SAVOSOLAR OYJ's
ANNUAL ACCOUNTS AND
REPORT OF THE BOARD OF DIRECTORS
FOR 2018

Savosolar

CONTENTS

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

Review of the Board of Directors of Savosolar Oyj for 2018

BUSINESS DEVELOPMENT IN 2018

The economic and environmental benefits associated with solar thermal solutions have increased the interest in solar thermal solutions, especially in Europe. During the past years, the most significant market has been Denmark, which is also home for strong local competition. After a temporary market slowdown in 2017, the Danish market was significantly more active in 2018, thus the company gained two significant orders during the year. In addition, markets elsewhere were becoming active and our sales efforts outside of Denmark paid off, one sign of it being the two system deliveries in France during 2018. As an outcome, year 2018 was a year of strong growth for Savosolar.

Revenue

Revenue for the full-year 2018 amounted to EUR 5.4 million (1-12/2017: EUR 0.8 million). The main reasons for the increase in revenue are the company’s large delivery projects to Denmark and France during the second half of 2018. In 2017, the company had only a few small delivery projects due to the postponement of decisions on state support, which caused a stand-still of the market in Denmark, the Europe´s biggest market.

Revenue for the latter half of the year amounted to EUR 4.1 million (7-12/2017: EUR 0.2 million). Revenue came mainly from delivery projects to Denmark and France.

Costs and earnings

The costs relating to materials and services in 2018 totaled EUR 5.8 (0.8) million. The increase in costs was a consequence of the increased number of projects in the delivery phase.

Personnel costs amounted to EUR 1.9 (1.8) million. Other operating expenses amounted to EUR 2.6 (2.3) million. Out of total costs, the biggest items were the expenses of the rights issue.

The operating result (EBIT) for 2018 amounted to EUR -5.6 (-4.9) million. The main reasons for increase in operating loss were the liabilities incurred during 2018 relating to quality problems of the collector models manufactured by the company between 2013 and 2015, which have been fixed since, and higher than expected project execution costs in the projects in Denmark.

Net financial income and expenses amounted to EUR -1.0 (0.8) million. The majority the financing costs were related to share issues.

The result for the report period stood at EUR -6.6 (-5.7) million. Earnings per share were EUR -0.02 (EUR -0.07).

Comparison by report period

(EUR ‘000)	1-12/2018	1-12/2017
Revenue	5 428	831
Operating profit/loss (EBIT)	-5 586	-4 817
Profit/loss for the period	-6 635	-5 664
Earnings per share. EUR	-0.02	-0.07

Significant orders

Savosolar and Danish Grenaa Varmevaerk A.m.b.a. signed a contract in May on delivery of the largest solar thermal system in Savosolar's history so far. The value of the contract is approximately EUR 3.5 million. The project has proceeded in schedule, and hand-over will take place in March 2019.

Another significant contract was signed in March with newHeat SAS to deliver a solar thermal system to Condat-sur-Vézère France. The solar thermal plant is the largest in France and the value of the contract was over EUR 2.0 million. Additionally, Savosolar has been awarded the operation & maintenance contract. The delivery was started during the first half of the year and completed in January 2019.

In July Savosolar agreed with Jelling Varmevaerk in Denmark for an extension of the existing solar thermal collector field, delivered in 2016. The value of the agreement is approximately EUR 0.7 million.

In France Savosolar also delivered solar thermal system to Véolia ECHM, in the city of Voreppe. Market for solar thermal solutions in France is growing fast and the region Rhône-Alpes, where Voreppe is located, is actively promoting the development of solar thermal heating.

Other smaller deliveries were a solar thermal system to Oulun Seudun Sähkö and to Energi-Center Nordic in Stockholm. The system in Oulu is the biggest solar collector field in Finland.

Savosolar announced in November that it has signed a Memorandum of Understanding (MOU) with Guangzhou Power Supply Co. Ltd., which is a wholly-owned subsidiary of China Southern Power Grid Co. Ltd. China Southern Power Grid latest fiscal year revenue was approximately USD 73 billion. The MOU concerns co-operation in building a demonstration project of micro-energy network complementary with renewable energy in Nansha, Guangzhou.

At the end of the period. value of the projects in the company's sales pipeline was approximately EUR 125 million. Of this, the total value of projects in bidding and planning phase amounted to approximately EUR 54 million and order backlog approximately one million euro. The sales pipeline includes all active projects of the company's sales management system.

Financing

Total assets of the company on 31 December 2018 stood at EUR 6,4 (6.5) million. The inventories remained at the level of EUR 1,0 million (EUR 1.0 million). Cash and cash equivalents decreased by EUR 1,5 million. Current receivables increased from EUR 0,1 million to EUR 1,6 million.

Shareholders' equity decreased from EUR 3.6 million to EUR 1,4 million. The equity including capital loans amounted to EUR 2,8 million at the end of report period. Savosolar's equity ratio at the end of report period was 22,2 (56,4)%.

Liabilities amounted to EUR 4.4 (2.7) million. of which EUR 0.3 (0.3) million were long-term and EUR 4.2 (2.3) million short-term liabilities. Out of long-term liabilities the amount of loans from financing companies was at EUR 0.3 million. Out of short-term liabilities EUR 1.4 million were capital loans and EUR 0.8 million (EUR 0.2 million) were loans from financing companies, of which the proportion of Finnvera was 40 thousand and the proportion of Formue Nord Markedsneutral A/S was EUR 778.7 thousand. Out of short-term liabilities EUR 1.5 million (0.3) were account payables.

On May 21, 2018 Savosolar made an agreement on 12-month extension for maturity date of capital loans with Bank Suur-Savon Osuuspankki and Finnvera Oyj, according to which a total of EUR 1.4 million loans will mature on December 31, 2019. The maturity of the afore-mentioned capital loans with Suur-Savon Osuuspankki, EUR 1.2 million, has been renegotiated on February 20, 2019 so that the loans will be paid back in monthly instalments during 24 months beginning on April 2019. Although the company did not meet the covenant conditions for the operating profit, the Bank has waived its right to terminate the capital loan and bank guarantee limit agreements.

In November 2019, Suur-Savon Osuuspankki also extended the validity period of its bank guarantee limit granted to Savosolar Plc by 12 months, up and until 30.11.2019. The limit amounts to EUR 2 million and the

Company uses it in large projects for guarantees needed during deliveries and the warrant period, among others.

The financing position of Savosolar improved substantially after the rights issue and directed share issue arranged in the summer 2018. The company raised net proceeds of EUR 3.7 million after the transaction costs. However, the subscription of shares based on related warrants in December did not realize and the company decided in December to arrange a rights issue, totaling approximately EUR 5.3 million, after the reporting period.

Cash flow from operations was EUR -6.1 (-5.8) million and cash flow from investments EUR -0.2 (-0.2) million. Cash flow from financing was EUR 4.8 (5.7) million, out of which the share issues amounted to EUR 4.4 (5.8) million. On 31 December 2018. Savosolar’s cash and cash equivalents totaled to EUR 0.7 (2.2) million.

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

Investments and product development

Investments were EUR 0.2 (0.2) million and most of them were related to ordinary production maintenance. The company has no need for significant investments during the next few years because the production capacity has been increased to a level allowing the revenue of EUR 20-30 million.

Savosolar’s project on the development of a new type of solar thermal collector is part of the Government’s spearhead projects in cleantech industry. Business Finland (formerly Tekes), the Finnish Funding Agency for Innovation has granted support for the project by a loan amounting to a maximum of EUR 494 thousand. with the interest rate today being 1%. The project is focusing on the development of energy-efficient collectors, which are suited for large solar thermal fields and can be manufactured in mass production. The target is to lower the costs for logistics and installation as well as to improve the flexibility of installation. The project will last until the end of 2019 and its total budget amounts to EUR 0.7 million.

Personnel and management

At the end of the report period, Savosolar had 37 (36) employees. The average number of personnel was 35 (37).

On 31 December 2019, the company’s management team consisted of the following persons: Jari Varjotie CEO; Raul Ikonen, CFO; Torben Frederiksen, Chief Technology Officer; Morten Hofmeister, Head of Projects and System Design; Aku Järvisalo, Production Manager; Pekka Karjalainen, Quality Manager; Kaj Pischow, Senior Advisor, and as a temporary member Martti Jalava, Director, Supply Chain.

Nalle Stenman, Chief Financial Officer left Savosolar by the end of October and Raul Ikonen was appointed CFO as of 1 November. Torben Frederiksen was appointed as CTO in August. Patrick Jansson, Vice President of Sales left the company in April and the sales organization has since reported directly to managing director Jari Varjotie.

Business development

Savosolar has continued building its international cooperation partner network. In addition to the already announced agreements in Australia and Latin America there were three new cooperation agreements signed in the review period. Also. the organization has been strengthened so that partners can be supported more thoroughly in the technology know-how during the sales process.

Savosolar signed a cooperation agreement with Geoflow Australia Pty Ltd concerning the sales and marketing of solar thermal fields and turn-key solutions for utilizing solar thermal energy in the region Australia and New Zealand. According to the cooperation agreement, the companies are focusing on large-scale solar thermal installations and their marketing is done under the brand Savosolar Australia. Geoflow acts as the local partner for Savosolar and is in charge of turn-key system deliveries to customers in the region. Savosolar is supplying the equipment and participates also in projects when necessary. Business development continues also in Latin America with the local partner Flemming Jorgensen.

As part of sales and marketing development also system design for customer projects has been further improved. In addition to this, there has been an increased focus on supply chain development including both the materials used in the factory as well as project related purchasing.

RESOLUTIONS OF SAVOSOLAR PLC's GENERAL MEETINGS

The Annual General Meeting 27 March 2018

The Annual General Meeting of Savosolar Plc was held on 27 March 2018 in Helsinki. The Annual General Meeting approved the Annual accounts for 2017 and resolved that the net loss of EUR –5,663,528.48 was transferred to retained earnings / loss account and that no dividend was paid.

The Annual General Meeting resolved that the members of the Board of Directors are paid the following remuneration for the term that begins at the end of the Annual General Meeting and ends at the end of the next Annual General Meeting: EUR 21.600 for the Chairman of the Board and EUR 10.800 for each of the other members of the Board. Approximately 40 per cent of the remuneration will be paid to the members of the Board of Directors by giving to the Board members company's new shares based on the authorization granted to the Board of Directors and approximately 60 per cent in cash.

The Annual General Meeting re-elected Feodor Aminoff, Christof Gey, Håkan Knutsson and Sami Tuhkanen as members of the Board. All elected members of the Board are independent from the company while the Board members Aminoff, Gey and Knutsson are independent from the company's major shareholders.

The Annual General Meeting resolved that the auditor's fees are paid according to the auditor's reasonable invoice approved by the company. PricewaterhouseCoopers Oy, Authorised Public Accountants was re-elected as the company's auditor. PricewaterhouseCoopers Oy has informed that the principal auditor will be Petter Lindeman, Authorised Public Accountant.

The Annual General Meeting authorised the Board of Directors to decide on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act as follows: The number of shares to be issued based on the authorisation may in total amount to a maximum of 200,000,000 shares, representing approximately 152.96 per cent of the company's shares on the date of this notice. The issuance of shares and of options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). if there is a weighty financial reason for the company. Shares may be conveyed either against payment or free of charge in the company's share issues. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and in regard to the interests of all shareholders in the company.

The Annual General Meeting resolved that the company's trade name is changed to Savosolar Oyj and that paragraph 1 of the Articles of Association was amended accordingly.

The Extraordinary General Meetings 12 June 2018 and 21 August 2018

The Extraordinary General Meeting of Savosolar Plc held on 12 June 2018 resolved in accordance with the proposal of the Board of Directors to authorize the Board of Directors to decide, in one or more transactions. on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act as follows: The number of shares to be issued based on the authorization may in total amount to a maximum of 400,000,000 shares, representing approximately 305.93 per cent of the company's shares on the date of the notice and on the date of the meeting. The issuance of shares and of options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue), if there is a weighty financial reason for the company. Shares may be conveyed either against payment or free of charge in the company's share issues. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and in regard to the interests of all shareholders in the company. The authorization replaces the authorization granted by the Annual General Meeting on 27 March 2018 and shall be valid until 11 June 2023.

The Extraordinary General Meeting of Savosolar Plc held on 21 August 2018 decided according to the proposal of the Board that Feodor Aminoff continues as existing member of the Board and Eero Auranne, Mikael Lemström and Ari Virtanen were elected as new members of the Board for the term of office expiring at the end of the next Annual General Meeting. The Board elected Feodor Aminoff as Chairman of the Board.

BOARD OF DIRECTORS AND AUDITOR

At the end of the period the Board of Directors was as follows: Feodor Aminoff (Chairman), Eero Auranne, Mikael Lemström and Ari Virtanen. All members are independent from the company and major shareholders.

PricewaterhouseCoopers Oy, Authorised Public Accountants was the company's auditor and principal auditor Petter Lindeman, Authorised Public Accountant.

For the financial year 2018 a total of EUR 48.7 thousand was paid to the members of the Board of Directors, including a total of 570.302 new shares transferred as part of the Board of Directors' remuneration. The Annual General Meeting resolved that approximately 40 percent of the remuneration will be paid to the board members by company's new shares in two installments. The Board of Directors has decided to postpone the payment of the second instalment of fees after the completion of the Rights Issue 2019.

RELATED-PARTY TRANSACTIONS

The company has a contract with its subsidiary Savosolar ApS on services in sales. Marketing, purchases and product development. Based on the contract the company has paid to Savosolar ApS in 2018 approximately EUR 589.5 thousand (521 thousand).

Similar service contract has been signed with Savosolar GmbH. Based on the contract the company has paid to Savosolar GmbH approximately EUR 179.2 thousand (143 thousand) during the financial period.

RIGHTS ISSUE AND RELATED DIRECTED SHARE ISSUE

Savosolar Plc announced on 14 June 2018 that it will carry out a rights issue of approximately EUR 3.5 million (the "Offering"), with additional warrants enabling the company to raise up to a maximum of approximately EUR 3.3 million. The company also announced it might carry out a directed share issue of approximately EUR 0.9 million. The subscription period of the Offering was 21 June-10 July 2018 and it was subscribed to 126%.

In the Offering Savosolar's shareholders were given one subscription right per each share held on the Offering record date (18 June 2018). Three subscription rights entitled the holder to subscribe for four offer shares. The subscription price was EUR 0.02 or SEK 0.20 per offer share. The offer shares represented approximately 57.1 per cent of the total number of the company's shares outstanding after the Offering. Persons who subscribed for the offer shares were given free of charge one warrant per each two subscribed offer shares.

The Board of Directors of Savosolar resolved on 13 July 2018 to approve the subscriptions received in the Offering. Investors with the subscription rights were allocated 77 % and investors without the subscription rights 23 % of the offered shares. The number of shares in Savosolar increased by 174,332,080 shares.

In connection to the resolving on approval of the subscriptions received in the Offering, the Board of Directors decided on a directed share issue. The directed share increased the number of shares in Savosolar by 43,583,020 shares. After the Offering and the directed share issue the total number of shares amounts to 348,664,162. The number of warrants subscribed for in the Offering and the directed issue amounts to 108,957,539.

Savosolar received approximately EUR 3.7 million in issue proceeds (after transaction costs associated with the Offering and the directed issue) which was used to secure company's working capital.

The shares subscribed for in the Offering and the directed issue were registered with the Finnish Trade Register on 23 July 2018. Trading was commenced on 24 July 2018 on First North Finland and on 27 July 2018 on First North Sweden.

Due to the Offering the Board of Directors also decided to amend the terms of the company's stock option plan 2-2017. The new subscription price per share for stock option plan 2-2017 is EUR 0.03 and each stock option gives the right to subscribe for two shares.

SHARE AND SHAREHOLDERS

Savosolar has one series of shares and their total number on 31 December 2018 was 352,538,414 (31.12.2017: 130,749,064). Each share entitles its holder to one vote at the General Meeting. The number of shares increased due the Offering. the directed share issue and the warrants used by altogether 221.789.350 shares in total. The company does not hold any of its own shares. The average number of outstanding shares during the financial year was 260.016.950 (74.061.376).

The shares of Savosolar 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.

During the report period. the share price in First North Sweden varied between SEK 0.052 and 1.2 (SEK 0.575 and 3.27). The closing price was SEK 0.074 (SEK 0.63). In First North Finland, the share price varied between EUR 0.004 and 0.061 (EUR 0.06 and 0.318). The closing price was EUR 0.006 (EUR 0.06).

The combined trading volume in 2018 was 584.259.690 shares. On 10 January 2019 Savosolar had 6,607 shareholders (21 December 2017: 6,078).

The Company's largest shareholders on 10 January 2019

Shareholder	**Number of shares, pcs**	**Proportion of all shares and votes, %**
Swedbank AB	14 648 325	4.16
Avanza Bank AB	11 381 565	3.23
Wirtway Invest AB (Publ)	11 000 000	3.12
Svenska Handelsbanken AB	10 005 658	2.84
Nordea Bank Abp, Sverige filial	9 144 623	2.59
Skandinaviska Enskilda Banken Ab	8 457 857	2.40
Nordnet Bank Ab	8 028 595	2.28
Hannola, Hannu Juhani	4 228 768	1.20
Geust, Johan Niklas Erik	4 204 537	1.19
Bemaze Group	3 500 000	0.99
Others	267 938 486	76.00
Total	**352 538 414**	**100.0**

Stock option programs

Stock option program for personnel (2-2017)

In the stock option program 2-2017. a maximum of 2.000.000 option rights can be distributed, entitling to subscribe a maximum of 2.000.000 new shares of the company. Of the stock options, 500.000 are marked with the symbol 2/2017A, 500.000 with the symbol 2/2017B, 500.000 with the symbol 2/2017C and 500.000 with the symbol 2/2017D.

The share subscription periods are as follows: for stock option 2/2017A 1 January 2018 -31 December 2019, for stock option 2/2017B 1 July 2018 -31 December 2019, for stock option 2/2017C 1 January 2019 -31 December 2019, for stock option 2/2017D 1 July 2019 -31 December 2019. On 31 December 2018, a total of 1.670.000 stock options from the stock option program were in possession of the management and other personnel of the company.

As a result of the Offering in summer 2018, the Board of Directors of the company decided to amend the terms of the stock option plan 2-2017. The new subscription price per share for stock option plan 2-2017 is EUR 0.03, and each stock option gives the right to subscribe for two shares.

Investor warrants (1-2018)

Based on the authorization granted by the Extraordinary General Meeting on 12 June 2018, the company's Board of Directors resolved to issue warrants to the investors who subscribed for the offer shares in the Offering resolved on 14 June 2018 and/or in the directed share issue.

The number of warrants issued was 108,957,539 and they entitle their holders to subscribe for a maximum of 108,957,539 new shares in the company during 26 November - 10 December 2018. The share subscription price was determined by the volume weighted average price of the company's share on First North Finland between 12 November 2018 and 23 November 2018, with an applied discount of 25 per cent. The Swedish krona-denominated subscription price was determined using the EUR/SEK forward rate on 23 November 2018. Based on the warrants. 3,303,950 new shares were subscribed.

Existing authorizations of the Board of Directors at the end of the financial period

The Extraordinary General Meeting 12 June 2018 resolved the Board of Directors to decide, in one or more transactions. on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The number of shares to be issued based on the authorization may in total amount to a maximum of 400,000,000 shares, representing approximately 305.93 per cent of the company's shares on the date of the meeting.

Shares may be conveyed either against payment or free of charge in the company's share issues. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and in regard to the interests of all shareholders in the company. The authorization shall be valid until 11 June 2023.

Of the authorization 328,872,639 shares were used as a result of the Offering, the related directed share issue and subscription of shares based on the warrants 1-2018, remuneration share issue of the Board of Directors as well as amendment of the subscription ration of stock option program 2-2017. In addition to that, 221,789,350 shares were used as a result of the warrants. Of the authorization 178,210,650 shares were left unused at the end of the financial period.

GENERAL RISKS AND FACTORS OF UNCERTAINTY CONCERNING OPERATIONS

The most significant risks of Savosolar 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.

The company's Board of Directors actively monitors the company's finances, and together with the company's management, seeks alternative funding solutions and additional means to reduce the costs associated with the company's operations. The Board of Directors continuously considers the sufficiency of financing as an important part of the company’s growth strategy, At the date of this release, because of the current estimated running costs of the company, the company's maturing loans and the revenue estimation, Savosolar cannot anticipate to have sufficient working capital for the next 12 months. The company has previously succeeded in collecting the needed financing and the Board of Directors of Savosolar is confident that the sufficient financing will be obtained also this time. On December 19, 2018 the company has announced its plan to arrange a rights issue of approximately EUR 5.3 million, which is secured to 80 per cent by subscription commitments and external underwriters, with additional warrants enabling the company to raise up to a maximum of approximately EUR 3.5 million. However, it cannot be guaranteed that the company can gain enough supplementary finance just on time and to terms and conditions, which are favorable for the present shareholders. In case the company does not succeed in collecting additional financing in accordance with its needs, the company may be forced to postpone, cut back or terminate operations.

Like most early stage technology companies, Savosolar has invested in development of its products, offering and production as well as expansion of its operations into new markets during the first operational years. and has not yet reached sales volumes and margins that would cover the operational costs. The product development phase of the company has taken place from the year of establishment in 2010 until 2014, and only after that the company has been able to build up its sales and efficient production. Thus, the company has incurred significant operating losses. 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 ended in schedule at the end of 2018.

Savosolar 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.

DISPUTES

Sunti SAS, France has issued a summons to Savosolar Plc to attend the commercial court of justice in Montpellier due to an alleged breach of contract by Savosolar Plc. In the summons Sunti claims that Savosolar has acted against the exclusive rights clause in the contract between the two companies, which is related to an open tender for a solar collector field project in France. In its summons Sunti is claiming for a total compensation of approximately EUR 2.0 million based on the alleged breach of contract.

So far Sunti and Savosolar have delivered their written statements to the commercial court of justice, which has postponed the timing for the first hearing to take place earliest at the end of spring 2019. The parties may appeal on the verdict to the higher court, Savosolar considers Sunti’s claim for compensation to be without just cause.

STRATEGY AND LONG-TERM GOALS

Savosolar’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 heating renovations.

Savosolar has in different market areas partners, which sell the company's products and with whom the company delivers energy systems as turnkey deliveries. The partners can be either global suppliers of components or solutions, or local integrators or assembly companies. Savosolar is changing its focus to be a supplier of system deliveries even more strongly than it is today.

The company's goal is to continue to be the innovative technology leader in the field and for that the plan is to invest 3-5% of the revenue for product development. During the years 2017-2018 the investments in product development are estimated to be approximately EUR 0.2 million annually. i.e. 2-5% of the revenue.

The geographical focus of operations is today in Europe, but the company has started active recruitment of partners and marketing in outside Europe and intends to expand strongly also outside Europe during the next few years.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Extraordinary General Meeting of Savosolar held on 22 January 2019 authorized the Board of Directors to decide, in one or more transactions, on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act as follows: The number of shares to be issued based on the authorization may in total amount to a maximum of 2,000,000,000 shares, representing approximately 572.68 per cent of the company's shares. The Board of Directors decides on all the terms and conditions of the issuances of shares and of options and other special rights entitling to shares. The issuance of shares and of options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue), if there is a weighty financial reason for the company. Shares may be conveyed either against payment or free of charge in the company's share issues. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and in regard to the interests of all shareholders in the company. The authorization replaces the authorization granted by the Extraordinary General Meeting on 12 June 2018 to the Board of Directors to resolve on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization shall be valid until 22 January 2024.

On 20 February 2019 Savosolar agreed new repayment schedule for its capital loans of EUR 1.2 million with Suur-Savon Osuuspankki. The capital loans which had maturity date of 31 December 2019 before the amendment, will be paid back in monthly instalments during 24 months beginning on April 2019.

Savosolar announced on 22 February 2019 a decision to arrange a rights issue totaling approximately EUR 5.3 million ("Offering") with additional warrants, enabling the company to raise up to a maximum of approximately EUR 3.5 million be used to amortise its capital loans and secure the working capital need. The company is offering up to of 1,057,615,242 new shares for subscription to its shareholders. The prospectus was published on 22 February 2019.

MARKETS

The economic and environmental benefits associated with the solar thermal have increased interest especially in Europe. Between 2013 and 2016, the only significant market was in practice Denmark, where there is strong local competition. In 2018 and 2019 the Danish market, after a year's downturn in 2017, has been very active. This market is expected to slow down for a couple of years, however, the significance of the other markets in Europe and elsewhere is expected to grow relatively fast.

It has been estimated that solar district heating generated over 1 TWh (= 1 billion kilowatt-hours) of district heating in Europe for the first time in 2017. Solar district heating capacity is expected to increase to 240 terawatt hours by 2050 and this would mean 15 per cent of Europe's district heating needs. The solar district heating market has grown by an average of 35 per cent per year over the past five years and the growth seems to continue. The global market potential for district heating is over one billion square meters, which means a market potential of several hundred billion euros. (Sources: Werner Lutsch, Solar Dirstrict Heating – conference, April 2018 and presentations in Euroheat & Power and SDH conferences 2017 and 2018.

In the markets for large installation solar thermal systems, Savosolar sees most growth potential particularly in Denmark, Germany, France, Finland, Sweden and countries in Eastern Europe as well as e.g. China. The most promising market in industrial process heating from Savosolar's point of view are in Latin America. Australia and Africa, in addition to Europe.

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 Thursday 28 March 2019 at 4 p.m. (EET) at Sitra, meeting room "Edison" at the address Itämerenkatu 11-13, 00180 Helsinki, Finland.

The Board of Directors proposes to the Annual General Meeting that the loss for the financial year EUR -6.635.369,98 million be transferred to the profit/loss account of previous periods and no dividend be distributed.

In Mikkeli, 14 March 2019

SAVOSOLAR PLC
Board of Directors

Savosolar Plc INCOME STATEMENT

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	1 Jan 2018-31 Dec 2018	1 Jan 2017-31 Dec 2017
NET TURNOVER	5 428 164,07	830 881,47
Other operating income	9 049,91	24 353,02
Materials and services		
Raw materials and consumables		
Purchases during the financial year	3 011 033,26	841 729,93
Increase (–) or decrease (+) in stocks	50 021,59	-505 201,67
External services	2 726 946,76	415 098,26
Total materials and services	-5 788 001,61	-751 626,52
Personnel expenses		
Wages and salaries	1 608 891,43	1 550 616,95
Pension expenses	268 116,73	242 736,94
Other social security expenses	54 833,16	36 955,53
Total personnel expenses	-1 931 841,32	-1 830 309,42
Depreciation, amortisation and impairment	-718 691,50	-761 602,89
Other operating expenses	-2 584 966,97	-2 364 837,67
OPERATING PROFIT/LOSS	**-5 586 287,42**	**-4 853 142,01**
Financial income and expenses		
Interest and other financial income	23 285,19	13 774,87
Interest and other financial expenses	-1 072 367,75	-824 161,34
Total financial income and expenses	-1 049 082,56	-810 386,47
PROFIT/LOSS	**-6 635 369,98**	**-5 663 528,48**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**-6 635 369,98**	**-5 663 528,48**
PROFIT/LOSS FOR THE FINANCIAL YEAR	**-6 635 369,98**	**-5 663 528,48**

Savosolar Plc BALANCE SHEET

2309682-6

ASSETS	31 Dec 2018	31 Dec 2017
NON-CURRENT ASSETS		
Intangible assets		
Development costs	979 700,54	1 081 626,28
Intangible rights	138 674,31	159 813,15
Other long-term expenses	229 574,94	386 362,02
Total intangible assets	1 347 949,79	1 627 801,45
Property, plant and equipment		
Machinery and equipment	854 003,53	1 130 310,28
Total tangible assets	854 003,53	1 130 310,28
Investments		
Shares in group companies	161 887,19	161 887,19
Total Investments	161 887,19	161 887,19
TOTAL NON-CURRENT ASSETS	**2 363 840,51**	**2 919 998,92**
CURRENT ASSETS		
Inventories		
Materials and supplies	731 549,48	419 522,24
Work in progress	19 332,55	5 682,97
Finished products	194 921,21	570 619,62
Advance payments	35 783,00	0,00
Total inventories	981 586,24	995 824,83
Receivables		
Long-term receivables		
Other receivables	504 150,24	221 902,98
Total long-term receivables	504 150,24	221 902,98
Short-term receivables		
Accounts receivables	62 878,55	49 340,52
Receivables from participating interest undertakings	846,92	0,00
Other reveicables	460 336,14	43 226,51
Accruals and deferred income	1 069 374,47	35 242,62
Total current receivables	1 593 436,08	127 809,65
Total receivables	2 097 586,32	349 712,63
Cash and cash equivalents	747 360,73	2 212 381,69
TOTAL CURRENT ASSETS	**3 826 533,29**	**3 557 919,15**
TOTAL ASSETS	**6 190 373,80**	**6 477 918,07**

Savosolar Plc BALANCE SHEET
2309682-6

EQUITY AND LIABILITIES	31 Dec 2018	31 Dec 2017
EQUITY		
Share capital	470 210,00	470 210,00
Unrestricted equity fund	29 273 134,59	24 919 138,62
Retained earnings	-21 735 523,69	-16 071 995,21
Net profit (loss)	-6 635 369,98	-5 663 528,48
TOTAL SHAREHOLDER'S EQUITY	**1 372 450,92**	**3 653 824,93**
OBLIGATIONARY RESERVES		
Other obligationary reserves	326 049,00	171 918,00
Obligationary reserves in total	**326 049,00**	**171 918,00**
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	314 042,00	311 863,88
Total Long-term liabilities	314 042,00	311 863,88
Short-term liabilities		
Capital loans	1 431 275,17	1 431 275,17
Loans from financial institutions	818 717,65	223 710,60
Advance payments received	1 501 446,24	315 581,51
Trade payables	57 624,73	55 683,60
Other liabilities	34 562,20	36 939,90
Accruals and deferred income	334 205,89	277 120,48
Total short-term liabilities	4 177 831,88	2 340 311,26
TOTAL LIABILITIES	**4 491 873,88**	**2 652 175,14**
TOTAL EQUITY AND LIABILITIES	**6 190 373,80**	**6 477 918,07**

Savosolar Oyj CASH FLOW STATEMENT
2309682-6

	2018	2017
Cash flow from operating activities		
Profit (loss) before extraordinary items	-6 635 369,98	-5 663 528,48
Adjustments:		
Depreciation according to plan	718 691,50	761 602,89
Other income and expenses from non-cash items	154 131,00	36 258,29
Financial income and expenses	1 049 082,84	810 386,47
Cash flow before change in working capital	-4 713 464,64	-4 055 280,83
Change in working capital:		
Increase (-) or decrease (+) in current interest-free receivables	-1 747 873,69	199 452,58
Increase (-) or decrease (+) in inventories	14 238,59	-505 201,67
Increase (+) or decrease (-) in current interest-free payables	1 369 367,60	-534 000,32
Cash flow from operations before financial items and taxes	-5 077 732,14	-4 895 030,24
Interest paid and other financial expenses	-1 072 367,75	-824 161,34
Interest received and other financial income	23 285,19	13 774,87
Cash flow before extraordinary items	-6 126 814,70	-5 705 416,71
Cash flow from operations (A)	**-6 126 814,70**	**-5 705 416,71**
Cash flow from investing activities		
Purchase of intangible and tangible assets	-162 533,37	-181 879,30
Investments in subsidiaries	0,00	-28 000,00
Cash flow from investment activities (B)	**-162 533,37**	**-209 879,30**
Cash flows from financing activities		
Share issue	4 353 995,97	5 770 024,31
Proceeds from short-term borrowings	1 069 274,55	600 000,00
Repayment of short-term borrowings	-508 690,03	-884 046,12
Proceeds from short-term borrowings	112 803,00	201 239,00
Repayment of short-term borrowings	-203 056,38	0,00
Cash flow from financing activities (C)	**4 824 327,11**	**5 687 217,19**
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	**-1 465 020,96**	**-228 078,82**
Cash and cash equivalents at beginning of period	**2 212 381,69**	**2 440 460,51**
Cash and cash equivalents at end of period	**747 360,73**	**2 212 381,69**
	-1 465 020,96	-228 078,82

Accounting policy

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

Notes regarding 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 and related fixed production cost overhead.
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:

	2018	**2017**
Development expenses	10 yrs straight-line depreciation	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 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.

Revenue recognition
Long duration projects are recognised 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.

An unrealized loss on a project that becomes unprofitable has been recognized in full as provision in the profit and loss account as soon as it is deemed certain or probable.

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

Net turnover

Specification of Revenue

	2018	2017
Revenue recognized according to degree of completion	4 908 771,00	0,00
Other Revenue	519 393,07	830,881,47
Total Revenue	5 428 164,07	830,881,47
The Cumulative Revenue from current and previous financial year of non-delivered projects, where income is recognized accroding to degree of completion	4 908 771,00	0,00

Unrecognized revenue of non-delivered projects

Revenue recognized according to degree of completion	1 400 636,00	0,00

Obligatory reserves

Warranty provision is EUR 303.000,00 at 31 December 2018. The change in warranty reserve was an increase of EUR 131.082,00 . The Warranty provision is done for possible warranty work and equipments for long-term projects.

Loss provision of EUR 23.049,00 is related to an unrealized loss of unfinished projects. The loss was fully recognised when its realization was regarded certain.

Notes concerning personnel and governing bodies

Personnel costs

	2018	2017
Wages and salaries	1 648 249,43	1 580 547,95
Pension expenses	268 116,73	242 736,94
Other social security expenses	63 417,16	43 525,53
Activated as development costs	-47 942,00	-36 501,00
	1 931 841,32	1 830 309,42

	2018	2017
Wages and salaries		
Board members and CEO	189 214,96	180 020,85

Average number of personnel

	2018	2017
Average number of employees during the financial year	33	37

Other operating expenses

	2018	2017
Administration expenses	556 191,32	627 217,71
Premises expenses	498 073,93	487 475,13
Telephone-, IT- ja office expenses	29 228,41	36 467,42
Travelling expenses	136 535,98	120 600,32
Marketing expenses	550 610,21	616 619,09
Development expenses	111 776,87	73 741,06
Other operating expenses	702 550,25	402 716,94
	2 584 966,97	2 364 837,67

Remuneration to accountant

Figures are included in the Administration expenses presented above.

	2018	2017
Statutory audit	20 059,95	23 253,35
Assignments	1 576,20	2 801,40
Other services	19 092,00	17 122,48
	40 728,15	43 177,23

Finance expenses	**2018**	**2017**
Expenses of rights issue	832 611,56	382 890,92
Other financing and interest expenses	239 756,19	441 270,42
	1 072 367,75	824 161,34

Balance sheet notes	**2018**	**2017**
INTANGIBLE ASSETS		
DEVELOPMENT EXPENSES		
Acquisition cost 1 Jan	2 207 092,71	2 199 557,95
Increase 1 Jan - 31 Dec	155 533,09	7 534,76
Acquisition cost 31 Dec	2 362 625,80	2 207 092,71
Accumulated depreciation	-1 125 466,42	-911 360,47
Depreciation in year 2018	-211 860,24	-214 105,95
Impairment	-45 598,60	0,00
Bookkeeping value 31 Dec	979 700,54	1 081 626,28
INTANGIBLE RIGHTS		
Acquisition cost 1 Jan	209 931,90	209 931,90
Increase 1 Jan - 31 Dec	0,00	0,00
Acquisition cost 31 Dec	209 931,90	209 931,90
Accumulated depreciation	-50 118,74	-28 979,90
Depreciation in year 2018	-21 138,84	-21 138,84
Bookkeeping value 31 Dec	138 674,31	159 813,15
OTHER LONG-TERM EXPENSES		
Acquisition cost 1 Jan	783 935,18	761 127,58
Acquisition cost 1 Jan	0,00	22 807,60
Increase 1 Jan - 31 Dec	783 935,18	783 935,18
Accumulated depreciation	-397 573,15	-241 141,67
Depreciation in year 2018	-156 787,08	-156 431,48
Bookkeeping value 31 Dec	229 574,94	386 362,02

TANGIBLE ASSETS	**2018**	**2017**
MACHINERY AND EQUIPMENT		
Acquisition cost 1 Jan	2 519 697,33	2 368 160,39
Increase 1 Jan - 31 Dec	7 000,00	151 536,94
Acquisition cost 31 Dec	2 526 697,33	2 519 697,33
Accumulated depreciation	-1 389 387,04	-1 019 460,42
Depreciation in year 2018	-283 306,75	-369 926,62
Bookkeeping value 31 Dec	854 003,53	1 130 310,28
INVESTMENTS		
Bookkeeping value 1 Jan	161 887,19	133 887,19
Increase 1 Jan - 31 Dec	0,00	28 000,00
Bookkeeping value 31 Dec	161 887,19	161 887,19

Receivables from group companies	**2018**	**2017**
Receivable from group companies	846,92	0,00

Debts to group companies	**2018**	**2017**
Trade payables to Group companies	57 624,73	55 683,60

Prepayments and accrued income	**2018**	**2017**
Accruals		
Degree of completeness receivables	1 042 525,00	0,00
Other prepayments	26 849,47	35 242,62
	1 069 374,47	35 242,62

Capital and reserves	**2018**	**2017**
Restricted equity		
Subscribed capital 1 Jan	470 210,00	470 210,00
Subscribed capital 31 Dec	470 210,00	470 210,00
Restricted equity in total	470 210,00	470 210,00
Other reserves		
Invested unrestricted equity fund 1 Jan	24 919 138,62	19 149 114,31
Share issue 2018/12 May 2017	19 440,00	17 280,00
Share issue 23 Jul 2018/ 21 Jul 2017	4 268 433,23	4 507 481,84
Share issue 21 Dec 2018/13 Dec 2017	66 122,74	1 245 262,47
Invested unrestricted equity fund 31 Dec	29 273 134,59	24 919 138,62
Retained profit / loss 1 Jan	-21 735 523,69	-16 071 995,21
Retained profit / loss 31 Dec	-21 735 523,69	-16 071 995,21
Profit / loss for the financial year	-6 635 369,98	-5 663 528,48
Unrestricted equity in total	902 240,92	3 183 614,93
Capital and reserves in total 31 Dec	1 372 450,92	3 653 824,93

Distributable funds	**2018**	**2017**
Invested unrestricted equity fund	29 273 134,59	24 919 138,62
Retained profit / loss	-21 735 523,69	-16 071 995,21
Loss for financial year	-6 635 369,98	-5 663 528,48
Activated development costs	-979 700,54	-1 081 626,28
Distributable funds 31 Dec	-77 459,62	2 101 988,65

The distributable funds of the company are EUR -77.459,62.

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

Loss for the financial year 2018 is EUR -6.635.369,98

The Board of Directors proposes to the Annual General Meeting that the loss for the period EUR -6.635.369,98 be transferred to the retained profit / loss account and that no dividend be paid.

Guarantees and contingent liabilities

Loans with business mortgage as collateral and value of collateral	2018	2017
Loans from credit institutions	40 000,00	243 056,38
Bank loan with business mortgage as collateral	1 600 000,00	1 600 000,00
Bank accounts pledged as collaterals	500 957,26	218 710,00
Collaterals given for warranty period and for deliveries	1 001 926,64	390 759,37
Collaterals for rent	3 192,98	3 192,98
Other given collaterals	2 410,76	2 410,76
Rent liabilities	93 808,77	0,00

Structural and Financial arrangements

The company has had share issues during the financial period: rights issue and directed share issue in June-July 2018 and subscription of shares against warrants in November-December 2018. Further information on share issues is given in the report of the Board of Directors.

On May 21, 2018 Savosolar made an agreement on 12-month extension for maturity date of capital loans with Bank Suur-Savon Osuuspankki and Finnvera Oyj, according to which a total of EUR 1.4 million loans will mature on December 31, 2019. The maturity of the afore-mentioned capital loans with Suur-Savon Osuuspankki, EUR 1.2 million, has been renegotiated on February 20, 2019 so that the loans will be paid back in monthly instalments during 24 months beginning on April 2019.

Although the company did not meet the covenant conditions for the operating profit, the Bank has waived its right to terminate the capital loan and bank guarantee limit agreements.

In November 2019, Suur-Savon Osuuspankki also extended the validity period of its bank guarantee limit granted to Savosolar Plc by 12 months, up and until 30 November 2019. The limit amounts to EUR 2 million.

Subsidiaries

During the financial year 2014 the company established a new subsidiary in Denmark, Savosolar Aps.
The company also has a subsidiary Savolaser Oy, which was established in 2013.
During the financial period 2017 the company acquired a new subsidiary in Germany, Savosolar GmbH.

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.

The repayment of restructuring liabilities was finalized at the end of 2018 and loans have been paid in total EUR 170.830,64. The liabilities relating to restructuring program were EUR 0 at 31 December 2018.

Shares of the company	2018	2017
Shares, A-series (1 vote/share), pcs	352 538 414	130 749 062

Capital loans

	2018	2017
Capital loans 1 Jan	1 431 275,17	1 431 275,17
Capital loans 31 Dec	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.
The loan expires on 31 December 2019.

3)) If annual interests remain 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 when the restructuring program was 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 (2018: EUR 35.706,48, 2017: EUR 35.706,48, 2016: EUR 35,706.49) 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. The loan will expire on 31 December 2019.

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 when the restructuring program was 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 ((2018: EUR 7.231,77, 2017: EUR 7.231,77, 2016: EUR 7,251.77) is reported as interest expenses on the income statement.

General risks and factors of uncertainty concerning operations

The most significant risks of Savosolar 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.

The Board is constantly addressing the financing of the operations as a major part of the company's growth strategy. As per the date of these financial statements, Savosolar cannot anticipate that the cash position will be sufficient for the next 12 months without additional financing with anticipated burn rate and revenue streams. The company has previously succeeded in collecting the needed financing and the Board of Directors of Savosolar is confident that the eventually needed additional financing can be obtained also this time. However, it cannot be guaranteed that the company can gain supplementary finance just on time and to terms and conditions, which are favourable for the present shareholders. In case the company does not succeed in collecting additional financing in accordance with its needs, the company may be forced to postpone, cut back or terminate operations.

Disputes

Sunti SAS, France has issued a summons to Savosolar Plc to attend the commercial court of justice in Montpellier due to an alleged breach of contract by Savosolar Plc. In the summons Sunti claims that Savosolar has acted against the exclusive rights clause in the contract between the two companies, which is related to an open tender for a solar collector field project in France. In its summons Sunti is claiming for a total compensation of approximately EUR 2.0 million based on the alleged breach of contract.
So far Sunti and Savosolar have delivered their written statements to the commercial court of justice, which has postponed the timing for the first hearing to take place earliest at the end of spring 2019. The parties may appeal on the verdict to the higher court, Savosolar considers Sunti's claim for compensation to be without just cause.

Holdings in other companies

Name and domicile	Holding	Equity	Profit/loss for the year
Savosolar Aps, Denmark	100,00 %	78 030,00	22 672,00
Savosolar GmbH, Germany	100,00 %	33 754,68	4 632,38
Savolaser Oy, Mikkeli Finland	55,00 %	-97,12	-876,36

Savosolar Plc
2309682-6

Signatures to the financial statements

______________________ _________._________.2019

Aminoff Feodor
Chairman of the Board

Varjotie Jari
Managing director

Auranne Eero
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.

In Helsinki _______._________.2019

PricewaterhouseCoopers Oy
Audit corporation

Petter Lindeman
KHT

pwc

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

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.

What we have audited

We have audited the financial statements of Savosolar Oyj (business identity code 2309682-6) for the year ended 31.December 2018. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

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

Independence

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.

Material Uncertainty Related to Going Concern

We draw attention to the notes in the financial statements, section "General risks and factors of uncertainty concerning operations", according to which, based on the current level of costs and revenues the company does not expect the working capital to be sufficient for the next 12 months period. 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 a 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 to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the 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 judgment 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. With respect to the report of the Board of Directors, 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 other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 14 March 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Petter Lindeman
Authorised Public Accountant (KHT)