



SolTech Energy

## **SolTech's ASRE unaffected by the new subsidy policy in China.**

**On June 1, 2018, China publicized a new subsidy policy for roof-installed solar electric production. For SolTechs jointly held company in China, Advanced SolTech Renewable Energy Hangzhou Co. Ltd. (ASRE), this means the existing subsidy intake of ASRE's coupled installations totaling 32 MW will continue according to the old model until their 20-year contracts end. But for the 12 MW (megawatts) under construction, as well as the 25 MW on back order, this new policy means a probable reduced income of circa 10 percent over the term of their contracts, when compared with earlier published estimates. ASRE's considered view, however, is that this reduction can be compensated for by lower installation costs and reduced rebates for produced and sold solar electricity, along with the on going higher effectiveness of the solar cells over time.**

### **Background**

Of the total circa 100 GW of solar electricity installed throughout the world in 2017, China stood for a good 52 GW. A significant motivating factor has been China's subsidies to solar electricity, where roof-installed solar electricity has been favored at cost to ground-installed units. The strong growth has therefore been especially favorable to suppliers of roof-installed solar electricity, but at the same time it has also resulted in greater competition for customers. In order to seal contracts with the most attractive customers, with large roof surfaces and high priced electricity, many suppliers have made use of government subsidies to offer notably large rebates relative to those offered by a customer's normal supplier. This has worked to drive growth in the market even higher. In order to lessen the risk of overheating, the NDRC, National Development and Reform Commission, has released a new subsidy policy. The government's hope is that by so doing the market's growth can be controlled and simultaneously work to keep out unethical players who install projects of lower quality.

The immediate effect of the new policy is that the central government's subsidy per produced kWh for roof-installed solar electricity, as of June 1, 2018, is reduced from the previous standing rate, 0.37 Chinese Yuan (CNY), to 0.32 per kWh. The NDRC has also set a "ceiling" of 10 GW for subsidy entitled roof-installed solar electricity for 2018.

The subsidies granted by the local government in Zhejiang Province, and certain districts in Hangzhou, however, remain unchanged and are paid out as before over, respectively: 20, 5 and 3 years.

### **The effect on ASRE**

ASRE's income from an installed capacity of 32 MW, which is coupled to the central network, is not affected by these changes. The subsidy per kWh from the central government applies in all respects for 20 years and at the rate that applied/s when the installation was/is registered with the relevant authorities before construction.

### **CEO Frederic Telander comments:**

-The policy changes in large part meet both our own and ASRE's expectations. We have been prepared for just such an adjustment for quite some time and have also communicated that this was coming in the prospectuses we've published, with respect to the issue of both new shares and bonds. It is our absolute conviction that ASRE could successfully adapt to a system without subsidies, whether from a central or province government, the city of Hangzhou or the district. Given the conditions that currently prevail, we are convinced that ASRE will be able to generate the same level of earnings without subsidies as we have today with these subsidies. This, through lower installation cost per watt, reduced rebate per kWh to the customer, a gradual increase the price of electricity over time – and not least – more effective solar cells. ASRE's thin-film technology namely produces circa 5 – 10 percent more electricity per installed watt/year compared with silicon cells in China.

### **For more information, please contact:**

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### **SolTech Energy in brief:**

*SolTech Energy develops and sells building-integrated solar energy products for all forms of building structures – commercial, public and residential. The products are a part of a building's outer shell, as a roof, wall or window, containing semi-transparent solar cells for the production of electricity that simultaneously shuts out solar heat. Soltech Energy Sweden AB (publ.) is traded on First North at Nasdaq Stockholm, under the symbol "SOLT" with over 14,000 shareholders. Also included in the concern are its jointly owned (51%) subsidiaries ASAB in Sweden and ASRE in China – more info on ASRE appears below The company's Certified Advisor is G&W Fondkommission (securities broker). For more information see: [www.soltechenergy.com](http://www.soltechenergy.com)*

**Investment in China**

*SolTech's investment in China is carried out by a jointly owned company, Advanced SolTech Renewable Energy (Hangzhou) Co. Ltd (ASRE), where SolTech owns 51 percent and Advanced Solar Power Hangzhou Inc. (ASP) owns 49 percent. The business model consists of having ASRE finance, install, own, and periodically service solar energy installations mounted on the roofs of customer-owned facilities. The customer does not pay for the installed solar energy unit, but instead undersigns a long-term, 20-25 year contract to buy all the electricity the relevant unit produces. ASRE's current income comes from the sale of electricity to customers, along with various forms of subsidies per produced kWh. Focus is now concentrated on building a backlog of orders for 2018 and beyond, with the goal of obtaining an installed capacity of 605 MW (megawatts) by the close of 2021, which in 2022 will be set into full operation, generating current annual sales amounting to approximately 1 billion SEK (100 MEUR).*