



**SAVOSOLAR PLC'S
REPORT OF THE
BOARD OF DIRECTORS
AND ANNUAL
ACCOUNTS
FOR 2021**



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



CEO's Review

In recent weeks we have all certainly had on top of our thoughts the war in Ukraine, which has shocked us all. Human emergency and need for support are now enormous in Ukraine. I hope that the hostilities will end as soon as possible and that we can return to peaceful coexistence in Europe. In any case, the war will have a major impact throughout Europe, including on the energy sector where also Savosolar operates.

During the year, Savosolar delivered more than 25,000 square meters of solar thermal systems, which is more than half of all the industrial-scale solar thermal systems delivered in Europe in 2021. At the same time, we negotiated several new projects on which customers have not yet made their decisions.

This illustrates well the turbulence in the energy sector throughout 2021. Interest towards solar heat has grown and is expected to continue to grow, and there are more projects customers have at planning stage than ever before. In Europe, however, decision-making has been delayed by uncertainty about the country-specific schedules for EU Green Deal funding, in addition to which exceptionally high increases in material and transport costs have delayed customers' investment decisions.

Our revenue and result for 2021 fell clearly short of our expectations and the previous year. Our full-year revenue was EUR 2.5 million, which is about half of the previous year's revenue. The operating profit was EUR -4.6 million, down from the EUR -3.9 million in the previous year. Our balance sheet and financial position at the end of the financial year were strong. And as we continued to develop our internal processes during the year, we are now fully prepared to meet the growing demand.

In March 2022, after the reporting period, we signed a delivery contract with Newheat SAS for a solar thermal field approximately 15.000 m² in size in Verdun France. The value of the contract is ca. EUR 3.0 million. When in operation the system will provide heat to Lactalis Group's factory producing whey powder, being the largest solar heating system in France for project industrial process heat. This is our fourth project with Newheat. It is also itself a major milestone in the growth of solar heat for industrial processes, and also a landmark in the growing use of solar heat in industrial processes replacing gas and other fossil fuels.

Year 2021 was unfortunately a gap year in the solar thermal market due to delays in decision-making. Today, it still looks that in 2022 market will return to growth track again, even though the war in Ukraine has increased the uncertainty in the energy sector in the short term, particularly. The possible impacts of the war to Savosolar are analyzed in more detail in the board report.

I would like to thank all our personnel, customers, partners and investors trusting in Savosolar and the growing significance of solar heat in the ongoing transition in the energy sector in the reduction of emissions.

Jari Varjotie
CEO

Savosolar Plc's Report of the Board of Directors for 2021

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 optically coated direct flow absorbers. With this leading technology, Savosolar helps its customers to produce competitive clean energy on a global scale. According to the information available to the company's executive 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 to high performance 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, fully owned subsidiaries in Denmark and Germany, as well as offices in France and China. In its sales activities, Savosolar also utilizes partners who are familiar with the local markets. The company has such partners in Europe, China, Latin America and Australia.

BUSINESS ENVIRONMENT 2021

Solar heat is a fully emission-free source of energy that is utilised in district heating, industrial processes and, to a lesser extent, the heating of domestic water.

The demand for renewable energy, and for genuinely clean, emission-free energy, continues its strong growth when the actions to curb climate change increase. There are more projects customers have at planning stage than ever before. In Europe, however, decision-making has been delayed by uncertainty about the country-specific schedules for EU Green Deal funding, in addition to which exceptionally high increases in material and transport costs have delayed customers' investment decisions.

The market for large solar thermal systems with a temperature of less than one hundred degrees has a limited number of skilled turnkey suppliers that operate globally. Savosolar is the technology and quality leader in this segment. Many industrial solar heating systems have been relatively small, but the number of large-scale systems is increasing in the temperature ranges of both above and below one hundred degrees.

Good examples of large-scale industrial heating systems are those supplied by Savosolar to France, one of which produces heat for the Lecta Group's paper mill and the other for the Boortmalt mill for the drying of malt.

DEVELOPMENT OF BUSINESS OPERATIONS

The comparison figures refer to the corresponding period in 2020, unless otherwise indicated.

Revenue

Revenue for the full year 2021 amounted to EUR 2.5 (5.1) million.

Significant deliveries and order backlog

The largest solar thermal system in Savosolar's financial year, and also in the company's history to date, was handed over to Kyotherm Solar in Issoudun, France, in June. The total value of the project for Savosolar was about EUR 4.0 million. The project and its handover were delayed by about one year because of the Covid-19-pandemic.

In December, Savosolar handed over a 900 m² solar district heating system in Cadaujac, France, to AbSOLAR SAS. The value of the delivery was about EUR 0.3 million.

In France, a solar district heating system was also handed over in Creutzwald to LFDE, and to newHeat SAS in Narbonne in November and in Pons in October. The value of the Narbonne delivery was about EUR 1.0 million and the size of the collector field 3,200 m². The value of the solar thermal field installed in Pons was about EUR 0.7 million and the size of the collector field about 1,700 m².

In May, Savosolar signed a delivery contract with Guangzhou Power Supply Bureau, Guangdong Power Grid Co., Ltd for a solar thermal heating system delivery in Guangzhou, China. The value of the delivered pilot system is approximately EUR 0.5 million. The system was delivered in December 2021 and its installation and commissioning are expected to be completed during the first quarter of 2022.

Savosolar's order backlog at the end of the financial year stood at about EUR 0.4 (2.0) million. At the end of financial year, the value of the identified active sales targets for the upcoming few years amounted to about EUR 138 (117) million, of which projects in the planning and tendering stage accounted for about EUR 15 million.

Costs and earnings

Savosolar's operating result (EBIT) for 2021 amounted to EUR -4.6 (-3.9) million.

The costs related to materials and services in 2021 totalled EUR 2.4 (4.2) million. The costs related to materials and services were increased by the at times exceptionally high prices of certain materials and components during the financial year.

Personnel costs amounted to EUR 2.2 (2.2) million. Based on the co-operation negotiations conducted, Savosolar laid off 17 people on a part-time or full-time basis for a maximum of 90 days starting from the beginning of August. The company's management also reduced their remuneration for three months. The company achieved approximately EUR 0.2 million in savings through personnel arrangements and other savings measures.

Other operating expenses totalled EUR 2.1 (2.2) million.

Net financial income and expenses amounted to EUR -1.2 (-1.1) million. The majority of the financing costs, EUR 1.1 million, were related to the arrangement of a rights issue, the implementation of warrant plans, and the arrangement of a directed share issue supplementing the warrant plan.

Net result for the financial year stood at EUR -5.8 (-5.0) million. Undiluted earnings per share were EUR -0.066 (-0.161) and diluted EUR -0.021 (-0.054).

Key figures

(EUR 1,000)	January-December 2021	January-December 2020	January-December 2019	January-December 2018
Revenue	2,497	5,117	3,415	5,428
Operating profit/loss (EBIT)	-4,554	-3,897	-4,999	-5,586
Profit/loss for the period	-5,772	-4,977	-6,760	-6,635
Equity ratio, *%	81	71	62	45
Earnings per share**, EUR, undiluted	-0.066	-0.161	-0.006	-0.03
Earnings per share** EUR, diluted	-0.021	-0.054	-0.003	-0.02

**Including Capital Loans 2018-2020.*

***The number of shares decreased during 2020 in the ratio of 100:1 as a result of the combination of shares. The earnings per share and the number of shares 2020 have been calculated assuming as if the combination of shares registered on 29 April 2020 had taken place on 31 December 2019.*

Financing

Total assets of the company as at 31 December 2021 totalled EUR 8.2 (7.0) million. Inventories stood at EUR 1.9 (1.2) million. During the year inventories of certain critical raw materials and components were deliberately increased. Cash and cash equivalents at the end of the financial year totalled EUR 4.1 (2.5) million. Current receivables totalled EUR 0.8 (1.3) million, of which trade receivables accounted for EUR 0.5 (0.7) million.

Shareholders' equity increased from EUR 4.7 to EUR 6.5 million. Subordinated loans, totalling EUR 231,000 were repaid in accordance with the repayment programme. The equity ratio was 81.0 (70.7) per cent.

Liabilities amounted to EUR 1.5 (2.1) million, of which EUR 0.1 (0.2) were non-current and EUR 1.4 (1.9) million current liabilities. Of the non-current liabilities, a business development loan from Business Finland accounted for EUR 0.1 (0.2) million. Of the current liabilities, subordinated loans accounted for EUR 0.0 (0.2) million and a business development loan from Business Finland EUR 0.1 (0.1) million. Trade payables accounted for EUR 0.6 (0.5) million of the current liabilities. Accruals and deferred income included undelivered solar heat collector's worth EUR 0.0 (0.3) million.

In September, the Savosolar agreed with Nordea Bank Plc's Finland's Start-up & Growth unit on the extension of the EUR 0.9 million bank guarantee limit for another 12-month period. The company uses the limit for guarantees required during project deliveries and warranty periods. Finnvera Plc provides the bank with a counter-guarantee of 50 per cent of the limit.

The financing position improved following the rights issue and warrant subscriptions carried out in the autumn. With the rights issue, the company raised EUR 4.5 million in new share capital after the transaction costs. The rights issue is described in section "Rights issue".

Cash flow from operations was EUR -5.7 (-4.9) million and cash flow from investments EUR -0.0 (-0.1) million. Cash flow from financing was EUR 7.3 (5.4) million, of which the share issues accounted for EUR 7.6 (6.0) million. Savosolar' cash and cash equivalents as at 31 December 2021 totalled EUR 4.1 (2.5) million.

Investments and product development

Investments during the financial year totalled EUR 0.0 (0.1) million. The company has not recently had any need for significant production-related investments, because the plant's current production capacity is at a level that allows a revenue of EUR 25–30 million with the current business model.

Product development during the financial year totalled EUR 0.9 (0.8) million. Product development costs were approximately 36 (16) % of the revenue.

Management and personnel

At the end of the financial year, Savosolar had 34 (36) employees. The average number of personnel was 34 (32).

Savosolar's management team as at 31 December 2021 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; Pekka Karjalainen, Production Manager; Antti Lilleberg, Vice President, Sales and Marketing, Project Execution; Kaj Pischow, Senior Advisor; and Heikki Timonen, CFO.

Quality Manager Pekka Karjalainen was appointed Production Manager in February 2021.

Business development

Savosolar continued the improvement of the efficiency of its internal operations and the development of its management and quality system. The principal objective is to have the entire organisation work efficiently and seamlessly together in a multi-project environment. At the same time, system planning and cooperation models for customer projects in the sales stage will be improved in cooperation with both sales and supply partners. In addition, the management system will be developed to better meet the environmental, social and governance (ESG) requirements.

Savosolar continued building its international cooperation partner network in line with its strategy by setting up a branch office in France, where it already is the market leader in its field. The company has supplied high-performance solar thermal systems in France both for district heating and for industrial process heating solutions. Sales and delivery resources were also increased elsewhere in Central Europe.

RESOLUTIONS OF GENERAL MEETINGS

Annual General Meeting of 27 April 2021

The Annual General Meeting of Savosolar Plc was held on 27 April 2021. The Annual General Meeting adopted the financial statements for 2020 and resolved that the loss for the financial year of EUR -4,977,020.37 be carried over to the retained earnings/losses account and that no dividend be paid. The Annual General Meeting resolved to grant discharge from liability for the members of the Board of Directors and the CEO for the period of 1 January 2020 to 31 December 2020 and concerning the preparation of financial statements.

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 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 informed that the auditor-in-charge will be Juho Himanen, Authorised Public Accountant.

Extraordinary General Meeting of 1 October 2021

The Extraordinary General Meeting of Shareholders of 1 October 2021 resolved, as proposed by the Board of Directors, 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 to the effect that the number of shares to be issued based on the authorisation may in total amount to a maximum of 275,000,000 shares. The issuances 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. The authorisation is valid until 30 September 2026 and repeals the authorisation granted by the Extraordinary General Meeting on 27 April 2020.

BOARD OF DIRECTORS AND AUDITOR

At the end of the period, Savosolar Plc's Board of Directors consisted of the following individuals: Eero Auranne (Chairman), Feodor Aminoff, Mikael Lemström and Ari Virtanen. All the members of the Board are independent from the company and its major shareholders.

The company's auditor during the period was Inkeröinen & Himanen Oy with Juho Himanen, APA, serving as the auditor-in-charge.

For the financial year 2021 a total of EUR 54.0 (46.4) thousand was paid to the members of the Board of Directors, including a total of 217,001 (110,766) new shares transferred as part of the Board of Directors' remuneration. In 2021, audit costs amounted to EUR 15.7 (14.4) thousand.

On 31 December 2021, the members of the Board of Directors and the CEO held, either directly or through companies under their control, a total of 673,353 (306,085) shares in Savosolar Plc, which represented 0.41 (0.49) per cent of the aggregate of the company's shares and votes.

RELATED-PARTY TRANSACTIONS

The company had no significant related-party transactions during the financial year.

SHARE

Number of shares

Savosolar has one class of shares. The total number of shares as at 31 December 2021 was 165,187,636 (31 December 2020: 62,941,992). Each share carries one vote at the general meeting of shareholders. The company does not hold any treasury shares. The average number of shares during the financial year was 88,002,694 (30,890,608).

As a result of the share issues carried out, the number of Savosolar's shares increased during the financial year by 77,657,624 new shares, in addition to which a total of 24,588,020 new shares were subscribed for with warrants and a directed share issue related to the warrant plan.

Based on Savosolar Plc's 2-2020 warrants, 12,977,135 new shares were subscribed for. Additionally, with regard to warrants that remained unexercised, the company decided on a directed share issue of 1,521,496 shares. The new shares were registered with the Finnish Trade Register on 29 March 2021. Based on the 3-2020 warrants, 10,089,389 new shares were subscribed for and registered with the Finnish Trade Register on 23 September 2021.

As a result of the rights issue carried out in the last quarter, the number of Savosolar's shares increased by 77,440,623 new shares that were registered with the Finnish Trade Register on 9 November 2021. In addition, the company issued a total of 217,001 new shares as a part of the Board members' remuneration system, and these shares subscribed for by the Board were registered with the Finnish Trade Register on 17 December 2021.

Rights issue and a directed share issue related to the remuneration of the Board of Directors

On 4 October 2021, Savosolar announced that the company's Board of Directors had decided to arrange a rights issue of a maximum of approximately EUR 6.1 million and a related offering of warrants that enables the company to raise up to a maximum of approximately EUR 14.4 million. The offering consisted of a maximum of 87,530,012 new shares. In the offering, Savosolar gave all its shareholders registered in Savosolar's shareholder register maintained by Euroclear Finland Ltd or Euroclear Sweden Ltd one book-entry subscription right per each share held on the record date of the offering. One subscription right entitled to subscribe for one offer share. The subscription price used in the offering was EUR 0.07 or SEK 0.71 per offer share. The offering was secured to 88.5 per cent, or approximately EUR 5.4 million, by external underwriters.

Additionally, Savosolar gave, without consideration, each subscriber of the offer shares one newly issued series 1-2021 (TO8) warrant, one newly issued series 1-2021 (TO9) warrant, and one newly issued series 3-2021 (TO10) warrant for each two shares subscribed for in the offering.

The offering was subscribed for to 88.5 per cent. Of the share issue, 38.6 per cent was allocated to those who subscribed for shares with subscription rights, 8.3 per cent to those who subscribed for shares without subscription rights, and 41.6 per cent to underwriters. As a result of the offering, the number of shares in Savosolar increased by 77,440,623 shares. In connection with the offering, 38,719,767 additional warrants from each of the three aforementioned warrant series were allocated.

Savosolar received a total of approximately EUR 4.5 million in issue proceeds after the costs incurred by the company.

Additionally, the 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 27 April 2021. The company issued a total of 217,001 new shares that were offered for subscription to the members of the Board of Directors without consideration.

Stock option programmes

In the rights issue carried out in June 2020, Savosolar gave, without consideration, each subscriber of the shares one newly issued 1-2020 (TO5) warrant, one newly issued 2-2020 (TO6) warrant and one newly issued 2-2021 (TO7) warrant for each two shares subscribed and paid for in the offering. Each of the aforementioned stock option programmes comprised 14,498,631 warrants. Each warrant entitled its holder to subscribe for one new share. The share subscription period for 1-2020 (TO5) warrants was 9–20

November 2020, for 2-2020 (TO 6) warrants 8–19 March 2021, and for 3-2020 (TO7) warrants 6–17 September 2021. 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 commencement of the subscription period of the shares and was for 1-2020 (TO5) warrants EUR 0.1148 or SEK 1.183 per share, for 2-2020 (TO6) warrants EUR 0.096 or SEK 0.977 per share, and for 3-2020 (TO7) warrants EUR 0.07 or SEK 0.71 per share. During financial year 2021, a total of 12,977,135 new shares were subscribed for with the 2-2020 (TO6) warrants included in the warrant plan. Additionally, with regard to warrants that remained unexercised, the company decided on a directed share issue of 1,521,496 shares. Additionally, during financial year 2021, a total of 10,089,389 new shares were subscribed for with the 3-2020 (TO7) warrants included in the warrant plan.

In the rights issue carried out in autumn 2021, Savosolar gave, without consideration, each subscriber of the offer shares one newly issued series 1-2021 (TO8) warrant, one newly issued series 1-2021 (TO9) warrant, and one newly issued series 3-2021 (TO10) warrant for each two shares subscribed for in the offering. Each of the aforementioned stock option programmes comprised 38,719,767 warrants. Each warrant entitles its holder to subscribe for one new share. The share subscription period for 1-2021 (TO8) warrants was 21 March – 1 April 2022, for 2-2021 (TO9) warrants 12–23 September 2022, and for 3-2021 (TO10) warrants 20–31 March 2023. 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 25 per cent during the determination period. The determination period for 1-2021 (TO8) warrants is 7– 17 March 2022, for 2-2021 (TO9) warrants 29 August – 8 September 2022, and for 3-2021 (TO10) warrants 6–16 March 2023. However, the subscription price may not exceed EUR 0.09 per share for 1-2021 (TO8) warrants, EUR 0.11 per share for 2-2021 (TO9) warrants, and EUR 0.13 for 3-2021 warrants. The Swedish krona-denominated subscription price will be determined using the Swedish Riksbank's EURSEK rate one business day prior to the start date of the subscription period.

Existing authorisation of the Board of Directors

The Extraordinary General Meeting of Shareholders of 1 October 2021 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 to the effect that the number of shares to be issued based on the authorisation may in total amount to a maximum of 275,000,000 shares. The authorisation is valid until 30 September 2026 and repeals the authorisation granted by the Extraordinary General Meeting on 27 April 2020. Of the authorisation, 81,183,075 shares were remaining at the end of the financial year.

Trading with the share

During the financial year, the price of Savosolar's share in First North Growth Market Sweden fluctuated between SEK 0.42 and 1.59 (SEK 0.032 and 4.13). The closing price was SEK 0.48 (SEK 1.47). In First North Growth Market Finland, the share price fluctuated between EUR 0.044 and 0.158 (0.003 and 0.392). The closing price was EUR 0.048 (0.151). Savosolar's combined trading volume in 2021 was 84,412,388 (1,520,918,794) shares in First North Growth Market Sweden and 115,147,890 (421,167,424) shares in First North Growth Market Finland.

On 31 December 2021, Savosolar had 14,931 (14,909) shareholders.

Major shareholders on 31 December 2021

Shareholder	Number of shares	Percentage of all shares
FORMUE NORD MARKEDSNEUTRAL A/S	7,955,141	4.82
MANGOLD FONDKOMMISSION AB	6,723,500	4.07
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	4,368,419	2.64
MODELIO EQUITY AB (PUBL)	4,232,446	2.56
GEUST JOHAN NIKLAS ERIK	3,250,490	1.97
JOKINEN, JUKKA	3,000,000	1.87
NORDNET PENSIONS FÖRSÄKRING AB	2,462,611	1.49
LILJA ANSA ANITTA	2,126,058	1.29
PYYKÖNEN RIKU TAPANI	1,725,000	1.04
HELLÉN, STEFAN ANDREAS	1,470,000	0.89
OTHERS	127,873,971	77.41
TOTAL ALL	165,187,636	100

GENERAL RISKS AND UNCERTAINTY FACTORS CONCERNING OPERATIONS

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

War in Ukraine has increased the uncertainty of supply chain and price level of materials and components following the Covid-19-pandemic. Savosolar does not directly use materials or components of Russian or Ukrainian origin. However, the war may increase prices and prolong delivery times. If continued for a long time, this may slow down Savosolar's growth of business and improvement of profitability. On the other hand, the higher energy prices, and reducing the use of Russian fossil fuels are seen to have a positive impact on the demand on renewable energy thus fostering also Savosolar's business development.

The company's Board of Directors monitors the development of the company's profitability and cash flow actively and, together with the company's management, seeks the best solutions to develop the company 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. Considering the outlook for the industry, the Board is confident that the company will be able to raise the necessary equity and debt capital to achieve the growth and profitability in line with its strategy.

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

DISPUTE

On 15 February 2021, Savosolar announced that it had entered into a settlement agreement with Sunti SAS where the parties agreed that neither party will file an appeal against the resolution passed by the Commercial Court of Montpellier on 23 December 2020, in which Savosolar was ordered to pay Sunti SAS a total of EUR 137,000 in damages for a breach of contract regarding the exclusivity clause in a competitive tendering for a solar thermal project. The damages were paid in February 2021.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

Savosolar announced on 23 March 2022 that it has signed a contract with Newheat SAS to deliver a solar heat field in Verdun, France. The size of the solar heat field will be approximately 15.000 m² and the value approximately EUR 3.0 million. The hand over is planned for 2022.

STRATEGY AND LONG-TERM GOALS

Savosolar's mission is to accelerate the solar economy through the leading technology for competitive energy. Savosolar helps its customers to attain their goals related to climate change with the help of fully emission-free energy.

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

The company's strategic objective is to grow substantially and be the leading supplier of large solar thermal installations where quality and efficiency matter the most. This means large-scale systems such as solar district heating (SDH) and solar heat for industrial processes (SHIP). In industry, the principal segments are the mining industry, food and beverage processing, the paper industry and greenhouses.

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 delivers energy systems on a turnkey basis in line with its strategy in collaboration with its partners. The partners in different countries also serve as a sales channel for Savosolar's products.

MARKET OUTLOOK

The demand for renewable energy, and for genuinely clean, emission-free energy, continues its strong growth when the actions to curb climate change increase. The demand for renewable energy is yet growing as the European countries want to reduce their dependence on Russian natural gas and oil. In a short term, part of the fossil fuels imported from Russia will likely to be replaced with carbon or other fossil fuels that can be put in use relatively easily. However, in the discussion taken place on EU-level in the last weeks there has been a clear aim to further accelerate the green transition. This may lead to streamlining authorisation process for renewable energy projects, in addition to increasing the demand on renewables.

The European Commission's proposal for a directive on renewable energy sources of July 2021 (Fit for 55) imposes a stricter target for the reduction of emissions: greenhouse gas emissions should be reduced by at least 55% from the 1990 level by 2030. The EU's carbon neutrality target had been set for 2050, and the targets are being supported by EU regulation. Emission reduction and carbon neutrality targets have been widely set in other parts of the world as well.

Achieving emission reductions will require a rapid transition to clean energy and related innovations, more efficient energy use, and electrification of many fossil energy-based activities. According to the IEA, oil

accounted for more than 90% of the investments in oil and clean energy in 2020, and the investments in clean energy are already expected to increase to a level where the proportions are equal by 2030. War in Ukraine is expected to further accelerate investments in clean energy.

The flexibility of energy systems, the optimisation of the use of different energy sources and the possibilities for energy storage will grow. Alongside emission reductions, the intensification of consumption peaks and extreme weather phenomena pose additional challenges to energy production. Understanding the availability and reliability of energy supply has also increased due to war in Ukraine. Solar heat is well suited for such hybrid energy systems, and it can also be stored cost-effectively.

The use of large-scale solar thermal systems is increasing globally both in district heating and cooling and in industrial process heat generation. In many countries, the utilisation of clean renewable energy is driven by taxation and the sanctions imposed on emissions, but solar heat is often already competitive without any subsidies.

The EU Green Deal programme is expected to increase interest towards solar heat as part of district heating in particular. IEA estimates that the production capacity of solar district heating in Europe will increase to about 15% of Europe's demand for district heat by 2050. Heat production accounts for more than 50% of the global energy production, but according to the IEA, only around 11% of this is produced with renewable energy. In Savosolar's estimate, around five per cent of the global thermal energy is produced with genuinely clean modes of energy production.

According to Solarthermalworld.org, the most promising markets for industrial use are currently Germany, Spain, France and Chile. The market for large solar thermal systems that is important to Savosolar is increasing in Europe in particular. Savosolar estimates that growth will be most evident in France, Austria, Poland and Germany, where actions have already been initiated under the EU Green Deal programme. The European Union has decided that 30% of its multi-annual budget and support instrument for recovery from the corona crisis for 2021-2023, totalling approximately EUR 1,800 billion, must be used for climate actions, i.e. for strengthening the EU Green Deal programme. Interest towards solar heat is becoming more tangible in China and Latin America as well, both in terms of the number and size of projects.

Savosolar sees that year 2021 was a gap year in the solar thermal market due to delays in decision-making. Today, it looks that in 2022 market will return to growth track again, even though the war in Ukraine has increased the uncertainty in the energy markets especially in a short term.

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING ON THE USE OF LOSS AND THE DISTRIBUTION OF DIVIDENDS

The Annual General Meeting of Savosolar Plc will be held on 26 April 2022. The notice of the meeting will be published on 1st April 2022 as a stock exchange release. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year of EUR -5,772,019.07 be carried over to retained earnings and losses account and that no dividend be paid.

Mikkeli 1st April 2022

SAVOSOLAR PLC
Board of Directors

Annual accounts

INCOME STATEMENT

€	1 Jan-31 Dec 2021	1 Jan-31 2020
TURNOVER	2 496 717,46	5 116 789,43
Other operating income	33 941,86	110 755,64
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-1 677 923,88	-1 687 260,76
Increase (–) or decrease (+) in stocks	561 935,42	-430 468,84
External services	-1 304 802,39	-2 075 495,11
Total materials and services	-2 420 790,85	-4 193 224,71
Personnel expenses		
Wages and salaries	-1 913 273,54	-1 929 341,09
Pension expenses	-251 349,49	-215 278,14
Other social security expenses	-56 861,80	-73 146,33
Total personnel expenses	-2 221 484,83	-2 217 765,56
Depreciation, amortization and impairment	-380 039,50	-487 592,19
Other operating expenses	-2 062 211,40	-2 226 423,48
OPERATING PROFIT/LOSS	-4 553 867,26	-3 897 460,87
Financial income and expenses		
Interest and other financial income	37 181,51	160 436,62
Interest and other financial expenses	-1 255 333,32	-1 239 996,12
Total financial income and expenses	-1 218 151,81	-1 079 559,50
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-5 772 019,07	-4 977 020,37
PROFIT/LOSS FOR THE FINANCIAL YEAR	-5 772 019,07	-4 977 020,37

BALANCE SHEET

€

ASSETS	31 December 2021	31 December 2020
NON-CURRENT ASSETS		
Intangible assets		
Development costs	431 094,62	611 150,07
Intangible rights	75 934,23	96 493,10
Other long-term expenses	29 842,38	25 539,40
Total intangible assets	<u>536 871,23</u>	<u>733 182,57</u>
Tangible assets		
Machinery and equipment	479 726,72	590 312,24
Fixed assets under construction	0,00	11 734,62
Total tangible assets	<u>479 726,72</u>	<u>602 046,86</u>
Investments		
Shares in group companies	161 887,19	161 887,19
TOTAL NON-CURRENT ASSETS	1 178 485,14	1 497 116,62
CURRENT ASSETS		
Inventories		
Materials and supplies	703 546,22	672 017,28
Work in progress	47 874,97	16 988,29
Finished products	930 498,66	470 992,97
Other stocks	18 381,80	14 048,55
Advance payments	173 192,61	0,00
Total inventories	<u>1 873 494,26</u>	<u>1 174 047,09</u>
Receivables		
Long-term receivables		
Other receivables	247 094,60	528 859,61
Total long-term receivables	<u>247 094,60</u>	<u>528 859,61</u>
Short-term receivables		
Accounts receivables	452 523,54	735 237,45
Receivables from participating interest undertakings	4 293,47	3 016,95
Other receivables	62 510,57	65 855,78
Prepayments and accrued income	290 989,77	539 736,14
Total current receivables	<u>810 317,35</u>	<u>1 343 846,32</u>
Total receivables	1 057 411,95	1 872 705,93
Cash and cash equivalents	<u>4 069 718,37</u>	<u>2 498 428,53</u>
TOTAL CURRENT ASSETS	7 000 624,58	5 545 181,55
TOTAL ASSETS	<u>8 179 109,72</u>	<u>7 042 298,17</u>

EQUITY AND LIABILITIES	31 December 2021	31 December 2020
EQUITY		
Share capital	470 210,00	470 210,00
Unrestricted equity fund	51 913 040,29	44 296 176,72
Retained earnings	-40 107 842,20	-35 130 821,83
Net profit (loss)	-5 772 019,07	-4 977 020,37
TOTAL SHAREHOLDER'S EQUITY	6 503 389,02	4 658 544,52
OBLIGATORY RESERVES		
Other obligatory reserves	209 517,13	282 443,66
OBLIGATORY RESERVES IN TOTAL	209 517,13	282 443,66
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	119 254,00	190 542,00
Total long-term liabilities	119 254,00	190 542,00
Short-term liabilities		
Capital loans	0,00	230 661,65
Loans from financial institutions	123 500,00	123 500,00
Advances received	154 705,09	128 006,61
Accounts payable	563 073,66	478 654,19
Trade payables	71 893,83	68 992,02
Other liabilities	42 618,86	40 905,48
Accruals and deferred income	391 158,13	840 048,04
Total short-term liabilities	1 346 949,57	1 910 767,99
TOTAL LIABILITIES	1 466 203,57	2 101 309,99
TOTAL EQUITY AND LIABILITIES	8 179 109,72	7 042 298,17

CASH FLOW STATEMENT

€	2021	2020
Cash flow from operating activities		
Profit (loss) before extraordinary items	-5 772 019,07	-4 977 020,37
Adjustments		
Depreciation according to plan	380 039,50	487 592,19
Other income and expenses from non-cash items	-72 926,53	-110 969,95
Financial income and expenses	1 218 151,81	1 079 559,50
Cash flow before change in working capital	-4 246 754,29	-3 520 838,63
Change in working capital		
Increase (-) or decrease (+) in current interest-free receivables	815 293,98	-364 134,47
Increase (-) or decrease (+) in inventories	-699 447,17	615 012,84
Increase (+) or decrease (-) in current interest-free payables	-333 156,77	-524 285,55
Cash flow from operations before financial items and taxes	-4 464 064,25	-3 794 245,81
Interest paid and other financial expenses	-1 255 333,32	-1 239 996,12
Interest received and other financial income	17 104,15	106 673,18
Cash flow before extraordinary items	-5 702 293,42	-4 927 568,75
Cash flow from operations (A)	-5 702 293,42	-4 927 568,75
Cash flow from investing activities		
Purchase of intangible and tangible assets	-61 408,02	-123 238,25
Dividends received from investments	20 077,36	53 763,44
Cash flow from investment activities (B)	-41 330,66	-69 474,81
Cash flow from financing activities		
Share issue	7 616 863,57	6 044 043,72
Repayment of long-term borrowings	-354 161,65	-681 636,99
Proceeds from long-term borrowings	52 212,00	0,00
Cash flow from financing activities (C)	7 314 913,92	5 362 406,73
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	1 571 289,84	365 363,17
Cash and cash equivalents at beginning of period	2 498 428,53	2 133 065,36
Cash and cash equivalents at end of period	4 069 718,37	2 498 428,53
	1 571 289,84	365 363,17

NOTES

ACCOUNTING POLICY

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

NOTES REGARDING THE GROUP

The parent company of the Group is Savosolar Oyj, domiciled in Mikkeli, Finland. The company has three subsidiaries: Savosolar ApS, domiciled in Denmark, Savosolar GmbH, domiciled in Germany and Savolaser 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.

Valuation and sequencing principles and methods

Inventories are valued at the acquisition cost, or if the value of replacement cost or realisable sales value is lower, at lowest cost. The acquisition cost of inventories includes the variable production costs.

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 taken into use.

Principles for depreciations according to plan are:

	2021	2020
Development expenses	5/10 yrs straight-line depreciation	5/10 yrs straight-line depreciation
Intangible rights	5/10 yrs straight-line depreciation	5/10 yrs straight-line depreciation
Other long-term expenses	5 yrs straight-line depreciation	5 yrs straight-line depreciation
Machinery and equipment	25% of residual value	25% of residual value

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

Revenue recognition

Long duration projects are recognized as revenue based on the stage of completion. The degree of completion of long duration projects has been determined by comparing the actual costs of the project with the estimated total project costs that can be reliably determined. Projects of minor importance in accordance with the principle of materiality have been recognized on the basis of the delivery of the project.

Comparability of the figures from previous financial years

Accounting periods are comparable.

Foreign currency items

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. Currency differences have been recognised in profit and loss. Foreign currency receivables and liabilities have been converted to Euros according to the exchange rate of the balance sheet date.

NOTES TO THE PROFIT AND LOSS ACCOUNT, €

Turnover	2021	2020
Specification of Revenue		
Revenue recognized according to degree of completion	2 208 696,13	4 729 769,06
Other Revenue	288 021,33	387 020,37
Total Revenue	2 496 717,46	5 116 789,43

The cumulative revenue from current and previous financial year of non-delivered projects, where income is recognized according to degree of completion	1 918 657,77	5 394 253,04
Unrecognized amount of long - term projects	321 057,26	1 954 924,42

Obligatory reserves

Warranty provision is EUR 209.517,13. The change in warranty reserve was an increase of EUR 28.278,79 and a decrease of EUR -101.205,32. The warranty provision is recorded in warranty work that may arise from the projects.

Notes concerning personnel and governing bodies	2021	2020
Personnel costs		
Wages and salaries	1 913 273,54	1 929 341,09
Pension expenses	251 349,49	215 278,14
Other social security expenses	56 861,80	73 146,33
	2 221 484,83	2 217 765,56
Wages and salaries of Board members and CEO	197 759,70	175 286,18
Average number of personnel		
Average number of employees during the financial year	34	32
Average number of employees in subsidiaries	3	3
	37	35

Other operating expenses	2021	2020
Administration expenses	877 943,78	864 400,18
Premises expenses	431 030,96	440 128,37
Telephone-, IT- ja office expenses	25 779,05	26 419,35
Travelling expenses	128 386,43	118 806,67
Sales & marketing expenses	46 994,88	156 946,94
Development expenses	119 634,58	86 590,34
Quality	54 373,62	17 871,18
Machinery and equipment costs	233 467,88	206 719,95
Other operating expenses	144 600,22	308 541,10
	2 062 211,40	2 226 423,48

Remuneration to accountant	2021	2020
Figures are included in the administration expenses presented above		
Statutory audit	13 500,00	13 175,00
Other services	2 150,00	1 200,00
	<u>15 650,00</u>	<u>14 375,00</u>

Finance expenses	2021	2020
Expenses of rights issue	1 107 049,35	1 084 318,77
Other financing and interest expenses	148 283,97	155 677,35
	<u>1 255 333,32</u>	<u>1 239 996,12</u>

BALANCE SHEET NOTES, €

Change in Non-Current assets	2021	2020
INTANGIBLE ASSETS		
DEVELOPMENT EXPENSES		
Acquisition cost 1 Jan	2 430 332,30	2 398 302,30
Increase 1 Jan - 31 Dec	0,00	32 030,00
Acquisition cost 31 Dec	2 430 332,30	2 430 332,30
Accumulated depreciation	-1 819 182,23	-1 597 088,52
Depreciation for the period	-180 055,45	-222 093,71
Impairment	431 094,62	611 150,07
OTHER LONG-TERM EXPENSES		
Acquisition cost 1 Jan	209 931,90	209 931,90
Increase 1 Jan - 31 Dec	209 931,90	209 931,90
Accumulated depreciation	-113 438,79	-92 396,42
Depreciation for the period	-20 558,87	-21 042,37
Bookkeeping value 31 Dec	75 934,23	96 493,10
TANGIBLE ASSETS		
MACHINERY AND EQUIPMENT		
Acquisition cost 1 Jan	817 208,68	788 116,18
Increase 1 Jan - 31 Dec	-762 576,77	-711 147,31
Acquisition cost 31 Dec	-24 789,52	-51 429,46
Accumulated depreciation	29 842,38	25 539,40
Depreciation for the period		
Bookkeeping value 31 Dec		
OTHER LONG-TERM EXPENSES		
Acquisition cost 1 Jan	2 688 042,02	2 612 749,37
Acquisition cost 1 Jan	44 050,14	75 292,65
Increase 1 Jan - 31 Dec	2 732 092,16	2 688 042,02
Accumulated depreciation	-2 097 729,75	-1 904 703,10
Depreciation for the period	-154 635,66	-193 026,65
Bookkeeping value 31 Dec	479 726,72	590 312,24
FIXED ASSETS UNDER CONSTRUCTION		
Bookkeeping value 1 Jan	11 734,62	0,00
Increase 1 Jan - 31 Dec	0,00	11 734,62
Bookkeeping value 31 Dec	-11 734,62	0,00
	0,00	11 734,62
INVESTMENTS		
Bookkeeping value 1 Jan	161 887,19	161 887,19
Bookkeeping value 31 Dec	161 887,19	161 887,19

	2021	2020
Receivable from group companies		
Receivable from group companies	4 293,47	3 016,95
Debts to group companies		
Trade payables to Group companies	71 893,83	68 992,02
Prepayments and accrued income		
Degree of completeness receivables	171 115,09	424 410,81
Other prepayments	119 874,68	115 325,33
	<u>290 989,77</u>	<u>539 736,14</u>
Prepayments and deferred income		
Liabilities related to personnel	314 134,55	343 884,78
Other accruals and deferred income	77 023,58	496 163,26
	<u>391 158,13</u>	<u>840 048,04</u>

Capital and reserves	2021	2020
Restricted equity		
Subscribed capital 1 Jan	470 210,00	470 210,00
Subscribed capital 31 Dec	470 210,00	470 210,00
Share issue 1 Jan	0,00	1 536 714,85
Increase / decrease in share issue	0,00	-1 536 714,85
	0,00	0,00
Restricted equity in total	470 210,00	470 210,00
Other reserves		
Invested unrestricted equity fund 1 Jan	44 296 176,72	36 715 418,15
Increase in invested unrestricted equity fund	7 616 863,57	7 580 758,57
Invested unrestricted equity fund 31 Dec	51 913 040,29	44 296 176,72
Retained profit / loss 1 Jan	-40 107 842,20	-35 130 821,83
Retained profit / loss 31 Dec	-40 107 842,20	-35 130 821,83
Profit / loss for the financial year	-5 772 019,07	-4 977 020,37
Unrestricted equity in total	6 033 179,02	4 188 334,52
Capital and reserves in total 31 Dec	6 503 389,02	4 658 544,52
Distributable funds	2021	2020
Invested unrestricted equity fund	51 913 040,29	44 296 176,72
Retained profit / loss	-40 107 842,20	-35 130 821,83
Loss for financial year	-5 772 019,07	-4 977 020,37
Activated development costs	-431 094,62	-611 150,07
Distributable funds 31 Dec	5 602 084,40	3 577 184,45

Guarantees and contingent liabilities	2021	2020
Loans and bank guarantees with business mortgage as collateral and value of collateral		
Bank guarantees with business mortgage as collateral	1 200 000,00	1 600 000,00
Bank accounts pledged as collaterals	244 701,62	526 466,63
Collaterals given for warranty period and for deliveries	724 635,92	926 560,98
Collaterals for rent	2 392,98	2 392,98
Other given collaterals	8 026,95	2 410,76
Leasing liabilities	37 881,22	0,00
Rent liabilities	84 195,39	77 926,71

Structural and Financial arrangements

The company has had share issues during the financial period: in March and September new shares were subscribed for with warrants based on rights issue 1 June-17 June. In addition to this rights issue was carried out in autumn. Further information on share issues is given in the report of the Board of Directors.

Shares of the Company	2021	2020
Shares (1 vote/share), pcs	165 187 636	62 941 992
Capital loans		
Capital loans 1 Jan	230 661,65	912 298,64
Decrease 1 Jan - 31 Dec	-230 661,65	-681 636,99
Capital loans 31 Dec	0,00	230 661,65

The company has paid rest of the capital loan: EUR 150.308,67 from the Bank Suur-Savon Osuuspankki. The interest on the capital loan (2021: EUR 1.013,15, 2020: EUR 19.066,34) is reported as interest expenses on the income statement.

The company has paid rest of the capital loan: EUR 80.352,98 from Finnvera Oyj. The interest on the capital loan (2021: EUR 7.273,60, 2020: EUR 5.248,26) is reported as interest expenses on the income statement.

Holdings in other companies

Name and domicile	Holding	Equity	Profit/loss for the year
Savosolar Aps, Denmark	100,00 %	49 400,25	8 659,67
Savosolar GmbH, Germany	100,00 %	46 827,29	4 286,84
Savolaser Oy, Mikkeli Finland	55,00 %	-3 199,63	-1 153,28

General risks and uncertainty factors concerning operations

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

War in Ukraine has increased the uncertainty of supply chain and price level of materials and components following the Covid-19-pandemic. Savosolar does not directly use materials or components of Russian or Ukrainian origin. However, the war may increase prices and prolong delivery times. If continued for a long time, this may slow down Savosolar's growth of business and improvement of profitability. On the other hand, the higher energy prices, and reducing the use of Russian fossil fuels are seen to have a positive impact on the demand on renewable energy thus fostering also Savosolar's business development.

The company's Board of Directors monitors the development of the company's profitability and cash flow actively and, together with the company's management, seeks the best solutions to develop the company 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. Considering the outlook for the industry, the Board is confident that the company will be able to raise the necessary equity and debt capital to achieve the growth and profitability in line with its strategy.

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

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

The loss for the financial year is EUR -5.772.019,07. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be carried over to retained earnings and losses account and that no dividend be paid.

SIGNATURES TO THE FINANCIAL STATEMENTS

Mikkeli 1st April 2022

Auranne Eero
Chairman of the Board

Varjotie Jari
Managing director

Aminoff Feodor
Member of the Board

Virtanen Ari
Member of the Board

Lemström Mikael
Member of the Board

AUDITOR'S NOTE

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

Mikkeli 1st April 2022

Tilintarkastus Inkeröinen & Himanen Oy
Authorized Public Accountants

Juho Himanen
APA

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Savosolar Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Savosolar Oyj (business identity code 2309682-6) for the year ended 31 December 2021. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the notes in the financial statements and the report of the board of directors, section "General risks and uncertainty factors concerning operations", according to which, if the Company fails to achieve growth and improve profitability and / or obtain additional funding as the business requires, the Company may be required to delay, reduce, or discontinue its operations. These conditions indicate that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no other realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

In Mikkeli 1st April 2022

Tilintarkastus Inkeröinen & Himanen Oy
Authorized Public Accountants

Juho Himanen
APA