Savosolar

Invitation to subscribe for shares in Savosolar Plc's rights issue

21 JUNE – 10 JULY IN FINLAND
21 JUNE – 6 JULY IN SWEDEN

Changing the game – field by field

Reasons for the Offering and use of proceeds

Savosolar designs and delivers solar thermal energy production systems to industrial clients globally. The systems are built on internationally award-winning solar thermal absorbers and collectors, which Savosolar has developed and produces. The collectors with MPE absorbers are, according to the information available to the Company's management, the most efficient in the world.[1] Savosolar focuses primarily on large solar thermal collectors and industrial-size heating systems. The Company started product deliveries in June 2011 and has since delivered over 50,000 square metres of collectors to its customers.

Until recently, Denmark was the only active market in the segment for large solar collector fields and systems. Even though market analysts predicted that new markets both in Europe and elsewhere would be activating earlier, it was not until 2017 that Savosolar started seeing real activity in other markets. With Savosolar's award-winning products and due to the intensified sales actions in the past 18 months, the Company has, according to its information and assessments, been invited to almost all notable tenders in Europe, signing its first large-scale order outside Denmark and its largest order ever during the spring 2018. The first large-scale order outside Denmark, with a collector area exceeding 4,000 m^2 to newHeat SAS will be the largest solar thermal field ever built in France and first in the world installed on a one-axis tracking system. The second order, with a total collector area of approximately 21,000 m^2 to Grenaa Varmevaerk in Denmark, is worth approximately EUR 3.5 million and is the Company's largest order to date.

This means, that after many years of proving its technology to the market and signing orders on the competitive Danish market, Savosolar has finally been able to take a leap forward towards its vision of becoming the global first-choice supplier to high performance solar installations. While delivering to large collector fields in Europe as well as with strong partnerships around the world, e.g. in China, Latin America, Australia and Africa, the Company believes it is ready to take on the global market.

Due to the temporary downturn in the market the Company is in need for more working capital. The Company believes that the downturn in the market was due to the Danish government's delayed decisions of the terms concerning renewable energies and longer-than-expected processing times in other markets. The Company aims to raise approximately EUR 3.5 million through the Offering. If the Offering is fully subscribed, the Company expects to receive approximately EUR 3.0 million in net proceeds after transaction costs amounting to approximately EUR 0.5 million. In connection with the Offering, the Company also issues Warrants free of charge to investors who have subscribed for Offer Shares in the Offering. The Company may therefore additionally raise up to a maximum of approximately EUR 2.5 million in net proceeds, after deducting the estimated expenses for the subscriptions with Warrants payable by the Company, totalling approximately EUR 0.1 million.

The proceeds from the Offering and the Warrants will be used to secure the Company's working capital need of approximately EUR 4.5 million (including the repayment of capital and interest of the bridge loan financing of approximately EUR 0.3 million) so that the Company can deliver signed and potential upcoming orders in 2018-2019 and continue to streamline Savosolar's operations to match profitability targets and the increasing demand globally.

[1] The efficiency of Savosolar's standard collectors (2 m^2 and 15 m^2) with MPE-absorbers has been proved by uniform certification tests done by independent research institutes, on the basis which solar energy products in EU are given the Solar Keymark -certificate. The tests define the technical values which affect the collector's efficiency, and according to these estimates Savosolar's standard collectors with MPE-absorbers are the most efficient in the world, i.e. produce more energy per square metre a year than the competitors' products in a similar system and conditions. The Solar Keymark -database, which includes information of all collectors sold in Europe, is public and can be found at www.estif.org/solarkeymarknew/index.php. Similar technical information is also found for collectors manufactured elsewhere in the world, and on the basis of the information available to the Company's management, Savosolar's standard collectors (Savo 15 SG, Savo 15 DG, SF-100-03 DE and DS) with MPE-absorbers produce the most energy per square metre.

Savosolar in brief

SAVOSOLAR IN BRIEF

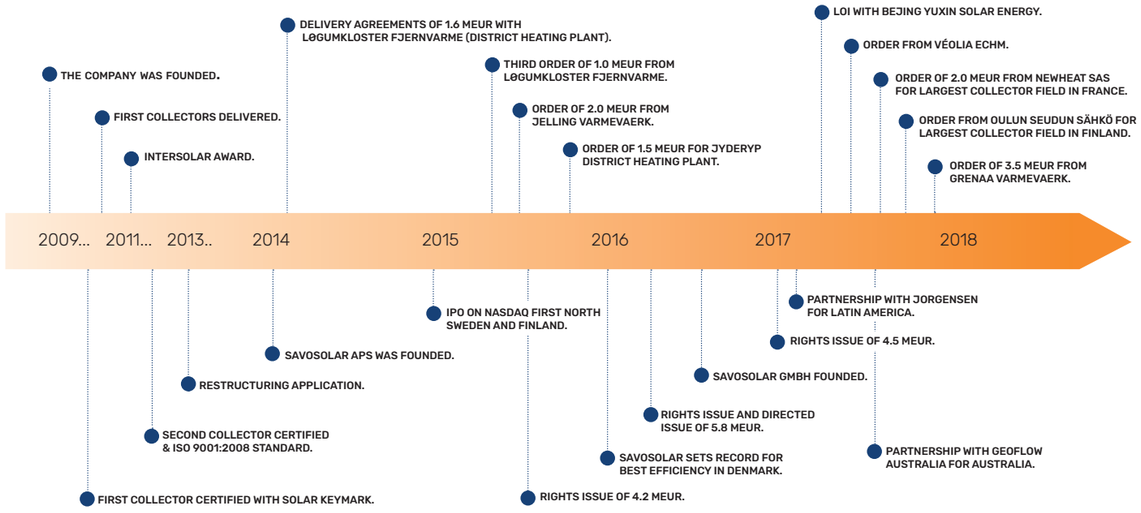
Savosolar is a Finnish public liability company that manufactures internationally award-winning solar thermal collectors as well as energy production systems built on these. According to the knowledge of the Company's management the solar thermal collectors with MPE absorbers manufactured by Savosolar are the most efficient in the world. Savosolar focuses primarily on large solar thermal collectors and industrial-size heating systems. The Company started product deliveries in June 2011 and has since delivered over 50,000 m^2 of collectors to its customers in 18 countries on four continents. The uniqueness of the Company's products is based on a vacuum coating process where the complete absorber structure is coated at once.[2] This means that thin-walled aluminium profiles, which are very effective heat exchangers and with which therefore an effective direct flow of heat transfer can be achieved, can be used. The Savosolar team has extensive know-how and experience in vacuum coating techniques as well as in international sales and business management. In its manufacturing processes the Company uses the developed technologies and the quality system meets the ISO 9000 requirements. The Company aims to expand its business rapidly and supports its customers in reaching their environmental and business targets by significantly reducing their energy costs. Savosolar constantly invests in product development in order to maintain the best solutions for the needs of the growing renewable energy market.

STRATEGY

The Company's mission is to fight climate change with the leading solar thermal technology to provide competitive and stable energy. The vision is to be the global first-choice supplier to high performance solar installations by 2020.

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

Savosolar has partners in different markets, with whom whole energy systems are supplied. The partners can be either vendors of global components or solutions (such as isoplus Fjernvarmeteknik A/S, a global pipeline supplier) or local integrators or installation companies. With the help of these local partners, Savosolar contributes to the local economy in supplying and installing clean energy systems. The revitilisation of the local economy is often a major factor when municipalities and cities make decisions about, for example, investments in their own district heating plant. Local partners are already present in several countries, and examples of cooperation agreements are Flemming Jorgensen S.A. de C.V. in Latin America and Geoflow Australia in Australia. The partners also act as a sales channel for the Company in addition to its own sales staff. This approach has also proven to be the best one, when looking for both optimal customer functionality and the most competitive cost for the system, as local partners can efficiently utilise local workforce and know-how.



[2] On the basis of the information the Company has collected from certification databases, customers, research institutes, suppliers and competitors, there is no other collector on the market with an aluminium coated direct flow absorber which has an efficient optical coating.

Savosolar's future outlook

The Company's orderbook was low at the end of the financial year 2017. However, the number of invitations to tenders for large projects has clearly increased during year 2017 and the first half of 2018 both in Denmark, Europe and elsewhere. The Danish market is expected to experience strong growth according to market data collected by the in the industry renown consulting company PlanEnergi which expects the number of installations to remain high also in 2019. Additionally, in the rest of Europe, there are plans for several very large solar thermal fields and numerous smaller fields built in the immediate vicinity of populated communities and properties. Based on received information from different market operators (e.g. EuroHeat & Power, Solites, AGFW, Hamburg Institut), Savosolar expects the German-speaking markets to grow to become even larger than the Danish market. The popularity of large collectors is also increasing in other parts of Europe. Concretely, this is already evident in France where the Company has already received two orders and a number of projects are in the design phase, as well as Eastern European countries, where a number of large systems are being planned and offers requested. Savosolar is looking for partners, and has already found, from around Europe and the world to be able to offer its technology and turnkey deliveries everywhere.

»For example in France, the aim is to increase the share of district heating from the current 6 per cent to 30 per cent by the year 2030.«

Everywhere in Europe optimal solutions are being sought for carbon-free energy systems. Since the largest use of energy comes from heating and cooling, there is now more focus on making them emission-free. For this reason, district heating systems are being planned to be built in most countries. For example in France, the aim is to increase the share of district heating from the current 6 per cent to 30 per cent by the year 2030. The production of district heating is to be done with biofules and in order to save them some of the energy is planned to be produced with large solar thermal fields. Solar thermal heating is projected to increase from this year's output of 1 terawatt hour to 240 terawatt hours by 2050, which is an average annual increase of tens of percents.

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The Company's successful field deliveries to Denmark has lead to Savosolar being contacted by parties from all over the world, and at the moment the Company has a sales pipeline with projects worth approximately EUR 143 million. The sales pipeline includes all active projects in various stages of the Company's sales management system, in which the Company has performed various sales measures. In the sales pipeline The Company also has outstanding offers for deliveries to 18 countries with a total value of approximately EUR 53 million. With the clear improvement in the market during 2018 the Company's order book has increased to EUR 5.6 million, which is approximately 26,000 square metres in collectors. The current order backlog corresponds to approximately 25 per cent of the current production capacity.

»With the clear improvement in the market during 2018 the order backlog of the Company has increased to EUR 5.6 million, which is approximately 26,000 square metres in collectors.«

The Company considers cost management as one of its main challenges, particularly in implementation of projects. The Company has noted in its recent projects that with larger purchasing volumes it's possible to get lower prices on materials, components and services. This is partly due to the stronger negotiation position received by the above-mentioned growing purchasing volumes, partly due to the world market prices of materials (such as aluminium), as well as the fact that the Company can buy materials for its new projects with better delivery times. However, for some materials, a revival of the world economy can increase costs which means the acquiring of them will need more attention. Additionally, for the same reason, delivery times may become challenging during the year. Such circumstances can present challenges to efficient production, cutting costs and the scheduled delivery of collectors. The Company has increased its focus in its projects in the Danish unit of the Company, where project implementation is lead. In order to improve the management of logistics costs, the Company is examining a range of holistic logistic solutions with different operators. In addition, growing demand will require new productive solutions in the future in order to meet the global needs.

At the same time, The Company will continue to focus on lowering the production costs. The hours spent on the manufacturing of collectors at the Company's factory fell by approximately 70 per cent from the autumn of 2014 to the summer of 2016, i.e. in a matter of 18 months. During the past year, the Company has also lowered material costs by approximately 20 per cent and reduced the number of personnel in the factory by about 50 per cent, while sales and marketing personnel has been increased. This has lead to new projects e.g. in France, Finland and Sweden and the Company believes that it has clearly better conditions for sales in the future.

In the future, efforts to reduce the cost of materials and other purchased services as well as the efficiency of the implementation of projects will be continued.

Market overview

Savosolar produces solar thermal solutions for a range of different customers and its main product is solar thermal systems, where the world's most efficient solar thermal collectors produced by the Company are used. Additionally, the Company produces and sells solar thermal absorbers for some customers' special solutions. The Company specifically focuses on segments with huge and fast growth potential. The segments include i) the district heating market in Europe specifically in Denmark, Germany, France, Finland, Sweden and countries in Eastern Europe as well as e.g. China and ii) industrial systems for process heating with the most potential markets, from the Company's point of view, in Latin America, Australia and Africa in addition to Europe. This means that the Company is specifically interested in large installations (over 500 m^2), where there is less competition compared to smaller systems for households and efficiency of the systems is the most important factor for the user. The market for large installations is also attractive since it is the segment of the solar thermal market with the strongest growth. Additionally, delivering complete systems increases the value added and the turnover of the delivery. One growth area is building integration solutions and as part of that, PVT (photovoltaic thermal – produces both solar electricity and thermal energy) systems. In this segment the Company can also give customers benefits which no competitor can offer.

SOLAR THERMAL DISTRICT HEATING

Solar thermal district heating systems are a very large application for solar thermal technology and are currently the Company's most attractive market segment. These systems are integrated into local district heating networks both for residential and industrial use. During warm seasons, they can completely replace other sources, usually fossil fuels used for heat production, or save biofuels, which are currently increasingly being used in district heating production. Several studies have shown that after tank storage of fossil fuels, i.e. oil and gas, it is by far the most advantageous to store energy as thermal energy in a large water reservoir.[3] Thanks to the development of these large heat storages, it is also possible to store heat during summertime for winter use. Because of this, solar heat can also meet part of the heating need in wintertime.

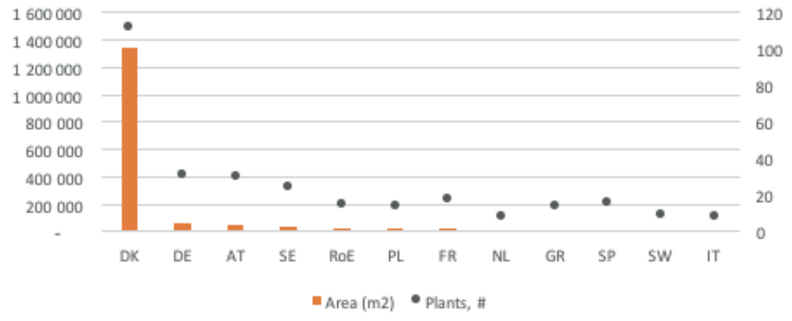
The economic and environmental benefits associated with the known reliability of this solar thermal application, coupled with the expertise gained over decades, have increased interest in its commercial activities, especially in Europe where Denmark has been a forerunner. As a consequence, the solar thermal district heating market is also in a completely different position at the moment in comparison with four years ago when the Company received the first large-scale deal in Denmark. Between 2013 and 2016, the only significant market was in practice Denmark, where there is strong local competition. Now Denmark, after a year's downturn, is very active and the market is significant, but there are also several other countries in the Company's portfolio. At present, the Company has already more potential projects in terms of both amount and monetary value elsewhere than in Denmark and expects that the significance of these other markets will continue to grow in the future.

This is also seen more commonly; at the Solar District Heating conference in April 2018 in Austrian Graz, there were more than 350 participants and the president of the European district heating association, Euroheat & Power, Werner Lutsch said in the presentation that this year, solar district heating will generate over 1 TWh (= 1 billion kilowatt-hours) of district heating in Europe for the first time. He also said that according to market analyses, the solar district heating capacity is expected to increase to 240 terawatt-hours by 2050. This would mean 15 per cent of Europe's district heating needs. Despite the downturn in 2017, 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.[4]

As seen in the figure, Denmark has come much further compared to the other markets when considering the capacity of solar district heating and how many systems are installed. According to the Company, this reflects what opportunities there are in the market.

The global market potential for district heating is over one billion square metres, which means a market potential of several hundred billion euros. Even if only 10 per cent would happen by 2050, it would mean an annual market of over EUR 1 billion, especially for large collector fields, as part of district heating.

TOTAL COLLECTOR AREA AND NUMBER OF SYSTEMS INSTALLED AS PER 2016.



[3] Henrik Lund: Renewable Energy Systems; The Choice and Modelling 100% Renewable Solutions, 2014 edition.
[4] Euroheat & Power News and SDH conference presentations. https://www.euroheat.org/news/.

Key Highlights

- Order book of 5.6 MEUR and outstanding offers of 53 MEUR.
- Delivering the largest collector field ever built in France to date.
- Delivering the largest order throughout Savosolar's history in Denmark.
- Delivering the largest collector field ever built in Finland, 200 kilometres from the Arctic Circle.
- Proven solution for solar district heating - most efficient collector field in Denmark.

VISION

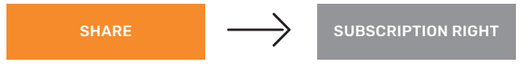
Be the global first-choice supplier to high performance solar installations by 2020.

Summary of the Offering

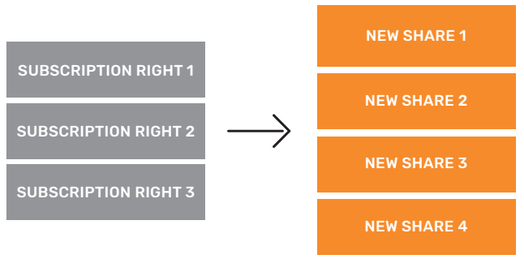
Number of shares:	Maximum of 174,332,080
Size of the Offering:	EUR 3.5 million or SEK 34.9 million
Subscription price:	EUR 0.02 or SEK 0.20 per share
Subscription undertakings and underwriting commitments:	80 per cent of the Offering
Subscription rights:	Three (3) shares entitle the holder to subscribe for four (4) new shares
Pre-money valuation:	EUR 2.6 million or SEK 26.1 million
Trading period for the subscription rights:	21 June – 4 July 2018
Trading period for the temporary shares (indicative):	21 June 2018 - 23 July 2018
The Subscription Period for the offering in Sweden:	21 June – 6 July 2018
The Subscription Period for the offering in Finland:	21 June – 10 July 2018
Announcement of outcome of the offering (indicative):	13 July 2018
Warrants:	Two (2) subscribed shares in the Offering entitles the subscriber for one (1) warrant free of charge
Trading in warrants starts (indicative):	Week 31, 2018
Subscription price with warrants:	The share subscription price is 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 subscription price, however, is at least EUR 0.02 and at most EUR 0.03 per share.

DESCRIPTION OF SUBSCRIPTION RIGHTS

The Company gives one (1) subscription right per each (1) share held on the record date.

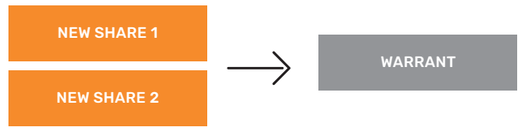


Three (3) subscription rights entitle the holder to subscribe for four (4) new shares to the subscription price of EUR 0.02 or SEK 0.20 per each new share.

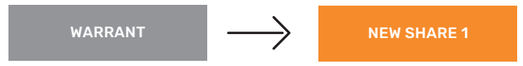


WARRANTS

The subscriber receives one (1) warrant free of charge for every two (2) new shares subscribed in the Offering.



Each (1) warrant entitles its holder to subscribe for one (1) new share during 26 November - 10 December 2018.



THE FOLLOWING FUNCTION AS SUBSCRIPTION LOCATIONS:

a) In Finland, custodians and account operators and
b) In Sweden, Aqurat Fondkommission AB's website at www.aqurat.se and Aqurat Fondkommission AB's premises at Kungsgatan 58, 111 22 Stockholm, Sweden (info@aqurat.se, tel. +46 8-684 05 800).

AMONG OTHERS, THE FOLLOWING RISKS RELATE TO THE COMPANY AND ITS BUSINESS:

- The Company has a history of operating losses and the operations may stay unprofitable for an unforeseeable future; the Company is in restructuring programme in accordance with the Restructuring Act
- The Company's working capital is not sufficient to meet the Company's present requirements and requirements for the coming 12 month period from the date of the Prospectus, and if the Offering is not fully subscribed and not at least EUR 1.5 million is subscribed for new shares with the Warrants, the Company may need additional working capital financing
- The Company may not succeed in implementing its internationalisation strategy in accordance with its plans
- If the Company is unable to pay back restructuring debts in accordance with restructuring programme, the debt settlement in the restructuring programme may lapse
- The Company may not be able to sufficiently protect its intellectual property rights
- The Company may infringe third party intellectual property rights or claims may be made against the Company on such infringements
- Potential credit losses may have a material adverse effect on the Company's financial position
- The expected income from capitalised development costs may prove to be smaller than expected
- The Company may not be able to utilise all tax losses incurred
- Tekes funding may not be available in the future and already received funding may become repayable prematurely
- The Company may be adversely affected by fluctuations in exchange rates
- The Company is dependent on its key suppliers' and –subcontractors' availability and delivery schedule
- The Company may become subject to product liability claims and other claims
- The Company may be liable to pay compensation based on efficiency warranties given to the customers
- Technical problems may cause interruptions in the manufacturing process of the Company
- The Company may not be able to refinance its debt
- The Company is reliant on its ability to recruit and retain relevant key personnel
- The Company is reliant on its ability to find and retain research partners
- The insurance coverage of the Company may not be comprehensive and the Company may not be fully insured against all risks
- Hazardous substances are used in the Company's manufacturing process and the Company may need an environmental permit in the future
- The Company is in a legal process in France and may in the future be involved in litigation and arbitration proceedings
- There can be changes in the competitive environment which may adversely affect the Company
- The Company may be adversely affected by changes in the financial markets and economic conditions generally
- The Company may not be able to obtain the bank guarantees it needs for growth at acceptable terms or at all
- The Company may be adversely affected by fluctuations in interest rates

AMONG OTHERS, THE FOLLOWING RISKS RELATED TO THE OFFERING, THE SHARES AND THE WARRANTS

- The Company may not receive the required capital in full from the Offering
- An active public market for the Company's Shares, Subscription Rights and/or Warrants may not develop
- The Subscription Rights will expire and have no value if they are not exercised during the Subscription Period
- The market price of the Shares, Subscription Rights and Warrants could fluctuate considerably and the price of the Shares could fall below the subscription price in accordance with the terms of the Warrants or below the Subscription Price
- The amount of possible future dividends to be distributed to shareholders is not certain and the Company cannot distribute funds to shareholders during the period of the restructuring programme
- Dilution of the shareholding
- Subscriptions are irrevocable, except under certain limited circumstances
- Not all foreign shareholders may be able to exercise their Subscription Rights
- Holders of Shares in the Company registered in custodial nominee accounts may not be able to exercise their voting rights
- Future issues or sales of a substantial number of Shares or rights entitling to Shares could have a negative effect on the market price of the Shares and cause dilution; the Company may arrange a directed issue to the underwriters
- Investors in the Swedish Offering may be adversely affected by fluctuations in foreign exchange rates
- There is no certainty that all underwriters and shareholders who have given a subscription undertakings fulfil their obligations towards the Company