by the board of directors in consultation with Pareto Securities, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in the Company's shares on Nasdaq First North. Allotment will be decided entirely discretionary and no guarantee of allotment will be given. The institutional investors who have provided subscription commitments to Pareto or the Company¹⁾ may be prioritised in the allotment.

Information regarding allotment

Institutional investors are expected to receive notification of allotment in particular order on or around December 6, 2018, after which a contract note is sent out.

Payment

Full payment for allotted shares shall be paid in cash in accordance with the contract note against the delivery of shares no later than December 10, 2018.

Insufficient or incorrect payment

Note that if sufficient payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the price in the Offering.

Registration of allotted and paid-up shares

Registration with Euroclear Sweden of allotted and paid-up shares is expected to take place on or about December 10, 2018 for both institutional investors as well as the general public, after which Euroclear Sweden will distribute a notice stating

¹⁾ See section "Legal considerations and supplementary information – Cornerstone Investors".

the number of shares in Azelio that have been registered in the recipient's securities account. Shareholders whose holdings are nominee-registered will be notified in accordance with the procedures of the respective nominee.

Note that those who have subscribed for shares in the Offering ("**Acquirers**") belonging to the Swedish public who pay allotted shares according to the instructions on a contract note to a specified bank account, i.e. have not specified a securities depository account with Pareto Securities, will not have the acquired shares delivered to the designated securities account or securities depository account until Pareto Securities has received full payment. Depending on where, how and at what time of day the payment is made, this could take up to two to three bank days from the time of payment, which could affect the ability to trade.

Listing of the shares on Nasdaq First North

The board of directors of Azelio has applied for a listing of the Company's shares on Nasdaq First North, a multilateral trading facility which does not have the same legal status as a regulated market. Expected first day of trading of Azelio's shares is December 10, 2018, under the condition that the listing application is approved. A condition of approval is that the distribution requirements for the Company's shares are met by the first day of trading. The Company's shares will be traded on Nasdaq First North under the ticker AZELIO.

Stabilisation

In connection with the Offering, Pareto Securities may execute transactions aimed at supporting the market price of the shares or in other ways affect the market price of the shares for up to 30 calendar days after the commencement of trading in the shares on Nasdaq First North (stabilisation actions). Pareto Securities is not obligated to undertake such stabilisation actions and such stabilisation actions could, if undertaken, be ceased at any point in time without it being communicated. See section "*Legal considerations and supplementary information – Stabilisation*" for more information.

Announcement of the outcome of the Offering

The final outcome of the Offering will be announced through a press release which also will be available on the Company's website, (www.azelio.com), on or around December 6, 2018.

Entitlement to dividends

The offered shares carry the right to dividend from the first dividend record date following the admission to trading of the Company's shares. Dividends, if any, are paid following a resolution by the shareholders' general meeting. The payment is handled by Euroclear Sweden ("**Euroclear Sweden**"), or in the case of nominee-registered holdings in accordance with the procedures of the respective nominee. For additional information, see section "*Share Capital and Ownership Structure – Dividend policy*".

Important information about the possibility to sell allotted shares

Notifications about allotment to the public in Sweden will be made through distribution of contract notes, which is expected to occur on or around December 6, 2018. Following processing of payments for the allocated shares by Pareto Securities, duly paid shares will be transferred to the securities depository account

or the securities account specified by the Acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Azelio may entail that these Acquirers will not have shares available in the specified securities depository account or the securities account until, at the earliest, December 10, 2018. Trading in Azelio's shares on Nasdaq First North is expected to commence on or around December 10, 2018. Please note that the circumstance that shares may not be available in an Acquirer's securities account or securities depository account until, at the earliest, December 10, 2018 can mean that the Acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

Important information regarding LEI and NCI when applying for shares

According to the European parliament and the council's directive 2011/61/EU (MiFID II), all investors need a global identification code to be able to carry out securities transactions from 3 January 2018.

These requirements call for all legal entities to apply for registration of a LEI code (Legal Entity Identifier), and all individuals to learn their NCI number (National Client Identifier) in order to be able to apply for shares in the Company. Note that it is the applicant's legal status that determines whether a LEI code or a NCI number is required, and that Pareto Securities may not be able to execute the transaction for the person in question if a LEI-code or NCI number (as applicable) is not presented. Legal entities, which need to obtain a LEI code may contact any of the suppliers available on the market. Instructions regarding the global LEI system can be found at (www.gleif.org). For individuals with a Swedish citizenship only, the NCI number is "SE" followed by the personal identity number. If the person in question has multiple citizenships or another citizenship than Swedish, the NCI number can be another type of number.

Those who intend to apply for shares in the Offering are encouraged to apply for registration of a LEI code (legal entities) or to learn their NCI number (individuals) as early as possible as this information needs to be stated in the application form when shares are applied for.

Terms and conditions for completion of the Offering

The Company, in consultation with Pareto Securities, intends to resolve on allotment of shares in the Offering on or about December 6, 2018 and contract notes will be sent to investors who received allotment around the same day. Trading in Azelio's shares on Nasdaq First North is expected to commence on or around December 10, 2018.

The Offering is conditioned on that (i) Pareto Securities deems the interest in the Offering to be sufficient for a satisfactory trading in the share, (ii) that Nasdaq approves the board of directors' application for listing of the Company's share on Nasdaq First North and (iii) that no events occur which have such a materially negative effect on the Company that it would be inappropriate to complete the Offering ("**Material negative events**"). Such Material negative events may, for example, be of economic, financial or political nature and may relate to Material negative events in Sweden as well as abroad. When determining if the interest in the Offering is sufficient for a satisfactory trading in the share, factors such as the number of received applications and the aggregate amount applied for will be taken into consideration. This assessment is made by Pareto Securities. If the above stated conditions are not met the Offering may be

cancelled. In that case neither delivery of nor payment for shares will be completed in conjunction with the Offering. If the Offering is cancelled it will be announced through a press release no later than December 10, 2018 and received applications will be disregarded.

Information about handling of personal information

Anyone subscribing or acquiring shares in the Offering will submit certain information to Pareto Securities. For further information about how Pareto Securities processes personal information, please see Pareto Securities privacy policy at (www.paretosec.com/global-privacy-notice.php). Personal information submitted to Pareto Securities will be processed in data systems to the extent required to provide services and manage customer arrangements. Personal information obtained from sources other than the acquirer may also be processed. The personal information may also be processed in the data systems of companies or organisations with which Pareto Securities cooperates. The information about processing of personal information is provided by Pareto Securities, which is responsible for the processing of personal information. Any request for correction or deletion of personal information should be sent to Pareto Securities at the address specified in the section "Addresses".

Other information

The fact that Pareto Securities acts as issuing agent does not imply that Pareto Securities regards any party that applies for shares in the Offering as a client of Pareto Securities in connection with the Offering.

The fact that Pareto Securities is receiving and handling application forms does not imply that Pareto Securities regards any party that applies for shares in the Offering as a client of Pareto Securities in connection with the Offering. For the Offering, the Acquirer is only regarded as a client of Pareto Securities if Pareto Securities has advised the Acquirer about the Offering or has otherwise contacted the Acquirer individually about the Offering. The consequence of Pareto Securities not regarding the Acquirer as a client for the placement is that the rules for protecting investors under the securities market laws (2007:528) will not apply. Among other things, this means that neither "client classification" nor "suitability assessment" will be applied to the placement. As a result, acquirers are themselves responsible for having adequate experience and knowledge to understand the risks associated with participation in the Offering.

In the event that the Acquirer has paid an excess amount in the Offering, the Company will ensure that the excess amount is repaid. No interest will be paid for excess amount.

Market overview

The Offering Circular contains information concerning the size of Azelio's potential market and general market opportunities. Unless otherwise stated, the information in the Offering Circular is based on Azelio's assessment of a number of sources, including the International Energy Agency ("IEA"), the International Renewable Energy Agency ("IRENA") and the U.S. Energy Information Administration ("EIA"). Although there is no definitive universal source of such market data, Azelio considers the information presented to be representative and reliable. However, Azelio cannot guarantee that it is correct or complete. As far as Azelio is aware and can ensure by comparison with other information published by such sources, no information has been omitted in such a way as to render the information reproduced incorrect 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-effective compared with, for example, fossil fuels. However, there is a clear split between intermittent energy sources (non-continuous, fluctuating) and sources of base 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 base power sources, since they can produce energy 24 hours a day regardless of wind and weather. For solar and wind power to be able to satisfy the demand for a continuous energy supply and be an adequate alternative to nuclear power and fossil energy sources, therefore, solutions are needed that allow energy to be stored.

As at the date of the Offering Circular, large parts of the world do not have access to a reliable electricity supply; in other words, electricity supplied every hour of the day that does not suffer frequent interruptions. Access to a reliable electricity supply is important for economic development, and a lack of such access has a negative impact both on households and on the public and private sectors. There is thus significant demand for electricity-producing systems that can meet the need for a reliable electricity supply. Many of the geographies that currently lack an electricity supply are remotely situated and expanding the regular electricity grid to these locations requires extensive investment. Systems for what is known as distributed and dispatchable electricity production are often used instead. This refers to sources of electricity production which, in addition to being able to supply a regular grid with electricity, can also supply small local grids (mini grids) and standalone (off-grid) systems.

Azelio offers a system of Stirling engine-based concentrated solar power with thermal energy storage for electrical production during the day together with the storage of energy for 13 hours. Energy stored in the Company's system can be used to produce electricity when demand arises, such as at times when the sun is not shining. Neither is the system dependent on connection to a regular electricity grid. The Company's system thus remedies the problem of intermittency encountered by photovoltaics and wind power, while at the same time providing a solution for distributed and dispatchable electricity production. Azelio therefore assesses that the system can provide large parts of the world with electricity – parts of the world which, as at the date of the Offering Circular, lack a reliable electricity supply.

The Company's initial focus geographies include the MENA region, where the Company has identified five example countries

with advantageous solar conditions: Morocco, Tunisia, Egypt, Jordan and Saudi Arabia. A large number of other geographies within the sun belt are further potential segments. At the time of market launch the Company will focus on projects with a size of between 100 kW and 20 MW, later addressing projects of up to 100 MW. The target segments for the Company's system consist of end consumers who need a reliable electricity supply round the clock, which includes both industries and communities that do not have access to electricity.

The global energy mix

Global energy consumption grew by around 16 per cent between 2007 and 2017, and is expected to grow by a further 25 per cent in the period up to 2040.^{1) 2)} The growth in energy consumption will mainly be driven by economic growth, improvements in living standards and demographic changes 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 these factors and thus also exhibit the most marked increase in energy consumption, with an expected 40 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 60 per cent in the period from 2016 to 2040.³⁾

Renewable energy

In parallel with a global increase in demand for energy and electricity, a shift is also under way from fossil to renewable energy sources. In 2017 the share of total energy production from renewable energy sources increased from 7.4 to 8.4 per cent, a development that is expected to continue in the coming years; between 2015 and 2040 electricity production from renewable energy sources is expected to increase by an average of 2.8 per cent per year.^{4) 5)} By 2040 it is estimated that 31 per cent of total electricity production will come from renewable energy sources, which are thus expected to become the largest source of global electricity production^{6) 7)}.

¹⁾ BP, *Statistical Review of World Energy*, June 2018.

²⁾ ExxonMobil, *2018 Outlook for Energy*, 2018.

³⁾ ExxonMobil, *2018 Outlook for Energy*, 2018.

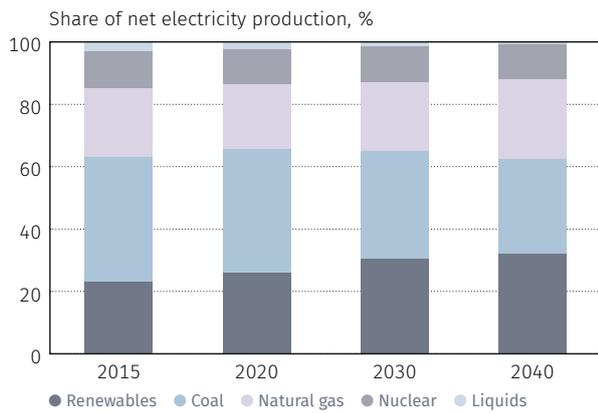
⁴⁾ BP, *Statistical Review of World Energy*, June 2018.

⁵⁾ EIA, *International Energy Outlook 2017*, September 2017.

⁶⁾ Coal power is expected to make up 31 per cent of global electricity production in 2040, i.e. equal to renewable energy sources.

⁷⁾ EIA, *International Energy Outlook 2017*, September 2017.

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



Source: EIA, International Energy Outlook 2017, September 2017.

The growth in renewable energy sources can be attributed to a number of trends and drivers¹⁾, the most important of which may be deemed to be technological development that has made renewable energy sources more cost-effective. As at the date of the Offering Circular, a number of renewable energy sources have achieved a levelised cost of electricity (“LCOE”)²⁾ 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 the section “Business overview – Product offering – LCOE”.

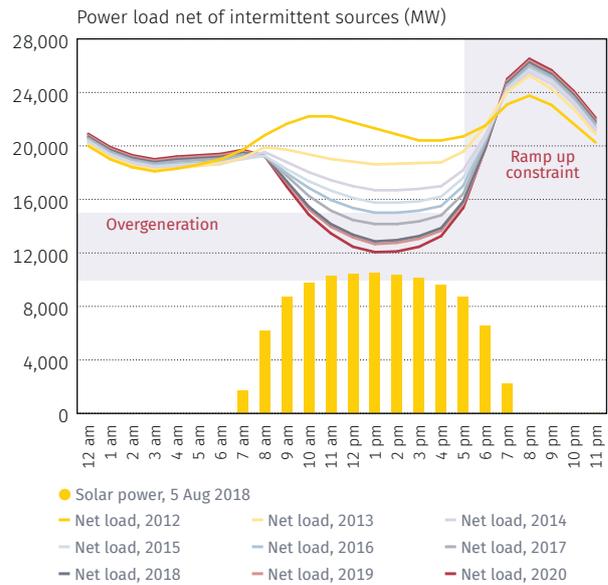
The potential growth of intermittent renewable energy is limited

Despite the positive development of renewable energy technology, both historical and that expected in the future, the existing technologies are facing challenges. These challenges are preventing more widespread use and mean that renewable energy sources are not yet a complete 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, resulting in non-continuous energy production. For example, photovoltaics produce the most energy in the middle of the day, then losing production capacity in the evening. Energy consumption, on the other hand, is relatively continuous over time and follows a clear pattern each day, with high consumption in the evenings – in other words, when production from photovoltaics is low. This results in two problems for grid operators. Firstly, the electricity production has to be supplemented with base 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 can result in imbalance between the output and input of electricity in the middle of the day. With such imbalance there is a risk of damage to the electricity grid. The problem with solar energy is illustrated in Figure 2. While these problems remain, renewable intermittent energy sources will not be a complete alternative to base power sources.

¹⁾ See the section “Trends for and drivers of increased production of renewable electricity”.
²⁾ The measurement LCOE is an economic evaluation of energy-producing systems. The value is calculated by taking the system’s total expected present value life-cycle costs and dividing by the system’s expected total energy production.

FIGURE 2. THE DUCK CURVE

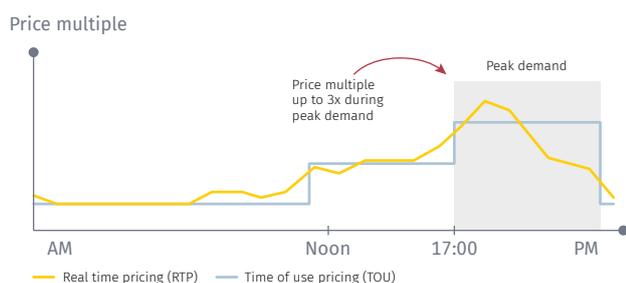
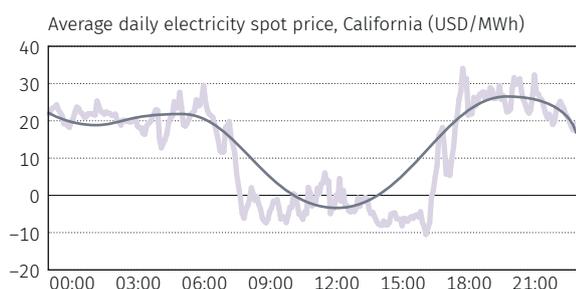


Source: California Independent System Operator, (www).caiso.com.

Figure 2 illustrates what is known as the “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 base power sources reduces. However, demand for electricity is highest in the evening; in other words, when production from photovoltaics is at its lowest. The more photovoltaic capacity is expanded, the greater will be the imbalance between when the demand for base 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 a number of base power sources such as nuclear power produce at a relatively constant level regardless of the time of day. The implication of this is that when 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 production from nuclear power cannot be increased sufficiently for a few hours. The graph is based on data from California, USA.

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 in the middle of the day when intermittent renewable energy sources are producing at their peak. Energy storage solutions therefore 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. A system such as Azelio’s can thus create significant customer value. Pricing electricity depending on the time of day takes place mainly in mature markets with a well-developed and reliable electricity grid, in other words, 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

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


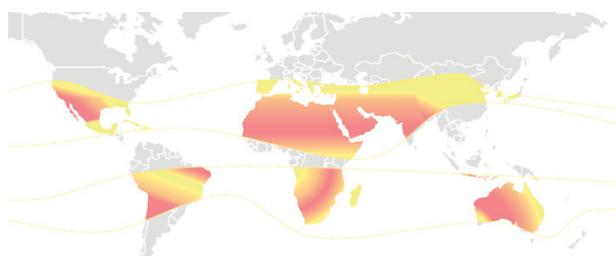
Source: LCG Consulting, (www.energyonline.com)

Distributed and dispatchable electricity production

Dispatchable electricity production refers to electricity that can be used on demand and where production can be controlled by the grid operator – which are preconditions for reliable production of electricity all through the day. Distributed electricity production in turn refers to small local production sources that can either be connected to the regular grid in order to supply it with electricity, or are used to supply small local grids (mini grids) and standalone (off-grid) systems with electricity. Systems for distributed and dispatchable electricity production are thus aimed at production sources capable of providing mini grids or off-grid systems with a reliable supply of electricity where there is no access to the regular grid. If there is access to a regular grid, these systems can also supply the grid with electricity. Both mini grids and off-grid systems can run on both renewable and fossil energy sources, but also on hybrid systems where renewable sources are combined with batteries or a fossil energy source. As at the date of the Offering Circular, diesel generators are a widespread electricity production source for off-grid systems. However, strong growth is predicted for solar-based systems. 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 2022¹⁾.

Access to a reliable electricity supply is important for economic development, and a lack of such access has a negative impact both on households and on the public and private sectors. Lack of access is widespread in large parts of the world; around a billion people in the sun belt – as illustrated in Figure 5 – have no access to electricity, and around 65 per cent of the population in certain African countries have no access to a reliable grid.²⁾ Given the widespread absence 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 mini grids, and around 90 per cent of these are expected to be based on 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 technology for producing electricity for mini grids and off-grid systems, however, storage solutions are required that can remedy the problem of intermittency associated with these energy sources.

FIGURE 5. THE SUN BELT


Storing energy for electricity production

Long-term sustainable development means consuming less of the Earth's resources now and leaving more for future generations. On the energy side, it has been clear for some time that there must be a reduction in emissions of greenhouse gases from the burning of fossil fuels. Reduced use of fossil fuels is a difficult task, however, bearing in mind the huge amount of energy consumed and the low cost of fossil fuels⁴⁾. According to the IEA⁵⁾, in 2013 energy production was dominated by fossil fuels at 89 per cent; the remainder comprised renewable sources, including the burning of biomass. For OECD countries the share of fossil fuels was 90.5 per cent, with electricity production consisting of 78 per cent fossil fuels. 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 greenhouse gases, average global temperature rise is projected to be at least 6°C"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 power, for which the most common variants for electricity production are wind turbines and photovoltaics respectively. However, these sources are irregular and sporadic by nature, and in the case of energy from the sun there is also a periodicity over a 24-hour period. This lack of predictability is not compatible with the instantaneous demands of the electricity grid, and energy must therefore be stored if use of renewables is to be increased⁷⁾.

For energy storage to be used on a large scale, it needs to be possible to do this at a competitive cost. Energy can then be produced or collected during favourable conditions for intermittent energy sources and the energy used subsequently in periods with less favourable conditions. Solar and wind power can then supply the grid with electricity round the clock and the difference between peaks and troughs in energy production can be evened out. One consequence of cost-effective systems for energy storage is therefore that solar and wind power become complete alternatives to traditional base power sources and can be used to provide grids with up to 100 per cent renewable

- 1) World Bank, Off-Grid solar Market Trends Report 2018, 2018.
- 2) World Bank database; Afro Barometer, Dispatch no. 75, March 2016.
- 3) World Bank, State of Electricity Access Report 2017, 2017.
- 4) Martin Nilsson, On Stirling Engine Thermodynamic Modeling, licentiate thesis, Gothenburg, 2016.
- 5) IEA, Key World Energy Statistics, Paris, 2015.
- 6) IEA, 2018.
- 7) D. Lindley, Smart Grids: The Energy Storage Problem, Nature 463, 18, 2010.

energy. Energy storage is therefore expected to have a key role in the next stage of the transition from fossil to renewable energy sources.¹⁾

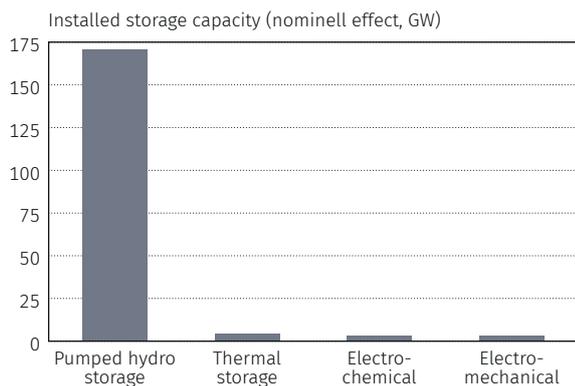
“The next big technological revolution will be in the storage of solar energy”

– Narendra Modi, Prime Minister of India

Source: World Government Summit, February 2018.

Energy can be stored using various technologies and these may 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.²⁾ Energy can be stored either by storing energy directly, or by converting energy into electricity that is then stored. Figure 6 contains an overview of selected storage technologies. For the Company’s target markets and application areas, Azelio assesses that thermal storage and batteries are the most relevant storage technologies. It is mainly technologies for storage over a period exceeding four hours that are deemed to be relevant to the description of the Company’s market. Pumped hydro power is the technology in the world that has the greatest nominal capacity and it also has very long storage periods, but is restricted by the fact that there are only certain geographical areas in the world where this technology can be built.

FIGURE 6. GLOBAL INSTALLED STORAGE CAPACITY IN 2017 FOR THE MOST COMMON STORAGE SYSTEMS



Source: IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.

FIGURE 7. 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: US DOE 2017

Storage of solar energy for distributed and dispatchable electricity production

Solar energy can be stored either by storing the sun’s energy in the form of heat that can later be used to produce electricity, or by storing the electricity produced.

Electric batteries

When storing energy in batteries, the energy is converted into electricity before storage. It is then stored in chemical form in order to be converted into electricity subsequently when there is a demand. As at the date of the Offering Circular, the battery technology most frequently used to store energy for electricity production is lithium batteries.³⁾

The advantages of lithium batteries are⁴⁾: high round trip efficiency (65 to 85 per cent), high energy density, high power, rapid response and scalability from small to large installations.

The disadvantages are⁵⁾: relatively short life, need for expensive peripheral equipment to manage the system, requires a controlled environment in order to maintain lifetime with high self-consumption of electricity, contains various rare metal elements and conflict metals, great competition for raw materials with the automotive industry, and inadequate recycling methods.

Energy storage systems based on lithium batteries have good properties for stabilising the grid and can be physically placed where there is greatest need to balance the grid, in both small and large installations, with storage periods of between 30 minutes and three hours.⁶⁾

Two other possible future battery technologies are redox flow and zinc hybrid. These technologies are suitable for larger stationary installations with a storage period of more than four hours. At between 65 and 75 per cent, the round trip efficiency of these systems is somewhat lower than for lithium batteries. Redox flow batteries have a significantly higher initial cost, but a longer life and higher residual value. Zinc hybrid batteries could potentially reduce costs, since the storage materials used are significantly less rare and cheaper. However, none of these technologies has been commercialised on a larger scale.⁷⁾

Storing energy in batteries is currently considered to be competitive up to around four hours. This is because the cost of batteries largely scales with their capacity – in other words, with the amount of energy stored – but the benefit to the grid is often linked to controllability (nominal capacity and speed of adjustment) and to the ability to defer electricity production from the day until a number of hours in the evening. Shifting more production than is needed to cover the evening requirement is rarely worthwhile because a significant part of the energy is lost along the way. Compared with thermal storage, the cost is strongly linked to nominal capacity and the cost of increasing storage capacity is fairly low, because the storage medium is cheap. For thermal power plants with longer storage periods the cost increase is associated with the need for a greater amount of collected energy.⁸⁾

Currently, a fairly small share of installations have battery storage connected to intermittent solar or wind power, since other power plants in the grid can balance out the irregular production of electricity from solar and wind. However, certain grids (such as California, USA) are starting to get such a large share of intermittent solar power (photovoltaics) that other power plants get difficulties in balancing the grids (see the duck curve in the section “Market Overview – The potential growth of

1) IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.
 2) IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.
 3) Energy Storage Networks, *How three battery types work in grid-scale energy storage systems*, January 2018.
 4) IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.
 5) IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.
 6) Energy Storage Networks, *How three battery types work in grid-scale energy storage systems*, January 2018.
 7) Energy Storage Networks, *How three battery types work in grid-scale energy storage systems*, January 2018.
 8) IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.

intermittent renewable energy is limited"). This also results in a reduced value for the electricity produced during the day when the sun is shining, or in certain producers not being permitted to feed electricity into the grid. As a result, there is a need to be able to defer electricity production from the day to the afternoon and evening by means of storage. Batteries can help solve this problem by storing energy and balancing the grid.¹⁾

Thermal energy storage

In the case of thermal energy storage ("TES"), collected energy is stored as heat and converted to electricity on demand – which is significantly more cost-effective than storing electricity.²⁾

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

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. Stores in this category 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 stays stationary and no transport takes place. Instead, facilities of this type use a fluid as a heat carrier between the store and the thermal cycle. The fluid may be air, oil, molten salt or some other suitable fluid.

As well as storage in sensible form, energy can also be stored as latent energy, and here latent energy refers to the energy that is released or absorbed in a phase change. The Company's energy storage technology is of this type. The advantage of latent energy storage is above all higher energy density, meaning reduced material consumption and thus potentially lower costs. Latent energy stores are usually stationary and a heat-carrying fluid is used to transport energy to the thermal cycle.

The cost of TES is largely the cost of the actual storage medium. A store with long storage capacity increases capacity utilisation for the whole system and is thus associated with a lower electricity production cost per kWh stored than a store with shorter storage capacity. It therefore pays to have large stores with the capacity for several hours' consumption, even exceeding what is needed to even out the peak load in the late afternoon or early evening. A large store may have the capacity to deliver energy round the clock.

The cost of lithium ion batteries is proportionate to the storage capacity and in these cases it is not usually worthwhile for a store to have a greater capacity than the equivalent of four hours' consumption, since revenues fall after the time of peak consumption between the late afternoon and evening. A larger store therefore does not pay off.

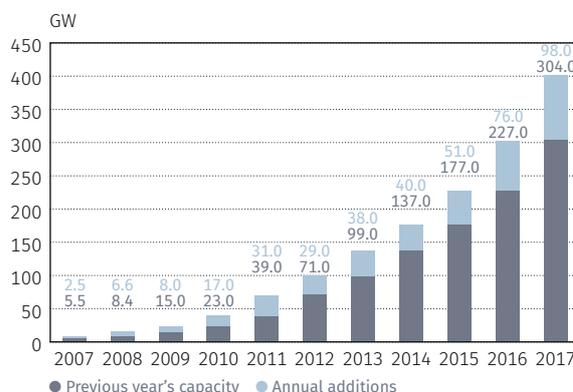
Technologies for the use of solar energy in electricity production

Technologies for converting solar energy into electricity can be divided into two main groups: photovoltaics and concentrated solar power. In 2017 the global installed capacity for the two technologies amounted to 407 GW, a clear majority of which consisted of photovoltaics.³⁾ The difference in installed capacity is mainly attributable to the fact that traditional concentrated solar power plants need to be built with large outputs, making them capital-intensive and requiring major investment in their construction; this is due to the fact that they have been an undeveloped and expensive technology compared to photovoltaics. Concentrated solar power may come to exhibit particularly strong growth with an increase in installed capacity of over 2,000 per cent between 2015 and 2030.⁴⁾ The Company's technology falls in this category.

Photovoltaics

The most widespread technology for solar power is photovoltaics (solar cells), where the photons in the light energy are converted into electricity. This type of solar power can use diffuse horizontal irradiance ("DHI")⁵⁾, in contrast to concentrated solar power which can only use direct normal irradiance ("DNI")⁶⁾. The possibility of using DHI, the ease of scaling up photovoltaic parks and the low investment cost compared with concentrated solar power are some of the main advantages of photovoltaics. Due to these advantages, and in line with technological progress and political initiatives, the global installed capacity of photovoltaics increased from 8 GW to 402 GW over the period 2007 to 2017.⁷⁾

FIGURE 8. GLOBAL INSTALLED CAPACITY FOR PHOTOVOLTAICS



Source: REN21, *Renewables 2018 Global Status Report*, 2018.

Concentrated solar power

Concentrated solar power ("CSP") refers to solar energy systems that use mirrors or lenses to concentrate solar energy from a larger area to a small area. 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 use DNI⁸⁾ to generate electricity. This means that concentrated solar power is primarily suited to geographies with a high proportion of cloudless days and which do not have

¹⁾ IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, oktober 2017.

²⁾ IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, oktober 2017.

³⁾ REN21, *Renewables 2017 Global Status Report*, 2018.

⁴⁾ Greenpeace International, European Solar Thermal Electricity Association and SolarPACES, *Solar Thermal Electricity Global Outlook 2016*.

⁵⁾ Diffuse horizontal irradiance (DHI) is a measure of the amount of sunlight received by a given ground area over a certain period of time and that has been scattered by particles in the atmosphere.

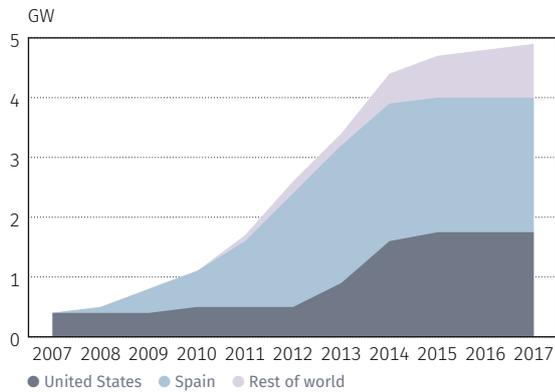
⁶⁾ Direct normal irradiance (DNI) is a measure of the amount of solar energy, excluding diffuse normal irradiance, received by a given ground area over a certain period of time.

⁷⁾ REN21, *Renewables 2018 Global Status Report*, 2018.

⁸⁾ 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.

significant amounts of smog or dust particles in the air. In 2017 the total installed capacity from concentrated solar power amounted to around 4.9 GW.

FIGURE 9. GLOBAL INSTALLED CAPACITY FOR CONCENTRATED SOLAR POWER

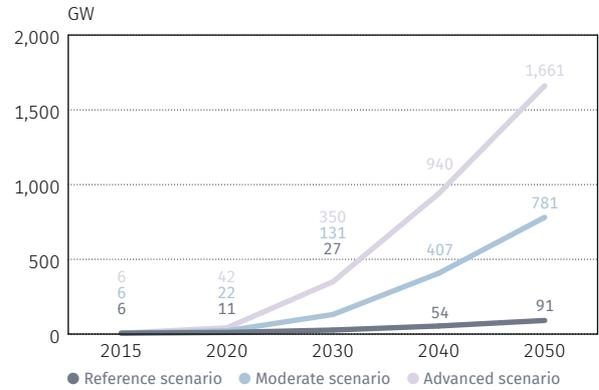


Source: REN21, *Renewables 2018 Global Status Report*, 2018.

The growth in the installed capacity of concentrated solar power is predicted to continue in the future. Capacity growth up to 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 are 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. Each of these scenarios is illustrated in Figure 10.

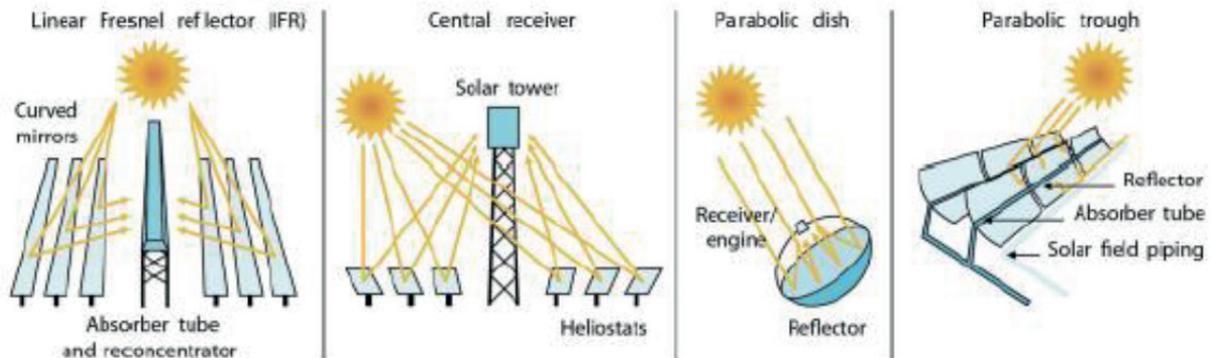
FIGURE 10. CUMULATIVE INSTALLED CAPACITY FOR THERMALENERGY (GW)



Source: Greenpeace International, European Solar Thermal Electricity Association and SolarPACES, *Solar Thermal Electricity Global Outlook 2016*.

As at the date of the Offering Circular, four kinds of concentrated solar power plant have been commercialised: parabolic troughs, parabolic dishes, solar towers and linear Fresnel reflectors.¹⁾ These are illustrated in Figure 11. The Company's technology is based on a solar tower.

FIGURE 11. THE FOUR TYPES OF CONCENTRATED SOLAR POWER



Concentrated solar power based on a solar tower consists of a collection of heliostats placed around a tower topped by a receiver. The heliostats consist of mirrors that track the sun by means of a single-axis or dual-axis system and which reflect and concentrate the sunlight onto the receiver. Mounting the heliostats on a dual-axis system allows the mirrors to track

the sun's movement, resulting in optimal utilisation of the sunlight. Solar towers are considered to be the technology with the greatest potential for cost reductions, since this technology allows high working temperatures as well as the storage of thermal energy at a low cost.²⁾

¹⁾ IRENA, *Renewable Power Generation Cost Trends: CSP in Focus*.
²⁾ IRENA, *Renewable Power Generation Cost Trends: CSP in Focus*.

Other technologies for distributed and dispatchable 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 preferably fossil fuels, although biofuels are used to some extent. Gas and diesel generators are widely used to supply mini grids and off-grid systems with electricity since such systems can supply reliable base power. 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 price of the fuel, which in the case of fossil fuels is linked to the price of oil.¹⁾

Gas turbines are another technology for distributed and dispatchable electricity production. These are turbines that are driven by combustion gases such as natural gas. They can be put into and out of operation quickly, making them suitable for reserve power in areas where the regular grid is not so reliable.

An alternative technology is fuel cells that run on hydrogen. When combined with a reformer, these can use hydrocarbon-based fuels.

Azelio's market focus

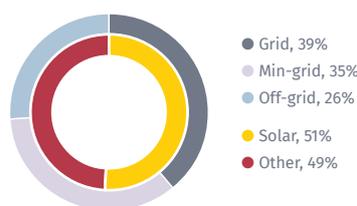
The Company will primarily focus on medium-sized projects aimed at offering customers systems with cost-effective energy storage solutions. The projects will initially vary from 100 kW to 20 MW in size and will focus on electricity production for areas of use where the combination of photovoltaics with batteries does not provide an adequate solution to meet the demand for reliable electricity. At a later stage the projects that the Company's system is aimed at can be scaled up for installations exceeding 100 MW. The target segment comprises industrial sectors that require a reliable electricity supply round the clock to avoid disrupting

production, commercial sectors such as hotels and shopping centres, and communities in geographies which, as at the date of the Offering Circular, lack access to electricity.

Industry accounts for approximately 54 per cent of global electricity consumption.²⁾ The Company will therefore focus its first installations on industries in remote locations with a substantial demand for a reliable energy source. Within the Company's initial geographical focus segment, MENA, five main industrial sectors have been identified: mining, cement, metals, chemical industry and agriculture.

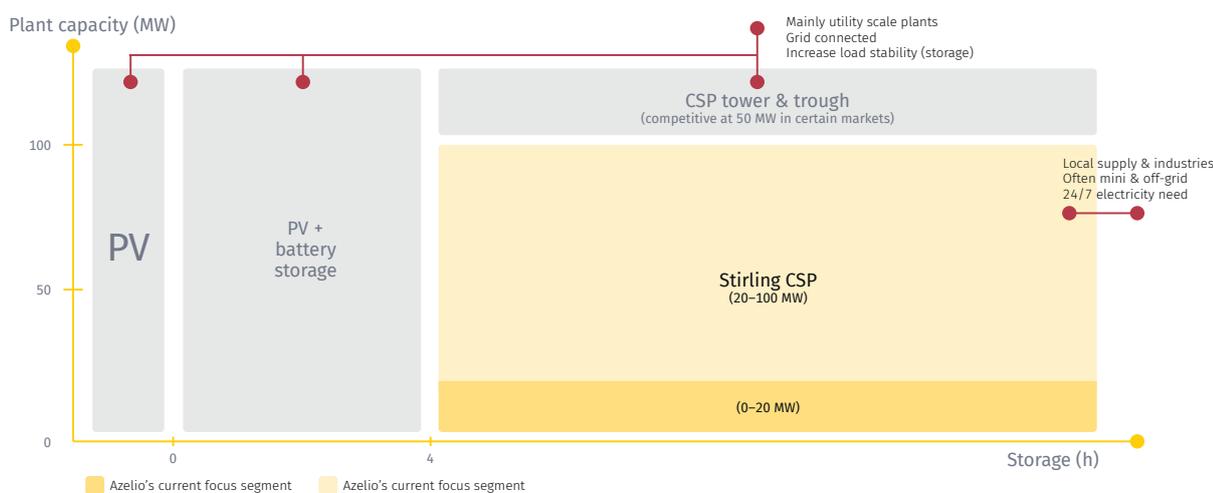
Many communities in developing countries do not currently have access to electricity, and expanding the regular grid to meet this need is expensive since many of these communities are in remote locations. Mini grids and off-grid systems will therefore play a central role in satisfying electricity requirements 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 do so through off-grid systems or mini grids.³⁾ As illustrated by Figure 12, a large proportion of these off-grid systems 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.

FIGURE 12. SOURCES FOR GAINING ACCESS TO ELECTRIC EXPANSION DURING THE PERIOD 2017 TO 2030



Source: EIA, *Energy Access Outlook 2017, 2017*.

FIGURE 13. AZELIO'S MARKET NICHE



¹⁾ World Bank, *State of Electricity Access Report 2017, 2017*.
²⁾ EIA, *International Energy Outlook 2016, 2016*.
³⁾ IEA, *Energy Access Outlook 2017, 2017*.

Customer types

The Company intends to sell its systems to companies working with Engineering, Procurement and Construction (“EPC-contractors”) which then, among other things, install the system for the end customer. Future customers to Azelio within the EPC-contractor segment may for instance be project developers such as Masdar, ACWA Power and Adani Group. It is not unusual that even large project developers work with medium sized projects in the range 20-50 MW to meet the demand of distributed installations and shorter construction times. For further information about the EPC-contractors role see the section “Business overview – Value chain” and “Business overview – Sales process”. The types of customer that make up the Company’s initial target groups are energy-intensive customers with a demand for a stable and reliable energy supply throughout all hours of the day and night. These customers can be divided into users that are connected to a regular grid and those that are connected to mini grids and off-grid systems. A description of the end customers of the Company’s systems is presented below.

Customers connected to the regular grid

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

Stable grid: Operators that are connected to a reliable grid have no particular interest in an independent renewable energy source, irrespective of the advantages associated with this. These operators are only interested in the price paid for the electricity consumed, so Azelio’s value proposition to these customers is to offer an electricity price that can compete with the customer’s existing price.

Unstable grid: For operators whose grid connection is characterised by a lack of reliability, the patchy electricity supply is potentially a serious problem since a lack of electricity can cause processes and production chains to be shut down, which in turn has an adverse impact on profitability. To counter such risks, a number of operators are investing in their own reserve solutions such as diesel generators or a combination of photovoltaics with batteries. The Company’s value proposition of a reliable, distributed and dispatchable electricity supply thus provides protection against the unstable grid for these customers.

Off-grid

Energy-intensive mines, isolated villages, telecommunications towers, hospitals etc. that are not connected to the regular grid are highly dependent on diesel generators, photovoltaics with batteries or hybrid solutions of these two types of system for their electricity supply. Investing in a grid connection is generally expensive, 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 demand.

Geographical market segments

The Company’s systems are best suited to geographies with a DNI of at least around 2,000 kilowatt hours (“kWh”) per square metre and year. Geographies with such a DNI are illustrated in Figure 14. In addition to DNI, other important considerations when the Company evaluates different geographies are current regulations, financing solutions for renewable energy and the LCOE competitiveness of the Company’s systems within the geographical segment. More specifically, the Company’s geographical segments can be divided into:

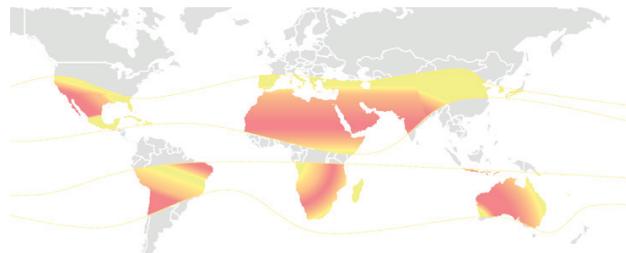
- Emerging parts of Asia such as India, Pakistan and Kazakhstan. The electricity supply in these countries is characterised by grids with poor reliability and output deficits and there is therefore a demand for electricity supply technologies capable

of supplementing the regular grid and generating reliable electricity production, such as the Company’s technology.

- Emerging parts of Africa such as Namibia, Zimbabwe and Botswana. Just as for the countries in the last paragraph, these African countries’ need for a reliable electricity supply has been neglected and there is a need for off-grid solutions. South Africa is also of interest to the Company because of its prominent role within the global market for concentrated solar power.
- Countries in the Middle East and Mediterranean Europe, such as Morocco, Egypt, Jordan and Greece. A number of these countries are in what is known as the sun belt and therefore are exposed to solar radiation that is deemed perfect for concentrated solar power. Some of the countries in this region have reliable electricity grids, which means that Azelio’s systems will primarily be of interest in areas with high electricity prices or where there are significant incentive systems for installing renewable energy sources.
- Areas of America such as Mexico, Chile and western parts of the USA. All of these geographies are exposed to extremely high DNI and are areas where concentrated solar power is a competitive alternative for electricity production.

At the time of market launch for the Company’s technology, the target market will be narrowed down to geographical market segments that are considered to have particularly great potential. These markets include the Middle East and North Africa (“MENA”).

FIGURE 14. GEOGRAPHIES WITH A DNI IN EXCESS OF 2,000 KWH PER SQUARE METRE AND YEAR



Middle East and North Africa (MENA)

The Company’s five identified example countries within MENA are Morocco, Tunisia, Egypt, Jordan and Saudi Arabia. These countries were chosen partly because they are assessed to have sufficient similarities to allow general conclusions to be drawn concerning the MENA region as a whole, and partly because at the same time they have sufficient differences for the Company to be able to evaluate its system in different market conditions. Morocco, Egypt and Jordan are also leading the way within different areas of renewable energy. The Company assesses that its focus on these five markets will allow it to draw conclusions concerning the whole of the MENA region, focusing on market size, customer types and appropriate business models.

Morocco

Through the Company’s partnership with the Moroccan Agency for Sustainable Energy (“Masen”), Morocco is Azelio’s initial focus segment within MENA. See the section “Business overview – Partners” for more information about the Company’s partnership with Masen.

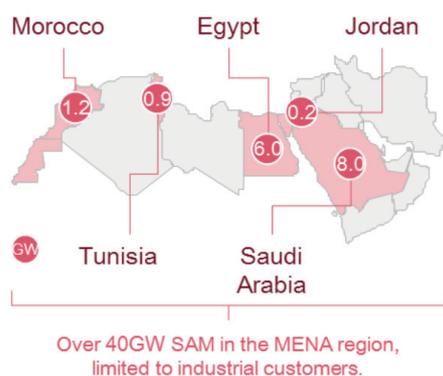
In contrast to other nearby North African countries, Morocco has almost non-existent oil resources, which has meant that historically the country has been dependent on imports of fossil fuels to satisfy its energy needs. In addition, because of strong economic growth the country’s electricity production increased by around five per cent per year over the period 2004 to 2016.

Morocco is considered to be a particularly favourable platform for the Company's commercialisation and continued growth in the MENA region for a number of reasons. Firstly, the country enjoys almost perfect sun conditions for concentrated solar power, with very high solar radiation – in many places a DNI far in excess of 2,500 kWh per square meter and year. Secondly, the country has a clear aim concerning the role that renewable energy sources are to play in its future energy mix. For further information concerning the political initiatives in Morocco, see the section “Market overview – Local circumstances and political drivers”.

Market size

The size of the Company's serviceable achievable market in the five identified example countries within MENA is 16 gigawatts (“GW”), corresponding to around 1.2 million units of the Company's system. The size in each geography is illustrated in Figure 15. These 16 GW are attributable to a limited number of identified industrial customers, while the total size of the market within the industrial sector in MENA exceeds 40 GW – corresponding to more than 3 million units of the Company's system. Saudi Arabia is the largest individual market within MENA, with an initial serviceable achievable market of 8 GW. Growth in the market is also good; for example, the industrial sector in a number of MENA countries is growing by around 5 to 8 per cent annually.¹⁾

FIGURE 15. SERVICEABLE ACHIEVABLE MARKET



The International Energy Agency (“IEA”) predicts that concentrated solar power will account for around 11 per cent of global energy production in 2050. The Company considers it realistic that, with its system, Azelio will be able to achieve a market penetration of 10 to 15 per cent of the total installed capacity for concentrated solar power, thereby achieving a cumulative installed capacity of 20 GW by 2030.

Trends and drivers for increased production of renewable electricity

Statistics from the US climate and environmental agency NOAA (the National Oceanic and Atmospheric Administration) show that 2016 was the warmest year to date in modern times. The year 2017 was the third warmest, and 16 of the 17 warmest years in modern times have been measured since 2000. Partly as a result of these rising temperatures, environmental awareness among

both politicians and the public has increased considerably. Growing environmental awareness, along with falling production costs, is in turn contributing to the development of renewable energy. Advantageous incentives have also been passed by politicians, 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 will in turn drive demand for environmentally sound electricity, with solar energy 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.²⁾ Political pressure to change the energy market is likely to increase in the future.

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.³⁾ This is the reason for the Company's faith in the expansion of solar energy solutions in the MENA region.

Input tariffs

One of many favourable incentives for the sector is input tariffs, which are 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 on 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 at regional level too. Since laws and regulations differ markedly between different countries, the Company's system will have a varying degree of penetration in the different geographies.

Morocco

In order to increase independence in energy production and meet a growing need 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.⁴⁾

¹⁾ IEA, Morocco 2014, 2014; RES4MED, Country profiles Tunisia, 2016; T. F. Azer, Use of Energy in Egypt, Past and Recent, 2014; F. A. Al-Rub, Description of Industrial Energy Consumption in Jordan, 2016; R.F. Ichord, Saudi Arabia's Vision 2030: Key Electric Power Decisions Ahead, 2018.

²⁾ European Commission, ec.europa.eu, accessed September 2018.

³⁾ UN, Sustainable Development Goals.

⁴⁾ M. Azeroual et al. – Renewable energy potential and available capacity for wind and solar power in Morocco towards 2030, 2018.

As well as the targets mentioned above, Morocco is implementing the Noor solar energy programme which has a target of 2,000 MW of installed solar energy capacity by 2020 and around 4,800 MW by 2030. According to the Moroccan Agency for Sustainable Energy (Masen), which is responsible for the country achieving its targets, it is expected to cost around EUR 7.7 billion from 2009 to achieve the 2030 target. One important factor in enabling Morocco to achieve its target by 2030 has been the adoption of the 2010 Renewable Energy Law. This law stipulates that non-state independent energy producers may establish renewable energy projects, sell electricity direct to end consumers in the market and export surplus energy.

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.¹⁾ The countries will not only benefit from climate gains, but also have a significant financial motivation. In 2016 the International Renewable Energy Agency (IRENA) assessed that the MENA region as a whole will save around USD 750 billion net by 2030 if the current targets for renewable energy in 2030 are achieved.²⁾

In oil-producing countries there is also another underlying economic driver of renewable energy, since more renewable energy means that more oil can be exported instead of being used in domestic energy production.³⁾

In contrast to a country such as Morocco, in certain countries of the MENA region it is difficult to make investments in the energy market as a foreign private operator 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 around 18 per cent, while the corresponding figure for Egypt, Tunisia and Saudi Arabia was just under 2 per cent for each country.⁴⁾ 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.⁵⁾

Tunisia, Jordan and Egypt are three countries with clear targets for the development of renewable energy. Algeria intends renewable energy to make up 27 per cent of its energy production by 2030. Furthermore, the installed capacity of concentrated solar power is to reach 2,000 MW by 2020 and of photovoltaics 3,000 MW. Egypt also intends renewable energy to make up 20 per cent of energy production by 2020, of which 1,100 MW is to be concentrated solar energy. 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 2030.⁶⁾

Africa

More than a billion people live in Africa, and despite great progress over the past two decades the region still has major problems as regards 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 the countries of Africa transition into middle class economies, this means that more and more foreign investors are establishing projects for renewable energy production in the region. To further encourage foreign investment, national 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 renewable electricity to communities and households which previously relied on expensive and carbon-heavy fossil fuels.⁷⁾

Technological development

Concentrated solar power

In recent years the development of concentrated solar power has focused on reducing the costs of the technology. Research specifically for the American market found that the costs of concentrated energy had fallen in line with the expectations established in 2012, when it was forecast that the price per kilowatt hour ("kWh") would fall by 75 per cent over the period 2012 to 2020.⁸⁾ Other technological development has focused on improvements, alternatives and cost reductions relating to the storage of concentrated solar energy.⁹⁾ Streamlining the heat transfer process has also been an important area.¹⁰⁾ This technological progress is 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.

Renewable energy technology and investment

The most important development within the renewable energy sector in the past five years is that LCOE for renewable energy technology has continually decreased. This development has been greatest for photovoltaics, for which LCOE has decreased at an average annual rate of 20 per cent over the past five years. In January 2017 photovoltaics achieved grid parity with coal for the first time in certain markets, and by 2020 LCOE for the technology is expected to be lower than that for coal and natural gas power plants globally.¹¹⁾ Azelio sees this as an important milestone for the perception of all renewable energy.

Another matter that is rarely mentioned is that historically, institutions have been restricted from injecting large amounts of capital into the sector. In recent times, however, technological and political developments have led to increased investment in renewable energy infrastructure. These investments are now more comparable with investments in public infrastructure such as 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 total promised investments in renewable energy amounted to SEK 400 billion.¹²⁾ 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

Although there is a global trend towards increasing access to electricity, and in many countries the expansion of grids is outstripping population growth, the market potential for off-grid installations continues to grow. This is illustrated by Figure 16 and

¹⁾ Regulation and Investments in Energy Markets, s.89–100, 2016. Renewables Now, Oman.

²⁾ Adnan Amin, director general of IRENA, 6th annual MENA Renewables Energy Conference, Kuwait 2016.

³⁾ Chatham House, The Royal Institute of International Affairs. *Investing in Renewable Energy in the MENA Region: Financier Perspective*, 2011.

⁴⁾ RCREE, Arab Future Energy Index Renewable Energy 2016, 2016.

⁵⁾ M. Bardolet, "Regulatory Overview Saudi Arabia," 2014.

⁶⁾ Regulation and Investments in Energy Markets, pp.89–100, 2016.

⁷⁾ Solarplaza, Facts & Figures, Solar Energy Northern Africa 2017.

⁸⁾ NREL, *On the Path to SunShot: Advancing Concentrating Solar Power Technology, Performance, and Dispatchability*, May 2016.

⁹⁾ Michael Irving, *Solar thermal record sees 97% conversion of sunlight into steam*, August 2016.

¹⁰⁾ Commonwealth Scientific and Industrial Research Organisation (CSIRO), *Supercritical solar – new frontier for power generation*, June 2014.

¹¹⁾ World Economic Forum, *Renewable Infrastructure Investment Handbook: A Guide for Institutional Investors*, December 2016.

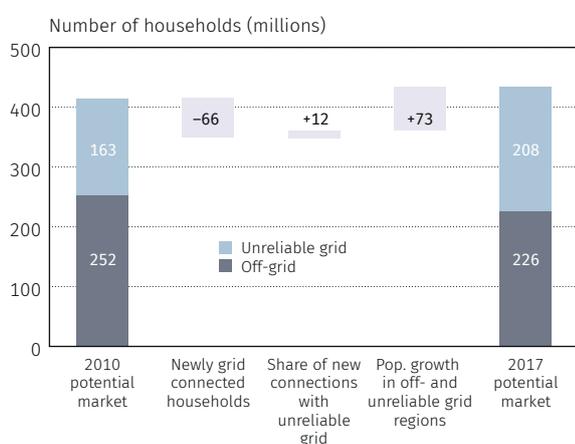
¹²⁾ Given a USD/SEK exchange rate of 8.5, source: World Economic Forum, *Renewable Infrastructure Investment Handbook: A Guide for Institutional Investors*, December 2016.

can be explained by two factors, taking as an example the period 2010 to 2017:

- Grid expansion provided an additional 66 million households with electricity during this period. Of these 66 million, however, 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 installations 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 a positive development towards more and more people gaining access to electricity, therefore, the potential market for technologies such as Azelio's continues to grow.

**FIGURE 16. MARKET FOR OFF-GRID SYSTEMS
(MEASURED AS NUMBER OF HOUSEHOLDS)**



Source: World Bank, Off-Grid Solar Market Trends Report 2018, 2018.

Competition, competitors and Azelio's positioning

The main target group for Azelio is customers wishing a cost-effective system for distributed and dispatchable renewable energy. There are competing technologies on the market, but these often have crucial differences to Azelio's systems in terms of emissions and modularity, and in comparisons with other renewable energy sources it is mainly storage capacity that is a central differentiating factor. Also within Azelio's niche are a few competing companies with more mature technologies, but Azelio's technology is differentiated from these in ways that are advantageous.

Competing technologies

Gas and diesel generators have historically been used to a great extent to satisfy demand for distributed and dispatchable electricity production in areas with poor accessibility and reliability as regards the regular electricity grid. The advantages are mainly the fact 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 dioxide emissions combined with high and volatile operating costs. Studies have shown that depending on fuel costs,

LCOE for Azelio's technology is between a third and two thirds of that for diesel and gas generators.²⁾ This is true without taking into account any subsidies or other incentive programs that are available.

An emerging technology for distributed and dispatchable renewable electricity production is the combination of photovoltaics with batteries. This combination produces a cost-effective system that allows storage for short periods of time. In recent years photovoltaics have fallen considerably in price and have become accessible to more and more people. However, Azelio's technology is more competitive from as little as around four hours' storage time. For more information about storing electricity in batteries see the section "Market overview – Storage of solar energy for distributed and dispatchable electricity production".

However, Azelio does not regard photovoltaics or concentrated solar power without associated storage solutions to be competing technologies, since these technologies do not address the need for dispatchable electricity production.

Competitors

The competing company whose technology has developed the most is Vast Solar. Vast Solar has a system in which sunlight is focused by heliostats on a receiver located around 30 metres up on a tower, with the aim of generating steam. The steam that is produced in the tower is conducted through pipes in order to finally drive a small-scale steam turbine. Tanks containing molten salt are used to store the energy, rather than using an aluminium alloy with a high energy density as in Azelio's case. Another difference from Azelio's technology is that Vast Solar uses a technology which, in the Company's opinion, risks increasing thermal losses and may restrict the potential size of the system. The investment requirement for steam turbines is so high that large-scale systems are required in order to achieve a competitive LCOE; a size restriction on the system may therefore result in difficulties achieving a competitive LCOE. In 2016 Vast Solar began a pilot installation in Australia, which has now been completed, with a capacity of 1.1 MW and three hours' storage. In addition, a similar 30 MW installation is in development which is intended to have four hours' storage capacity.

The company 247 Solar is developing a technology which is largely similar to Azelio's and is aimed at the same market niche as Azelio's. This technology is still in development and needs to be demonstrated at system level, and consequently a 300 kW pilot installation is currently being built. The system from 247 Solar uses heliostats which are directed towards a tower where air is heated, which then drives a microturbine. The intention is for the turbine to be 300 kW to 1,200 kW in size. The storage material used is ceramic blocks, which Azelio believes results in higher storage losses compared with the Company's own technology. Another drawback of 247 Solar's system is that the costs of the pipeline system are expected to be high, since this must cope with temperatures of around 800 °C.

¹⁾ World Bank, Off-Grid Solar Market Trends Report 2018, 2018.

²⁾ Based on the Company's internal calculations.

Business overview

Introduction to Azelio

Azelio was established in 2006 based on a conviction that the future can be powered by solar energy. Azelio offers a system of Stirling engine-based concentrated solar power with thermal energy storage. The system is offered to customers who are building projects around the sun belt involving installations of between 500 kW and 20 MW for electrical production during the day together with a storage capacity of 13 hours. This segment of small and medium-sized installations with long storage periods currently has no sustainable and cost-effective solutions in the global energy market.

The Company's Stirling engine has been used in commercial applications, having accumulated over two million operating hours and 172 installations globally, while the subsystem for thermal energy storage has been validated in a demonstration plant in June 2018, but has not yet been commercially applied.

Over the period 2018–2020 the Company will focus on the industrialisation of the system's design, construction and production. In the fourth quarter 2019 three systems will be installed in a verification project in Morocco jointly with Masen (the state-controlled Moroccan Agency for Sustainable Energy). From 2020 onwards, additional 8–16 systems are expected to be installed in commercial projects, with volume production expected from 2021.

The Company has its head office in Gothenburg, Sweden, with production in Uddevalla and a development centre in Gothenburg and Åmål, and also has a sales office in Beijing, China and a representative office in Madrid, Spain. Manufacture takes place in a modern production facility located in a region surrounded by some of the most advanced materials suppliers in Northern Europe. As of 30 September 2018 the Company had 75 employees, and net sales for the first nine months of 2018 amounted to SEK 1,672 thousand.

The world is in need of renewable energy which is accessible and cost-effective in order to manage current and future economic, environmental and social demands. In recent years there has been positive development, with more than half of new global energy being renewable – the overwhelming share of which is solar energy.¹⁾ With decreased costs for renewable energy sources, the growth of renewable energy is expected to increase.²⁾ However, growth is dependent not just on how costs develop; as the share of renewable energy sources increases, the regularity of the energy is becoming gradually more important. Most renewable energy solutions are intermittent and are therefore unable to supply electricity 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.

One of Azelio's objectives is to offer renewable energy through low-cost energy storage with distribution on demand, thereby making renewable energy the most cost-effective option on the market. The Company's system is built using a modular design, which means that all sizes of installations can be built – from

small to large – while maintaining a low electricity production cost and a high level of efficiency. The system was developed for local electricity production coupled with storage of energy that can be converted into electricity at any time, providing capacity for all hours of the day.

The technology is very well suited to areas that currently do not have access to an electricity grid or do not have a reliable electricity grid. The Company assesses that Azelio's solution can be used to accelerate the rollout of electricity to the approximately one billion people around the sun belt who currently have no access to reliable electricity. The Company intends to sell its system to EPC-contractors which then install the system for the end customer. Future end customers may for instance be energy-intensive customers such as mining industry, cement industry and process industry.

The Company's initial target market is Morocco, followed by the remainder of the MENA (Middle East and North Africa) region. Azelio has been operating in the region for a number of years and has established strategic partnerships with leading players within research, development and business development. The Company's experienced partners include the Moroccan Agency for Sustainable Energy ("Masen") in Morocco and the Masdar Institute of Science and Technology ("Masdar") in Abu Dhabi.

Business concept, vision and mission

Business concept

Azelio's business concept is to develop, sell and deliver systems based on a Stirling engine for dispatchable solar power.

Vision

To establish solar power as the obvious choice of energy source around the sun belt by distributing electricity on demand.

Business model

Azelio offers a system of Stirling engine-based concentrated solar power with thermal energy storage for electricity production 24 hours a day or at times of peak demand. The Company carries out final assembly of the Stirling engine in a factory and owns all of the unique product design for the Company's system, while subcontractors produce the system's components and subsystems, such as heliostats. Research and development, as well as sales and marketing, are carried out internally and in cooperation with the Company's strategic partners.

Azelio may apply one of 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 will act as technology provider, sell the

¹⁾ EIA, *International Energy Outlook 2017*, September 2017.

²⁾ EIA, *International Energy Outlook 2017*, September 2017.

technology and provide training in how to build a successful and commercially viable project.

Azelio's system is offered to customers in the global energy market who are building projects around the sun belt involving installations of between 500 kW and 20 MW for electrical production during the day together with a storage capacity of 13 hours. In the longer term Azelio intends to develop its offering and offer systems for projects of towards 100 MW. Azelio sells the system to 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.

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, Azelio may run jointly owned projects along with third parties, then changing to become a technology provider and sell 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 as both a project owner and technology provider, but also revenue in the aftermarket through monitoring, maintenance and servicing of the system. 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.

Sale of Azelio's system

Once the Company has established Azelio's system and technology on the market, the Company intends to apply a revenue model based on sales of the Company's system with a split payment. The first payment is received on the date that Azelio's system is ordered and is expected to amount to around 15 per cent of the order value. In normal circumstances this cash flow is expected to be sufficient to provide the necessary working capital for the completion and delivery of Azelio's system. Around 40 per cent of the order value is then paid on delivery, followed by around 30 per cent of the order value on 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 be 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 is in ongoing discussions with various financiers that can support the Company's projects with loan financing. The Company is in discussions with the Swedish Export Credit Agency (Exportkreditnämnden, "EKN") and the Swedish Export Credit Corporation (Svensk Exportkredit, "SEK") concerning possible

collaboration which involves a financier giving Azelio a loan where the production risk and risk of loss of value are covered by a guarantee from the financier. This approach results in Azelio having lower interest costs than in the case of normal loan financing. In addition, the Company also has the opportunity to receive equity, loans or grants from organisations, authorities and international financial institutions such as World Bank and European Bank for Reconstruction and Development to finance projects.

Long-term targets

Operational targets

Azelio aims to offer renewable energy through low-cost energy storage and distribution on demand. The Company shall offer the most cost-effective option for dispatchable and distributed electricity production, and shall contribute to the development towards renewable energy making up a majority of the future global energy mix.

In order to achieve the above, the Company has the following targets for each year between 2018 and 2021:

2018	<ul style="list-style-type: none"> Fully completed cooperation agreement with a partner for industrialisation and production of the solar concentrator
2019	<ul style="list-style-type: none"> Agreements signed with partners/facilitators on prioritised markets Installation and commissioning of design verification project
2020	<ul style="list-style-type: none"> Verification data ready from design verification project First commercial order for a smaller project Installation and commissioning of production verification project
2021	<ul style="list-style-type: none"> Verification data ready from production verification project Start of volume production, June 2021 Installation and commissioning of first commercial project Production capacity 5,000 power units per year and shift.

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 target

Azelio shall, in the long-term, achieve a EBIT-margin of at least 15 per cent.

History

Azelio was established in 2006, under the name Cleanergy AB, by four Swedish entrepreneurs with a strong shared interest in environmentally friendly 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 Stirling engine technology. Since then, more than SEK 1 billion has been invested in the Company to develop the Stirling engine, concentrated solar power and thermal energy storage. Azelio has installed proven and commercial demonstration units using the Stirling engine and its system of concentrated solar power all over the world. In conjunction with the demonstration of the Company's new groundbreaking solution for thermal energy storage in June 2018, the name of the Company was changed to Azelio AB. Below is a summary of the major events in the Company's history.

2006	<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.
2014	<ul style="list-style-type: none"> Crucial growth of the distribution network in the EU.
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, at the same time ending previously business area regarding solar application through Stirling engine-based parabolic dish (concentrated solar power without thermal energy storage) and paus the business area for gas application through the Company's product GasBox. The Company made the assessment that Stirling engine-based parabolic dish was not able to achieve commercial prerequisite without thermal energy storage. In connection with ending the development and sales of Azelio's previous products, personnel termination also occurs. Azelio terminate project development for Stirling engine-based parabolic dish in Cyprus since the Company's counterparty, the Cypriot government, has decided not to guarantee feed-in tariffs, meaning that the project has no commercial prerequisite. 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.

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 realise its future strategic and financial goals:

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

Leading technology with modular design

Azelio's system is based on the Stirling engine from Solo Kleinmotoren GmbH that the Company has developed further. The Stirling engine has been developed for around 30 years in total, with more than two million accumulated operating hours. In the Company's opinion, combining the efficiency of the Stirling engine with the system's ability to store thermal energy – rather than the considerably more expensive storage of electricity¹⁾ – creates a competitive, well-priced offering for installations of up to 50 MW and with a storage capacity of 13 hours.

Azelio's system has a modular design, enabling small projects to be built and allowing a standardised build process, rapid installation, staged 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 complex 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-effectively.

Cost-effective solution with first class performance and efficiency

Azelio offers a system of thermal energy storage that stores energy in the form of heat, which is subsequently converted to electricity on demand. Heat can be stored at a lower cost and considerably more efficiently than storing electricity. According to the Company, Azelio's Stirling engine has an efficiency from heat to electricity of approximately 29 per cent. This high efficiency combined with the modular and distributed design results in a competitive LCOE even for relatively small installations.

For each kWh produced using Azelio's Stirling engine, the associated heliostats take up only 75 per cent of the surface area required to produce the same amount of electricity using steam turbine-based concentrated solar power. Steam turbine-based concentrated solar power is only competitive for larger installations – such as those in the order of 100 MW upwards – and in geographies which currently have well-developed and stable electricity grids. Azelio's system is competitive for smaller installations from 100 kW and is well suited to areas that do not currently have a reliable electricity grid.

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

The Company's production plant was constructed with the quality associated with the Swedish automotive industry and according to the latest manufacturing principles. Azelio's production takes place in an environment surrounded by suppliers to and partners of the global automotive industry that have considerable experience of producing components in large volumes, and at the right quality and cost. With established subcontractors as well as 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 secure rapid growth in production.

Global network of established partners

Azelio has developed a strong global network of leading players within solar energy, including Masen and Masdar. This network has helped enable the Company to create a global awareness within the solar energy industry. In collaboration with the Company's partners, who can be found in regions around the sun belt, Azelio is able to demonstrate and validate the Company's system in a punishing desert environment under representative solar conditions. The Company's partners contribute valuable knowledge concerning the solar 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 the Company has identified potential business opportunities. For more information about the Company's partners see the section "Business overview – Partners".

¹⁾ IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.

Growth strategy and development potential

Establish technology as market leader within Azelio's market segment

Azelio has developed the Stirling engine from Solo Kleinmotoren GmbH further in order to achieve optimal energy efficiency at the lowest possible cost level. The Stirling engine has been used in commercial applications, while the subsystem for thermal energy storage was proven in a demonstration plant in June 2018 but has not yet been commercially applied. Azelio's focus going forward is to develop the Company's systems and verify the design via a verification project in the fourth quarter 2019. The first delivery of small commercial projects is expected to take place from 2020, followed by volume production from 2021.

Within Azelio's market segment there are a number of operators who have developed similar systems to Azelio's, involving concentrated solar power and thermal energy storage. Azelio considers the Company to have created a head start for itself over its competitors in the development of the technology, and thereby to have created product superiority and established a favourable position in the market for installations of between 100 kW and 50 MW and with a storage capacity of 13 hours. According to the Company, Azelio offers a robust, modular, cost-effective system for even small installations and upwards, with high energy density in the thermal store, 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. Overall, this results in Azelio's system being able to demonstrate a lower LCOE compared with other competing technologies for installations of between 100 kW and 50 MW and with a storage capacity of 13 hours. Azelio will work to benefit from its present position in the market and its competitive technology, with the aim of its technology becoming the market leader within Azelio's market segment.

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 of between 100 kW and 20 MW and with a storage capacity of 13 hours.

Currently there are no sustainable and cost-effective solutions for this segment on the global energy market. A large part of the population in the sun belt has no access to a reliable electricity grid and is forced to use local power production based on diesel or gas in order to secure an electricity supply. The Company is able to offer a system that generates local electricity production close to the end customer, thereby reducing the need for over dimensioned grids and reducing losses during transfer and distribution of electricity. With more than 10 hours' storage capacity, the system can produce electricity even when the sun is not shining – during periods when demand for electricity is usually at its peak.

The Company considers there to be advantageous conditions for growth around the sun belt in countries where there are good solar conditions, high electricity prices and a high level of demand for reliable electricity at all hours of the day. Azelio has identified the MENA region as an attractive market, with an initial focus on Morocco. Morocco offers reliable sun together with favourable political initiatives for increased production of renewable energy. For more information about the Company's market see the section "Market overview".

Product offering

Azelio's Stirling CSP system with thermal energy storage (TES)

Azelio's system builds upon Stirling engine-based concentrated solar power with 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 for a number of years. With new innovation within thermal energy storage, the Company has created an energy-producing system for installations of between 100 kW and 50 MW with a storage capacity of 13 hours' electricity generation at nominal output. With efficient storage of thermal energy and rapid conversion to electricity, Azelio is able to offer various industries and communities in large parts of the world an available, decentralised, cost-effective and environmentally optimised solution for electricity generation around the clock, or when demand is at its peak.

The Company's system has a modular design, enabling small projects to be built and allowing a standardised build process, rapid installation and staged 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.

The system consists of a fan-shaped heliostat field that reflects the sun's rays up to a receiver on the thermal store, which is mounted along with the Stirling engine at the top of a tower approximately 10 metres high. The receiver absorbs heat and uses it to melt an aluminium alloy that stores the heat, which is then transferred to the Stirling engine – allowing it to produce electricity at full power even during the hours of darkness.

According to the Company, Azelio's Stirling engine has an efficiency from heat to electricity of around 29 per cent; this compares with 18 per cent for steam turbines of an equivalent size, which are often used in traditional concentrated solar power. This greater efficiency results in large cost savings for the installation concerned. Azelio assesses that for each kWh hour of electricity produced, Azelio's Stirling engine requires only 75 per cent of the installed mirror area for concentrated solar power compared with that needed for steam turbine-based concentrated solar power. With industrial automation and volume production of components, the cost per kWh can be kept at a low level even in small installations from 100 kW upwards. Azelio's system also allows energy to be stored in the form of heat, which can take place at a significant lower cost than the cost of storing electricity.¹⁾ Overall, the Company estimates that when in full production, Azelio's system can offer a lower LCOE compared with other competing technologies for installations of between 100 kW and 50 MW for electrical production during the day together with a storage capacity of 13 hours.

¹⁾ IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.

FIGURE 17. AZELIO'S STIRLING CSP SYSTEM WITH THERMAL ENERGY STORAGE (TES)



FIGURE 18. STIRLING ENGINE

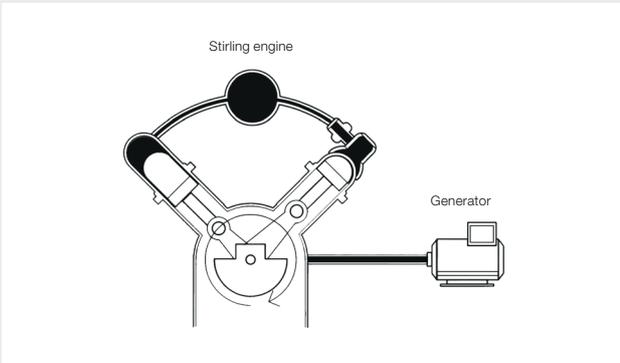


FIGURE 20. THERMAL ENERGY STORAGE (TES)

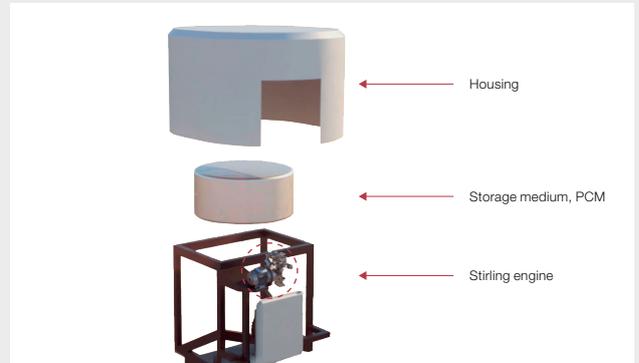


FIGURE 19. CONCENTRATED SOLAR POWER (CSP)

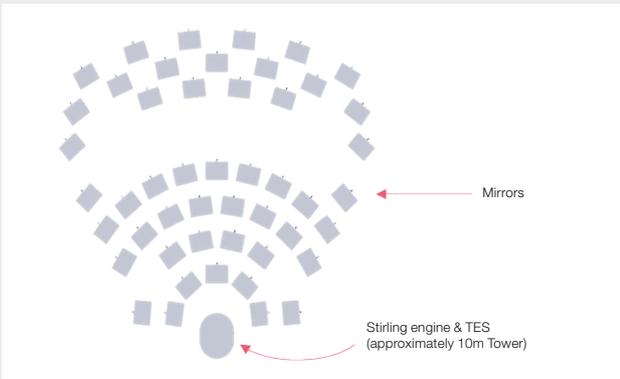
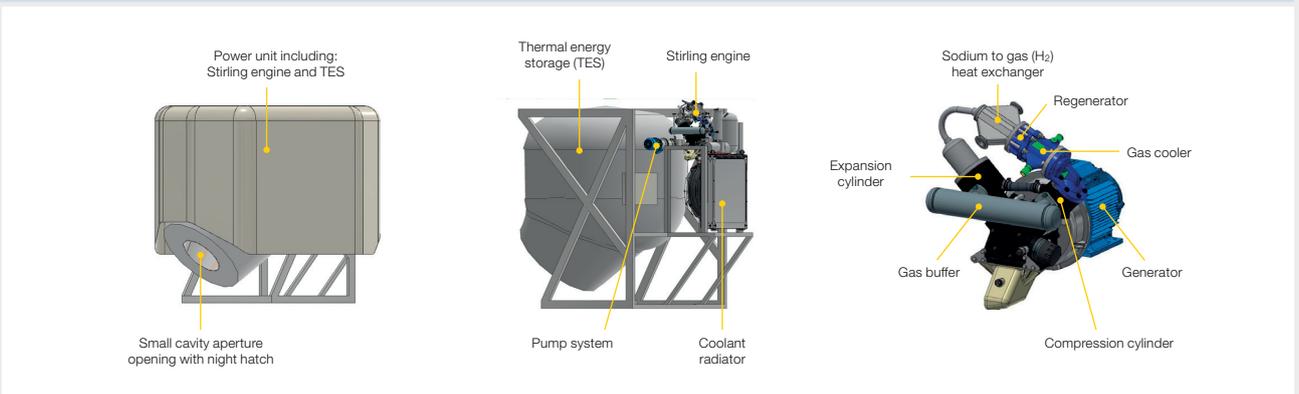


FIGURE 21. STANDARDISED 13 KW MODULE



FIGURE 22. DETAILED PRODUCT DESIGN

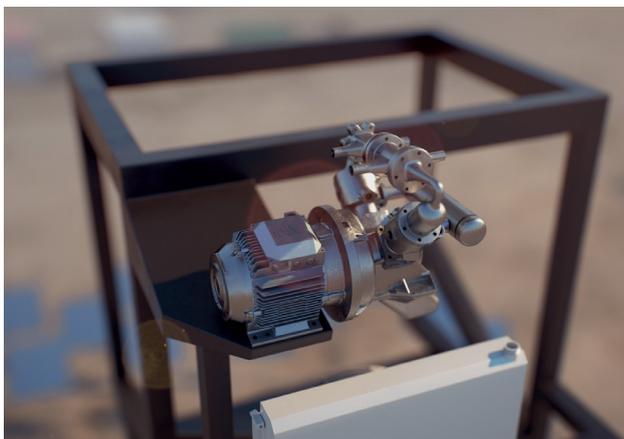


Stirling engine

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 find commercial applications. In Sweden the best known application is Kockum's submarine engines. The Stirling engine offers high efficiency and a closed internal gas system, which means no external contamination or contamination from internal combustion. According to the Company, the Stirling engine is well suited to the construction of small projects from 100 kW 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 developed the Stirling engine since 1990. Since then, the Company has developed the Stirling engine further to increase its robustness and efficiency, lower its costs and reduce the need for maintenance. The Company's Stirling engine has been developed for around 30 years, with 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 UK, but also in Morocco, Dubai and China.

The Stirling engine operates by a gas in the engine being alternately heated up and cooled down, resulting in pressure differences that are utilised to move pistons in cylinders. The heat is then converted into kinetic energy, which is in turn converted into electricity. The Company has developed a reliable and robust design, which means that the Stirling engine requires 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.



Concentrated solar power (CSP)

Concentrated solar power is based on the ability to convert the solar energy into electricity, but in order to concentrate solar energy in a system of thermal storage the actual capture needs to be optimised for the system as a whole. Azelio's system consists of a fan-shaped heliostat field with controlled mirrors; the overall size can be adjusted depending on the local conditions. The average surface area for installation of the heliostat field is 625 square metres. Using a heliostat as a solar concentrator allows the solar energy to be adapted easily to different solar conditions. The heliostat field reflects the sun's rays up to the receiver on the thermal storage, which is, together with the Stirling engine, mounted on a tower around 10 metres high.

There are a number of advantages to working with controlled heliostats. The technology is proven and the production costs are relatively low, while maintenance and servicing can be managed easily. The Company uses dual-axis heliostats which track the movement of the sun and can thereby efficiently collect solar energy during the sunny hours of the day. Azelio's system generates energy by using the thermal energy in sunlight, in contrast to photovoltaics which use the photoelectric effect.

The Company's system differs from other solutions using concentrated solar power. Steam turbine-based concentrated solar power is only competitive for larger installations from 100 MW upwards and in geographies with a well-developed and stable electricity grid. According to the Company, the build period for such a project is usually up to five years. The Company assesses that the build period for a 100 kW project using Azelio's system is one month, while a 20 MW project requires a build time of six months. Azelio's system generates electricity close to the end customer, thereby reducing the need for over dimensioned grids and reducing losses from electricity transfer and distribution. With more than 10 hours' storage capacity the system can produce electricity even when the sun is not shining, during periods when electricity demand is usually at its peak. In addition, the Company's installations have lower investment costs as result of being smaller projects from 100 kW upwards. A modular design means that Azelio's system can be installed close to the consumer and in areas where large-scale solar power would not otherwise be possible. The system does not require water in the power generation process, making it well suited to dry areas where there is normally a high DNI (around 2,000 kWh per square meter and year) and good conditions for solar energy.



Thermal energy storage (TES)

In thermal energy storage, energy generated is stored as heat and converted to electricity on demand. This can be done at a lower cost and is considerably more efficient than storing electricity.¹⁾ The technology differs from the storage of energy using batteries, which convert energy to electricity and also store it in the form of electricity.

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 is an aluminium alloy. The receiver, mounted at the top of a tower around 10 metres high, absorbs energy from a heliostat field and uses the energy to melt the aluminium alloy 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, which produces electricity.

Aluminium is the most common metal in the Earth’s crust, making it highly available and also 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 medium. 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 supply of water can be up to three cubic metres per MWh. The use of salt or water has a negative impact on the environment; salt is a pollutant and water is a scarce resource in a number of 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 environmentally friendly 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 generation. Azelio has also developed its own hardware platform to control the store and the Stirling engine. The Company use purchased commercially standard software for industrial systems to control, for example, the power distribution. Furthermore, commercial and proprietary software is used for data logging and remote communication.

Service and aftermarket

Azelio initially intends to provide service and aftermarket services through:

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

LCOE

LCOE²⁾ 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 electrical production during the day together with 13 hours of thermal energy storage, Azelio’s system shows a lower LCOE compared with competing energy solutions. This is 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.

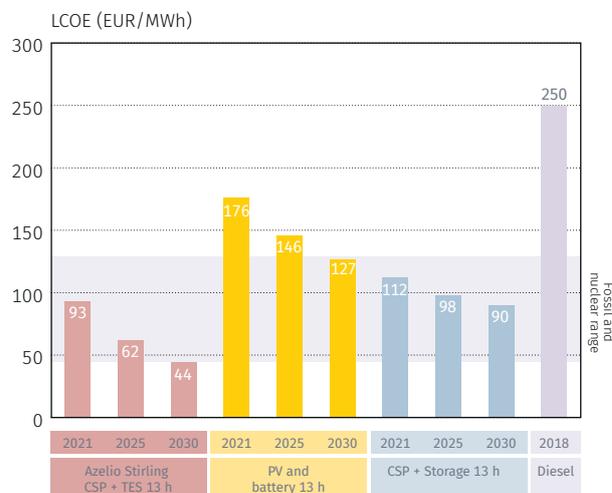
The demand for energy storage is growing fast together with increased penetration of renewable energy which results in an increased demand for thermal solar energy with thermal energy storage. In line with the continuance of this trend the costs continually decrease for the technique.

System performance varies depending on the specific installation, solar conditions, geographical location, customer requirements etc. In Ouarzazate, Morocco, average solar radiation is 2,630 kWh per square metre and year. The Company assumes that a module will have a lifetime of 30 years, a discount rate of 5 per cent, and an installation size of 10 MW. Once volume production is achieved in 2021, the Company assesses that Azelio’s system will have an LCOE of EUR 93/MWh for electrical production during the day together with 13 hours of thermal energy storage. This is an initial cost that will be significantly reduced by increased volume production, and is estimated to be EUR 62/MWh in 2025. Azelio’s calculations of LCOE does not include the effect of, in some cases already decided, emission rights and possible carbon taxes, which, according to the Company, would further increase the competitiveness.

LCOE of Azelio’s system in 2021 can be compared to fossil fuels such as diesel, that today have an LCOE of around EUR 250/MWh, while competing concentrated solar power with 13 hours of storage generates an LCOE of around EUR 112/MWh in 2021, while photovoltaics with 13 hours of storage have an LCOE of EUR 176/MWh in 2021³⁾.

Figure 23 shows a comparison based on LCOE for Azelio’s technology and competing technologies.

FIGURE 23. LCOE COMPARISON⁴⁾



Source: Based on the Company’s internal calculations.

¹⁾ IRENA, *Electricity Storage and Renewables: Costs and Market to 2030*, October 2017.

²⁾ The LCOE value is calculated by taking the system’s total expected present value life-cycle costs and dividing by the system’s expected total energy production.

³⁾ Comparison based on the Company’s internal calculations which is based on data from National Renewable Energy Laboratory’s (NREL) data base Annual Technology Baseline (ATB).

⁴⁾ Comparison based on the Company’s internal calculations which is based on data from National Renewable Energy Laboratory’s (NREL) data base Annual Technology Baseline (ATB).

Below shows a breakdown of LCOE for photovoltaics with batteries as well as concentrated solar power with storage for the years 2021, 2025 and 2030. The Company assumes electrical production without storage of 8 hours per day, project lifetime of 30 years and a discount rate of 5 per cent. The installation size for photovoltaics with batteries is commercial grade size while concentrated solar power is large-scale tower with an installation size of 100 MW, which is the size where concentrated solar power is competitive. For photovoltaics with batteries, LCOE increases in line with longer storage time, because battery storage has higher costs. For concentrated solar power, LCOE instead reduces together with increased storage capacity, due to the fact that the storage component has a lower cost than battery and is based on large-scale benefits.

Photovoltaics with batteries (LCOE EUR/MWh)¹⁾

Storage time	2021	2025	2030
4 h	83	71	60
8 h	122	103	89
13 h	176	146	127

Concentrated solar power with storage (LCOE EUR/MWh²⁾

Storage time	2021	2025	2030
4 h	111	107	101
8 h	87	84	79
13 h	70	67	63

Breakdown of LCOE for Azelio's system³⁾

Below shows a breakdown of LCOE per MWh for Azelio's system in 2021, 2025 and 2030. The Company has adopted an installation size of 10 MW and an exchange rate of EUR/SEK at 10.30.

2021 LCOE/MWh	SEK	EUR
Levelised capital cost	743	72
Fixed Operations and Maintenance	217	21
Spare parts incl. service material	134	13
Insurance, permits, and other	56	5
Operating costs (personnel, electricity, etc.)	27	3
Sum	960	93

2025 LCOE/MWh	SEK	EUR
Levelised capital cost	470	46
Fixed Operations and Maintenance	169	16
Spare parts incl. service material	109	11
Insurance, permits, and other	36	3
Operating costs (personnel, electricity, etc.)	25	2
Sum	639	62

2030 LCOE/MWh	SEK	EUR
Levelised capital cost	316	31
Fixed Operations and Maintenance	140	14
Spare parts incl. service material	92	9
Insurance, permits, and other	24	2
Operating costs (personnel, electricity, etc.)	23	2
Sum	456	44

Customer examples

Azelio's target market is the regions around the sun belt and end customers in rural areas who do not currently have access to a reliable electricity grid and therefore have no choice but to use expensive local production based on diesel generator to ensure a continuous electricity supply. Azelio is able to offer

a cost-effective and environmentally optimised solution for local electricity generation around the clock, which is a strong incentive to switch from competing diesel generator to Azelio's system. Below provides customer examples of an operator and an industrial operator.

Case study – operator of small local grids

- The customer is an energy company that operates a small local electricity grid and sells electricity to local communities and industries
- Azelio offers the customer a cost-effective and environmentally friendly solution for local electricity generation around the clock
- By switching from diesel generator to Azelio's system, the customer can increase its cash flow by more than EUR 6 million per year, and repay the investment after five years

	Diesel generator	Azelio
Annual production (5 MW plant with 78% capacity)	33,960 MWh	33,960 MWh
Revenue (256 EUR/MWh electricity price)	8,693,835 EUR	8,693,835 EUR
OPEX (Excluding fuel cost)	878,166 EUR	734,000 EUR
Fuel cost (Diesel, 0,92 EUR/liter)	7,804,468 EUR	–
Interest cost (60% debt financing at 6% interest rate)	198,000 EUR	1,222,488 EUR
Cash flow	–186,799 EUR	6,737,347 EUR
CAPEX/MWh	1,100,000 EUR	6,791,600 EUR
Total project CAPEX	5,500,000 EUR	33,958,000 EUR
Payback time	–	5 years

Case study – industrial operator self-sufficient in electricity

- The customer is an industrial operator who produces electricity for his own use
- Azelio offers the customer a cost-effective and environmentally friendly solution for local electricity generation around the clock
- By switching from diesel generator to Azelio's system, the customer can achieve cost savings of more than EUR 5 million per year

	Diesel generator	Azelio
Annual production (5 MW plant with 78% capacity)	33,960 MWh	33,960 MWh
LCOE (EUR/MWh)	256 EUR	107 EUR
Total electricity cost	8,693,835 EUR	3,646,317 EUR
Total cost savings	–	5,047,518 EUR

¹⁾ Comparison based on the Company's internal calculations which is based on data from National Renewable Energy Laboratory's (NREL) data base Annual Technology Baseline (ATB).

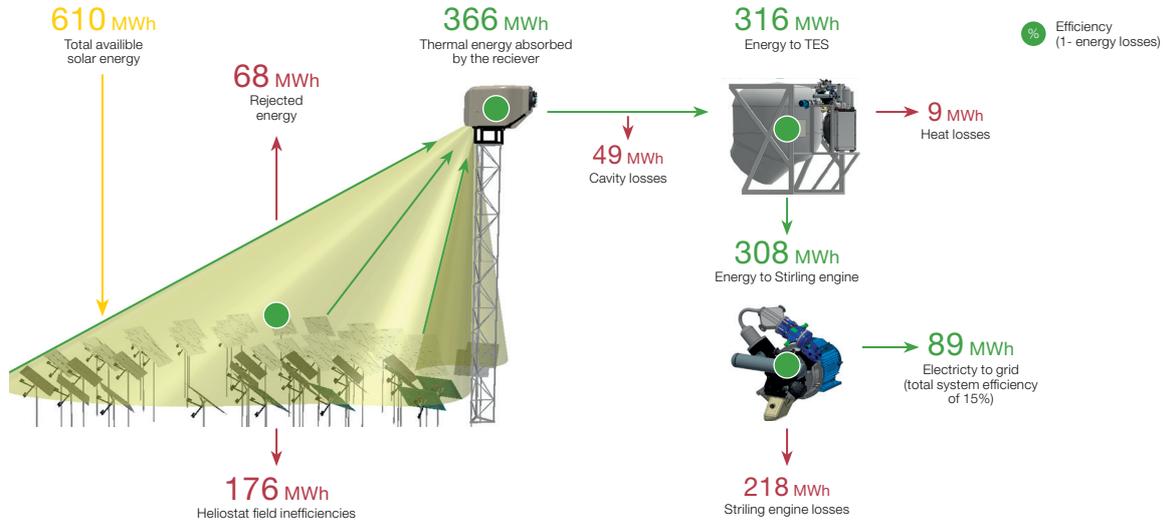
²⁾ Comparison based on the Company's internal calculations which is based on data from National Renewable Energy Laboratory's (NREL) data base Annual Technology Baseline (ATB).

³⁾ Comparison based on the Company's internal calculations.

Energy balance from solar to electricity

Figure 24 provides an illustrative overview of the energy balance from solar to electricity.

FIGURE 24. ENERGY BALANCE FROM SOLAR TO ELECTRICITY



Stirling engine-based parabolic dish and GasBox

The Company has previously conducted two parallel business areas; solar application through Stirling engine-based parabolic dish (concentrated solar power without thermal energy storage) and gas application through the Company’s product GasBox. The proposition was to use the same Stirling engine for both applications. In the solar application, the Stirling engine’s working gas was heated directly by concentrated solar power up to a receiver, directly illuminated via a parabolic dish. In the gas application, however, the working gas was heated with hot combustion gases from a gas burner via a heat exchanger. In the gas burner, fossil and renewable gases (e.g. gases from landfill sites and waste facilities) could be burned.

In 2017 Azelio implements a shift in strategy to focus on developing a system with thermal energy storage for dispatchable and distributed electricity production. In conjunction with this strategic shift, the Company decided to end the development work on the directly illuminated solar application and pause the development work of the gas application. The Company today manages service of the approximately 60 GasBox in operation at industrial clients.

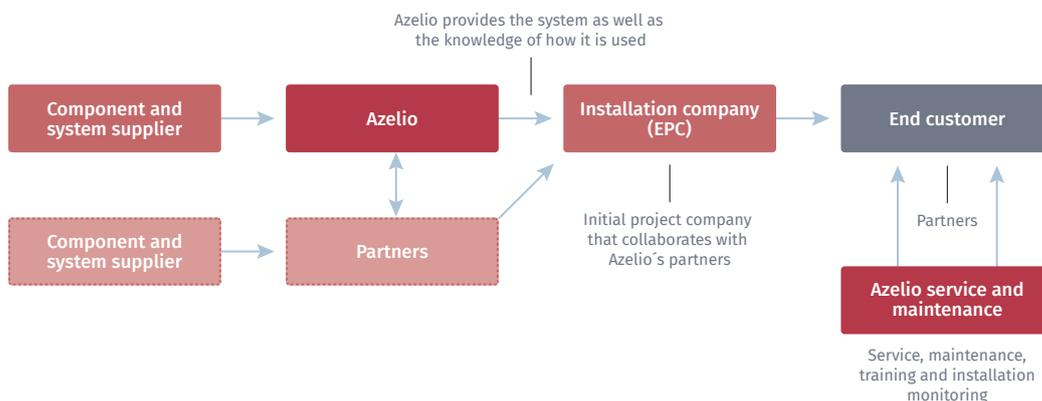
The current development of the Stirling engine is the further development for optimal adaption to thermal energy storage. The Company assesses that a restart of the gas application can occur in conjunction with the production of the Stirling engine reaches

volume growth which can be coordinated with market growth within gas.

Value chain

Azelio’s overall strategy is to be a technology provider, which means that the Company will deliver Azelio’s complete systems including the Stirling engine, solar concentrator and energy storage. Subcontractors provide Azelio with components and subsystems, such as solar concentrators, while Azelio is responsible for final assembly of the Stirling engine in the factory. Azelio’s customer offering encompasses the system and the knowledge concerning how the system is used. EPC-contractors 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 end user. In the aftermarket the Company offers ongoing maintenance and servicing of Azelio’s systems. 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 efficiency of the organisation, so that Azelio can focus on the Company’s core expertise and develop Azelio’s offering to increase customer satisfaction.

FIGURE 25. VALUE CHAIN



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

Production

Azelio's production strategy allows it to secure rapid growth in production. At the same time, it is important to be flexible as regards volume during production, assembly and installation, since the Company's projects comprise installations from 100 kW to 20 MW.

Azelio has a production facility in Uddevalla which originates from the Swedish automotive sector and therefore is of the quality associated with this, and which was built according to the latest manufacturing principles. The production facility, which consists of an assembly line with system for automatic logging of work, 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 at the date of the Offering Circular, Azelio has produced a total of 172 Stirling engines that have been delivered to solar parks and gas installations (such as landfill sites) globally. With its existing production line and with five shifts a day Azelio has a production capacity of around 23,000 Stirling engines annually, corresponding to a total delivery capacity for Azelio's systems of approximately 300 MW and around SEK 15 billion in sales, which the Company considers to be sufficient for the planned sales volumes. The Company has room to expand by adding another production line, giving a total production capacity of approximately 46,000 Stirling engines annually. With its own production facility available for volume production, Azelio can ensure high quality while at the same time minimising production costs.

In its production the Company will focus on final assembly of components and subsystems. Azelio owns the designs for all critical non-standardised components, which means that the core expertise is held internally within the Company. Azelio will concentrate mainly on final assembly of the Stirling engine, while solar concentrators are manufactured by local subcontractors. The Company has the capacity for final assembly of thermal energy storage, but is evaluating the possibility of this being managed by partners. Components and subsystems are produced by subcontractors that are used to producing components in high volumes, at the right quality and cost. Working with established suppliers gives Azelio access to high quality production and experience of product development. Access to industrial automation and volume production of components ensures low production costs and high efficiency throughout the manufacturing chain.

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



Partners

Azelio works with international partners who share its ambition to improve the world's electricity supply through more efficient, sustainable and reliable solutions. The Company's partners consist of organisations and companies which collaborate on research and development, production, installation, industrialisation, verification and business development. With various starting positions and focuses within renewable energy, reciprocal trust is created by working together within development and validation. Azelio strives to add value for the Company and its partners in various local projects and to use each other's skills to create influence in different markets.

Masen

The Moroccan Agency for Sustainable Energy (Masen) has been one of the Company's strategic partners since 2016 and has been represented on Azelio's board of directors since 2018. Masen, which is under state control, is one of the most important stakeholders in Morocco's overall energy strategy. Masen contributes valuable knowledge concerning the solar energy market and is a central part of the Company's research and development for thermal energy storage, industrialisation, verification and business development.

In addition, 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 parks has been installed with a capacity of 580 MW.

In 2016 Azelio and Masen jointly established a 13 kW pilot installation in Ouarzazate. The next step is to build a verification project together with Masen, consisting of three units of Azelio's system, in Ouarzazate in the fourth quarter 2019.

Masdar

In 2018 the Masdar Institute of Science and Technology (Masdar) became Azelio's research partner for the development of thermal energy storage. Masdar was founded in Abu Dhabi in 2007, in cooperation with the Massachusetts Institute of Technology (MIT), as an independent non-profit research university focusing on

advanced energy and sustainable technology. Masdar is now part of Khalifa University of Science and Technology. The Masdar Institute Solar Platform (“MISP”), which is part of Masdar, is located in the MENA region’s epicentre for solar energy and provides opportunity for testing in reasonable solar conditions. Masdar’s experience in the area of thermal energy storage along with the opportunities to demonstrate and validate systems in a punishing desert environment have been considered to be crucial in the choice of research partner.

The next step in the collaboration with Masdar is continued work on research and development of Azelio’s systems, focusing on thermal energy storage.

Datang

Datang Holdings New Energy Technologies Limited (“Datang”) has been the Company’s partner in China since 2017. Its collaboration with Azelio encompasses manufacture, installation and development. Datang is also an important partner for securing approvals and financing in China. One clear aim of the collaboration is to establish Azelio’s technology as a dominant solution in China for renewable energy and to achieve a competitive cost level through local production.

Datang was established in 2016 and is a Chinese project development company which is moving more and more towards large installations for solar energy and energy storage. Datang is a subsidiary of Datang International Investment Corp. Ltd., which is headquartered in Beijing, China. The country has a goal of achieving 10 GW of installed solar energy with storage by 2030¹⁾, and Datang’s goal is to develop new distributed solar energy projects of 1 GW per year.

Datang has plans in progress for the construction of its first solar park, which will have a capacity of 200 MW. Azelio and Datang have entered into agreements under which the Company is to supply Stirling engines and concentrated solar power for the solar park. However, Azelio does not expect construction of the solar park to begin in the immediate future and therefore Azelio does not see its collaboration with Datang as part of the Company’s commercialisation plan.

DEWA

Dubai Electricity & Water Authority (“DEWA”) has been the Company’s partner in the United Arab Emirates since 2014. DEWA is one of the leading developers, project owners and operators of large-scale solar parks in the Middle East. DEWA plans to build a solar park with a capacity of 5 GW by 2030, of which 1 GW has already been contacted for construction in 2020, consisting of 80 per cent photovoltaics and 20 per cent concentrated solar power.

In 2015 Azelio and DEWA jointly established a 13 kW pilot installation in Dubai. Azelio is in ongoing discussions with DEWA with the aim of building a demonstration plant using Azelio’s technology for thermal energy storage.

Azelios partnership with DEWA is based on a memorandum of understanding with an intermediary which in turn enters into a memorandum of understanding with DEWA. In 2018 the intermediary went bankrupt, which means the Company no longer has a partner that can act as an intermediary between the Company and DEWA. DEWA and Azelio are currently searching for a new suitable intermediary for their continued cooperation. For further information on cooperation agreement with DEWA refers to the section “*Legal matters and supplementary information - Material agreements- Contract of cooperation with DEWA*”.

Research and development

Research and development are a central part of Azelio’s business, with the Stirling engine forming the basis of the Company’s system. The Stirling engine has been developed for commercial

applications, while the subsystem for thermal energy storage has been proven in demonstration plant but has not yet been commercially applied.

Azelio’s research and development is conducted in Åmål and Gothenburg. Åmål is where the Stirling engine and software are developed, and is also where tests of both subsystems and entire systems are performed in the Company’s test plants and solar laboratory. Development of thermal energy storage and solar concentrators takes place in both Åmål and Gothenburg. The majority of the development is carried out internally, with external partners for development or improvement of specific components. Azelio’s department for research and development consists of 45 individuals.

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

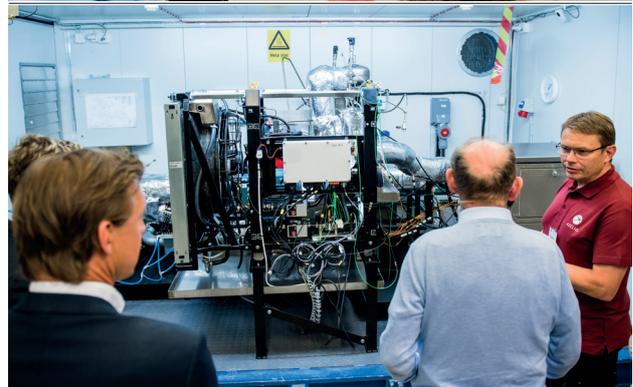
Azelio’s ongoing development relates mainly to the system’s three subsystems:

Stirling engine: Efficiency improvements to the Stirling engine for optimal adaptation to thermal energy storage. Increase efficiency further and reduce manufacturing costs;

Concentrated solar power: Further develop and customise solar concentrators for the Company’s system;

Thermal energy storage: Develop design from prototype level to production level and improve storage time.

Demonstration of thermal energy storage in June 2018 at the Company’s development centre in Åmål, Sweden.



Pilot and research installations

Azelio has a number of pilot and research installations which are described below.

United Arab Emirates

Jointly with DEWA, the Company has built a demonstration plant in Dubai, UAE that was opened in October 2015 by Mikael Damberg, Sweden’s Minister for Enterprise and Innovation. At

¹⁾ J.Wang et al., Status and future strategies for Concentrating Solar Power in China, 2017.

its inauguration the demonstration plant had a total installed capacity of 110 kW; this is now 13 kW. As at the date of the Offering Circular, the demonstration plant is not in operation.

Morocco

Azelio has built a pilot plant in Ouarzazate, Morocco, jointly with Masen. The pilot plant is located outside Masen's visitor and research centre next to Noor Ouarzazate Solar Park, which is one of the world's largest solar parks with a capacity of 580 MW. The Company's pilot installation was commissioned 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 2019 the Company plans to verify Azelio's system of thermal energy storage in Ouarzazate, under optimal solar conditions.

China

Outside Ordos, 700 km west of Beijing in China, the Company installed a demonstration plant. The demonstration plant was commissioned in 2012 and has a total installed capacity of 110 kW.

Sweden

In Åmål, Sweden, the Company has a demonstration plant that is continually updated for demonstrations and testing of Azelio's system. The Company has developed a demo system which demonstrates the entire process of energy storage capacity, transfer of energy and use of stored heat to run the Stirling engine which then produces electricity. The demonstration plant has a total installed capacity of 13 kW. In addition, the Company has a demonstration plant in Åmål for thermal energy storage with a total installed capacity of 10 kW, which as at the date of the Offering Circular is not in operation.

Spain and Portugal

The Company has installed demonstration plants for its technology involving the Stirling engine and concentrated solar power in both Spain and Portugal. The demonstration plant in Portugal is a hybrid prototype. The total installed capacity in Spain and Portugal is 10 kW and 7 kW respectively. As at the date of the Offering Circular, both the demonstration plants are in operation, however, without ongoing involvement from Azelio.

Patents

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

Azelio works actively on patent applications and collaborates with Bergenstråhle & Partners on matters concerning intellectual property and patents. The Company has one granted patent as well as pending patent applications regarding ten patent families.

The Company's patent applications relate primarily to specific components that are critical improvements of the Company's Stirling engine, a solution for concentrated solar power and 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 patent and patent applications refer to the section "Legal matters and supplementary information – Immaterial rights".

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, expand collaboration with important partners such as Masen and Masdar, and the development and evaluation of potential projects and sales partners. 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.

The road to market launch

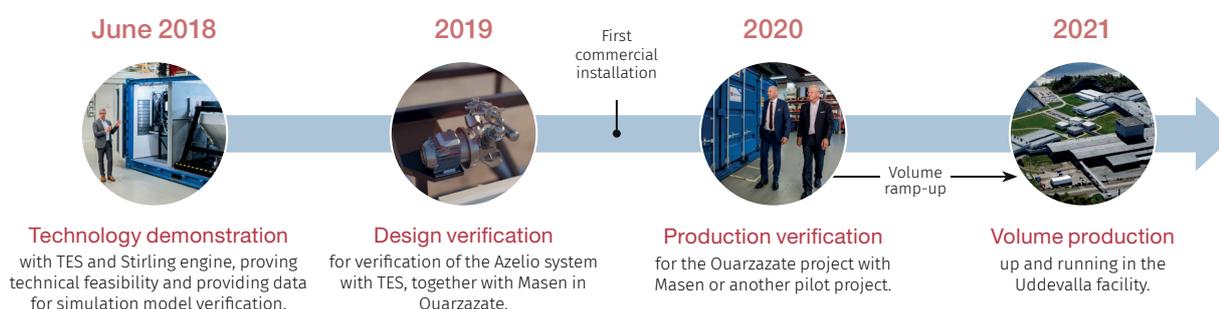
Azelio's target market is the regions around the sun belt, with an initial focus on Morocco followed by the remainder of the MENA region. The Company has been operating in the MENA region for a number of years and has established strategic partnerships with leading players within the solar energy industry such as Masen and Masdar. The aim of the partnership agreements with both Masen and Masdar is to jointly build commercial solar parks using Azelio's system. With potentially strong market development on the African continent and with Masen as a strategic partner, the Company sees great potential in the region and therefore intends to establish a project office in Morocco in 2019.

Over the period 2018–2020 the Company will focus on the industrialisation of the system's design, construction and production. In the fourth quarter 2019 three systems will be installed in a verification project in Morocco jointly with Masen (the state-controlled Moroccan Agency for Sustainable Energy).

From 2020 onwards, additional 8–16 systems are expected to be installed in commercial projects, with volume production expected from 2021.

Azelio works according to a structured development process in order to ensure efficient project management. Figure 26 provides an illustrative overview of the development process for Azelio's market launch.

Figure 26. The road to market launch



The components for the first 8 to 16 systems manufactured in 2019 will mainly be individually produced, which is a time-consuming, complicated and costly method. Consequently, the first systems will have a production cost that is substantially 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.

The new share issue that is being implemented as part of the Offering is expected to provide Azelio with proceeds of around SEK 300–345 million before transaction expenses, depending on the extent to which the Over-allotment Option is exercised. The purpose of the Offering is primarily to finance the Company's continued industrialisation of the system's design, construction and production with the aim of achieving industrialised volume production. The Company also intends to establish a sales and marketing organisation that will work in a structured way to increase awareness of the Company and to establish, maintain and develop relationships with potential customers in the markets that the Company regards as being of interest. Azelio expects the first commercial order of the Company's system to be received in the first half of 2020, and by that time, the Company intends to make further investments in production, such as in tools and production equipment and in recruiting and training production personnel, and in computer and production systems.

The new share issue that is being implemented as part of the Offering is expected, among other things, to help Azelio to verify the Company's system of thermal energy storage in an verification project in the fourth quarter 2019 and make investments in tool-based volume production for the Company's first commercial orders of the Company's system, which are expected to be received in the first half of 2020. With a view to continued industrialisation in 2020 followed by volume production from 2021 onwards, the Company will need further financing in the second quarter of 2020 of around SEK 450 million, of which the Company estimates that approximately SEK 200 million can be financed through a new share issue and the remaining through loan financing. The Company considers the described funding requirement to be sufficient for Azelio to become cash flow positive.

Customer identification

As at the date of submission of the Offering Circular, Azelio has a total of 110 project enquiries from potential customers. Each project undergoes an evaluation in which Azelio analyses the project's status, permissions, financing, technical assessment, contracted EPC, input tariffs, Power Purchase Agreements and the end customer of the project. The Company also carries out evaluation and analysis of potential solar energy markets by analysing solar conditions, electricity prices and grid status. This information is used as a basis for decisions on the launch plan and prioritising resources for sales and marketing.

Sales process

The sales process within Azelio's market segment differs from that for traditional concentrated solar power. Traditional concentrated solar power is used as base power in a national grid and is a technology that is commercially successful for large installations from 100 MW upwards. This means that traditional concentrated solar power is purchased through large, often state-controlled tendering processes, as is also common for large photovoltaics projects.

Within Azelio's market segment, the sales process for Azelio's system is similar to that for photovoltaics projects. The sales process depends more on the size of the project and the type of customer than the choice of technology. Projects of up to 50

MW are generally purchased without state-controlled tendering processes. Initially, Azelio may establish partnerships with third parties in order to run jointly owned projects and thereby establish the Company's technology in the market.

As Azelio's systems and technology become established and proven, the Company intends to establish itself as a technology provider and to sell the technology and expertise for building a successful and commercially viable project. Azelio will not build projects itself, but instead will use EPC-contractors to deal with the practical aspects of the project. Together with the end customer, the EPC-contractor is usually responsible for securing financing of the project and the end customer has an influence on the choice of technology. The EPC-contractor is responsible for providing technical systems, components and resources for the construction, installation and handover of the ordered, complete, verified and electricity-producing project to the end customer.

In larger projects Azelio may collaborate with EPC-contractors that are responsible for a whole region, while for smaller projects Azelio's local business partners and the EPC-contractors will be the same companies. In rare cases the end customer may contact Azelio directly for a quotation for the smaller project, providing opportunity to sell the Company's technology directly to the end customer. This approach is not, however, a natural part of the Company's business model; Azelio prefers to use EPC-contractors that can offer their services directly to the end customer.

Ongoing customer discussions

As at the date of the Offering Circular, Azelio has a total of 110 project enquiries from potential customers in 52 different countries. Some enquiries have global and regional potential – involving projects for the Middle East, for example. All the enquiries also include an enquiry concerning becoming a sales and service partner of Azelio for the country or region concerned.

Some of the above project enquiries the Company will not be able to deliver in view of the desired delivery date. Other enquiries relate to locations which, for example, have not been judged to have sufficiently good solar conditions, have uncertain financing or other circumstances which mean that these enquiries are unlikely to result in an order. Of the above project enquiries, the Company estimates that 64 project enquiries from potential customers in 30 different countries may be commercially suitable and of interest. Desired deliveries for these project enquiries are during the period 2019 to 2022 and amount to a total of approximately 1,000 MW, corresponding to around SEK 50 billion in potential order value, with a subsequent annual potential of approximately 3.5 GW. The Company has begun evaluating the project enquiries to identify which might result in an order. The estimate of the aggregate customer potential is based on Azelio's own calculations and corresponds to the total volume of the Company's systems that could be installed with these customers.

Breakdown of project enquiries and MW

Project enquiry	MW
Project enquiry 1	200
Project enquiry 2	100
Project enquiry 3	100
Project enquiry 4	100
Project enquiry 5	70
Project enquiry 6	70
Project enquiry 7	70
Project enquiry 8	70
Project enquiry 9	50
Project enquiry 10	50
Other 54 project enquiries	169
Totally 64 project enquiries	1,049

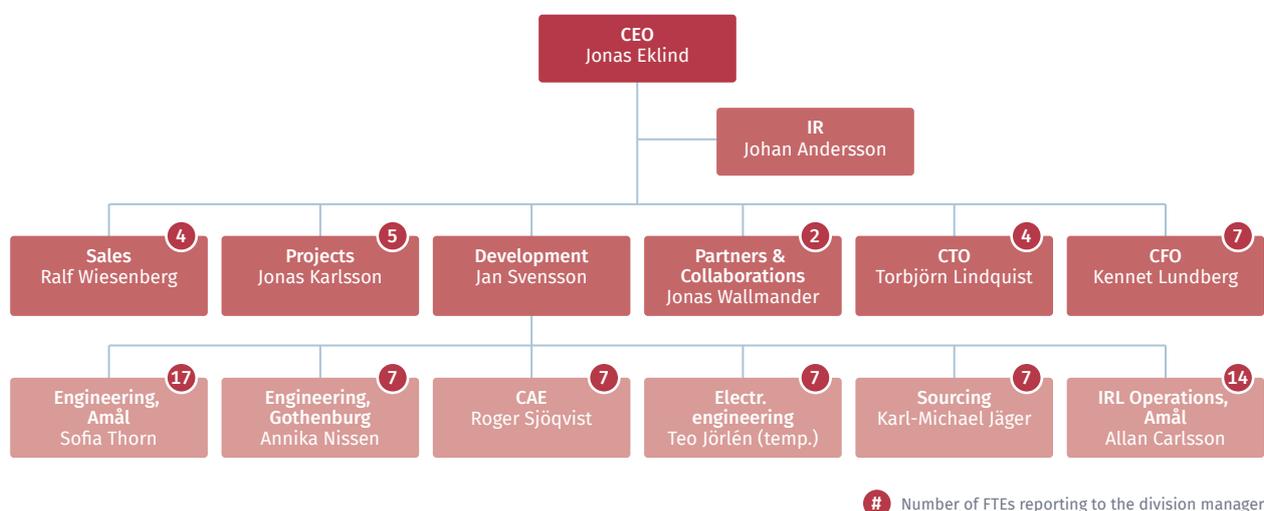
Breakdown of project enquiries per country and MW

Potential customer	MW
China	222
Zimbabwe	120
Turkey	101
Saudi Arabia	100
Bahrain	100
Greece	87
Zambia	71
Tanzania	70
Other 22 countries	178
Totally 30 countries	1,049

7.15 Organisation, policy and employees

Figure 27 provides an overview of Azelio's organisational structure as at the date of the Offering Circular.

FIGURE 27. ORGANISATIONAL STRUCTURE

**Organisation**

The Company has its head office in Gothenburg, Sweden, with production in Uddevalla and a development centre in Gothenburg and Åmål, as well as a sales office in Beijing, China, through the subsidiary Cleanergy (Beijing) New Energy Technology Co. Ltd. and a representative office in Madrid, Spain.

Policy**Employee policy/code of conduct**

Azelio's employee policy contains a number of principles describing the Company's shared values. The principles are at a general level and are supplemented by Azelio's company-wide policies and procedures. The purpose of an employee policy is to communicate Azelio's basic 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 work. The employee policy is based on the 10 principles of the UN Global Compact, which is 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. In addition, among other things the employee policy deals with matters related to 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 those expectations that the Company's shareholders, employees, other stakeholders and the outside world may make of the Company's business model and its long-term sustainability and development plan. The Company endeavours to reduce its environmental impact as far as possible by preventing and reducing pollution and the use of harmful substances within the operations. Environmental aspects have been, and will continue to be, a natural part of Azelio's business.

Work environment policy

Azelio's work environment policy encompasses all its 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-misses. In addition, Azelio encourages activities and initiatives that promote employees' 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 these

stipulate. Employees are also expected to take responsibility for their health in their daily work by actively making efforts to continually improve the work environment.

Communication

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

Employees

On 30 September 2018 Azelio had 75 employees, of whom 71 were employees in Sweden while four people were employed in the Company's subsidiary in China. In addition, the Company had 25 consultants, of whom 24 are considered to work full-time for Azelio.

At the end of 2017 Azelio had 70 employees, of whom 65 were employees in Sweden while five people were employed at the Company's subsidiary in China. In addition, the Company had 22 consultants, of whom 21 were considered to work full-time for Azelio.

At the end of 2016 Azelio had 88 employees, of whom 82 were employees in Sweden while six people were employed at the Company's subsidiary in China. In addition, the Company had 30 consultants, of whom 29 were considered to work full-time for Azelio.

Selected historical financial information

The financial information reported here has been taken from the Company's audited consolidated financial statements for the financial year that ended 31 December, 2017 including comparative figures for the financial year that ended 31 December, 2016, which have been prepared in accordance with the Swedish Annual Accounts Act 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 ended 31 December 2017, comparative figures for the financial year 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 ended 31 December 2016. The information has also been taken from the Company's unaudited consolidated financial statements for the nine-month period from 1 January to 30 September 2018 including the auditor's report on review of financial interim

information, which deviates from the standard formulation, including comparative figures for the corresponding period in 2017 (not reviewed), prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 on annual financial statements and consolidated financial statements (K3) ("BFNAR"). The deviation relates to the Company's strained liquidity situation and the need for additional financing to continue the business. In some cases the figures reported in the Offering Circular have been rounded off and therefore do not necessarily add up in the tables in the Offering Circular. All financial amounts are in Swedish kronor (SEK) unless otherwise indicated. Except where expressly stated otherwise, no information in the Offering Circular 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 Offering Circular by reference.

The Group's Income Statement

SEK	January-September		Financial year	
	2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
INCOME				
Net sales	1,672,121	2,260,207	2,920,586	3,665,335
Capitalised work for own account	41,286,072	68,291,693	72,980,110	84,396,065
Other operating income	1,378,050	2,266,509	2,701,203	3,503,143
Total operating income	44,336,243	72,818,409	78,601,899	91,564,543
EXPENSES				
Raw materials and consumables	-3,814,840	-7,265,687	-9,293,443	-5,073,719
Other external expenses	-39,821,055	-67,588,891	-81,383,497	-105,550,864
Employee benefit expenses	-54,499,836	-50,849,207	-68,310,464	-65,812,453
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets	-11,650,356	-11,248,128	-15,193,785	-13,488,187
Other operating expenses	-118,836	-83,217	-65,237	-
Total operating expenses	-109,904,923	-137,035,129	-174,246,426	-189,925,223
Operating profit/loss	-65,568,680	-64,216,720	-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	296,725	295,409	462,429	271,317
Interest expense and similar charges	-231,953	-2,187,573	-2,298,798	-488,715
Total financial items	64,772	-1,892,164	-1,798,755	-9,379,349
Profit/loss after financial items	-65,503,908	-66,108,885	-97,443,281	-107,740,029
Tax on profit for the period	-	-	-	-
Profit/loss for the period	-65,503,908	-66,108,885	-97,443,281	-107,740,029

The Group's Balance Sheet

SEK	As of 30 September		As of 31 December	
	2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
ASSETS				
Fixed assets				
Intangible fixed assets				
Capitalised expenditure for development and similar	270,348,131	235,788,603	237,599,827	176,034,679
Total intangible assets	270,348,131	235,788,603	237,599,827	176,034,679
Property, plant and equipment				
Leasehold improvements	1,045,222	1,276,623	1,218,298	1,297,366
Equipment, tools, fixtures and fittings	7,037,968	10,372,595	9,670,103	7,094,795
Total property, plant and equipment	8,083,190	11,649,218	10,888,401	8,392,161
Total fixed assets	278,431,321	247,437,821	248,488,228	184,426,840
Current assets				
Inventories etc.				
Raw materials and consumables	8,872,263	14,742,191	11,090,584	11,915,680
Finished goods and goods for resale	3,064,077	1,754,475	3,528,945	4,296,270
Supplier advances	351,496	2,584,333	1,605,582	1,861,734
Total inventories etc.	12,287,836	19,080,999	16,225,111	18,073,684
Current receivables				
Trade receivables	27,779	985,108	1,208,088	1,002,407
Current tax assets	605,202	436,447	714,955	599,746
Other receivables	330,986	223,656	1,060,970	3,002,302
Prepaid expenses and accrued income	3,100,281	984,251	1,077,072	1,425,373
Total current receivables	4,064,248	2,629,462	4,061,085	6,029,828
Cash and bank balances				
Cash and bank balances	78,498,459	44,210,569	18,019,543	20,858,948
Total cash and bank balances	78,498,459	44,210,569	18,019,543	20,858,948
Total current assets	94,850,543	65,921,029	38,305,739	44,962,460
TOTAL ASSETS	373,281,863	313,358,851	286,793,967	229,389,300
EQUITY AND LIABILITIES				
Share capital	14,356,517	5,586,670	9,753,337	2,895,622
Other paid-in capital	1,028,898,864	769,771,259	890,604,593	691,730,854
Reserves	198,537,808	152,634,144	157,251,736	84,342,451
Retained earnings incl. profit/loss for the period	-926,941,979	-784,368,511	-820,464,030	-649,730,983
Equity attributable to equity holders of the parent	314,851,211	143,623,562	237,145,637	129,237,944
Total equity	314,851,211	143,623,562	237,145,637	129,237,944
Provisions				
Other provisions	15,629	910,494	71,287	2,330,570
Total provisions	15,629	910,494	71,287	2,330,570
Non-current liabilities				
Other liabilities	22,990,094	23,160,290	22,990,094	23,160,290
Total non-current liabilities	22,990,094	23,160,290	22,990,094	23,160,290
Current liabilities				
Advances from customers	54,499	348,475	218,010	262,265
Trade payables	11,262,117	6,783,518	5,308,591	15,458,587
Other liabilities	8,233,578	133,221,778	10,189,640	47,630,487
Accrued expenses and deferred income	15,874,736	5,310,733	10,870,709	11,309,157
Total current liabilities	35,424,929	145,664,505	26,586,950	74,660,496
Total liabilities	58,415,023	168,824,795	49,577,044	97,820,786
TOTAL EQUITY AND LIABILITIES	373,281,863	313,358,851	286,793,968	229,389,300

The Group's Cash Flow

SEK	January-September		Financial year	
	2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
OPERATING ACTIVITIES				
Profit/loss after financial items	-65,433,424	-65,987,805	-97,446,976	-104,524,724
Adjustment for non-cash items	11,383,977	10,438,971	15,405,094	27,682,621
Income tax paid	86,540	59,612	-217,066	-277,416
Cash flow from operating activities before changes in working capital	-53,962,907	-55,489,223	-82,258,948	-77,119,519
Cash flow from changes in working capital				
Increase (-)/decrease (+) in inventories	3,937,275	-1,618,937	-622,000	-6,921,503
Increase (-)/decrease (+) in operating receivables	-203,064	4,800,317	3,667,423	-539,194
Increase (+)/decrease (-) in operating liabilities	8,842,920	-10,519,694	-4,662,271	8,549,214
Cash flow from changes in working capital	12,577,131	-7,338,314	-1,616,848	1,088,517
Cash flow from operating activities	-41,385,776	-62,827,537	-83,875,796	-76,031,002
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-320,750	-5,988,035	-6,276,551	-4,411,739
Purchase of intangible assets	-41,286,072	-68,291,693	-73,004,426	-87,611,365
Purchase of financial assets	-	-	-	-9,161,251
Cash flow from investing activities	-41,606,822	-74,279,729	-79,280,978	-101,184,355
FINANCING ACTIVITIES				
New share issue	143,159,124	80,731,454	205,731,454	82,962,256
Warrant program	247,000	-	-	-
Borrowings	-	80,000,001	-	45,000,000
Repayment of debt	-	-	-45,170,195	-363,524
Cash flow from financing activities	143,406,124	160,731,455	160,561,259	127,598,732
CASH FLOW FOR THE PERIOD	60,413,526	23,624,189	-2,595,515	-49,616,625
Cash and cash equivalents at beginning of period	18,019,543	20,858,948	20,858,948	70,366,749
Exchange rate differences in cash and cash equivalents	65,389	-272,566	-243,890	108,824
Cash and cash equivalents at end of period	78,498,458	44,210,571	18,019,543	20,858,948

Key performance measures and data

The Offering Circular contains certain alternative performance measures not defined or specified by BFNAR (“**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 BFNAR. 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	
	2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
Financial performance measures				
Total assets	373,281,863	313,358,850	286,793,967	229,389,300
Net sales	1,672,121	2,260,207	2,920,586	3,665,335
Profit/loss for the period	-65,503,908	-66,108,885	-97,443,281	-107,740,029
Alternative Performance Measures				
Equity to asset ratio at end of period, % ¹⁾	84.3	45.8	82.7	56.3
Employees				
Average number of employees	66	87	84	85
Share data				
Average number of shares before dilution ²⁾	24,109,854	12,648,958	12,648,958	5,444,734
Average number of shares after dilution ³⁾	30,377,733	15,580,045	16,492,670	5,711,104

¹⁾ For definitions see the 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 November 12, 2018.

³⁾ The average number of shares has been recalculated due to aggregation of shares in the Company, resolved at the extraordinary general meeting on November 12, 2018.

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	
	2018 Unaudited	2017 Unaudited	2017 Audited	2016 Unaudited
Calculation of equity to asset ratio				
(A) Equity	314,851,211	143,623,562	237,145,637	129,237,944
(B) Total assets	373,281,863	313,358,850	286,793,967	229,389,300
(A/B) Equity to asset ratio, %	84.3	45.8	82.7	56.3

Definitions of key performance measures

NON-BFNAR 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 historical financial information” and the Company’s audited consolidated financial statements for the financial years that ended 31 December, 2017 including comparative figures for the financial year that ended 31 December 2016 as well as the Company’s unaudited consolidated financial statements for the nine-month period from 1 January to 30 September 2018 including the auditor’s report on review of financial interim information, which deviates from the standard formulation, including comparative figures for the corresponding period in 2017 (not reviewed), which have been incorporated by reference and thus form part of the Offering Circular. The deviation relates to the Company’s strained liquidity situation and the need for additional financing to continue the business. In some cases, amounts stated in this section have been rounded off and therefore do not always add up correctly. The annual financial statements for the financial year ended 31 December 2017 including comparative figures for the financial year that ended 31 December 2016 has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board’s general guidelines BFNAR 2012:1 on annual financial statements and consolidated financial statements (K3) (“BFNAR”). The Company’s unaudited consolidated financial statements for the nine-month period from 1 January to 30 September 2018 (reviewed) and the corresponding period in 2017 (not reviewed) were prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board’s general guidelines BFNAR 2012:1 on annual financial statements and consolidated financial statements (K3) (“BFNAR”).

Comparison between the periods 1 January–30 September 2018 and 1 January–30 September 2017

Income statement

Net sales

The Group’s net sales decreased by SEK 588 thousand, or 26 per cent, from SEK 2,260 thousand in the period 1 January – 30 September 2017 to SEK 1,672 thousand in the period 1 January – 30 September 2018. The decrease in net sales was mainly due 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 27,006 thousand, or 40 per cent, from SEK 68,292 thousand in the period 1 January – 30 September 2017 to SEK 41,286 thousand in the period 1 January – 30 September 2018. The decrease in capitalised work for own account was mainly due 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 decreased by SEK 1,352 thousand, or 2 per cent, from SEK –64,217 thousand in the period 1 January – 30 September 2017 to SEK –65,569 thousand in the period 1 January – 30 September 2018. The decrease in operating profit was mainly due to the following:

- A decrease in the Company’s costs for raw materials and consumables of SEK 3,451 thousand, or 47 per cent, from SEK 7,266 thousand in the period 1 January – 30 September 2017 to SEK 3,815 thousand in the period 1 January – 30 September 2018. The decrease was mainly due to a reduction in materials procurement attributable to the Company’s dormant business area involving the development and sale of the GasBox product.
- A decrease in the Company’s other external costs of SEK 27,768 thousand, or 41 per cent, from SEK 67,589 thousand in the period 1 January – 30 September 2017 to SEK 39,821 thousand in the period 1 January – 30 September 2018. The decrease was mainly due to a decrease in expenses for the Company’s dormant business area involving the development and sale of the GasBox product.
- An increase in the Company’s employee benefit expenses of SEK 3,651 thousand, or 7 per cent, from SEK 50,849 thousand in the period 1 January – 30 September 2017 to SEK 54,500 thousand in the period 1 January – 30 September 2018. The increase was mainly due to the Company’s headcount increasing to 75 employees.
- An increase in the Company’s depreciation, amortisation and impairment losses of SEK 402 thousand, or 4 per cent, from SEK 11,248 thousand in the period 1 January – 30 September 2017 to SEK 11,650 thousand in the period 1 January – 30 September 2018. The increase was mainly due to reduced capitalised expenditure for development.

Financial income and expense

The Group's net financial items increased by SEK 1,957 thousand, from SEK -1,892 thousand in the period 1 January – 30 September 2017 to SEK 65 thousand in the period 1 January – 30 September 2018. The increase was mainly due to a reduction in interest expense and similar charges.

Tax

The Group has had no tax expense in any of the periods compared since the Group did not report any taxable profit in the periods concerned.

Earnings before and after tax

The Group's earnings before and after tax increased by SEK 605 thousand, or 1 per cent, from SEK -66,109 thousand in the period 1 January – 30 September 2017 to SEK -65,504 thousand in the period 1 January – 30 September 2018.

Cash flow**Cash flow from operating activities**

Cash flow from operating activities increased by SEK 21,442 thousand, or 34 per cent, from SEK -62,828 thousand in the period 1 January – 30 September 2017 to SEK -41,386 thousand in the period 1 January – 30 September 2018. The increase was mainly due to increased working capital, attributable to a decrease in inventories and an increase in operating liabilities.

Cash flow from investing activities

Cash flow from investing activities increased by SEK 32,673 thousand, or 44 per cent, from SEK -74,280 thousand in the period 1 January – 30 September 2017 to SEK -41,607 thousand in the period 1 January – 30 September 2018. The increase was mainly attributable to a decrease in capitalised expenditure for development.

Cash flow from financing activities

Cash flow from financing activities decreased by SEK 17,325 thousand, or 11 per cent, from SEK 160,731 thousand in the period 1 January – 30 September 2017 to SEK 143,406 thousand in the period 1 January – 30 September 2018.

Liquidity and financial position

The Group's equity increased by SEK 171,228 thousand, or 119 per cent, from SEK 143,624 thousand in the period 1 January – 30 September 2017 to SEK 314,851 thousand in the period 1 January – 30 September 2018. The Group's non-current- and current liabilities decreased by SEK 110,410 thousand, or 65 per cent, from SEK 168,825 thousand in the period 1 January – 30 September 2017 to SEK 58,415 thousand in the period 1 January – 30 September 2018. The decrease was mainly due to a decrease of SEK 124,988 thousand in other current liabilities. The Group's cash and cash equivalents increased by SEK 34,288 thousand, or 78 per cent, from SEK 44,211 thousand in the period 1 January – 30 September 2017 to SEK 78,498 thousand in the period 1 January – 30 September 2018.

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

The Group's net sales decreased by SEK 745 thousand, or 20 per cent, from SEK 3,665 thousand in 2016 to SEK 2,920 thousand in 2017. The decrease in net sales was mainly due 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 due 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 improvement in operating profit was mainly due to the following:

- An increase in the Company's costs for raw materials and consumables of 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 the Company's system.
- A decrease in the Company's other external costs of 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 due to a decrease in expenses for the Company's dormant business area involving the development and sale of the GasBox product.
- An increase in the Company's employee benefit expenses of 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 due to organisational changes with a view to creating a more efficient business.
- An increase in the Company's depreciation, amortisation and impairment losses of 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 due to capitalised expenditure for development of SEK 11,415 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 due to improved income from securities and receivables.

Tax

The Group has had no tax expense in any of the periods compared since the Group did not report any taxable profit in the periods concerned.

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 due 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 due 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 due 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 due 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 of SEK 37,441 thousand and a decrease in trade payables of 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 2018 Azelio's property, plant and equipment amounted to SEK 8,083 thousand. The largest share of the Company's property, plant and equipment consisted of equipment, tools, fixtures and fittings.

Intangible fixed assets

On 30 September 2018 Azelio's intangible fixed assets amounted to SEK 270,348 thousand and consisted of capitalised expenditure for development and similar.

Tax loss carryforwards

For each financial year since it was formed, up until the date of the Offering Circular, the Company has reported losses. For the period covered by the historical financial information these amounted to SEK -107,740 thousand for 2016 and SEK -97,443 thousand for 2017, which has resulted in large accumulated tax loss carryforwards. The unutilised loss carryforward amounted to SEK 545,658 thousand at the end of the 2016 financial year and SEK 636,605 thousand at the end of 2017. The tax loss carryforward has not been capitalised in the balance sheet. The accumulated loss carryforwards may in the future reduce any taxable profits reported by the Company and thereby reduce the corporate tax that might be incurred on any future profits.

Investments

The following section describes Azelio'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 invests continually 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 the Company's GasBox and the remaining SEK 83,988 thousand to development of the Company's system of Stirling engine-based concentrated solar power with thermal energy storage. 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 the Company's system of Stirling engine-based concentrated solar power with thermal energy storage. Investments in property,

plant and equipment amounted to SEK 6,273 thousand, of which SEK 6,122 thousand was attributable to equipment, tools and installations, while the remaining SEK 151 thousand was attributable to leasehold improvements.

In the nine-month period ended 30 September 2018 capitalised expenditure for development amounted to SEK 41,286 thousand, attributable to development of the Company's system of Stirling engine-based concentrated solar power with thermal energy storage. Investments in property, plant and equipment amounted to SEK 321 thousand, attributable to computers purchased in connection with recruitment.

Current and planned investments

Azelio's current investments relate mainly to capitalised development expenses for the further development of the Company's system, focusing on thermal energy storage, in order to achieve industrial verification of Azelio's complete system via a verification project in Morocco in the fourth quarter of 2019. Current investments are expected to be financed partly from working capital and partly through the new share issue that is being implemented as part of the Offering.

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

Significant events in the period 1 January 2016 - 30 September 2018

In 2016 the Company entered into a partnership agreement with Masen and installed Azelio's first pilot plant in Morocco.

In 2017 Azelio began developing thermal energy storage and submitted its first patent application for thermal energy storage. The Company also entered into a partnership agreement with Datang.

At the beginning of 2018, Azelio signed an intensified partnership agreement with Masen (the state-controlled Moroccan Agency for Sustainable Energy) involving technical development, verification and business development.

In June 2018 the Company changed its name from Cleanergy AB to Azelio to strengthen its position in the global market where several companies already exist with "clean energy" or similar wording in their name.

At the end of June 2018 Azelio completed a successful demonstration of thermal energy storage at the Company's development facility in Åmål.

Following the demonstration plant launch in June 2018, enquiries about Azelio's unique solution have been received from a total of 52 countries with 110 projects. In order to handle the enquiries and advance the business, Azelio has employed Dr. Ralf Wiesenberg as VP Business Development. With 22 years in the energy industry and 10 years in concentrated solar and thermal storage, Ralf brings extensive experience that will enhance Azelio's global approach and commercial development.

In July 2018 Azelio completed a new share issue which provided the Company with issue proceeds amounting to approximately SEK 105 million.

Significant events after 30 September 2018

In October 2018 Azelio redeemed outstanding warrants in the Warrant Program 2017/2018, thereby providing the Company with around SEK 52 million in equity.

Since 2016, Azelio has pursued an action in court against Quest for Advisory and Implementation Venture Holding Nordic AB. The dispute is about whether a former board of directors has exceeded the mandate the general meeting had given the board of directors in relation to a resolution on an issue of new shares

to Quest for Advisory and Implementation Venture Nordic AB against non-cash consideration. Accordingly, the dispute does not relate to the business or the products of the Company. On 2 November 2018, the Svea Court of Appeal denied Azelio's claim. The Company has, in its accounts, reserved an amount that is expected to correspond to the costs for the Company in relation to the dispute. The Company considers to appeal Svea Court of Appeal's judgment and request leave to appeal to the Supreme Court.

At the extraordinary general meeting on November 12, 2018, it was resolved to carry out an aggregation of shares in the Company with the terms 10:1.

Other than the events mentioned above, no significant changes affecting the Group's financial position have taken place since 30 September 2018.

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 2018. See the 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 Offering Circular by reference. The tables include only interest-bearing liabilities.

Capitalisation

SEK thousand	As of 30 September 2018
Current liabilities	
Against guarantees	-
Against security	-
Unsecured credit	8,234
Total current liabilities	8,234
Non-current liabilities	
Against guarantees	-
Against security	-
Unsecured credit	22,990
Total non-current liabilities	22,990
Equity	
Share capital	14,357
Other reserves	1,028,899
Statutory reserve	198,538
Retained earnings	-926,942
Total equity	314,851

Net debt

Azelio's net debt as of 30 September 2018 is presented in the table below. As of 30 September 2018 the Company has no indirect liabilities or contingent liabilities.

SEK thousand	As of 30 September 2018
(A) Cash	78,498
(B) Cash equivalents	-
(C) Readily realisable securities	-
(D) Liquidity (A)+(B)+(C)	78,498
(E) Current receivables	4,064
(F) Current bank loans	-
(G) Current portion of non-current liabilities	-
(H) Other current liabilities	8,234
(I) Current liabilities (F)+(G)+(H)	8,234
(J) Net current debt (I)-(E)-(D)	-74,328
(K) Long-term bank loans	-
(L) Bonds issued	-
(M) Other long-term loans	22,990
(N) Non-current liabilities (K)+(L)+(M)	22,990
(O) Net debt (J)+(N)	-51,338

Other financial information

Statement concerning working capital

The board of directors regards the existing working capital, prior to implementation of the Offering, as being insufficient for Azelio's needs over the coming 12-month period given the Company's current business, research and development plan. The existing working capital is considered to be sufficient for the period up to the end of March 2019.

Azelio's working capital requirement over the coming 12-month period amounts to approximately SEK 330 million. It is expected that the working capital requirement can be met through the new share issue that forms part of the Offering along with the Company's existing funds, which as of October 31, 2018 amounted to SEK 64 million. In October 2018, Azelio redeemed outstanding warrants, thereby providing the Company with around SEK 52 million in equity, and the Company's existing funds thus amounted to SEK 114 million as of November 9, 2018. The deficit to cover the Company's working capital needs over the coming 12-month period thereby amounts to approximately SEK 216 million if the Offering is not completed. The new share issue is expected to provide the Company with proceeds of around SEK 300-345 million before transaction expenses, depending on the extent to which the Over-allotment Option is exercised.

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

Tendencies

As far as the board of directors is aware, as at the date of the Offering Circular there are no known tendencies, other than as stated in the section "Market Overview – Trends and drivers for increased production of renewable 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 seven 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 2019, and an employee representative. For the extraordinary general meeting of 30 November 2018 it has been proposed to increase the board of directors to eight ordinary members, through the election of Lars Thunell as new member of the board of directors. 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
Christopher Beaufait	Board member	2017	Yes	Yes
Hicham Bouzekri	Board member	2018	No	Yes
Lars Thunell	Board member	2018 ¹⁾	Yes	Yes
Teo Jörlén	Employee representative	2018	-	-

¹⁾ Lars Thunell is proposed as a new member of the board of directors at the extraordinary general meeting of 30 November 2018.

BO DANKIS

Born 1954. Chairman of the board since 2011.

Education: Engineer, Industrial Economy, Linköping Technical High School.

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 AB and IV Produkt Holding Sweden AB

Previous assignments (last five years): Chairman of the board of Gadelius Holding, Tokyo, Business Sweden and Sweden-Japan Foundation. Board member of Gunnebo Aktiebolag and UF Support AB. Deputy board member of Choklad från Ekeby AB.

Shareholding in the Company: Bo Dankis holds (directly and through companies) 234,638 shares and 1,002,078 warrants 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, Rabbalshede Kraft AB (publ), Landsort Care 2 AB, Landsort Care 3 AB and Landsort Care 4 AB. Board member of Prior & Nilsson Fond- och Kapitalförvaltning Aktiebolag, Bertil Villard Holding AB, ECODC AB, Polaris Management A/S, Polaris Invest II ApS and Polaris II Invest Fonden. Deputy board member for Tengroth & Co AB, Alltid Oavsett AB, Advokat CJMGB AB and PPRD Nordic AB.

Previous assignments (last five years): Partner and external company signatory for Law Firm Vinge Aktiebolag. Chairman of the board of Landsort Care AB and Voddler Group AB. Chairman of 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 (directly and through companies) 382,214 shares, 301,900 warrants and 50,000 buy options issued by the Principal Owner in the Company.

KENT JANÉR

Born 1961. Board member since 2016.

Education: Master in Economics, Stockholm School of Economics

Other current assignments: Board member of Nektar Asset Management AB, Brummer & Partners AB, Blue Marlin AB and Eastfort Asset Management Ltd.

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

Shareholding in the Company: Kent Janér holds (directly, through companies and with related parties) 10,362,491 shares and 224,551 warrants 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, SkiStar Aktiebolag, Hemsö Fastighets AB and AMF Pensionsförsäkring AB. Board member of Fabege AB, Beijerinvest Aktiebolag, Dabok AB, Dabok Advisory AB and Åre 2019 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 and Fjällförsäkringar AB. Board member of Swedegas AB, IP-Only AB, Nyx Security AB, Knubbsäl Midholding AB, STEN HECKSCHER AB, Knubbsäl Holding B, Narob TopHolding AB, Nyx Group AB, Business Challenge AB and IP-Only Holding AB.

Shareholding in the Company: Pär Nuder holds (through companies and related persons) 294,879 shares and 303,200 warrants in the Company.

MATTIAS BERGMAN

Born 1966. Board member since 2017.

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

Other current assignments: CEO and board member of BIL Sweden Adm AB and Attaro Consulting AB. Chairman of the board of Odette Sweden AB, ReformTech Heating Holding AB and ReformTech Heating Technologies AB.

Previous assignments (last five years): CEO and board member of National Electric Vehicle Sweden 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 no shares but 600,000 warrants in the Company.

CHRISTOPHER BEAUFAIT

Born 1969. Board member since 2017.

Education: Systems Engineer, United States Naval Academy, Chief Engineer, Naval Nuclear Reactors, U.S. Navy.

Other current assignments: Executive Vice President and COO of Sarcos Robotics. Board member of Heartland Water Technology. Member of Securrency's Advisory Board.

Previous assignments (last five years): Senior Vice President and President, Asia, for Vestas. Senior Executive at General Electric.

Shareholding in the Company: Christopher Beaufait holds 115,000 shares and 300,000 warrants in the Company.

HICHAM BOUZEKRI

Born 1973. Board member since 2018.

Education: Engineer, Electronics Communications, Ecole Mohammadia d'Ingénieur, Morocco. M.Sc., University of Florida, Gainesville, Florida, USA. PhD in electrotechnology, Texas A&M University, College Station, Texas, USA.

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 300,000 warrants in the Company.

TEO JÖRLÉN

Born 1984. Employee representative, Unionen since 2018.

Education: Bachelor's degree in electrical engineering, Örebro University. Master's degree in electrical engineering, Karlstad University.

Other current assignments: -

Previous assignments (last five years): -

Shareholding in the Company: Teo Jörlén holds no shares but 100,000 warrants in the Company.

LARS THUNELL

Born 1948. Proposed to be elected as new member of the board of directors at the extraordinary general meeting 30 November 2018.

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

Other current assignments: Part-owner of Manomotion AB. Chairman of the board of Björnberget Fastighetsförvaltning AB, Jaktfågeln Holding AB, Flexenclosure AB (publ), 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 Africa Risk Capacity Ltd. Board member of Hermelinbacken 1 AB, Slutplattan LEMRO 101383 AB, Slutplattan LEMRO 101407 AB, Åre-Svedje 1:401 AB and Slutplattan PLASI 103648 AB, Standard Chartered Bank, Kosmos Energy, Fistera, Global Water Development, Access Health International and Middle East Investment Initiative. Senior Advisor to Blackstone and Advisor to Africa Development Bank.

Shareholding in the Company: Lars Thunell holds 200,000 shares and 330,000 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 of Uppsala. Diploma in practical Swedish and communication, Uppsala University of Uppsala. Diploma in leadership in technological companies, ManTech IFL Executive Education, Stockholm School of Business. IHM-diploma in business administration, 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 and Nordic New Energy Partners Economic Association.

Previous assignments (last five years): CEO and board member of Woodeye AB and Vita Vonni AB. CEO of Sustainable Growth Capital SGC AB. Board member and deputy board member of Dendro Fortune AB.

Shareholding in the Company: Jonas Eklind holds 3,000 shares and 5,232,500 warrants in the Company.

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 Intalco Intressenter AB.

Shareholding in the Company: Kennet Lundberg does not hold any shares or warrants in the Company.

JONAS WALLMANDER

Born 1976. VP Partners & Collaborations since 2017.

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

Other current assignments: -

Previous assignments (last five years): -

Shareholding in the Company: Jonas Wallmander holds 617 shares and 2,000,000 warrants 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 no shares but 2,000,000 warrants in the Company.

JAN SVENSSON

Born 1971. VP Development since 2017.

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): -

Shareholding in the Company: Jan Svensson holds 1,040 shares and 2,000,000 warrants in the Company.

JONAS KARLSSON

Born 1970. VP Projects since 2017.

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

Other current assignments: -

Previous assignments (last five years): -

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

RALF WIESENBERG

Född 1969. VP Business Development since 2018.

Education: Master's degree in Energy Engineering, and a Ph.D. 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. and Sun to Market Solutions S.L.

Shareholding in the Company: Ralf Wiesenberg holds no shares but 200,000 warrants in the Company.

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.

During 2017 Kennet Lundberg's wholly owned company Kennet Lundberg AB paid a penalty fee to the Swedish Tax Authority for a late tax return. Ralf Wiesenberg was furthermore the CEO at Sun to Market Solutions S.L. at its petition for bankruptcy in October 2014. 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) been the subject to accusations and/or sanctions by any agency authorised by law or regulation (including approved professional organisations) 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 main office at Regnbågsgatan 6, 417 55 Gothenburg.

Auditor

KPMG AB has been the Company's auditor since 2008 and was, at the annual general meeting 2018, re-elected until the end of the annual general meeting 2019. 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 Offering Circular covers.

Corporate governance

Corporate governance

Azelio is a Swedish public limited liability company. Prior to the listing on Nasdaq First North, corporate governance in the Company was based on Swedish law and internal rules and instructions. Once the Company has been listed on Nasdaq First North, the Company will also comply with Nasdaq First North Rule Book. 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. It is thus not compulsory for the Company to comply with the Code. In case the Code becomes compulsory in the future, the Company will comply with it.

General meeting

According to the Swedish Companies Act (2005:551) (Sw. *aktiebolagslagen*), 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 Swedish Companies Act (2005:551), 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 seven ordinary members elected by the general meeting, who are presented in section “*Board of directors, senior executives and auditor*”.

Audit committee

Azelio has an audit committee consisting of four members: Bo Dankis (chairman), Kent Janér, Jonas Eklind and Kennet Lundberg. The audit 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.

Remuneration committee

Azelio has a remuneration committee consisting of four members: Bo Dankis (chairman), Bertil Villard, Kent Janér and Christopher Beaufait. 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 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 27 June 2018, 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. 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 2017 financial year

The table below presents an overview of remuneration to the board of directors elected by the shareholders for the 2017 financial year.

Name	Function	Board fee (SEK)
Bo Dankis	Chairman	500,000
Bertil Villard	Board member	150,000
Kent Janér	Board member	150,000
Pär Nuder	Board member	150,000
Mattias Bergman ¹⁾	Board member	-
Chris Beaufait ¹⁾	Board member	-
Hicham Bouzekri ²⁾	Board member	-
Teo Jörlén	Employee representative	-
Alex Westlake ³⁾	Former board member	150,000
Göran Gezelius ³⁾	Former board member	150,000
Total		1,250,000

¹⁾ Elected at the extraordinary general meeting on 20 October 2017.

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

³⁾ Served as board member until the extraordinary general meeting on 20 October 2017.

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 fulfilled.

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 2017 financial year.

Name	Basic salary/director's fee	Variable remuneration	Other benefits	Pension costs	Sum
Jonas Ekland, CEO	SEK 1,335,000	-	-	SEK 402,000	1,737,000
Other senior executives (four)	SEK 6,105,000	-	-	SEK 785,000	6,890,000
Total	SEK 7,440,000	-	-	SEK 1,187,000	8,627,000

According to his employment contract the CEO is entitled to a monthly remuneration of SEK 118,915. 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 Azelio 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 due 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 or her work as a consultant in accordance with a consulting agreement which originally expired on 31 December 2018. The Company has, however, in accordance with the terms of the consulting agreement, extended it until 30 June 2019.

Incentive programme

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

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 audit committee and the board of directors.

The board of directors and the board's audit 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 audit 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 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 2017, 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 8,500,000 and not more than SEK 34,000,000, and the number of shares may not be less than 17,000,000 and not more than 68,000,000. As at the date of the Offering Circular, the Company has issued a total of 31,347,495 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.

The offered shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year.

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 Swedish 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 general meetings. 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*".

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 the 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 (1998:1479). 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 account operator is Pareto Securities. 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 the changes in the number of shares and the share capital which will be made in connection with the listing of the Company's shares on Nasdaq First North.

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	13,474,959	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
2018-12-06	New share issue ¹²⁾	15,681,817	47,029,312	7,840,908.73	23,514,656.68

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 corresponds to the shares' 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⁾ Assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

Convertibles, warrants, etc.

At the listing of the Company's shares on Nasdaq First North, there will be no outstanding warrants, convertibles or other share-related instruments in the Company, other than as described in "– Incentive programmes" below.

Incentive programmes

Warrant programme 2015/2018 (1)

In 2015 Azelio implemented a warrant programme for the Company's CEO ("Warrant Programme 2015 (1)"). In total, 82,500 warrants are outstanding under the programme. The warrants in Warrant Programme 2015 (1) may be exercised up until 26 November 2018 and ten (10) warrants will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 270 per share.¹⁾

At full exercise of the number of warrants in the Warrant Programme 2015 (1), the dilution would amount to 0.02 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

Warrant programme 2015/2018 (2)

In 2015 Azelio implemented an additional warrant programme for the Company's CEO ("Warrant Programme 2015 (2)"). In total, 150,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2015 (2) 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 26 November 2018 and ten (10) warrant will entitle the participant to subscribe for one (1) new share in the Company at a subscription price of SEK 270 per share.²⁾

At full exercise of the number of warrants in the Warrant Programme 2015 (2), the dilution would amount to 0.03 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

Warrant programme 2015/2020 (1)

In 2015 Azelio implemented a warrant programme for the Company's supplier Albright Stonebridge Group ("Warrant Programme 2015 (3)"). In total, 450,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2015 (3) may be exercised 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.³⁾

At full exercise of the number of warrants in the Warrant Programme 2015 (3), the dilution would amount to 0.10 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

²⁾ 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.

³⁾ 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.

Warrant programme 2015/2020 (2)

In 2015 Azelio implemented an additional warrant programme for the Company's supplier Albright Stonebridge Group ("**Warrant Programme 2015 (4)**"). In total, 450,000 warrants are outstanding under the programme. The warrants in Warrant Programme 2015 (4) may be exercised 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 130 per share.¹⁾

At full exercise of the number of warrants in the Warrant Programme 2015 (4), the dilution would amount to 0.10 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the over-allotment option is exercised in full.

Warrant programme 2017/2021

In 2017 Azelio implemented a warrant programme for the Company's 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 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.²⁾ 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 the Warrant Programme 2017, the dilution would amount to 4.04 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the over-allotment option is exercised in full.

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) 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.³⁾ 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 the Warrant Programme 2018 (1), the dilution would amount to 0.60 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the over-allotment option is exercised in full.

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) may be exercised up until 19 November 2022 and each warrant will entitle the participant to subscribe for one 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 the Warrant Programme 2018 (2), the dilution would amount to 0.43 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

Warrant programme 2018/2019

In 2018 Azelio implemented a warrant programme for shareholders who participated in the financing of the Company in 2016 by subscribing for shares in the new share issue ("**Warrant Programme 2018 (3)**"). The subscribers should have received warrants through a warrant programme resolved by the board of directors on 16 May 2016, but the warrant programme expired due to failure to register the resolution. Warrant Programme 2018 (3) is implemented on similar terms as the warrant programme that was resolved by the board of directors on 16 May 2016. In total, 341,500 warrants are outstanding under the programme. The warrants in Warrant Programme 2018 (3) may be exercised up until 26 June 2019 and each warrant will entitle the participant to subscribe for a new share in the Company at a subscription price of SEK 180 per share.

At full exercise of the number of warrants in the Warrant Programme 2018 (3), the dilution would amount to 0.73 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

Warrant programme 2018/2023

The board of directors in Azelio has undertaken to implement a warrant programme for Masen in accordance with an investment agreement between Masen and the Company ("**Warrant Programme 2018 (4)**"). In total, 16,666,667 warrants will be outstanding under the programme. The warrants in Warrant Programme 2018 (4) may be exercised up until the day falling five years from the registration of the warrants, which is expected to occur in November 2022, and ten (10) warrant will entitle the participant to subscribe for a new share in the Company at a subscription price of SEK 15 per share.⁴⁾

At full exercise of the number of warrants in the Warrant Programme 2018 (4), the dilution would amount to 3.54 per cent the total number of shares in the Company after the completion of the Offering, assuming that the Offering is fully subscribed, and the Over-allotment option is exercised in full.

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⁾ 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.

³⁾ 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.

⁴⁾ 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.

Ownership structure

The table below sets forth Azelio's ownership structure immediately before the Offering and directly after completion of the Offering.

Shareholder	Shareholding before the Offering		After the Offering (if the Over-allotment Option is not exercised)		After the Offering (if the Offering is increased in full and the Over-allotment Option is exercised in full)	
	Number	Per cent	Number	Per cent	Number	Per cent
<i>Shareholders with holdings exceeding 5 per cent of the shares</i>						
Kent Janér (directly, and through Blue Marlin AB and with related parties) ¹⁾	10,362,491	33.06	11,044,491	24.55	11,044,491	23.48
Thames Trust with Trustee Tower Bridge Fiduciary Ltd	3,052,471	9.74	3,052,471	6.79	3,052,471	6.49
Back in Black Capital Ltd ²⁾	2,000,000	6.38	3,000,000	6.67	3,000,000	6.38
BFO Private Equity Holding Ltd	1,950,000	6.22	1,950,000	4.33	1,950,000	4.15
<i>Shareholding members of the board of directors, excluding Kent Janér, senior executives, and other shareholders</i>						
Members of the board of directors ³⁾	1,226,731	3.91	1,438,594	3.20	1,438,594	3.06
Senior executives in the Company ⁴⁾	9,657	0.03	25,337	0.06	25,337	0.05
<i>Cornerstone Investors, excluding Kent Janér through Blue Marlin AB and Back in Black Ltd</i>						
LMK Venture Partners AB ⁵⁾	–	–	1,363,636	3.03	1,363,636	2.90
Byggmästare Anders J Ahlström Holding AB (publ) ⁶⁾	–	–	1,136,363	2.53	1,136,363	2.42
Alfred Berg Kapitalförvaltning AB ⁷⁾	–	–	1,136,363	2.53	1,136,363	2.42
Other subscription undertakers	–	–	706,318	1.57	706,318	1.50
Other existing shareholders	12,746,145	40.66	12,746,145	28.33	12,746,145	27.10
Summa	31,347,495	100.00	37,599,718	83.58	37,599,718	79.95
Other existing shareholders	–	–	7,384,140	16.42	9,429,594	20.05
Summa	31,347,495	100.00	44,983,858	100.00	47,029,312	100.00

¹⁾ The shareholding includes shares subscribed for as Cornerstone Investor. The address of Blue Marlin AB is P.O. Box 7030, SE-103 86 Stockholm.

²⁾ The shareholding includes shares subscribed for as Cornerstone Investor. The address of Back in Black Capital Ltd is P.O. Box 285 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 4LX.

³⁾ Shares are held personally and/or through companies. For more information, refer to "Board of directors, senior executives and auditor".

⁴⁾ Shares are held personally and/or through companies. For more information, refer to "Board of directors, senior executives and auditor".

⁵⁾ The address of LMK Venture Partners AB is P.O. Box 2025, SE-220 02 Lund.

⁶⁾ The address of Byggmästare Anders J Ahlström Holding AB (publ) is Hälsingegatan 40 16 TR, SE-113 43 Stockholm.

⁷⁾ The address of Alfred Berg Kapitalförvaltning AB is Nybrokajen 5, SE-111 48 Stockholm.

Lock up-arrangements

The Principal Owner, certain major shareholders, shareholding members of the board of directors and certain shareholding employees within the Group, including senior executives, have through lock-up agreements entered into in October 2018, vis-à-vis Pareto Securities, undertaken during a certain period of time from the first day of trading in the Company's shares on Nasdaq First North, with certain reservations, not to sell any shares without the written consent of Pareto Securities (the "Lock-up period"). The Lock-up period for the Principal Owner, shareholding members of the board of directors and certain shareholding employees within the Group, including senior executives is 360 days from the first day of trading in the Company's shares. The Lock-up period for other, certain major shareholders, is 180 days from the first day of trading in the Company's shares. The undertaking also covers shares subscribed to as part of the Offering. The lock-up undertakings comprise a total of approximately 78 per cent of the outstanding shares before the Offering. The obligation not to sell any shares does not apply, for example, if a public takeover bid is directed to all shareholders in the Company. Pareto Securities may allow

exceptions to lock-up undertakings on an entirely discretionary basis. Consent to such exceptions will be determined by Pareto Securities on a case by case basis and can be of both a personal and commercial character.

Lock-up undertakings

Board of directors and senior executives: Bertil Villard, Blue Marlin AB, Dabok AB, Dabok Advisory AB, Ekeby Invest AB, Jan Svensson, Jonas Eklind, Jonas Wallmander, Kapitalförvaltning Ekeby AB, Kent Janér, Torbjörn Lindquist.

Other shareholders: AGB Kronolund AB, Alarik Förvaltning AB, Anton Janér, Back in Black Capital Ltd, BFO Private Equity Holding Ltd, David Braginsky, Erik Mitteregger förvaltnings AB, Fredrik Ljungström, Galba Holding AB, Glima AB, Gryningskust Holding AB, Göran Gezelius, John Janér, Lozac AB, Martin Sandquist, Paul Meyer, Rosetti AB, Sidney Taurel, Stockage du Petrole S.A., Thames Trust with Trustee Tower Bridge Fiduciary Ltd, Ulf Vleeshouwers, Vincent Janér, Vivara Discretionary Trust, Ålands Ömsesidiga Försäkringsbolag.

Articles of association

Articles of association for Azelio AB (publ), registration number 556714-7607, adopted by the extraordinary general meeting on 12 November 2018.

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 8,500,000 and no more than SEK 34,000,000.

5 § Number of shares

The number of shares shall be no less than 17,000,000 and not more than 68,000,000.

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

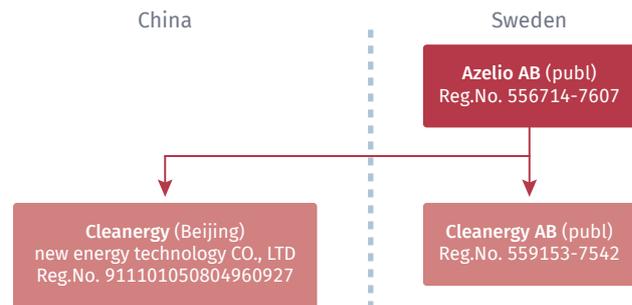
The company's shares shall be registered in a securities register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

Legal group structure

The Company's business is conducted in accordance with the Swedish Companies Act (2005:551). The parent company Azelio AB (publ) (registration number 556714-7607) is a Swedish public limited liability company which 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 below.



Material agreements

The Company assesses that its material agreements are the Company's agreements with its business partners (see section *Business overview – Partners* above regarding business partners) and certain leasing agreements.

Research service agreement with Masdar Institute

In January 2018 Azelio entered into a research service agreement with the Masdar Institute (see *Business overview – Partners – Masdar*). According to the agreement the Masdar Institute shall conduct research on energy storage. The research is performed as part of a project in several phases. Azelio sponsors the projects and acquires its results.

The project runs from 1 May 2018 until 30 April 2019. The agreement expires after the end of the project.

Contract of cooperation with Datang

Azelio entered into a cooperation agreement with Datang in April 2017 (see *Business overview – Partners – Datang*) with the purpose of promoting, manufacturing, installing and developing Azelio's Stirling based sun technology in China. The first step of the agreement involves installing and using a certain amount of Azelio's technology in a project. This first step has been delayed, due to inter alia a need to change the location for the project because of solar conditions. Because of this the parties entered into a supplementary agreement for the project.

For the future, the parties intend to create a so-called *sino-foreign joint venture*. A sino-foreign joint venture is a Chinese company partly owned by a Chinese shareholder (Datang) and a non-Chinese shareholder (Azelio).

Contract of cooperation with DEWA

Azelio and Al-Futtaim Carillion LLC entered into a memorandum of understanding in 2013. The latter company subsequently concluded an agreement with DEWA (see *Business overview – Partners – DEWA*) and Azelio has countersigned a memorandum of understanding. Due to regulatory reasons DEWA only enters into agreements with companies from the UAE, which is the reason why Azelio has entered in an agreement with Al-Futtaim Carillion

LLC which in itself has entered into an agreement with DEWA. The agreements refer to pilot projects for the demonstration of a solar park.

During 2018 Al-Futtaim Carillion LLC went bankrupt, which means the Company no longer has a partner that can act as an intermediary between the Company and DEWA. DEWA and Azelio are currently searching for a new suitable intermediary for their continued cooperation.

Contract with Masen

On 10 May 2018 Azelio entered into an investment agreement with Masen (Moroccan Agency for Sustainable Energy), 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. The board of directors in Azelio has undertaken to issue and allot 16,666,667 warrants in Azelio to Masen, without consideration in accordance with the agreement. Every warrant entitles the holder to subscribe for one share in Azelio for a subscription price of SEK 1.5. 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 – Incentive programmes"*. 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 Offering Circular four leasing agreements in Sweden, which the Company considers to be material, and one non-material leasing agreement in China. The four material agreements contain standardized terms and conditions as follows:

Location	Type of premises	End of current agreement
Gothenburg	Offices	31-03-2019
Uddevalla	Production	31-12-2019
Åmål	Production, inventory	31-12-2019
Åmål	Offices	30-09-2019

The leasing agreement regarding offices in Gothenburg has been terminated by the landlord for renegotiation of terms and conditions and there is currently a discussion ongoing regarding an extended lease.

If the remaining contracts are not terminated before their date of expiration they will be extended on current terms and conditions for either three years (regarding the production premises in Uddevalla and Åmål and the offices in Gothenburg) or one year at a time (offices and inventory in Åmål).

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 three registered pattern rights in the EU for solar collectors, hub for solar collectors, flexdisc and coasters, and for "Piston assembly for Stirling Engine" in China. The pattern right for solar collectors will not be published and will thus lapse on 15 August 2019. 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 Offering Circular Azelio holds one granted patent as well as pending patent applications regarding ten patent families. The chart below demonstrates the patents of the Company and patent applications at the date of the Offering Circular.

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 1651455	Application
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	Application
Hongkong	A preheating system and method for a Stirling engine	2015-03-27	HK 20160103675.8	HK 1215725	Application
Sweden	Methods of pumping heat transfer fluid in thermal energy storage systems	2017-02-14	SE 1750135-4	SE1750135	Application
WIPO ¹⁾	Methods of pumping heat transfer fluid in thermal energy storage systems	2018-02-14	PCT/SE2018/050143	WO 2018151654	Application
Sweden	Concentrated solar power system and thermal energy storage system therefor	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 1750134	Application
WIPO	Attachment hub for parabolic solar collector and methods of transport of a parabolic solar collector	2018-02-14	PCT/SE2018/050141	WO 2018151652	Application
Sweden	An arrangement of fasteners for securing a mirror to a support of a parabolic solar reflector	2017-02-14	SE 1750139-6	SE 1750139	Application
WIPO	An arrangement of fasteners for securing a mirror to a support of a parabolic solar reflector	2018-02-14	PCT/SE2018/050144	WO 2018151655	Application
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 1750138	Application
WIPO	A fastener and a fastening element for securing a mirror to a support of a parabolic solar reflector	2018-02-14	PCT/SE2018/050145	WO 2018151656	Application
Sweden	Improved coupling disc	2017-02-14	SE 1750137-0	SE 1750137	Application
WIPO	Improved coupling disc	2018-02-14	PCT/SE2018/050142	WO 2018151653	Application
Sweden	PEM storage vessel	2018-10-29	1851338-2	-	Application not published
Sweden	Thermal energy storage assembly	2018-10-29	1851339-0	-	Application not published

¹⁾ WIPO (World Intellectual Property Organization) administers a number of international application systems. The PCT (Patent Cooperation Treaty) is an international agreement which means that an applicant can receive an international filing date through a single patent application in one language. This means that the application is considered to be filed in all PCT member countries, more than 150, that day. A PCT application does not 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 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 is currently evaluating the possibility to request a leave to appeal to the Supreme Court. The Supreme Court may, except under certain extraordinary circumstances, permit a leave to appeal only if it is important for the judicial development to try the case. The Supreme Court permits a leave to appeal in a little bit more than 100 of 5000 appeals every year. If the Supreme Court does not give a leave to appeal, Azelio shall compensate Quest's costs incurred due to the trial in the District Court and Court of Appeal including interest according to Section 6 of the Swedish Act of Interest from the day of each ruling until payment.

Azelio has reserved an amount of SEK 500,000 in the financial statement as of 30 September 2018 for the dispute with Ovest.

Azelio has, in addition to the litigation against Quest, brought damages against the board members who resolved on the issue in kind. One of these processes, in the District Court of Stockholm, has been withdrawn on Azelio's request. Another of these processes, in the District Court of Gothenburg against two former board members who participated in resolving on the issue in kind, is dormant until the dispute with Quest is finally decided. If the Supreme Court grants a leave to appeal and Azelio succeeds the shares will be reverted and Azelio will not have suffered any damages. If the Supreme Court does not grant a leave to appeal the process in the District Court of Gothenburg will be resumed against the prior members of the board of directors for compensation on the difference between the value of the capital injection and the fair market value of the issued shares.

In addition to the processes mentioned above Azelio is not, and has not been, involved in any litigations 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. For further information, see the section "*Risk factors – Risks related to Azelio – Disputes*".

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 the property of the Company 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.

Stabilisation

In connection with the Offering, Pareto Securities may effect transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilisation transactions may be effected on Nasdaq First North, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq First North and ending not later than 30 calendar days thereafter. Pareto Securities are, however, not required to undertake any stabilisation and there is no assurance that stabilisation will be undertaken.

Stabilisation, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilisation transactions have been undertaken, Pareto Securities shall disclose that stabilisation transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilisation period, Pareto Securities will make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

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 Counselor, for approximately SEK 3 million and SEK 2 million, respectively.

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. Interest on the loans was SEK 92,456 and SEK 1,932,850, respectively.

See section "*Corporate governance – Remuneration to the board of directors, CEO and senior executives*" and note 6 to the Company's 2017 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

Pareto Securities provides financial advisory and other services to the Company as Sole Global Coordinator and Bookrunner. The total compensation to Pareto Securities is partially dependent on the outcome of the Offering. Sole Global Coordinator and Bookrunner have provided, and may in the future provide services within banking, finance, investments and commercial services as well as other services for which Pareto Securities has been, and may in the future be, compensated.

Advokatfirman Vinge KB has been legal counsel in connection with the Offering and the IPO, and may provide additional legal services to the Company.

Cornerstone Investors

Alfred Berg Kapitalförvaltning AB, Back in Black Capital Ltd, Blue Marlin AB, Byggmästare Anders J Ahlström Holding AB (publ) and LMK Venture Partners AB (together the "**Cornerstone Investors**") have undertaken to acquire 5,318,362 shares in the Offering, equivalent to approximately SEK 117 million. Other individuals, among others, on the board and in the management

of the Company have undertaken to acquire 933,861 shares in the Offering, equivalent to approximately SEK 21 million. If the Offering is fully subscribed and the Over-allotment Option is exercised in full the undertakings are altogether equivalent to approximately 40 per cent of the shares in the Company and 13 per cent of the total amount of shares after the completion of the Offering. The undertakings are conditioned on the shares being listed on Nasdaq First North no later than 31 December 2018 and that the Cornerstone Investors receive full allotment in the Offering. Cornerstone Investors do not receive any compensation for their commitments. The undertakings are not secured.

Cornerstone Investors	Commitment (amount in million SEK)	Address
Alfred Berg Kapitalförvaltning AB	25	Nybrokajen 5, SE-111 48 Stockholm
Back in Black Capital Ltd	22	P.O. Box 285 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 4LX
Blue Marlin AB	15	P.O. Box 7030, SE-103 86 Stockholm
Byggmästare Anders J Ahlström Holding AB (publ)	25	Hälsingegatan 40 16 TR, SE-113 43 Stockholm
LMK Venture Partners AB	30	P.O. Box 2025, SE-220 02 Lund

Description of Cornerstone Investors

Alfred Berg Kapitalförvaltning AB

Alfred Berg Kapitalförvaltning AB is a leading Nordic fund manager which has existed for more than 150 years and is part of BNP Paribas Asset Management – one of the world's largest asset managers. Through its investments Alfred Berg Kapitalförvaltning AB strives for the creation of long-term value for their investors.

Back in Black Capital Ltd

Back in Black Capital Limited, incorporated in July 2013, is an investment vehicle primarily established for the Lundin Family along with some other notable Swedish and International financial profiles. The Lundin Family is behind The Lundin Group of Companies founded by the late Adolf H. Lundin over forty years ago. The group is comprised of Swedish and Canadian Oil and Mining companies focused on the resource sector with expertise ranging from early exploration to development and production.

Blue Marlin AB

Blue Marlin AB is a company wholly owned by Kent Janér and contains a number of investments.

Byggmästare Anders J Ahlström Holding AB (publ)

Byggmästare Anders J Ahlström Holding AB (publ) is a listed investment company with the overarching goal of creating long-term value for its shareholders as well as the society and other stakeholders. The company primarily focuses on investments in small and medium-sized, listed and non-listed companies.

LMK Venture Partners AB

LMK Venture Partners AB is a company in the LMK-group, a privately owned Swedish investment-company. The basis of the LMK-group's financial assets derives from Axis, of which Mikael Karlsson was co-founder together with Martin Gren. The investments of the LMK-group are focused on creating more successful Swedish companies.

Costs related to the Offering

In consideration of the Sole Global Coordinator and Bookrunner's assistance in the listing on Nasdaq First North and the Offering, the Sole Global Coordinator and Bookrunner will, subject to certain reservations, be reimbursed by the Company for external expenses incurred by them.

Azelio's costs associated with the listing on Nasdaq First North and the Offering are expected to amount to approximately SEK 40 million. Such costs primarily relate to costs for auditors, attorneys, printing of the Offering Circular, costs related to management presentations, etc.

Documents available for inspection

Azelio's Articles of Association, and Azelio's and its subsidiaries' annual reports for the financial years 2016 and 2017, including auditors' reports, are available for inspection during office hours at the Company's head office at Regnbågsgatan 6, 417 55 Gothenburg.

Tax considerations in Sweden

Below is a summary of certain Swedish tax issues related to the Offering and the admission of the Company's shares to trading on Nasdaq First North for physical persons and limited liability companies domiciled in Sweden for tax purposes, unless otherwise specified. The summary is based on applicable current legislation and is intended only as general information relating to the shares in the Company from the time the shares have been admitted to trading on Nasdaq First North.

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 investors hold shares in the Company which are considered to be business related (taxable),
- 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 which have been Swedish enterprises.

Specific tax rules also apply to certain categories of enterprise. The tax treatment of each individual shareholder depends in part on their particular situation. Each shareholder should consult independent tax advisers about the tax consequences which the Offering and the admission of the shares in the Company to trading on Nasdaq First North may arise for their part, including the applicability and impact of foreign legislation (including directives) 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 apply other than those listed below). However, no guarantee is given that the shares will be considered quoted.

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 respectively are equivalent to the difference between sales compensation, after deduction for sales costs, and the purchase price. The total purchase price for all shares of the same class and type is divided by the number of shares. For market-listed shares, the purchase price may

alternatively be calculated at 20 per cent of the income after deduction of sales costs.

Capital losses on market-listed shares may be fully offset against taxable capital gains on shares that same year, as well as on market-listed securities which are taxed as shares (however not mutual funds or hedge funds) or which only comprise Swedish receivables, i.e. 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 a 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 by the nominee in the case of nominee-registered shares.

Limited liability companies

For limited liability companies, all income, including taxable capital gains and taxable dividends, are taxed as income from business activities at 22 per cent. Capital gains and capital losses are calculated in the same way as described for private individuals above.

Deductions for deductible capital losses on shares are only permitted against taxable capital gains on shares and other securities taxed as shares. Capital losses on shares which it has not been possible to utilise in the year in which the loss occurs, 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 company or certain legal entities, for example investment companies.

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 withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of 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 an applicable tax 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 Sweden has entered into generally enable the withholding tax deduction to be made in accordance with the tax rate stipulated in the treaty, provided that Euroclear Sweden or the nominee, as applicable, has the required information of the tax residency of the investor entitled to the dividend. Further, investors entitled to reduced tax rates under applicable tax treaties may seek a refund from the Swedish tax authorities if the full withholding tax rate at 30 per cent has been withheld.

Shareholders not resident in Sweden for tax purposes are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden due to a habitual abode in Sweden or a stay in Sweden for six consecutive months at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties.

Definitions

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.
Cornerstone Investors	Alfred Berg Kapitalförvaltning AB, Back in Black Capital Ltd, Blue Marlin AB, Byggmästare Anders J Ahlström Holding AB (publ) and LMK Venture Partners AB.
EUR	Euro.
Euroclear Sweden	Euroclear Sweden AB.
Nasdaq First North	The alternative market operated by the different exchanges within Nasdaq.
Pareto Securities	Pareto Securities AB.
SEK	Swedish krona.
Sole Global Coordinator and Bookrunner	Pareto Securities.
The Code	The Swedish Corporate Governance Code.
The Offering	The offer of shares as set out in the Offering Circular.
The Offering Circular	This Offering Circular.
The Offering Price	SEK 22 per share.
The Principal Owner	Kent Janér personally and through the company Blue Marlin AB, unless otherwise stated.
USD	US Dollar.

Documents incorporated by reference

The following information is incorporated by reference and forms part of the Offering Circular. The annual financial reports of the Group for 2016 and 2017 for Azelio AB (publ) have been audited by KPMG AB, with authorised public accountant Fredrik Waern as Auditor in charge. The audit reports for the financial years 2016 and 2017 deviate from the standard formulation. The deviation relates to the Company's strained liquidity position and the need for additional financing in order to continue its operations. The documents that are incorporated by reference are available on Azelio's website, <https://www.azelio.com/investors/documents/>, during the validity of the Offering Circular.

- 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; and
- iii. The Group's Interim report for the nine-month period 1 January – 30 September 2018, including the auditor's report on review of financial interim information, which deviates from the standard formulation. The deviation relates to the Company's strained liquidity situation and the need for additional financing to continue the business.

Addresses

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