Savosolar Plc
Half Year Report 30 August 2019 at 8.30 a.m. (CEST)

Savosolar Plc's half year report for January–June 2019: Revenue increased, measures to improve cost effectiveness to continue

Key figures in January–June 2019

- Savosolar's revenue in January–June amounted to EUR 1.7 million (January–June 2018: EUR 1.3 million), an increase of 26% compared to the corresponding period a year ago. The increase in revenue was mainly due to the deliveries of solar thermal systems particularly in France and Denmark.
- Operating result (EBIT) amounted to EUR -2.3 million (EUR -2.4 million).
- Net result for the period totalled EUR -3.3 million (EUR -2.6 million). The net result for the period was weakened by the costs of the share issue arranged in 2019 totalling EUR 0.9 million.
- Earnings per share were EUR -0.007 (EUR -0.02).
- A rights issue was carried out in March 2019. The company raised net proceeds of approximately EUR 4.3 million to strengthen its working capital.

Savosolar's CEO Jari Varjotie:

"In January–June our revenue grew by 26 per cent from the previous year, amounting to EUR 1.7 million. The revenue mainly consisted of large deliveries to Denmark and France that were already started the year before. The growth in revenue did not meet our expectations, because the conclusions of many ongoing negotiations were postponed from the beginning of the year.

One of the already previously on-going negotiations resulted in the closing of a significant contract in August. After the end of the reporting period, we concluded a contract with Kyotherm Solar on the supply of the largest solar thermal system in France, in commune of Issoudun. The value of this delivery for Savosolar is more than EUR 3.8 million, which makes it the single-largest order placed with our company to date. The construction and deliveries will start this autumn, and the handover is planned to take place in the spring of 2020. With the percentage of completion revenue recognition, the project will already start generating revenue during 2019.

In July, we also received a great order from Suur-Savon Sähkö for the environmentally friendly district heating plant in Puumala and won a competitive tendering for a district heating company in Ettenheim, Germany with which we are negotiating a supply contract. The Ettenheim project is for us an extremely important headway to the German market. I am very satisfied that our significant sales and marketing investments, especially in the Central European markets, have started to yield results, as can be seen from the received orders, enabling us sell and deliver in markets, on which our competitive position is more equitable than in Denmark.

Our operating result for January–June amounted to EUR -2.3 million, an improvement of EUR 0.1 million on the previous year. The net result for the period totalled EUR -3.3 million, down from the EUR -2.6 million in the first half of the previous year. The result was weakened by, the EUR 0.9 million costs of the share issue we arranged in the beginning of the year.

We have continued to make determined efforts to improve our cost efficiency. During the early part of the year, we focused particularly on the reduction of our product costs and continued to enhance the efficiency of our internal operations. We already managed to improve our gross margin from the previous year, and with the execution of new project orders and increase in volumes, we expect this positive development to continue. We have also learned from the problems that occurred in production during the early years, which will reduce the number of warranty repairs in the future.

The popularity of district heating and the solar heat used in its production is growing steadily particularly in Europe, driven by the costs of heating and environmental effects. At the same time, various industrial operators who need heat in their processes are increasingly interested in the utilisation of solar heat, such as mining companies, paper industry, dairy products industry and greenhouses. Good examples of this are our delivery of a heat generation system for a paper mill in Condat and our latest order, a facility to be constructed in Issoudun, France, which will supply heat to a malt drying factory.

As previously noted, project developers have entered the market. These project developers invest in heating plants and sell thermal energy to their clients under long-term fixed-priced contracts. In the project in Issoudun, our client Kyotherm is such an investment company that develops projects and invests in systems.

In line with our strategy that was refined in 2018, we will focus on the project deliveries of large-scale district heating systems and the system deliveries for production of solar energy for industrial operators. Savosolar's strengths include advanced technology, strong references and ability to implement systems on a turnkey basis, in collaboration with competent partners, that exceed the client's expectations. Furthermore, we have increased our expertise in system design and turnkey deliveries and strengthened our organisation also by hiring new top-notch experts. In our industry, we are renowned as an innovative and reliable operator, and these will continue to be the cornerstones of our operations based on which we will build our future growth."

SAVOSOLAR AS A COMPANY

Savosolar Plc is a Finnish public limited liability company listed in Nasdaq First North Sweden and Nasdaq First North Finland that designs and supplies large solar thermal systems for district heat producers and industries. 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 large solar thermal collectors are the most efficient 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 and has presence everywhere where large solar thermal systems are needed.

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 for example in Australia and in the Latin America.

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 life-cycle.

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

DEVELOPMENT OF BUSINESS IN JANUARY–JUNE 2019

Revenue

Savosolar's revenue for January–June increased by 26 per cent from the corresponding period in 2018 and amounted to EUR 1.7 million (January–June 2018: EUR 1.3 million).

The main reasons for the increase in revenue were the company's large deliveries to Denmark and France. The most significant project in Denmark was the delivery of a solar thermal system to Grenaa Varmeværk, and in France, to newHeat SAS in Condat-sur-Vézère. The solar thermal system delivered to newHeat SAS for the energy production 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.

However, the growth of revenue in the early part of the year fell short of expectations, because the conclusions of many ongoing negotiations were postponed from the early part of the year to a later date.

Significant orders and new contracts for the reporting period

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 and handed over to the client after operational testing. The solar thermal plant in Condat is the largest in Europe ever delivered for industrial process heat generation. It will produce about one-third of the heated water needed for steam generation at the local paper mill. With its very high solar yield – more than 1,000 kWh/m2 – the entire solar thermal field generates an average of about 4,000 MWh of heat annually. Fitted with tilting, sun-tracking solar collectors that increase the efficiency of heat recovery, it is the first system of its kind of this order of magnitude in the whole world. The total value of the delivery was about two million euros.

Savosolar's largest turn-key solar thermal system to date, delivered to Grenaa Varmeværk in Denmark, was placed in service as part of their 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 delivered an extension of about 4,800 m2 to a solar field delivered in 2016 to Jelling Varmeværk. The extension was placed in service in April 2019. The value of the delivery was about EUR 0.7 million.

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. Savosolar's former CFO Raul Ikonen started as the Savosolar's Country Manager in China, based in Shanghai.

The cooperation with the Chinese company Guangzhou Power Supply Co., Ltd. also progressed as planned. The Memorandum of Understanding signed in November 2018 with Guangzhou Power Supply 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. Expansion to the market in Asia calls for thorough background work, and the company's goal is that the co-operation would result in deliveries in the next year.

During January-June, the company has, even more carefully than before, focused on the sales projects that are in line with its strategy. At the end of the reporting period, the value of the projects in the company's sales pipeline was approximately EUR 121 (125) million. Of this, the total value of projects in bidding and planning phase amounted to approximately EUR 54 (56) million. 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 the first half of 2019 totalled EUR 1.5 (1.3) million. The costs related to materials and services increased following the growth in revenue. The gross margin improved from the previous year.

Personnel costs amounted to EUR 1.0 (1.0) million. Other operating expenses remained at the previous year's level, totalling EUR 1.2 (1.2) million.

The operating result (EBIT) for January–June 2019 amounted to EUR -2.3 (-2.4) million. The operating result remained negative. The measures to reduce product costs, initiated in 2018, were partly visible in the financial performance of the first half of 2019. The profitability improvement was weakened by the low volumes during the first part of the year together with the investments made in the streamlining of production and operations as well as sales and marketing costs related to entering into new market areas.

The actions to improve cost-efficiency were continued. The company focused on the reduction of product costs in the first part of 2019, and these actions will be continued during the second part of the year. The company has continued to improve the efficiency of its internal functions, developed its quality assurance and established the culture of 'doing it right the first time.' To obtain concrete benefits by reducing material costs, project orders and sufficiently large volumes are required, thus the efficiency-enhancing measures can be expected to yield more results in the form of improved profitability gradually when new projects are delivered.

Net financial income and expenses amounted to EUR -1.0 (-0.2) million. The majority the financing costs were related to the arrangement of the rights issue of 2019, the expenses of which totalled EUR 0.9 million.

Net result for the period stood at EUR -3.3 (-2.6) million. Earnings per share were EUR -0.007 (-0.02).

COMPARISON BY REPORTING PERIOD

(EUR 1,000)	**Jan-Jun 2019**	**Jan-Jun 2018**	**Jan-Dec 2018**
Revenue	1,679	1,329	5,428
Operating profit/loss (EBIT)	-2,332	-2,436	-5,586
Profit/loss for the period	-3,314	-2,645	-6,635
Earnings per share, EUR	-0.007	-0.02	-0.02

Financing

Total assets of the company as at 30 June 2019 totalled EUR 6.0 (6.0) million. Inventories stood at EUR 0.7 (1.2) million. Cash and cash equivalents totalled EUR 2.1 (0.6) million, an increase of EUR 1.5 million. Current receivables totalled 0.6 (0.2) million.

Equity increased to EUR 3.2 (1.2) million. Equity including subordinate loans amounted to EUR 4.5 (2.7) million at the end of the period. The company's equity ratio at the end of the reporting period was 54.2 (23.3) per cent. With the subordinated loans taken into account, the equity ratio at the end of the reporting period was 76.7 (64.7) per cent.

Liabilities amounted to EUR 2.5 (3.8) million, of which EUR 1.2 (1.8) were non-current and EUR 1.2 (2.0) million current liabilities. Of the non-current liabilities, subordinated loans accounted for EUR 0.9 (1.4) million and loans from credit institutions EUR 0.3 (0.4) million. Of the current liabilities, subordinated loans accounted for EUR 0.4 (0.0) million and loans from credit institutions EUR 0.0 (0.2) million. Finnvera's proportion of current loans from credit institutions was EUR 20 thousand. Trade payables accounted for EUR 0.3 (0.4) million of the current liabilities.

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 during 24 months starting from April 2019, and those extended by Finnvera in the amount of approximately EUR 0.2 million in annual instalments over a period of three years, the last instalment being paid in August 2021.

Savosolar has a two-million euros bank guarantee credit facility extended by Suur-Savon Osuuspankki that expires on 30 November 2019. The Company uses it in large projects for the guarantees needed during deliveries and the warranty period, among other things.

The financing position of Savosolar improved substantially after the rights issue arranged in February–March 2019. The company raised net proceeds of EUR 4.3 million after the transaction costs. Additionally, investors who had subscribed for shares in the rights issue were given warrants without consideration that entitle their holders to subscribe for new shares in November–December 2019 subject to the warrant terms and conditions.

Cash flow from operations was EUR -2.9 (-2.5) million and cash flow from investments EUR -0.1 (-0.0) million. Cash flow from operations without right issue arrangement costs was EUR -1.9 (-2.4) million. Cash flow from financing was EUR 4.3 (0.0) million, of which the share issues accounted for EUR 5.2 (0.2) million. Savosolar's cash and cash equivalents as at 30 June 2019 totalled EUR 2.1 (0.6) 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 R&D

Investments totalled EUR 0.1 (0.0) million and were related to the enhancement of production efficiency. The company has no need for significant investments in its factory during the next few years because the production capacity is currently at a level allowing the revenue of EUR 20–30 million.

Savosolar's project on the development of a new type of solar thermal collector is part of the Government's spearhead projects in cleantech industry. Business Finland (formerly 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 objective 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 2019 and its total budget amounts to EUR 0.7 million.

Personnel and management

At the end of the reporting period, Savosolar had 35 (40) employees. The average number of personnel during the reporting period was 38 (41).

Savosolar appointed Heikki Timonen, M.Sc. (Econ.), as the company's CFO as of 12 April 2019. The former CFO Raul Ikonen started as Savosolar Plc's Country Manager in China in the beginning of May.

Savosolar's management team as at 30 June 2019 consisted of the following persons: 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.

Business development

Savosolar has continued building its international cooperation partner network. The company has cooperation agreements in Australia and Latin America, and an agreement was signed with a Chinese partner during the reporting period.

In order to improve the efficiency of its operations, the company develops determined actions to improve cost efficiency, with a main focus on the management of large projects. The company has also initiated several measures for improving the efficiency of its internal functions, developed its quality assurance and established 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 these actions will be continued during the second part of the year. Special attention will be paid on material purchases to reduce material costs throughout the supply chain. The system design of client projects will be further developed, as will also operations 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 2,000,000,000 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. 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.

Of the authorization, 1,057,615,242 shares were used in the rights issue arranged in the spring of 2019, and 765,506 shares for the payment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 27 March 2019. Additionally, 352,538,326 warrants were issued in connection with the rights issue.

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 principal auditor.

RELATED-PARTY TRANSACTIONS

The company has a contract with its subsidiary Savosolar ApS concerning on services related to sales, marketing, purchases and product development services. Under the contract, the company paid Savosolar ApS approximately EUR 275 thousand (EUR 324 thousand) during the reporting period.

A similar service contract has been signed with Savosolar GmbH, under which the company paid Savosolar GmbH approximately EUR 84 (112) thousand during the reporting period.

RIGHTS ISSUE AND DIRECTED SHARE ISSUE WITHOUT PAYMENT FOR MEMBERS OF THE BOARD OF DIRECTORS

In March 2019, Savosolar arranged a rights issue of approximately EUR 5.2 million that was subscribed for in full. The subscription price is 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.

Additionally, the Board of Directors resolved on a directed share issue without payment to be used as a part of the Board members' remuneration in accordance with the resolution 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.

The shares subscribed for in the share issues were registered with the Finnish Trade Register on 3 April 2019, and trading in the new shares subscribed for in the share issues commenced on 4 April 2019 on First North Finland and on 11 April 2019 on First North Sweden.

After the share issue and the directed share issue, the total number of shares in the company amounts to 1,410,919,162. The number of warrants allocated in connection with the share issue amounts to 352,538,326.

Savosolar received a total of approximately EUR 4.3 million in issue proceeds after the deduction of transaction costs associated with the share issue.

Savosolar

Due to the share issue, the company's Board of Directors also resolved to amend the terms and conditions of the company's stock option plan 2-2017 to the effect that the new subscription price per share for stock option plan 2-2017 is EUR 0.01 and each stock option confers the right to subscribe for five shares.

Mangold Fondkommission AB served as the company's financial advisor in the share issue. Smartius Oy served as the company's legal advisor on aspects of the share issue related to Finnish law.

SHARE

Savosolar has one class of shares, and the total number of shares on 30 June 2019 was 1,410,919,162 (30 June 2018: 130,749,062). Each share carries one vote at the general meeting of shareholders. Based on the rights issue and the remuneration share issue of the Board of Directors arranged during the reporting period, the number of shares increased by 1,058,380,748 shares in total. The company does not hold any treasury shares. The average number of shares during the reporting period was 457,131,193 (130,749,062).

During the reporting period, the share price in First North Sweden fluctuated between SEK 0.043 and 0.19 (SEK 0.261 and 1.20). The closing price was SEK 0.106 (SEK 0.309). In First North Finland, the share price fluctuated between EUR 0.004 and 0.018 (EUR 0.027 and 0.113). The closing price was EUR 0.01 (0.031).

Savosolar's combined trading volume in January–June 2019 was 4,583,280,764 shares in First North Sweden and 378,186,439 shares in First North Finland. On 30 June 2019, Savosolar had 11,236 shareholders (30 June 2018: 7,038).

Savosolar' shares are listed on the First North 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 Finland marketplace maintained by Nasdaq Helsinki Oy started on 24 April 2015 with the ticker SAVOH.

BIGGEST SHAREHOLDERS ON 28 JUNE 2019

Shareholder	Holding, number of shares	Percentage of all shares and votes, %
GRIMALDI, SALVATORE	49,499,588	3.51
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	47,332,178	3.35
NORDNET PENSIONSFÖRSÄKRING AB	28,969,747	2.05
GEUST, NIKLAS	18,818,148	1.33
SEB LIFE INTERNATIONAL ASSURANCE COMPANY DAC	16,000,000	1.13
SPP SVERIGE PLUS	13,814,228	0.98
VON SCHUPPLER, HENRIK	11,379,801	0.81
JOJIC, ZORAN	8,583,170	0.61

NORDNET BANK AB	7,659,220	0.54
SAXO BANK A/S CLIENT ASSETS	6,968,350	0.49
OTHERS	1,201,894,732	85.19
TOTAL	**1,410,919,162**	**100**

STOCK OPTION PROGRAMMES

Stock option programme for personnel (2-2017)

Under the stock option program 2-2017 of 2017, a maximum of 2,000,000 option rights can be granted, entitling to subscribe a maximum of 10,000,000 new shares in the company. Of the stock options, 500,000 are marked with the symbol 2/2017A, 500,000 with the symbol 2/2017B, 500,000 with the symbol 2/2017C and 500,000 with the symbol 2/2017D.

The share subscription periods are as follows: for stock option 2/2017A, 1 January 2018 – 31 December 2019, for stock option 2/2017B, 1 July 2018 – 31 December 2019, for stock option 2/2017C, 1 January 2019 – 31 December 2019, and for stock option 2/2017D, 1 July 2019 – 31 December 2019. On 31 December 2018, a total of 1,670,000, and on 30 June 2019, a total of 2,000,000 stock options from the stock option program were in possession of the management and other personnel of the company. Due to the share issue arranged during the reporting period, the company's Board of Directors resolved to amend the terms and conditions of the stock option plan 2-2017. The new subscription price per share for stock option plan 2-2017 is EUR 0.01, and each stock option confers the right to subscribe for five (5) shares.

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. The subscription price for the shares that can be subscribed for based on the warrants is determined based on the volume weighted average price of the company's share on First North Finland between 11 and 22 November 2019 less 30 per cent. However, the subscription price may not be less than EUR 0.005 per share or higher than EUR 0.01 per share. Each warrant entitles its holder to subscribe for one (1) new share during the period 25 November 2019 – 9 December 2019.

Existing authorisations of the Board of Directors

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 2,000,000,000 shares, representing approximately 572.68 per cent of all the shares in the company. The authorisation is valid until 22 January 2024.

The authorisation was used in the rights issue arranged in March 2019 and in the share issue directed at the members of the Board of Directors, as a result of which the number of shares in the company increased by

1.058,380,748 new shares. Additionally, in connection with the share issue, 352,538,326 warrants were allocated, each entitling to subscribe for one new Savosolar share.

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 estimated running costs of the company, the company's maturing loans and the revenue estimation, 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 achieved improvements in the production costs and the favourable industry outlook, Savosolar's Board of Directors is confident that the sufficient financing will be obtained.

During the early part of 2019, the company carried out a rights issue of approximately EUR 5.2 million and, as part of the rights issue, an offering of warrants that enables the company to raise up to a maximum of approximately EUR 3.5 million. 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 by obtaining patents and overseeing the rights it has patented against infringements in its major markets.

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.

So far, Sunti and Savosolar have delivered their written statements to the commercial court of justice, which has postponed the timing of the first hearing to take place in October 2019, after which the schedule will be further specified. The parties may appeal on the verdict to the higher court. Savosolar considers Sunti's claims for compensation to be without just cause.

STRATEGY AND LONG-TERM GOALS

Savosolar's mission is to fight climate change with leading solar thermal technology to provide competitive and stable energy costs. 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 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 solar thermal technology and strong knowledge on system design as well as its global network of partners.

Savosolar's ambition is to maintain and reinforce its innovative technology leadership in its field. In 2019, product development expenditure is expected to total approximately EUR 0.4 million.

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the reporting period the company has won tenders for projects of value EUR 4.8 million.

On 12 August 2019, Savosolar announced that it had signed a contract on the delivery of the largest solar heating system in France to a company named Kyotherm Solar in Issoudun, France. The size of the system is more than 14,000 m2. The system will also be the largest solar thermal system for industrial process heating in Europe. The value of the delivery to Savosolar is over EUR 3.8 million, which makes it the largest order placed with Savosolar to date. Savosolar will deliver the largest part of the whole solar thermal system. The system construction and deliveries will start during autumn 2019, and the handover is planned to take place around spring 2020. 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 to a malt drying factory operated by Malteries Franco-Suisses.

Savosolar won the competitive tendering for the supply of an approximately 1700 m^2 solar collector field and 200 m^3 heat storage arranged by Fernwärme Ettenheim GmbH in Germany on 9 June 2019. The company has been selected to enter into negotiations with the client on a contract concerning the construction of a solar thermal system to supplement an existing wood chip burner. The value of the system is around EUR 800,000. The delivery is expected to mainly take place in 2019 such that the final performance testing and system hand-over are planned to take place during the first quarter of 2020.

On 2 July 2019, Savosolar received an order from Finnish Suur-Savon Sähkö Oy for a solar heating system. Suur-Savon Sähkö will build an environmentally friendly local district heating centre in Puumala, where energy is produced by a solar thermal-heat pump hybrid system, part of which will be Savosolar's collector system. The Finnish Calefa Oy is the turn-key supplier of the heat pump section. The collector area of the system delivered to Puumala will, for the first time in Finland, exceed 400 m2. The value of this deal is over EUR 170 thousand, and the delivery is scheduled to take place during autumn 2019.

MARKET ENVIRONMENT

The economic and environmental benefits associated with the solar thermal energy have increased interest towards it especially in Europe. The first significant market was Denmark with several local operators. During 2018–2019, the market has grown most markedly in the Central Europe, especially in France. Savosolar expects that the market will grow relatively fast over the next few years both in Europe and globally. However, there may even be considerable fluctuations in the market growth. The market development is affected by the political decisions in many countries, among other things. The EU Heating and Cooling Strategy, announced in 2016, will have a positive effect on the policies of increasingly more European countries in favour of large solar thermal systems as well. Furthermore, the projects are usually large in size, meaning that the execution schedules of individual projects may cause large growth spikes.

It has been estimated that during 2018, solar heating has for the first time produced more than 1 Twh (= 1 billion kilowatt hours) worldwide, and according to market forecasts, solar district heating capacity is expected to rise to 240 TWh by 2050. This would mean 15 per cent of the district heat need in Europe [1]. The significance of district heat in heating and cooling has been estimated to be so significant that in 2050, it would be possible to provide 50 per cent of the heating in the EU by means of district heat [2]. (Sources: [1] Werner Lutsch, Solar District Heating conference, April 2018, and presentations in Euroheat & Power and SDH conferences in 2017 and 2018; [2] EU Heat Roadmap 2050).

In the markets for large solar thermal systems, Savosolar sees most growth potential in France, Germany, Denmark, Austria, Finland, Sweden and countries in Eastern Europe in particular, as well as in China, for example. The most promising market in industrial process heating from Savosolar's point of view are in Latin America, Australia and Africa, in addition to Europe.

SAVOSOLAR PLC
Board of Directors

More information:
CEO Jari Varjotie
Phone: +358 400 419 734
E-mail: jari.varjotie@savosolar.com

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

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 almost 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.

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ANNEX 1
INCOME STATEMENT (FAS, unaudited)

(EUR 1,000)	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenue	1,679	1,329	5,428
Other operating income	0	9	9
Materials and services	-1,506	-1,265	-5,788
Personnel costs	-974	-972	-1,932
Depreciation and write-downs	-307	-336	-719
Other operating expenses	-1,223	-1,202	-2,584
Operating profit/loss	-2,332	-2,436	-5,586
Financial income	17	0	23
Financial expenses	-1,000	-209	-1,072
Extraordinary items	0	0	0
Profit/loss before appropriations and taxes	-3,314	-2,645	-6,635
Net profit/loss for the reporting period/financial year	-3,314	-2,645	-6,635

	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Earnings per share, undiluted, EUR	-0.007	-0.02	-0.02
Earnings per share, diluted, EUR	-0.007	0.01	-0.02
Number of outstanding shares at the close of period	1,410,919,162	130,749,062	352,538,414
Average number of outstanding shares by month, adjusted by share issue	457,131,193	130,749,062	260,016,950
Number of outstanding shares, adjusted by dilutive effect	1,763,457,576	242,206,601	356,537,414

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ANNEX 2
BALANCE SHEET (FAS, unaudited)

(EUR 1,000)	30 June 2019	30 June 2018	31 December 2018
Liabilities			
Non-current assets			
Intangible assets	1,188	1,433	1,348
Tangible assets	825	989	854
Shares in group companies	162	162	162
Total non-current assets	**2,175**	**2,584**	**2,364**
Current assets			
Inventories	686	1,176	982
Non-current receivables	467	1,395	504
Trade receivables	285	81	63
Receivables from participating interest undertakings	2	0	1
Other receivables	206	78	460
Prepayments and accrued income	74	20	1,069
Cash and cash equivalents	2,092	629	747
Total current assets	**3,812**	**3,379**	**3,826**
Total assets	**5,987**	**5,963**	**6,190**

(EUR 1,000)	30 June 2019	30 June 2018	31 December 2018
Equity and liabilities			
Equity			
Share capital	470	470	470
Paid-up unrestricted equity reserve	34,427	25,133	29,273
Retained losses	-28,371	-21,736	-21,736
Net profit/loss for the reporting period/financial year	-3,314	-2,645	-6,635
Total equity	**3,212**	**1,222**	**1,372**
Appropriations			
Voluntary provisions	0	748	0
Mandatory provisions			
Other mandatory provisions	306	172	326
Total non-current liabilities			
Subordinated loans	912	1,431	0
Loans from financial institutions	314	359	314
Other liabilities	0	0	0
Total non-current liabilities	**1,226**	**1,790**	**314**
Total current liabilities			
Subordinated loans	420	0	1,431
Loans from financial institutions	20	201	819
Advances received	64	709	0
Trade payables	280	421	1,501
Amounts owed to group undertakings	57	63	58
Other liabilities	38	339	35
Accruals and deferred income	364	297	334
Total current liabilities	**1,243**	**2,030**	**4,178**
Total liabilities	**2,469**	**3,820**	**4,492**
Total equity and liabilities	**5,987**	**5,963**	**6,190**

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ANNEX 3
CASH FLOW STATEMENT (FAS, unaudited)

(EUR 1,000)	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Business operations			
Net profit/loss for the reporting period/financial year	-3,314	-2,645	-6,635
Adjustments	1,269	1,294	1,922
Increase/decrease in current receivables	1,063	-1,224	-1,748
Increase/decrease in inventories	296	-180	14
Increase/decrease in current non-interest-bearing debts	-1,189	514	1,369
Financial expenses	-982	-209	-1,049
Cash flow from operations	**-2,857**	**-2,450**	**-6,127**
Investments			
Investments	-118	0	-162
Loans extended	0	0	0
Investments in subsidiaries	0	0	0
Cash flow from investment activities	**-118**	**0**	**-162**
Financing			
Paid share issue	5,154	213	4,354
Withdrawals of non-current loans	912	0	112
Repayments of non-current loans	0	47	-203
Withdrawals of current loans	0	0	779
Repayments of current loans	-1,810	-102	-218
Advances received	64	709	0
Cash flow from financing activities	4,320	45	4,824
Change in cash and cash equivalents	1,345	-1,583	-1,465
Cash and cash equivalents at the beginning of period	747	2,212	2,212
Cash and cash equivalents at the end of period	2,092	629	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	0	5,154	0	0	5,154
Net profit/loss for the reporting period	0	0	0	-3,314	-3,314
Equity at 30 Jun 2019	470	34,427	-28,371	-3,314	3,212
Equity at 1 Jan 2018	470	24,919	-21,736	0	3,653
Share issue	0	214	0	0	214
Net profit/loss for the reporting period	0	0	0	-2,645	-2,645
Equity at 30 Jun 2018	470	25,133	-21,736	-2,645	1,222

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

(EUR 1,000)	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenue	1,679	1,329	5,428
Net profit/loss for the reporting period/financial year	-3,314	-2,645	-6,635
Cash and cash equivalents	2,092	629	747
Equity	3,212	1,222	1,372
Equity ratio, %	54.2	23.3	22.2

Calculation of key figures

Equity ratio, %	Equity in balance sheet at end of the period x 100 / Total assets
Number of outstanding shares, pcs	Number of outstanding shares at end of the 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