



Interim Report Q4 / 2019

Prepared by

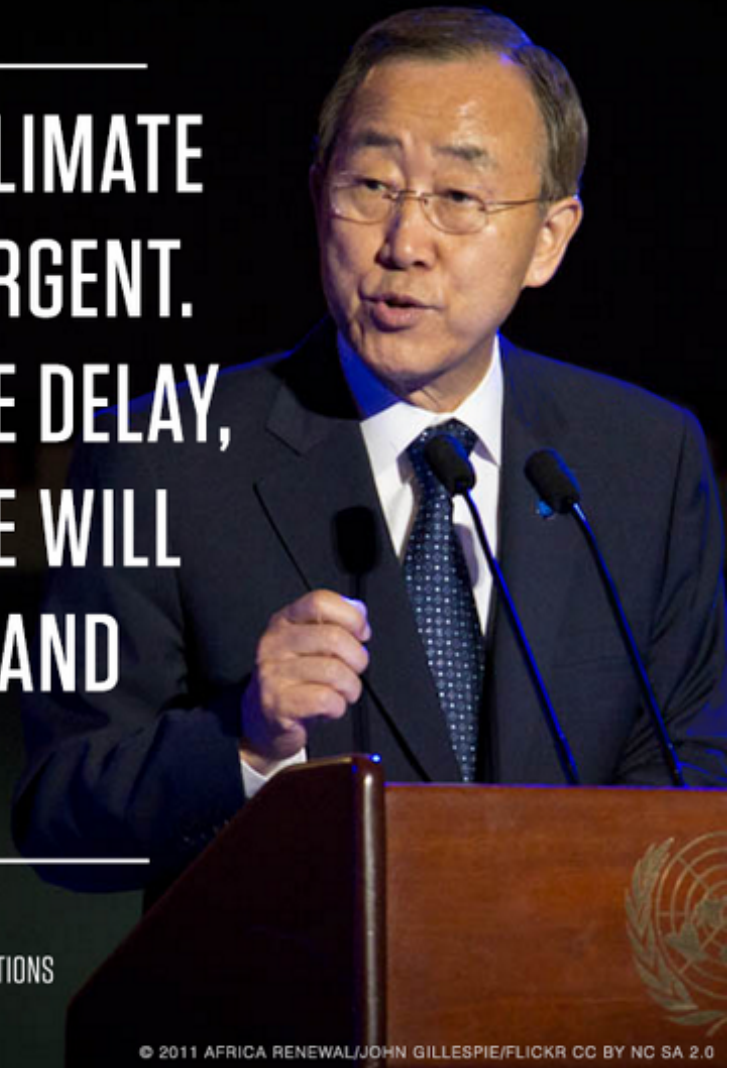
Industrial Solar Holding Europe AB

February 19th 2020

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**“ACTION ON CLIMATE
CHANGE IS URGENT.
THE MORE WE DELAY,
THE MORE WE WILL
PAY IN LIVES AND
IN MONEY.”**

- BAN KI-MOON
SECRETARY-GENERAL OF THE UNITED NATIONS



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Statement by the Board of Directors

The Board of Directors provides their assurance, that the interim report provides a fair and true overview of the company's operation, financial position and results.

Härnösand on February 19th 2020, Board of Directors

Joakim Byström	Chairman of the Board
Christian Zahler	Board member and CEO
Tobias Schwind	Board member
Olle Olsson	Board member
Luca Viscuso	Board member
Joao Gomes	Board member

1 Summary

The financial results are according to the companies plan. ISHE is a development company and thus has cost for technology- and market- as well as project development. This development is financed by the proceeds from the initial public offering at Spotlights.

The below consolidated numbers are from the Industrial Solar GmbH/Germany, a 100% subsidiary and from Industrial Solar Holding Europe AB/Sweden. The parent company's numbers mentioned in chapter 6 are from Industrial Solar Holding Europe AB.

4th Quarter from 01.10.2019 to 31.12.2019 (01.01.2019 – 31.12.2019)

Results in Brief in TSEK	01.10.19	01.01.19	01.01.18
	31.12.19	31.12.19	31.12.18
The company's sales amounted to	448	827	2.197
Increase in finished goods, inventories and work in progress	0	0	0
Other operating income	1.822	2.015	63
Total Income	2.270	2.842	2.260
Cost of Material	-223	-715	-411
Personnel costs	-2.399	-7.283	-2.371
Other operating costs	-934	-3.560	-1.419
Other operating expenses	0	-57	0
Depreciation	-66	-200	-113
Total Costs	-3.622	-11.815	-4.314
Earnings before interest and taxes EBIT	-1.352	-8.973	-2.054
Financial income/expenses	-357	44	-4
Loss after financial items	-1.709	-8.929	-2.058
Number of Shares	7.596.495	7.596.495	7.596.495
Result per share amounted	-0,22	-1,175	-0,271
Cash available end of period	9.116	9.555	14.654

Results in Brief

Results in Brief in TSEK	01.10.19	01.01.19	01.01.18
	31.12.19	31.12.19	31.12.18
Operating Income	2.270	2.842	2.260
Operating Costs	- 3.622	- 11.815	- 4.314
Operating Result	- 1.352	- 8.973	- 2.054
Result of the Period	- 1.709	- 8.929	- 2.058

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

2 Note from the CEO

The fourth quarter of 2019 was crowned with **success in the European Horizon 2020 programme**: The current Industrial Solar GmbH has officially taken over the Horizon 2020 **SHIP2FAIR** project from its predecessor company. The total funding volume granted to Industrial Solar over the project duration of three years amounts to 1.4 Mio €. SHIP2FAIR (Solar Heat for Industrial Process towards Food and Agro Industries commitment in Renewables) aims to foster the integration of solar heat in industrial processes of the agro-food industry. Besides the conduct of research activities on solar thermal monitoring and replication tools for the industry, two solar thermal Fresnel collector systems with a capacity of 1 MWth each are expected to be installed within 2020.

Apart from this SHIP2FAIR project, Industrial Solar also participates in the **FRIENDSHIP** project, for which the company has been granted another 456.000 € with a funding rate of 100% plus 25% for overheads over the next three years. The FRIENDSHIP project aims to demonstrate that solar heat can also be a reliable, user-friendly, high quality and cost-effective resource to meet the heat requirements for other industrial sectors as Textile, Plastics, Wood, Metal and Chemistry. To this end, the project plans to bring together research centres, industry leaders, technologies & heat suppliers into the same consortium in order to unite skills towards the boost and control of the heat supply temperature according to processes needs.

Moreover, our company was honored with **two awards**: First, we were awarded the **European Solar Prize 2019** in the category 'industrial and commercial companies or farmers'. The jury honored that, with its operating installations of Fresnel solar steam generators, Industrial Solar proves that solar process steam is feasible, can contribute significantly to a carbon neutral process heat supply and is thus a paradigm shift towards a carbon neutral industrial heat supply. (See press release of 18/11/2019). Second, the Solar Impulse Foundation, initiated by Bertrand Piccard, honored our solutions by granting the '**Solar Impulse Efficient Solution**' label to our solar steam generators.

We've further increased our sales pipeline and some larger leads became more concrete.

All this shows clearly that the public awareness and support of renewable energy systems is rising quickly, yet the market development is still lagging behind.

With the support of publicly funded R&D projects, we will further improve our solutions and prepare for a quickly growing market in the next year.



Christian Zahler
CEO Industrial Solar Holding Europe AB

3 Market News

Fashion Industry Charter issues Strong Call to Action at COP25

The textile sector is one of the most interesting target sectors for solar process heating. In 2018 a fashion industry charter was founded by major international players who jointly committed to fast reduction of CO₂ emissions¹.

"The climate crisis is one of the most important issues to tackle. As a global fashion retailer, we have a big role to play and collaboration is key," said CEO H&M Group Karl-Johan Persson.

At the latest COP 25 conference in Madrid the charter issued a communique where they recognize that "current solutions and business models will be insufficient to deliver on the climate agenda and that the Fashion Industry needs to embrace a deeper, more systemic change and bring to scale low-carbon solutions"².

Market growth of large scale solar heat in Germany

With a capacity increase of almost 30 MW_{th} in 2019 the market growth for large scale solar heat in Germany gains momentum³ as the installed capacity by 2018 was just above 40 MW_{th}. The increase is expected to also positively contribute other related sectors (e.g. solar process heating) as well as international markets.

Global Support for Cooling in Sunbelt Countries

As the energy demand for cooling and air conditioning is increasing rapidly a new research platform is planned by the Mission Innovation Initiative⁴.

Vision for Renewable Heating and Cooling in Europe

In a recently published paper⁵ the Renewable Heating and Cooling platform shows that 100% renewable energy-based heating and cooling (100%RHC) in Europe is possible. They show the wide variety of commercially proven technology as well as the successfully implemented policy schemes. It is in the hand of the political decision makers to set the right which will make heating and cooling in Europe renewable.

¹ <https://unfccc.int/climate-action/sectoral-engagement/global-climate-action-in-fashion/about-the-fashion-industry-charter-for-climate-action>

² <https://unfccc.int/climate-action/sectoral-engagement/global-climate-action-in-fashion/fashion-industry-charter-for-climate-action/communique-fashion-industry-invites-governments-to-collaborate-on-climate-action>

³ <https://www.solarthermalworld.org/news/large-scale-solar-heat-cost-competitive-germany>

⁴ <https://www.solarthermalworld.org/news/global-support-solar-cooling-sunbelt-regions>

⁵ <https://www.solarthermalworld.org/sites/default/files/news/file/2019-11-05/rhc-vision-2050-web.pdf>

4 Main Activities

R&D / Technology

SHIP2FAIR project

The total funding volume granted to Industrial Solar over the project duration of three years amounts to 1.4 Mio € with a funding rate of 75% plus an additional 25% for overheads. In Q4, Industrial Solar GmbH received a first payment of 390.000 €. Besides the conduct of research activities on solar thermal monitoring and replication tools for the industry, two solar thermal Fresnel collector systems with a capacity of 1 MWth each are expected to be installed within 2020.

FRIENDSHIP project

In December 2019 we received the official approval of the FRIENDSHIP project – a four years project under the H2020 scheme. Within the project the consortium work to upscale of renewable process heating and cooling by enhanced combination of different renewable heating and cooling technologies. The approval allows us to remain on the forefront of the sector and continue to shape the future of renewable process heating. For this project the company has been granted 456.000 € with a funding rate of 100% plus 25% for overheads over the next three years.

System upgrade and training on solar cooling in South Africa

Cooling is an increasing problem in many sunny countries. With the project implemented in 2014 at a data center of MTN in South Africa we have proven a viable alternative. In November 2019 we implemented a system upgrade to ensure continuous operation and undertook a training for operators and partners to accelerate the roll-out.

Business / Sales

Participation in Delegation to Portugal and Brazil

Portugal and Brazil are two very important markets for us. In October 2019 we participated in two delegations organized by the German Chambers of Commerce Abroad for solar energy (Brazil) and renewable energies in the industry (Portugal). During both delegations we witnessed great interest in our solutions and were able to build further partnerships.

Marketing and Public Relation

Presentation at the International Conference on Solar Heating and Cooling

In November 2019 the International Conference on Solar Heating and Cooling took place in Chile – one of the most important events in the sector. We presented a paper on financing of solar process heating plants and exchanged with numerous experts from academia, public and private sector on cooperation opportunities.

European Solar Prize 2019

On November 15th we were awarded the European Solar Prize 2019 in the category “Industrial and commercial companies or farmers”. The jury recognized our work to

bring solar process heating and cooling to the industry which still lacks behind in the adaptation of renewable energies.

Solar Impulse Efficient Solution

Industrial Solar's direct steam generation based on its LF-11 Fresnel collector technology has been awarded the "Solar Impulse Efficient Solution" label. The "Solar Impulse Efficient Solution" label seeks to bridge the gap between ecology and economy, bringing together protection of the environment and financial viability to show that these solutions are not expensive fixes to problems, but rather opportunities for clean economic growth.

5 Outlook Q1/2020

Business: Heat Purchase Agreement to be signed

After receiving the confirmed interest for a first heat-purchase-agreement for solar process heating in Jordan we expect the first contract closure in 2020.

Business: Tightening international partnerships

Based on the wide outreach to international market, especially Portugal, South Africa and Brazil, we expect new cooperation agreements to be signed in 2020.

Technology: Launch of collector upgrade

In the last year the engineers worked on numerous collector enhancements which are in the final phase of completion. We expect that in 2020 we can officially launch the new collector model which increases efficiency and lower installation costs.

Choices make
climate change
happen

SHARE
responsibility



A CAMPAIGN OF INDUSTRIAL SOLAR

6 Financial Review

Comments to the Financials:

The financial results are according to the companies plan. ISHE is a development company and thus has cost for technology- and market- as well as project development. This development is financed by the proceeds from the initial public offering at Spotlights.

The consolidated numbers are from the Industrial Solar GmbH/Germany, a 100% subsidiary and from Industrial Solar Holding Europe AB/Sweden. The parent company's numbers are from Industrial Solar Holding Europe AB.

Consolidated Income Statement

Amounts in TSEK	01.10.2019			
	Not	31.12.2019	31.12.2019	31.12.2019
Operating income				
Sales		448	2.161	827
Increase in finished good and inventories and work in progress		0	0	0
Other operating income		1.822	59	2.015
Total		2.270	2.220	2.842
Cost of materials		-223	-403	-715
Personnel costs		-2.399	-1.459	-7.283
Other external expenses		-934	-1.018	-3.560
Other operating expenses		0	0	-57
Depreciation		-66	-29	-200
Total		-3.622	-2.909	-11.815
Earnings Before Interest and Taxes (EBIT)		-1.352	-689	-8.973
Financial income		0	0	415
Financial expenses		-357	0	-371
		-357	0	44
Financial expenses				
Loss after financial items		-1.709	-689	-8.929
Loss for the year		-1.709	-689	-8.929

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

Consolidated Balance Sheet

Amounts i TSEK	31.12.2019	31.12.2018	Amounts i TSEK	31.12.2019	31.12.2018
Assets			Equity		
Non-current assets			Non-distributable equity		
Intangible assets			Share capital	748	629
Intangible fixed assets	2	2	Unregistered share capital	0	7.450
Total	2	2	Total	748	8.079
Machinery and equipment			Distributable equity		
Machinery	181	241	Accumulated profit or loss	-2.278	0
Equipment	190	99	Share premium account	14.596	7.347
Total	371	340	Shareholder's contribution recieved	0	1.034
Financial assets			Loss for the period	-8.929	-2.058
Shares in group companies	0	0	Total	3.389	6.323
Due from Group companies	0	0	Total equity	4.137	14.402
Total	0	0	Non-current liabilities		
Total non-current assets	373	342	Loans from Group companies	0	0
Current assets			Total	0	0
Inventories	0	0	Current liabilities		
Work in progress	0	0	Accounts payables	103	90
Finished good and merchandise	16	16	Payments received	743	0
Total	16	16	Other short term liabilities	3.352	1.866
Current receivables			Accrued expenses and deferred income	3.665	599
Accounts receivable	127	19	Total	7.863	2.555
Accrued non-invoiced revenue	1.260	999	TOTAL EQUITY AND LIABILITIES	12.000	16.957
Other short-term receivables	760	857			
Prepaid expenses and accrued income	348	70			
Total	2.495	1.945			
Cash and cash equivalents					
Cash and cash equivalents	9.116	14.654			
Total	9.116	14.654			
Total current assets	11.627	16.615			
Total assets	12.000	16.957			

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

Consolidated Cash-Flow-Statement

Amounts in TSEK	01.10.2019	01.01.2019	* 01.01.2018
	31.12.2019	31.12.2019	31.12.2018
Operating activities			
Profit/loss after financial items	-1.709	-8.929	-2.054
Adjustments for items not included in cash flow	-191	-38	113
	0	0	0
Cash flow from operating activities before change in working capital	-1.900	-8.967	-1.941
Cash flow from change in working capital			
Change in inventories	0	0	-88
Change in operating receivables	-580	-550	-1.931
Change in operating liabilities	3.728	4.348	2.555
Cash flow from continuing operations before changes in working capital	3.148	3.798	536
Cash flow from operating activities	1.248	-5.169	-1.405
Investing activities			
Investments in intangible assets	0	0	-3
Investments in tangible fixed assets	0	-231	-460
Divestments of intangible assets	0	0	0
Acquisition of financial assets	0	0	7
Disposal of intangible assets	0	0	0
Cash flow from investing activities	0	-231	-456
Financing activities			
Deposit share capital	0	0	500
New share issue	0	0	8.145
New share issue in progress	0	0	7.450
Issue expenses	-74	-138	-614
Shareholder's contribution	0	0	1.034
Cash flow from financing activities	-74	-138	16.515
Cash flow for the year	1.174	-5.538	14.654
Cash and cash equivalents begin of period	7.942	14.654	0
Cash and equivalents end of period	9.116	9.116	14.654

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

Parent Company Income Statement

Amounts i TSEK	01.10.2019 31.12.2019	01.10.2018 31.12.2018	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Operating Income				
Sales	0	0	0	0
Other operating income	0	0	22	0
Total	0		22	0
Operating Expenses				
Personnel costs	-99	0	-277	0
Other external expenses	-165	-397	-690	-452
Other operating expenses	0	0	-57	0
Depreciation	0	0	0	0
Total	-264	-397	-1.024	-452
Earnings Before Interest and Taxes (EBIT)	-264	-397	-1.002	-452
Profit from financial items				
Financial income	13	9	543	9
Financial expenses	-356	0	-370	-1
	-343	9	173	8
Loss after financial items	-607	-388	-829	-444
Allocations				
Profit before tax	-607	-388	-829	-444
Tax on profit for the year	0	0	0	0
This year's result	-607	-388	-829	-444

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

Parent Company Balance Sheet

Amounts i TSEK	31.12.2019	31.12.2018	Amounts i TSEK	31.12.2019	31.12.2018
Assets			EQUITY AND LIABILITIES		
Fixed Assets			Equity		
<i>Financial assets</i>			<i>Non-distributable equity</i>		
Shares in Group companies	15.452	259	Share capital	748	629
Due from Group companies	0	5.656	Unregistered share capital	0	7.450
Total fixed assets	15.452	5.915	Total	748	8.079
Current assets			<i>Distributable equity</i>		
Receivable	0	0	Accumulated profit or loss	-444	0
Other short-term receivables	234	533	Share premium account	14.596	7.401
Prepaid expenses and accrued income	446	9	Shareholder's contribution recieved	0	1.034
Total	680	542	Loss for the period	-829	-444
<i>Cash and cash equivalents</i>			Total	13.323	7.991
Cash and cash equivalents	1.385	11.786	Total equity	14.071	16.070
Total	1.385	11.786			
Total current assets	2.065	12.328	Current liabilities		
Total assets	17.517	18.243	Accounts payable	136	25
			Other short term liabilities	2.852	1.786
			Accrued expenses and deferred income	458	362
			Total	3.446	2.173
			TOTAL EQUITY AND LIABILITIES	17.517	18.243

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

Parent Company Cash-Flow Statement

Amounts in TSEK	01.10.2019	01.01.2019	01.01.2018
Consolidated Cash Flow Statement	31.12.2019	31.12.2019	31.12.2018
Operating activities			
Profit/loss after financial items	-606	-829	-444
Adjustments for items not included in cash flow	311	311	0
Income tax paid	0	0	0
Cash flow from operating activities before change in working capital	-295	-518	-444
Cash flow from change in working capital			
Change in inventories	0	0	0
Change in operating receivables	-356	-584	-543
Change in operating liabilities	291	1.275	2.173
Cash flow from continuing operations before changes in working capital	-65	691	1.630
Cash flow from operating activities	-360	173	1.186
Investing activities			
Investments in intangible assets	0	0	0
Investments in tangible fixed assets	0	0	0
Divestments of intangible assets	0	0	0
Acquisition of financial assets	0	-9.847	-5.915
Disposal of intangible assets	0	0	0
Cash flow from investing activities	0	-9.847	-5.915
Financing activities			
Deposit share capital	0	0	500
New share issue	0	445	8.145
New share issue in progress	0	0	7.450
Issue expenses	-74	-138	-614
Shareholder's contribution repayed	0	-1.034	1.034
Cash flow from financing activities	-74	-727	16.515
Cash flow for the year	-434	-10.401	11.786
Cash and cash equivalents at the beging of the period	1.819	11.786	0
Cash and equivalents at end of the period	1.385	1.385	11.786

* The business year 2018 started on August 1st 2018 when the purchased shelf company overtook the assets from the administrator and renamed the company to Industrial Solar.

7 News after the Reporting Period

ISHE board decides to conduct a rights issue and to sign term sheet for the acquisition of SolarSpring GmbH

On 8 January 2020 the Board of Directors resolved to launch a rights issue of SEK 24.7M with preferential rights for existing shareholders.

Background of this right issue is the planned acquisition of the company SolarSpring GmbH, a spin-off from the Fraunhofer Institute for Solar Energy systems in Freiburg and a manufacturer of innovative membrane-based water treatment systems.

8 Board and Management Statement

The Board of Directors and the Executive Board have today considered and approved the Quarterly Report of Industrial Solar Holding Europe AB for the period from 01.10.2019 - 31.12.2019. The quarterly report is presented in accordance with the Swedish K3 accounting standards. In our opinion, the financial statements give a true and fair view of the entity's financial position and of the results of its operations and cash flows at 31.12.2019. We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

The reporting dates for the year 2020:

- Q1/2020 report – 29.05.2020
- Q2/2020 report – 28.08.2020
- Q3/2020 report – 27.11.2020
- Q4/2020 report – 26.02.2021

The annual report 2019 will be published on 19.05.2020 and the next annual shareholder meeting will be held on 15.06.2020 in Stockholm.

The board estimates that the company has sufficient operating capital for at least 12 months and proposes that no dividend will be paid for 2019.

Härnösand, February 19th 2020



Joakim Byström
Chairman
Of the Board



Christian Zahler
CEO and
Board Member



Tobias Schwind
Board Member



Olle Ollsen
Board Member



Luca Viscuso
Board Member



Joao Gomes
Board Member

9 Statement from the Auditor



Translation from the Swedish original

Review report

To the Board of Directors of Industrial Solar Holding Europe AB (publ.)
Corp. id. 559110-3972

Introduction

We have reviewed the attached financial information report (interim report) of Industrial Solar Holding Europe AB (publ.) as of 31 December 2019 and the twelve-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this financial information report (interim report) in accordance with the Annual Accounts Act. Our responsibility is to express a conclusion on this financial information report (interim report) based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the attached financial information report (interim report) is not prepared, in all material respects, accordance with the Annual Accounts Act.

Härnösand 19 February 2020

KPMG AB

Lars Skoglund

Authorized Public Accountant

