

# Advanced Soltech Sweden AB (publ) quarterly report for the period April - June 2020

Advanced Soltech is making its strongest quarter in terms of sales to date with revenues of SEK 47 million and the business model has proven resilient to the effects of the Corona pandemic.

## Second quarter in numbers

- The Group is making its best quarter to date with revenues of SEK 47 million. Produced electricity amounted to 38 million kWh.
- Revenues were negatively affected during the period by approximately SEK 5 million, due to Corona pandemic.
- Profit for the period amounted to SEK 2.8 million adjusted for unrealized, non-cash flow effects of SEK -38.5 million.  
Profit for the period after financial items and tax amounted to SEK -35.7 million and was affected by an unrealized currency effect of SEK -38.5 million.
- Installed capacity (solar power plants) at the end of the period amounted to 140 MW.

## Second quarter in brief

- In the second quarter, much of the Chinese economy has returned to a more normal state. For ASAB's part, all plants are back to normal production from the end of May.
- In June, ASAB issued SEK 105 million in new bonds during the existing green bond framework of SEK 1,500 million. The issue was oversubscribed. Net proceeds of SEK 92 million goes to continued investments in new facilities.
- A new framework agreement has been signed for the construction of 35 megawatts (MW) solar energy capacity. The agreement was concluded with FengXian Economic Development Zone Investment Development Co. Ltd., owned by the local government of the city FengXian in JiangSu Province. Fully developed coming the agreement to generate annual revenues of approximately SEK 31 million.
- Max Metelius (former COO / CFO) has taken over as CEO and former CEO Frederic Telander has taken over as a working Chairman of the Board and the Board of ASAB have been strengthened with two external members, Patrick de Muyneck and Vivianne Holm.
- The work of preparing the company for a listing on First North Growth Market continues according to plan.
- During the first half of the year, ASAB produced 59 million kWh which has reduced CO2 emissions in China by about 38 thousand tons.
- At the end of the first half of the year, ASAB had 46 MW in signed orders, framework agreements corresponding to 705 MW and a pipeline that the company continuously processes 123 MW.

## First half year in numbers

- Revenues for the period amounted to SEK 62 million. Produced electricity amounted to 59 million kWh.

- Revenues were negatively affected during the period by approximately SEK 10.5 million, due to the Corona pandemic.
- Profit for the period amounted to SEK -22.2 million adjusted for unrealized, non-cash flow-affecting currency effects of SEK -5.3 million.
- Profit for the period after financial items and tax amounted to to SEK -27.5 million.

## Significant events after the reporting period

- In August, Lars Höst took over as CFO and thus replaces Max Metelius.
- ASAB has signed its second largest order to date, a solar power plant of 11 MW which is estimated to generate annual revenues of approximately SEK 6.1 million, or approximately SEK 122 million under the agreement 20-year term.
- At the time of writing, ASAB has 143 MW of installed solar power plants.

## CEO comment

Our operations in China are functioning as usual again after the outbreak of the Corona pandemic. Our existing facilities are currently fully productive again and the demand for our offer is very strong.

The NDRC has decided to reduce prices by 5% from February to the end of the year. Compared with the development of freely traded energy, such as oil or many electricity markets, the decline is modest and manageable. We maintain our long-term assessment that increased demand for electricity and a conversion pressure towards green energy will provide support for electricity prices.

Revenues for the quarter amounted to SEK 47 million, which is our strongest quarter ever. The distribution between sales to customers and to the network is also normalized, while the proportion of subsidies is higher than usual thanks to two major payments of subsidies from local authorities that the company received in April and May.

Our largest cost item is interest, excluding expense recognition on borrowing costs, of SEK 25 million. Reducing the cost of capital is a priority workflow because it has a major impact on our results.

The Swedish krona has been very volatile and for the second quarter the Company suffered an unrealized currency loss of just over SEK 38 million, and for the half-year the corresponding currency loss is just over SEK 5 million. Our currency exposure is significant, and the Company will during the autumn evaluate the risk and work out a plan for how the currency risk is to be managed.

As financing has lagged behind our plan due to the Corona pandemic, we have been careful about signing new contracts, but through our latest bond issue of SEK 105 million, we can work with this for full machine again with new signing of orders and construction of new facilities. It is gratifying to see that our business model is coping with this crisis very well.

The company has continued its efforts to improve the conditions for better financing conditions. We are now working on continued preparations for a listing together with Carnegie and DNB at the same time as we evaluate the possibilities of finding capital for our short-term financing in a good way.

As a step in the improvement work, we made changes to strengthen the management. Frederic Telander (former CEO) has taken over as Chairman of the Board and Max Metelius (former COO / CFO) has taken over as CEO. In addition, we have hired Lars Höst (former CFO at Ortivus AB) as CFO. In China, a recruitment process is underway to employ a key position within our finance function. The Board has been strengthened with two external members, Vivianne Holm and Patrick de Muynck with backgrounds and knowledge that create great value for the Company in its continued growth journey.

China and the rest of the world continue to grapple with the challenges posed by the Corona pandemic in terms of weaker and less predictable economic growth, but we do not see it directly affecting our business. The deterioration relationship between US and China has no direct bearing on us, but we avoid having USD exposure in any part of the business in order not to expose ourselves to risk if there were to be sanctions. We experience continued support from authorities in China for our operations and believe that this will continue to be the case as continued expanded solar energy is in the interests of both China and the rest of the world.

## Financial reports for ASAB Group

Income Statement* (SEK 000')	ASAB Group Q2 2020	ASAB Group H1 2020
Revenue	26 286	36 738
Other operating income	20 673	25 234
<b>Total income</b>	<b>46 959</b>	<b>61 972</b>
<b>Operating expenses</b>		
Other external expenses	-4 566	-5 199
Personnel expenses	-1 436	-2 753
Depreciation	-9 378	-19 081
Other operating expenses	0	0
<b>Operating profit</b>	<b>31 590</b>	<b>34 938</b>
<b>Result from financial investments</b>		
Interest income and similar income items	1 713	1 777
Interest expenses and similar income items	-30 462	-58 922
Currency gains and losses	-38 494	-5 278
<b>Profit after financial items</b>	<b>-35 653</b>	<b>-27 485</b>
Tax		
<b>The result of the period</b>	<b>-35 653</b>	<b>-27 485</b>
Attributable to the parent company's owners	-35 306	-27 205
Minority interest	-347	-280

<b>Balance sheet*</b> (SEK 000')	<b>ASAB Group</b> <b>2020-03-31</b>	<b>ASAB Group</b> <b>2020-06-30</b>
<b>ASSETS</b>		
<b>Fixed assets</b>		
<b>Intangible assets</b>	64 273	44 914
<b>Total intangible fixed assets</b>	<b>64 273</b>	<b>44 914</b>
<b>Tangible fixed assets</b>		
Solar power plants	985 287	918 674
<b>Total tangible fixed assets</b>	<b>985 287</b>	<b>918 674</b>
<b>Financial assets</b>		
Other long-term receivables	93 253	93 809
Deferred tax assets	9 883	9 195
<b>Total financial fixed assets</b>	<b>103 136</b>	<b>103 004</b>
<b>Total fixed assets</b>	<b>1 152 697</b>	<b>1 066 592</b>
<b>Current assets</b>		
<b>Inventories</b>		
Advances to suppliers	9 634	8 611
<b>Total inventory</b>	<b>9 634</b>	<b>8 611</b>
<b>Receivables</b>		
Accounts receivable	24 451	31 228
Tax receivables	467	345
Other receivables	25 778	31 331
Prepayments and accrued income	247	131
<b>Sum of current receivables</b>	<b>55 199</b>	<b>63 035</b>
<b>Cash and bank balances</b>		
Cash and bank balances	13 661	74 241
<b>Total cash and bank balances</b>	<b>13 661</b>	<b>74 241</b>
<b>Total current assets</b>	<b>78 494</b>	<b>145 886</b>
<b>TOTAL ASSETS</b>	<b>1 231 191</b>	<b>1 212 478</b>

<b>Balance sheet*</b> (SEK 000')	ASAB Group 2020-03-31	ASAB Group 2020-06-30
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	4 200	4 200
Additional paid in capital	206 508	206 399
Comprehensive income and other	2 427	-78 583
Equity related to:		
Parent company´s owner	207 039	125 763
Minority interest in equity	6 096	6 254
<b>Total equity</b>	<b>213 134</b>	<b>132 016</b>
<b>Provisions</b>		
Deferred tax liability	10 980	7 387
<b>Total provisions</b>	<b>10 980</b>	<b>7 387</b>
<b>Long-term liabilities</b>		
Other Long-term liabilities	27 969	37 625
Liabilities to associated companies	29 858	28 930
Bond loan	797 381	882 129
<b>Long-term liabilities</b>	<b>855 208</b>	<b>948 683</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	39 796	37 024
Accounts payable	79 580	61 087
Tax liabilities	2 502	806
Other debts	12 154	449
Accrued expenses and prepaid income	17 836	25 025
<b>Current liabilities</b>	<b>151 868</b>	<b>124 391</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 231 191</b>	<b>1 212 478</b>

<b>Cash flow analysis*</b> (SEK 000')	ASAB Group <b>Q1 2020</b>	ASAB Group <b>H1 2020</b>
Earnings before financial items	31 980	35 328
Adjustment for depreciation	9 377	19 081
Adjustment for items not affecting the cash flow	0	0
<b>Total</b>	<b>41 357</b>	<b>54 409</b>
Received interest	1 713	1 777
Paid interest	-23 272	-48 835
Paid income tax	-1696	-1 410
<b>Total</b>	<b>-23 255</b>	<b>-48 468</b>
Change in working capital	-21 054	-29 741
<b>Cash flow from operations</b>	<b>-2 952</b>	<b>-23 800</b>
Cash flow from investments	-29 277	-44 618
Cash flow from financing	92 809	92 809
<b>CASH FLOW FOR THE PERIOD</b>	<b>60 580</b>	<b>24 391</b>

(\*) not audited

**For more information contact:**

Max Metelius, CEO Advanced Soltech Sweden AB (publ) Tel: 072- 316 04 44. Email: max.metelius@advancedsoltech.com