

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA, HONG KONG, SOUTH AFRICA, NEW ZEALAND, SINGAPORE OR JAPAN OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL.



# Savosolar

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

11-27 October 2021

**INVEST IN CLEAN HEATING**

MARKETING BROCHURE – NOT A PROSPECTUS APPROVED BY THE FINNISH FINANCIAL SUPERVISORY AUTHORITY. WE KINDLY ASK YOU TO FAMILIARISE YOURSELVES WITH THE PROSPECTUS RELATING TO THE OFFERING (THE "OFFERING") BEFORE MAKING AN INVESTMENT DECISION. THE PROSPECTUS IS AVAILABLE ON SAVOSOLAR PLC'S ("SAVOSOLAR" OR "THE COMPANY") WEBSITE ([HTTPS://WWW.SAVOSOLAR.COM/RIGHTS-ISSUE-2021](https://www.savosolar.com/rights-issue-2021)), ON AUGMENT PARTNERS WEBSITE ([HTTPS://OFFERS.AUGMENT.SE/](https://offers.augment.se/)) AND ON AQURAT FONDKOMMISSION AB'S WEBSITE ([WWW.AQURAT.SE](http://www.aqurat.se)). THE PRINTED PROSPECTUS IS AVAILABLE AT THE HEAD OFFICE OF THE COMPANY AT INSINÖÖRINKATU 7, 50150 MIKKELI, FINLAND.



# Background and use of proceeds



## Background

The market for large solar heating systems for both district heating and industrial processes is growing, especially in Europe. Both companies and public entities are accelerating their investment decisions due to the EU Green Deal programs and the growing demand to fight climate change. The Company estimates that in 2022, the market for large solar thermal systems will double or triple in size compared to 2021. Savosolar estimates that growth will be strongest in France, Austria, Poland and Germany, where measures have already been initiated in accordance with the EU Green Deal program. The Company has achieved a strong market position and brand in these markets. The Company currently has a record high number of projects in the planning and tender phase, including the identified active sales targets for nearest coming years, amounting to EUR 145 million. In France, Savosolar has successfully secured market leadership as a result of efficient and high-quality technology as well as a local and customer-oriented way to operate. Additionally, the Company is currently implementing its first pilot project in China. The delivered projects and satisfied customers are excellent references as Savosolar increases the average project size and revenue.

## The use and amount of proceeds

The total proceeds of the Offering may amount at maximum approximately EUR 6.1 million. The net proceeds from the issuance of the Offer Shares amount to a maximum of approximately EUR 5.2 million, after deducting estimated offering fees and expenses payable by the Company of approximately EUR 0.93 million. In addition, Savosolar will issue warrants (the “Warrants”) free of charge to persons who subscribed for the new shares in the Offering, with which the Company may also raise a maximum of approximately EUR 13.6 million in net proceeds during future subscription periods (21 March – 1 April 2022, 12 September – 23 September 2022 and 20 March – 31 March 2023), after deducting from the proceeds, the estimated costs of the shares subscribed for with the Warrants to be paid by the Company, which are estimated to be approximately EUR 0.87 million.

The Company will use the net proceeds from the Offering and the Warrants as follows:

- To meet the Company’s working capital requirements, increase the Company’s financial flexibility and capacity, so that the Company can offer and execute larger projects and can increase its ability to meet the rapidly growing market demand for large solar thermal systems in both industrial processes and district heating.
- Further develop technology to become more competitive.



# Savosolar in brief

Savosolar is a Finnish public limited company that designs and supplies solar thermal energy systems. The heating systems use the Company's own, internationally awarded solar heat absorbers and collectors. Although the main business is turnkey delivery of heating systems, absorbers and collectors are also supplied and installed separately. Based on the information available to the Company's management, the large solar thermal collectors with MPE absorber manufactured by Savosolar are the most efficient in the world.<sup>1</sup> Savosolar focuses on large solar heat collectors and over 1,000 m<sup>2</sup> heating systems. The Company began product deliveries in June 2011, large systems deliveries in 2015, and currently the Company's total number of large systems exceeds 100,000 m<sup>2</sup>. The Company's products are based on high quality and high performance / efficiency, and their uniqueness is based on a va-

## Strategy

The Company helps communities and businesses reduce their carbon emissions with clean heat production, and fights climate change with leading solar thermal technology, guaranteeing customers a competitive and stable energy price. The Company's vision is to be the primary supplier of choice in high-efficiency industrial-scale solar thermal systems.

The Company's strategic goal is to maintain and stabilise its position as the supplier of the world's most efficient large solar thermal collectors and systems for applications where efficiency is paramount, while increasing the volume of its business. This means large-scale industrial or real estate installations, such as district heating, industrial process heating and energy efficiency renovations of large properties.

The geographical focus of operations is still on Europe, where the Company has subsidiaries in Germany and Denmark, as well as a branch office in France. However, the Company is actively

seeking partners and marketing its products and services outside Europe as well. Outside of Europe, the Company has an office in China. Savosolar has both global and local partner companies with whom it makes turnkey deliveries of energy systems. Partners include Latin-American Flemming Jorgensen S.A. de C.V, Australian Geoflow Australia, Chinese Jiangsu Holly and Polish Eko Ekon. With local partner companies, and by using local subcontractors for delivery and installation work, Savosolar also supports the local economy of its customer countries. Supporting the local economy is often an important factor in decision-making by municipalities and cities for district heating plant investments. The operating model has also proven to be the best both in terms of cost structure and optimal functionality for the customer, as local workforce and know-how can be effectively utilised with local partner companies.

### Long-term objectives

- Savosolar's goal is to maintain innovative technology leadership in its field. In 2021–2022, the product development investment is estimated at approximately EUR 0.4 million per year.
- Expansion of operations beyond Europe in the coming years with the help of partners.
- To significantly increase the Company's net sales.
- To increasingly grow as a system supplier of large solar heating systems in industrial process heat and district heating several markets.
- To achieve a gross margin of 30 percent.
- To achieve an EBITDA margin exceeding 15 percent.

<sup>1</sup> The efficiency of Savosolar's standard 15 m<sup>2</sup> collectors with MPE absorbers has been proven by harmonized certification tests carried out by independent research institutes, which lead to Solar Keymark certification for solar energy products in the EU. The tests determine the technical values that affect the efficiency of the collector, and based on these values, Savosolar's large collectors with MPE absorbers are the most efficient level collectors in the world, i.e., they produce more energy per square metre per year than competitors' products under similar systems and conditions. The Solar Keymark database, which contains information on all collectors sold in Europe, is public and can be found at [www.estif.org/solarkeymarknew/index.php](http://www.estif.org/solarkeymarknew/index.php). Similar technical data can also be found in collectors manufactured elsewhere in the world and based on the information available to the Company's management, Savosolar's collectors with MPE absorber (Savo 15 SG, Savo 15 DG) produce the most energy per m<sup>2</sup> compared to their competitors.

<sup>2</sup> 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 key markets have significant growth potential

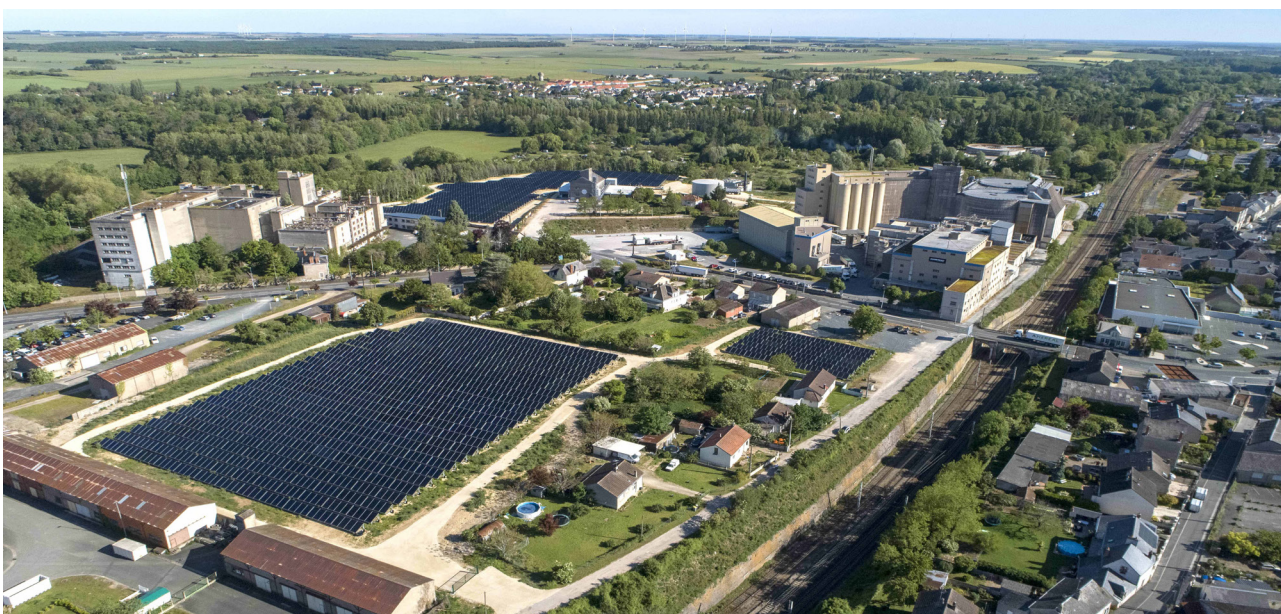
## Germany

Demand for solar thermal systems in Germany has increased significantly since the first quarter of 2020 due to increased state subsidies and rising fossil fuel prices. Solar heat covered only about 4.5 per cent of the total demand in the German heat market in 2019. The German state actively supports solar thermal projects, and since 2020, state subsidies have covered 45 per cent of solar thermal investment costs.<sup>3</sup> In March 2021, there were 391 solar thermal systems in Germany with a total collector area of approximately 38,800 square metres.<sup>4</sup> Germany is the current market leader in solar district heating systems.

The BDI (Bundesverband der Deutschen Industrie) has carried out a study according to which, in order to meet the targets, set for clean heating, the amount of solar district heat production in 2030 should be at least 8 TWh per year.<sup>5</sup> This means calculated capacity increases of more than one million square metres annually over the next ten years. German municipalities, cities and district heating companies have already responded to the targets,

and there are currently several concrete projects on the market in the bidding phase, for which the Company has made or will make a bid. Generally, municipal district heating companies in smaller cities and agglomerations react faster and implement solar heating systems earlier than larger cities. A research group at the IEA SHC (Solar Heating & Cooling Program - International Energy Agency) held in October 2020 stated that the collector area used for district heating in Germany could triple by 2025 from 100,000 square metres to 300,000 square metres.<sup>6</sup>

In general, Germany is the largest and most well-established solar thermal market in Europe for small systems. Solar heat is widely accepted, there are enough skilled installers and in addition there are interesting growth segments in the market where energy efficiency is important.<sup>7</sup>



Credit: Boortma

## France

France, at 500,992 square metres, has the largest collector area in the European market so far.<sup>8</sup> The largest solar thermal segment in France is for hybrid systems that produce both heat and electricity (PVT). In accordance with EU strategies, the French government invests in increasing the use of clean energy in heat production also through state subsidy measures. The amount of subsidies for 2020 increased by EUR 50 million from 2019. The market for large solar thermal systems has taken root even faster than expected. There are already several project developers on the market who

invest in the production of solar thermal energy and distribute heat to establishments such as industrial process plants. These entities are able to invest efficiently and make the systems work faster than municipal actors. Savosolar's market expectations are also supported by statements from ADEME (Agence de l'Environnement et de la Maîtrise de l'Énergie) and existing customers.

<sup>3</sup> Clean Energy Wire 2020, Demand for solar heating in Germany rises with higher subsidies, Freja Eriksen <https://www.cleanenergywire.org/news/demand-solar-heating-germany-rises-higher-subsidies>

<sup>4</sup> Solar Heating & Cooling Programme – International Energy Agency 2021, Germany Country Report- Status of Solar Heating/Cooling and Solar Buildings 2021. <https://www.iea.shc.org/countries/germany/report>

<sup>5</sup> Bundesverband der Deutschen Industrie (BDI) 2018

<sup>6</sup> Solar District Heating EU, Spotlight on SDH potential in Germany, the Netherlands and Austria, <https://www.solar-district-heating.eu/spotlight-on-sdh-potential-in-germany-the-netherlands-and-austria/>, February 2021

<sup>7</sup> <https://www.solar-district-heating.eu/solar-thermal-is-on-the-rise-in-german-district-heating-networks/>

<sup>8</sup> Solar Heat Worldwide 2021- Global Market Development and Trends in 2020, Detailed Market Figures 2019; Werner Weiss, Monika Spörk-Dür, AEE- Institute for Sustainable Technologies and IEA Solar Heating & Cooling Programme (SHC), May 2021

## Poland

Poland is moving away from carbon-based district heating to meet EU criteria, as well as to improve air quality, which is also what urban residents are demanding to get rid of the current air-polluting coal dust. Much of the carbon reduction is likely to come from the shift to gas. It has however been found that joint usage of gas and solar heat will both reduce more emissions and improve the ability of district heating companies to make the necessary investments. The huge potential for solar district heating in Poland is well illustrated by a study carried out for the city of

## China

China has become the leader in the new installation of collectors, and by the end of 2020, China's total collector area was already approximately 27 million square metres. In China, the largest solar thermal segment in large systems is industrial heating. In addition to industrial heating, district heating solutions are becoming a new market trend in China, especially in rural areas and in the construction of new apartment buildings. The Chinese district heating market is expected to grow 8 per cent year-on-year. This is expected to increase the demand for large-scale solar thermal systems, especially as the Chinese government financially supports such solar thermal solutions.<sup>10</sup> Moreover, China has recently

Konskie's energy company in 2021, which plans to build a solar thermal plant worth about EUR 6 million in the city that would produce 23% of the region's annual district heating needs. This project, too, is part of a program launched by Poland in 2019 to significantly support the transition of the country's district heating from coal. The total investment potential is currently estimated to be at least EUR 100 million, and solar heat will be an important part of this development.<sup>9</sup>

announced its goal of producing one-fifth of its energy using clean energy sources by 2030. According to a study conducted by the Asian Development Bank in 2019, 5–20 per cent of clean heating will be solar district heating (SDH). This would mean 3-5 GW of new solar thermal capacity per year. When the average size of one solar district heating plant is calculated to be about 10 MW (about 15,000 m<sup>2</sup>), more than 250 such new plants would be needed each year to reach the target.

## Recent notable projects

### Kyotherm Solar – France

- Contract signed in 2019
- The system was handed over in September 2021
- Savosolar's largest project so far
- 14.000 m<sup>2</sup> solar thermal system
- Largest solar thermal system in France
- Project value approximately EUR 3.9 million

### La Francaise de l'Énergie (LFDE) – France

- Contract signed in February 2020
- The size of the solar thermal system exceeds 5.900 m<sup>2</sup>
- The system is yet to be handed over, but it has successfully produced heat since the spring of 2021
- Project value nearly EUR 1.4 million
- Fourth system delivered to French markets by Savosolar

### Guangzhou Power Supply Bureau – China

- Contract signed in May 2021
- Final delivery is expected to take place by the end of 2021
- Project value approximately EUR 0.5 million
- Savosolar's first project to be delivered to China



<sup>9</sup> Solarthermalworld.com 2020, Poland shifts away from coal-fired district heating, <https://www.solarthermalworld.org/news/poland-shifts-away-coal-fired-district-heating>

<sup>10</sup> Solar Heating & Cooling Programme – International Energy Agency 2021, China Country Report- Status of Solar Heating/Cooling and Solar Buildings 2021 <https://www.iea-shc.org/country/china/report>

# Information about the Offering

Number of shares to be issued:	Up to 87,530,012 new shares
Size of the Offering:	Approximately EUR 6.1 million (SEK 62 million)
Subscription price:	EUR 0.07 per share (SEK 0.71 per share)
Underwriting commitments:	Approximately 88.5 percent of the Offering
Subscription rights:	One (1) subscription right entitles their holder to subscribe for one (1) new share
Trading with subscription rights:	11 October – 19 October 2021
Subscription period in Sweden:	11 October – 25 October 2021
Subscription period in Finland:	11 October – 27 October 2021
Trading with intermediary shares on First North Growth Market Finland:	11 October – 9 November 2021
Trading with intermediary shares on First North Growth Market Sweden:	11 October – 12 November 2021
Announcement of the outcome of the Offering (tentatively):	1 November 2021
Warrants:	The subscriber will receive one (1) Warrant of series TO8, one (1) Warrant of series TO9 and one (1) Warrant of series TO10 per each two (2) subscribed and paid new shares in the Offering
Trading with Warrants starts (tentatively):	Week 46, 2021
Subscription price of the Warrants:	The subscription price is determined based on the volume weighted average price of the Company's shares in First North Growth Market Finland during the period 7 March – 17 March 2022 (for TO8), 29 August – 9 September 2022 (for TO9) and 6 March – 16 March 2023 (for TO10) with a 25 per cent discount, at a maximum subscription price of EUR 0.09 (for TO8), EUR 0.11 (for TO9) and EUR 0.13 (for TO10) per share.
Subscription period of the Warrants	21 March – 1 April 2022 for TO8, 29 August – 8 September 2022 for TO9 and 6 March – 16 March 2023 for TO10

## THE KEY RISKS ASSOCIATED WITH THE COMPANY AND ITS BUSINESS INCLUDE THE FOLLOWING:

- The Company may not succeed in its growth and implementing its internationalisation strategy in accordance with its plans
- Changes may occur in the Company's competitive environment that may adversely affect market prices of the products and/or the Company's market position
- The continuation of the Covid-19 pandemic and the resulting restrictive measures may further slow down or delay tendering and contract negotiations or the implementation of already agreed projects
- There may be changes in the amount of investment subsidies that adversely affect the demand for the Company's products and/or the price level
- The Company's working capital is not sufficient to meet the Company's requirements and future needs of the Company may require additional funding
- The Company has a history of operating losses, and the operations may stay unprofitable for an unforeseeable future
- In order to implement its strategy and grow its business, the Company may need additional external financing in addition to the Offering and the Warrants TO8, TO9 and TO10 and it is not certain that it will receive financing on favourable terms or at all
- Technical problems may cause interruptions in the manufacturing process of the Company
- The Company is dependent on large individual solar thermal projects, where there is uncertainty regarding the implementation, the timing, the winning of tenders and the signing of final contracts regarding the projects
- There can be no assurance that the Company will be able to improve its profitability in the targeted manner

## RISKS RELATED TO THE SHARES, THE OFFERING AND THE WARRANTS INCLUDE THE FOLLOWING:

- An active public market for the Company's shares Subscription Rights and/or Warrants may not develop
- 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
- The amount of possible future dividends to be distributed to shareholders is not certain
- Shareholders' ownership will be diluted if the shareholders do not exercise their Subscription Rights, and the Subscription Rights may lose their value

## TIMETABLE

- **4 October**  
The prospectus is published
- **11 October**  
Subscription period starts
- **11 October**  
First day of trading in intermediary shares
- **19 October**  
Last day of trading in subscription rights
- **25 October**  
Subscription period ends in Sweden
- **27 October**  
Subscription period ends in Finland
- **1 November**  
Announcement of the outcome of the Offering
- **9 November**  
Last day of trading in intermediary shares on First North Finland
- **12 November**  
Last day of trading in intermediary shares on First North Sweden