Savosolar Plc
Financial statement release, Insider information 9 March 2020 at 9.10 a.m. (CET)

Savosolar Plc’s financial statement release for 2019: Order backlog developed strongly, revenue decreased due to delays in deliveries

Key figures in January–December 2019

- Revenue amounted to EUR 3.4 million (2018: EUR 5.4 million).
- Operating result (EBIT) amounted to EUR - 5.0 million (EUR -5.6 million).
- Earnings per share were EUR -0.003 (EUR -0.02).
- Order backlog as at 31 December 2019 was EUR 3.2 million (EUR 1.6 million).
- With the rights issue of March and the related warrant plan of November-December, along with the supplementary directed share issue arranged in December, the company raised net proceeds of about EUR 7.5 million in total to strengthen its working capital.
- Equity ratio at the end of the reporting period was strong, 61.8 (45.3) per cent.
- Cash and cash equivalents at the end of the year totalled EUR 2.1 million (EUR 0.7 million).

Key figures in July–December 2019

- Revenue for the second half of the year amounted to EUR 1.7 million (July-December 2018: EUR 4.1 million).
- Operating result (EBIT) amounted to EUR - 2.7 million (EUR -3.2 million).

CEO Jari Varjotie:

“Our revenue for 2019 did not meet the previous year’s level. This was partly due to delays in project deliveries for reasons beyond our control. However, I am delighted to see that our order backlog doubled from the end of the previous year. We have succeeded in improving our efficiency in product deliveries and in lowering our production costs. This has improved the operating result compared to previous year, even though the result remained negative.

The major reasons for the operating loss were low delivery volumes, delays in deliveries, the higher-than-expected costs of our first delivery to Germany, and non-recurring items recognised in profit and loss. During the year, we also still carried out warranty repairs of collectors delivered during the previous years.

The solar thermal systems delivered to France and Denmark during the early part of the year have worked excellently and the customers have been highly satisfied with their operation. In Finland, the solar thermal system we delivered to Suur-Savon Sähkö Oy in Puumala was taken into use towards the end of the year. The collector area of the system is the largest in Finland to date.

The rights issue and the related warrant plan arranged in the early part of the year to finance growth succeeded well. We are also investigating cost-effective ways of arranging financing during projects.

The number of our projects in the bidding and planning stage has remained at a high level. In December, we also signed a Letter of Intent with Uniper SE on co-operation in large-scale solar thermal system deliveries for the needs of industrial processes heat and district heating. Interest in and demand for large-scale solar thermal systems is growing in many places around the world. In addition to the EU-level emission reduction targets, many companies and municipalities have set ambitious targets for reducing their carbon dioxide emissions. Solar energy is already well-known in electricity production, but the opportunities offered by solar heat have thus far only been utilised to a limited extent. I believe that the emission reduction targets and the growing environmental awareness will increasingly direct the actions of many players towards solar heating and cooling.

Savosolar's strengths include advanced collector technology, strong references and ability to implement systems on a turn-key basis that exceed the client's expectations. In our industry, we are renowned as an innovative and reliable operator, and I think that the demand for competence related to the utilisation of solar heat will grow significantly over the coming years."

SAVOSOLAR AS A COMPANY

Savosolar Plc is a Finnish public limited liability company listed in Nasdaq First North Growth Market Sweden and Nasdaq First North Growth Market Finland that designs and supplies large solar thermal systems for district heat producers and industry. The systems are based on Savosolar's highly efficient solar heat collectors, at the heart of which are Savosolar's proprietary nano-coated direct flow absorbers. With this leading technology, Savosolar helps its customers to produce competitive clean energy on a global scale. According to the information available to the company's executive management, Savosolar's collectors are the most efficient large solar heat collectors in the word.

Savosolar's vision is to be the first-choice supplier to high performance solar installations on a global scale. The company has delivered its products to nearly 20 countries on four continents.

Savosolar's registered office and production plant is located in Mikkeli, Finland, in addition to which the company also has an office in Vantaa, Finland as well as fully owned subsidiaries in Denmark and Germany, and sales cooperation partners in Australia, for example, and in the Latin America and China.

Accounting principles for the financial statement release

This financial statement release is unaudited. The release has been prepared in accordance with the Finnish Accounting Standards (FAS) using the same principles as in the 2018 financial statements. Savosolar applies the percentage of completion (PoC) principle in the revenue recognition of projects. According to the percentage of completion principle, the recognition of revenue and operating income in long-term contracts is carried out on the basis of the percentage of completion of the project during the reporting period. The percentage of completion method is used when the contractual value of the project exceeds EUR 200,000. The use of the percentage of completion method requires that the final outcome of the project (project margin) can be reliably estimated throughout the project lifecycle. The mode of presentation of warranty provisions was changed in 2019 from other operating expenses to variable expenses. The change in the warranty provision of 2018 has been adjusted to be consistent with the new mode of presentation.

The comparison figures refer to the corresponding period in 2018, unless otherwise indicated.

DEVELOPMENT OF BUSINESS OPERATIONS IN 2019

Revenue

Revenue for the full-year 2019 amounted to EUR 3.4 million (in 2018: EUR 5.4 million). Revenue for the first half of the year amounted to EUR 1.7 (1.3) million. The increase in revenue during the first half of the year was mainly due to the successful deliveries of solar thermal systems in France and Denmark in particular.

Revenue for the latter half of the year amounted to EUR 1.7 (4.1) million. Revenue for the latter half of the year fell short of expectations, because the progress of the deliveries to Issoudun and Ettenheim was slower than planned, and the decisions on other projects were postponed from the end of the year.

Significant deliveries and new orders

The solar thermal plant of about 4,000 m2 (3.3 MW) delivered by Savosolar to NewHeat SAS in Condat-sur-Vézère, France, was started up in January 2019. The solar thermal plant in Condat is the largest in Europe ever delivered for industrial process heat generation. Its solar yield is very high, and it is the first system of its kind of this order of magnitude in the whole world that is fitted with tilting, sun-tracking solar collectors that increase the efficiency of heat recovery. The total value of the delivery was slightly over two million euros. The solar thermal system delivered to NewHeat SAS for the process heat generation of a local paper mill serves as a good example of new applications of solar heat and industry's growing interest in the utilisation of solar heat.

Savosolar's largest turn-key solar thermal system to date, delivered to Grenaa Varmeværk in Denmark, was placed in service in district heart generation in March and handed over to the client in April. The solar field is nearly 21,000 m2 in size, and the total value of the delivery was EUR 3.5 million. During the early part of the year, Savosolar also delivered an extension of about 4,800 m2 to a solar field delivered in 2016 to Jelling Varmeværk. The value of the delivery was about EUR 0.7 million.

New orders included solar thermal systems to be delivered to Kyotherm Solar in Issoudun, France, and to a district heating company in Ettenheim, Germany, as well as the solar collector system delivered to Suur-Savon Sähkö Oy in Puumala, Finland. A district heating plant that combines solar heat and a heat pump was commissioned in Puumala in late autumn.

The contract signed in August with Kyotherm Solar on the delivery of the France's largest solar thermal system to Issoudun, France, is the largest order placed with Savosolar to date. The size of the system is more than 14,000 m2, and it will also be the largest solar thermal system used for industrial process heating in Europe. The value of the delivery for Savosolar is EUR 3.9 million. Savosolar will deliver the largest part of the whole solar thermal system. Kyotherm and its affiliate Kyotherm Solar are investment companies that specialise in the third-party financing of renewable heat and energy efficiency projects. Kyotherm Solar will be selling heat from this system built in Issoudun to a malt drying factory.

A solar thermal system of approximately 1,700 m2 and 1.2 MW and a 200 m2 heat storage to supplement the existing wood chip burner of the City of Etteheim will be delivered to Fernwärme Ettenheim. The new Savosolar system will reduce both costs and emissions in heat production. The value of the system is approximately EUR 0.8 million, and it is Savosolar's first delivery to Germany.

In Finland, Savosolar delivered a solar thermal system to Suur-Savon Sähkö Oy as part of Suur-Savon Sähkö's environmentally friendly local district heating centre built in Puumala, where energy is produced by a solar thermal-heat pump hybrid system. The collector area of the system is the largest in Finland to date. The value of the purchase is around EUR 170 thousand.

In Asia, Savosolar signed a partnership agreement with a Chinese company named Jiangsu Holly Environmental Technology Industrial Co., Ltd, a subsidiary of Jiangsu Holly Corporation that is listed on the Shanghai Stock Exchange. According to the agreement, Jiangsu Holly will sell and deliver solar thermal systems in China using Savosolar's products.

Also, the cooperation with the Chinese company Guangzhou Power Supply Co., Ltd. advanced as planned. The Memorandum of Understanding signed with Guangzhou Power Supply in November 2018 concerns co-operation in building a demonstration project of micro-energy network complementary with renewable energy in Nansha, Guangzhou. The project is part of the Finland-China Energy Programme. The objective is that the cooperation with our Chinese partners will result in the first delivery during 2020.

In December, Savosolar signed a Letter of Intent with Uniper SE on co-operation in large-scale solar thermal system deliveries for the needs of industrial processes heat and district heating. The parties' aim is to investigate the first co-operation projects during 2020.

The company's order backlog grew during the financial year and stood at EUR 3.2 million (EUR 1.6 million) at the end of the period.

At the end of the reporting period, the value of the projects in the company's sales pipeline was approximately EUR 210 (125) million. Of this, the total value of projects in the bidding and planning stage amounted to approximately EUR 87 (54) million. The growth is due to, among other things, further increasing activities in France and Germany where investments are being made into production of clean heating energy. The sales pipeline includes all the active projects entered in the company's sales management system.

Costs and earnings

Savosolar's costs related to materials and services during 2019 totalled EUR 3.4 (5.9) million. The gross margin improved from the previous year.

Personnel costs amounted to EUR 1.9 (1.9) million. Other operating expenses totalled EUR 2.6 (2.5) million.

The operating result (EBIT) for 2019 amounted to EUR -5.0 (-5.6) million. Profitability did not improve quite as expected. This was caused by the low volume, warranty repairs of collectors delivered during the previous years, an increase in the warranty provision, a credit loss provision, the higher-than-expected costs of the first project in Germany, and the investments made in the streamlining of production and operations.

The actions to improve cost-effectiveness were continued. The company has succeeded in lowering its production costs and continued with its measures to improve the efficiency of internal functions and developed its quality assurance and the culture of 'doing it right the first time.' The efficiency-enhancing measures are expected to yield results in the form of improved profitability as soon as new deliveries are carried out.

Net financial income and expenses amounted to EUR -1.8 (-1.0) million. The majority of the financing costs were related to the arrangement of the rights issue of early 2019, the implementation of the related warrant plan, and the arrangement of the supplementary directed share issue in December.

The result for the reporting period stood at EUR -6.8 (-6.6) million. Earnings per share, undiluted, were EUR -0.006 (-0.03). Earnings per share, diluted, were EUR -0.003 (-0.02)

COMPARISON BY REPORTING PERIOD

(EUR 1,000)	Jan-Dec 2019	Jan-Dec 2018	Jul-Dec 2019	Jul-Dec 2018	Jan-Jun 2019	Jan-Jun 2018
Revenue	3,415	5,428	1,736	4,099	1,679	1,329
Operating profit/loss (EBIT)	-4,999	-5,586	-2,667	-3,150	-2,332	-2,436
Profit/loss for the period	-6,760	-6,635	-3,446	-3,990	-3,314	-2,645
Earnings per share, undiluted EUR	-0.006	-0.03	-0.005	-0.03	-0.007	-0.02
Earnings per share, diluted EUR	-0.003	-0.02	-0.002	-0.03	-0.002	-0.02

Financing

Total assets of the company as at 31 December 2019 totalled EUR 7.3 (6.2) million. Inventories increased to EUR 1.8 (1.0) million. Cash and cash equivalents increased by EUR 1.4 million to EUR 2.1 (0.7) million at the end of the financial year. Current receivables decreased from EUR 1.6 million to EUR 0.7 million.

Shareholders' equity increased from EUR 1.4 to EUR 3.6 million. Equity including subordinate loans amounted to EUR 4.5 million at the end of the financial year. The company's equity ratio at the end of the financial year was 61.8 (45.3) per cent.

Liabilities amounted to EUR 3.3 (4.5) million, of which EUR 0.5 (0.3) were non-current and EUR 2.8 (4.2) million current liabilities. Of the non-current liabilities, loans from credit institutions accounted for EUR 0.3 (0.3) million. Of the current liabilities, subordinated loans accounted for EUR 0.7 (1.4) and loans from credit institutions EUR 0.0 (0.8) million. Trade payables accounted for EUR 0.7 (1.4) million of the current liabilities. Accruals and deferred income included undelivered solar heat collectors' worth EUR 0.9 (0.0) million.

The company is currently investigating the options for arranging project financing and project guarantees in a cash flow efficient way to increase its capacity to deliver large-scale solar thermal systems in line with its strategy and to reduce the financing costs. The bank guarantee credit facility by Suur-Savon Osuuspankki that expired on 30 November 2019, was not extended for new projects.

In the spring of 2019, Savosolar entered into an agreement on the repayment of the subordinated loans extended by Finnvera plc and Suur-Savon Osuuspankki totalling EUR 1.4 million. The subordinated loans extended by Suur-Savon Osuuspankki in the total amount of EUR 1.2 million will be paid back in monthly instalments for 24 months starting from April 2019. The subordinated loan extended by Finnvera in the amount of approximately EUR 0.2 million will be paid back in annual instalments over a period of three years, the last instalment being paid in August 2021.

Savosolar's financing position improved substantially following the rights issue arranged March 2019 and the related warrant plan implemented in November-December and the supplementary directed share issue. The company raised EUR 7.5 million in new share capital after the transaction costs.

Cash flow from operations was EUR -6.1 (-6.1) million and cash flow from investments EUR -0.1 (-0.2) million. Cash flow from financing was EUR 7.6 (4.8) million, of which the share issues accounted for EUR 9.0 (4.4) million. Savosolar's cash and cash equivalents as at 31 December 2019 totalled EUR 2.1 (0.7) million.

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

Investments and product development

Investments were EUR 0.1 (0.2) million, most of which were related to production maintenance. The company has no need for significant investments in production during the next few years, because the plant's production capacity allows a revenue of EUR 20–30 million.

Savosolar's project on the development of a new type of solar thermal collector was supported by a loan granted by Business Finland (formerly Tekes, the Finnish Funding Agency for Innovation) 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 objective is to lower the costs for logistics and installation as well as to improve the flexibility of installation. The project is estimated to last until the end of 2020, and its total budget amounts to EUR 0.7 million.

Personnel and management

At the end of the financial year, Savosolar had 31 (34) employees. The average number of personnel during the reporting period was 31 (33).

Savosolar's management team as at 31 December 2019 consisted of the following individuals: Jari Varjotie, CEO; Heikki Timonen, CFO; Torben Frederiksen, CTO; Morten Hofmeister, Head of Projects and System Design; Aku Järvisalo, Production Manager; Pekka Karjalainen, Quality Manager; Kaj Pischow, Senior Advisor; Raul Ikonen, Country Manager, China; and as a temporary member Martti Jalava, Director, Supply Chain Development.

Heikki Timonen started as the Chief Financial Officer on 12 April 2019. Savosolar's former CFO Raul Ikonen started as the Savosolar's Country Manager in China on 1 May 2019.

Business development

Savosolar has continued building its international cooperation partner network in line with its strategy.

Processes for managing the delivery of large international projects have already been successfully developed and will continue to be developed to further improve cost efficiency and profitability.

The company has already implemented, and will continue to implement, measures to improve the efficiency of internal functions. As part of this company has developed its quality assurance and the culture of 'doing it right the first time.' During the early part of the year, the company focused on the reduction of product costs, and the actions were continued during the second part of the year. Special attention has been paid on purchases to reduce material costs throughout the supply chain Company has achieved positive results on all areas, and this work will be carried on. One key competence area and important element of our sales process is the system design of client projects, which will be further developed, as will also operating practices in collaboration with partners.

RESOLUTIONS OF SAVOSOLAR PLC'S GENERAL MEETINGS

Extraordinary General Meeting of 22 January 2019

The Extraordinary General Meeting of Savosolar Plc held on 22 January 2019 authorised the Board of Directors to decide, in one or more transactions, on the issuance of shares and the issuance of option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act. The number of shares to be issued based on the authorisation may in total amount to a maximum of 200,000,000 shares, representing approximately 572.68 per cent of all the shares in the company. The Board of Directors decides on all the terms and conditions of the issuances of shares and of options and other special rights entitling to shares. The issuance of shares and of options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue) if there is a weighty financial reason for the company to do so. Shares may be conveyed either against payment or free of charge in the company's share issues. A directed share issue may be a share issue without payment only if there is an especially weighty reason for the same both for the company and with regard to the interests of all shareholders in the company. The authorisation replaced the authorisation granted by the Extraordinary General Meeting on 12 June 2018 to the Board of Directors and is valid until 22 January 2024.

During 2019, the authorisation was used as follows: 1,057,615,242 shares in the rights issue arranged in the spring of 2019; 765.506 shares for the payment of the second instalment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 27 March 2019; 787.346 shares for the payment of the first instalment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 28 March 2019; 311,558,850 shares based on the warrants issued in connection with the rights issue; and 171,370,364 and 37,267,057 shares in the share issues decided upon on 12 December 2019 and 27 December 2019, respectively. Of the authorisation, 420,635,635 shares were remaining on 31 December 2019.

Annual General Meeting of 28 March 2019

The Annual General Meeting of Savosolar Plc was held on 28 March 2019 in Helsinki. The Annual General Meeting adopted the financial statements for 2018 and resolved that the loss for the financial year of EUR -6,635,369.98 be carried over to the retained earnings/losses account and that no dividend be paid.

The Annual General Meeting resolved that the members of the Board of Directors be paid the following remuneration for the term that begins at the close of the Annual General Meeting and ends at the close of the next Annual General Meeting following election: EUR 21,600 for the Chairman of the Board and EUR 10,800 for each of the other members of the Board. Approximately 40% of the remuneration will be paid to the members of the Board of Directors by giving to the Board members new shares in the company based on the authorisation granted to the Board of Directors, and approximately 60% in cash.

The Annual General Meeting re-elected Feodor Aminoff, Eero Auranne, Mikael Lemström and Ari Virtanen as members of the Board of Directors. The Board of Directors elected Feodor Aminoff as the Chairman of the Board of Directors.

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

BOARD OF DIRECTORS AND AUDITOR

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

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

On 31 December 2019, the members of the Board of Directors and the CEO held, either directly or through companies under their control, a total of 6,214,908 shares in Savosolar Plc, which represented 0.36 of the aggregate of company's shares and votes.

RELATED-PARTY TRANSACTIONS

The company has a service contract with its subsidiary Savosolar ApS concerning, among other things, sales, marketing, purchases and product development services. Under the contract, the company paid Savosolar ApS approximately EUR 506 (588) thousand during the financial year.

A similar service contract has been signed with Savosolar GmbH, under which the company paid Savosolar GmbH approximately EUR 168 (195) thousand during the financial year.

SHARE

Savosolar has one class of shares, and the total number of shares on 31 December 2019 was 1,723,265,358 (31 December 2018: 352,538,414). Each share carries one vote. Based on the rights issue, the two remuneration share issues of the Board of Directors and the shares subscribed for by exercising the warrants related to the rights issue, the number of shares increased in 2019 by 1,370,726,944 shares in total. Additionally, the shares subscribed for in the two directed share issues arranged by Savosolar in December 2019 – 208,637,421 shares in total – were registered in the Trade Register on 2 January 2020. The company does not hold any treasury shares. The average number of shares during the year was 1,156,701,231 (260,016,950).

Savosolar' shares are listed on the First North Growth Market Sweden marketplace maintained by Nasdaq Stockholm AB as of 2 April 2015 with the ticker SAVOS. Secondary listing of the shares on the First North

Growth Market Finland marketplace maintained by Nasdaq Helsinki Oy started on 24 April 2015 with the ticker SAVOH.

During the financial year, the share price in First North Growth Market Sweden fluctuated between SEK 0.043 and 0.197 (SEK 0.052 and 1.2). The closing price was SEK 0.095 (SEK 0.074). In First North Growth Market Finland, the share price fluctuated between EUR 0.004 and 0.019 (EUR 0.004 and 0.061). The closing price was EUR 0.009 (0.006).

Savosolar's combined trading volume in 2019 was 7,297,742,521 shares in First North Growth Market Sweden and 736,597,388 shares in First North Growth Market Finland. On 31 December 2019, Savosolar had 13,580 shareholders (1 October 2019: 6,067).

Rights issue, subscription of shares with warrants and directed share issues

In March 2019, Savosolar arranged a rights issue of approximately EUR 5.2 million that was subscribed for in full. The subscription price was EUR 0.005 or SEK 0.05 per share. As a result of the rights issue, the number of shares increased by 1,057,615,242 shares. The company raised EUR 4.3 million in new share capital after the transaction costs.

As a part of the Board members' remuneration arrangements, a directed share issue without payment was arranged in March in accordance with the resolution passed by the Annual General Meeting of 27 March 2018. The company issued a total of 765,506 new shares that were offered for subscription to the members of the Board of Directors without consideration. When the number of shares was calculated, the volume-weighted average price of the company's share on First North Sweden during November 2018, i.e. SEK 0.1089, was used as the value per share.

As a part of the Board members' remuneration, a directed share issue without payment was arranged in September in accordance with the resolution passed by the Annual General Meeting of 28 March 2019. The company issued a total of 787,346 new shares that were offered for subscription to the members of the Board of Directors without consideration. When the number of shares was calculated, the volume-weighted average price of the company's share on Nasdaq First North Growth Market Sweden during the period of 30 August 2019 to 12 September 2019, i.e. SEK 0.1469, was used as the value per share. The portion of the remuneration involving shares was paid to the members in two instalments: the first instalment within two weeks of the date when the half-year report for the period of 1 January to 30 June 2019 was published, and the second instalment between 1 and 30 November 2019.

In connection with the rights issue of March, a total of 352,538,326 warrants were allocated, each entitling to subscribe for one new Savosolar share between 25 November 2019 and 9 December 2019 (Warrant Plan 1-2019). The subscription price for the shares that can be subscribed for based on the warrants was determined based on the volume weighted average price of the company's share on First North Growth Market Finland between 11 and 22 November 2019. The subscription price was determined as SEK 0.077.

In order to secure that the company succeeds in raising EUR 3.5 million with Warrant Plan 1-2019, the Board of Directors decided to obtain subscription commitments and underwriting agreements. Through underwriting agreements, investors committed to subscribe for a maximum of 704,099,052 shares in a directed issue at the same subscription price as the one determined under the terms and condition of Warrant Plan 1-2019.

Based on the warrants included in Warrant Plan 1-2019, 311,558,850 new shares were subscribed for, and the company raised about EUR 2.27 million in new share capital before transaction costs. Of the warrants, 88.38 percent were exercised to subscribe for shares.

As regards the amount of up to about EUR 3.5 million that was not subscribed for by the holders of the warrants, the Board of Directors decided to arrange in December a directed issue for the investors who entered into underwriting agreements. In this directed issue, a total of 171,370,364 new shares were subscribed for at the subscription price of SEK 0.077 per share. The company raised net proceeds of about EUR 1.25 million after the transaction costs. In accordance with the terms and condition of the underwriting agreements related to the directed issue, the investors were entitled to an underwriting fee equal to 8 per cent of the underwriting commitment if payable in cash, or 10 per cent of the underwriting commitment if payable in shares.

In the second directed share issue arranged in December, a maximum of 37,267,057 new shares were offered for subscription to the underwriters who chose to receive their underwriting fee in shares at the subscription price of SEK 0.077 per share. The subscription price was paid by setting off the underwriting fee receivables of the subscribers.

As part of the process for securing underwriting agreements, the company entered into an agreement on bridge financing of approximately EUR 1.0 million in November. The interest rate of the bridge financing was 2.5 per cent for each beginning 30-day period, and it was repaid with the funds obtained with the shares subscribed for based on the warrants included in Warrant Plan 1-2019 and with the directed share issue.

With the shares subscribed for with the warrants included in Warrant Plan 1-2019 and with the directed share issue arranged in December 2019, the company raised approximately EUR 7.5 million in equity.

As a result of the rights issue and the related warrant plan as well as the directed share issues for the remuneration of the Board of Directors, the number of Savosolar's shares increased during the financial year by 1,370,726,944 shares, totalling 1,723,265,358 at the end of the year. Additionally, the shares subscribed for in the two directed share issues arranged by Savosolar in December 2019 – 208,637,421 shares in total – were registered in the Trade Register on 2 January 2020.

The new shares subscribed for in the directed share issues in December were admitted to public trading on 3 January 2020.

Stock option programs

Stock option program for personnel (2-2017): Under the stock option plan 2-2017 of 2017, a maximum of 2,000,000 option rights in the company's shares could be distributed, each entitling to subscribe for one new share. As a result of the rights issue carried out in 2019, the company's Board of Directors decided to amend the terms of the stock option plan to the effect that the new subscription price per share was EUR 0.01 and each stock option gave the right to subscribe for five shares. The share subscription period for all stock options expired on 31 December 2019. No new shares were subscribed for with the options.

Investor warrants (1-2019): In connection with the rights issue arranged in March 2019, a total of 352,538,326 warrants were allocated, each entitling to subscribe for one new Savosolar share between 25 November 2019 and 9 December 2019. The subscription price of the shares was SEK 0.077. Based on the warrants, 311,558,850 new shares were subscribed for. The implementation of Warrant Plan 1-2019 is described in section "Rights issue, subscription of shares with warrants and directed share issues".

Existing authorisations of the Board of Directors as at the closing date

The Extraordinary General Meeting of Savosolar Plc held on 22 January 2019 authorised the Board of Directors to decide, in one or more transactions, on the issuance of shares and the issuance of option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Limited Liability Companies Act. The number of shares to be issued based on the authorisation may in total amount to a maximum of 200,000,000 shares, representing approximately 572.68 per cent of all the shares in the company. The authorisation is valid until 22 January 2024. During 2019, the authorisation was used as follows: 1,057,615,242 shares in the rights issue arranged in the spring of 2019; 765.506 shares for the payment of the second instalment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 27 March 2018; 765,506 shares for the payment of the first instalment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 28 March 2019; 311,558,850 shares based on the warrants issued in connection with the rights issue; and 171,370,364 and 37,267,057 shares in the share issues decided upon on 12 December 2019 and 27 December 2019, respectively.

Of the authorisation, 420,635,635 shares were remaining on 31 December 2019.

GENERAL RISKS AND UNCERTAINTY FACTORS CONCERNING OPERATIONS

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

The company's Board of Directors actively monitors the company's finances, and together with the company's management, seeks alternative funding solutions and additional means to reduce the costs associated with the company's operations. The Board of Directors continuously considers the sufficiency of financing as an important part of the company's growth strategy. At the date of this release, because of the current financing and revenue accrual, Savosolar cannot anticipate having sufficient working capital for the next 12 months. The company has previously succeeded in collecting the financing it needs, and considering the improvements made in the company's production costs and the very favourable outlook of the industry, Savosolar's Board of Directors is confident that the additional financing needed by the company can be obtained.

However, it cannot be guaranteed that the company can gain enough supplementary finance just on time and with terms and conditions that are favourable for the present shareholders. In case the company does not succeed in raising additional financing in accordance with its needs, the company may be forced to postpone, cut back or terminate operations.

Savosolar takes active measures to protect its intellectual property rights with patents and oversees the rights it has patented against infringements in its major markets.

Like most early stage technology companies, Savosolar has invested in the development of its products, offering and production as well as expansion of its operations into new markets during the first years of operation, and has not yet reached sales volumes and margins that would cover the operating costs. The company has been at the product development stage from the year of establishment 2010 up until 2014, and only after that has the company been able to build up its sales and efficient production. The company has therefore incurred significant operating losses. These losses have resulted principally from the costs incurred in research and development of products and production processes as well as from the overhead and administrative costs associated with the company's operations. The unprofitability of operations and challenges encountered in the raising of supplementary financing led to a situation where the company filed an application for restructuring proceedings in 2013. The restructuring programme ended according to schedule at the end of 2018.

Savosolar takes active measures to protect its intellectual property by obtaining patents and undertaking monitoring activities in its major markets. For this purpose, the company retains the services of a well-known IPR service provider Berggren Oy.

DISPUTES

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

According to the timetable known as at the closing date, written preparation will be carried out in the matter until 31 January 2020, following which the court will determine timetable for the oral hearing.

STRATEGY AND LONG-TERM GOALS

Savosolar's mission is to accelerate the solar economy through the leading technology for competitive energy. 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 strengthen its position as the supplier of the world's most efficient large-scale 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 heating and large real estate heating renovations.

Savosolar's strategic goal is to move towards being a supplier of system deliveries even more strongly than it is today. In implementing its strategy, the key factors for the company are its proprietary solar collector technology and knowledge of system design as well as its strong local and global partners.

Savosolar's ambition is to maintain and reinforce its innovative technology leadership in its field. In 2020, product development expenditure is expected to total approximately EUR 0.4 million.

The geographical focus of operations continues to remain in Europe, and the company is actively seeking partners and marketing its products and services outside Europe as well.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

On 5 February 2020, Martti Jalava was appointed Chief Operating Officer (COO). Jalava previously served as Director, Supply Chain on a temporary basis. In his new position Jalava is responsible for production, supply chain and quality, and continues as a member of the management team. Morten Hofmeister, Head of Projects and System Design, will leave the company by the end of June. The change is made in due to the decreased volumes in the Danish market. The company has started initiatives to adapt its organisation to this change and to focus its efforts on more active markets.

Savosolar announced on 20 February 2020 that it had signed a contract worth over EUR 1.3 million with the subsidiary of the French company La Francaise de l'Energie (LFDE) to deliver a solar heating system in Creutswald, France. The system delivery and construction will start during the spring 2020, and the hand-over is planned for summer 2020.

LFDE subsidiary will own and operate the solar heating system and sell heat to ENES Creutzwald, the energy service company of Creutzwald's municipality, owner of the district heating network.

The size of the solar heating system is over 5,900 m2, and it will generate over 2,600 MWh of clean energy annually. It is the fourth project of Savosolar for the French market. Savosolar will deliver the largest part of the whole solar thermal plant including the solar collector field, piping, heat exchange station and automation.

According to the timetable known at the date of this Financial statement release, the first oral hearing in the dispute with Sunti SAS will take place on 21 April 2020 in commercial court of justice in Montpellier.

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

The Annual General Meeting of Savosolar Plc is planned to be held on 27 April 2020. The notice to convene the Annual General Meeting will be published on 9 March 2020. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year of EUR 6,759,928.16 be carried over to retained earnings and losses account and that no dividend be paid.

MARKET ENVIRONMENT

Solar heat is an emission-free and renewable source of heat. Solar heat can be utilised in areas such as district heat generation, industrial processes such as those in the paper and food industry and, in smaller scale, in the heating of domestic water, for example. Principal drivers for the increased use of solar energy are the pursuit of energy efficiency and carbon-free energy production, the control measures for increasing the use of renewable energy, and the technological development of the industry.

The economic and environmental benefits associated with solar heat have increased its attractiveness not only in Europe, but also in China, for example, and in Africa and Latin America. In Europe, the pioneer has for many years been Denmark, where there are a lot of strong local players operating on the market. The use of solar heat is increasing significantly in Germany, France and elsewhere in Central Europe. However, the proportion of renewable energy in heating is currently only less than one fifth in the EU. For example, in the future EU framework programme named Horizon Europe, adaptation to climate change will be an important area that is expected to have a positive impact on the solar heat market as well. In its recent report, the International Renewable Energy Agency states that, in order to ensure sustainable development, the use of renewable energy sources must be doubled.

For the growth of solar heating there are many market forecasts, which are based on studies and calculations made by several organisations and institutes (such as IEA, IRENA, EU Heat Roadmap) and countries. All of them are stating that the share of the clean heating is going to grow significantly in the coming years. To support this development towards clean heating many governments have taken into use support schemes at the same time when fossil fuels have faced restrictions and additional financial penalties.

In Germany highly respected BDI (Bundesverband der Deutschen Industrie) has made a study which is consulting Berlin Government. According to this study, to be able to meet the set targets in clean heating, already in 2030 the solar district heating production should be 9 TWh annually. This translates into one million square meters of new capacity for district heating in Germany each year for the next ten years. Even if not reaching this level of numbers immediately, the German cities and district heating companies have reacted to these targets - and the market situation is better than ever before. At the same time, thanks to systematic efforts by the government and project developers, France is currently the most active market for large solar thermal systems in Europe, which is also reflected in orders received by Savosolar. China is talking about building 4 million square metres of solar heat each year, and the biggest growth is expected to come from large-scale systems.

Based on the above-mentioned studies and its own recent experiences, in the markets for large installation solar thermal systems, Savosolar sees the biggest growth potential for the next few years in France, Germany, Poland, Sweden, Finland and countries in Eastern Europe in particular, as well as in China. The most promising markets in industrial process heating from Savosolar's point of view are in Latin America, Australia and Africa, in addition to Europe. Savosolar estimates that the overall market will grow relatively fast over the next few years both in Europe and globally. However, there may be even considerable swings in the market growth. Furthermore, the projects are usually large in size, meaning that the execution schedules of individual projects may give rise to even large growth spikes.

FINANCIAL REPORTING OF THE COMPANY IN 2020

Savosolar's financial accounts and the report of the Board of Directors for 2018 will be published on the company's website on 3 April 2020.

The company's half-year report for January-June 2020 will be published on 27 August 2020. The financial reports will be published in Finnish and English.

SAVOSOLAR PLC
Board of Directors

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Savosolar Plc discloses the information provided herein pursuant to EU Market Abuse Regulation. The information was submitted for publication on 9 March 2020 at 9.10 (CET) by the aforementioned person.

ANNEXES

Savosolar

ANNEX 1
INCOME STATEMENT (FAS, unaudited)

(EUR 1,000)	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Revenue	1,736	4,099	3,415	5,428
Other operating income	0	0	0	9
Materials and services	-1,848	-4,654	-3,355	-5,919
Personnel costs	-907	-960	-1,881	-1,932
Depreciations and write-downs	-317	-383	-624	-719
Other operating expenses	-1,331	-1,252	-2,554	-2,454
Operating profit/loss	-2,667	-3,150	-4,999	-5,586
Financial income	3	23	20	23
Financial expenses	-781	-863	-1,781	-1,072
Extraordinary items	0	0	0	0
Profit/loss before appropriations and taxes	-3,445	-3,990	-6,760	-6,635
Net profit/loss for the reporting period/financial year	-3,445	-3,990	-6,760	-6,635

	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Earnings per share, undiluted, EUR	-0.005	-0.03	-0.006	-0.03
Earnings per share, diluted, EUR	-0.002	-0.03	-0.003	-0.02
Number of outstanding shares at the close of period	1,931,902,779	352,538,414	1,931,902,779	352,538,414

Average number of outstanding shares by month, adjusted by share issue	723,809,890	154,972,475	1,156,701,231	260,016,950
Number of outstanding shares, adjusted by dilutive effect	1,931,902,779	356,538,414	1,931,902,779	356,538,414

ANNEX 2
BALANCE SHEET (FAS, unaudited)

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Liabilities		
Non-current assets		
Intangible assets	991	1,348
Tangible assets	708	854
Shares in group companies	162	162
Total non-current assets	**1,861**	**2,364**
Current assets		
Inventories	1,789	982
Non-current receivables	803	504
Trade receivables	176	63
Receivables from participating interest undertakings	2	1
Other receivables	75	460
Prepayments and accrued income	453	1,069
Cash and cash equivalents	2,133	747
Total current assets	**5,431**	**3,827**
Total assets	**7,292**	**6,190**

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Equity and liabilities		
Equity		
Share capital	470	470
Share issue	1,537	0
Paid-up unrestricted equity reserve	36,715	29,273
Retained losses	-28,371	-21,736
Net profit/loss for the reporting period/financial year	-6,760	-6,635
Total equity	**3,592**	**1,372**
Mandatory provisions		
Other mandatory provisions	393	326
Total non-current liabilities		
Subordinated loans	231	0
Loans from financial institutions	314	314
Total non-current liabilities	**545**	**314**
Total current liabilities		
Subordinated loans	682	1431
Loans from financial institutions	0	819
Trade payables	706	1,501
Amounts owed to group undertakings	62	58
Other liabilities	41	35
Accruals and deferred income	1,272	334
Total current liabilities	**2,763**	**4,178**
Total liabilities	**3,307**	**4,492**
Total equity and liabilities	**7,292**	**6,190**

ANNEX 3
CASH FLOW STATEMENT (FAS, unaudited)

(EUR 1,000)	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Business operations				
Net profit/loss for the reporting period/financial year	-3,445	-3,778	-6,760	-6,635
Adjustments	1,183	621	2452	1,922
Increase/decrease in current receivables	-474	-728	589	-1,748
Increase/decrease in inventories	-1,103	194	-807	14
Increase/decrease in current non-interest-bearing debts	1,342	808	153	1,369
Interests from operating activities	-779	-840	-1,761	-1,049
Cash flow from operations	**-3,276**	**-3,723**	**-6,134**	**-6,127**
Investments				
Investments	-3	-163	-122	-162
Loans extended	0	0	0	0
Investments in subsidiaries	0	0	0	0
Cash flow from investment activities	**-3**	**-163**	**-122**	**-162**
Financing				
Paid share issue	3,825	4,140	8,979	4,354
Advances received	-64	-709	0	0
Withdrawals of non-current loans	0	0	0	112
Repayments of non-current loans	-440	-137	-559	-203
Withdrawals of current loans	1,031	778	1,031	1,069
Repayments of current loans	-1,031	-68	-1,810	-509
Cash flow from financing activities	**3,321**	**4,004**	**7,641**	**4,824**
Change in cash and cash equivalents	41	118	1,386	-1,465
Cash and cash equivalents at the beginning of period	2,092	629	747	2,212
Cash and cash equivalents at the end of period	2,133	747	2,133	747

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

(EUR 1,000)	Share capital	Paid-up unrestricted equity fund	Retained earnings	Result for financial year	Total
Equity at 1 Jan 2019	470	29,273	-28,371	0	1,372
Share issue	1,537	7,442	0	0	8,979
Net profit/loss for the reporting period	0	0	0	-6,760	-6,760
Equity at 31 Dec 2019	2,007	36,715	-28,371	-6,760	3,592
Equity at 1 Jan 2018	470	24,919	-21,736	0	3,653
Share issue	0	4,354	0	0	4,354
Net profit/loss for the reporting period	0	0	0	-6,635	-6,635
Equity at 31 Dec 2018	470	29,273	-21,736	-6,635	1,372

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

(EUR 1,000)	Jan-Dec 2019	Jan-Dec 2018
Revenue	3,415	5,428
Net profit/loss for the reporting period/financial year	-6,760	-6,635
Cash and cash equivalents	2,133	747
Equity	3,592	1,372
Equity ratio, %	61.8	45.3

Calculation of key figures

Equity ratio, %	Equity in balance sheet at the end of the period x 100 / Total assets
Number of outstanding shares, pcs	Number of outstanding shares at the close of period
Number of outstanding shares on average	Average number of outstanding shares by month, adjusted by share issue
Earnings per share, EUR	Net profit for the financial year / Average number of outstanding shares by month, adjusted by share issue

ANNEX 6
SHAREHOLDERS ON 31 December 2019

SHAREHOLDER	Holding, number of shares	Percentage of all shares
GRIMALDI, SALVATORE	89 355 081	5.19
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	62 181 860	3.61
NORDNET PENSIONSFÖRSÄKRING AB	25 682 445	1.49
GEUST, NIKLAS	23 689 351	1.38

SHAREHOLDER	Holding, number of shares	Percentage of all shares
JOKINEN, JUKKA ERKKI	23 000 000	1.34
SPP SVERIGE PLUS	17 267 785	1.00
JOJIC, ZORAN	15 718 284	0.91
VON SCHUPPLER, HENRIK	11 000 001	0.64
NORDNET BANK AB	10 093 096	0.59
SEB LIFE INTERNATIONAL ASSURANCE COMPANY DAC	10 000 000	0,.58
Others	1 435 277 455	83.29
In total	**1 723 265 358**	**100**

Savosolar in brief

Savosolar 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, Savosolar helps its customers to produce competitive clean energy. Savosolar'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. Savosolar 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 nearly 20 countries on four continents. Savosolar'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.com*.

The Company's Certified Adviser is Augment Partners AB, *info@augment.se*, tel. +46 8 505 65 172.