

## **Savosolar Plc's Half-year Report for January–June 2020: Revenue and result developed favourably**

### **Key figures in January–June 2020**

- Savosolar's revenue in January–June amounted to EUR 2.0 million (January–June 2019: EUR 1.7 million), an increase of 22% despite the Covid-19 pandemic.
- Operating result (EBIT) amounted to EUR -1.7 million (EUR -2.3 million).
- Net result for the period totalled EUR -2.6 million (EUR -3.3 million).
- Earnings per share were EUR -0.128 (EUR -0.007). The number of shares on 30 June 2020 was 48,332,595 (on 30 June 2019, 1,410,919,162 and comparable number of shares 14,109,192). The comparable earnings per share were EUR -0.128 (-0.725) per share.
- With its rights issue arranged in June, the company raised net proceeds of approximately EUR 3.5 million to strengthen its working capital. Order backlog as at 30 June 2019 was EUR 2.9 million (EUR 0.1 million).

### **Savosolar's CEO Jari Varjotie:**

"Savosolar's revenue grew in January–June by 22 per cent year-on-year to EUR 2.0 million. The Covid-19 pandemic delayed installations, deliveries and contract negotiations on new projects during the second quarter. The commissioning of France's largest solar thermal system in Issoudun, France, was postponed because of delays from July to October. The completion of the solar thermal system commissioned in Ettenheim, Germany in July was delayed by approximately two months. The handover of the Creutzwald project currently being delivered is also expected to be postponed by about two months. The postponement of the tender and contract negotiations and thus of new deliveries hampered not only the increase of revenue but also the accumulation of the order backlog. Despite this, the company's order backlog at the end of the reporting period stood at EUR 2.9 million, being only EUR 0.1 million the end of the comparison period. However, due to the delays caused by the pandemic, we had to initiate the statutory co-operation procedure, as a result of which we laid temporarily off some of our staff in April–June.

The corona situation and potential new restrictions imposed in different countries may further postpone the clients' investment decisions and deliveries later than what has been planned. We seek to prepare for the potential additional effects of the corona situation in our business operations.

During the reporting period, we won the competitive tendering for solar district heating systems to be delivered to NewHeat SAS in the cities of Narbonne and Pons in France. After the reporting period, we signed a contract on the Narbonne delivery in August, and negotiations on the Pons contract are currently under way. Additionally, we entered into an agreement on a pilot project for the City of Cadaujac in France, in connection of which we also agreed with the client on an exclusive right to negotiate the delivery of a major greenhouse project after the pilot project.



Our operating result was EUR -1.7 million, compared to EUR -2.3 million a year ago. Despite the negative effects of Covid-19, our profitability developed favourably. The actions to improve our internal efficiency have yielded results, and we will continue to pursue them with determined efforts. The rights issue arranged to finance our growth succeeded well, and we raised approximately EUR 3.5 million after the transaction costs to support our growth. The issue was over-subscribed, and it is great to see that the shareholders trust in us and our expertise and want to be involved in the development of emission-free renewable energy.

A significant change in the competitor field took place during the early part of the year when the owner of our Danish competitor Arcon-Sunmark disposed of its solar thermal system business and sold the main parts of the company to other operators. In my opinion, Arcon-Sunmark's exit from the market will direct solar thermal investments to an even more lifecycle-oriented direction. I believe that for Savosolar in particular, this will provide even better opportunities to strengthen its market position, as our efficient and high-quality solar thermal collectors were from the beginning designed to optimise the competitiveness of our clients' long-term energy production.

Savosolar is strongly involved in the fight against climate change. Solar heat produces emission-free renewable energy, the popularity of which increases both in industrial process heating and in district heat generation. Incentives to this end include both environmental effects and the fact that the competitiveness of solar heat further improves when the volume increases.

Our strengths include advanced collector technology, strong references and ability to implement systems on a turnkey basis that exceed the client's expectations. On the market, we are renowned as an innovative and trustful operator, who aims to help its clients to attain their environmental goals as cost-effectively as possible."

## **SAVOSOLAR AS A COMPANY**

Savosolar Plc is a Finnish public limited liability company listed in Nasdaq First North Growth Market Sweden and Nasdaq First North Growth Market Finland that designs and supplies large solar thermal systems for district heat producers and industry. The systems are based on Savosolar's highly efficient solar heat collectors, at the heart of which are Savosolar's proprietary nano-coated direct flow absorbers. With this leading technology, Savosolar helps globally its customers to produce competitive clean energy. According to the information available to the company's management, Savosolar's collectors are the most efficient large solar heat collectors in the world.

Savosolar's vision is to be the first-choice supplier of high performance large solar installations on a global scale.

Savosolar's registered office and production plant is located in Mikkeli, Finland, in addition to which the company also has an office in Vantaa, Finland as well as fully owned subsidiaries in Denmark and Germany. In its sales activities, Savosolar also utilises partners who are familiar with the local markets. The company has such partners, for example, in China, the Latin America and Australia.

## **ACCOUNTING PRINCIPLES FOR THE HALF-YEAR REPORT**

This half-year report is unaudited. The release has been prepared in accordance with the Finnish Accounting Standards (FAS) using the same principles as in the 2019 financial statements. Savosolar applies the percentage of completion (PoC) principle in the revenue recognition of projects. According to the percentage of completion principle, the recognition of revenue and operating income in long-term contracts is carried out on the basis of the percentage of completion of the project during the reporting period.

The comparison figures refer to the corresponding period in 2019, unless otherwise indicated.

**BUSINESS PERFORMANCE IN JANUARY–JUNE 2020****Revenue**

Savosolar's revenue for January–June increased by 22 per cent and amounted to EUR 2.0 million (January–June 2019: EUR 1.7 million).

The revenue growth fell short of expectations because the restrictions related to the Covid-19 pandemic delayed project deliveries in France and Germany. The estimated effect of these delays on the revenue of January–June was about EUR 1.3–1.5 million. The signing of new project contracts was also delayed in the second quarter as some clients postponed their investment decisions. At the end of the reporting period, the movement restrictions were largely lifted, and our operations returned to nearly the normal level.

**Significant orders and new contracts for the reporting period**

Despite the Covid-19 pandemic, reasonable progress has been made in the delivery of a solar thermal system to Kyotherm Solar in Issoudun, France, and its commissioning is scheduled to take place in October. Exceptionally strong wind brought down some of the solar heat collectors that were waiting for installation in the Issoudun project field at the beginning of June, however, the incident is not expected to have effect on the company schedule-wise or result-wise. When completed, the Issoudun solar thermal system will be the largest system of its kind in France, and also Savosolar's largest delivery to date in value. The system is more than 14,000 square metres in size, and the value of the delivery to Savosolar is about EUR 3.9 million

In Germany, the Fernwärme Ettenheim's 1,700 square-metre solar thermal system and 200 square-metre heat storage were commissioned in July. The value of the system is approximately EUR 0.8 million, and it was Savosolar's first delivery to Germany.

In February, Savosolar announced that it had signed a contract worth over EUR 1.3 million with a subsidiary of the French company La Francaise de l'Energie (LFDE) on the delivery of a solar heating system in Creutzwald, France. The system delivery and construction on site have been delayed because of the Covid-19 pandemic. The handover is planned to take place during 2020. The LFDE subsidiary will own and operate the solar heating system to be delivered and sell heat to ENES Creutzwald, the energy service company of the municipality of Creutzwald. The size of the solar heating system is over 6,000 square metres, and it will generate over 2,600 MWh of clean energy annually. Savosolar will deliver the largest part of the whole solar thermal plant.

In April, Savosolar Plc announced that it had agreed on the delivery of a solar thermal system of over 900 square metres for AbSOLAR SAS pilot project in the City of Cadaujac in France. The value of the delivery for Savosolar's is about EUR 300 thousand. The project awaits the final investment subsidy decision from France. At the same time, Savosolar Plc signed an exclusivity agreement for designing and delivering AbSOLAR's second solar thermal plant for a greenhouse. The final decision on the implementation of the project worth about EUR 2.5 million is expected to be made towards the end of this year. AbSOLAR SAS develops and delivers heating applications for industrial and residential use, using solar energy and seasonal storage.

In June, Savosolar Plc was selected as a preferred bidder to deliver two solar heating systems to NewHeat SAS in France. The size of the solar heating plant of the City of Narbonne is about 3,000 square metres, and its value for Savosolar is EUR 850 thousand. The field of the City of Pons is about 1,700 square metres in size, and its value for Savosolar is about EUR 700 thousand. The deliveries are scheduled to commence already during 2020, and they are due for completion during the first half of 2021. Savosolar has already delivered a solar heating system to NewHeat in Condat, France in 2019 for the process heat generation of a paper mill.

In Asia, Savosolar continued its cooperation with the Chinese company named Jiangsu Holly Environmental Technology Industrial Co. Ltd on the use of Savosolar's products in the solar thermal systems delivered by Jiangsu Holly. Also, the cooperation with the Chinese company Guangzhou Power Supply Co., Ltd. advanced as

planned after the Covid-19 delay during the early part of the year. The goal is to build a demonstration project of micro-energy network complementary with renewable energy in Nansha, Guangzhou. The project is part of the Finland-China Energy Programme. The objective is that the cooperation with our Chinese partners will result in the first order in China in 2020.

Savosolar's order backlog increased and stood at about EUR 2.9 (0.1) million at the end of the reporting period. The value of the projects in the company's sales pipeline at the end of the reporting period was about EUR 260 (121) million. Of this, the total value of projects in the tendering and planning stage amounted to approximately EUR 94 (54) million. Among other things, the growth is due to the increased activity in the French and German markets to produce clean thermal energy. The sales pipeline includes all the active projects entered in the company's sales management system.

### Costs and earnings

Savosolar's costs related to materials and services during January–June 2020 totalled EUR 1.6 (1.5) million. The costs related to materials and services increased following the growth in revenue. The gross margin was clearly improved on the previous year.

Personnel costs amounted to EUR 1.1 (1.0) million. Personnel costs increased because of the new recruitments in line with the strategy implementation during the latter half of 2019 and in 2020. Following the Covid-19 pandemic, Savosolar Plc laid off 22 people, part-time or full-time, in April–June for production and economic reasons based on the outcome of the co-operation negotiations. Through personnel arrangements and other ongoing and new savings measures launched, the company achieved net savings of around EUR 0.3 million during the first half of the year. Other operating expenses decreased and totalled EUR 1.0 (1.2) million.

The operating result (EBIT) for January–June 2020 amounted to EUR -1.7 (-2.3) million. The improvement of the profitability of projects was hampered by the delays caused by the Covid-19 pandemic in the implementation of ongoing projects together with the additional arrangements made for the advancement of the projects.

Net financial income and expenses amounted to EUR -0.8 (-1.0) million. The majority of the financing costs resulted from the right issue arrangement costs, which amounted to EUR 0.8 (0.9) million.

Net result for the period stood at EUR -2.6 (-3.3) million. Undiluted earnings per share were EUR -0.128 (-0.007) and diluted EUR -0.028 (-0.188).

### COMPARISON BY REPORTING PERIOD

(EUR 1,000)	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Revenue	2,043	1,679	3,415
Operating profit/loss (EBIT)	-1,717	-2,332	-4,999
Profit/loss for the period	-2,564	-3,314	-6,760
Earnings per share, EUR*			
undiluted	-0.128	-0.007 (-0.725)	-0.006 (-0.584)

diluted

-0.028

-0.002 (-0,188)

-0.003 (-0.350)

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\*The number of shares decreased during the reporting period in the ratio of 100:1 as a result of the combination of shares. Earnings per share and the number of shares has been calculated provided that the combination of shares registered on 29 April 2020 was carried out on 31 December 2020. The comparable figures are presented on the table.

### Financing

Total assets of the company as of 30 June 2020 totalled EUR 8.9 (6.0) million. Inventories stood at EUR 1.5 (0.7) million. Cash and cash equivalents totalled EUR 4.3 (2.1) million. Current receivables totalled EUR 0.8 (0.6) million. The value of inventories at the end of the reporting period was exceptionally high. It was increased by the completed collectors held in the storage, the delivery of which was postponed because of Covid-19.

Equity stood at EUR 5.4 (3.2) million. Equity including subordinated loans amounted to EUR 6.0 (4.5) million at the end of the reporting period. The company's equity ratio at the end of the reporting period was 60.8 (54.3) per cent. With the subordinated loans taken into account, the equity ratio at the end of the reporting period was 67.6 (76.8) per cent.

Subordinated loans were repaid during the reporting period in the total amount of EUR 0.3 million in accordance with the repayment programme.

Liabilities amounted to EUR 3.1 (2.5) million, of which EUR 0.5 (1.2) were non-current and EUR 2.6 (1.2) million current liabilities. Of the non-current liabilities, subordinated loans accounted for EUR 0.2 (0.9) million and loans from credit institutions EUR 0.3 (0.3) million. Of the current liabilities, subordinated loans amounted to EUR 0.4 (0.4) million, trade payables EUR 1.2 (0.3) million and accruals and deferred income EUR 1.0 (0.4) million. Trade payables were increased by the larger number of on-going projects year-on-year. The increase in accruals and deferred income is due to the completed but as yet undelivered collectors.

Savosolar's financial position at the end of the reporting period was solid following the rights issue carried out in June 2020. With the issue, the company raised net proceeds of about EUR 3.5 million after the transaction costs. Additionally, investors who had subscribed for shares in the rights issue were given warrants without consideration that entitle their holders to subscribe for new shares subject to the warrant terms and conditions. The subscription period for the first series of warrants is in November 2020, for the second in March 2021, and for the third in September 2021.

During the reporting period, Business Finland granted Savosolar "funding for business development in disruptive circumstances" in the amount of EUR 100,000. The financing will be used for developing component manufacture and coating methods so as to make production and assembly more resistant to disruptions such as the Covid-19 pandemic. Of the development funding, EUR 70,000 was paid during the reporting period, and the remaining EUR 30,000 will be paid during the last quarter of 2020.

Cash flow from operations was EUR -1.9 (-2.9) million and cash flow from investments EUR 0.0 (-0.1) million. Cash flow from operations before right issue arrangement costs was EUR -1.0 (-1.9) million. Cash flow from financing was EUR 4.1 (4.3) million, of which the share issues accounted for EUR 4.4 (5.2) million. Savosolar's cash and cash equivalents as of 30 June 2020 totalled EUR 4.3 (2.1) million.

The company will continue to investigate the different options available for arranging project financing and project guarantees in a cost-effective way to reduce its financing costs and increase its capacity to deliver large-scale solar thermal systems in line with its strategy.

Aspects related to the Savosolar's financing and liquidity are also described in the section entitled "General risks and uncertainty factors concerning operations".

### **Investments and product development**

Investments totalled EUR 0.0 (0.1) million. The company has no need for significant investments in its plant during the next few years because the plant's production capacity has been increased to a level that allows a revenue of EUR 20–30 million.

Savosolar's project for the development of a new type of solar thermal collector received a loan commitment from Business Finland to the maximum amount of EUR 0.5 million, the interest rate of which is 1%. To date, the company has drawn down EUR 0.3 million of the loan. The project is focusing on the development of energy-efficient collectors that are suitable for large solar thermal fields and can be manufactured as mass production. The objective is to lower the costs for logistics and installation as well as to improve the flexibility of installation. The project is estimated to last until the end of 2020, and its total budget amounts to EUR 0.7 million.

### **Personnel and management**

At the end of the reporting period, Savosolar had 36 (35) employees. The average number of personnel was 38 (38).

Martti Jalava, who previously served as fixed term director responsible for supply chain development, was appointed Chief Operating Officer (COO) on 5 February 2020. In his new position, Jalava is responsible for production, the supply chain and quality. Antti Lilleberg, Eng, MBA (born in 1978), was appointed Vice President of Sales and Marketing as of 1 June 2020. In his position, he is also responsible for project execution. Morten Hofmeister, Head of Projects and System Design and a member of the Management Team left the company in June.

Savosolar's management team as at 30 June 2020 consisted of the following individuals: Jari Varjotie, CEO; Torben Frederiksen, CTO; Raul Ikonen, Country Manager, China; Martti Jalava, Director, Supply Chain Development, Production and Quality; Aku Järvisalo, Production Manager; Pekka Karjalainen, Quality Manager; Antti Lilleberg, Vice President, Sales and Marketing, Project Execution; Kaj Pischow, Senior Advisor; and Heikki Timonen, CFO.

### **Business development**

Savosolar has continued building its international cooperation partner network in line with its strategy. To improve the efficiency of operations, determined efforts have been made to develop operating practices to improve cost-effectiveness in the management of large projects in particular. As part of enhancing the efficiency of its internal functions, the company has reinforced its quality assurance and the culture of 'doing it right the first time' and continuous improvement. By developing procurement operations, material costs have been successfully reduced throughout the supply chain. The continuous improvement of the system planning of client projects and partnership operating models are also of central significance.

The company also strives to develop its production and the installation of deliveries in such a way that they are less vulnerable in disruptive circumstances such as the Covid-19 pandemic.

## **RESOLUTIONS OF THE ANNUAL GENERAL MEETING OF 27 APRIL 2020 AND THE CONSTITUTIVE MEETING OF THE BOARD OF DIRECTORS**



Savosolar Plc's Annual General Meeting of 27 April 2020 adopted the financial statements for 2019 and resolved that the loss for the financial year of EUR -6,635,369.98 be carried over to the retained earnings/losses account and that no dividend be paid. The Board of Directors granted discharge from liability for the members of the Board of Directors and the Managing Director for the period of 1 January 2019 to 31 December 2019.

The Annual General Meeting resolved that the members of the Board of Directors be paid the following remuneration for the term that begins at the close of the Annual General Meeting and ends at the close of the next Annual General Meeting following election: EUR 21,600 for the Chairman of the Board and EUR 10,800 for each of the other members of the Board. Approximately 40% of the remuneration will be paid to the members of the Board of Directors by giving to the Board members new shares in the company based on the authorisation granted to the Board of Directors, and approximately 60% in cash. The cash portion of the remuneration will be paid on a monthly basis. The number of remuneration shares will be determined on the basis of the value of the company's share in First North Growth Market Finland as follows: the volume-weighted average price of the Savosolar Plc's share within two weeks following the publication of the half-year report for the period of 1 January – 30 June 2020 will be used as the value of share. Alternatively, if so resolved by the Board of Directors, the remuneration shares can be purchased in the name of and on behalf of the Board members.

The Annual General Meeting re-elected Feodor Aminoff, Eero Auranne, Mikael Lemström and Ari Virtanen as members of the Board of Directors.

Auditing firm Tilintarkastus Inkeröinen & Himanen Oy was elected as the company's auditor. Tilintarkastus Inkeröinen & Himanen Oy has informed that the auditor-in-charge will be Juho Himanen, Authorised Public Accountant.

The General Meeting resolved on the reduction of the quantity of the company's shares without reducing share capital by way of issuing new shares and by redemption of the company's own shares in such a way that each current 100 shares of the company shall correspond to one new share.

The General Meeting resolved to authorise the Board of Directors to decide, in one or more transactions, on the issuance of shares and the issuance of option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act as follows: The number of shares to be issued based on the authorisation may in total amount to a maximum of 100,000,000 shares. The Board of Directors decides on all the terms and conditions of the issuances of shares and of options and other special rights entitling to shares. The issuance of shares and of options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue) if there is a weighty financial reason for the company to do so. Shares may be conveyed either against payment or free of charge. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and with regard to the interests of all shareholders in the company.

The authorisation is valid until 27 April 2025 and repeals the authorisation granted by the Extraordinary General Meeting on 22 January 2019.

The Board of Directors appointed at the Annual General Meeting held its constitutive meeting after the Annual General Meeting and elected Eero Auranne from among its members as the Chairman.

## **RELATED-PARTY TRANSACTIONS**

The company has a service contract with its subsidiary Savosolar ApS concerning, among other things, sales, marketing, purchases and product development services. Under the contract, the company paid Savosolar ApS approximately EUR 230 (275) thousand during the reporting period. A similar service contract has been signed

with Savosolar GmbH, under which the company paid Savosolar GmbH approximately EUR 88 (84) thousand during the reporting period.

## **RIGHTS ISSUE AND DIRECTED SHARE ISSUE WITHOUT PAYMENT FOR MEMBERS OF THE BOARD OF DIRECTORS**

On 9 March 2020, Savosolar Plc's Board of Directors resolved on a directed share issue to be used as a part of the Board members' remuneration in accordance with the resolution by the Annual General Meeting of 28 March 2019. The Annual General Meeting of 28 March 2019 resolved that portion of the Boards of Director's remuneration involving shares was to be paid to the Board members in two instalments in such a way that the first instalment will be when the half-year report for the period of 1 January to 30 June 2019 has been published, and the second instalment between 1 and 30 November 2019. The resolution passed on 9 March 2020 concerns the second instalment of the share-based remuneration that, owing to insider rules, had not yet been paid to the members of the Board of Directors. The company issued a total of 1,065,875 new shares that were offered for subscription to the members of the Board of Directors without consideration. The Chairman of the Board of Directors subscribed for 426,350 new shares and the rest of the board members 213,175 new shares each. When the number of shares was calculated, the volume-weighted average price of the company's share on Nasdaq First North Growth Market Sweden during the period of 1 November 2019 to 30 November 2019, i.e. SEK 0.1078, was used as the value per share.

In April, Savosolar Plc's Board of Directors resolved to carry out a rights issue of approximately EUR 4.3 million and a related offering of warrants that enables the company to raise up to a maximum of approximately EUR 13.0 million. The rights issue was subscribed for to 264 per cent, providing the company with new capital of about EUR 3.5 million after the transaction costs.

In the rights issue, a total of 28,999,557 new Savosolar shares were offered to the shareholders for subscription subject to the shareholders' pre-emptive subscription right. The subscription price was EUR 0.15 or SEK 1.58 per share. The offering was secured to 80 per cent by subscription commitments and external underwriters.

In the offering, Savosolar gave all those shareholders who were registered in Savosolar's shareholder register maintained by Euroclear Finland Ltd or Euroclear Sweden AB one book-entry subscription right for each one share held on the offering record date. Two subscription rights entitled the holder to subscribe for three offer shares.

Additionally, Savosolar gave, without consideration, each subscriber of the offer shares one newly issued warrant of series TO5, one newly issued warrant of series TO6, and one newly issued warrant of series TO7 for each two shares subscribed and paid for in the offering. The warrant plan is described in greater detail in section 'Stock option programmes'.

The record date for the offering was 27 May 2020, and the subscription period was 1 to 17 June 2020 in Finland and 1 to 15 June in Sweden.

The Board of Directors of Savosolar resolved on 23 June 2020 to approve the subscriptions received in the offering, as well as the allocation of offered shares and warrants. 83.6% of the offering was allocated to subscribers who subscribed for the shares with subscription rights and 16.4% to those who subscribed for the shares without subscription rights.

The net proceeds from the offering and the warrants will be used for maintaining the company's working capital and increasing the company's financial capacity to deliver signed and future orders, for increasing its ability to meet the growing market demand, and for further strengthening its technology and quality leadership in solar thermal collector technology.



The shares subscribed for in the offering were registered with the Finnish Trade Register on 26 June 2020, and trading in the new shares commenced on 29 June 2020 on First North Growth Market Finland and on 6 July 2020 on First North Growth Market Sweden.

As a result of the offering, the number of shares in Savosolar increased by 28,999,557 shares. After the offering, the total number of shares in the company amounts to 48,332,595. The number of warrants allocated in connection with the offering amounts to 43,495,893.

## **SHARE**

Savosolar has one class of shares. The number of shares as at 30 June 2020 following the combination of shares and share issues carried out during the reporting period totalled 48,332,595 (30 June 2019: 1,410,919,162, comparable number 14,109,192). The company does not hold any treasury shares. Each share carries one vote at the general meeting of shareholders. The average number of shares during the reporting period was 20.068.741 (457,131,193, comparable number 4,571,312).

Savosolar Plc's Annual General Meeting of 27 April 2020 resolved to reduce the quantity of Savosolar's shares without reducing share capital by way of issuing new shares and by redeeming the company's own shares in such a way that each current 100 shares in the company correspond to one share in the company after the arrangements related to the reduction of the quantity of company's shares have been brought to completion. The total number of shares prior to the reduction of the quantity of the company's shares was 1,932,968,654.

As part of the arrangements in respect of shareholders registered in the shareholders' register of Savosolar maintained by Euroclear Finland Ltd on the transaction day 29 April 2020, the company issued 107,246 new shares without consideration so that the number of all shares per the book-entry accounts owned by such shareholders are divisible by 100. After this share issue, the total number of the shares in the company was 1933,075,900 shares. On the transaction day, the company redeemed, without consideration, from all the shareholders such number of shares that is required by the redemption ratio of 100/1, i.e. altogether 1,913,745,141 shares in the company to be annulled.

Pursuant to the resolution of the Annual General Meeting, the company carried out the issue of 15,000 shares to the company itself without payment. In order to carry out the redemption, the company issued a total of 2,279 treasury shares to the shareholders without consideration so that the number of shares held by such shareholders is divisible with 100.

The annulment of the shares redeemed from the shareholders and the new total quantity following the share issue directed at the company itself were registered with the Trade Register on 29 April 2020. A total of 12,721 treasury shares held by the company were annulled on 13 May 2020. The number of shares after all the arrangements related to the reduction of the quantity of shares is 19,333,038, which was registered with the Trade Register on 22 May 2020.

The purpose of the reduction of the quantity of the company's shares is to increase the value of a single share and thus improve the trading preconditions of the shares and the reliability of their price formation. The Board of Directors holds that there is a particularly weighty financial reason for the company to reduce the quantity of its shares.

During the period, the share price in First North Growth Market Sweden fluctuated between SEK 0.02 and 3.555 (SEK 0.043 and 0.19). The closing price was SEK 1.824 (SEK 0.106). In First North Growth Market Finland, the share price fluctuated between EUR 0.002 and 0.36 (EUR 0.004 and 0.018). The closing price was EUR 0.157 (0.01). The number of shares decreased during the reporting period in the ratio of 100:1 as a result of the combination of shares.

Savosolar's combined trading volume in January–June 2020 was 1.431.306.277 shares in First North Growth Market Sweden (20.884.952 shares provided that the combination of shares registered on 29 April 2020 had taken place on 31 December 2019) and 390.419.718 shares (7.474.167 shares provided that the combination of shares registered 29 April 2020 had taken place on 31 December 2019) in First North Growth Market Finland. On 10 July 2020, Savosolar had 14,118 shareholders (30 June 2019: 11,236).

Savosolar's shares are listed on the First North Growth Market Sweden marketplace maintained by Nasdaq Stockholm AB as of 2 April 2015 with the ticker SAVOS. Secondary listing of the shares on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Oy started on 24 April 2015 with the ticker SAVOH.

### **BIGGEST SHAREHOLDERS ON 10 JULY 2020**

FOLLOWING THE REGISTRATION OF THE NEW SHARES ISSUED DURING THE REPORTING PERIOD

<b>Shareholder</b>	<b>Holding, number of shares</b>	<b>Percentage of all shares and votes</b>
GRIMALDI, SALVATORE	2,645,846	5.47
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	2,301,286	4.76
JOKINEN, JUKKA	800,000	1.66
GEUST, NIKLAS	792,235	1.64
NORDNET PENSIONS FÖRSÄKRING AB	699,606	1.45
ALEKSOV, OLIVER	600,120	1.24
VALJAKKA, JUHA	404,334	0.84
SELANDIA CAPITAL APS	364,850	0.75
LILJA, ANSA ANITTA	314,495	0.65
SAXO BANK A/S CLIENT ASSETS	299,609	0.62
OTHERS	39,110,214	80.92
<b>TOTAL</b>	<b>48,332,595</b>	<b>100</b>

### **Stock option programmes**

In the rights issue carried out in June 2020, Savosolar gave, without consideration, each subscriber of the offer shares one newly issued warrant of series TO5, one newly issued warrant of series TO6, and one newly issued

warrant of series TO7 for each two shares subscribed and paid for in the offering. Each warrant series comprises 14,498,631 warrants. Each warrant entitles its holder to subscribe for one new share during the subscription period of 9–20 November 2020 (for TO5), 8–19 March 2021 (for TO6), and 6–17 September 2021 (for TO7). The subscription price for the shares that can be subscribed for based on the warrants is determined based on the volume weighted average price of the company's share on First North Growth Market Finland less 30 per cent during the ten trading days prior to the subscription period of the warrants. However, the subscription price may not exceed EUR 0.30 per share.

### **Existing authorisations of the Board of Directors**

The Annual General Meeting of 27 April 2020 authorised the Board of Directors to decide, in one or more transactions, on the issuance of shares and the issuance of option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act as follows: The number of shares to be issued based on the authorisation may in total amount to a maximum of 100,000,000 shares. The Board of Directors decides on all the terms and conditions of the issuances of shares and of options and other special rights entitling to shares. The issuance of shares and of options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue) if there is a weighty financial reason for the company to do so. Shares may be conveyed either against payment or free of charge. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and with regard to the interests of all shareholders in the company. The authorisation is valid until 27 April 2025.

Of the authorisation, a maximum of 72,495,450 shares in total were used in the rights issue arranged in June and in the issuance of option rights.

### **GENERAL RISKS AND UNCERTAINTY FACTORS CONCERNING OPERATIONS**

The most significant risks involved in Savosolar's operations are the sufficiency of working capital necessary for achieving the growth in line with the strategy, the ability to win new projects, and the ability to increase the efficiency of operations so as to turn the operations profitable.

The continuation of the Covid-19 pandemic and the restrictive measures caused by it or the second wave may further delay and postpone competitive tendering processes and contract negotiations or the implementation of projects that have already been agreed upon. The Covid-19 pandemic may directly affect the operations of Savosolar and its supply chain, or indirectly as a result of the weakening of the client's operating preconditions. The company seeks to secure, through special arrangements, deliveries to the already agreed-upon worksites and to prepare for different scenarios together with its partners.

The company's Board of Directors monitors the performance of the company's profitability and cash flow actively and, together with the company's management, seeks the best solutions to develop them positively towards profitable long-term business. The Board of Directors continuously considers the sufficiency of financing as an important part of the company's growth strategy. Following the rights issue carried out during the reporting period and the related three stock option programmes, concerning which the subscription period for shares is 2020–2021, the Board of Directors is confident about the sufficiency of funding if the company continues to develop favourably.

However, it cannot be guaranteed that the company's profitability and the volume of its business will grow sufficiently and that company can gain enough supplementary finance just on time and with terms and conditions that are favourable for the present shareholders. In case the company does not succeed in improving its profitability and raising additional financing to meet the needs of business growth, the company may be forced to postpone, cut back or terminate operations.



Savosolar takes active measures to protect its intellectual property rights with patents and oversees the rights it has patented against infringements in its major markets.

During its first years of operation, Savosolar developed its products and production technology and expanded its operations into new markets, and it has not yet reached sales volumes and margins that would cover the operational costs. The company was at the product development stage from the year of establishment 2010 up until 2014. After that, the company started to build up its sales and production on a larger scale, and starting from 2017, the company has exclusively focused its operations on large-scale solar thermal system deliveries. Since 2018, the company has expanded to a turnkey supplier of large-scale solar thermal systems in district heating and industrial process heating. The company has incurred significant operating losses. These losses have resulted principally from the costs incurred in research and development of products and production processes as well as from the overhead and administrative costs associated with the company's operations. The unprofitability of operations and challenges encountered in the raising of supplementary financing led to a situation where the company filed an application for restructuring proceedings in 2013. The restructuring programme ended according to schedule at the end of 2018.

## **DISPUTES**

Sunti SAS, France has issued a summons to Savosolar Plc to attend the commercial court of justice in Montpellier due to an alleged breach of contract by Savosolar Plc. In the summons, Sunti claims that Savosolar has acted against the exclusive rights clause in the contract between the two companies, which is related to an open tender for a solar collector field project in France. In its application for summons, Sunti is claiming for a total compensation of approximately EUR 2.0 million based on the alleged breach of contract. According to the currently known schedule, the first oral hearing between the parties before the commercial court of justice in Montpellier will be held on 9 November 2020.

## **STRATEGY AND LONG-TERM GOALS**

Savosolar's mission is to fight climate change through the leading technology for competitive energy. Savosolar helps its clients to attain their goals related to climate change with the help of renewable, emission-free energy. The company's vision is to be the first-choice supplier of high-performance solar installations on a global scale.

The company's strategy is to maintain its position as the supplier of the world's most efficient solar heat collectors and systems equipped with MPE absorbers to applications where efficiency matters the most. These are large-scale industrial or real estate installations like solar thermal district heating, industrial process heating and large real estate heating renovations.

Savosolar's strategic goal is to further strengthen its position as the supplier of large solar thermal systems. In implementing its strategy, the key factors for the company are its proprietary solar collector technology and knowledge of system design as well as its strong local and global partners.

The geographical focus of operations continues to remain in Europe, but the company is actively seeking partners and marketing its products and services outside Europe as well.

Savosolar has partners in different markets with whom the company delivers energy systems on a turnkey basis. The partners can be either global suppliers of components or solutions, or local integrators or installation companies. With the help of these local partners, Savosolar contributes to the local economy by using local subcontractors in the delivery and installation of its clean energy systems. Improvement of the local economy and employment is often a major factor when municipalities and cities make decisions about, for example, investments in their own district heating plant. The partners also serve as a sales channel for Savosolar's

products.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

On 7 August 2020, Savosolar Plc announced that it had signed a contract with NewHeat SAS on a turnkey delivery of a solar field to Narbonne, France. The value of the delivery is about EUR 850 thousand.

## **MARKET ENVIRONMENT**

Solar heat is an emission-free and renewable source of energy. It can be utilised on a large scale in areas such as district heat generation, industrial processes such as those in the mining, paper and food industry and, on a smaller scale, in the heating of domestic water, for example.

As a supplier of solar thermal systems, Savosolar focuses especially on segments with high potential for rapid growth. These include the district heating market in Europe, especially in Germany, France, Finland, Sweden, Denmark, Eastern European countries, and China. From the company's point of view, the most promising markets for systems intended for industrial process heat generation are in Latin America, Australia and Africa, in addition to Europe.

The market for large solar thermal systems with a temperature of less than one hundred degrees has a limited number of skilled turnkey suppliers, and only a few of them currently operate globally. Savosolar is the technology and quality leader in this segment. The number of local operators is increasing around the world, because the market is attractive. Furthermore, system integrators with experience in other heating systems also operate on the market in collaboration with one or more collector manufacturers. A significant change in the competitor field took place early this year when the owner of the Danish Arcon-Sunmark disposed of its solar thermal system business and sold the main parts of the company's operations to other operators.

Around half of the global energy consumption is consumed in heating, which accounts for around 40% of the world's CO<sub>2</sub> emissions. For example, the European Union's strategy, "An EU Strategy on Heating and Cooling", states that heating and cooling will continue to be the largest consumers of energy in the EU in 2050.

In the past few years, heating has attracted increasing global interest in the use of renewable energy, because heat generation is still largely based on fossil fuels. Furthermore, thermal energy can be easily and cheaply stored in water reservoirs, for example. In 2019, 389 TWh of solar thermal energy was produced globally, which meant around 135 million tonnes less of carbon dioxide emissions compared to the production of the same amount of energy with fossil energy. The reduction equals about 12 times the annual carbon dioxide emissions from road traffic in Finland.

Renewable energy currently accounts for about 10% of heating worldwide and about 20% in the European Union. The International Energy Agency (IEA) estimates that the proportion of various forms of renewable energy in heat generation will grow by 85% by 2040. The proportion of solar heat is estimated to grow significantly faster than that of other renewable energy, by nearly 50% from 2018 to 2024. The growth of large solar thermal systems is estimated to be the fastest in China and in the European Union. China is estimated to account for more than 40% of the growth.

In Europe, the production capacity of solar district heat is expected to increase by 240 TWh by 2050, which would be about 15% of Europe's demand for district heat. The IEA has calculated that, of all the small cities in Europe, a total of 2,375 cities in 22 countries have district heating in place and, at the same time, enough ground area for the installation of a solar collector field so that solar heat could produce about 20% of their demand for district heat. This would mean installing solar thermal capacity of 33.8 GW, which, when converted to a collector surface area, equals around 48 million square metres.

Political actors around the world are seeking solutions to expand the use of renewable and less carbon-emitting forms of energy. However, national subsidies have focused on electricity production and remained relatively low with regard to heating. On the other hand, local governments of different regions and many municipalities in Europe have started to strongly favour the use of renewable energy in heating. This has happened in Germany, for example, where a national subsidy scheme has also been introduced. At the same time, thanks to the systematic efforts of the State and project developers, France has become the most active market for large solar thermal systems in Europe, which is also reflected in the orders received by Savosolar. The use of large solar thermal systems is increasing, not only in Germany and France, but also elsewhere in Central Europe.

During the past year, the world economy has been severely affected by the restrictions imposed due to the Covid-19 pandemic. Despite the delays caused by the restrictions, the market for large solar thermal systems is expected to remain active. In the first quarter of 2020, renewable energy was the only form of energy whose use was not reduced. The IEA estimates in its recent review, that investments in the utilisation of renewable energy production will continue to grow in the near future as part of the economic recovery following the Covid-19 pandemic. The European Union has decided that 30% of the recently agreed EU's multiannual financial framework and the extraordinary fund to support recovery from the corona crisis in 2021-2023, these two together approximately 1,800 billion euro, should be used for climate transition. This will further strengthen the EU's Green Deal program.

Sources: IAE, Global Energy Review 2020. Renewable Energy Market Update Outlook for 2020 and 2021. Solar heat worldwide, 2020. IEA, Global Energy Review 2018 and 2020. IEA Renewables 2019, Analysis and Forecast 2024.

SAVOSOLAR PLC  
Board of Directors

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ANNEXES

- 1 Income statement
- 2 Balance sheet
- 3 Cash flow statement
- 4 Calculation of changes in equity
- 5 Financial ratios and calculation of key figures

**Savosolar in brief**





Savosolar with its highly efficient collectors and large-scale solar thermal systems has taken solar thermal technology to the next level. The company's collectors are equipped with the patented nano-coated direct flow absorbers, and with this leading technology, Savosolar helps its customers to produce competitive clean energy. Savosolar's vision is to be the first-choice supplier to high performance solar installations on a global scale. Focus is on large-scale applications like district heating, industrial process heating and real estate systems – market segments with a big potential for rapid growth. The company primarily delivers complete systems from design to installation, using the best local partners. Savosolar is known as the most innovative company in the business and aims to stay as such. Savosolar's shares are listed on Nasdaq First North Growth Market Sweden with the ticker SAVOS and on Nasdaq First North Growth Market Finland with the ticker SAVOH. [www.savosolar.com](http://www.savosolar.com).

The Company's Certified Adviser is Augment Partners AB, [info@augment.se](mailto:info@augment.se), tel. +46 8 505 65 172.

**ANNEX 1**  
**INCOME STATEMENT (FAS, unaudited)**

(EUR 1,000)	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Revenue	2,043	1,679	3,415
Other operating income	70	0	0
Materials and services	-1,551	-1,506	-3,355
Personnel costs	-1,078	-974	-1,881
Depreciations and write-downs	-251	-307	-624
Other operating expenses	-950	-1,223	-2,554
Operating profit/loss	-1,717	-2,332	-4,999
Financial income	67	17	20
Financial expenses	-914	-1,000	-1,781
Extraordinary items	0	0	0
Profit/loss before appropriations and taxes	-2,564	-3,314	-6,760
Net profit/loss for the reporting period/financial year	-2,564	-3,314	-6,760

	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Earnings per share, undiluted, EUR	-0.128	-0.007 (-0.725)	-0.006 (-0.584)
Earnings per share, diluted, EUR	-0.028	-0.002 (-0.188)	-0.003 (-0.350)
Number of outstanding shares at the close of period	48,332,595	1,410,919,162 (14,109,192)	1,931,902,779 (19,319,028)
Average number of outstanding shares by month, adjusted by share issue	20,068,741	457,131,193 (4,571,312)	1,156,701,231 (11,567,012)
Number of outstanding shares, adjusted by dilutive effect	91,831,929	1,763,457,576 (17,634,567)	1,931,902,779 (19,319,028)

Earnings per share and the number of shares have been calculated provided that the combination of shares registered on 29 April 2020, was carried out on 31 December 2020. The comparable figures are presented on the table in brackets.

**ANNEX 2**  
**BALANCE SHEET (FAS, unaudited)**

(EUR 1,000)	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Liabilities</b>			
<b>Non-current assets</b>			
Intangible assets	830	1,188	991
Tangible assets	631	825	708
Shares in group companies	162	162	162
<b>Total non-current assets</b>	<b>1,623</b>	<b>2,175</b>	<b>1,861</b>
<b>Current assets</b>			
Inventories	1,530	686	1,789
Non-current receivables	630	467	803
Trade receivables	102	285	176
Receivables from participating interest undertakings	3	2	2
Other receivables	67	203	75
Prepayments and accrued income	608	74	453
Cash and cash equivalents	4,321	2,092	2,133
<b>Total current assets</b>	<b>7,261</b>	<b>3,808</b>	<b>5,431</b>
<b>Total assets</b>	<b>8,884</b>	<b>5,983</b>	<b>7,292</b>

(EUR 1,000)	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	470	470	470
Share issue	0	0	1537
Paid-up unrestricted equity reserve	42,621	34,427	36,715

Retained losses	-35,131	-28,371	-28,371
Net profit/loss for the reporting period/financial year	-2,564	-3,314	-6,760
<b>Total equity</b>	<b>5,396</b>	<b>3,212</b>	<b>3,592</b>
<b>Appropriations</b>			
Voluntary provisions	0	0	0
<b>Mandatory provisions</b>			
Other mandatory provisions	359	306	393
<b>Total non-current liabilities</b>			
Subordinated loans	231	912	231
Loans from financial institutions	314	314	314
Other liabilities	0	0	0
<b>Total non-current liabilities</b>	<b>545</b>	<b>1,226</b>	<b>545</b>
<b>Total current liabilities</b>			
Subordinated loans	382	420	682
Loans from financial institutions	0	20	0
Advances received	0	64	0
Trade payables	1,098	280	706
Amounts owed to group undertakings	100	57	62
Other liabilities	23	34	41
Accruals and deferred income	981	364	1,272
<b>Total current liabilities</b>	<b>2,584</b>	<b>1,239</b>	<b>2,763</b>
<b>Total liabilities</b>	<b>3,129</b>	<b>2,465</b>	<b>3,307</b>
<b>Total equity and liabilities</b>	<b>8,884</b>	<b>5,983</b>	<b>7,292</b>

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**ANNEX 3**  
**CASH FLOW STATEMENT (FAS, unaudited)**

(EUR 1,000)	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Business operations</b>			
Net profit/loss for the reporting period/financial year	-2,564	-3,314	-6,760
Adjustments	1,118	1,269	2,452
Increase/decrease in current receivables	98	1,067	589
Increase/decrease in inventories	260	296	-807
Increase/decrease in current non-interest-bearing debts	120	-1,192	153
Interests from operating activities	-901	-982	-1,761
<b>Cash flow from operations</b>	<b>-1,869</b>	<b>-2,857</b>	<b>-6,134</b>
<b>Investments</b>			
Investments	-13	-118	-122
Loans extended	0	0	0
Investments in subsidiaries	0	0	0
<b>Cash flow from investment activities</b>	<b>-13</b>	<b>-118</b>	<b>-122</b>
<b>Financing</b>			
Paid share issue	4,369	5,154	8,979
Withdrawals of non-current loans	0	912	0
Repayments of non-current loans	-300	0	-559
Withdrawals of current loans	0	0	1,031
Repayments of current loans	0	-1810	-1,810
Advances received	0	64	0
<b>Cash flow from financing activities</b>	<b>4,069</b>	<b>4320</b>	<b>7,641</b>
Change in cash and cash equivalents	2,188	1345	-1465
Cash and cash equivalents at the beginning of period	2,133	747	2,212



Cash and cash equivalents at the end of period	4,321	2092	2,133
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**ANNEX 4**  
**CALCULATION OF CHANGES IN EQUITY (FAS, unaudited)**

<b>(EUR 1,000)</b>	<b>Share capital</b>	<b>Paid-up unrestricted equity fund</b>	<b>Retained earnings</b>	<b>Result for financial year</b>	<b>Total</b>
Equity at 1 Jan 2020	2,007	36,715	-35,131	0	3,592
Share issue	-1,537	5,906	0	0	4,369
Net profit/loss for the reporting period	0	0	0	-2,564	-2,564
Equity at 30 Jun 2018	470	42,621	-35,131	-2,564	5,396
Equity at 1 Jan 2019	470	29,273	-28,371	0	1,372
Share issue	0	5154	0	0	5154
Net profit/loss for the reporting period	0	0	0	-3,314	-3,314
Equity at 30 Jun 2018	470	34,427	-28,371	-3,314	3,212

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**ANNEX 5**
**FINANCIAL RATIOS AND CALCULATION OF KEY FIGURES (FAS, unaudited)**

(EUR 1,000)	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Revenue	2,043	1,679	3,415
Net profit/loss for the reporting period/financial year	-2,564	-3,314	-6,760
Cash and cash equivalents	4,321	2,092	2,133
Equity	5,396	3,212	3,592
Equity ratio, %	60.8	54.3	49.3

**Calculation of key figures**

Equity ratio, %	Equity in balance sheet at the end of the period x 100 / Total assets
Number of outstanding shares, pcs	Number of outstanding shares at the close of period
Number of outstanding shares on average	Average number of outstanding shares by month, adjusted by share issue
Earnings per share, EUR	Net profit for the financial year / Average number of outstanding shares, adjusted by share issue