

# Savosolar Plc's business review for January–September 2021

Savosolar Plc

Business review

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### Key figures in July–September 2021

- Savosolar's revenue in July–September amounted to EUR 0.5 million (July–September 2020: EUR 1.7 million).
- Operating result (EBIT) in July–September amounted to EUR -1.0 million (EUR -0.8 million).
- Net result for July–September totalled EUR -1.2 million (EUR -1.0 million).

### Key figures in January–September 2021

- Savosolar's revenue in January–September amounted to EUR 2.2 million (January–September 2020: EUR 3.7 million).
- Operating result (EBIT) in January–September amounted to EUR -3.2 million (EUR -2.6 million).
- Net result for the period totalled EUR -3.5 million (EUR -3.5 million).

### Savosolar's CEO Jari Varjotie:

"The revenue growth fell short of expectations both in the third quarter and for the entire reporting period. This was partly due to the postponement of investment decisions during the Covid pandemic, in addition to which many European operators have chosen to wait for the country-specific guidelines of the clean energy programmes under the EU Green Deal before their investment decisions. We believe that the Green Deal programmes, together with the growing demands to fight climate change, speed up the investment decisions of both companies and public operators.

Our revenue for the third quarter amounted to EUR 0.5 million which is less than the year before. In January–September, our revenue was EUR 2.2 million and operating result EUR -3.2 million.

Our most significant delivery of the year to date was the handover of the largest solar heating plant in France to Kyotherm Solar in June, the inauguration of which was celebrated in September. The completion and handover of solar thermal

systems to Creutzwald, France, as well as to Narbonne and Pons, will take place during the last quarter. In addition to the Covid-19 pandemic, deliveries have been slowed down by the prolonged delivery times of certain components.

The solar thermal system for AbSOLAR SAS's pilot project in the city of Cadaujac in France is in the commissioning stage. Savosolar also has an exclusivity agreement for designing and delivering AbSOLAR's second solar thermal plant. The implementation of this project, worth around EUR 2.5 million, is pending the customer's investment decision.

In May, we signed a delivery contract with Guangzhou Power Supply Bureau, Guangdong Power Grid Co., Ltd for a solar heating system delivery in Guangzhou, China. The value of the pilot system is approximately EUR 0.5 million. The system is expected to be delivered by the end of 2021.

Savosolar's order backlog at the end of September stood at about EUR 0.6 (2.2) million. The value of the projects in the planning and bidding phase, including the identified active sales targets for nearest coming years, amounts to EUR 151 (103) million. The need to switch to emission-free energy sources is reflected in the number of projects worldwide. As a result, our tender backlog has clearly grown, and we also expect our order backlog to develop favourably during the next few months. The market outlook for solar thermal energy is favourable especially in Europe, China and Latin America.

The subscription period of our Warrant Plan 3-2020 took place during the third quarter, and 10,089,389 new shares were subscribed for with the warrants. Of the warrants, about 70 percent were exercised to subscribe for shares. We are very happy with the fact that investors, too, believe in the extensive growth potential of solar heat in the transition towards genuinely clean heat production.

The growth of solar district heating market is currently boosted by the EU Green Deal programme, country-specific environmental targets and rising emission allowance and energy prices in Europe. Germany will be one of the market drivers. According to the International Energy Agency, IEA, the collector area used for solar district heating could increase three-fold in Germany over a few years. At the same time, system sizes will start to grow as well. Indeed, several solar thermal plant investment projects of EUR 5–10 million are currently underway at different stages of completion in Germany. The German Government is actively supporting solar thermal projects, and this is also the case in countries such as France, Poland and Austria, among others. There are already several project developers in France who invest in clean heat production and sell heat to industries, for example. The annual conference of the Polish district heating association held in Poland in September put strong emphasis on the fact that Poland is moving away from carbon-based district heating, both in order to meet the EU emission reduction criteria, and to improve the

quality of air in response to the demands of the residents of cities and villages. Gas will play a major role in the transition, but the potential offered by solar heat has also been clearly recognised. The market is active in other Eastern European countries as well. In Croatia and Serbia, for example, huge solar thermal projects have been announced, the implementation of which are planned to take place over the next 2 to 3 years. The global market potential for solar district heating is more than one billion square metres, so we are talking about a market potential of several hundred billion euros.

China is still the world's largest solar heat market, and it also has the greatest potential in large solar thermal systems. In industrial process heating, China was the leading country last year, and in that segment, China still has a lot of opportunities to grow. After China, the largest number of industrial solar thermal systems were commissioned last year in Mexico and Germany. The majority of the large industrial solar thermal systems are in the food, mining and textile sectors.

The global pressure towards the use of emission-free energy is also reflected in the fact that an increasingly larger number of major financiers are turning their eyes towards low-carbon solutions. For example, the asset management company BlackRock, the large US bank JP Morgan Chase and the European Investment Bank (EIB) have announced that they will put special focus on sustainable carbon-neutral investments. The same holds true for Nordea, which has declared that it seeks to reduce the emissions of its portfolio by 40–50% by 2030.

In order to be able to meet the growing market demand and strengthen our supply capacity, we have decided to arrange a share issue and related warrant plans to raise new capital both for the implementation of increasingly larger solar thermal installation and for the development of our technology and offerings.

Savosolar helps communities and companies to reduce their CO<sub>2</sub> emissions with fully emission-free thermal energy. Successful reference projects and satisfied customers lay the foundation for our competitive and high-quality technology and customer-oriented operating model to enable business growth in line with our strategy.”

## COMPARISON BY REPORTING PERIOD

(EUR 1,000)	Jul-Sep 2021	Jul-Sep 2020	Change (%)	Jan-Sep 2021	Jan-Sep 2020	Change (%)	Jan-Dec 2020
Revenue	540	1,659	-67.4	2,168	3,702	-41.4	5,117

Operating profit/loss (EBIT)	-1,017	-847	-20.0	-3,218	-2,564	-25.5	-3,897
Profit/loss for the period	-1,204	-969	-24.2	-3,537	-3,533	-0.1	-4,977

## **BUSINESS PERFORMANCE IN JANUARY–SEPTEMBER 2021**

Savosolar's revenue for January– September decreased by 41 per cent and amounted to EUR 2.2 million (January– June 2020: EUR 3.7 million). The most significant delivery in January–September was the handover of the solar heating plant worth about EUR 4.0 million to Kyotherm Solar in June. The revenue for July–September was EUR 0.5 (1.7) million.

It is typical of project-based operations that the revenue of individual quarters and half years may vary depending on the degree of completion of the project deliveries. In addition to the Covid-19 pandemic, deliveries were also slowed down by the prolonged delivery times of certain components.

Savosolar's operating result (EBIT) for January–September 2021 amounted to EUR -3.2 (-2.6) million. Net result for January– September totalled EUR -3.5 (-3.5) million. The third quarter operating result was EUR -1.0 (-0.8) million and the net result EUR -1.2 (-1.0) million. The third quarter was also burdened by the financing costs of EUR 0.1 million of the share issue to be carried out in October.

The reason for the weaker than expected financial performance was that due to delays in projects, revenue fell clearly short of what was expected. The company has invested in the further development of its internal processes, efficiency and offerings, which is believed to bear fruit as volumes increase.

Based on the co-operation negotiations conducted, Savosolar laid off 17 people on a part-time or full-time basis for a maximum of 90 days starting from the beginning of August. The company's management also reduced their remuneration for three months. The company expects to achieve approximately EUR 0.2 million in savings through personnel arrangements and other ongoing savings measures.

## **CHANGES IN THE NUMBER OF SHARES**

The share subscription period based on Savosolar Plc's 3-2020 warrants was from 6 to 17 September 2021, and 10,089,389 new shares were subscribed for based on the

warrants. Of the warrants, about 70 percent were exercised to subscribe for shares, and Savosolar raised with the subscriptions approximately EUR 0.71 million in new share capital before transaction costs. The new shares were registered with the Finnish Trade Register on 23 September 2021.

Based on the 2-2020 warrants, 12,977,135 new shares were subscribed for during the first quarter. Additionally, with regard to warrants that remained unexercised, the company decided on a directed share issue of 1,521,496 shares. A total of 14,498,631 new shares were subscribed for in the warrant plan and directed share issue. The new shares were registered with the Finnish Trade Register on 29 March 2021.

The number of Savosolar Plc's shares registered with the Finnish Trade Register as at 30 September 2021 was 87,530,012 (at 31 December 2020, the number of shares was 62,941,992).

On 6 September 2021, Savosolar announced that it plans to arrange a partially underwritten rights issue of approximately EUR 5.4–6.4 million with additional warrants. On 6 September 2021, the company's Board of Directors called an extraordinary general meeting of shareholders to be held on 1 October 2021 to decide on the authorisation to be given to the Board of Directors for the issuance of shares and warrants.

Savosolar intends to use the net proceeds from the offering to meet the company's working capital needs and to increase the company's financial flexibility and capacity to offer and deliver increasingly larger projects, and to enhance its ability to meet the rapidly growing market demand for large solar thermal systems in both industrial processes and district heating. The proceeds will also be used to develop the company's solar thermal collector technology and product offerings.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

The Extraordinary General Meeting of Shareholders of 1 October 2021 resolved, as proposed by the Board of Directors, to authorise 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 to the effect that the number of shares to be issued based on the authorisation may in total amount to a maximum of 275,000,000 shares. According to the authorisation, 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 is valid until 30 September 2026 and repeals the authorisation granted by the Extraordinary General Meeting on 27 April 2020.

On 4 October 2021, Savosolar announced that the company's Board of Directors had decided to arrange a rights issue of approximately EUR 6.1 million and a related offering of warrants that enables the company to raise up to a maximum of approximately EUR 14.4 million. The offering consists of a maximum of 87,530,012 new shares.

Savosolar will give all its shareholders registered in Savosolar's shareholder register maintained by Euroclear Finland Ltd or Euroclear Sweden Ltd one book-entry subscription right per each share held on the record date of the offering. One subscription right entitles their holder to subscribe for one offer share. The subscription price used in the offering is EUR 0.07 or SEK 0.71 per offer share. The subscription period for the shares in Finland is 11 to 27 October 2021, and in Sweden, 11 to 25 October.

The offering is secured to 88.5 per cent, or approximately EUR 5.4 million, by external underwriters. If fully subscribed, Savosolar will raise approximately EUR 5.2 million in new share capital after transaction costs in the offering.

In addition, Savosolar will issue, without consideration, a maximum of 131,295,018 warrants to persons who subscribe for the offer shares in the offering, so that the subscriber will receive one warrant of series TO8, one warrant of series TO9 and one warrant of series TO10 per each two subscribed and paid offer shares, the subscription of which the Board of Directors has approved.

More detailed information about the rights issue and warrants offering is provided in the company announcement published on 4 October 2021, and this information can also be found on the company's website at [www.savosolar.com/investor-relations/rights-issue-2021/](http://www.savosolar.com/investor-relations/rights-issue-2021/).

SAVOSOLAR PLC  
Board of Directors

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**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, optically high-quality 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. The company focuses on large solar heat collectors as well as heating systems in excess of 1,000 m<sup>2</sup> in district heat generation and industrial process heating – the 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. Savosolar's shares are listed on Nasdaq First North Growth Market Sweden with the ticker SAVOS and on Nasdaq First North Growth Market Finland with the ticker SAVOH.  
[www.savosolar.com](http://www.savosolar.com)

The Company's Certified Adviser is Augment Partners AB, [info@augment.se](mailto:info@augment.se), tel. +46 8-604 22 55.