

SAVO-SOLAR LTD's ANNUAL ACCOUNTS AND REPORT OF THE BOARD OF DIRECTORS FOR 2015

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This document is an unofficial translation
of the original Finnish document.

Savo-Solar Ltd.

Report of the Board of Directors for 2015

Revenue

Savo-Solar's full-year revenue amounted to EUR 2,046 thousand, i.e. double the figure in previous year (1-12/2014: EUR 1,033 thousand). The growth was mainly due to the projects delivered to Denmark.

The company signed contracts for several new projects in the Danish district heating market and the order intake showed a favourable trend.

In July Savo-Solar signed a contract of approximately EUR 1 million on a solar collector field to Løgumkloster Fjernvarme in Denmark. Large share of the order value is included in Savo-Solar's revenue figure for 2015. The installation and handover of the field took place after the end of reporting period in February 2016.

Business development

In August Savo-Solar signed a contract on the delivery of solar thermal field with Jelling Varmeværk, Denmark. The contract was confirmed after completion of the customer's approval process in the beginning of December 2015. The value of the contract is approximately EUR 2 million, and the delivery of the solar collector field will take place by in May 2016.

Savo-Solar supplied the first stage of the solar collector field of Løgumkloster during the first half of 2015. The collector field covering approximately 9,600m² is the first large-scale delivery of Savo-Solar. The production of the collector field started in the middle of June and it has operated according to the specifications. A further order to the same customer covering approximately 5,600m² was delivered during December 2015 and February 2016. The positive feedback given by the customer is a good reference for further tenders. Løgumkloster also has preliminary plans for notable expansion of the collector field during the next few years.

Savo-Solar and Dansk Energi Service (DES) signed an agreement concerning co-operation in the sales and development of full turnkey solar thermal installations in Denmark. Based on the agreement Dansk Energi Service will sell Savo-Solar's collectors as a part of their offering and accordingly, Savo-Solar complements its own offering with the competence of Dansk Energi Service. Partnership with a well-known company like Dansk Energi Service offers Savo-Solar better opportunities to participate in solar district heating projects in Denmark and elsewhere.

Savo-Solar signed with Li-Mithra Engineering, France, a contract on the use of Savo-Solar's absorbers in Li-Mithra's PVT heating system. The patented heat pump system of Li-Mithra utilises solar panels, which produce both electricity and heat, and in future all absorbers for these are delivered by Savo-Solar. If the estimated delivery volumes of the contract are realised, the contract would mean revenue of approximately EUR 2.5 million during 2015-2017 for Savo-Solar. Furthermore, Savo-Solar has the right to sell Li-Mithra's large systems in Finland, Denmark and in Japan. The contract did not realise in revenue during the year 2015. However, Li-Mithra has made progress in the certification process of the PVT heating system in France after the end of the financial period and both companies trust in the potential of the PVT heating system.

Costs

The costs relating to materials and services totalled EUR 2,272 thousand (EUR 949 thousand) as a result of the increased manufacturing volumes and different development actions. Despite the strong growth of revenue the personnel costs increased only moderately to EUR 1,601 thousand (EUR 1,256 thousand). Other operating expenses amounted to EUR 1,342 thousand (EUR 696 thousand). Biggest increase was seen in costs for marketing, administration and R&D.

Research & development

Part of other business costs are non-recurring items connected with the company's first large-scale project or with development efforts, which were considered to be necessary based on the experiences gained in the first project.

The company took extensive actions in R&D, product testing and production development, in which notable amounts of materials and outside services were used. Among others, several tests on collectors were ordered from certified testing institutes. With the help of test results the company is able to improve different characteristics of the product and the gained data on efficiency has an important role in the sales support. Considerable improvements were made also to the components and utilities connected with the transport and installation of collectors, when among others the time used for packing in the factory and unpacking before assembly could be reduced to 50% of previous.

In 2015, investments in actual R&D amounted to EUR 153 thousand. As a result of product development the company introduced a large two-glass collector, a new upgraded aluminium profile to absorber as well as several product improvements, which enhance the manufacturing and especially the installation of the collectors.

Earnings

The operating result (EBIT) for 2015 amounted to EUR -3,675 thousand (EUR -2,080 thousand). Weak profitability was mainly caused by increased costs in the large-scale project for Løgumkloster and the development made for the manufacturing process and supply chain.

Net financial income and expenses amounted to EUR 398 thousand (EUR 124 thousand). Financial expenses grew due to increase of delivery guarantee limit, granted delivery guarantees and the costs of rights issue.

The result for the reporting period stood at EUR -4,072 thousand (EUR -1,193 thousand). In the corresponding period in 2014 there were extraordinary items of EUR 1,011 thousand due to the restructuring accord.

Earnings per share were EUR -0.94 (EUR -0.48).

Financing

Total assets on 31 December 2015 stood at EUR 7,012 thousand (EUR 3,833 thousand). The inventories decreased from EUR 556 thousand to EUR 392 thousand. Cash and cash equivalents increased by EUR 2,968 thousand due to share issues.

Shareholders' equity increased from EUR -1,424 thousand to EUR 2,799 thousand due to the Initial Public Offering in February-March and the rights issue in November-December. The company's equity ratio at the end of financial year was 39.9% (-37.2%).

Liabilities decreased to EUR 4,213 thousand (EUR 5,257 thousand), of which EUR 2,109 thousand (EUR 2,742 thousand) were long-term and EUR 2,105 thousand (EUR 2,515 thousand) short-term liabilities. Long-term liabilities include EUR 1,431 thousand of capital loans and EUR 363 thousand of bank loans,

and a total of EUR 314 thousand of other payables to Tekes, material suppliers and tax authorities, in line with the restructuring program prepared for the company.

The company has a total of EUR 1,431 thousand of capital loans and their main conditions are presented in the Notes to the Annual Accounts. The company had no related-party loans during the financial period.

Cash flow from operations was EUR -3,400 thousand (EUR -1,817 thousand) and cash flow from investments EUR -1,056 thousand (EUR -536 thousand). Cash flow from financing was EUR 7,424 thousand (EUR 2,085 thousand), out of which the share issues accounted for EUR 6,573 thousand. On 31 December 2015, Savo-Solar's cash and cash equivalents totalled EUR 3,108 thousand (EUR 140 thousand).

Investments

Investments were EUR 1,056 thousand, of which EUR 670 thousand were the IPO realisation costs. Investments in machinery and equipment amounted to EUR 200 thousand and most of it was related to increasing the capacity and efficiency in the collector assembly. During the financial year the company raised EUR 116.7 thousand as an R&D grant from Tekes for the SOLHC (Solar Thermal Heating and Cooling) project, which is a joint EU-project of German and Finnish research institutes. After the end of the financial period, this project has proceeded to the phase of system tests, and the new-generation solar thermal cooling devices have been installed in Savo-Solar's premises and the trial use is starting in the beginning of April. The company aims at integrating the solar thermal cooling system into product offering during the year 2017.

Initial Public Offering

During February and March 2015 Savo-Solar arranged an Initial Public Offering, in which a total of 2,036,850 new class A shares were subscribed and the company received 737 new shareholders

After the offering the total number of shares in the company amounted to 5,295,810. The subscription price per share subscribed for in the Initial Public Offering was EUR 2.00 (SEK 18.28). Savo-Solar recorded issue proceeds of approximately EUR 4.0 million (before transaction costs) to the unrestricted equity fund. Of the total issue proceeds approximately EUR 1.2 million were paid by means of set-off.

The new class A shares subscribed for in the offering were registered with the Trade Register on 25 March 2015 and trading with the shares commenced on Nasdaq First North Sweden on 2 April 2015 with the ticker SAVOS. Savo-Solar also applied for secondary listing of class A shares on Nasdaq First North Finland and the trading was started in Helsinki on 24 April 2015 with the ticker SAVOH.

Rights issue

In November-December 2015 the company arranged a rights issue with related warrants in Sweden and Finland.

A total of 10,591,620 new class A shares were offered for subscription in the rights issue. The subscription price of new shares was EUR 0.40 or SEK 3.73 per share. The rights issue was oversubscribed and the company recorded approximately EUR 4.2 million to the unrestricted equity reserve. Approximately EUR 0.525 million of the issue was paid by means of set-off.

In addition, each subscriber of the shares was offered free warrants, which entitled to subscribe for a total of 2,647,905 new class A shares in the way that for each four shares subscribed and paid for in the offering the subscriber received one warrant. Each warrant entitles its holder to subscribe for one new

class A share in the company for a subscription price of EUR 1.00 per share during the subscription period of 5-21 October 2016.

Following the rights issue the company's number of shares increased by 10,591,620 shares to a total of 15,887,430 shares. The number of warrants allocated in the rights issue is 2,647,703.

New shares subscribed in the rights issue were recorded in the Trade Register on 29 December 2015 and the trading with the new shares started on 30 December 2015 on First North Finland and on 8 January 2016 on First North Sweden.

Personnel, Board of Directors and Auditor

The average personnel number in 2015 was 36 (24). Due to postponements of some projects, the operations in production were adjusted after cooperative negotiations by temporary lay-offs of 26 persons for an average of three weeks between August and October. The targeted savings of the lay-offs, i.e. approximately EUR 0.1 million in personnel costs were achieved.

The Annual General Meeting held on 5 February 2015 re-elected Feodor Aminoff, Sami Tuhkanen and Teuvo Rintamäki as members of the Board of Directors. From among its members, the Board elected Feodor Aminoff as the Chairman of the Board.

In the Annual General Meeting, the firm of audit corporation PricewaterhouseCoopers Oy was elected as the company's auditor, with Mr. Pekka Loikkanen, Authorised Public Accountant, acting as the auditor in charge. Jukka Lievonen, Authorised Public Accountant, acted as deputy auditor of the company.

Stock option program of the management

Based on the authorisation granted by the Extraordinary General Meeting on 19 December 2014, the Board of Directors launched on 18 February 2015 a stock option program for a maximum of 250,000 stock options of the company, which entitled to subscribe for a total of up to 250,000 class A shares in the company. Of the stock options, 77,500 are marked with the symbol 2015A, 57,500 with the symbol 2015B, 57,500 with the symbol 2015C and 57,500 with the symbol 2015D. A total of 130,000 stock options have been allocated to nine key members of the company's personnel. The share subscription period is for stock option 2015A from 1 April 2016 to 31 March 2018, for stock option 2015B from 1 October 2016 to 31 March 2018, for stock option 2015C from 1 April 2017 to 31 March 2018 and for stock option 2015D from 1 October 2017 to 31 March 2018. The original subscription price for the shares was EUR 1.50 per share. The share subscription price shall be entered into the invested unrestricted equity fund of the company.

In connection with the rights issue in November-December 2015, the terms of the stock option program were adjusted, in the name of equality between the holders of stock options and shares. The subscription price per share was decreased by the Board's decision from EUR 1.50 to EUR 0.93 per share. Furthermore, the subscription ratio in the stock option program was changed in the way that the holder of each stock option is entitled to subscribe for two new class A shares instead of one new class A share.

Annual General Meeting 2015

The Annual General Meeting of Savo-Solar was held in Mikkeli on 5 February 2015. The Annual General Meeting adopted the financial statements for the financial period ended on 31 December 2014 and resolved, in accordance with the proposal of the Board of Directors, that no dividend be distributed and that the loss for the financial period (EUR 1,192,640) be recognised in equity. The Annual General Meeting discharged the members of the Board of Directors and the Managing Director from liability.

Authorisation of the Board of Directors to decide on issuance of shares, options and other special rights entitling to shares pursuant to Chapter 10 Section 1 of the Companies Act

The Extraordinary General Meeting held on 19 December 2014 resolved to authorize the Board of Directors to decide, in one or more transactions, against or without consideration, on the issuance of shares and the issuance of options and other special rights entitling to shares pursuant to Chapter 10 Section 1 of the Finnish Companies Act.

The number of shares to be issued based on the authorization may amount to a maximum of 20,000,000 class A shares and 20,000,000 class B shares. The authorization may be used for example to a split of the company's shares, to a share issue in connection with the Initial Public Offering, to an issuance of convertible loans, to an increase of the commitment of the company's key persons and to other purposes resolved by the Board of Directors.

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 authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and options and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act may be carried out in deviation from the shareholders' pre-emptive rights (directed share issue).

The Board of Directors has used the authorization in the share issue without consideration (split) in January 2015 (1,307,553 class A shares and 1,869,933 class B shares), in the stock option program in February 2015 (250,000 class A shares), in the Initial Public Offering in March 2015 (2,036,850 class A shares) and in the rights issue in November-December 2015 (10,591,620 A-shares and 2,647,905 stock options). The rest of the authorization is valid until 30 June 2016.

Shares and shareholders

On 25 March 2015 all the company's class B shares were converted into class A shares at the ratio of 1:1, and after that the company has only class A shares. After the rights issue in November-December, the total number of shares is 15,887,430 shares. Each share entitles its holder to one vote at the General Meeting. A total of 3,258,960 of the company's shares are subject to lock-up agreements until 2 April 2016.

The shares of Savo-Solar are traded on First North Sweden marketplace maintained by Nasdaq Stockholm AB as from 2 April 2015 with a short code SAVOS. Secondary listing of the shares on First North Finland marketplace maintained by Nasdaq Helsinki Oy started on 24 April 2015 with a short code SAVOH.

After the registration of the new shares in rights issue in December 2015, Savo-Solar had 1,924 shareholders. The company does not hold any of its own shares.

BIGGEST SHAREHOLDERS in January 2016

Shareholder	Holding, number of shares	Percentage of all shares and votes
The Finnish Innovation Fund (Sitra)	2,502,032	15.75
Cleantech Invest Oyj	1,097,045	6.91
Försäkringsaktiebolaget Avanza Pension	1,016,468	6.40
Suur-Savon Osuuspankki	1,004,230	6.32
Nordnet Pensionsförsäkring AB	594,773	3.74
Oy Ingman Finance Ab	474,960	2.99
Bernhard von der Osten-Sacken	427,711	2.69
Turret Oy Ab	275,000	1.73
Clean Future Fund Ky	242,000	1.52
Niklas Geust	200,040	1.26
Others	8,053,171	50.69
Total	15,887,430	100

Group structure

Savo-Solar has a subsidiary Savosolar ApS in Denmark, owned by 100% by Savo-Solar. The company also owns 55% of Savolaser Oy, the other owner being Veslatec Oy with a share of 45%.

Short-term risks and factors of uncertainty concerning operations

The most significant risks of Savo-Solar are the sufficiency of working capital and the ability to gain new projects and to increase the efficiency of operations, thereby turning the operations profitable.

Based on the cash flow calculations during the preparation of the financial statement release the company estimates that it has sufficient working capital to meet its current needs for a period of at least 12 months as of 31 December 2015.

Like most early stage technology start-ups, Savo-Solar has invested in development of its products, offering and production during the first operational years and has not yet reached sales volumes and margins that would cover the operational costs. Thus, the company has incurred significant operating losses since it was founded in 2010. These losses have resulted principally from costs incurred in research and development of products and production processes as well as from general and administrative costs associated with the company's operations. The unprofitability of operations and challenges of supplementary financing led to the fact that the company has applied for restructuring proceedings in accordance with the Restructuring of Enterprises Act in 2013, and the restructuring program is planned to last until the end of 2018. The company has implemented the restructuring program and paid back the related debt according to agreement.

Savo-Solar takes active measures to protect its intellectual property by obtaining patents and undertaking monitoring activities in its major markets. The company uses for this a well-known IPR service provider Berggren Oy.

Strategy and long-term goals

Savo-Solar's mission is to accelerate the solar economy through the leading technology for competitive energy and the company's vision is to be the first-choice supplier to high performance solar installations on a global scale.

The company's strategy is to maintain the position as the supplier of the world's most efficient solar thermal collectors with MPE-absorbers for customers and applications where efficiency matters the most. These are large-scale industrial or real estate installations like solar thermal district heating, industrial process heat and large real estate renovations for energy efficiency. Geographical focus of operations is today in Northern countries but the company has initiated active marketing in Europe and is aiming at expanding to areas outside Europe during the next few years.

Savo-Solar's goal is to double its revenue annually in the way that in 2019 at the latest, the company's revenue exceeds EUR 20 million. Furthermore, the company is aiming at expanding the annual production notably from the present. The company further aims at positioning itself more strongly to the role of a system supplier.

Savo-Solar's goal is to keep its position as the innovative technology leader in the field and for that the company plans to invest annually 3-5% of the revenue for product development. During the years 2015-2016 the investments in product development are however estimated to be more moderate, at approximately EUR 0.2 million annually.

Significant events after the end of the period

Savo-Solar announced on 1 March 2016 that it will supply solar collector field to Søllested district heating plant in Denmark. The collector field will be constructed during May-August 2016. The value of the contract to Savo-Solar is approximately EUR 0.7 million. Søllested district heating plant is owned by the Danish energy company Lolland Varme A/S, which is part of Lolland Forsyning A/S. The delivery is part of the co-operation between Savo-Solar and Dansk Energi Service (DES) covering the sales and development of full turn-key solar thermal installations in Denmark. Dansk Energi Service offers energy solutions and maintenance services, primarily for district heating, and is one of the major players in this field in Denmark.

Savo-Solar has carried out the tests with laser welding successfully in February 2016 and the project is proceeding as quickly as possible to the next phase, which includes more detailed discussions with device suppliers.

In heat exchangers, Savo-Solar made a test delivery to Nihon Parkerizing, Japan. Even though the delivery at this stage was small, the revenue potential after eventual successful tests may be very notable.

Savo-Solar announced on 31 March 2016 the signature of a contract concerning the delivery of a solar collector field to the district heating plant of Jyderup in Denmark. The value of the contract is approximately EUR 1.5 million and the delivery is scheduled to take place in autumn 2016.

Outlook

Savo-Solar estimates that the company's revenue in 2016 will be at least double the revenue in 2015, when the revenue amounted to EUR 2.0 million. According to the company's estimate the full-year

operating result (EBIT) will be negative but better than in 2015, when the operating result was EUR -3.7 million. The company's operating result is estimated to be positive during the first half of the year 2017 at the earliest. The company estimated previously that the result would turn to positive during the latter half of 2016.

Board of Directors' proposal to the Annual General Meeting on the use of loss and the distribution of dividends

The Annual General Meeting of Savo-Solar Ltd. will be held on 19 April 2016 at the premises of Sitra in Helsinki. The notice to convene the Annual General Meeting was published on 29 March 2016.

The Board of Directors proposes to the Annual General Meeting that the loss for the financial year (EUR -4,071,769.85) be transferred to the profit/loss account of previous periods and no dividend be distributed.

SAVO-SOLAR LTD.
Board of Directors

INCOME STATEMENT

1 Jan 2015-31 Dec 2015 1 Jan 2014-31 Dec 2014

NET TURNOVER	2 045 520,02	1 033 400,27
Other operating income	19 053,94	129 714,54
<i>Materials and supplies</i>		
<i>Raw materials and consumables</i>		
Purchases during the financial year	-1 600 646,87	-1 014 631,60
Increase (–) or decrease (+) in stocks	-163 987,85	399 781,43
External services	-507 511,93	-333 628,69
Total materials and services	-2 272 146,65	-948 478,86
<i>Personnel expenses</i>		
Wages and salaries	-1 316 711,06	-1 030 690,49
Social security expenses		
Pension expenses	-226 171,34	-176 332,31
Other social security expenses	-57 892,86	-48 564,07
Total personnel expenses	-1 600 775,26	-1 255 586,87
Depreciation, amortisation and impairment	-524 025,64	-342 617,26
Other operating expenses	-1 342 163,24	-695 977,42
OPERATING PROFIT (LOSS)	-3 674 536,83	-2 079 545,60
<i>Financial income and expenses</i>		
Interest and other financial income	247,86	654,33
Interest and other financial expenses	-397 480,88	-124 774,02
Total financial income and expenses	-397 233,02	-124 119,69
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	-4 071 769,85	-2 203 665,29
<i>Extraordinary items</i>		
Extraordinary income	0,00	1 011 025,11
Total extraordinary items	0,00	1 011 025,11
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-4 071 769,85	-1 192 640,18
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-4 071 769,85	-1 192 640,18

ASSETS	31 Dec 2015	31 Dec 2014
<i>NON-CURRENT ASSETS</i>		
<i>Intangible assets</i>		
Development costs	1 416 239,53	1 588 473,47
Intangible rights	139 765,34	82 579,53
Other long-term expenses	<u>571 054,88</u>	<u>0,00</u>
Total intangible assets	2 127 059,75	1 671 053,00
<i>Property, plant and equipment</i>		
Machinery and equipment	681 946,91	602 653,60
Advanced payments and work in progress	<u>0,00</u>	<u>25 539,85</u>
Total tangible assets	681 946,91	628 193,45
<i>Investments</i>		
Shares in group companies	132 237,19	8 352,41
TOTAL NON-CURRENT ASSETS	2 941 243,85	2 307 598,86
<i>CURRENT ASSETS</i>		
<i>Inventories</i>		
Materials and supplies	391 859,46	182 084,88
Unfinished goods	<u>0,00</u>	<u>373 762,43</u>
Total inventories	391 859,46	555 847,31
<i>Receivables</i>		
<i>Long-term receivables</i>		
Other receivables	<u>2 200,00</u>	<u>2 820,00</u>
Total long-term receivables	2 200,00	2 820,00
<i>Short-term receivables</i>		
Accounts receivables	32 079,03	349 521,40
Receivables from group companies	0,00	101 784,78
Other receivables	110 532,56	79 723,97
Prepayments and accrued income	<u>426 589,23</u>	<u>295 720,49</u>
Total current receivables	569 200,82	826 750,64
Total receivables	571 400,82	829 570,64
Cash and cash equivalents	<u>3 107 766,03</u>	<u>139 959,94</u>
TOTAL CURRENT ASSETS	4 071 026,31	1 525 377,89
TOTAL ASSETS	<u>7 012 270,16</u>	<u>3 832 976,75</u>

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BALANCE SHEET

EQUITY AND LIABILITIES	31 Dec 2015	31 Dec 2014
<i>EQUITY</i>		
Share capital	470 210,00	472 610,00
Unrestricted equity fund	12 713 782,39	4 416 506,84
Retained earnings	-6 313 391,13	-5 120 750,95
Net profit (loss)	-4 071 769,85	-1 192 640,18
TOTAL SHAREHOLDER'S EQUITY	2 798 831,41	-1 424 274,29
<i>LIABILITIES</i>		
<i>Long-term liabilities</i>		
Capital loans	1 431 275,17	1 431 275,17
Loans from financial institutions	363 181,64	844 467,22
Other liabilities	314 134,54	466 626,94
Total Long-term liabilities	2 108 591,35	2 742 369,33
<i>Short-term liabilities</i>		
Loans from financial institutions	462 900,29	727 744,07
Advance payments received	630 357,34	913 969,79
Trade payables	611 915,36	500 133,40
Other liabilities	46 544,66	35 490,46
Accruals and deferred income	353 129,75	337 543,99
Total short-term liabilities	2 104 847,40	2 514 881,71
TOTAL LIABILITIES	4 213 438,75	5 257 251,04
TOTAL EQUITY AND LIABILITIES	7 012 270,16	3 832 976,75

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CASH FLOW STATEMENT	2015	2014
Cash flow from operating activities		
Profit (loss) before extraordinary items	-4 071 769,85	-2 203 665,29
Adjustments:		
Depreciation according to plan	524 025,64	342 617,26
Financial income and expenses	397 233,02	124 119,69
Cash flow before change in working capital	<u>-3 150 511,19</u>	<u>-1 736 928,34</u>
Change in working capital:		
Increase (-) or decrease (+) in short-term interest-free receivables	156 385,04	-600 601,28
Increase (-) or decrease (+) in inventories	163 987,85	-399 781,43
Increase (+) or decrease (-) in short-term interest-free payables	-148 721,45	1 010 537,44
Cash flow from operations before financial items and taxes	<u>-2 978 859,75</u>	<u>-1 726 773,61</u>
Interest paid and other financial expenses	-421 506,58	-90 905,63
Interest received and other financial income	247,86	654,33
Cash flow before extraordinary items	<u>-3 400 118,47</u>	<u>-1 817 024,91</u>
Cash flow from operations (A)	<u>-3 400 118,47</u>	<u>-1 817 024,91</u>
Cash flow from investing activities		
Purchase of intangible and tangible assets	-1 033 785,85	-427 156,56
Investments in subsidiary shares	-22 100,00	-6 702,41
Loans granted	0,00	-101 784,78
Repayment of loan receivables	0,00	0,00
Cash flow from investment activities (B)	<u>-1 055 885,85</u>	<u>-535 643,75</u>
Cash flows from financing activities		
Share issue	6 572 771,55	1 446 000,00
Proceeds from long-term borrowings	0,00	750 000,00
Repayment of long-term borrowings	0,00	-111 428,29
Proceeds from short-term borrowings	1 128 300,00	0,00
Repayment of short-term borrowings	-277 261,14	0,00
Cash flow from financing activities (C)	<u>7 423 810,41</u>	<u>2 084 571,71</u>
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	2 967 806,09	-268 096,95
Cash and cash equivalents at beginning of period	139 959,94	408 056,89
Cash and cash equivalents at end of period	<u>3 107 766,03</u>	<u>139 959,94</u>
	2 967 806,09	-268 096,95

Accounting policy

The financial accounts have been prepared following the principle of continuity of operations.

Notes regarding Group

The parent company of this Group is Savo-Solar Oy domiciled in Mikkeli, Finland. The company has two subsidiaries, Savo-Solar ApS, domiciled in Denmark, and Savo Laser Ltd, domiciled in Mikkeli. Since this is a small Group no consolidation of Financial Statements has been made in accordance with Bookkeeping Act § 6:1. If the Consolidated Financial Statements had been made, it would not have had a substantial effect to get the true and fair view of the Group's result of operations and financial position.

Bases for measurement models and methods

Non-current assets have been valued to their acquisition costs.

Depreciations according to plan regarding development expenses, intangible rights and other long-term expenses have been calculated as a straight-line depreciation from the original acquisition cost. Expenditure depreciation from the residue has been used for other non-current assets, starting from the period when the non-current asset was put to use.

Principles for depreciations according to plan are:	2015	2014
Development expenses	10 y straight-line depreciation	10 y straight-line depreciation
Intangible rights	5 y straight-line depreciation	5 y straight-line depreciation
Other long-term expenses	5 y straight-line depreciation	
Machinery and equipment	25 % net expenditure	25 % net expenditure

The depreciation period for activated development expenses is longer than 5 years because the product being developed is unique and the development expenses are believed to generate income for 10 years. Grants received for development costs have been recorded as decrease in acquisition cost.

IPO costs recorded as long-term expenses in non-current assets are depreciated in straight-line method in 5 years.

Measurement of current assets

The acquisition cost includes the variable costs.

Inventories are valued at acquisition cost or the lower probable selling price.

Measurement of receivables and liabilities

Trade and other receivables are valued at their nominal value or if lower, to the probable value.

Liabilities are valued at nominal value or if higher, based on the comparison value.

Comparability of the figures from previous financial years

Accounting periods are not comparable, since in 2014 extraordinary income includes capital adjustments of EUR 1,011,025.11 according to the Restructuring Program.

Restructuring Liabilities have been reclassified in the balance sheet to current and non-current liabilities.

Long-term restructuring liabilities in the Financial Statement amount to a total EUR 314,134.54 and short-term restructuring liabilities EUR 157,067.40. The restructuring liabilities totalled EUR 471,201.94.

Duration of the payment scheme for these liabilities expands until the end of 2018 and the liabilities are paid back every three month.

Foreign currency items

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. Foreign currency receivables and liabilities have been transferred to Euros according to the exchange rate of the Balance Sheet date.

Notes to the profit and loss account**Net turnover**

Products requiring long-term production have been booked as income according to the grade of completeness.

Projects, where the starting date and the completion date take place in different financial years and where the income generated by the project has a substantial effect on the net turnover and the profit formation, are considered as long-term projects.

The grade of completeness has been defined based on the number of products that have been produced.

Net turnover according to the grade of completeness amounts to EUR 420,790 which is 20.6% of the net turnover for the full financial year (2014: EUR 292,448.00, 28.3%).

The grade of completeness that has not been recorded as income is EUR 521,670.00.

Other operating incomes

	2015	2014
Grants received	0,00	122 106,90
Other	19 053,94	7 607,64
	<u>19 053,94</u>	<u>129 714,54</u>

Obligatory reserves

No obligatory reserves were made during the financial year or the previous periods.

Notes concerning personnel organs and governing bodies**Personnel costs**

	2015	2014
Wages and salaries	1 418 850,23	1 142 228,73
Pension expenses	234 153,57	196 109,42
Other social security expenses	60 303,70	53 561,80
Activated as development costs	-112 532,24	-136 313,08
	<u>1 600 775,26</u>	<u>1 255 586,87</u>

Average personnel

Average number of employees during the financial year	36	24
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Other operating expenses

	2015	2014
Administration expenses	328 983,27	157 542,75
Premises expenses	443 639,12	325 119,59
Telephone-, IT- ja office expenses	52 835,99	44 781,54
Travelling expenses	71 626,45	68 960,22
Marketing expenses	269 568,61	64 704,83
Development expenses	96 720,29	1 138,53
Other operating expenses	78 789,51	33 729,96
	<u>1 342 163,24</u>	<u>695 977,42</u>

Remuneration to accountant

Figures are included in the Administration expenses presented above.

Statutory audit	12 444,08	3 300,00
Assignments	7 110,00	0,00
Tax advice	0,00	0,00
Other services	8 754,09	0,00
	<u>28 308,17</u>	<u>3 300,00</u>

Finance expenses

Expenses of rights issue	208 410,33	0,00
Other financing and interest expenses	189 070,55	124 774,02
	<u>397 480,88</u>	<u>124 774,02</u>

Balance sheet notes

Changes in current assets	2015	2014
INTANGIBLE ASSETS		
DEVELOPMENT EXPENSES (TEM 1066/2008)		
Acquisition cost 1.1.	2 078 529,86	1 898 470,25
Increase 1.1 - 31.12	36 569,42	180 059,61
Acquisition cost 31.12	2 115 099,28	2 078 529,86
Accumulated depreciation	-490 056,39	-299 859,03
Depreciation in year 2015	-208 803,36	-190 197,36
Bookkeeping value 31.12	<u>1 416 239,53</u>	<u>1 588 473,47</u>
INTANGIBLE RIGHTS		
Acquisition cost 1.1.	82 579,53	53 458,26
Increase 1.1 - 31.12	68 380,35	29 121,27
Acquisition cost 31.12	150 959,88	82 579,53
Depreciation in year 2015	-11 194,53	0,00
Bookkeeping value 31.12	<u>139 765,35</u>	<u>82 579,53</u>
OTHER LONG-TERM EXPENSES		
Acquisition cost 1.1.	0,00	
Acquisition cost 1.1.	676 830,47	
Increase 1.1 - 31.12	676 830,47	
Depreciation in year 2015	-105 775,59	
Bookkeeping value 31.12	<u>571 054,88</u>	
TANGIBLE ASSETS		
MACHINERY AND EQUIPMENT		
Acquisition cost 1.1.	1 172 816,35	954 840,67
Increase 1.1 - 31.12	278 087,95	217 975,68
Acquisition cost 31.12	1 450 904,30	1 172 816,35
Accumulated depreciation	-570 162,75	-417 742,85
Depreciation in year 2015	-198 794,64	-152 419,90
Bookkeeping value 31.12	<u>681 946,91</u>	<u>602 653,60</u>
ADVANCE PAYMENTS		
Bookkeeping value 1.1	25 539,85	25 539,85
Increase 1.1 - 31.12	0	0,00
Decrease 1.1 - 31.12	-25 539,85	0,00
Bookkeeping value 31.12	<u>0,00</u>	<u>25 539,85</u>
INVESTMENTS		
Bookkeeping value 1.1	1 650,00	1 650,00
Increase 1.1 - 31.12	130 587,19	6 702,41
Bookkeeping value 31.12	<u>132 237,19</u>	<u>8 352,41</u>
Amounts owed by group undertakings		
AMOUNTS OWED BY GROUP UNDERTAKINGS		
Bookkeeping value 1.1	101 784,78	0,00
Increase 1.1 - 31.12	0,00	101 784,78
Decrease 1.1 - 31.12	-101 784,78	0,00
Bookkeeping value 31.12	<u>0,00</u>	<u>101 784,78</u>
Prepayments and accrued income		
ACCRUALS		
Grade of completeness receivables	420 790,00	292 448,00
Other prepayments	5 799,23	3 272,49
	<u>426 589,23</u>	<u>295 720,49</u>

Capital and reserves	2015	2014
Restricted equity		
Subscribed capital 1.1	470 210,00	189 290,00
Increase in subscribed capital	2 400,00	280 920,00
Transfer to invested unrestricted equity fund	-2 400,00	0,00
	<u>470 210,00</u>	<u>470 210,00</u>
Restricted equity in total	470 210,00	472 610,00
Other reserves		
Invested unrestricted equity fund 1.1	4 416 506,84	3 221 426,84
Transfer to IUEF from restricted equity	2 400,00	0,00
Transfer to IUEF from capital loans	603 300,00	0,00
Share issue 20.2.2015 / 15.12.2014	3 432 514,58	1 195 080,00
Share issue 23.11.2015	4 259 060,97	0,00
Invested unrestricted equity fund 31.12.	<u>12 713 782,39</u>	<u>4 416 506,84</u>
Retained profit / loss 1.1	-6 313 391,13	-5 120 750,95
Retained profit / loss 31.12.	<u>-6 313 391,13</u>	<u>-5 120 750,95</u>
Profit / loss for the financial year	-4 071 769,85	-1 192 640,18
Unrestricted equity in total	2 328 621,41	-1 896 884,29
Capital and reserves in total 31.12.	2 798 831,41	-1 424 274,29
Distributable funds		
Invested unrestricted equity fund	12 713 782,39	4 416 506,84
Retained profit / loss	-6 313 391,13	-5 120 750,95
Loss for financial year	-4 071 769,85	-1 192 640,18
Distributable funds 31.12.	<u>2 328 621,41</u>	<u>-1 896 884,29</u>

The distributable funds of the company are EUR 2,328,621.41.

Proposal by the Board of Directors on procedures concerning the company's result

Loss for the financial year 2015 is EUR -4,071,769.85.

The Board of Directors proposes to the Annual General Meeting that the loss for the period EUR -4,071,769.85 be transferred to the Retained profit / loss account and that no dividend be paid.

Guarantees and contingent liabilities

Liabilities for which the company has given mortgage business and collateral values	2015	2014
Loans from credit institutions	734 802,77	1 572 211,29
Bank loan secured by the mortgage business	1 600 000,00	1 600 000,00

Pledged bank accounts

Suur-Savon Osuuspankki	0,00	108 299,00
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Warranty guarantees and performance guarantees

Suur-Savon Osuuspankki	1 655 404,87	723 945,14
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Structural and financing arrangements

Subsidiaries

During the financial year 2014 the company established a new subsidiary in Denmark, Savo-Solar Aps. The company also has a subsidiary Savolase Oy, which was established in 2013.

Company restructuring

District Court of Pohjois-Savo has approved the Restructuring program for the company on 13 February 2014. In line with the Restructuring program, receivables of debtors have been transferred to capital loans, amounting to EUR 1,431,275.17. The capital reduction of ordinary restructuring liabilities amounted to EUR 1,011,025.11.

Shares of the company	2015	2014
Shares, A-series (1 vote/share), pcs	15 887 430	33 527
Shares, B-series (1 vote/share), pcs	0	47 907
Capital loans	2015	2014
Capital loans 1.1	1 431 275,17	0,00
Increase 1.1 - 31.12.	603 300,00	1 431 275,17
Decrease 1.1 - 31.12.	-603 300,00	0,00
Capital loans 31.12.	1 431 275,17	1 431 275,17

The company has a capital loan of EUR 1,190,216.21 from the Bank Suur-Savon Osuuspankki.

The main terms of the loan are:

1) The loan and interest can be paid back in a debtor's liquidation and bankruptcy situation only with the lowest order of preference compared to all other creditors. According to the 12 chapter 2§ in the Finnish Companies Act this loan is anyhow having the same order of preference with the other capital loans the debtor may have issued or with other comparable financing instruments, if nothing else has been agreed in the funding contract.

2) The loan and its interest are allowed to be paid only as much as the amount of the debtor's free own equity including all capital loans at the time of payment exceeds the accumulated losses in the debtor's balance sheet in the latest audited financial report.

3)) If annual interests remains unpaid because of the regulations in the Finnish Companies Act, the unpaid interest will be accumulated to the following periods until it can be paid in full taken into consideration the said limitations in item 2).

The annual interest is 3% and it is calculated from the date the restructuring program has been approved by the court on 13 February 2014. The first due date for the payment of the interest is 15 May 2015. The annual interest on delayed payments, whether the loan itself, interest or other payments, is 18%.

The interest on the capital loan (2015: EUR 35,706.49, 2014: EUR 31,402.14) is reported as interest expenses on the income statement.

The company has a capital loan of EUR 241,058.96 from Finnvera Oyj.

The main terms of the loan are :

1) The loan and interest can be paid back in a debtor's liquidation and bankruptcy situation only with the lowest order of preference compared to all other creditors, but anyhow with higher order of preference than the distribution quota to the shareholders.

2) The loan and its interest are allowed to be paid only as much as the amount of the debtor's free own equity including all capital loans at the time of payment exceed the accumulated losses in the debtor's balance sheet in the latest audited financial report.

3) There will be no guarantee given for the payment of the loan or interest. If the interest cannot be paid, the payment will be transferred to a time when an audited financial report shows that it can be paid.

The annual interest is 3% and it is calculated from the date the restructuring program has been approved by the court on 13 February 2014. The interest is paid on the due date ex post.

The annual interest on delayed payments, whether the loan itself, interest or other payments, is 18%.

The interest on the capital loan (2015: EUR 7,231.77, 2014: EUR 6,359.99) is reported as interest expenses on the income statement.

Holdings in other companies

Company name and base	Ownership %	Profit / loss
Savosolar Aps, Denmark	100 %	13 274,54
Savolaser Oy, Mikkeli	55 %	-1 503,91

SAVO-SOLAR Ltd
2309682-6
Insinöörinkatu 7
50100 Mikkeli

Signatures to the financial statements

In Mikkeli, 1 April 2016

Aminoff Johan Feodor
Chairman of the Board

Varjotie Jari
Managing director

Tuhkanen Sami
Member of the Board

Rintamäki Teuvo
Member of the Board

Auditor's note

An auditor's report based on the audit performed has been issued today.

In Mikkeli

PricewaterhouseCoopers Oy
Audit corporation

Pekka Loikkanen
KHT-auditor

List of the ledgers, types of vouchers and their storage methods

ACCOUNTING BOOKS

General ledger	electronic archive
Journal	electronic archive
Balance book	paper/cd etc
Balance specifications	paper/cd etc

VOUCHER SERIALS AND STORAGE

Sales invoices	electronic archive
Salaries	electronic archive
Purchase invoices	electronic archive
E-invoices (purchase invoices)	electronic archive
Travelling and expense invoices, memoriz	electronic archive
Bank statemens	electronic archive

The original purchase invoices received in paper are kept by the reporting entity in paper. If a paper invoice is scanned, the invoice is stored only in electronic paperless archive.

Travel and expense invoices vouchers attached to the originals are stored in the reporting entity in paper. If a paper invoice or its annexes are scanned, they are kept only in electronic paperless archive.



Auditor's Report (Translation)

To the Annual General Meeting of Savo-Solar Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Savo-Solar Oy for the period 1 January - 31 December 2015. The financial statements comprise the balance sheet, the income statement, the cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Mikkeli, 5 April 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Loikkanen
Authorised Public Accountant

Annual General Meeting of Savo-Solar Ltd.

Savo-Solar Ltd. Annual General Meeting will be held on Tuesday, 19 April 2016 at 3.30 p.m. (EET) at Sitra, Leonardo da Vinci auditorium at the address Itämerenkatu 11-13, 00180 Helsinki, Finland.

The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 3.00 p.m. (EET). Instructions for registration have been announced in the Notice to Annual General Meeting, published on 29 March 2016.

Matters on the agenda of the General Meeting

1. Opening of the meeting
2. Calling the meeting to order
3. Election of persons to scrutinize the minutes and to supervise the counting of votes
4. Recording the legality of the meeting
5. Recording the attendance at the meeting and adoption of the list of votes
6. Presentation of the annual accounts and the auditor's report for the year 2015
 - Review by the CEO
7. Adoption of the annual accounts
8. Loss shown on the balance sheet and resolution on the payment of dividends
9. Resolution on the discharge from liability of the members of the Board of Directors and the CEO
10. Resolution on the remuneration of the members of the Board of Directors
11. Resolution on the number of members of the Board of Directors
12. Election of members of the Board of Directors
13. Resolution on the remuneration of the auditor
14. Election of auditor
15. Change of company form into a public company and amendment of the Articles of Association
16. Authorizing the Board of Directors to decide on issuance of shares, options and other special rights
17. Closing of the meeting

Documents of the General Meeting

The proposals relating to the agenda of the Annual General Meeting as well as the notice are available on Savo-Solar Ltd.'s website at www.savosolar.fi. The annual accounts of Savo-Solar Ltd. and the auditor's report, is available on the website on 6 April 2016.

The proposals for decisions and the financial statements are also available at the meeting. Copies of them and the notice will be sent to shareholders upon request. Minutes of the Annual General Meeting are available on the website as from 3 May 2016 at the latest.