



Investor Presentation  
Advanced SolTech Sweden AB (publ)  
SEK 110m (or equivalent in EUR) Green Senior Secured Bond Issue  
April 2019



Advanced SolTech



CICERO  
Dark Green

# Disclaimer

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## **Target market**

Solely for the purposes of the manufacturer's (as used herein, "**Manufacturer**" refers to JOOL Markets AS) product approval process, the target market assessment in respect of the bonds has led to the determination of the following target market for the bonds:

# Disclaimer (cont.)

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Type of clients: Retail clients/non-professional clients, professional clients and eligible counterparties, each as defined in Directive 2014/65/EU (as amended, "MiFID II").

Clients' knowledge and experience: Informed knowledge or experience with direct investment in bonds, an understanding of counterparty risk, and understanding of the main assumptions behind the investment proposition.

Clients' financial situation with a focus on the ability to bear losses: Ability to tie money up to 4 years and ability to bear a 100 % capital loss.

Clients' risk tolerance and compatibility of the risk/reward profile of the product with the target market: Willingness to accept value fluctuations in exchange for the opportunity of higher returns/Financial ability and willingness to put the entire capital invested at risk.

Clients' objectives and needs: Looking for the potential of earning a greater return than in a deposit account over a medium-term investment horizon (4 years).

Clients who should not invest:

**clients lacking the requisite knowledge and experience;**

**clients with an investment horizon longer than four (4) years; and**

**clients lacking the ability to tolerate the risks of the investment are deemed incompatible with the characteristics of this product.**

Distribution channel: In light of the target market analysis, the optimal retail distribution channel for the product is via sale by trading desk, online subscription, distribution through other investment firms, sale through other investment firms and unit link products.

Any person subsequently offering, selling or recommending the bonds (a "Distributor") should take into consideration the Manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the bonds (by either adopting or refining the Manufacturer's target market assessment) and determining appropriate distribution channels.

## **Placing and arrangement fee**

JOOL Markets AS in its capacity as arranger of the bond transaction will be paid a fee by the Company in respect of the arrangement and placement of the bond transaction.

## **Advanced Soltech Sweden AB (publ)**

This presentation material (this "Material") has been put together in connection with the pending Subsequent Bond Issue.

## **Statement of responsibility**

It is hereby confirmed that the board of directors of Advanced Soltech Sweden AB (publ) is responsible for the information contained in the Material. The Company confirms that, having taken all reasonable care to ensure that such is the case, the information contained in the Material is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import in any respect.

The Board of Directors of Advanced Soltech Sweden AB (publ)

**IMPORTANT INFORMATION: THE RISK FACTORS DESCRIBED AT THE END OF THIS PRESENTATION MUST BE CAREFULLY READ AND CONSIDERED BEFORE ANY INVESTMENT DECISION IS TAKEN**

# Summary of Risk factors

The risks listed below are just a summary of the headlines of the risks related to an investment in this bond financing. For a more extensive description of the risk factors that may adversely affect the Company, please see the section "Risk Factors" below.

## RISKS RELATING TO THE MARKET AND THE BUSINESS ACTIVITIES

- Macroeconomic conditions
- The PRC's legal system
- Credit risk
- Interest rate risk
- Currency risk
- Financing and refinancing
- Supplier risk
- Competition
- Executive management, staff and operational risk
- Risks relating to insurance coverage
- Risks related to the political decisions and regulations regarding the renewable energy in the PRC
- Fluctuations on the electricity market
- Delays and use of products in the connection to the electricity grid
- Sabotage
- Tax related risks
- The Issuer's dependence on other companies in the Group
- ASRE's dependence its direct or indirect shareholders
- Risk relating to projects to be acquired by ASRE
- Control over ASRE
- The Group's dependence on material agreements
- Risks from legal and arbitration proceedings
- Use of agents

## RISKS RELATING TO THE BONDS

- Credit risk
- Additional Interest rate risks
- Benchmark regulation
- Ability to comply with the Terms and Conditions
- Risks related to other debt
- Risks relating to the transaction security
- Risks related to failure to perfect security in the PRC
- Risks related to enforcing security in the PRC
- Risks related to enforcing rights under security across multiple jurisdictions
- The market price of the Bonds may be volatile
- Liquidity risks and secondary market
- Ability to service debt
- Risks relating to the clearing and settlement in VPS's and Euroclear's book-entry system
- Bondholders' currency risks
- Put option
- Risks related to early redemption of the Bonds
- No action against the Issuer and bondholders' representation
- The rights of bondholders depend on the Agent's actions and financial standing
- Bondholders' meetings
- Restrictions on the transferability of the Bonds
- Change of law
- The Group faces a number of operational risks associated with the development of new solar projects



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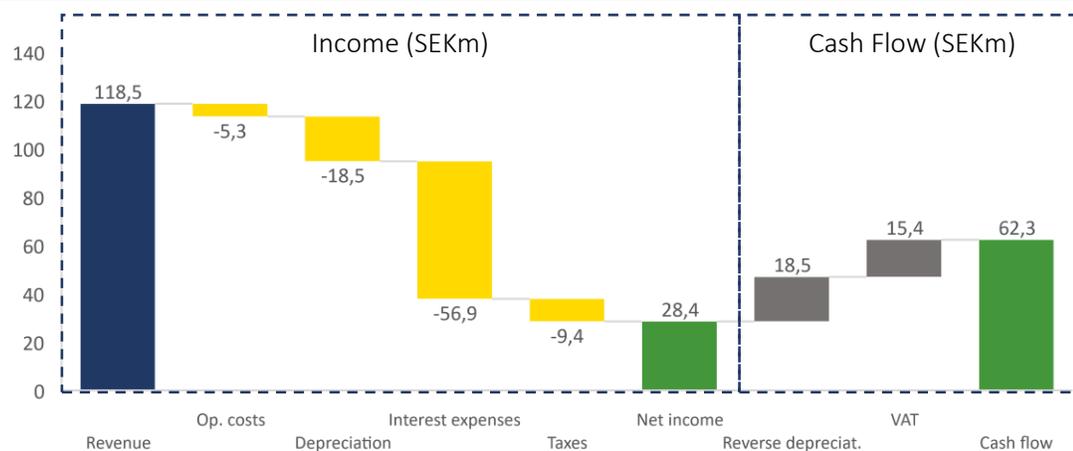
## About Advanced SolTech Sweden AB (publ)

Advanced SolTech Sweden AB (publ) (“ASAB”) is a Swedish company active within power production in China. Through its subsidiary Advanced SolTech Renewable Energy Hangzhou Inc (“ASRE”, or together with ASAB the “Group”) the Group owns and manages approx. 93 megawatt (“MW”) installed at 80 different facilities on its customers roofs. The power produced is sold directly to the property owner and the electric grid. The Group’s customers consist of both private and governmental entities at different locations and has an average staffing of + 1000 employees. In January 2019 ASAB issued senior secured green bonds of SEK 170m (the “Senior Secured Bonds”) to finance an acquisition of a portfolio of facilities of 15 solar power facilities of approx. 21 MW\* (“Target Portfolio”) at a floating rate of 9% p.a.. To finance the remaining payments for the acquisition of the Target Portfolio and to refinance an existing unsecured bond loan ASAB now intends to issue green bonds of SEK 110m within the current Senior Secured Bonds framework. The Issuer is in a process to acquire its subsidiary ASRE so it becomes a wholly owned subsidiary (the “ASRE Acquisition”).

## Transaction

- Issuer: Advanced SolTech Sweden AB (publ)
- Subsequent issue volume: SEK 110m (or equivalent in EUR)
- Interest: STIBOR 3m + 9% for SEK-bonds, EURIBOR 3m + 9% for EUR-bonds, interest is payable quarterly in arrears
- Maturity date: 25<sup>th</sup> of January 2023
- Listing: Listed on Nasdaq First North Sustainable Bond Market

## Group pro forma forecasts – rolling 12 months



## Investment highlights

- Well-diversified customer base with **80 end customers at different locations**
- Among the customers are e.g. the **Beijing Opera and one of China’s largest wine producer**
- Robust business model where the customers are provided with cheaper and clean energy
- Pro forma **Net Debt/EBITDA-ratio of 2,7** for the Senior Secured Bonds\*\*
- Pro forma **ICR of 4,1** for the Senior Secured Bonds\*\*

## Solar power market\*\*\*



\*1 MW equals approx. 10 000 sqm and generates approx. 1 000 MWh annually. \*\*Pro forma Net Debt/EBITDA measured as the ratio between Senior Secured Bonds and EBITDA retrieved from the pledged solar facilities. Pro forma ICR measured as the ratio between EBITDA retrieved from the pledged solar facilities and interest expenses for the Senior Secured Bonds. \*\*\*Data from the International Energy Agency, IEA, and China Energy Portal.  
 NOTE: The Group has revenues and costs in multiple currencies, throughout this presentation the fx-rate RMB/SEK = 1,37 is used and EUR/SEK 10,40.

# Terms in brief



Issuer:	Advanced SolTech Sweden AB (publ)
Product:	Green Senior Secured Corporate Bonds
Initial Bond Issue:	Approx. SEK 170 000 000 or equivalent in EUR
First Subsequent Bond Issue:	SEK 110 000 000 or equivalent in EUR. The Issuer may issue subsequent bonds up to SEK 1 500 000 000 or equivalent in EUR/NOK
Maturity Date:	25 <sup>th</sup> January 2023
Coupon:	STIBOR 3m + 9.00% for SEK-bonds and EURIBOR 3m + 9.00% for EUR-bonds. Interest is payable quarterly in arrears
Minimum Investment:	SEK 1 100 000 and EUR 100 000
Status:	Senior secured
Listing:	Listed on First North Sustainable Bonds Market
Price:	100% of the nominal amount + accrued but unpaid interest, large subscribers may be offered a price below 100% of the nominal amount
First Issue Date:	25 <sup>th</sup> January 2019
First Subsequent Issue Date:	Expected to be on or about 15 <sup>th</sup> of May 2019*
Amortization:	Bullet, full repayment at the Maturity Date
Issuer's call option:	Callable at 100 % of the nominal amount + 3/2/1/0 % of the nominal amount after 0/1/2/3 years respectively
Registration:	Euroclear Sweden
Repayment:	Through operating cash flow, sale of assets, debt-refinancing or issuance of new equity
Collateral**:	<p>The Senior Secured Bonds are directly secured with:</p> <ol style="list-style-type: none"><li>1<sup>st</sup> priority pledge over all shares in ASRE;</li><li>1<sup>st</sup> priority pledge over all downstream loans from the Issuer to ASRE (the "<b>Downstream Loans</b>").</li></ol> <p>The Downstream Loans will be secured with the Issuer as the pledgee by:</p> <ol style="list-style-type: none"><li>pledge over solar power facilities owned on the First Issue Date and future facilities financed with net proceeds from subsequent bond issues, with a carve-out for any such assets with minority interests (amounting to a capacity of approx. 7 MW on the First Issue Date); and</li><li>pledge over all current and future receivables under the Rooftop agreements to secured facilities, with a carve-out for any such assets with minority interests (amounting to a capacity of approx. 7 MW on the First Issue Date)</li></ol>

\*The Issuer may decide to apply several Issue Dates for the First Subsequent Bond Issue, with a minimum SEK 75m in a first tranche of the First Subsequent Bond Issue. The proceeds from the first tranche of the First Subsequent Bond Issue will be used to refinancing existing bonds. \*\*Note that the new security structure that differs from the Initial Bond Issue needs to be set before issuing subsequent bonds.

# Terms in brief (cont.)



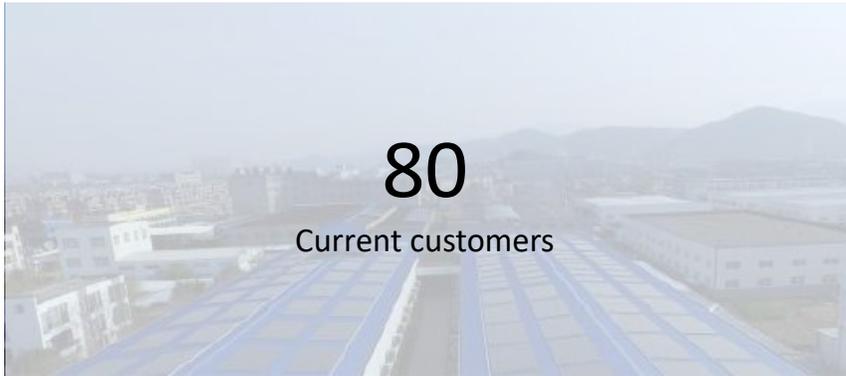
New NOK Investors:**	All Norwegian individuals and companies can invest in SEK-Bonds or EUR-bonds in the First Subsequent Bond Issue (“New NOK Investors”), upon which the Issuer shall compensate the New NOK Investor for the potential FX loss between the SEK/NOK or EUR/NOK exchange rate on the First Subsequent Issue Date and the redemption date or the sale of the holdings on the secondary market. The New NOK Investors holdings shall for all other purposes be treated as SEK-bonds or EUR-bonds as applicable.
Incurrence tests:	Loan to Cost (Ratio of Bond Debt to total Costs of the solar power assets that are subject to security) not more than 75 %** Interest Coverage Ratio in ASRE (Ratio of EBITDA to Net Finance Charges at least 1,7) Interest Coverage Ratio in Issuer (Ratio of EBITDA to Net Finance Charges at least 1,0) Bond Debt to Downstream Loans not greater than 99 %
Dividend undertakings:	No dividend within the first 18 months after the First Issue Date, thereafter up to 50% of previous year’s consolidated net profit*
General undertakings:	Inter alia; restrictions on distribution, restrictions on financial indebtedness, restrictions on financial support, and negative pledge
Subscription fee:	3 %
ISIN:	SEK: SE0012012680 , EUR: SE0012012698, NOK: [N/A at the time of this presentation]
Agent:	Intertrust (Sweden) AB
Sole manager:	JOOL Markets AS, Swedish branch
Legal advisor:	Roschier Advokatbyrå AB as to Swedish law, AnJie Law Firm as to the laws of China
Fee:	The Manager will be paid a fee by the Issuer in connection with the transaction
Secondary market:	Listed on Nasdaq First North Sustainable Bond Market. JOOL Markets facilitates off-market transactions on “best effort”-basis
Target Market:	The product’s target market is minimum retail client with informed experience/knowledge and a portfolio of minimum 5 MSEK with an investment horizon of 3-4 years and a high risk profile.

Use of proceeds	SEKm
Final acquisition financing	30
Refinancing	68
Transaction costs	11
General corporate purposes	1
<b>Total uses of capital</b>	<b>110</b>

Investment example for 45 months, incl. subscription fee***	In SEK
Sum paid in	1 133 000
Sum repayment	1 471 250
Net (whole period)	338 250
Annual effective return	8,30%

\*Please see Term Sheet for further information and full definitions. \*\*\*Assuming 9% fixed rate. Note that the actual return is subject changes in each reference rate. \*\*Bond Debt is defined as total outstanding amount of senior secured bonds, Cost defined as the total cost to build and acquire the portfolio of pledged solar power facilities, measured on a pro forma basis.

# Portfolio overview



# Investment highlights

## Customers



- Customers include e.g. one of China's largest wine and spirits manufacturer and Beijing National Centre for Performing Arts
- **Well-diversified customer portfolio with 80 financially solid end customers in different geographies**

## Business model



- ASRE produces electricity for and receives revenue from sale of electricity and subsidies
- Customers get both clean and cheaper energy
- Stable cash flows as solar radiation varies minimally from year to year
- **All produced electricity could be sold to the grid if a customer does not pay**
- All revenue secured by contracts

## Market



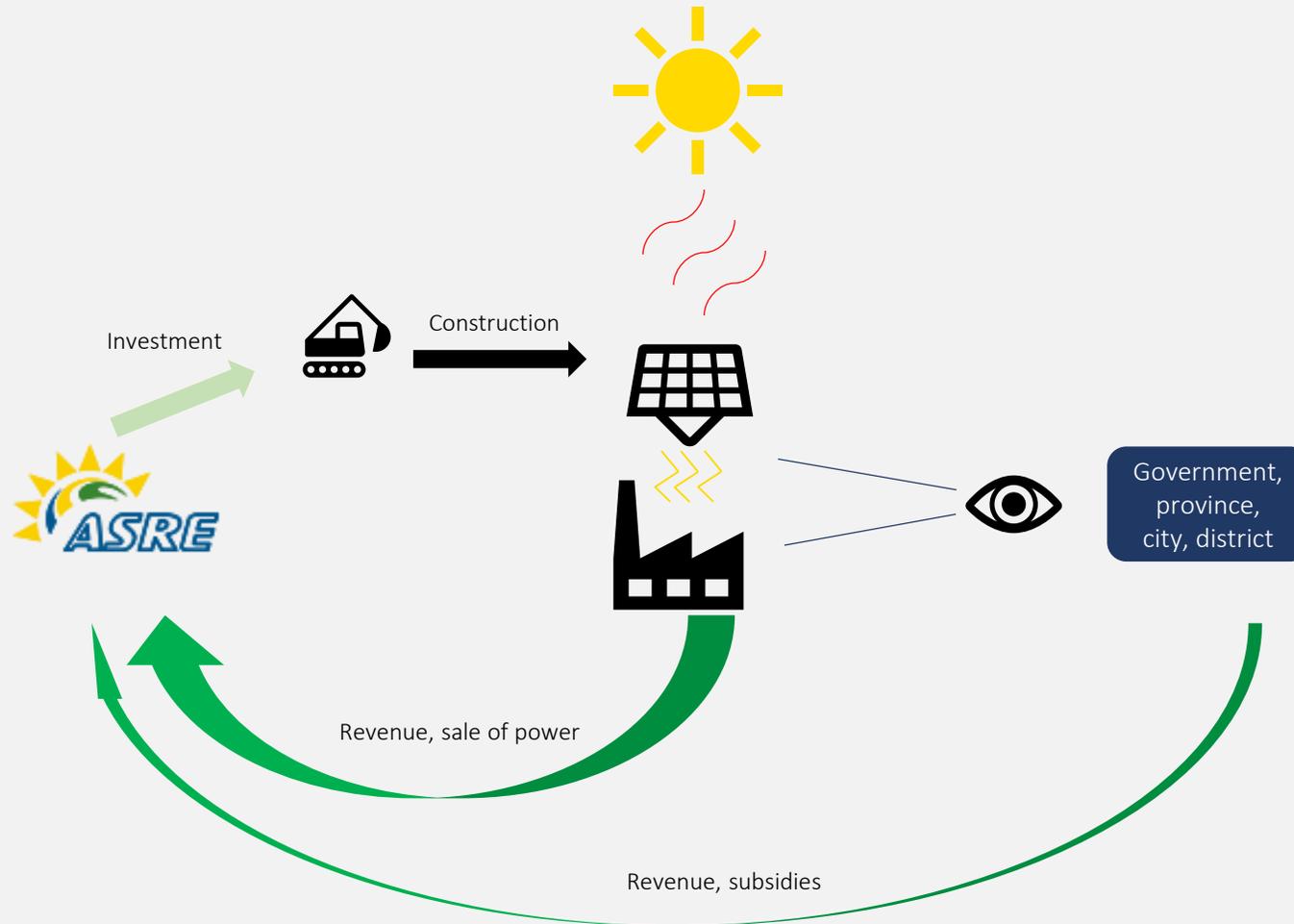
- Economic growth in China has been led by the industrial sector
- The growth has generated a large potential customer base for ASRE with numerous prosperous factories demanding clean energy
- **New collaboration agreement of 500 MW with 15,8% return** on invested capital with Jiangsu Siyang Administrative Committee of Economic Development Zone in Jiangsu Province
- China as a country is the world's largest investor in renewable energy production

## Financials



- The portfolio of installations is expected to generate yearly cash flow of approx. SEK 62m after the acquisition
- **Average remaining maturity of roof-top agreements are approx. 18,5 years**
- The Senior Secured Bonds will have a pro forma Net Debt/EBITDA-ratio of 2,7\*
- The Senior Secured Bonds will have a pro forma ICR of 4,1\*

## Illustration



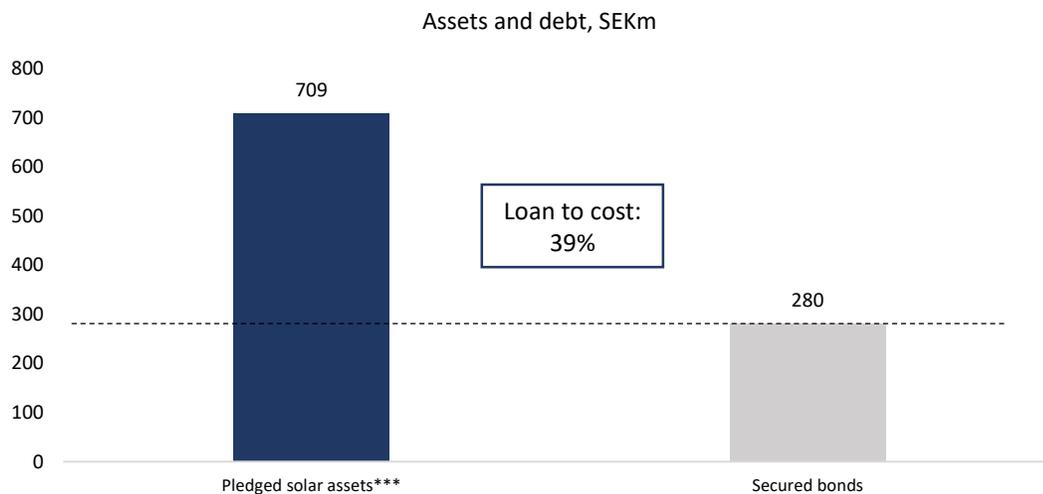
## Business model

- The Group receives its income from its solar panels producing power
- Every produced kWh is sold to the property owner and the Group also receives subsidies per produced kWh
- ASRE always looks for new deals through direct acquisition or to install new facilities on rooftops
- Through ASREs and the co-owner ASPs network the Group has a good reputation and know-how
- ASRE use a third party EPC contractor when installing the facility
- ASRE does not give any performance guarantees to its customers
- The property owner does not need to pay for the facility, but commits to purchase the power produced for the next 20 years
- The price for the produced power is set just below the grid price
- The property owners receive cheaper and green electricity while ASRE receives all income
- Using external EPC contractors, ASRE can keep operational costs to a minimum
- Generated cash flow can be reinvested into new facilities

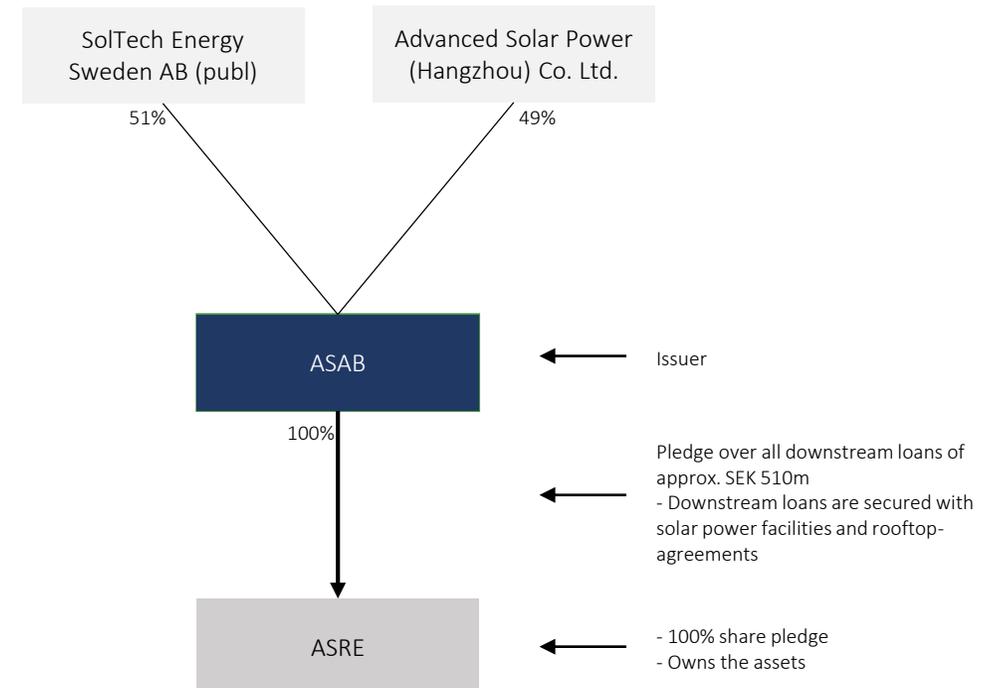
# Collateral

## Transaction and collateral

- ASAB issues the subsequent Senior Secured Bonds and the net proceeds are used to finance the remaining part of the purchase price for the acquisition of the Target Portfolio and refinance existing bonds of approx. SEK 68m
- The Senior Secured Bonds will have the following collateral\*:
  - 1<sup>st</sup> priority pledge over all shares in ASRE granted by ASAB
  - 1<sup>st</sup> priority pledge over all downstream loans from the Issuer to ASRE
- The Downstream Loans will be secured with the Issuer as the pledgee by:
  - pledge over solar power facilities owned on the First Issue Date and future facilities financed with net proceeds from subsequent bond issues\*\*; and
  - pledge over all current and future receivables under the Rooftop agreements to secured facilities\*\*



## Group structure\*\*\*\*



The bonds are issued as green bonds and the Issuer's green bond framework has been rated as "Dark Green" by CICERO



CICERO  
Dark Green

\*Note that the new security structure that differs from the Initial Bond Issue needs to be set before issuing subsequent bonds. \*\*There is a carve-out of not wholly owned facilities of approx. 7 MW which are not pledged towards the downstream loans, and thus indirectly pledged towards the bond holders of the senior bonds. \*\*\*Total cost to build or acquire the assets pledged towards the downstream loans. \*\*\*\*Note that the restructuring process of the illustrated group structure is ongoing and is expected to be completed in April.

# About the Group

## About ASAB and ASRE

- The Group is an electricity producer in China, where ASRE is the operating company, and ASAB is a financial SPV in Sweden
- The Group installs and manage solar power facilities on rooftops and sell the power produced to the property owner (mainly larger factories)
- The property owner commits before installation to purchase all of the produced power for the next 20 years
- The Group is owned to 51% by the listed Swedish company SolTech Energy Sweden AB (publ) ("SolTech") and to 49% by Advanced Solar Power Hangzhou Co. Ltd. ("ASP")
- After the acquisition the Group had a total of 93 MW installed which is expected to generate approx. SEK 118m in annual revenue
- To fully finance an acquisition of a portfolio of solar power installations of approx. 21 MW ASAB intends to make a subsequent bond issue within its current bond framework of approx. SEK 110m (or equivalent in EUR)

## Key figures ASRE

- ✓ Active since 2014
- ✓ Revenue of SEK 52m 2018 (263% growth)\*
- ✓ EBIT of SEK 33m 2018\*
- ✓ SEK 740m in invested in facilities
- ✓ + 90 MW installed\*\*
- ✓ Yearly revenue of SEK 118m of portfolio\*\*
- ✓ 80 different facilities\*\*
- ✓ Co-owner ASP has shareholders such as Sequoia, Morningside and Legend Capital



## Board and management



### Frederic Telander – CEO and board member ASAB

- Frederic was CEO of SolTech Energy from 2009 to 2018 and one of the founders of the company
- Previously partner at EIG Venture Capital Ltd. And led the expansion and listing of Gas Turbine Efficiency AB where he later became chairman



### Stefan Ölander – Chairman of ASAB, CEO SolTech Energy

- Stefan has been involved in SolTech since 2011, first as board member, later as chairman and CEO
- Previously worked as communications director at SEB and Kinnevik, he also founded the branding consultancy Rewir, which later was sold to the Intellecta-group



### Ben Wu – CEO of ASRE, board member ASAB

- Ben has co-founded the ASP-group
- Previously Director at the Lenovo Group as well as the personal executive assistant to the chairman during 2007-2008
- Worked as an associate at McKinsey & Company from 2004 to 2006, and has experience from MSCI, Himalaya VC and several IT-firms



### Gang Bao – COO of ASRE, board member ASAB

- Gang Bao is the operational manager at ASRE
- Mr. Bao has vast experience in running start-ups and extensive understanding of the company's business and development

# Selected customers

## National centre for performing arts



- The national centre for performing arts is a state-owned organisation, owning and managing the Beijing Opera and several other arts operations
- The centre has shows in western opera, Chinese opera, ballet etc.
- ASRE has installations installed on some of the buildings since December 2018
- The facility shows that ASRE not only offers a solution for private enterprises, but also politically controlled properties

### Facts

Name:	China National Centre for Performing Arts
Location:	Beijing
Capacity (MW):	0,65
Annual production (MWh):	744
Grid connection date:	28th December 2018

## Jiangsu Yanghe Brewery



- Yanghe Brewery is a Chinese wine and spirits producer
- The company is listed on the Shenzhen stock exchange and has a market cap of + SEK 230bn, revenues of + SEK 30bn and made a profit of + SEK 10bn 2018
- The group has 179 affiliates and 30 000 employees
- The group was mentioned in the Financial Times Global 500 in 2012 and its brand was recognized as top 100 most valuable brands in China

### Facts

Name:	JiangSu YangHe Co Ltd
Location:	Jiangsu
Capacity (MW):	12,8
Annual production (MWh):	13 000
Grid connection date:	29th June 2018

# Selected customers (cont.)

## Terumo Medical Products Hangzhou



- ASRE's customer is a subsidiary within the Terumo group, a medicine manufacturer
- The Terumo-group is a Japanese medical conglomerate listed on the Nikkei Stock Exchange with a market cap of + SEK 220bn
- The group has + 20 000 employees and made an EBT of SEK 8,7bn 2018
- The facility was ASREs first installed facility in 2015, and Terumo are interested in installing additional capacity

### Facts

Name:	Terumo Medical Products (Hangzhou) Co., Ltd
Location:	Hangzhou
Capacity (MW):	0,31
Annual production (MWh):	280
Grid connection date:	1st February 2015

## Zhejiang sci-tech University



- The university is publicly owned and located in Hangzhou
- It was founded in 1897 and today has approx. 27 000 students and 1 800 academical staff
- The university is mostly famous for its engineering programmes
- ASRE installed its facility on the rooftop of a building in 2016 of approx. 325 kW

### Facts

Name:	Zhejiang sci-tech University
Location:	Hangzhou
Capacity (MW):	0,33
Annual production (MWh):	300
Grid connection date:	29th December 2016

# Selected customers (cont.)



Facts	
Name:	NingBo TaiMao Bicycle Industry Co. Ltd
Location:	Ningbo
Capacity (MW):	2,8
Annual production (MWh):	2 750
Grid connection date:	20th April 2018



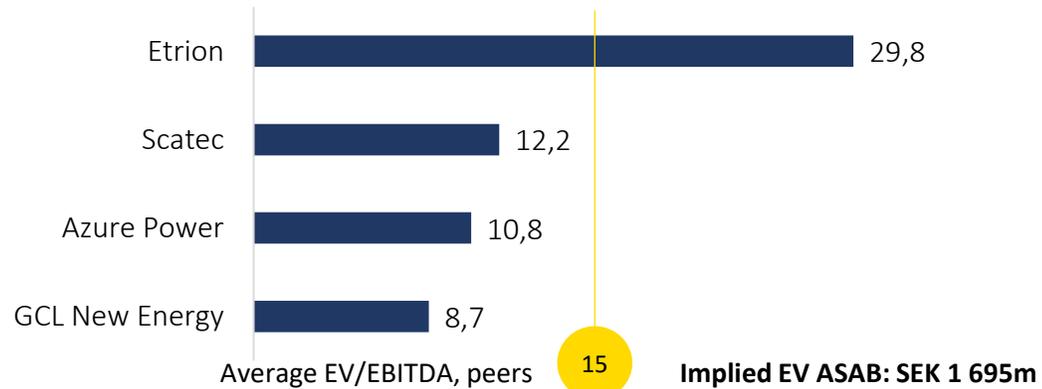
Facts	
Name:	China Star Optoelectronics Technology Co. Ltd
Location:	Shenzhen
Capacity (MW):	2
Annual production (MWh):	2 000
Grid connection date:	30th December 2018



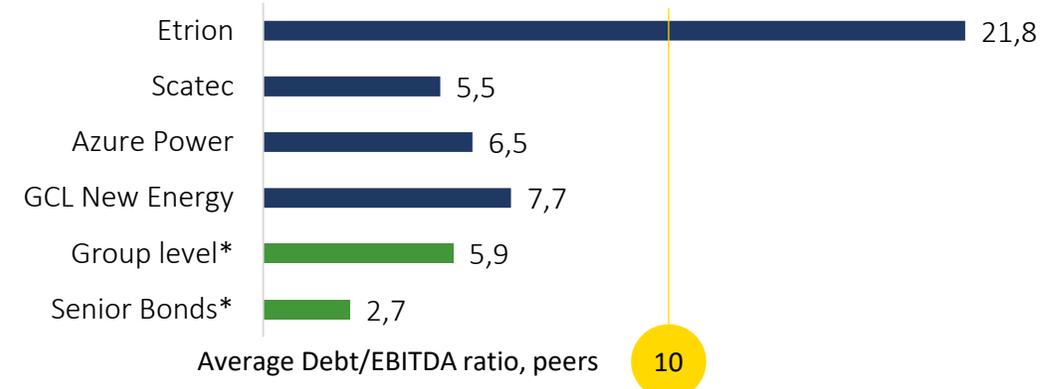
Facts	
Name:	Zhejiang Jindun Fire Control Equipment Co. Ltd
Location:	Shaoxing
Capacity (MW):	4
Annual production (MWh):	3 900
Grid connection date:	14th October 2016

# Peer ratios

## EV/EBITDA



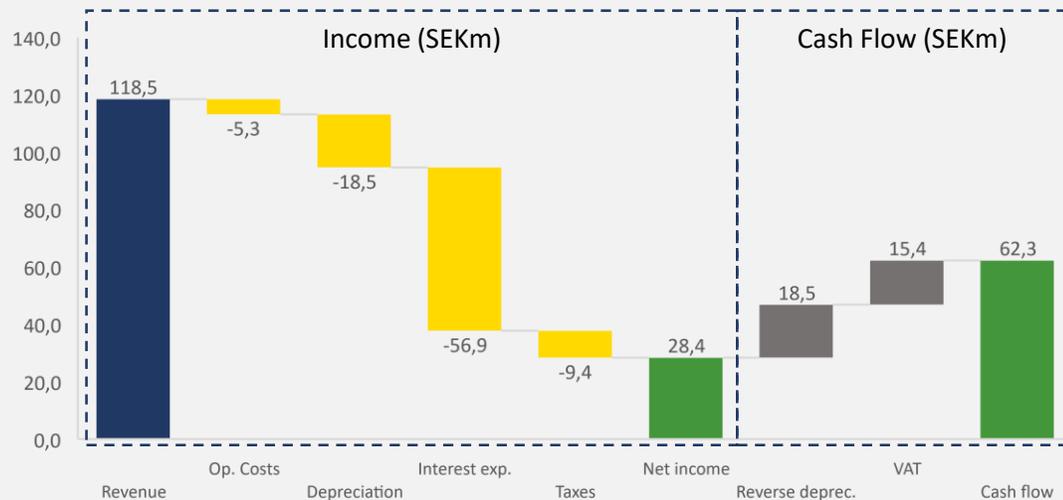
## Net Debt/EBITDA



\*Explanations of the variables available on the slide "Financials",  
NOTE: EBITDA for peers and ASRE is estimated 2019 figures, all figures for the listed companies recorded as in Bloomberg 2019-04-24.

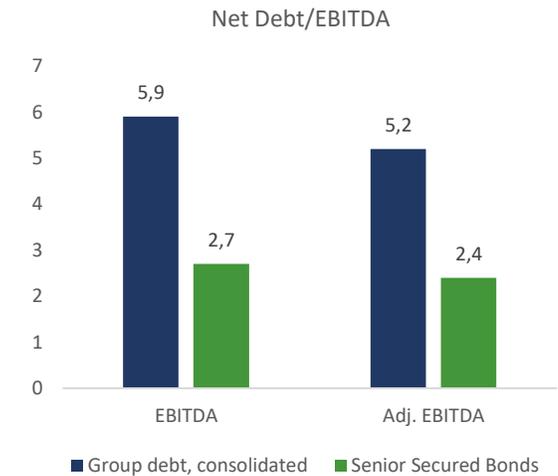
## Forecasts – pro forma rolling 12-months

- All forecasted figures are based on the portfolio of solar power facilities in ASRE after the acquisition and debt in the Group\* after the Subsequent Bond Issue
- Revenue consists of both sale of power and received subsidies per kWh
- The Group has low operational costs which mainly consists of staff salary and washing of the panels, which leads to an EBITDA of approx. SEK 113m after the acquisition
- The largest costs are depreciation and interest expenses, and based on the portfolio after the acquisition the forecasted Net income is approx. SEK 28m
- The Group also receives VAT in their cash flow which is kept as cash due to the large negative VAT-debt
- Adjusting for VAT by adding it to EBITDA, ASRE will have an adjusted EBITDA of approx. SEK 129m
- In cash flow from operating activities the portfolio will after the acquisition generate approx. SEK 62m, after interest expenses and taxes



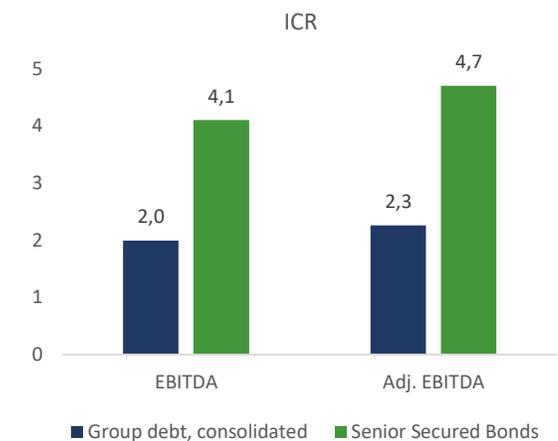
## Leverage pro forma

- After the Subsequent Bond Issue the Groups long term amount to approx. SEK 664m
- The Senior Secured Bonds have the best rights of all debt
- When calculating Net Debt/EBITDA-ratio\*\* for Senior Secured Bonds, earnings are taken away for non pledged assets
- Total Senior Secured Bonds amount to SEK 280m after the Subsequent Bond Issue



## Interest coverage

- Same as with leverage, ICR for the Senior Secured Bonds is calculated without EBITDA retrieved from the non pledged solar facilities
- ICR is calculated as EBITDA/interest expenses, or as adj. EBITDA/interest expenses
- ICR assumes an interest cost of 9% p.a. for the Senior Secured Bonds



\*Please see Q&A for debt in the Group. \*\*Pro forma Net Debt/EBITDA measured as the ratio between the Group's long term debt (or Senior Secured Bonds) and EBITDA or EBITDA retrieved from from the pledged solar facilities.

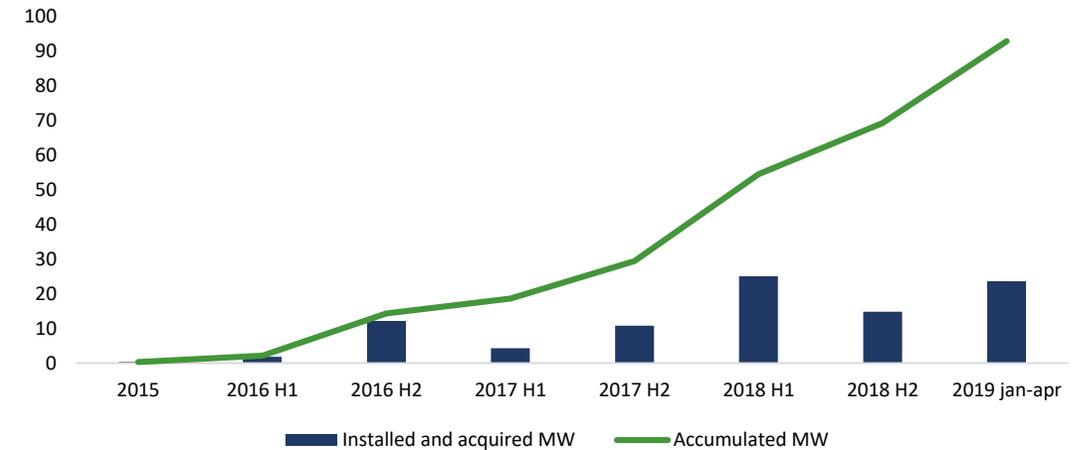
# Financials (cont.)

## Growth realized in 2018

- During 2018 total income in ASRE grew by 263%, from SEK 19,7m to SEK 51,8m\*
- EBIT developed significantly, from approx. SEK 5,2m to approx. SEK 33,1m
- Profit after tax was SEK 4,6m for the full year 2018
- ASRE made a loss for November and December 2018 due to lower radiation than expected and more rainfall during the winter months
- During 2018 ASAB completed 3 bond financing rounds totalling to SEK 346m where the net proceeds could be invested in constructing new facilities. Total megawatt installed at the end of 2018 was approx. 69 MW
- After the acquisition of the portfolio of 21,3 MW the Group will own a total of 93 MW



## MW installed and acquired\*\*



## Order backlog

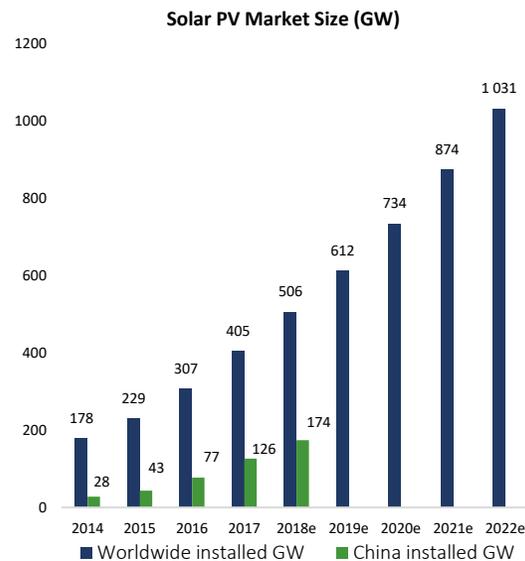
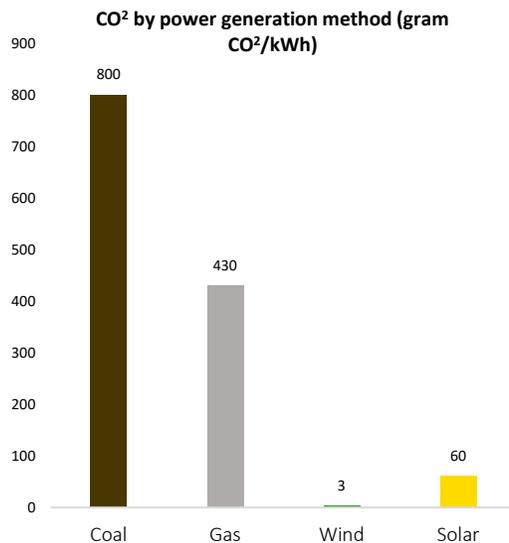
- During 2018 ASRE received great interest on new facilities by large private and governmental entities
- Focus has been on creating a long sustainable backlog of projects
- To date several framework agreements have been made with provinces and local governments as customers

Pipeline	
Under EPC:	12 MW
Order, not under EPC:	27,5 MW
Pipeline:	90 MW
Collaboration agreements:	650 MW
<b>Total backlog:</b>	<b>779,5 MW</b>

\*Assuming an RMB/SEK fx of 1,37 for 2018, difference in exchange rate may occur. \*\*After the acquisition of the Target Portfolio.

## Solar energy market

- Global warming, pollution and climate change are one of the biggest challenges the world is facing, which led to the signing of the Paris climate agreement in 2015
- With the Paris agreement, the world's leaders has pledged to keep temperature rise below 2 degrees Celsius during this century
- 52 % of total CO<sup>2</sup> emissions in China comes from electricity and heat production (2014)
- Coal and gas generate approx. 13 and 7 times more CO<sup>2</sup> than solar power per produced kWh
- Total installed Solar PV Market has been growing fast, and it is expected to do so in the foreseeable future



## Environmental factors



ASRE will produce the equivalent of the electricity used in approx. 5 700 houses in Sweden annually



After installation, solar power panels does not deliver any pollution from power generation



1 MWh produced by solar power generates approx. 13 times less CO<sup>2</sup> than its coal equivalent



1 MWh produced by ASRE saves approx. 1 ton in CO<sup>2</sup> emissions than its coal equivalent



1 MWh produced by ASRE saves approx. 0,27 ton in carbon particles than its coal equivalent



1 MWh produced by ASRE saves approx. 0,03 ton in SO<sup>2</sup> emissions than its coal equivalent



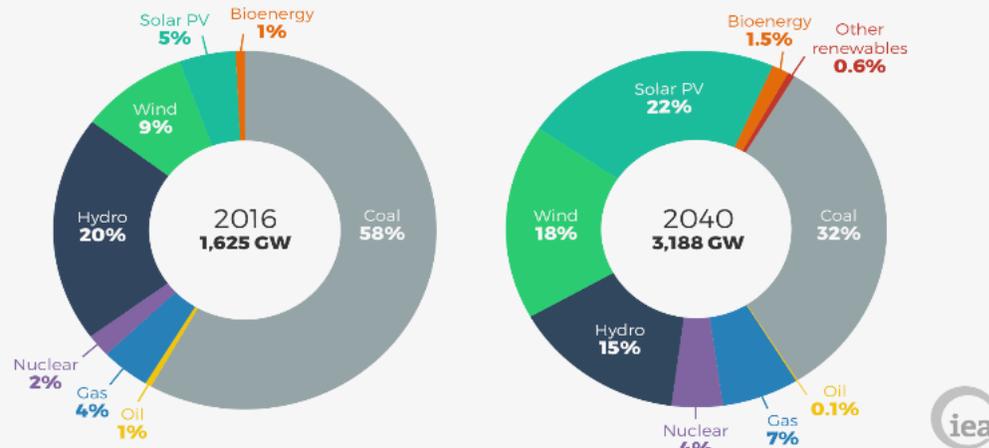
Solar power can reduce the amount of haze and smog in a city significantly



1 MW installed capacity equals approx. 1,5 football pitches in size

# Market outlook (cont.)

Installed power generation capacity in China in the New Policies Scenario  
World Energy Outlook 2017



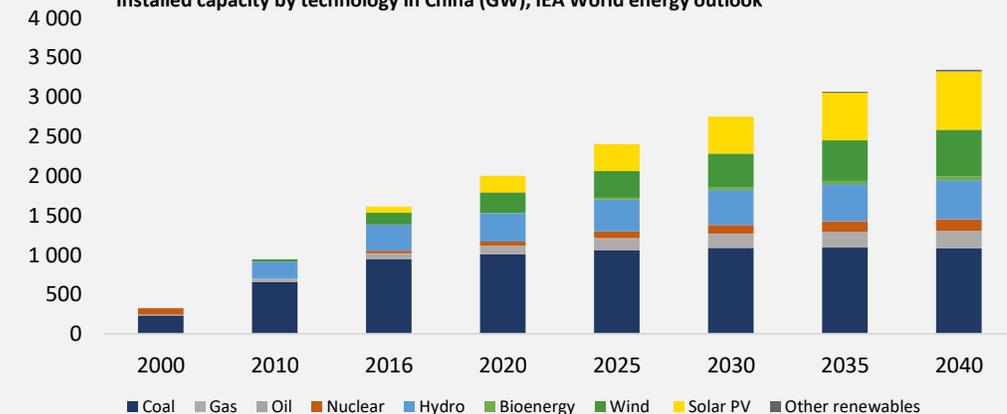
Change in primary energy demand, 2016-40 (Mtoe)  
World Energy Outlook 2017



## Policy and future demand in China

- In China's last five year plan it is stated that one of the largest challenges is the future energy demand, and factors connected to it such as pollution
- International Energy Agency ("IEA") believes that the Chinese energy demand will escalate with 790 million tonnes of oil equivalent (Mtoe), more than Africa and just second to India
- With the current policy, clean energy is a primary focus and Solar PV is expected to produce 22% of all power year 2040
- Since 2007, the National Development and Reform Commission (NRDC) has set new goals of installed PV, however they have been revised upwards almost yearly
- Even with decreased subsidies market expansion is expected to continue due to cheap solar panel production costs and "grid parity" is within reach
- At the end of H1 2018 China had a total installed PV capacity of 154 GW, which was up 51 % from the end of H1 2017 (102 GW)

Installed capacity by technology in China (GW), IEA World energy outlook



- **Why does the group finance itself through corporate bonds?**
- The group has financed itself through equity contributions from the owners SolTech and ASP, bond issuances in ASAB and has the opportunity to also finance itself through bank loans in the future. Since the business model includes high initial investments in assets which later generate a steady income, and that the Group has a large orderbook, financing through bank loan would not be efficient as bank loan would require high amortization rates which would impact the growth possibility.
- **What happens if a property/factory owner does not pay for the electricity produced?**
- If a customer to ASRE somehow does not pay on its obligations that would indicate a default situation for the customer. If so, ASRE has the possibility to sell the power produced to the electric grid, or continue to sell the power to the bankruptcy estate. Subsidies are still given to ASRE, as the basis for subsidies are amount of produced kWh. Upon bankruptcy of a property owner, ASRE may also dismantle the facility and sell it. With respect to this, ASRE conducts credit checks on all its potential customers before entering a business agreement. If e.g. a property/factory reduce its working hours from e.g. 24h days to 16h days and there is an abundance of electricity generated, these additional kWh can be sold on the grid.
- **What happens if the property is sold?**
- The rooftop agreement will follow the property to the new owner. If the new owner would not like to have the solar power facility, the old property owner has an obligation to buy the solar facility.
- **How will the bond issue be repaid?**
- ASAB intends to refinance the bond through, either or a combination of (i) cash flow from operations which can be generated from the produced kWh and sale of solar power facilities, (ii) refinancing through equity issuance as there are plans to list the Group to a Swedish stock exchange after the summer 2019, (iii) refinancing through issuance of new debt or loan financing within the Group.
- **How does the group protect themselves against currency fluctuations?**
- As the Group finances itself through foreign currency denominated notes and receive revenues in RMB there is a currency risk involved. However both SolTech and ASP are companies registered in countries outside China and are affected by the same currency fluctuations as the bond holders. Thus the Group intends to hedge its exposure to RMB in the future.
- **What happens if all subsidies are taken away?**
- Contractually the subsidies are not possible to withdraw as they are given to a fixed tariff/kWh produced over a fixed number of years. If the subsidies are taken away from the entire solar power market from the pro forma calculations the company would still be cash flow positive with an adj. ICR of 1,44.
- **Are there any kind of off takers in the power purchase agreements?**
- No, the property owner commits to purchase the electricity for the next 20 years.

- **How does this bond issue affect ASABs current outstanding bonds?**
- The use of capital of the Subsequent Bond Issue is partly to refinance an outstanding bonds of SEK 65,5m. ASAB will after the refinancing have three outstanding bonds (excluding the senior secured bonds) which all are unsecured and matures after the Senior Secured Bonds. Thus, no potential collateral in these bonds is affected. With the acquisition and increased cash flow the financial outlook for the company is expected to strengthen which in general is good for shareholders and bond investors.
- **If only SEK 30m is contributed as downstream loans, against what receivables can ASRE repay the debt?**
- The bond will have collateral in all ASAB's receivables on ASRE. This will equal approx. SEK 510m after the bond issue is fully subscribed. Thus ASRE always has receivables to pay against to repay the bond issue. Furthermore, the bond terms include an incurrence test that states that total bond issue to receivables on ASRE must not be above 99 % pro forma.
- **How is the collateral registered and perfected?**
- The different collateral is perfected in different ways. Pledge of shares in ASRE owned by ASAB is perfected through registration with the PRC Market Supervision and Management Bureau. The pledge in downstream loans are perfected through registration with Credit Reference Center maintained by the People's Bank of China, the pledge is granted to the Issuer (not the Agent) over the solar facilities and receivables under the rooftop agreement.
- **How are enforcements of the collateral performed and what role does the agent have?\***
- When enforcing Chinese security, the pledgee may, by agreement with the security provider, claim the proceeds from a discount, auction or sale of the security property. Where the pledgee and the security provider fail to reach an agreement on the mode of realizing security interests, the pledgee may apply to the PRC court for an auction or sale of the security property. Generally, an enforcement will be quick if the pledgor cooperates. If the pledgor does not cooperate, the trustee will have to apply to court for enforcement. The court will first go through a trial procedure and then enforcement procedure. Trial procedure may take 6 months and enforcement procedure may take 1-6 months. If the pledge agreement is notarized, then trial procedure can be skipped so the trustee may directly apply for enforcement procedure. Intertrust (Sweden) AB will be agent for the bond holders, and the Intertrust-group has local offices in China in the cities of Beijing, Shanghai and Guangzhou.
- **What does the situation with competitors look like?**
- Last reported data from China Energy Portal was that there were a total of approx. 174 GW installed capacity in Solar power by the end of 2018. At that time the Group had approx. 69 MW installed which equal a market share of 0,04%. There are many other participants in the market, both private and public companies, however the demand for solar power facilities and renewable energy in China is expected to be large enough for many companies to participate in the market.
- **What other debt then the Senior Secured Bonds does the Group have?**
- After performing the First Subsequent Bond Issue the Group's only long term debt will consist of bonds issued by ASAB, amounting to approx. SEK 626m and a bank loan from Intercontinental Bank of China of RMB 28m. The Senior Secured Bonds matures in January 2023, and ASAB's other bonds matures after the tenor of the Senior Secured Bonds. The loan from ICBC matures in April 2020. The proceeds of bonds issued in ASAB are lent down to, or injected as equity to, ASRE to an interest rate corresponding to the interest rate of the bonds issued by ASAB.



- How is my investment affected if the Issuer choose to apply multiple First Subsequent Issue Dates?
- The volume of the First Subsequent Bond Issue is SEK 110m, and the Issuer has the possibility to use more than one First Subsequent Issue Date. This structure is set up in the Term Sheet to enhance a smoother settlement procedure where the Issuer quickly can access funds to refinance its current outstanding bonds (ISIN: SE0008322051). The securities of the investor should not be affected by this possibility. For more information and description of the terms regarding multiple First Subsequent Issue Dates, please see Term Sheet.

THE INFORMATION IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED AND NO TECHNICAL, FINANCIAL OR ENVIRONMENTAL DUE DILIGENCE WITH RESPECT TO THE ISSUER HAS BEEN CONDUCTED WHATSOEVER. IN CONNECTION WITH THE INITIAL BOND ISSUE THAT WAS COMPLETED ON 25 JANUARY 2019 (THE "**BOND FINANCING**"), ONLY A LIMITED VERIFYING LEGAL REVIEW WAS MADE OF THE ISSUER'S BUSINESS AND ASSETS AND A LIMITED VERIFYING LEGAL REVIEW WAS CONDUCTED OF ASRE (AS DEFINED BELOW) ON A LIMITED AMOUNT OF DOCUMENTATION AND HAS NOT BEEN UPDATED SINCE THE DATE OF THE INITIAL BOND ISSUE. IN CONNECTION WITH THE CONTEMPLATED TAP ISSUE, ONLY A LIMITED LEGAL REVIEW HAS BEEN CONDUCTED IN RESPECT OF ASSETS CONTEMPLATED TO BE ACQUIRED BY ASRE IN CONNECTION WITH THE TAP ISSUE. THERE MAY THUS BE RISKS RELATING TO THE ISSUER'S BUSINESS, RESULTS AND FINANCIAL POSITION NOT IDENTIFIED.

These risk factors were prepared in connection with the Bond Financing, and the bonds issued thereunder (the "**Bonds**") by Advanced Soltech Sweden AB (publ) (the "**Issuer**") the proceeds of which was used towards financing transaction costs, equity injections and downstream loans (the "**Downstream Loans**") to Advanced Soltech Renewable Energy (Hangzhou) Co., Ltd. ("**ASRE**") for its acquisition and construction of solar power facilities and general corporate purposes of the Issuer. These risk factors have been updated in connection with the contemplated tap issue by the Issuer of SEK 110,000,000 to be made in April 2019 (the "**Tap Issue**") however only with respect to factors relating to (i) the assets which is intended to be acquired by the ASRE in connection with the Tap Issue and (ii) that the Issuer has acquired Advanced Solar Power (Hangzhou) Inc. ("**ASP**") shares in ASRE and that the Issuer has not acquired SolTech Energy Netherlands Holding B.V. ("**SolTech Energy Netherlands**") shares in ASP. Please note that the Issuer's contemplated acquisition of ASP shares in ASRE has on the date of these risk factors not yet been completed, but the acquisition will occur prior to the Tap Issue.

ASRE, whose business will be financed with downstream loans and equity contributions granted by the Issuer from the proceeds of the Bond Financing, is jointly owned by Soltech Energy Sweden AB (publ) ("**SolTech Energy Sweden**"), through its wholly-owned Dutch subsidiary SolTech Energy Netherlands and the Issuer. The Issuer, ASRE and any of ASRE's direct or indirect subsidiaries from time to time are hereinafter jointly referred to as the "**Group**" and each a "**Group Company**". The bondholders (the "**Bondholders**") under the Bond Financing will be represented by Intertrust (Sweden) AB (the "**Agent**").

The Bonds will be secured by (i) a pledge over the Downstream Loans granted by the Issuer to ASRE, (ii) the shares in Soltech Energy Netherlands granted by Soltech Energy Sweden and (iii) the shares in ASRE owned by the Issuer and Soltech Energy Netherlands. ASRE will in turn secure its obligations under the Downstream Loans with a pledge over the PV installations (as described below) and the receivables under certain Rooftop Agreements (as described below). For the avoidance of doubt, the security provided by ASRE is not directly securing the Bonds, but only the Downstream Loans, which in turn are pledged to the Bondholders.

The investment in the Bond Financing involves inherent risks. Financial performance of the Group is an important factor to consider when making a decision whether to invest in the Bond Financing. A number of risk factors and uncertainties may adversely affect the Group. If any of these risks or uncertainties materialize, the business, operating results and financial position of the Group could be materially and adversely affected, which ultimately could affect the Issuer's ability to make payments of interest and repayments of principal under the terms and conditions of the Bonds (the "**Terms and Conditions**"). In this section, a number of risk factors are illustrated, both general risks pertaining to the Group's business operations and material risks relating to the Bond Financing. There could also be other risks not discussed herein, not currently known or not currently considered to be material may also affect the Group's future operations, performance and financial position, and consequently the Issuer's ability to meet its obligations under the Bond Financing. Further, the risk factors are not ranked in order of importance. Potential investors should consider carefully the information contained in this section and make an independent evaluation before making any investments in the Bond Financing.

## RISKS RELATING TO THE MARKET AND THE BUSINESS ACTIVITIES

### Macroeconomic conditions

Although the Issuer's financial operations are mainly performed in Sweden, the entire commercial operation of the Group is in the People's Republic of China (the "**PRC**"). Substantially all of the Group's assets are located within the PRC. As such, the development of the business of the Issuer is closely connected with the performance of ASRE which in turn is connected with the development of the renewable energy business in the PRC, changes in the general economic situation or the taxation system or changes within the system for governmental grants or other regulatory conditions, in each case in the PRC, which are outside the control of the Issuer and the Group. Even smaller changes may have a negative effect on the Group's business, financial condition or results of operations. Even though the Group is operating in a growing market for renewable energy, changes in the global economy may affect the will to invest in new solar energy. A weakened world economy or a long-lasting economic recession may imply a reduced need of electricity which could have a negative impact on the Group's business, financial condition or results of operations.

### The PRC's legal system

ASRE is incorporated under the laws of the PRC and conducts its business in the PRC. ASRE's business operations are regulated primarily by PRC laws and regulations. PRC laws and regulations are based on written statutes, and past court judgments may be cited only for reference. As these laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement.

The PRC legal system is based, in part, on government politics and internal rules (some of which are not published on a timely basis or at all). As a result, ASRE may not be aware of its violation of these policies and rules until sometime after the violation. Because of these uncertainties, ASRE may be subject to uncertainties in its operation and potential breaches of policies and rules in the PRC which could lead to governmental sanctions that could adversely affect the operations and financial results of the Group.

### Credit risk

There is a risk that the Group's counterparties are unable to fulfil their financial obligations towards the Group. An assessment of the credit risk must therefore include an assessment of ASRE's and its subsidiaries' possibility to operate their business and the credit risk that ASRE and its subsidiaries have against their customers and the risk that these customers may get in a financial situation where they cannot pay the agreed fees or other amounts owed to ASRE and its subsidiaries as they fall due or otherwise abstain from fulfilling their obligations. There are no guarantees that the ASRE's and its subsidiaries' counterparties can fulfil their obligations which would then affect ASRE's and its subsidiaries' possibility to fulfil their obligations against the Issuer which could affect the Group's business, financial condition or results of operations.

## Interest rate risk

The Group has incurred, and may in compliance with the limits set out in the final Terms and Conditions further incur, financial indebtedness to finance its business operations. Such financing may generate interest costs which may be higher than the gains produced by the investments made by the Group. Borrowing money to make investments will increase the Group's exposure to the loss of capital and higher interest expenses. Further, the Group is exposed to changes in interest rates through its financing agreements that carry floating rates of interest. The interest rates are affected by a number of factors that are beyond the control of the Group, including but not limited to the interest rate policies of governments and central banks. An increase in interest rates would entail an increase in the Group's interest obligations, which could have a negative effect on the Groups' operations, financial position, earnings and results.

## Currency risk

The Chinese currency Renminbi ("RMB") is not freely convertible into other currencies. All activities relating to payments and receipts of foreign exchange and the conversion of foreign exchange into RMB and vice-versa are regulated. All foreign exchange transactions are in some form controlled or supervised by the State Administration of Foreign Exchange in the PRC ("SAFE"), the main regulatory body of the PRC's foreign exchange control system. Only financial institutions designated by SAFE are allowed to process foreign exchange transactions and they must operate special foreign exchange accounts for this purpose. Foreign currency is not permitted to be circulated or used for payment within the PRC. Any domestic institution or individual that makes a payment in foreign exchange overseas in an amount equivalent to more than USD 50,000 must first make a tax filing with the competent office of the State Administration of Taxation where the institution or individual is located. Generally, this can cause certain delays and require certain paper work and may have adverse effect on the Group's business. The PRC government may temporarily restrict certain payments in relation to, inter alia, dividends. In such cases, this may have a detrimental effect in relation to ASRE's ability to pay for example dividends to the shareholders. Further, the exchange rate between RMB and other currencies may fluctuate from time to time and be affected by, among other things, changes in the PRC's political and economic environment. The fluctuation in the exchange rate between the RMB and other currencies may have an adverse effect on the business, results of operations and financial condition of the Group and the Issuer. A weakening of the RMB against the EUR or SEK means that ASRE may have exchange loss on its books which leads to a reduced income in real terms for the Group. The Group does not use any form of hedging to mitigate such currency risks. The devaluation of the RMB may adversely affect the value of, and any dividends payable on, the shares held by SolTech Netherlands or the Issuer as the foreign shareholders of ASRE. This may have an adverse effect on the Group's business, financial condition or result of operations.

## Financing and refinancing

Refinancing and new financing risks are the risks in relation to ASRE not being able to obtain necessary financing, or that such financing is only partly obtained at significantly increased costs as concerns refinancing of existing debts or new borrowing. There is a risk that future refinancing is not possible at all, or is not possible on terms that are attractive for the Issuer, which would have an adverse effect on the business of the Group. In case the Issuer and/or ASRE are unable to refinance existing debt or obtain additional financing at attractive terms, as a result of an insufficient supply in the capital market or for any other reason, this would have an adverse effect on the Group's business, financial condition or results of operations.

## Supplier risk

In order to maintain its business, the Group is dependent upon timely deliveries of photovoltaic (which converts light into electricity) ("PV") and thereto related components. Missing or postponed deliveries of the PVs may cause delays with regard to the installations of PVs under construction and future installations. The manufacturing of PVs is a high tech, costly and relatively slow process and interruptions in the production may occur. From time to time, the supply and demand of components necessary for the manufacturing of PVs have varied. Following increases in demand, there is a risk of increase in prices for PVs or that the supply of PVs will decrease, which may lead to delays in the installations of the PVs. These factors may therefore have an adverse effect on the Group's business, financial condition or results of operations.

## Competition

The Group operates within the renewable energy industry offering solar energy installations in which there are several actors with similar or alternative technology. Going forward with respect to new solar facilities, it may show that the market prefers other actors' products or that current competitors or other companies develop better or more attractive methods or concepts, other than the solutions the Group provides. Such development may have an adverse effect on the Group's business, financial condition or results of operations. The Group may also be exposed to competition in price from economically stronger actors that may, through quick price reductions, increase their market share or establish similar products. This especially applies within in the solar cell sector where other techniques may prove to be more economically favorable than the technique promoted by the Group. There is always a risk that new technology will emerge. This could have a material adverse effect on the Group's business, financial condition or results of operations.

## Executive management, staff and operational risk

ASRE relies on consultants for certain services. To a large extent ASRE uses ASP's network of installers/agents to sell, install and provide services to ASRE's installations. In addition, in most cases ASRE uses ASP as EPC (*engineering, procurement and construction*) contractor, but may also use other parties as EPCs. This entails that ASRE to an extent is dependent on ASP which entails a risk for ASRE since it does not itself control all vital parts of its business. There is no agreement in place preventing ASP from conducting competing business or increasing prices or ensuring that ASP remains as a key partner. ASRE may not be able to replace the current organisation if necessary. Operational risk is the risk of incurring losses due to inadequate procedures and/or irregularities. Should the Group's internal control, administrative system adapted for the purposes, skills development and access to reliable valuation and risk models fail, there is a risk that this will have an adverse effect on the Group's business, financial condition or results of operations. The Group's employees' knowledge, experience and commitment are important for the Group's future development. The Group would be affected negatively if key employees would leave the Group, or if the Group's administrative security and control would fail.

## **Risks relating to insurance coverage**

ASRE generally maintains all risks insurance policies for its properties. There might be delays in procuring the insurance policy and during the delayed period its properties are not insured. In addition, there are certain types of losses, such as losses from forces of nature, that are generally not insured because they are either uninsurable or because insurance cannot be obtained on commercially reasonable terms. This practice is consistent with what the Group believes to be the industry practice in the PRC. Certain types of losses caused by war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters are not covered. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in such property and anticipated future revenue therefrom while the Group remains liable for. Any such loss could materially and adversely affect the financial condition and results of operations of the Group.

## **Risks related to the political decisions and regulations regarding the renewable energy in the PRC**

The Group acts within areas which take greater consideration to the environment in production of electricity. There are several types of political instruments favouring investments in renewable energy. This can consist of different forms of financing or subsidies for certain types of energy. An important factor in the Group's revenue calculations is the expected subsidies from the PRC government and from regional and local authorities. There is always a risk for changes in these systems, which would have an adverse effect on the Group's business, financial condition or results of operations. In recent years, the PRC government has promulgated a series of laws and regulations to support and encourage the development of solar power. These laws, regulations and policies directly affect the prospects of the domestic solar power industry and are factors that may affect the demand for the Group's business. The level of acceptance of solar power as a viable form of renewable energy by the government agencies that establish energy policies as well as the general public in markets in which the Group operates has a significant effect on us. There is a risk that it would have adverse effect on the Group's business, financial condition or results of operations. Although the PRC government's latest five-year plan has clear directions to promote the development of renewables in order to address PRC's acute pollution problem and for PRC to thereby be less dependent on fossil fuel, should a direct or indirect reduction or termination of government support take place then there may be adverse effect on the PRC solar power market. In the event of changes in the support by the PRC government of the industry in which ASRE operates, or changes to the policies associated with ASRE's industry, ASRE's operations may adversely be affected. In the event of changes in these preferential policies by the PRC government, solar power may in the future and with respect to the PV installations become less attractive which would have an adverse effect on ASRE's business, results of operations and prospects.

In addition, the policies relating to the subsidies for solar power energy in some places of PRC are unstable as local authorities have not officially issued specific regulations or rules to ensure such subsidies. There is a risk that the Group may not receive certain subsidies due to the unstable local policies, which may have adverse effect on the Group's business and financial conditions.

## **Fluctuations on the electricity market**

The revenue for ASRE is to a great extent dependent on the development in the electricity market in the PRC. A majority of contracts use a floating price mechanism. There are risks of fluctuations in the electricity price. A decrease in the electricity price would have a material adverse effect on ASRE's possibility to pay interest and any mortgage payments which would have adverse effect on the Group's business, financial condition or results of operations. The Group does not use any form of hedging to mitigate such risks linked to fluctuations in electricity prices.

## **Delays and use of products in the connection to the electricity grid**

ASRE designs its installations to suit customers' electricity consumption. In short, ASRE's aim is not to deliver electricity to the grid, but it needs the grid connection to sell any overcapacity, if a customer for whatever reason does not consume all the electricity produced, from time to time and thereby receive the subsidy from the government which is paid by the grid company. There is also a risk that the price of the power sold to the grid may deviate from the price ASRE would receive if it was sold to the customer. In the event of any difficulties and/or delays in connecting completed installations to the electricity grid in the PRC, this may result in payment difficulties for ASRE and therefore affect the Issuer's ability to pay the interest to the Bondholders. In addition, certain technical issues with the existing electricity grids to which the existing projects are connected to, such as the less effectiveness of the solar panels as time passes or the decrease of the efficiency of the equipment during the lifetime of the projects, could have adverse effect on the Group's business, financial condition or results of operations.

## **Sabotage**

There is a risk for sabotage, theft, attacks and natural disasters or other force majeure events which the Group cannot control and which are not covered by insurance. Such events would have an adverse effect on ASRE's business.

## **Tax related risks**

The structure of the Group is among other things intended to prevent tax liabilities in several levels for the shareholders of the Group. The Group conducts its business in accordance with its own interpretation of applicable tax regulations and applicable requirements and decisions. There is a risk that the Group's or its advisers' interpretation and the Group's application of laws, provisions, judicial practice has not been, or will in the future not be, correct or that such laws, provisions and practice will be changed, potentially with retroactive effect. If such an event should occur, the Group's tax liabilities can increase, which would have an adverse effect on the Group's business, financial condition or results of operations.

## **The Issuer's dependence on other companies in the Group**

The Issuer is a financing vehicle for the purpose of financing ASRE's commercial operations in the PRC. As such, the Issuer does not hold any significant assets. The Issuer therefore depends on the receipt of interest payments and payment of principal under the Downstream Loans granted by the Issuer to ASRE, which in turn is dependent on sufficient income and cash flow being generated from the operations of ASRE. Consequently, the Issuer is dependent on ASRE's and its subsidiaries' availability of cash and their ability to service the Downstream Loans. A decrease in any such income and cash flow may have an adverse effect on the Issuer's financial condition and its ability to service its debt under the Bonds.

In addition, the Issuer does not have any employees or operations of its own, this means that it is highly dependent on SolTech Energy Sweden to ensure that tasks including corporate administration, accounting, execution of payments etc. are properly carried out. If these tasks are not carried out at all or carried out inappropriately it could have an adverse effect on the Issuer's financial condition and its ability to service its debt under the Bonds.

## **ASRE's dependence on its direct or indirect shareholders**

ASRE has a slim organisation and a limited number of employees, this means that it is highly dependent on ASP's network and knowledge of the local PRC market to ensure that tasks including corporate administration, accounting, execution of payments etc. are properly carried out. If these tasks are not carried out at all or carried out inappropriately it could have a negative effect on ASRE's financial condition and its ability to service its debt under the Downstream Loans and consequently it could have an adverse effect on the Issuer's financial condition and its ability to service its debt under the Bonds. ASRE's shareholders are instrumental in order for ASRE's business to develop successfully. In the event that either of the shareholders would divest their shareholding in ASRE entirely or partly this, or choose to conduct business in direct or indirect competition with ASRE, it could have an adverse effect on ASRE's business.

## **Risks relating to projects to be acquired by ASRE**

Some companies to be acquired by ASRE ("**Target Companies**") may have long term receivables. It is possible that these receivables may not be collected in the end since the counterparties may not be able to fulfil their financial obligations. In addition, some Target Companies may have a relevantly high debt ratio. Although ASRE may require these Target Companies to collect the receivables and service the debt before the acquisition of these companies, it is still possible that the receivables and payables may still exist after the acquisition which may adversely affect ASRE's financial conditions.

Certain solar plant may be forced to be closed by local authority if it materially violates applicable law. In such case, the closed plant will no longer generate electricity and therefore no revenues after its closure.

There are two different models of electricity sale, one model is sale to the grid and other is sale to rooftop owner with surplus to the grid. For the second model, the Target Companies will face credit risks of the electricity buyer, namely rooftop owners. Further, some projects may not clearly state which model applies. Due to this ambiguity, it is uncertain whether the shareholder of the Target Companies will have joint liabilities for the payment of the power fees after the acquisition.

All of the above issues may have adverse effect on the Target Companies' receipt of the power fees. Although ASRE could require the Target Companies to solve these problems before the acquisition, it is still possible that these problems remain after the acquisition which may adversely affect ASRE's business and financial conditions.

## **Control over ASRE**

ASP has an investor, Zhejiang Zheneng Venture Capital Co., Ltd ("**Zhejiang VC**", formally known as Zhejiang Guoxin Venture Capital Co. Ltd), which is a venture capital company indirectly controlled by a state owned enterprise. Zhejiang VC currently owns 20 per cent of the shares of ASP.

In the joint venture agreement between ASP and Zhejiang VC there are certain matters which will require that one of the board members appointed by Zhejiang VC must vote in favour of such matter. This means with regard to any resolutions which requires unanimous board resolution under the joint venture agreement could potentially be blocked or otherwise delayed as a result of Zhejiang VC not voting in favour of such resolution. As such, Zhejiang VC could indirectly affect the decision making process of ASRE in relation to those issues which will require unanimous board decision as ASP may not be able to control Zhejiang VC. It should be noted that ASP may need to follow relevant PRC state-owned entity regulations in its business decisions, including decisions regarding future investments, due to state asset protection requirements. As such, there is a risk that this will lead to increased costs for the Group which would have an adverse effect on the Group's business, financial condition or results of operations. Furthermore, it cannot be excluded that there is a risk that local courts in PRC will side with ASRE's shareholders in the disputes between ASRE and the Bondholders.

## **The Group's dependence on material agreements**

The Group are dependent on the entering into rooftop agreements, i.e. agreements with property owners (a "**Rooftop Owner**") for the installation of PV installations on the rooftop of the property and the Rooftop Owner's purchase of electricity from ASRE which lapse for a minimum of 20 years (a "**Rooftop Agreement**"). The Rooftop Agreements may be terminated by the Rooftop Owner relying on one of the few termination events existing in the Rooftop Agreements, such as ASRE failing to perform its obligations under the Rooftop Agreement, ASRE becomes insolvent or is wound-up or that the Rooftop Owner purchases the PV installation. There is a risk that in the event that the Rooftop Owner terminates the Rooftop Agreement which would have an adverse effect on the Group's business, financial condition or results of operations.

## **Risks from legal and arbitration proceedings**

As of the date of this presentation, there are no existent or pending legal or arbitration proceeding to which any member of the Group is a party. Nevertheless, it cannot be ruled out that the Group or any of its members will be involved in a legal or arbitration proceeding in the future. In the event of such proceeding, subject to the cause of the action and the judicial system of the state of the forum, the non-pledged assets of the Group or its member might be attached or enforced, which might bring an adverse impact on the business of the Group or its member, or on the Bondholders remedy under the Terms and Conditions. Nor can it be ruled out that the relevant member of the Group could lose such a proceeding and there is a risk that such loss would have an adverse on the Group's business, financial condition or results of operations.

## **Use of agents**

ASRE has elected to use a selected number of ASP's agents/distributors to market, sell, install and service ASRE's solar power stations on ASRE's customers' rooftops. The installation procedure is safeguarded by ASP acting as EPC contractor and using its agents/distributors as subcontractors. As a result, this creates uncertainties since ASRE does not hold these relationships themselves and therefore needs to rely on ASP's network. This model needs to continuously be evaluated in order to address the development phase that ASRE may be in at the time of evaluation. Should ASRE in the future not be able to use ASP's agents/distributors or work directly with ASP's network of agents/distributors or be able to replace such agents/distributors within short notice this would have an adverse on the Group's business, financial condition or results of operations.

## RISKS RELATING TO THE BONDS

### Credit risk

The Bondholders carry a credit risk towards the Issuer. The Bondholder's ability to receive payment under the Bonds is therefore dependent on the Issuer's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Issuer's and ASRE's operations and financial position. The Issuer's and ASRE's financial position is affected by several factors of which some have been mentioned above. There is a risk that an increased credit risk will cause the market to charge the Bonds a higher risk premium, which will affect the Bonds' value negatively. Another aspect of the credit risk is that there is a risk that a deteriorating financial position of the Issuer will reduce the Issuer's possibility to receive debt financing at the time of the maturity of the Bonds.

### Additional Interest rate risks

The Bonds' value depends on several factors, one of the most significant over time being the level of market interest. The Bonds will bear a floating rate interest of 3 month STIBOR (in respect of Bonds denominated in SEK), NIBOR (in respect of Bonds denominated in NOK) or EURIBOR (in respect of Bonds denominated in EUR), plus a margin and the interest rate of the Bonds will be determined two business days prior to the first day of each interest period. Hence, the interest rate is to a certain extent adjusted for changes in the level of the general interest rate. There is a risk that an increase of the general interest rate level will adversely affect the value of the Bonds. The general interest rate level is to a high degree affected by the Swedish and the international financial development and is outside the Group's control. Further, the Bonds will be denominated in different currencies with a fixed margin but different reference rates (i.e. 3 month STIBOR, NIBOR and EURIBOR). As the reference rates will fluctuate over time, it is likely that the interest rate on the Bonds in the different currencies will vary, resulting in that the relative claims under the Bonds as compared to the date of the issuance of the Bonds will vary over time. Pursuant to the Terms and Conditions, proceeds from an enforcement of transaction security shall be distributed towards payment of accrued but unpaid interest under the Bonds pro rata on the outstanding claims under the Bonds before any payment of principal, meaning that there is a risk that, if the proceeds of an enforcement are not sufficient to repay all amounts due under or in respect of the Bond, certain Bondholders could receive a higher amount due to the fluctuations in the reference rates than others.

### Benchmark Regulation

The process for determining LIBOR, EURIBOR, STIBOR and other interest-rate benchmarks is subject to a number of legislative acts and other regulations. Some of these acts and regulations have already been implemented whilst some are set to be implemented in the near future. The most extensive initiative in this respect is the Benchmark Regulation (Regulation (EU) 2016/1011 of the European parliament and of the council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014). The Benchmark Regulation came into force on the 1 January 2018. The Benchmark Regulation addresses the provision of benchmarks, the contribution of input data to benchmarks and the use of benchmarks within the European Union. The effect of the Benchmark Regulation cannot yet be fully determined due, among other things, to the limited time period that the regulation has applied. However, there is a risk that the Benchmark Regulation will affect how certain benchmarks are determined and how they develop in the future. This could, for example, lead to increased volatility regarding some benchmarks. A further potential risk is that increased administrative requirements, and resulting regulatory risk, may discourage stakeholders from participating in the production of benchmarks, or that some benchmarks cease to be provided. If this would happen in respect of benchmark that is used for the Bonds, it could potentially have negative effects for the Bondholders.

### Ability to comply with the Terms and Conditions

The Issuer is required to comply with the Terms and Conditions to, *inter alia*, pay interest under the Bonds. Events beyond the Issuer's control, including changes in the economic and business conditions in which the Issuer operates, may affect the Issuer's ability to comply with, among other things, the undertakings set out in the Terms and Conditions. A breach of the Terms and Conditions could result in a default under the Terms and Conditions, which could lead to an acceleration of the Bonds, resulting in that the Issuer has to repay the bondholders at the applicable call premium. It is possible that the Issuer will not have sufficient funds at the time of the repayment to make the required redemption of Bonds.

### Risks related to other debt

The Issuer has incurred debt under, *inter alia*, unsecured bond issues in the aggregated amount of SEK 412 000 000 and may incur additional financial indebtedness which will rank *pari passu* with the Bonds. Although the obligations under the Bonds and certain other obligations of the Group towards the Bondholders will be secured by first priority security, there is a risk that the proceeds of any enforcement sale of the security assets will not be sufficient to satisfy all amounts then owed to the Bondholders. Furthermore, if the Issuer issues subsequent Bonds, the security position of the current bondholders may be impaired. If the proceeds of an enforcement are not sufficient to repay all amounts due under or in respect of the Bonds, then the Bondholders will only have an unsecured claim against the Issuer and its remaining assets (if any) for the amounts which remain outstanding under or in respect of the Bonds.

### Risks relating to the transaction security

Although the Group's obligations towards the Bondholders will be secured by a pledge over the Downstream Loans provided from the Issuer to ASRE and the shares in ASRE, there is risk that the proceeds of any enforcement sale of the security assets could be insufficient to satisfy all amounts then owed to the Bondholders. Furthermore, according to the Terms and Conditions, the Issuer may issue subsequent Bonds and the holders of such Bonds will become bondholders entitled to share the security that have been granted to the existing Bondholders. There is a risk that the issue of subsequent Bonds will have an adverse effect on the value of the security that have been granted to the Bondholders. The security arrangement for the Bond Financing is structured so that the Bondholders will have a direct security interest in (i) the shares in ASRE, (ii) all Downstream Loans and (iii) all shares in Soltech Energy Netherlands. ASRE will in turn secure its obligations under the Downstream Loans with a pledge over the PV installations (as described above) and the receivables under certain Rooftop Agreements (as described above), under which security, the Issuer will be the pledgee. The security provided by ASRE is consequently not directly securing the Bonds, but only the Downstream Loans. Any enforcement of the security provided by ASRE will thus require the assistance of the Issuer (being the pledgee in relation to that security) and the Bondholders will have to rely on the co-operation of the Issuer which cannot be guaranteed upon a default or insolvency event. It should however be noted that the Bondholders have a security over shares in ASRE and in the event that the Issuer does not cooperate in a default scenario, there is a possibility to enforce the share pledge and sell the pledged shares in ASRE (where the assets are held).

The Bondholders will initially be represented by the Agent in all matters relating to the transaction security. There is a risk that the Agent, or anyone appointed by it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the transaction security. Further, the transaction security is subject to certain hardening periods during which times the Bondholders do not fully, or at all, benefit from the transaction security. In addition, the Agent is located in Sweden and a part of the transaction security for the Bonds are governed by the laws of the PRC. There may thus be difficulties for the Agent to pursue enforcement of the transaction security which may have an adverse effect on the possibilities to recover the value of the transaction security. The Agent is entitled to enter into agreements with members of the Group or third parties or to take any other action necessary for the purpose of maintaining, releasing or enforcing the transaction security or for the purpose of settling, among other things, the Bondholders' rights to the security.

## **Risks related to failure to perfect security in the PRC**

Under PRC laws, the mortgage over movable property such as a mortgage over the solar power facilities is established as of the effectiveness of the mortgage agreement. Failure to register the mortgage with the relevant PRC authority will not affect the validity of the mortgage itself. However, if the mortgage is not registered with the relevant PRC authority, it cannot be used against a *bona fide* third party. As a result, if the mortgage over solar facilities is not registered, there is a risk that the mortgaged assets may be mortgaged to any other *bona fide* third party who does not know of the former mortgage agreement. If that other party registers the mortgage then that *bona fide* third party will have the priority to enforce the mortgage. Under PRC laws, a share pledge such as the pledge over the shares in ASRE and a pledge over receivables such as a pledge over the receivables under the Rooftop Agreements will be established when such pledge is registered with relevant authority. As a result, if the share pledge and the pledge over receivables are not registered, the Bondholders (as pledgees under the share pledge and receivables under Downstream Loans) and the Issuer (as pledgee under the receivables pledge in relation to Rooftop Agreements) shall only have the right over the pledged assets on a contractual basis. This means that the pledgee will have the same right as any other normal creditor of the relevant pledgor and will not have any priority in having its claim paid. The pledgor may pledge the shares or the receivables for the benefit of a third party and register the pledge with relevant authority in order to perfect the security. In this case, the third party shall have the priority to enforce the shares or receivables.

With reference to the above, there is a risk that the transaction security will not be perfected if the Agent or the relevant security provider is not able to or does not take the actions necessary to perfect or maintain the perfection of any such security. Such failure could result in the invalidity of the relevant transaction security or adversely affect the priority of such security interest in favour of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same transaction security. This may have an adverse effect on the value of the security that has been granted to the Bondholders and the Issuer. If the Issuer were to be unable to make repayment under the Bonds and a court was to render a judgment that the security granted in respect of the Bonds was unenforceable, there is a risk that the Bondholders could find it difficult or impossible to recover the amounts owed to them under the Bonds. Therefore, there could be a risk that the security granted in respect of the Bonds might be ineffective in respect of any of the Issuer's obligations under the Bonds in the event the Issuer becomes insolvent. In addition, there is a risk that any enforcement could be delayed due to any inability to sell the security assets in a timely and efficient manner.

## **Risks related to enforcing security in the PRC**

Pursuant to PRC Law, a secured creditor can enforce its security when either (i) the debtor fails to make a payment of the debts that become due or (ii) an event of default, as agreed between the parties in the security agreement, occurs. When enforcing a security, the beneficiary may enter into an agreement with the security provider that the beneficiary be given the priority in being paid with the money into which the security assets is converted or the proceeds obtained from auction or sale of the property. If their agreement prejudices other creditors' interests, the other creditors can, within one year from the day that they discovered, or should have discovered, the agreement, apply to the court for revocation. If the beneficiary and the security provider fail to agree on the realisation method of the security, the beneficiary shall apply to the court to sell or auction the mortgaged property. The security property shall be converted into money or be sold off by referring to its market price. In circumstance where the security provider challenges the existence or validity of security or the beneficiary's right to enforce such security (for example, on the ground that the obligor has not defaulted under the relevant finance documents), the beneficiary will have to start litigation or arbitration proceedings against the security provider to obtain a judgment or arbitral award. The beneficiary will then apply to the court to enforce the judgment or award. There is therefore a risk that the enforceability of such transaction security could be subject to a certain degree of uncertainty or that the enforcement of such security could be delayed. This may have an adverse effect on the value of the security that has been granted to the Bondholders and the Issuer (as mortgagee of the solar facilities and the pledgee of the receivables in relation to Rooftop Agreements). If an insolvency procedure has started, enforcement of security given by the bankrupt debtor must be stayed until the liquidator takes over the bankrupt debtor's assets. This means the security enforcement will be delayed. The secured creditor's claim will be satisfied at the end of the bankruptcy proceedings from the proceeds of the realised security assets or the repayment by the guarantor. An unsecured creditor's claim will be satisfied at the end of the bankruptcy proceedings from the remaining assets of the bankrupt debtor in a *pari passu* ranking with other unsecured creditors. There may also be certain timing issue when enforcing a security in the PRC. PRC courts do not have enough resources, and, as such, there is a back-log of cases. This could mean that it could take time to enforce a security.

All of the above may have an adverse effect on the value of the security that has been granted to the Bondholders and the Issuer.

## **Risks related to enforcing rights under security across multiple jurisdictions**

To enforce a foreign court judgment or an arbitration award in the PRC, the secured party shall first apply for the recognition and execution of the foreign judgment and arbitration award. Such foreign judgment or arbitration award will be examined by the PRC court in accordance with the international treaties concluded or acceded to by the PRC or with the principle of reciprocity.

There is a risk that the PRC court may not recognise or enforce the foreign judgment if the court decides that the foreign judgment or arbitration award contradicts the primary principles of the PRC laws or violates PRC state sovereignty, security and social and public interest of the country.

Recognition and enforcement of an arbitration award obtained outside the PRC may be refused by a PRC court, at the request of the party against whom it is invoked, if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that:

- the parties to the agreement were, under the law applicable to them, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or

- the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or
- the award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced; or
- the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or
- the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, that award was made.

Recognition and enforcement of an arbitral award obtained outside the PRC may also be refused if the PRC court finds that (a) the subject matter of the difference is not capable of settlement by arbitration under the PRC law or (b) the recognition or enforcement of the award would be contrary to the public policy of the PRC. In addition, even the PRC court recognise the foreign judgment or arbitration award, due to the uncertainties of the PRC legal system, the procedure to enforce a judgment or arbitration award would become time consuming. There is therefore a risk that transaction security granted to secure the Bonds could be unenforceable or enforcement of the security could be delayed according to applicable laws. This may have an adverse effect on the value of the security that has been granted to the bondholders.

#### **The market price of the Bonds may be volatile**

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, negative publicity, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Issuer's operating results, financial condition or prospects.

#### **Liquidity risks and secondary market**

The Issuer intends to apply for a listing of the Bonds on a regulated market or a multilateral trading facility ("MTF") within 60 days (with an intention to complete such listing within 30 days) from the issue date. However, there is a risk that the Bonds will not be admitted to trading. Further, even if securities are admitted to trading on a MTF or a regulated market, active trading in the securities does not always occur and hence there is a risk that a liquid market for trading in the Bonds will not exist or is maintained even if the Bonds are listed. This may result in that the Bondholders cannot sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds if the Bonds are admitted for trading on an regulated market or MTF. It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down or inefficiency of the relevant market or trade restrictions imposed on the market.

#### **Ability to service debt**

The Issuer's ability to service its debt under the Bonds will depend upon, among other things, the Issuer's and ASRE's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Issuer's and ASRE's control. If the Issuer's or ASRE's operating income is not sufficient to service its current or future indebtedness, the Issuer and ASRE will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. There is a risk that the Issuer and ASRE will not be able to affect any of these remedies on satisfactory terms, or at all. This would have a negative effect on the Issuer's operations, earnings, results and financial position.

#### **Risks relating to the clearing and settlement in VPS's and Euroclear's book-entry system**

The Bonds will be affiliated to Verdipapirsentralen's ("VPS") (in respect of Bonds denominated in NOK) and Euroclear's ("Euroclear") (in respect of Bonds denominated in SEK and EUR) account-based system, and no physical notes will be issued. Clearing and settlement relating to the Bonds is carried out within VPS's and Euroclear's book-entry system as well as payment of interest and repayment of the principal. Bondholders are therefore dependent on the functionality of VPS's and Euroclear's account-based system.

#### **Bondholders' currency risks**

The Bonds will be denominated and payable in SEK, NOK or EUR. If the Bondholders measure their investment return by reference to a currency other than SEK, NOK or EUR, an investment in the Bonds will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the SEK, NOK or EUR, relative to the currency by reference to which investors measure the return on their investments. This could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss to investors when the return on the Bonds is translated into the currency by reference to which the investors measure the return on their investments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the bonds. As a result, there is a risk that investors may receive less interest or principal than expected, or no interest or principal.

#### **Put option**

According to the Terms and Conditions, the Bonds are subject to prepayment at the option of each bondholder (put option) if (a) prior to an Equity Listing Event (as defined in the Term Sheet), the [Main Shareholders] (or an Affiliate (as defined in the Term Sheet), ceases to own, directly or indirectly (i) 50 per cent. of the shares and votes in the Issuer or (ii) the right to, directly or indirectly, appoint or remove all or a majority of the directors of the board of directors of the Issuer and (b) on or after an Equity Listing Event, the occurrence of an event or series of events whereby on or more persons, not being the Main Shareholders (or an Affiliate of the Main Shareholders), acting together, acquire control over the Issuer and where "control" means (i) acquiring or

controlling, directly or indirectly, more than 30 per cent. of the voting shares of the Issuer or (ii) the right to, directly or indirectly, appoint or remove all or a majority of the directors of the board of directors of the Issuer. There is, however, a risk that the Issuer will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds which could adversely affect the Issuer, e.g. by causing insolvency or an event of default under the Terms and Conditions, and thus adversely affect all bondholders and not only those that choose to exercise the option.

#### **Risks related to early redemption of the Bonds**

Under the Terms and Conditions for the Bonds, the Issuer has reserved the possibility to redeem all outstanding Bonds before the final redemption date. If the Bonds are redeemed before the final redemption date, the holders of the Bonds have the right to receive an early redemption amount which exceeds the nominal amount in accordance with the Terms and Conditions for the Bonds. However, there is a risk that the market value of the Bonds is higher than the early redemption amount and that it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

#### **No action against the Issuer and bondholders' representation**

In accordance with the Terms and Conditions for the Bonds, the Agent will represent all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from the Issuer and may therefore lack effective remedies unless and until a requisite majority of the bondholders agree to take such action. However, there is a risk that an individual bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions for the Bonds), which could negatively impact an acceleration of the Bonds or other action against the Issuer. To enable the Agent to represent bondholders in court, the bondholders and/or their nominees may have to submit a written power of attorney for legal proceedings. The failure of all bondholders to submit such a power of attorney could negatively affect the legal proceedings. Under the Terms and Conditions for the Bonds, the Agent will in some cases have the right to make decisions and take measures that bind all bondholders. Consequently, there is a risk that the actions of the Agent in such matters will impact a bondholder's rights under the Terms and Conditions for the Bonds in a manner that is undesirable for some of the bondholders.

#### **The rights of bondholders depend on the Agent's actions and financial standing**

By subscribing for, or accepting the assignment of, any Bond, each holder of a Bond will accept the appointment of the Agent to act on its behalf and to perform administrative functions relating to the Bonds. The Agent shall have, among other things, the right to represent the bondholders in all court and administrative proceedings in respect of the Bonds. However, the rights, duties and obligations of the Agent as the representative of the holders of the Bonds will be subject to the provisions of the Terms and Conditions for the Bonds, and there is no specific legislation or market practice in Sweden (under which laws the Terms and Conditions for the Bonds are governed) which would govern the Agent's performance of its duties and obligations relating to the Bonds. There is a risk that a failure by the Agent to perform its duties and obligations properly or at all will adversely affect the enforcement of the rights of the bondholders. The Agent may be replaced by a successor Agent in accordance with the Terms and Conditions for the Bonds. Generally, the successor Agent has the same rights and obligations as the retired Agent. It may be difficult to find a successor Agent with commercially acceptable terms or at all. Further, there is a risk that the successor Agent would breach its obligations under the above documents or that insolvency proceedings would be initiated against it. There is a risk that materialisation of any of the above risks will have a material adverse effect on the enforcement of the rights of the holders of the Bonds and the rights of the holders of the Bonds to receive payments under the Bonds.

#### **Bondholders' meetings**

The Terms and Conditions for the Bonds include certain provisions regarding bondholders' meetings. Such meetings may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions for the Bonds allow for stated majorities to bind all bondholders, including bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted bondholders' meeting. Consequently, there is a risk that the actions of the majority in such matters will impact a bondholder's rights in a manner that is undesirable for some of the bondholders.

#### **Restrictions on the transferability of the Bonds**

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Bonds may not offer or sell the Bonds in the United States. The Issuer has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. state securities laws or to affect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered the Bonds under any other country's securities laws. It is each potential investor's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws. Due to these restrictions, there is a risk that a bondholder cannot sell its Bonds as desired. Restrictions relating to the transferability of the Bonds could have a negative effect for some of the bondholders.

#### **Change of law**

The terms and conditions of the Bonds are governed by Swedish law in effect as at the date of issue of the Bonds. The Bonds will be registered with VPS pursuant the Norwegian securities laws and Euroclear pursuant to Swedish securities law (as applicable). No assurance can be given as to the impact of any possible judicial decision or change to Swedish or Norwegian law or administrative practice after the date of issue of the Bonds.

#### **The Group faces a number of operational risks associated with the development of new solar projects**

The Group's new solar projects may not be completed according to planned schedules or be completed at all and may not generate the levels of expected revenue or contemplated investment returns.

The projects the Group undertakes typically require substantial capital expenditures during construction and usually take many months to generate proceeds in cash. The time required and the costs involved in completing construction can be affected by many factors, including shortages of construction materials, equipment or labour, adverse weather conditions, natural disasters, delays or failures in performance by the Group's contractors, labour disputes, disputes with contractors and subcontractors, accidents, changes in governmental priorities and other circumstances.

Construction delays may result in significant losses of revenue and increase in costs. There can be no assurance that the Group's future projects will be completed on time, or at all, and generate satisfactory returns.

# APPENDIX



SolTech

## Updates since the initial bond issue

Since the initial bond issue the following has occurred for Advanced SolTech Sweden AB (publ):

- The Group has concluded and finalized negotiations of the portfolio of approx. 21,3 MW, transaction to be effectuated immediately
- A new cooperation agreement with the Jiangsu province has been signed regarding construction and subsequent ownership of totally 500 MW
- ASAB has continued to build its pipeline of orders, and the following news has been made public by the Group:
  - ASRE connected approx. 7,38 MW to the grid which are expected to generate SEK 169m in revenues over the next 20 years
  - ASRE has received an order of 1,7 MW from ShangYu JinYing Copper Co. Ltd.
  - ASRE has received another three new orders of total 1,05 MW
  - ASRE has received an order of 1,5 MW from Sohbi Craft (Changshu) Co. Ltd.
  - ASRE has received an order of 1 MW from Gold Medal (Changshu) Co. Ltd.
- Furthermore ASAB published the yearend report for the fiscal year 2018
- ASAB's majority owner SolTech Energy Sweden AB (publ) has published several news releases during the period, among others:
  - SolTech has acquired 3 companies during the first quarter of 2019
  - Revenue for Q1 2019 increased with 328%
  - SolTech has published their yearend report
- All public news about the Group and the parent company SolTech Energy Sweden AB (publ) are available on the website <http://www.soltechenergy.com/en/news/>

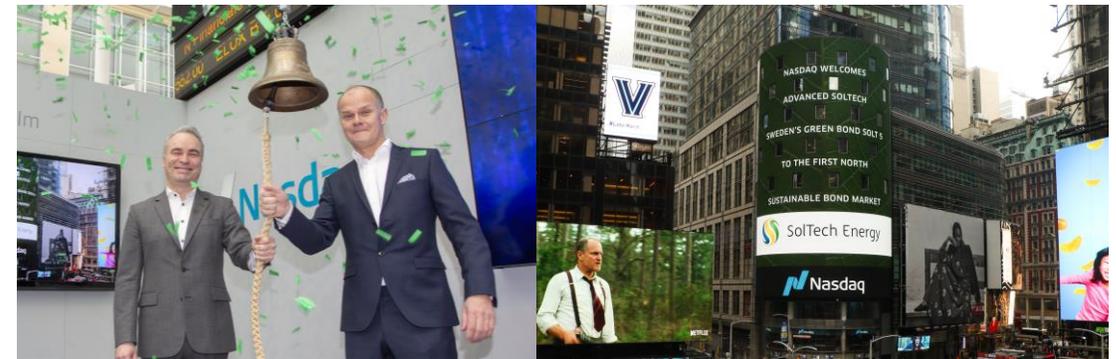
## Cooperation agreement with the Jiangsu province

In March 2019 ASAB entered an exclusive cooperation agreement with the Jiangsu Siyang Administrative Committee of Economic Development Zone in Jiangsu Province, key points of the agreement are:

- Over five years ASRE will construct 500 MW in roof-top solar power facilities in the Jiangsu province
- Without any subsidies the agreement will generate a return on invested capital of approx. 15,8% which shows that the dependence of subsidies to achieve good profitability no longer exists for ASRE
- The facilities will be fully owned by ASRE and customers enter 20-year contracts
- ASRE has already identified roof-tops corresponding to approx. 10 MW

## Listing of the bonds

- Since March 21<sup>st</sup> the Senior Secured Bonds are listed on Nasdaq First North Sustainable Bond Market
- The bonds (EUR and SEK) were the first bonds to be listed on the new marketplace for sustainable bonds



## Eligible projects and assets

- Eligible projects and assets are new, under construction and/or defined as solar power installations owned by ASRE
- Project has to be located in an area where green house gas emissions are high
- No new land should be prospected on for the project
- Project shall include exchange of fossil related energy to solar power

## Management of proceeds

- Net proceeds shall be closely followed on separate accounts
- Separate accounts are used to make sure that the earmarked money only finance the intended projects

## Second-opinion by CICERO

- ASAB had the Norwegian institute CICERO evaluate and provide a second opinion on its Green Bond Framework (“GBF”)
- CICERO categorizes green bonds in 4 shades of green, dark green, medium green, light green and brown
- From CICEROs second opinion report it is stated that “based on the overall assessment of the project types that will be financed by the green bond and governance and transparency considerations, ASABs GBF gets Dark Green shading”

## Evaluation and selection process

- Evaluation and selection follows a 2-step process.
  - ASRE’s sales team presents a specific eligible solar power station for the green bond committee in ASAB
  - The green bond committee decides if the project is in line with Eligible projects and assets, and decides if proceeds from a green bond issue can be used to finance the project

## Assessment and Reporting

- Annually ASAB will provide information on:
  - Summary of green bond developments
  - List and description of each solar power installation financed by green bond proceeds



*For further info, please see the Issuer's Green Bond Framework*



# Financial statements in short



## ASAB income statement 01/01/2018 – 31/12/2018 (unaudited)\*

Figures in tSEK	2018	2017
Revenue**	19 510	8 370
Operational costs**	- 18 971	- 9 080
Operational result	539	- 710
Financial net	3 807	- 1 559
Tax and other allocations	- 1 362	- 2 269
Net profit	2 984	- 2 269

## ASAB balance sheet 31/12/2018 (unaudited)

Figures in tSEK	2018	2017
Non-current assets	407 567	57 940
Current assets	27 997	17 694
Total assets	435 564	75 634
Long term liabilities	346 375	63 026
Short term liabilities	80 000	7 402
Equity (inc untaxed reserves)	9 189	5 206
Total Equity and Liabilities	435 564	75 634

## ASRE income statement 01/01/2018 – 31/12/2018 (unaudited)

Figures in tSEK***	2018
Revenue	51 798
Operational costs	- 4 356
EBITDA	47 442
Depreciation	-14 324
EBIT	33 188
Financial net	-27 647
Tax and other allocations	-1 430
Net profit	4 041

## ASRE balance sheet 31/12/2018 (unaudited)

Figures in tSEK***	2018
Non-current assets	598 876
Current assets	22 932
Total assets	621 809
Long term liabilities	0
Short term liabilities****	349 438
Equity	272 371
Total Equity and Liabilities	621 809

\*ASAB did not consolidate any income from ASRE. \*\*ASAB does not have any operations other than owning and financing ASRE. Operational costs for 2018 consists of transaction costs for issuing bonds, and the revenue consists of transaction costs billed onto ASRE. \*\*\*All figures converted to SEK using the fx-rate RMB/SEK 1,37. \*\*\*\*ASRE has the proceeds from bonds issued in ASAB and lent to ASRE booked as short term liabilities in the balance sheet.

## SolTech Energy Sweden AB (publ)

- SolTech is a Swedish company listed on Stockholm First North stock exchange with a market capitalization of approx. SEK 727m (2019-04-23)
- The company was founded in 2006 and has approx. 78 employees
- Besides the engagement in ASAB SolTech have a wide range of products within integrated aesthetic solar panels
- The products within the business area *integrated solar cell solutions* include substitute to normal roofs, facades and shingle as well as semitransparent solar cells
- SolTech has a new acquisition strategy and has recently partly acquired the roof and façade company NP Gruppen and the solar company Nyedal Konsult, with a combined turnover of approx. SEK 107m
- The newly acquired companies is expected to generate synergies to SolTech's integrated solar cell solutions

## Selected products



SolTech ShingEl



SolTech Roof



SolTech Facade



Semi-transparent cells

## Key figures 2018\*

- ✓ Revenue of SEK 53,7m
- ✓ EBIT of SEK 5,2m
- ✓ EBIT-margin of 9,7%
- ✓ Total assets of SEK 713m
- ✓ Equity ratio of 33%
- ✓ Market capitalization of SEK 515m (2019-04-05)

## Board and Management SolTech

### Frederic Telander – Chairman of the board



- CEO of SolTech from 2009 to 2018 and co-founded the company
- Previously partner at EIG Venture Capital Ltd.
- Holds 1 368 294 shares

### Stefan Ölander – CEO and board member



- At SolTech since 2011
- Previously communication director at SEB and Kinnevik and founded the branding consultancy firm Rewir, which later was sold to the Intellecta-group
- Holds 1 188 952 shares

### Göran Starkebo – board member



- Lawyer and partner at Carat Advokatbyrå
- Previously judge at the Swedish court of appeal and a career within the Swedish ministry of finance
- Holds 37 000 shares

### Ninna Engberg – board member



- Ninna runs her own firm within marketing and PR
- Previous experience as CEO at Sensori, CEO at Stockholm Globe Arena and group manager Sisofys-gruppen
- Holds 52 652 shares

### Mats Holmfeldt – CFO



- Previously executive positions at SEB, Swedbank and Intrum
- +25 years experience within finance
- Holds 64 796 shares

# Owners (cont.)

## Advanced Solar Power (Hong Kong) Ltd.

- The ASP-group owns 49% of the Issuer and is a solar cell producer
- The company was founded in 2007 by professor Xuanzhi Wu and Ben Wu based on professor Wu's longstanding research on solar cells conducted in the U.S
- ASP is a world leading thin film solar cell producer and approx. USD 60m has been raised in equity with notable VC-firms as investors
- The thin film technology used is CdTe-based
- The company distributes its products to customers in more than 38 countries and have approx. 200 employees
- In 2018 the ASP-group invested in its production facilities and now operates with an annual production capacity of approx. 90 MW

## Selected co-investors

- ✓ Sequoia Capital owns approx. 3% of ASP Hong Kong and is a world leading VC-firm. Notable investments include e.g. Apple, Google, PayPal, Klarna etc.
- ✓ Morningside owns 12,5% of ASP Hong Kong, it has previously invested in e.g. the Xiaomi Group and Sohu.com
- ✓ Legend Capital is Lenovo's VC-arm and holds 20% of the shares in ASP Hong Kong. Legend Capital is one of the initial investors in ASP
- ✓ Northern Light Venture Capital owns 13,5% of ASP Hong Kong and runs 5 separate funds with approx. USD 4,5 billion under management

SEQUOIA 



LEGEND  
CAPITAL  
君联资本  
知人知道



## Key financials\*

- ✓ Revenue of SEK 366m
- ✓ EBIT of SEK 70m
- ✓ Net result of SEK 61m

## Key management ASP

### Xuanzhi Wu – Co-founder and chairman at ASP



- Professor Xuanzhi Wu is one of the top scientists in the PV researching field worldwide and co-founder of ASP
- ASPs technology is based on the world breaking record research conducted by Xuanzhi at the National Renewable Energy Laboratory in the Unites States on CdTe solar cells

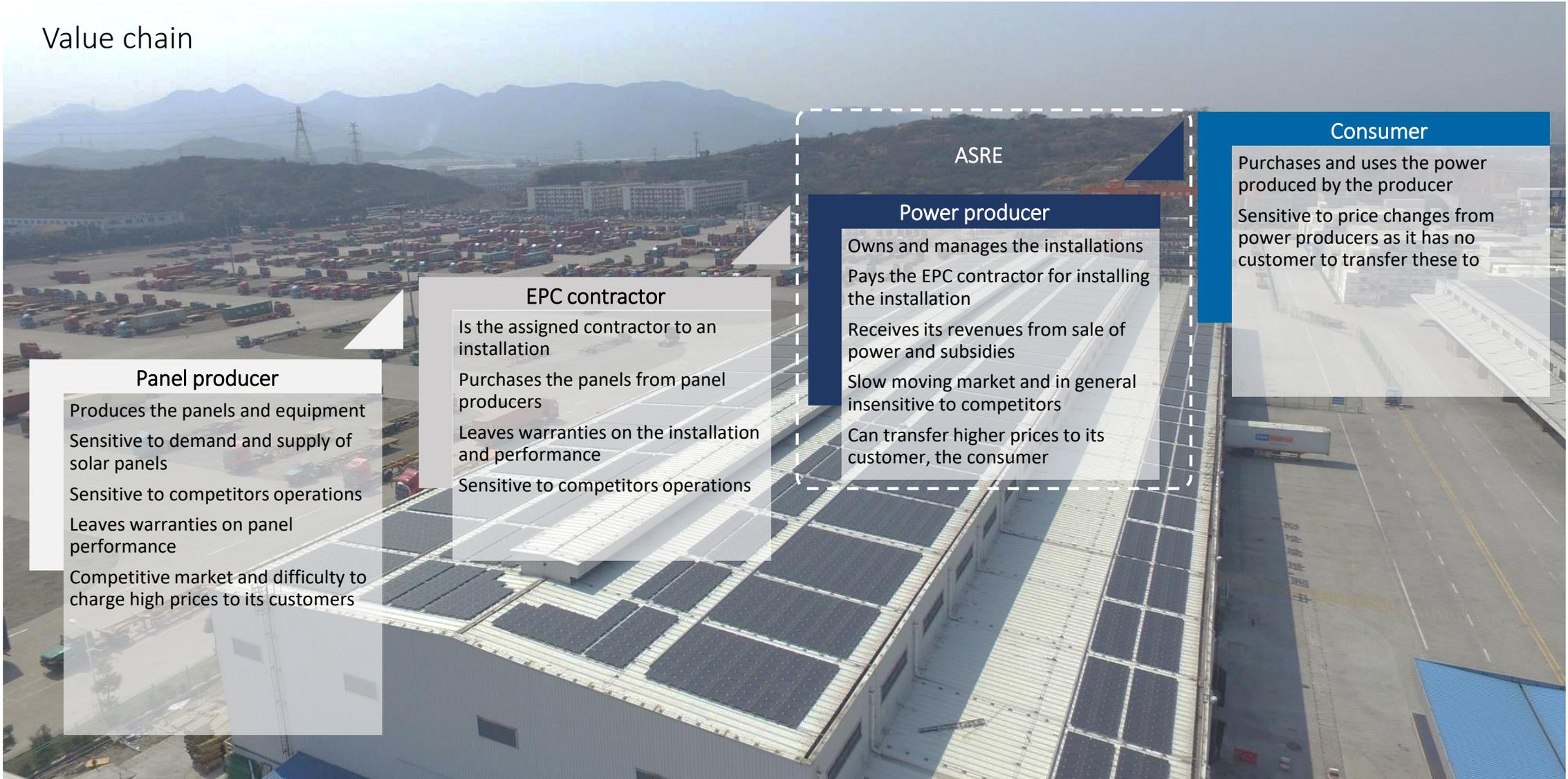
### Ben Wu –co-founder and board member at ASP



- Ben has co-founded the ASP Group and has previous experience as Director at the Lenovo Group, as well as being the personal executive assistant to the chairman during 2007 – 2008
- Worked as an associate at McKinsey & Company from 2004 to 2006 and has worked at MSCI, Himalaya VC and several IT-firms

# Solar power production

## Value chain



## Types of solar cells

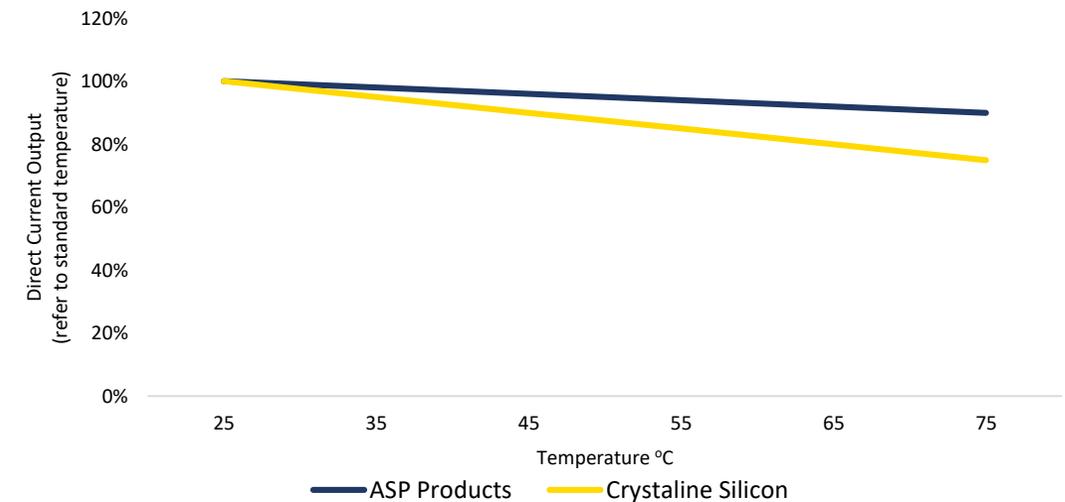
- Solar Cells (photovoltaics) are produced in two formats, crystalline-silicon solar cells (c-Si) and thin film solar cells
- ASP produces cadmium telluride (CdTe) thin-film solar cells
  - The CdTe technology is the most common out of 3 alternative thin-film solar cells
- c-Si solar cells are the first generation PV solar cells and still has a higher installed capacity per sqm, if compared to CdTe, but are not more efficient in terms of yield per installed watt/year. At the same time CdTe cells have lower production costs
- CdTe solar cells are also more efficient in low light conditions, less heat sensitive and can be made transparent and flexible
- The development of thin-film solar cells has drastically lowered the cost of production



## Differences between c-Si and CdTe solar cells

	<i>CdTe thin film cells</i>	<i>C-Si cells</i>
<b>Main material</b>	Cadmium telluride	Silicone
<b>Size</b>	Small	Big
<b>Developed</b>	1970's	1970's
<b>Efficiency</b>	Medium-high	High
<b>High temperature durability</b>	High	Low
<b>Installation cost</b>	Low	High
<b>Efficiency in haze</b>	Medium-high	Low

## Generating capacity at different temperatures



# How to invest



ASAB has engaged JOOL Markets AS as financial advisor for this transaction

To invest in this bond please contact your broker in JOOL Markets

Only registered clients of JOOL Markets may participate in the transaction

Subscribers who are not registered as clients of JOOL Markets must establish a client relationship. In order to establish a client relationship, please fill out the client-registration form found on their website: [www.joolmarkets.se/en/client-registration/](http://www.joolmarkets.se/en/client-registration/)

If you do not have a VPS account, JOOL Markets will be able to open a VPS account for you. Please contact your broker in JOOL Markets