

Advanced Soltech Sweden AB (publ) interim report for the period July - September 2020

Advanced Soltech (ASAB) is making its strongest quarter in terms of electricity production corresponding to 38.4 million kWh.

Third quarter in numbers

This report covers the entire ASAB Group, including the Swedish parent company (ASAB AB) with the Chinese operating subsidiaries consolidated in the same report. There are no comparative figures for the same period last year as the Group was not created at this time.

- The Group is making its best quarter to date with electricity production corresponding to 38.4 million kWh and SEK 42.8 million in revenue.
- Revenues were negatively affected during the period by approx. SEK 2 million, due to the Corona pandemic, due to the temporary price reduction of electricity by 5% announced by the state NDRC, which controls electricity prices in China, to stimulate the economy after the Corona pandemic.
- Profit for the period amounted to SEK -5.5 million adjusted for unrealized, non-cash flow effects of SEK -8.6 million.
- Profit for the period after financial items and tax amounted to SEK -14.1 million and was affected by an unrealized currency effect of -8.6 MSEK.
- Cash flow for the period amounted to SEK -52.7 million.
- Installed capacity (solar power plants) at the end of the period amounted to 143 MW.
- The company has raised SEK 131.5 million (SEK 120.2 million after deduction of issue costs) in the form of newly issued preference shares.

Third quarter in brief

- During September, the Company raised SEK 131.5 million (SEK 120.2 million after deduction of issue costs) as equity in the form of newly issued preference shares. These will be converted into ordinary shares in connection with a listing. A major part of the capital provided will be invested in solar power plants in China.
- In August, Lars Höst took over as CFO and thus replaces Max Metelius who took over as CEO. Lars has experience from a listed environment and will work to strengthen and improve the Company's reporting and other financial management.
- China's leader, Xi Jinping, announced in a speech to the UN General Assembly that China will work towards reaching CO₂ neutrality by 2060, which is a new goal. Solar energy will be a large and important part of the future energy system.
- ASAB has signed several large orders, e.g. 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 during the agreement's 20-year term. At the end of the third quarter, ASAB had 143 MW of installed and revenue-generating solar energy capacity with an average remaining contract duration of 17.4 years. During the first three quarters, we produced 97 million kWh, which reduced CO₂ emissions by about 62 thousand tons year to date.
- At the end of the third quarter, ASAB had 55 MW in signed orders, framework agreements amounting to 705 MW and a pipeline of 134 MW.

January - September in numbers

- Revenues for the period amounted to SEK 104,8 MSEK. Produced electricity amounted to 97 million kWh.
- Revenues were negatively affected during the period by approximately SEK 12.5 million, due to the Corona pandemic.
- Profit for the period amounted to SEK -27,5 MSEK adjusted for unrealized, non-cash flow-affecting currency effects of SEK -13,9 MSEK.
- Profit for the period after financial items and tax amounted to SEK -41,4 MSEK.

Significant events after the reporting period

- The new preference shares were issued and registered in early October.
- Advanced Soltech's subsidiary in China, ASRE, has signed three new orders amounting to 2.2 MW
- The activity in the company is high. Construction of projects has accelerated since the end of the third quarter and we have continued to report on new orders. At the time of writing, we have 144.6 MW installed.

Selected KPI's

Financial KPI's	ASAB Group	ASAB Group
(SEK 000')	Q3 2020	YTD 2020
Revenue	31 509	68 247
Subsidies	11 334	36 568
Total income	42 843	104 815
Share of subsidies	26%	35%
EBIT	28 227	63 166
EBIT%	65%	60%
EBITDA	38 767	92 787
EBITDA%	90%	88%
Interest cost excluding loan assessment cost, MSEK	24,0	73,5
Loan assessment cost, MSEK	9,4	18,8
Interest-bearing net debt, per end-of-period	955	
Operational KPI's	ASAB Group	
	2020-09-30	
Installed capacity, MW	143	
Produced electricity during the first three quarters 2020, millions of kWh	97	
Average remaining contract time, years	17,4	
Signed orders, MW	55	
Order pipeline, MW	134	
CO2-reduction (estimated), thousand of tons, during the first three quarters	62	

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.

It has been an eventful quarter for Advanced Soltech. We have continued to take large new orders, strengthened our finance function in both China and Sweden and raised equity from external investors for the first time.

It is becoming increasingly clear that solar energy will be an important part of the global energy system. On 22 September 2020, China's leader Xi Jinping announced in a speech to the UN General Assembly that China will work against CO₂- neutrality to 2060, which is a new and very ambitious goal. How the new goals will be put into practice is not yet known. Given that about 60% of the electricity generated in China today is carbon-based, one must assume that solar energy will be a large and important part of the future energy system. A new plan for the development of renewable energy for China will be presented during the first half of 2021 and our assessment is that solar energy will have a significantly higher rate of expansion in the future.

The development confirms that Advanced Soltech is active in the right market, with the right product and at the right time.

The new orders include Shanxian City Construction Investment Co. Ltd. at 11 MW, the facility is our second largest project to date. This project has a gross return of as much as 14.2% completely without subsidies. This shows that we can maintain a very good return at project level without to be dependent on grants, thanks to the fact that we have an efficient installation process and that we carefully choose profitable projects in regions with the right combination of solar radiation and high electricity prices.

Revenues for the quarter are just over SEK 42 million. The revenue level is, as expected, taking into account the downward price adjustment of the electricity price of approximately 5% that applies since February 2020. We also delivered our highest electricity production for a single quarter so far in the third quarter with a measured production of over 38 million kWh.

Our largest cost item is continued interest and financial expenses of SEK 24 million. As of this report, we will break down this cost item in a better way for increased transparency. Getting better terms on our financing is the single main reason for our plans to list Advanced Soltech, which we continue to work on together with DNB and Carnegie. The result for the quarter is charged with unrealized exchange rate differences of SEK 8.6 million. Our currency exposure is significant and we have begun an investigation to develop a method for how currency risk is to be managed. The new plan will be implemented in connection with the planned listing.

During the quarter, we strengthened the reporting function. In Stockholm, we have hired Lars Höst (former CFO at Ortivus AB) as CFO and at our head office in China, located in Hangzhou, we have hired Steven Yang as Head of Accounting. Steven has previously worked in China as a Finance Controller for the Swedish company Lintex. The changes will improve the quality of reporting and allow our new CEO for our operations in China, Gang Bao (former COO) to focus on business development.

During September, we raised SEK 131.5 million (SEK 120.2 million after deductions for issue costs) as equity in the form of newly issued preference shares. These will be converted into ordinary shares in connection with a listing. The major part of the new capital will be invested in solar energy facilities in China. The issue also strengthens our share of equity and creates a

greater ownership spread prior to the planned listing. It is gratifying to see a strong interest in investing in our business and we welcome our new investors on board our growth journey. The new investors are mostly former bondholders who know the company well.

The Corona pandemic has led to a tough test of the business case, but the consequences have been handled very well. The pandemic has caused delays in growth and slightly lower revenues, but at the same time confirmed that we have a very robust business model. In the third quarter, we estimate that the loss of revenue due to general price reductions of approximately 5% on electricity tariffs will amount to SEK 2 million. In addition to the price reduction, the effects of the pandemic are very limited for our operations in China. On the other hand, we clearly notice that interest in solar energy has increased, not least through a strong inflow of orders.

We are experiencing continued strong demand from the market and support for our operations from local authorities and from the top leadership in China who have adopted new very ambitious environmental goals.

Best regards
Max Metelius, CEO

Income statement for ASAB Group

Income Statement	ASAB Group	ASAB Group
(SEK 000')	Q3 2020	YTD 2020
Revenue	31 509	68 247
Subsidies	11 334	36 568
Total income	42 843	104 815
Operating expenses		
Other operating income	350	350
Other external expenses	-1 769	-6 968
Personnel expenses	-2 488	-5 241
Depreciation and amortization	-10 540	-29 621
Other operating income	350	350
Other operating expenses	-519	-519
Operating profit / EBIT	28 227	63 166
EBIT%	66%	60%
Result from financial items		
Interest income and similar income items	7	1 784
Interest expenses and similar income items	-33 366	-92 288
Currency gains and losses	-8 632	-13 910
Profit after financial items	-13 763	-41 247
Tax	0	157
The result of the period	-13 763	-41 090
Attributable to the parent company's owners	-14 755	-41 802
Minority interest	992	712
EBITDA	38 767	92 787
EBITDA%	90%	89%

Balance sheet for ASAB Group

Balance sheet (SEK 000')	ASAB Group 2020-09-30	ASAB Group 2020-06-30
ASSETS		
Subscribed, unpaid new share issue	120 250	0
Total subscribed, unpaid new share issue	120 250	0
Fixed assets		
Intangible assets	45 113	44 914
Total intangible fixed assets	45 113	44 914
Tangible fixed assets		
Solar panels	924 972	0
Solar panels under construction	25 034	0
Other tangible assets	1 919	918 674
Total tangible fixed assets	951 925	918 674
Financial assets		
Other long-term receivables	97 363	93 809
Deferred tax assets	9 182	9 195
Total financial fixed assets	106 545	103 004
Total fixed assets	1 103 583	1 066 592
Current assets		
Inventories		
Advances to suppliers	0	8 611
Total inventory	0	8 611
Receivables		
Accounts receivable	31 719	31 228
Tax receivables	0	345
Other receivables	22 942	31 331
Prepayments and accrued income	3405	131
Sum of current receivables	58 066	63 035
Cash and bank balances		
Cash and bank balances	21 411	74 241
Total cash and bank balances	21 411	74 241
Total current assets	79 477	145 887
TOTAL ASSETS	1 303 310	1 212 479

Balance sheet for ASAB Group, continued

Advanced SolTech Sweden AB (publ)		
Balance sheet	ASAB Group	ASAB Group
(SEK 000')	2020-09-30	2020-06-30
EQUITY AND LIABILITIES		
Equity		
Share capital	4 200	4 200
Share capital, new shares issue	13	0
Additional paid in capital	202 671	206 399
Premium share fund, new shares issue	120 224	0
Comprehensive income and other	-74 469	-78 583
Equity related to:		
Parent company's owner	261 559	125 763
Minority interest in equity	6 674	6 254
Total equity	252 639	132 016
Provisions		
Deferred tax liability	7 410	7 387
Total provisions	7 410	7 387
Long-term liabilities		
Other long-term liabilities	10 666	37 625
Liabilities to group companies	29 702	28 930
Liabilities to associated companies	27 092	0
Bond loan	883 273	882 129
Long-term liabilities	950 733	948 684
Current liabilities		
Liabilities to credit institutions	0	37 024
Accounts payable	13 612	61 087
Liabilities to associated companies	54 730	0
Tax liabilities	276	806
Other debts	5 936	449
Accrued expenses and prepaid income	17 974	25 026
Current liabilities	92 528	124 392
TOTAL EQUITY AND LIABILITIES	1 303 310	1 212 479

Cash flow analysis for ASAB Group

Cash flow analysis (SEK 000')	ASAB Group Q3 2020	ASAB Group YTD 2020
Earnings before financial items	27 877	62 816
Adjustment for depreciation	10 540	29 621
Adjustment for items not affecting the cash flow	-5 442	-5 442
Total	32 975	86 995
Received interest	7	1 784
Paid interest	-30 117	-78 952
Paid income tax	-385	-1 795
Total	-30 495	-78 963
Change in working capital	5 113	-24 239
Cash flow from operations	7 593	-16 207
Cash flow from investments	-15 729	-60 347
Cash flow from financing	-44 605	48 204
CASH FLOW FOR THE PERIOD	-52 741	-28 350
Translation difference in cash and cash equivalents	-88	-88
Cash and cash equivalents opening balance	74 240	49 849
Cash and cash equivalents closing balance	21 411	21 411

Comments based on the financial overview

Income statement, Q3 2020

The Group's sales are SEK 42.8 million, consisting of sales of electricity to customers and the electricity grid as well as grants, so-called subsidies.

Personnel costs amount to SEK 2.5 million. The group has 3 employees in Sweden and 13 in China.

The currency impact had a negative effect on the second quarter's earnings of the equivalent of SEK 8.6 million. The parent company has long-term loan liabilities in foreign currency totaling EUR 30 million. The parent company, in turn, has lent EUR 64 million to the two Chinese subsidiaries, where a currency effect arises between EUR and CNY. The exchange rate effect is unrealized.

Interest expenses amount to SEK 33.4 million and consist of interest expenses on issued bond loans, loans from Group companies, loans from related companies and two smaller external loans, as well as expense recognition of loan costs of SEK 9.4 million. Expenses of borrowing costs increased by SEK 4.6 million during the quarter when the depreciation plan was revised. The borrowing cost also includes Chinese withholding tax of SEK 2.7 million as interest is paid from the Chinese subsidiaries to the Swedish parent company.

Cash flow, Q3 2020

Cash flow for the period was SEK -52.7 million. Cash flow is continuously affected by the raising of long-term liabilities and investments in both Chinese subsidiaries and can vary greatly between individual quarters.

During the period, a short-term bank loan in China of 37 MSEK repaid.

About the business

Advanced Soltech Sweden AB (publ) "ASAB" offers through wholly owned subsidiaries in China commercial Chinese customers electricity from solar energy produced on the customer's own roof. The offer to the customer means that ASAB invests in, owns and operates the solar energy plant on the customer's roof in exchange for him buying the electricity that the plant produces on a 20-year contract at a pre-agreed price. Electricity that the customer does not buy is sold to the electricity grid.

The operations in China are financed through loans, so far mainly bond issues, and equity from ASAB AB in Sweden. Through the financing, investors can take advantage of the strong growth in Chinese solar energy and contribute to sharply reduced carbon dioxide emissions. A produced kWh of solar energy in China replaces a dirty energy mix based on coal with approx. 10 times higher emissions of greenhouse gases than in Sweden.

ASAB's continued growth

During the third quarter, both installation and new sales returned strongly after a waiting period during the first half of the year due to the Corona pandemic. The company's goal remains to secure a portfolio of 1 GW (1000 MW) producing solar energy plants by 2023 with the plan that these will be connected to the electricity grid by 2024.

The schedule may be revised when the Company gets better clarity in how the financing opportunities develop.

Major shareholder

The company is 51% owned by SolTech Energy Sweden AB (publ) and 49% by Advanced Solar Power (Hangzhou) Inc.

Related party transactions

The following related party transactions took place during the period.

		Q3	YTD
<u>Transaction</u>	<u>Counterpart</u>	<u>(SEK 000')</u>	<u>(SEK 000')</u>
Purchase of solar panels	Advanced Solar Power (Hangzhou) Inc.	7 001	135 429
Interest charged	Advanced Solar Power (Hangzhou) Inc.	568	1 692
Rental of office	Advanced Solar Power (Hangzhou) Inc.	46	138
Interest charged	SolTech Energy Sweden AB (publ)	596	1 796

Other information

The group

The group consists of the parent company Advanced Soltech Sweden AB (publ), corporate identity no. 559056-8878, and the two wholly owned subsidiaries in China; Advanced SolTech Renewable Energy (Hangzhou) Co., Ltd and Longrui Solar Energy (Suqian) Co., Ltd.

Certified Adviser

The company's Certified Adviser is FNCA, Tel: 08-528 00 399. Email: info@fnca.se

Forward-looking statements

All forward-looking statements in this report are based on the company's best judgment at the time of the report. Such statements, like all future assessments, contain risks and uncertainties, which may mean that the actual outcome will be different. In addition to what is required by current legislation, forward-looking statements only apply on the day they are made and the Company does not undertake to update these in the light of new information or future events. The company does not provide any forecasts.

Audit

This interim report has not been subject to audit by the Company's auditor.

Upcoming reports

The year-end report for the period October to December 2020 will be published on 24 February 2021.

Assurance

The Board of Directors and the Chairman of the Board of Directors assure that the interim report provides a fair overview of the Parent Company's and the Group's operations.

Stockholm, November 3, 2020

Frederic Telander, Chairman

Max Metelius, CEO