

## **Savo-Solar Plc's financial statement release for 2017: Revenue decreased due to declined demand in the main market, operating loss slightly higher year-on-year**

### **Key figures in January-December 2017**

- Savo-Solar's revenue decreased year-on-year, amounting to EUR 831 thousand (2016: EUR 5,405 thousand). Decrease was a result of postponed investments in the company's main market in Denmark and of slower-than-expected progress in projects in other markets.
- Operating result (EBIT) amounted to EUR -4,817 thousand (EUR -4,522 thousand). Weak EBIT was caused by the decrease of revenue and enhanced efficiency was not reflected in result due to small volumes.
- Net result for the year amounted to EUR -5,664 thousand (EUR -5,687 thousand).
- Savo-Solar's financing position improved after successful share issues, in which the company collected approximately EUR 5.1 million net after transaction costs.

### **Key figures in July-December 2017**

- Revenue for the second half of the year amounted to EUR 219 thousand (7-12/2016: EUR 2,308 thousand).
- Operating result (EBIT) amounted to EUR -2,619 thousand (EUR -2,599 thousand).

### **CEO comments:**

"Our revenue in 2017 was remarkably smaller than in previous year based on the fact that we had only a few small delivery projects. The stand-still of the market in Denmark due to the postponement of decisions on state support affected all players in the business, because Denmark has so far been clearly the biggest market for large-scale solar thermal systems and other markets are just getting started. The slow-down resulted in tightened competition in those few projects, which proceeded into realisation phase in different areas of Europe.

Our success in tenders in France was not able to cover the missing revenue during 2017, because the processes for permissions and other issues with authorities have taken more time than expected, which is very typical for large scale projects like this. Even though the number of projects in the sales pipeline and in the offer backlog was, and still is, high, the projects did not turn into orders during 2017. For example, our long negotiations with the French newHeat SAS did lead to a significant contract only after the end of the report period in the beginning of March. We have plenty of offers out and we lost last year only very few of them. So there are still many projects waiting for decision due to the customers' own processes. In many countries, there are projects in the launching pads and we trust that from our sales pipe a good number of projects will be realised during the next 12 months.

We adjusted the variable costs in line with the decreased revenue. Inventory values were increased clearly year-on-year because we manufactured collectors to stock in order to be able to react fast in customer projects in 2018. Other operational costs increased year-on-year based on the investments in sales and marketing, among others. Efficiency-increasing modernisation of coating line and introduction of new manufacturing methods enable enhanced cost-efficiency and profitability especially in large projects. Their effect was limited in smaller projects that were realised during the year.

In 2017, we got our first reference deliveries to Sweden and we also gained a good foothold in France. These together with the large solar collector fields in Denmark serve as a good reference and evidence on our technology and quality.

We are expanding our operations to other European countries. Our subsidiary Savosolar GmbH, which was established in Germany last spring, is serving the markets in Germany and neighbouring countries with great potential. Our German base has already helped us to get invitations to several tenders.

Successful deliveries of large solar fields and prominent references in Europe support us also when searching for partners in other continents. Cooperation with the company Jorgensen in Mexico has started well and we trust that we are participating in big projects in 2018. In China, we continue negotiations with Beijing Yuxin Solar Energy and both parties are keen to start cooperation. This is a big issue for both companies, and therefore it is understandable that the discussions are taking time. We are active also in other markets and our high technology is gaining interest also in other areas than in China and Europe.

The outlook for 2018 is remarkably better than the realized in 2017. Our offer backlog is at the moment clearly exceeding EUR 40 million. There is a record-high number of projects in Europe and despite the tightened competition we are well equipped to gain a good share of the total market. Two thirds of our offer backlog comes from Europe and the rest from outside Europe. In Denmark we have only a few quotations open at the moment but several new quotation requests are expected during the next 2-4 months also there.

All indicators in the market give us reason to trust in strong growth, and we continue targeting at EUR 20 million revenue in 2019.

Lack of large delivery projects in 2017 was of course a disappointment to us. We at Savo-Solar are, however, convinced about the competitiveness of our solutions and will continue our determined efforts to reach the targets for growth and profitability.”

Jari Varjotie, Managing Director of Savo-Solar Plc

### **The accounting principles for the financial statement release**

This financial statement release is unaudited. The report has been prepared in accordance with the Finnish Accounting Standards (FAS) using the same principles as in the 2016 financial statements. Unless otherwise stated, the comparison figures refer to the same period of previous year 2016.

### **Business development in July-December 2017**

The growth of revenue slowed down in the middle of the year, because the company received no new delivery projects for large solar collector fields for the district heating market. Project tenders were initiated gradually after the summer but the market in Denmark did not recover to normal levels. In other market areas new projects are proceeding slower, because local players there are still on the learning curve with the related processes.

Revenue for the latter half of the year amounted to EUR 219 thousand (7-12/2016: EUR 2,308 thousand) and the operating result to EUR -2,619 thousand (-2,599 thousand). Revenue derived mainly from deliveries to Ystad Energi AB in Sweden and Etelä-Savon Energia Oy, Elenia Lämpö Oy and Consti Talotekniikka Oy in Finland.

## **Business development in January-December 2017**

### **Revenue**

Revenue for the full-year 2017 amounted to EUR 831 thousand (1-12/2016: EUR 5,405 thousand). The decrease in revenue was caused by the fact that the company did not receive any new delivery projects for large solar collector fields for district heating market. Delayed decisions of the Danish government concerning the conditions of its program for energy savings and emission restrictions resulted in delays in the projects of district heating companies and the market had a temporary stand-still. Delay of the decision-making affected strongly the operations of Savo-Solar because Denmark has been the company's main market. Gradually during spring and rest of the year, the project tenders in Denmark were initiated but the market did not recover to normal and the projects in other market areas did not proceed with the expected pace. Strong investments in sales and marketing did not yet realise in signed orders.

To expand its market area the company strengthened the resources in sales and project organisations and established the subsidiary Savosolar GmbH in Germany. Local presence in Central Europe is providing remarkable advantages when acquiring new customers and negotiating on future projects.

The company signed in March 2017 a contract with Ystad Energi AB on the first turnkey delivery of a solar collector field to Sweden. The contract value amounted to approximately EUR 250 thousand and the delivery took place in summer 2017. The delivery is a good reference for future contract negotiations in Sweden. In Finland the company had several mid-sized deliveries, the biggest ones being Elenia Lämpö Oy, Consti Talotekniikka Oy and Etelä-Savon Energia Oy. The value of these deliveries was approximately EUR 300 thousand.

Savo-Solar was selected as the preferred bidder in a tender for a solar collector field to newHeat SAS in France. The companies have now after the end of the report period signed the actual contract and the target is to realise the delivery and installation of the field in summer 2018 after the final issues with the authorities have been settled, which is estimated to happen latest by 30 April. The value of the project for Savo-Solar will be over EUR 2.0 million. The turnkey delivery will cover the civil works, the collector field installed on a tracking system, the piping, the solar heat transfer unit, the control system and the operation & maintenance contract. The solar thermal plant will be the largest one in France. The customer newHeat SAS will use this solar thermal plant to supply heat to an industrial site.

Savo-Solar signed a contract with the company Véolia ECHM on a delivery of a solar thermal system in the city of Voreppe, France. Véolia ECHM is a part of Veolia Group, the leading company in heating and cooling systems worldwide. Even though the value of the contract is only approx. EUR 90 thousand, it is the company's first delivery of district heat system in France and will open the door for further co-operation with the Veolia Group.

The company signed an agreement with the Mexican company Jorgensen to gain access to the huge market for large solar thermal energy plants for mining industry in Latin America. The agreement gave Jorgensen the exclusive dealership right to sell and deliver Savo-Solar's products and solutions in Mexico, Peru and Chile.

At the end of the year Savo-Solar launched negotiations with the Chinese company Beijing Yuxin Solar Energy Co concerning the deliveries of large collectors and the manufacturing cooperation in the market of large systems with huge potential.

## Costs and earnings

The costs relating to materials and services totalled EUR 752 thousand (EUR 5,295 thousand). Thanks to the efficiency-increasing development projects the production costs could be reduced both as to working hours and material use. The benefits of the efficiency development will become more visible with big production volumes and they did not reflect in the result in 2017.

Variable costs were adjusted along with the decrease in revenue. Personnel costs decreased slightly amounting to EUR 1,829 thousand (EUR 2,137 thousand). Other operating expenses amounted to EUR 2,329 thousand (EUR 1,879 thousand). The biggest cost increase was seen in the costs for sales and marketing based on the establishment of the sales subsidiary in Germany. Out of total costs, the biggest items were the expenses of the rights issue.

The operating result (EBIT) for 2017 amounted to EUR -4,817 thousand (EUR -4,522 thousand). The profitability was affected especially by the decreased revenue and the investments in sales and marketing. Because the manufacturing volumes were small, all potential of cost savings could not be fully utilised.

Net financial income and expenses amounted to EUR -810 thousand (EUR -1,165 thousand). Most of the financing costs were costs for the share issues.

The result for the report period stood at EUR -5,664 thousand (EUR -5,687 thousand). Earnings per share were EUR -0.08 (EUR -0.28).

## COMPARISON BY REPORT PERIOD

(EUR '000)	7-12/2016	7-12/2017	1-6/2017	1-12/2017	1-12/2016
Revenue	2 308	219	612	831	5 405
Operating profit/loss (EBIT)	-2 599	-2 619	-2 198	-4 817	-4 522
Profit/loss for the period	-3 498	-3 118	-2 545	-5 664	-5 687
Earnings per share, EUR	-0.13	-0.03	-0,07	-0.08	-0,28

## Financing

Total assets of the company on 31 December 2017 stood at EUR 6,478 thousand (EUR 6,952 thousand). The inventories increased from EUR 491 thousand to EUR 996 thousand. Cash and cash equivalents decreased by EUR 228 thousand. Current receivables decreased from EUR 408 thousand to EUR 127 thousand.

Shareholders' equity increased from EUR 3,547 thousand to EUR 3,653 thousand following the rights issue and directed share issue. The equity including capital loans amounted to EUR 5,084 thousand at the end of report period. Savo-Solar's equity ratio at the end of report period was 56.4% (51.0%).

Liabilities amounted to EUR 2,652 thousand (EUR 3,269 thousand), of which EUR 1,743 thousand (EUR 1,831 thousand) were long-term and EUR 909 thousand (EUR 1,438 thousand) short-term liabilities. Out of long-term liabilities the amount of capital loans was at EUR 1,431 thousand (EUR 1,431 thousand). Bank loans amounted to EUR 312 thousand (EUR 243 thousand). At the end of the report period the company had no other payables in line with the restructuring program to Tekes, material suppliers or tax authorities (31 Dec 2016: EUR 157 thousand).

The Bank Suur-Savon Osuuspankki extended the validity of the bank guarantee limit of EUR 2 million by 12 months until 30 November 2018. The company is using the limit in large projects for guarantees during deliveries and warranty period, among others. The continuation of the limit was conditional to the guarantee given by Finnvera Oyj. Furthermore, the company granted to the bank an additional guarantee of EUR 141 thousand.

The financing position of Savo-Solar improved substantially after the rights issue and directed share issues arranged in summer 2017 as well as after the subscriptions against warrants in November-December 2017, in which the company gained total net proceeds of approximately EUR 5.1 million.

The company signed on 30 May 2017 a bridge loan contract with Scandinavian Credit Fund I AB on a loan of EUR 600 thousand to the company. With the bridge loan Savo-Solar ensured the coverage of the working capital need until the realisation of the rights issue. The bridge loan had a fixed interest rate of 7.5% and the loan was due to be paid back on 31 August 2017. The loan including interest was paid back on 31 July 2017.

Cash flow from operations was EUR -5,863 thousand (EUR -5,433 thousand) and cash flow from investments EUR -209 thousand (EUR -1,148 thousand). Cash flow from financing was EUR 5,844 thousand (EUR 5,913 thousand), out of which the share issues amounted to EUR 5,770 thousand (EUR 6,435). On 31 December 2017, Savo-Solar's cash and cash equivalents totalled to EUR 2,212 thousand (EUR 2,440 thousand).

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

### **Investments**

Investments were EUR 209 thousand (EUR 1,148 thousand), and most of them were related to enhancing the production capacity and efficiency of the collector production. Investments in machinery and equipment amounted to EUR 151 thousand (EUR 882 thousand). The company has no need for remarkable investments during the next few years because the production capacity has been increased to a level allowing the revenue of EUR 20-30 million.

The company raised EUR 81.6 thousand as an R&D grant from Tekes during the report period (EUR 62.8 thousand). The grant is connected with the SOLHC project (Solar Thermal Heating and Cooling), which was a joint EU-project of German and Finnish research institutes. Savo-Solar's premises in Mikkeli are provided with the next-generation solar-thermal cooling equipment, which was taken to trial use in April 2016. The project was targeted at developing a cost-efficient heating and cooling system utilising solar thermal energy. The German parties in the project still need to accomplish the industrialization of the chiller before the system can eventually be offered commercially to the markets.

Savo-Solar's project on the development of a new type of solar thermal collector has been approved as a part of the Government's spearhead projects in cleantech industry. 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 2018 and its total budget amounts to EUR 706 thousand.

The company's realised and on-going investments in production capacity and increased efficiency in production during 2015-2017 amounted to approximately EUR 1.5 million.

## **Personnel, Board of Directors and Auditor**

At the end of the report period, Savo-Solar had 36 (42) employees. The number of personnel decreased due to the decrease of production volumes. Operations in Finland were adapted by means of cooperational negotiations, and they resulted in redundancies of 3 persons and in temporary lay-offs of 6 persons.

The company strengthened its sales organisation in Denmark by new recruitments. Lars Rossen was appointed sales manager in Denmark and Morten Hofmeister was appointed director for projects and system design as well as a member of management team.

The company established in Hamburg a subsidiary Savosolar GmbH in order to gain a more solid foothold in the German market. At the same time, Torsten Lütten was appointed sales director for Savo-Solar in Germany. Local presence in Central Europe will provide essential advantages when acquiring new customers and negotiating on further projects.

The company's management team was renewed in spring 2017 when Nalle Stenman (M.Sc., Econ) was appointed as CFO and Morten Hofmeister (M.Sc, Eng) as Head of Projects and System Design. Aku Järvisalo (M.Sc.,Eng), former Chief designer of the company, was appointed as Production Manager. In addition to CEO, the other members of the management team are CTO Kaj Pischow, Vice President of Sales Patrick Jansson and Quality Manager Pekka Karjalainen. The company also strengthened the sales organization with new recruitments in Denmark and in Germany.

The Annual General Meeting held on 28 March 2017 re-elected Feodor Aminoff, Christof Gey and Sami Tuhkanen to the Board and elected Håkan Knutsson as a new member to the Board. From among its members, the Board elected Feodor Aminoff to continue as the Chairman of the Board.

The Annual General Meeting elected the auditing firm PricewaterhouseCoopers Oy as the company's auditor. Mr. Petter Lindeman, Authorised Public Accountant, is the auditor in charge.

## **Stock option programs of the management**

At the end of the report period the company had two valid stock option programs – “2015” and “2-2017”.

The stock option program launched in 2015 includes 250,000 stock options, out of which 77,500 are marked with the symbol 2015A, 57,500 with the symbol 2015B, 57,500 with the symbol 2015C and 57,500 with the symbol 2015D. By the end of report period a total of 92,600 stock options have been allocated to seven persons employed by the company. The share subscription period is for stock option 2015A from 1 April 2016 to 31 March 2018, for stock option 2015B from 1 October 2016 to 31 March 2018, for stock option 2015C from 1 April 2017 to 31 March 2018 and for stock option 2015D from 1 October 2017 to 31 March 2018. The option rights entitle to subscribe for a total of 500,000 new shares.

The original subscription price of EUR 1.50 has been lowered by the decision of the Board of Directors to EUR 0.93 per share for the sake of shareholders' equality in connection with the rights issue in November-December 2015. Furthermore, the subscription right was changed in the way that each stock option entitles to subscribe for two new shares, instead of one new share. Therefore, 250,000 option rights of the program entitle to subscribe for a total of 500,000 new shares.

The subscription price was further lowered in the rights issue resolved in August 2016 so that the subscription price per share is EUR 0.82. In connection with the rights issue in 2017 the subscription price was further lowered to EUR 0.53. During the report period, no new option rights have been allocated and no new shares have been subscribed for with the option rights.

In July 2017, a new stock option program for management was launched. Based on the program a total of a maximum of 2,000,000 option rights can be distributed, entitling to subscribe for a maximum of 2,000,000

shares of the company. The option rights are distributed to classes as follows: 500,000 options to 2-2017A, 500,000 to 2-2017B, 500,000 to 2-2017C and 500,000 to 2-2017D.

The subscription period for the shares to be subscribed against the options is staggered being with option rights 2-2017A from 1 January 2018 to 31 December 2019, with 2-2017B from 1 July 2018 to 31 December 2019, with 2-2017C from 1 January 2019 to 31 December 2019 and with 2-2017D from 1 July 2019 to 31 December 2019. The subscription price is the volume weighted average share price in First North Finland during the time from 1 June 2017 to 31 August 2017, i.e. EUR 0.12 per share.

A total of 1,880,000 options have been distributed to key personnel of the company.

### **Remuneration of the Board of Directors**

The Annual General Meeting resolved on 28 March 2018 that for the period starting at the end of the Annual General Meeting and ending at the end of the next Annual General Meeting EUR 21,600 will be paid to the Chairman of the Board and EUR 10,800 to each of the other members of the Board. Approximately 40% of the remuneration of the Board of Directors was paid by giving to the Board members the company's new shares, while 60% of the remuneration was paid in cash in 12 instalments monthly.

The Board of Directors of Savo-Solar resolved on 5 July 2017 on a directed share issue to be used as the first part of the Board members' remuneration with shares. The company issued a total of 118,645 new shares of the company, which were offered for subscription to the members of the Board of Directors without consideration. The Chairman of the Board was offered a total of 59,323 new shares and other Board members were offered 29,661 new shares each. One member of the Board did not accept any remuneration. When calculating the value per share, the volume weighted mean price in First North Sweden was used, during the three days period after the publication of the plan for arranging a rights issue (29-31 May 2017), i.e. SEK 0.71.

The Board of Directors of Savo-Solar resolved on 7 November 2017 on a directed share issue to be used as the second part of the Board members' remuneration with shares. The company issued a total of 117,241 new shares of the company, which were offered for subscription to the members of the Board of Directors without consideration. The Chairman of the Board was offered a total of 58,621 new shares and other Board members were offered 29,310 new shares each. One member of the Board did not accept any remuneration. When calculating the value per share, the volume weighted mean price in First North Sweden during 28 August – 7 September 2017 was used, i.e. SEK 0.70.

### **Annual General Meeting 2017**

The Annual General Meeting of Savo-Solar was held in Helsinki on 28 March 2017. A total of 18 shareholders participated in the meeting, representing a total of 4,902,610 shares or approximately 13.8% of all shares and votes of the company. The Annual General Meeting adopted the financial statements for the financial period ended on 31 December 2016 and resolved, in accordance with the proposal of the Board of Directors, that no dividend be distributed and that the loss for the financial period (EUR 5,475,335.59) be recognized in equity.

### **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 2017 approximately EUR 521 thousand (242 thousand).

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

### **Rights issue and related directed share issue**

The company arranged in June-July 2017 a rights issue of approximately EUR 4.3 million and a related offering of warrants. Moreover, the company arranged a directed share issue to the underwriters of the rights issue.

In the rights issue the company offered a maximum of 70,938,664 new shares, representing approximately 67% of all shares of the company after the issue. All shareholders included in shareholder register were given subscription rights for every one share held in the company on the offering record date. Each subscription right entitled their holder to subscribe for two offer shares.

The subscription period for offer shares was from 14 to 30 June 2017 in Finland and from 14 to 28 June 2017 in Sweden. Subscription price was EUR 0.06 or SEK 0.58 per share.

Furthermore, each investor who subscribed for shares in the rights issue, was given free of charge one warrant for each three subscribed and paid shares. The share subscription period based on the warrants was 20 November - 1 December 2017. The subscription price was determined based on the volume weighted average price at First North Finland between 2 and 16 November 2017 less 25 per cent. The final subscription price was EUR 0.06.

The rights issue was oversubscribed and the company's Board of the Directors resolved after the end of the report period on 5 July 2017 on approval of the subscriptions of the rights issue as well as on the allocation of offered shares and warrants. 66 % of the offering was allocated to subscribers who had subscribed for shares with the subscription rights and 34 % to those who had subscribed for the shares without the subscription rights. In the rights issue the number of Savo-Solar's shares increased by 70,938,664 shares, and after the rights issue the total number of shares was 106,407,996. The number of warrants that were allocated in the rights issue was 23,645,786. Of the said warrants, 20,940,956 were used for subscription of shares during the subscription period 20 November – 1 December 2017.

A directed share issue was arranged to underwriters of the rights issue, and after that the number of Savo-Solar's shares was increase by 3,164,224 shares. The subscription price in the directed share issue was SEK 0.76, representing the volume weighted mean price of the company's share at First North Sweden during the period from 14 to 28 June 2017.

Trading in the new shares subscribed for in the rights issue and two directed share issues commenced on First North Finland on 24 July 2017 and on First North Sweden on 3 August 2017, and trading in the new shares subscribed for in the second Board remuneration share issue without consideration commenced on First North Finland and on First North Sweden on 23 November 2017 and trading in the new shares subscribed based on the warrants commenced on First North Finland and on First North Sweden on 14 December 2017.

As a result of the rights issue, the directed share issue to underwriters, the directed share issues without consideration to the Board of Directors and subscription of new shares based on the warrants as described above, the number of Savo-Solar's shares increased by 95,279,730 shares.

### **Present authorization of the Board of Directors at the publication date of this release**

The Annual General Meeting held on 28 March 2017 resolved to authorize the Board of Directors to decide, in one or more transactions, on the issuance of shares, options and other special rights entitling to shares according to the Companies Act chapter 10, section 1. The number of shares to be issued based on the authorization could amount to a maximum of 100,000,000 shares, representing approximately 281.9% of all shares of the company on the date of authorization. The authorization is valid until 31 December 2021.

In the rights issue and two directed share issues resolved by the Board of Directors in June-July 2017 a total of 74,221,533 shares of the authorization were used. Furthermore, based on the authorization a total of



117,241 were given to the members of Board of Directors in a share issue without consideration in November 2017, of 23,646,221 warrants issued to the subscribers of rights issue 20,940,956 were used for subscription of shares in November-December 2017 and a total of 2,000,000 stock options were reserved for the management's stock option plan.

On the date of this financial report the Board of Directors have a remaining authorization for a total of 2,720,270 shares.

### Shares and shareholders

Savo-Solar has one series of shares and their total number on 31 December 2017 was 130,749,064. Each share entitles its holder to one vote at the General Meeting.

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

During the report period, the share price in First North Sweden varied between SEK 0.575 and 3.27 (SEK 2,24 and 5,53). The closing price was SEK 0.63 (SEK 2.80). In First North Finland, the share price varied between EUR 0.06 and 0.318 (EUR 0.25 and 0.56). The closing price was EUR 0.06 (EUR 0.29).

The combined trading volume in 2017 was 33,392,937 shares. At the end of the report period, Savo-Solar had 6,078 shareholders (3,899). The company does not hold any of its own shares.

### BIGGEST SHAREHOLDERS on 31 December 2017

Shareholder	Holding, number of shares	Percentage of all shares
Försäkringsaktiebolaget Avanza pension	10 851 159	8.30
Danske Bank Oyj	3 340 954	2.56
Nordnet Pensionsförsäkring AB	3 298 966	2.52
Fredrik, Lundgren	3 246 089	2.48
Suomen itsenäisyyden juhlarahasto	2 835 256	2.17
JPMEL – Stockholm branch	1 480 097	1.13
Geust Johan Niklas Erik	1 373 373	1.05
Netfonds ASA, NQI	1 326 601	1.01
Hämäläinen Sami Petteri	1 300 000	0.99
Bernhard von der Osten-Sacken	943 462	0.72
Others	100 753 107	77.06
<b>In total</b>	<b>130 749 064</b>	<b>100</b>

### **General risks and factors of uncertainty concerning operations**

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

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 this release, Savo-Solar 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 Savo-Solar 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.

Like most early stage technology companies, Savo-Solar 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 is planned to last until the end of 2018.

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

### **Strategy and long-term goals**

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

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

Savo-Solar has in different market areas partners, who 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.

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 Northern countries but the company has started active marketing in Europe and intends to expand strongly also outside Europe during the next few years.

The company's target is to increase the annual production significantly from about 40,000m<sup>2</sup> at present and to increase the revenue to more than EUR 20 million by the end of 2019. The company aims at moving

in the supply chain more strong than today to the role of a system supplier. The company's long-term target for sales marginal is 30%, operating profit margin 17-18% and net result 11%.

#### **Significant events after the end of the financial period**

In the beginning of January 2018, Savo-Solar signed the final contract with the company Véolia ECHM on a delivery of a solar thermal system in the city of Voreppe, France. The related Letter of Intent was signed in June 2017. The delivery will take place during the first quarter of 2018. Even though the value of the contract is not big, it is estimated to open the door for further co-operation with the Veolia Group and to serve as a good reference to other energy players in France. Market for solar thermal solutions in France is growing fast and the region Rhône-Alpes, where Voreppe is located, is very actively promoting the development of solar thermal heating Europe-wide.

Savo-Solar announced on 2 March 2018 that it had signed the final contract with newHeat SAS on the delivery of the largest solar thermal system in France. The contract value is over EUR 2 million and the delivery is due to take place in summer 2018. The contract is conditional, and the start of the delivery will be after newHeat has received the final approvals and agreements. This is expected to happen by 30 April 2018.

#### **Outlook**

Savo-Solar estimates that the company's full-year revenue 2018 will be higher than in 2017, when it was EUR 831 thousand. The company estimates that the full-year operating result (EBIT) will be better than in 2017, when the operating result amounted to EUR -4.8 million.

The market in Denmark is estimated to grow strongly and according to the preliminary information gained by the company the number of installations will remain high also in 2019. Furthermore, in the rest of Europe there are currently plans on several very large solar thermal fields and several smaller fields close to buildings. Based on this the company is expecting other European market areas to exceed the size of the Danish market eventually already during this year and in 2019 at the latest. Potential markets are France, German-speaking areas of Europe as well as the Baltic countries and South-East Europe. Savo-Solar is searching for, and has already found, cooperation partners in different parts of Europe and the world in order to be able to offer its technology everywhere.

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

The Annual General Meeting of Savo-Solar Plc will be held on 27 March 2018 at the premises of Sitra in Helsinki. The notice to convene the Annual General Meeting will be published on 5 March 2018. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year (EUR – 5,663,528.48) be transferred to the profit/loss account of previous periods and no dividend be distributed.

#### **Financial reporting of the company in 2018**

Savo-Solar's financial accounts for 2017 will be published on the company's website by Tuesday, 13 March 2018.

The company's half-year report for January-June 2018 will be published on Monday, 27 August 2018. The financial reports will be published in Finnish and in English.

**For more information:**

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Savo-Solar Plc. discloses the information provided herein pursuant to EU Market Abuse Regulation. The information was submitted for publication on 5 March 2018 at 8.30 a.m. (CET).

**ANNEXES**

- 1 Income Statement
- 2 Balance Sheet
- 3 Cash Flow Statement
- 4 Calculation of Changes in Equity
- 5 Financial Ratios and Calculation of Key Figures

***Savo-Solar in brief***

*Savo-Solar with its highly efficient collectors and large-scale solar thermal systems has taken solar thermal technology to the next level. The company's collectors are equipped with the patented nano-coated direct flow absorbers, and with this leading technology, Savo-Solar helps its customers to produce competitive clean energy. Savo-Solar's vision is to be the first-choice supplier to high performance solar installations on a global scale. Focus is on large-scale applications like district heating, industrial process heating and real estate systems - market segments with a big potential for rapid growth. The company primarily delivers complete systems from design to installation, using the best local partners. Savo-Solar is known as the most innovative company in the business, and aims to stay as such. The company has sold and delivered its products to 18 countries on four continents. Savo-Solar's shares are listed on Nasdaq First North Sweden with the ticker SAVOS and on Nasdaq First North Finland with the ticker SAVOH. [www.savosolar.fi](http://www.savosolar.fi).*

*The Company's Certified Adviser is Augment Partners AB, tel.: +46 8 505 65172.*

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

(1 000 euroa)	Jul-Dec 2017	Jul-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Revenue	219	2 308	831	5 405
Other operating income	-66	-54	24	1
Materials and services	-428	-2 745	-752	-5 295
Personnel costs	-628	-908	-1 829	-2 137
Depreciations and write-downs	-380	-351	-762	-617
Other operating expenses	-1 204	-771	-2 329	-1 879
Operating profit/loss	-2 619	-2 599	-4 817	-4 522
Financial income	0	0	14	0
Financial expenses	-477	-899	-824	-1 165
Extraordinary items	0	0	0	0
Profit/loss before appropriations and taxes	-3 082	-3 498	-5 627	-5 687
Net profit/loss for the reporting period/financial year	-3 118	-3 498	-5 664	-5 687
	Jul-Dec 2017	Jul-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Earnings per share, undiluted, EUR	-0,03	-0,13	-0,08	-0,28
Earnings per share, diluted, EUR			-0,24	-0,24
Number of outstanding shares at the close of period			109 690 865	35 469 332
Average number of outstanding shares by month, adjusted by share issue	54 571 860	25 989 763	72 306 526	19 320 969
Number of outstanding shares, adjusted by dilutive effect			101 350 652	22 718 874

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

(EUR '000)	31 December 2017	31 December 2016
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	1 628	1 989
Tangible assets	1 130	1 349
Shares in group companies	162	134
<b>Fixed assets in total</b>	<b>2 920</b>	<b>3 472</b>
<b>Current assets</b>		
Inventories	996	491
Long-term receivables	222	142
Accounts receivable	49	261
Other receivables	43	143
Prepayments and accrued income	35	4
Cash and cash equivalents	2 212	2 440
<b>Current assets in total</b>	<b>3 557</b>	<b>3 481</b>
<b>Assets in total</b>	<b>6 478</b>	<b>6 952</b>

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Equity and liabilities</b>		
Equity		
Share capital	470	470
Unrestricted equity fund	24 919	19 149
Retained earnings	-16 072	-10 385
Net profit/loss for reporting period/financial year	-5 664	-5 687
<b>Shareholder's equity in total</b>	<b>3 653</b>	<b>3 547</b>
<b>Obligatory provisions</b>		
Other obligatory provisions	172	136
<b>Long-term liabilities</b>		
Capital loans	1 431	1 431
Loans from financial institutions	312	243
Other liabilities	0	157
<b>Long-term liabilities in total</b>	<b>1 743</b>	<b>1 831</b>
<b>Short-term liabilities</b>		
Loans from financial institutions	224	219
Advances received	316	767
Trade payables	57	0
Other liabilities	37	59
Accrued liabilities	277	393
<b>Short-term liabilities in total</b>	<b>909</b>	<b>1 438</b>
<b>Liabilities in total</b>	<b>2 652</b>	<b>3 269</b>
<b>Total equity and liabilities</b>	<b>6 478</b>	<b>6 952</b>

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

(EUR '000)	Jul-Dec 2017	Jul-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Cash flow from operating activities</b>				
Profit/loss for the financial period	-3 118	-3 287	-5 664	-5 687
Adjustments	880	1 249	1 608	1 782
Increase/decrease in current receivables	192	1 937	199	22
Increase/decrease in inventories	-121	96	-505	-99
Increase/decrease in current interest-free payables	-325	-1 413	-534	-296
Interests from operating activities	-463	-859	-810	-1 165
<b>Cash flow from operations</b>	<b>-2 955</b>	<b>-2 276</b>	<b>-5 706</b>	<b>-5 433</b>
<b>Cash flow from investing activities</b>				
Investments	-8	-978	-181	-1 146
Loans granted	0	15	0	0
Investments in subsidiaries	0	-2	-28	-2
<b>Cash flow from investment activities</b>	<b>-8</b>	<b>-964</b>	<b>-209</b>	<b>-1 148</b>
<b>Cash flow from financing activities</b>				
Share issue	5 770	6 435	5 770	6 435
Repayment of long-term loans	-380	-278	-127	-278
Proceeds from short-term loans	366	295	201	1 195
Repayment of short-term loans	-702	-1 083	-157	-1 439
<b>Cash flow from financing activities</b>	<b>5 054</b>	<b>5 369</b>	<b>5 687</b>	<b>5 913</b>
Change in cash and cash equivalents	2 091	2 129	-228	-667
Cash and cash equivalents at beginning of period	121	312	2 440	3 108
Cash and cash equivalents at end of period	2 212	2 440	2 212	2 440



**ANNEX 4**  
**CALCULATION OF CHANGES IN EQUITY (FAS, unaudited)**

(EUR '000)	Share capital	Unrestricted equity fund	Retained earnings	Result for financial year	Total
Equity 1 Jan 2017	470	19 149	-16 072	0	3 547
Share issue	0	5 770	0	0	5 770
Result for financial year	0	0	0	-5 664	-5 664
Equity 31 Dec 2017	470	24 919	-16 072	-5 664	3 653
Equity 1 Jan 2016	470	12 714	-10 385	0	2 799
Share issue	0	6 435	0	0	6 435
Result for financial year	0	0	0	-5 687	-5 687
Equity 31 Dec 2016	470	19 149	-10 385	-5 687	3 547

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

(EUR '000)	Jan-Dec 2017	Jan-Dec 2016
Revenue	831	5 405
Result for reporting period/financial year	-5 664	-5 687
Cash and cash equivalents	2 212	2 440
Equity	3 653	3 547
Equity Ratio, %	56.4	51.0

**Calculation of key figures**

Equity ratio, %	Shareholders' equity in Balance Sheet at the end of the period x 100 / Assets in total
Amount of shares, pcs	Amount of shares at the end of the period
Amount of shares on average, pcs	Weighted average number of shares during the period, adjusted by share issue
Earning per share, EUR	Result for financial year / Adjusted weighted average number of shares during the period