

## **Interim report**

April - June 2022



#### Positive decision from China Bank of Communications

## Still strong demand for solar energy

During the quarter, demand from Chinese customers remained high and new orders corresponding to 30.8 (11.0) MW were signed. During the quarter, Advanced Soltech's 154 (134) solar energy plants produced a total of 61 (54) million kilowatt hours, an increase with 13%. Through this we reduced CO2 emissions by 38,000 (33,000) tonnes. We have continued to build new capacity in China and at the end of the period the total installed capacity amounted to 220.2 (192.5) MW.

#### The quarter, in short

#### April 1st - June 30th

- The company installed a total of 8.2 (10.1) MW of roof-based solar energy plants and had 220.2 (192.5) MW installed and revenue-generating capacity at the end of the quarter.
- 61 (54) million kWh were produced, an increase of 13%, which reduced China's CO2-related emissions by approximately 38,000 (33,000) tonnes.
- At the end of the quarter, the company had 53 (37) MW in subscribed orders, as well as projects in progress of 125 (123) MW. During the period, the company has chosen to cancel orders, due to our high quality and safety requirements. A total of 4.7 MW.
- The company signed 13 (eight) contracts amounting to a total installed capacity of 30.8 (11.0) MW.
- Advanced Soltech's subsidiary in China has entered into a strategic cooperation agreement with the municipal management in BoShan district, located in ShanDong province, regarding the development of 100 MW of roof-based solar energy in the district over five years.
- The company carried out a directed share issue, raising approximately SEK 18 million, before issue cost.

#### The quarter, in numbers

#### April 1st - June 30th

- Revenues (sales of electricity and subsidies) amounted to SEK 58.6 (45.5) million, an increase of 29 percent compared with the previous year. The increase is due to a larger installed base of solar energy plants. Currency effects also had a positive effect on revenues of SEK 7.2 million.
- Net sales (sales of electricity to customer and Grid) have increased with 29 percent from SEK 35.8 million to SEK 46.2 million.
- Other operating income (subsidies) has increased from SEK 9.8 million to SEK 12.4 million.
- Operating expenses amounted to SEK 30.6 (23.9) million, an increase of 28 percent. The largest items to the increase are costs for depreciation according to plan and insurance premiums of solar energy plants have increased, and negative currency effect amounted to SEK 3.6 million. The company also have had extra costs for implementation and operation of ERP systems, SEK 0.5 million.
- Operating profit for the quarter amounted to SEK 28.0 (21.7)

- million, an increase of 29 percent compared with the previous year.
- Profit for the year after financial items and tax amounted to SEK 23.2 (-15.4) million and is affected by a non-cash flow-affecting currency effect of SEK 27.4 (-3.5) million. Adjusted for this item, profit for the year amounted to SEK -4.2 (-11.9) million.
- Total cash flow for the quarter amounted to SEK 35.5 (-0.1) million.
- The number of employees at the end of the period was 17 (16).
- According to the company's estimate, the effects of the Corona pandemic affected the company by SEK -1.5 (-1.3) million during the quarter.

#### The year, in numbers

#### January 1st - June 30th

- Revenues amounted to SEK 91.3 (72.6) million, an increase of 26 percent compared with the previous year. The increase is due to a larger installed base of solar energy plants. Currency effects also had a positive effect on revenues of SEK 11.1 million
- Net sales have increased with 29 percent from SEK 55.5 million to SEK 71.8 million.
- Other operating income has increased from SEK 17.1 million to SEK 19.5 million.
- Operating expenses amounted to SEK 59.6 (43.8) million, an increase of 36 percent. The largest items to the increase are that costs for depreciation according to plan, maintenance and insurance premiums of solar energy plants have increased, and negative currency effect amounted to SEK 6.5 million.
- Operating profit for the quarter amounted to SEK 31.7 (28.8) million, an increase of 10 percent compared with the previous year.
- Profit for the year after financial items and tax amounted to SEK 15.7 (-0.5) million and is affected by a non-cash flowaffecting currency effect of SEK 48.3 (36.6) million. Adjusted for this item, profit for the year amounted to SEK -32.6 (-37.0) million.
- Total cash flow for the quarter amounted to SEK -64.7 (-45.5) million.
- According to the company's estimate, the effects of the Corona pandemic affected the company by SEK -2.1 (-1.9) million during the quarter.

## Significant events after the end of the period

- The company signed one contract amounting to an installed capacity of 5.9 MW.
- The credit committee at China Bank of Communications has given a positive decision regarding a bank loan over 8 years of CNY 410 million (approximately SEK 615 million) to Advanced Soltech's subsidiaries in China.



# Chinese lenders are showing good interest in our business

"We see continued strong demand for our offer because it is in line with the climate goals advocated by the authorities"

**During the spring** and summer, we have worked intensively on establishing a new financial structure that creates the opportunity for Advanced Soltech to be able to take full advantage of the strong growth that exists in the Chinese market for solar energy, by obtaining significantly better terms when refinancing current loans and taking up new credits.

As part of the process, we have had discussions with local Chinese investors and international lenders who have a good understanding of our business model and interest in being involved in financing it. In mid-August, as part of these discussions, Advanced Soltech received approval for a loan of approximately SEK 615 million from the credit committee of China Bank of Communications (BOCOM), China's fifth largest bank. The loan is taken out in local currency (CNY) and will be used to settle Advanced Soltech's secured bond, SOLT 5, which amounts to approximately SEK 620 million.

The terms indicated by BOCOM will directly result in reduced financing costs for Advanced Soltech and also contribute to a significantly reduced currency risk and an improved tax situation in China. This will significantly improve the profitability of Advanced Soltech and is at the same time proof that our business can be financed on significantly better terms than before. With the new financing in place, it will give the Company a very strong platform in our continued work to fully utilize the potential of the world's largest market for solar energy. We are now focusing on completing the process with BOCOM and securing additional capital for growth as well as repayment of SOLT 2–4 (the company's three unsecured bonds that mature in 2023 and total SEK 340 million).

We live in a troubled world. In recent times we have witnessed the return of inflation and rising interest rates, continued war in Ukraine and renewed tensions between China and the US. In China, in contrast to the USA and Europe, they have recently chosen to lower some of the most important key interest rates to stimulate the economy, which gives us the opportunity to finance our growth at a lower cost.



There have also been several accounts on the devastating consequences of climate change in various parts of the world. In our discussions with local financiers in China, we have repeatedly received information that there is now a great deal of pressure from the authorities to join and finance climate-improving measures, which is a very gratifying development

In China, they have continued to take a very restrictive stance against COVID, which affects the economy negatively and reduces the economic growth. On the other hand, we see a continued strong demand for our offer because it is in line with the climate goals advocated by the authorities, and because our offer directly reduces the customers' electricity bills. The strong demand is also visible in our order book. We have taken over 30 MW in new orders and signed a strategic cooperation agreement with the authorities in BoShan district in ShangDong province. The cooperation agreement facilitates a rapid expansion of new solar facilities in this area.

**In parallel with** securing long-term financing for growth, we have implemented the ERP-system, Oracle and are also preparing for a transition to the international accounting standards, IFRS, which will further increase the Company's transparency.

It is very satisfying to be part of and actively contribute to a necessary transition to a cleaner energy supply. During the first half of the year, our solar energy facilities in China have reduced the emissions of carbon dioxide by 58,000 tonnes, which corresponds to the emissions for approx. 13,000 Swedes during the same period. We have the advantage of being active in a stable and growing market, despite a troubled environment.

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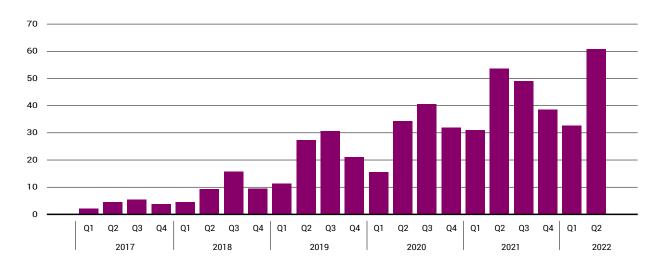
### **Key performance measures**

	220401-220630	210401-210630	220101-220630	210101-210630	210101-211231
Financial Key performance measures (*)					
Total revenue	58,591	45,547	91,270	72,587	153,526
Net revenue	46,212	35,767	71,796	55,475	117,350
Net revenue share of total revenue	79%	79%	79%	76%	76%
EBIT	27,983	21,659	31,667	28,773	60,674
EBIT%	48%	48%	35%	40%	40%
EBITDA	43,998	33,662	63,409	52,058	110,759
EBITDA%	75%	74%	69%	72%	72%
Amortization of capitalised borrowing costs	6,919	6,458	13,808	13,367	26,800
Interest expenses	22,708	21,571	44,869	42,983	87,085
Earnings per share for the period before dilution, SEK	0.59	-0.72	0.40	-0.03	0.67
Earnings per share for the period after dilution, SEK	0.56	-0.72	0.38	-0.03	0.66
Operational Key performance measures (*)					
Produced electricity, millions of kWh	61	54	93	85	172
Reduction of China's CO2-related emissions, tonnes	38,000	33,000	58,000	53,000	107,000

	2022-06-30	2021-06-30	2021-12-31
Financial Key performance measures			
Interest-bearing debt	1,084,584	980,457	1,031,130
Net interest-bearing debt	983,069	951,070	870,406
Equity ratio	32%	16%	28%
Operational Key performance measures			
Installed capacity, MW	220.2	192.5	206.5
Average remaining contract time, years	17.4	17.4	17.9
Signed orders, MW	53	37	54

<sup>(\*)</sup> Definitions of Key Performance Measures, see note 3

#### Produced electricity in millions of kWh



## Business model, market and customers

Advanced Soltech Sweden AB (publ) ("ASAB") has a clear cut business model and access to a very large market with many potential customers, both among private companies and state-owned businesses.

#### Vision

ASAB was founded with the goal of accelerating the transition to renewable energy in China by offering electricity generated from solar energy as a service. The vision is to become a driving force in sustainable energy production to secure a better future for the planet and future generations.

#### Mission

ASAB's mission is to finance, install, own and operate solar energy installations to generate electricity on customers' roofs and then sell the electricity generated to the customer, the company that conducts operations in the building. ASAB will offer customers in industry, commerce and public administration an easy way to replace a significant part of their electricity consumption with locally generated solar energy at a discounted price compared to the grid price. The systems are installed through a local network of installers and dealers in China. Operations are financed via the parent company, ASAB.

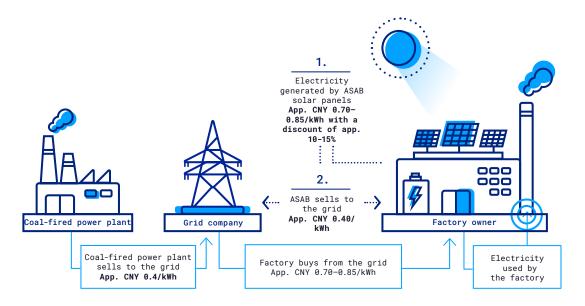
#### **Business model**

Customers, who are owners of large properties, enter into 20-year contracts with ASAB, whereby the customer commits to buy, at a pre-agreed price, the electricity generated by the system. Electricity purchased from ASAB's system is priced at a discount of approximately 10–15 percent compared to the price the customer pays for electricity from the grid. The electricity that the customer does not buy is sold to the grid, ensuring an almost 100 percent uptake of the electricity generated by ASAB's projects.

On expiry of the 20-year contract period, the contract is automatically extended by five years, unless the customer chooses to terminate the contract and requests to discontinue occupancy. The customer may also purchase the system at a pre-agreed price. If a property where the system is installed is sold during the contract period, the customer must either buy the system from ASAB or, subject to ASAB's approval, ensure that the new property owner takes over the contract.

#### Subsidies

Although ASAB's business model is commercially feasible, subsidies are another source of income. The subsidy amount for a specific project is determined before the construction of the solar energy plant begins, when the local grid operator evaluates the design of the project. The commitment of the authorities to pay subsidies includes both an interest rate, the



- 1. ASAB sells electricity generated by solar cells installed at the customer's/owner's property, at a discount of app. 10-15% to the price the customer pays to the grid.
- 2. If the customer/factory owner does not buy all the electricity generated by ASAB's solar panels, ASAB sells it to the grid.
- ASAB owns the solar panels.



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CNY amount per kWh generated and a duration, the number of years that the state unit undertakes to pay subsidies. The duration of the subsidies varies between two and 20 years, depending on whether the subsidies come from the district and city level or from the state or regional level.

In April 2021, new rules were introduced which mean that no new facilities receive subsidies. This was an expected development, as the facilities currently show a good return without subsidies. Already approved subsidies, however, remain in place for the lifetime of the contract.

#### Market

When ASAB evaluates which regions the company wants to be present in, there are three main factors to take into consideration, solar irradiation, the local electricity price and the accessible customer base. All of these factors are important for ASAB to achieve long-term profitability in its operations. ASAB's market consists entirely of China, primarily the country's eastern regions, which are also the most industrialized and economically developed. This region provides an ideal mix of customer base, electricity prices and solar irradiation.

China's political leadership has over time made several decisions aimed at reducing the country's dependence on coal, a resource that today supplies more than 60 percent of the electricity production. The so-called 30-60 target means that carbon dioxide emissions will begin to decrease from 2030 and that the country will be completely climate-neutral by 2060.

An important part of the transition to carbon neutral economy will be based on solar energy, and in June 2021 a directive was issued stating that a large part of the suitable roof surfaces that are available will be covered with solar panels. The directive, issued by the Chinese Energy Agency, sets a goal that at least 50 percent of the available roof area of buildings that house government operations should be covered with solar panels. For public buildings, such as schools and hospitals, the corresponding target is at least 40 percent and for commercial and industrial buildings at least 30 percent. Although ASAB does not yet know the details of how this will be put into practice, the general perception in the market is that the directive is very positive for the solar energy sector.

ASAB also sees that both foreign and Chinese investors are now beginning to take an interest in the business model with

roof-based solar energy that the company offers. Although this will in the long run mean increased competition, ASAB sees it primarily as a confirmation that the company is working according to the right strategy. ASAB also has an advantage in the form of an established and functioning organization with great trust among customers, something that takes time to build.

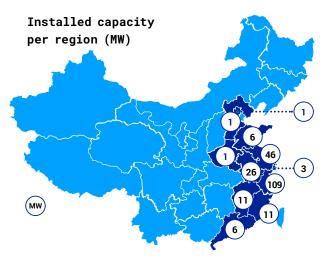
#### **Customers**

ASAB's customers are active in a wide range of areas, from the automotive and textile industries to brewing operations, but also in government operations. In total, just over 80 percent of customers are active in the private sector. What the customers have in common is that they are extensive organizations with a large number of employees. A customer base with mainly large customers, also spread across different industries, gives ASAB's operations long-term stability. A prerequisite for ASAB, however, is that customers have access to large free roof areas, as a photovoltaic system on average takes up approximately 15,000 square meters. Those of ASAB's customers who today have the largest installed capacity are found in machine manufacturing and the basic industry and are in the range of 100 to 500 employees (for more detailed information, see the tables below).

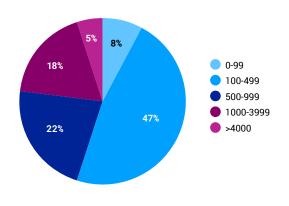
The reason why customers choose ASAB is that they get access to green electricity in an easy way and at a lower price than the electricity they can buy from the grid. Today, the company has 145 customers, which means that the counterparty risk is very diversified, something that distinguishes ASAB from similar companies which sell to the public electricity grid and thus has a weaker negotiating position and only one off-taker.

The rapid growth and conversion to alternative energy sources give ASAB, which has proven experience in identifying suitable solar energy projects, coupled with efficient installation methods, good opportunities for continued profitable development. The risks that exist in the market are mainly associated with the fact that the infrastructure, including electricity production, is strongly regulated and dependent on permits and ultimately political decisions.

Another driving force is environmental benefits. Through its operations, ASAB contributes to a way of reducing climate emissions and major environmental benefits through reducing air pollution.



#### ASAB's customers - numbers of employees (FTE)



## Financial information

The Board of Directors and the CEO for Advanced Soltech Sweden AB (publ) may hereby submit an Interim report for the period April – June 2022.

#### The Group's net sales and results for the quarter

- Revenues (sales of electricity and subsidies) amounted to SEK 58.6 (45.5) million, an increase of 29 percent compared with the previous year. The increase is due to a larger installed base of solar energy plants. Currency effects also had a positive effect on revenues of SEK 7.2 million.
- Net sales (sales of electricity to customer and Grid) have increased with 29 percent from SEK 35.8 million to SEK 46.2 million.
- Other operating income (subsidies) has increased from SEK 9.8 million to SEK 12.4 million. The previous year was negatively affected by a non-recurring item of SEK 3.2 million for reversed subsidies.
- Operating expenses amounted to SEK 30.6 (23.9) million, an increase of 28 percent. The largest items to the increase are costs for depreciation according to plan and insurance premiums of solar energy plants have increased, and negative currency effect amounted to SEK 3.6 million. The company has also had extra costs for implementation of ERP system, SEK 0.5 million.
- Operating profit for the quarter amounted to SEK 28.0 (21.7) million, an increase of 29 percent compared with the previous year.
- Interest expenses and similar income items amounted to SEK 34.1 (32.3) million. The increase is due to interest expenses for bank loans in China and interest expenses from Advanced Solar Power.
- Exchange rate difference amounted to SEK 27.4 (-3.5) million and was mainly attributable to a change in SEK against CNY (-4.5 percent since March 31st) respectively SEK against EUR (-3.3 percent). For the same period last year, the change was for SEK against the CNY (0.9 percent since March 31st) respectively SEK against EUR (1.1 percent). The exchange rate difference arises through translation of assets and liabilities, with amounts in currency which is not the respective company's accounting currency. The amount is unrealized and do not affect the cash flow.
- Profit after tax amounted to SEK 23.2 (-15.4) million.

#### The Group's cashflow for the quarter

- The Group's total cash flow amounted to SEK 35.5 (-0.1) million.
- Current operations generated a cash flow of SEK 24.3 (77.2) million. The decrease compared with the previous year is due to accounts payable have not changed as positively as actual year.
- Investment activities generated a cash flow of SEK
   3.3 (-77.3) million, which for the most part consists of investment in new solar energy plants, SEK -76.5 (-85.0) million. For the current year, the Chinese authorities, in order to stimulate the economy, have paid out large parts of the company's VAT receivables.
- Financing activities generated a cash flow of SEK 7.9 (0.0) million. During the period, the company carried out a share issue, which yielded SEK 16.7 million. The company's bank loans in China have been reduced by SEK 7.4 million. The company has paid a dividend to minority owners in China of SEK 1.4 million.

### The Group's financial standing and liquidity at the end of the period

- Total assets amounted to SEK 1,829 (1,416) million.
- Tangible fixed assets amounted to SEK 1,554 (1,158) million, which for the most part consists of solar energy plants.
- Financial fixed assets amounted to SEK 35 (87) million, which mainly consists of VAT receivables, which arose when the company invested in ongoing and new solar energy plants. During the period, Chinese authorities paid out large parts of the company's VAT receivables.
- Cash and bank amounted to SEK 102 (29) million. The increase mainly consists of paid VAT receivables and completed share issue.
- Equity amounted to SEK 577 (220) million.
- Long-term liabilities amounted to SEK 283 (962) million, consisting of bond loans less capitalized borrowing costs, and loans from the two main owners and one smaller external loan. Compared to previous year, the bond loans SOLT2 and SOLT5 were reclassified to current liabilities.
- Current liabilities amounted to SEK 955 (225) million, where the largest items consist of accounts payable as well as accrued expenses for interest expenses and installation projects.



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#### The Group's net sales and results for the first half-year

- Revenues amounted to SEK 91.3 (72.6) million, an increase of 26 percent compared with the previous year. The increase is due to a larger installed base of solar energy plants. Currency effects also had a positive effect on revenues of SEK 11.1 million.
- Net sales have increased with 29 percent from SEK 55.5 million to SEK 71.8 million.
- Other operating income has increased from SEK 17.1 million to SEK 19.5 million.
- Operating expenses amounted to SEK 59.6 (43.8) million, an increase of 36 percent. The largest items to the increase are that costs for depreciation according to plan and maintenance and insurance premiums of solar energy plants have increased, and negative currency effect amounted to SEK 6.5 million. The company has also had extra costs for implementation of ERP system, SEK 0.6 million.
- Operating profit for the quarter amounted to SEK 31.7 (28.8) million, an increase of 10 percent compared with the previous year. The company's first quarter, which was affected by low solar radiation, had a negative effect on the first half of the year.
- Interest expenses and similar income items amounted to SEK 66.5 (64.5) million. The increase is due to interest expenses for bank loans in China and interest expenses from Advanced Solar Power.
- Exchange rate difference amounted to SEK 48.3 (36.6) million and was mainly attributable to a change in SEK against CNY (-7.6 percent since December 31st 2021) respectively SEK against EUR (-4.4 percent). For the same period last year, the change was for SEK against the CNY (-5.1 percent since December 31st 2020) respectively SEK against EUR (-0.9 percent). The exchange rate difference arises through translation of assets and liabilities, with amounts in currency which is not the respective company's accounting currency. The amount is unrealized and do not affect the cash flow.
- Profit after tax amounted to SEK 15.7 (-0.5) million.

#### The Group's cashflow for the first half-year

- $\bullet$  The Group's total cash flow amounted to SEK -64.7 (-45.5) million.
- Current operations generated a cash flow of SEK -33.6 (101.4) million, consists mainly of accounts payable.
- Investment activities generated a cash flow of SEK -38.9 (-146.3) million, which for the most part consists of investment in ongoing and new solar panels, SEK -117.1 (-147.7) million. For the current year, the Chinese authorities, in order to stimulate the economy, have paid out large parts of the company's VAT receivables.

• Financing activities generated a cash flow of SEK 7.9 (-0.6) million. During the period, the company carried out a share issue, which yielded SEK 16.7 million. The company's bank loans in China have been reduced by SEK 7.4 million. The company has paid a dividend to minority owners in China of SEK 1.4 million.

#### The parent company's numbers for the quarter

- Revenues amounted to SEK 0.8 (0.0) million, mainly invoiced service to the Chinese subsidiaries.
- Operating expenses amounted to SEK 4.2 (3.7) million. The increase are costs for staff, consulting and Nasdaq.
- Operating profit amounted to SEK -3.4 (-3.7) million.
- Interest income and similar income items amounted to SEK 19.3 (19.1) million, mainly intercompany transactions.
- Interest expenses and similar income items amounted to SEK 25.5 (25.2) million.
- Exchange rate difference amounted to SEK 18.2 (-5.0) million.
- Profit after tax amounted to SEK 8.5 (-14.8) million.
- The number of employees at the end of the period was 4 (4).

#### The parent company's numbers for the first half-year

- Revenues amounted to SEK 1.7 (0.0) million, mainly invoiced service to the Chinese subsidiaries.
- Operating expenses amounted to SEK 9.1 (6.6) million. The increase are costs for staff, consulting and Nasdaq.
- Operating profit amounted to SEK -7.4 (-6.6) million.
- Interest income and similar income items amounted to SEK 38.5 (38.1) million, mainly intercompany transactions.
- Interest expenses and similar income items amounted to SEK 50.7 (50.3) million.
- Exchange rate difference amounted to SEK 23.6 (4.3) million
- Profit after tax amounted to SEK 4.0 (-14.4) million.

#### **Bond loans**

In January 2019, ASAB issued its first institutional Green Bond, SOLT5. The proceeds from the bond issue have been used to finance solar panel facilities in China. SOLT5 was listed on the Nasdaq First North Sustainable Bond Market with a first trading day on March 21, 2019. The Group's total debt in the balance sheet for the item "Bond loan", both noncurrent and current, contains capitalized borrowing costs that is periodized with the same term as the respective bond loan. As of the balance sheet date, the remaining capitalized borrowing costs are SEK 22 million.

Bond loan	ISIN	Currency	MEUR	MSEK	Booked value MSEK	Initial issue date	Redemption day	Interest rate	payment periodicity (months)
SOLT2	SE0010831313	SEK		127.7	127.7	2018-03-01	2023-02-28	8.75%	6
SOLT3	SE0011231166	SEK		148.3	148.3	2018-07-10	2023-07-09	8.75%	6
SOLT4	SE0011721380	SEK		70.4	70.4	2018-11-10	2023-11-08	8.25%	6
SOLT5 (*)	SE0012012680	EUR	27.3		292.0	2019-01-25	2023-01-25	9.00%	3
SOLT5 (**)	SE0012012698	SEK		320.8	320.8	2019-01-25	2023-01-25	9.00%	3

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#### Pledged collateral for bond loans

The issuer must ensure that all downstream loans that ASAB provides to the Chinese subsidiaries always will be pledged with the issuer as the beneficiary:

- pledge of the solar panel facilities owned by the Chinese subsidiaries (or its relevant subsidiaries) which are then financed by the downstream loans, except for assets with minority interests
- pledge by the Chinese subsidiaries (or its relevant subsidiaries) of receivables under the energy purchase agreements relating to the installation and operation of the solar power plants financed by the downstream loans, except such assets with minority interests.

#### **Related party transactions**

The Group has loan liabilities to its main owner Soltech Energy Sweden AB (publ), for EUR 2,550,000, and Advanced Solar Power (Hangzhou) Inc., for CNY 18,661,650. The interest rate for the loans is three percent respectively zero percent. During the quarter, the company incurred interest expenses based on overdue accounts payable to Advanced Solar Power, with an interest rate of 3%. Apart from the item charged interest, the transactions have taken place on a market basis. The following related party transactions took place during the financial year.

#### SEK '000

Transaction	Counterpart	220101-220630	210101-210630	210101-211231
Purchase of solar panels	Advanced Solar Power (Hangzhou) Inc.	110,138	156,346	293,289
Purchase of service	Advanced Solar Power (Hangzhou) Inc.	7,334	3,685	10,755
Charged interest	Advanced Solar Power (Hangzhou) Inc.	339	0	0
Office rental	Advanced Solar Power (Hangzhou) Inc.	95	33	171
Charged interest	Soltech Energy Sweden AB (publ)	401	388	777
		118,306	160,452	304,992



<sup>(\*)</sup> The interest rate is 9.00% plus EURIBOR 90 days (if EURIBOR is negative the interest rate will be 9.00%)

<sup>(\*\*)</sup> The interest rate is 9.00% plus STIBOR 90 days (if STIBOR is negative the interest rate will be 9.00%)

## Other information

#### The Group

The consolidated accounts cover the Swedish parent company Advanced Soltech Sweden AB (publ) ("ASAB") and the wholly owned subsidiaries

- · Advanced SolTech Renewable Energy (Hangzhou) Co., Ltd
- · Longrui Solar Energy (Sugian) Co., Ltd
- · ST-Solar Holding AB

The two Chinese subsidiaries are in their turn the parent companies of local Chinese companies, established in different regions of China.

The business was established in 2014 as a joint venture between Soltech Energy Sweden AB and the solar panel manufacturer Advanced Solar Power Hangzhou Inc. ST-Solar Holding manages the Group's employee warrants. The parent company's operations are to finance the Group's solar energy facilities in China.

#### **Risks**

All entrepreneurship and ownership of shares is associated with risk-taking and the operations of ASAB is no exception. When assessing the company, it is important to consider a number of risk factors, a selection of which is presented below in a summary. See the Annual report 2021 for a more detailed description of the Group's risks.

#### The share and owners

The shares are listed for trading on Nasdaq OMX Stockholm, First North Growth Market. The number of shares per date of report was 39,640,390. The dilution effect depends on the warrant programs as described below.

Number of shares	220101-220630	210101-210630
Opening balance (*)	38,747,539	21,578,350
Share issue	892,851	0
Closing balance	39,640,390	21,578,350

(\*) Adjusted according to split 50:1, 2021-05-27

Average number of shares	220101-220630	210101-210630
Before dilution	38,816,983	21,578,350
After dilution	40,754,360	21,578,350

Major shareholders	Number of shares	Share capital	Share votes
SolTech Energy Sweden AB (publ.)	11,373,941	28,69%	28,69%
Advanced Solar Power Hangzhou Inc.	10,943,940	27,61%	27,61%
Isac Brandberg AB	1,816,665	4,58%	4,58%
The World We Want Foundation	1,033,199	2,61%	2,61%
Others	14,472,645	36,51%	36,51%
	30 640 300	100 00%	100 00%

#### Warrant program

On October 28, 2021, the Annual General Meeting resolved on four warrant programs, see table below. The total number of warrants that have been issued in the warrant programs corresponds to 5 percent of the share capital after the completion of the issues. This creates a potential dilution effect of 5 percent of the share capital after the completion of the issue. During the period, there have been no changes regarding the warrant programs.

Warrant program	Decided year	Number of warrants	Number of shares	Subscription period	Subscription price, SEK	Target group
LTIP 2021/2024 I EC	2021	542.466	542.466	241115-241216	36,45	Employees Sweden
LTIP 2021/2024 II EC	2021	406.849	406.849	241115-241216	36,45	Board of Directors Sweden
LTIP 2021/2024 I	2021	193.738	193.738	241115-241216	36,45	Employees China
LTIP 2021/2024 II	2021	794.324	794.324	241115-241216	36,45	Board of Directors China

1.937.377



1.937.377

#### ABOUT ADVANCED SOLTECH

#### Corporate governance

Advanced Soltech Sweden AB (publ) is a Swedish public limited company. The company is formed in Sweden and was registered with Bolagsverket 2016-03-30 and has conducted operations since then. The company follows the rules of the

Swedish Companies Act (2005: 551) and other applicable laws and regulations in Stockholm, Sweden where the company has its registered office. In addition to the this, the company applies Swedish and international accounting legislation that ensures that the financial the reporting meets the requirements.

The basis for the company's operations is the Articles of Association. The object of the company's operations is to conduct financing of the Group's solar energy plants, but not such operations referred to in the Banking and Financing Operations Act and activities compatible therewith.

For more information, see Annual Report 2021, section "Corporate Governance".

#### Sustainability

#### Environmental responsibility

ASAB will offer environmentally friendly products and services that are produced with the least possible resource and energy consumption and with low environmental impact. All solar cells owned by ASAB are collected for recycling when they are used up. Wise resource management is a key word within the company and great focus is placed on resource use, regardless of whether it concerns energy, premises, waste, travel or transport, and to reduce these based on reasonable efforts. ASAB works systematically and prevents pollution through a goal-oriented environmental work that is an integral part of the company's culture. Current environmental requirements together with environmental aspects and environmental goals form the basis for our work.

#### Social responsibility

ASAB shall safeguard the integrity of the company's stake-holders and partners and handle information so that it is protected and managed in a responsible manner. We have a clear focus on sustainability, and we work to ensure that our partners are also expected to share our values and our code of conduct. It is through the employees' commitment, development and competence that we create a culture where we and our partners thrive. As an employer, we take our responsibility by offering each employee a developing and responsible job.

#### Other

Diversity enriches and we therefore work actively with diversity and gender equality issues. We support and follow the principles of the UN Global Compact initiative.

#### 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.

#### Auditor's review

This report has not been subject to review by the company's auditors.

#### Calendar

• Interim report for Q3 2022 will be published on November 18th.



## **Income Statement**

(SEK 000')	220401-220630	210401-210630	220101-220630	210101-210630	210101-211231
Net revenue	46,212	35,767	71,796	55,475	117,350
Other operating income	12,379	9,780	19,474	17,112	36,177
Total revenue	58,591	45,547	91,270	72,587	153,526
OPERATING EXPENSES					
Other external expenses	-10,400	-8,142	-19,463	-13,761	-28,351
·	-4,193	-3,690	-8,398		· ·
Personnel expenses	,	,	,	-6,715	-14,169
Depreciation and amortization	-16,015	-12,003	-31,742	-23,285	-50,086
Other operating expenses	0	-53	0	-53	-247
Total operating expenses	-30,608	-23,888	-59,603	-43,814	-92,853
Operating profit / EBIT	27,983	21,659	31,667	28,773	60,674
RESULT FROM FINANCIAL ITEMS					
Interest income and similar income items	48	28	244	62	149
Interest expenses and similar charges	-34,104	-32,261	-66,451	-64,519	-129,920
Currency gains and losses	27,389	-3,485	48,328	36,595	92,843
Profit after financial items	21,316	-14,059	13,788	911	23,745
Tax	1,900	-1,366	1,900	-1,365	-7,499
The result for the period	23,216	-15,425	15,688	-454	16,246
Attributable to the parent company's owners	22,965	-15,601	15,638	-563	16,041
Minority interest	251	176	50	109	205
Earnings per share for the period before dilution, SEK	0.59	-0.72	0.40	-0.03	0.67
Earnings per share for the period after dilution, SEK	0.56	-0.72	0.38	-0.03	0.66
Weighted average number of outstanding ordinary shares	38,886,427	21,578,350	38,816,983	21,578,350	23,919,656
Weighted average number of outstanding ordinary shares after dilution	40,823,804	21,578,350	40,754,360	21,578,350	24,263,384

## **Balance Sheet**

(SEK 000')	2022-06-30	2021-06-30	2021-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Total intangible fixed assets	47,317	43,245	45,253
Total intangible fixed assets	47,317	43,245	45,253
Tangible fixed assets			
Solar PV installations	1,479,055	1,144,187	1,302,133
Solar PV installations under construction	72,816	11,614	69,205
Other tangible assets	2,360	1,963	2,458
Total tangible fixed assets	1,554,231	1,157,764	1,373,796
Financial assets			
Other long-term receivables	33,353	85,617	90,297
Deferred tax assets	1,451	1,682	1,349
Total financial fixed assets	34,804	87,299	91,646
Total fixed assets	1,636,352	1,288,308	1,510,695
Current assets			
Short-term receivables			
Accounts receivable	53,917	35,802	36,233
Other receivables	4,672	20,816	25,197
Prepaid expenses and accrued income	32,428	41,391	20,056
Total current receivables	91,017	98,009	81,486
Cash and bank balances			
Cash and bank balances	101,515	29,387	160,724
Total cash and bank balances	101,515	29,387	160,724
Total current assets	192,532	127,396	242,210
TOTAL ASSETS	1,828,884	1,415,704	1,752,905

## Balance Sheet, continued

(SEK 000')	2022-06-30	2021-06-30	2021-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	7,929	4,316	7,750
Additional paid in capital	569,195	331,950	552,860
Retained earnings including profit/loss for the period	320	-116,013	-61,155
Equity related to:	320	110,010	01,133
Owners of the parent company	570,741	213,368	491,946
Minority interest in equity	6,703	6,885	7,509
Total equity	577,444	220,253	499,455
	511,111		,
Provisions			
Deferred tax liability	12,973	8,433	12,054
Total provisions	12,973	8,433	12,054
Non-current liabilities			
Other non-current liabilities	72,781	36,681	68,096
Liabilities to group companies	0	27,949	0
Bond loan	210,436	897,280	911,966
Total non-current liabilities	283,217	961,910	980,062
Current liabilities			
Liabilities to credit institutions	42,748	0	46,814
Bond loan	726,559	0	0
Accounts payable	137,377	187,185	130,478
Tax liabilities	0	165	3,247
Other current liabilities	16,109	10,389	18,083
Accrued expenses and prepaid income	32,457	27,369	62,713
Total current liabilities	955,250	225,108	261,335
TOTAL EQUITY AND LIABILITIES	1,828,884	1,415,704	1,752,905



## Changes in equity

220101-220630 (SEK 000')	Share capital	Other contributed equity	Translation reserve	Retained earnings including profit for the period	Total	Minority share	Total equity
Opening balance	7,750	552,860	37,570	-106,234	491,946	7,509	499,455
Result for the period	0	0	46,465	15,638	62,103	50	62,153
Translation differences	0	0	0	0	0	530	530
Rights issue	179	17,821	0	0	18,000	0	18,000
Issue cost	0	-1,308	0	0	-1,308	0	-1,308
Dividends	0	0	0	0	0	-1,386	-1,386
Closing balance	7,929	569,373	84,035	-90,596	570,741	6,703	577,444

210101-210630 (SEK 000')	Share capital	Other contributed equity	Translation reserve	Retained earnings including profit for the period	Total	Minority share	Total equity
Opening balance	4,316	331,950	-15,647	-124,987	195,632	7,045	202,677
Result for the period	0	0	0	-563	-563	109	-454
Translation differences	0	0	18,299	0	18,299	355	18,654
Dividends	0	0	0	0	0	-624	-624
Closing balance	4,316	331,950	2,652	-125,550	213,368	6,885	220,253

## Cash flow analysis

(SEK 000')	220401-220630	210401-210630	220101-220630	210101-210630	210101-211231
Cash flows from operating activities					
Operating profit (EBIT)	27,983	21,659	31,667	28,773	60,674
Adjustment for depreciation and amortization	16,015	12,003	31,742	23,285	50,086
Adjustment for items not included in the cash	0.470		4700		10.407
flow	3,470	337	4,766	203	-10,437
	47,468	33,999	68,175	52,261	100,323
Interest received	48	28	244	62	149
Interest paid	-10,592	-15,817	-41,276	-48,258	-92,640
Income tax paid	-1,487	-2,194	-1,487	-2,568	-2,662
	-12,031	-17,983	-42,519	-50,764	-95,153
Change in accounts receivables	-15,833	-9,500	-14,466	-10,895	-9,006
Change in other short-term receivables	-924	-8,050	-7,454	-15,931	6,219
Change in accounts payables	34,987	81,197	10,749	125,938	62,364
Change in other current liabilities	-29,380	-2,507	-48,107	829	39,594
Cash flow from working capital	-11,150	61,140	-59,278	99,941	99,171
Cash flow from operating activities	24,287	77,156	-33,622	101,438	104,341
Investing activities					
Investments in tangible fixed assets	-76,531	-85,374	-117,106	-147,748	-296,291
Change in other financial fixed assets	79,872	8,109	78,159	1,414	-2,868
Cash flow from investing activities	3,341	-77,265	-38,947	-146,334	-299,159
Financing activities					
Shareholders' contributions	18,000	0	18,000	0	268,829
Share issue cost	-1,308	0	-1,308	0	-44,485
Net proceeds from new loans	14,800	0	14,800	0	46,814
Repayment of loans	-22,200	0	-22,200	0	0
Payment of warrants	0	0	0	0	2,712
Dividends to minority interest	-1,385	-1	-1,385	-624	-639
Cash flow from financing activities	7,907	-1	7,907	-624	273,231
Cash flow for the period	35,535	-110	-64,662	-45,520	78,413
Translation difference in cash and cash equivalents	1,643	-228	5,453	1,582	8,986
Cash and cash equivalents opening balance	64,337	29,725	160,724	73,325	73,325
Cash and cash equivalents closing balance	101,515	29,387	101,515	29,387	160,724

## **Income Statement**

(SEK 000')	220401-220630	210401-210630	220101-220630	210101-210630	210101-211231
REVENUES					
Net revenue	826	0	1,665	0	2,599
Other operating income	0	1	0	15	16
Total revenue	826	1	1,665	15	2,615
OPERATING EXPENSES					
Other external expenses	-1,001	-649	-2,568	-1,342	-3,005
Personnel expenses	-3,231	-2,948	-6,556	-5,246	-11,016
Depreciation and amortization	-1	-1	-2	-2	-5
Other operating expenses	0	-53	0	-54	-247
Total operating expenses	-4,233	-3,651	-9,126	-6,644	-14,273
Operating profit / EBIT	-3,407	-3,650	-7,461	-6,629	-11,658
RESULT FROM FINANCIAL ITEMS					
Interest income and similar income items	19,259	19,091	38,501	38,137	76,403
Interest expenses and similar charges	-25,521	-25,204	-50,715	-50,255	-101,298
Currency gains and losses	18,169	-5,002	23,601	4,300	10,412
Profit after financial items	8,500	-14,765	3,926	-14,447	-26,141
Group contributions	0	0	0	0	69
Тах	0	0	0	-213	-213
The result for the period	8,500	-14,765	3,926	-14,660	-26,285

## **Balance Sheet**

(SEK 000')	2022-06-30	2021-06-30	2021-12-31
ASSETS			
Fixed assets			
Tangible fixed assets			
Other tangible assets	15	20	18
Total tangible fixed assets	15	20	18
Financial assets			
Shares in group companies	618,660	461,922	618,660
Receivables from group companies	772,871	732,694	740,075
Total financial fixed assets	1,391,531	1,194,616	1,358,735
Total fixed assets	1,391,546	1,194,636	1,358,753
Current assets			
Receivables			
Receivables from group companies	61,497	54,858	83,447
Other receivables	599	517	633
Prepaid expenses and accrued income	1,039	12,479	411
Total current receivables	63,135	67,854	84,491
Cash and bank balances			
Cash and bank balances	79,497	7,155	48,683
Total cash and bank balances	79,497	7,155	48,683
Total current assets	142,632	75,009	133,174
TOTAL ASSETS	1,534,178	1,269,645	1,491,927



## Balance Sheet, continued

(SEK 000')	2022-06-30	2021-06-30	2021-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	7,928	4,316	7,750
Unrestricted equity			
Share premium fund	586,439	346,301	567,211
Retained earnings	-72,053	-45,766	-43,054
Profit (loss) for the year	3,926	-14,660	-26,285
TOTAL EQUITY	526,240	290,191	505,622
Long-term liabilities			
Liabilities to group companies	0	27,949	0
Bond loan	218,690	919,129	929,771
Other long-term liabilities	30,298	0	28,621
Total long-term liabilities	248,988	947,078	958,392
Current liabilities			
Bond loan	731,324	0	0
Accounts payable	41	5,747	145
Other current liabilities	232	571	233
Accrued expenses and prepaid income	27,353	26,058	27,535
Total current liabilities	758,950	32,376	27,913
TOTAL EQUITY AND LIABILITIES	1,534,178	1,269,645	1,491,927



## **Notes**

#### Note 1. Accounting and valuation principles

#### General accounting principles

The report and group accounting have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 Annual Report and Consolidated Financial Statements ("K3"). The Financial Statements are stated in thousands of kronor (kSEK) unless otherwise stated. Rounding errors may occur. The parent company's accounting currency is Swedish kronor, which also constitutes the accounting currency for the group.

The same accounting principles and calculation bases as in the most recent annual report has been applied.

### Note 2. Estimates and assessments

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under current circumstances. The estimates for accounting purposes that result from these, will by definition rarely correspond to the actual result. The same estimates and assumptions as in the most recent annual report has been applied.

## Note 3. Definition of key performance measures

#### Net revenue

Revenues related to sales of electricity to customers and the electricity grid. Net VAT and any discounts. The measure is used because it shows ASAB's revenues from electricity sales.

#### Other operating income

Mainly income related to subsidies. To a lesser extent also other income such as investment grants from Chinese authorities and positive currency effects related to the operational activities. The measure is used because it shows ASAB's revenues from subsidies and income other than direct electricity sales.

#### Net revenue share of total revenue, %

Net revenue as a share of total revenue. The measure is used since it helps to assess ASAB's reliance on electricity sales in relation to other operating income, notably subsidies.

(SEK '000)	220401- 220630	210401- 210630	220101- 220630	210101- 210630	210101- 211231
Net revenue	46,212	35,767	71,796	55,475	117,350
Total revenue	58,591	45,547	91,270	72,587	153,526
	79%	79%	79%	76%	76%

#### Operating profit (EBIT)

Earnings before interest and taxes. The measure is used since it provides an overview of the profitability of the operations.

#### **EBIT** margin

Earnings before interest and taxes as a percentage of total revenue. The measure is used since it shows operational profitability over time.



#### **EBITDA**

Earnings before depreciation and amortization, financial items, and taxes. The measure is used to follow up the business's results generated by the day-to-day business and facilitates comparisons of profitability between different companies and industries.

(SEK '000)	220401- 220630	210401- 210630	220101- 220630	210101- 210630	210101- 211231
EBIT	27,983	21,659	31,667	28,773	60,674
Depreciation and amortization	16,015	12,003	31,742	23,285	50,086
EBITDA	43,998	33,662	63,409	52,058	110,759

#### **EBITDA** margin

EBITDA as a percentage of total revenue. The measure is used since it shows operational profitability over time, regardless of financing, depreciation and amortization.

#### Interest expense

Interest expense and similar charges less amortization of capitalized borrowing costs, taxes relating to intra-group interest payments and withholding tax on interest payments from China. The measure is used since it enables assessment of whether ASAB can fulfil the commitments under its debt agreements.

#### Amortization of capitalised borrowing costs

The item "Interest expenses and similar income items" includes this item as part and shows the cost of amortized borrowing costs attributable to, among other things, bond loans. The measure is used since it shows ASAB's expenses related to borrowings, excluding interest expenses.

#### Result per share

Profit after tax divided by the weighted average total of shares in the period.

#### Interest-bearing debt

The sum of current and non-current portion of bond debt, liabilities to credit institutions, liabilities to Group companies and other non-current interest-bearing debts. The measure is used since it shows ASAB's gross interest-bearing indebtedness.

(SEK '000)	2022-06-30	2021-06-30	2021-12-31
Other non-current liabilities	72,781	36,681	68,096
- Whereof non interest- bearing liabilities	-28,491	-24,600	-26,473
- Whereof accrued interest	-4,724	-3,563	-4,085
Liabilities to group companies (non-current)	0	27,949	0
Bond loan	936,996	897,280	911,966
- Whereof capitalized borrowing costs	22,173	46,710	34,812
Liabilities to credit institutions (current)	42,748	0	46,814
Accounts Payable ASP	43,101	0	0
	1,084,584	980,457	1,031,130

#### Net interest-bearing debt

Interest-bearing debt less cash and bank balances. The measure is used because it enables assessment of whether ASAB has an appropriate financing structure and can fulfil the commitments according to its debt agreements.

(SEK '000)	2022-06-30	2021-06-30	2021-12-31
Interest-bearing debt	1,084,584	980,457	1,031,130
Cash and bank	-101,515	-29,387	-160,724
	983.069	951.070	870.406

#### **Equity ratio**

Equity divided by total assets per closing balance for each reporting period. The measure is used since it helps to assess ASAB's financial stability.

(SEK '000)	2022-06-30	2021-06-30	2021-12-31
Total equity	577,444	220,253	499,455
Total assets	1,828,884	1,415,704	1,752,905
_	32%	16%	28%

#### Installed capacity, MW

Maximum amount of electric energy output that all operational solar energy plants in ASAB's portfolio can produce, expressed in megawatts. The measure is used since it helps to assess ASAB's earnings capacity.

#### Electricity produced, kWh millions

Electric energy generated by all operational solar energy plants in ASAB's portfolio and sold to customers over the period, expressed in millions of kilowatt hours. The measure is used because it allows for comparison of sold volumes over time, as ASAB's customers are invoiced per kWh of electricity used.

#### Signed agreements, MW

Planned installed capacity of all signed contracts in ASAB's project pipeline. The measure is used since it helps to assess ASAB's future earnings capacity and required investments from its near-term project pipeline.

#### Average remaining contract length, years

Average remaining contract length for Rooftop Agreements across all of ASAB's installed solar energy installations. The measure is used since it helps assess the remaining contract value in ASAB's portfolio of solar energy installations.



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