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

1-17 June 2020

**FIGHT THE CLIMATE CHANGE TOGETHER  
WITH SAVOSOLAR**

MARKETING BROCHURE – NOT A PROSPECTUS APPROVED BY THE FINNISH FINANCIAL SUPERVISORY AUTHORITY. WE KINDLY ASK YOU TO FAMILIARISE YOURSELVES WITH THE PROSPECTUS RELATING TO THE OFFERING (THE "OFFERING") BEFORE MAKING AN INVESTMENT DECISION. THE PROSPECTUS IS AVAILABLE ON SAVOSOLAR PLC'S ("SAVOSOLAR" OR "THE COMPANY") WEBSITE ([HTTP://WWW.SAVOSOLAR.COM/RIGHTS-ISSUE-2020](http://www.savosolar.com/rights-issue-2020)), ON AUGMENT PARTNERS WEBSITE ([HTTP://OFFERS.AUGMENT.SE/](http://offers.augment.se/)) AND ON AQURAT FONDKOMMISSION AB'S WEBSITE ([WWW.AQURAT.SE](http://www.aqurat.se)). THE PRINTED PROSPECTUS IS AVAILABLE AT THE HEAD OFFICE OF THE COMPANY AT INSINÖÖRINKATU 7, 50150 MIKKELI, FINLAND.

# Reasons and use of proceeds

The market for large solar heating systems is very active, both in terms of district heating and heat production for industrial processes. The most active markets in Europe are Germany and France, and in France the Company has strengthened its market position, and based on the information available to the Company's management, it has achieved market leadership as a result of the Company's efficient and high-quality technology and the Company's customer-oriented approach, which emphasises the locality. In Germany, the Company's reputation has grown significantly with several years of marketing work and due to the Ettenheim project under delivery in 2019-2020, and the Company has already received several new offer requests in Germany. The Company currently has all in all nine projects in the final bidding phase, of which more than half are in these two countries. In addition, there are projects in the final bidding phase elsewhere as well, which shows that the market continues to develop positively due to growing environmental awareness in various countries, such as China, where the first project is expected to take place this year.

The well-respected German BDI (Bundesverband der Deutschen Industrie) has made a study for the Government of Berlin, according to which, in 2030 the solar district heating production should be 8 TWh annually in order to meet targets set for clean heating. This translates into one million square meters of new capacity of solar thermal collectors for district heating in Germany each year for the next ten years. Even if not reaching this level immediately, German cities and district heating companies have reacted to these targets, and the market situation in Germany alone is better than ever before in the view of the Company's management. 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.

Savosolar has established a strong brand as a reliable supplier of large solar heating systems, and the Company's total number of systems exceeds 100,000 m<sup>2</sup>, which demonstrates Savosolar's

ability to supply value-added energy systems to customers. The market is growing globally with the ever-accelerating demand for clean energy production, and recent changes in the competitive situation open up even greater opportunities for the Company to increase its market share by being the technology and quality leader in the industry and via references where customers are highly satisfied. The Company wants and needs to meet the growing market demand and therefore the Company plans to arrange the Offering.

In order to carry out the ongoing and future projects in 2020 and to be able to effectively manage the future workload variations in projects, the Company needs more additional working capital. The Company aims to raise approximately EUR 4.3 million through the Offering. If the Offering is fully subscribed, the Company expects to receive approximately EUR 3.5 million in net proceeds after transaction costs amounting to approximately EUR 0.8 million. In connection with the Offering, the Company also issues warrants free of charge to investors who have subscribed for offer shares in the Offering. The Company may therefore additionally raise up to a maximum of approximately EUR 12.5 million in net proceeds in future subscription periods (9-20 November 2020, 8-19 March 2021 and 6-17 September 2021), after deducting the estimated expenses to the subscriptions with warrants payable by the Company, totalling approximately EUR 0.5 million. The subscription price per share based on the terms and conditions of the warrants is a maximum of EUR 0.30 per share.

The Company will use the net proceeds from the Offering and warrants to ensure the Company's working capital adequacy and increase the Company's financial capacity in a growing market environment to enable the Company to deliver signed and future orders and meet rising market demand in both the industrial process- and district heating segments. In addition, the Company will repay the remaining capital loans as of the date of the Prospectus in the amount of EUR 711.9 thousand in accordance with the plan for 2020 and 2021.



# Savosolar in brief

Savosolar is a Finnish public limited liability company that manufactures internationally award-winning solar thermal absorbers and collectors as well as energy production systems built on these. According to the knowledge of the Company's management, the large solar thermal collectors with MPE absorbers manufactured by Savosolar are the most efficient in the world.<sup>1</sup> Savosolar focuses primarily on large solar thermal collectors and industrial-size heating systems. The Company started product deliveries in June 2011 with small solar heat collectors and systems. Since 2017, the Company has focused on large scale energy production systems in the district heating- and industrial process heating segments. Within these, the total amount of the Company's systems exceeds 100,000 m<sup>2</sup>. The uniqueness of the Company's products is based on a vacuum coating process where the complete absorber struc-

ture is coated at once.<sup>2</sup> This means that thin-walled aluminium profiles, which are very effective heat exchangers and with which therefore an effective direct flow of heat transfer can be achieved, can be used. The Savosolar team has extensive know-how and experience in vacuum coating techniques as well as in international sales and business management. In its manufacturing processes the Company uses the developed technologies and the quality system meets the ISO 9000 requirements. The Company aims to expand its business rapidly and supports its customers in reaching their environmental and business targets by significantly reducing their energy costs. Savosolar constantly invests in product development to maintain the best solutions for the needs of the growing renewable energy market.

## Strategy

The Company's mission is to fight climate change with the leading solar thermal technology to provide competitive and stable energy.

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

Savosolar has partners in different markets, with whom complete energy systems are supplied. The partners can be either vendors of global components or solutions or local integrators or installation companies. With the help of these local partners, Savosolar

contributes to the local economy by using local subcontractors and in supplying and installing clean energy systems. The improvement of the local economy and employment is often a major factor when municipalities and cities make decisions about, for example, investments in their own district heating plant. Local partners are already present in several countries, and examples of cooperation agreements are Flemming Jorgensen S.A. de C.V. in Latin America, Geoflow Australia in Australia and Jiangsu Holly in China. The partners also act as a sales channel for the Company in addition to its own sales staff. This approach has also proven to be the best one, when looking for both optimal customer functionality and the most competitive cost for the system, as local partners can efficiently utilise local workforce and know-how.

### Long-term goals

- Savosolar's goal is to be an innovative technology leader in the industry. Therefore, the Company plans to invest 2–4 per cent of its revenue every year in product development.
- Expand beyond Europe with the help of partners in the coming years.
- EBITDA margin of more than 15 per cent.
- To grow as a system supplier of large solar heating systems in industrial process heating and district heating in more and more markets.
- Significantly increase the Company's net sales.
- Gross margin of more than 30 per cent.

<sup>1</sup> The efficiency of Savosolar's 15m<sup>2</sup> standard collectors equipped with MPE absorbers have been determined in harmonised certification tests carried out by independent research institutions. These tests are the basis for the Solar Keymark certification to be issued in the EU. The tests determine the technical values which influence absorber efficiency. Based on these values, Savosolar's large collectors equipped with MPE absorbers are the most efficient flat plate collectors in the world. In other words, the amount of energy produced by them per square metre in a similar system and under similar conditions annually is higher than that produced by competitors' products. The Solar Keymark database containing the information of all collectors being sold in Europe is public and can be accessed at [www.estif.org/solarkeymarknew/index.php](http://www.estif.org/solarkeymarknew/index.php). Equivalent technical information can also be found on collectors manufactured elsewhere in the world, and according to the information available to the Company's management, Savosolar's solar thermal collectors with MPE absorbers (Savo 15 SG, Savo 15 DG) produce the highest amount of energy per square metre compared to similar competitors.

<sup>2</sup> On the basis of the information the Company has collected from certification databases, customers, research institutes, suppliers and competitors, there is no other collector on the market with an aluminium coated direct flow absorber which has an efficient optical coating.

# The Danish, German and French solar district heating markets showing significant growth potential

## Denmark

After the recession of 2017, 2018-2019 was again a time of great activity in the Danish market. This means that the new installed capacity increased by 180,226 m<sup>2</sup> during the first six months of 2019.<sup>3</sup> During that time, ten new systems were built and four were expanded. At the end of 2019, a total of 120 large scale solar district heating systems were in operation in Denmark, with a total capacity exceeding 1.1 GWth and a total area of almost 1.6 million square meters. The priorities of the Danish subsidies changed to 2020 and the solar heat market has slowed down as a result, but now, according to the Company's management, it is visible that new systems will be built again in the near future. This

is especially true for district heating plants that use biomass as fuel, as in these systems solar heat can be used to reduce both the need for limited biomass and the costs. Denmark's potential remains high, despite temporary market fluctuations. According to previously set targets, in 2030, there will be 8 million square metres of large solar thermal systems, indicating a market potential of almost EUR 3 billion. However, market fluctuations can emerge, and significantly alter prevailing conditions depending on the government incentives such as subsidies.



## Germany

It has been forecasted that the German solar district heating market for larger systems will grow as large, or exceed the Danish market in next few years.<sup>4</sup> And this has now also happened, partly due to the slowdown in the Danish market, but above all due to the activation of the German market. As demonstrated by more than 100 large-scale systems in Denmark, producing more than 20 per cent of the annual district heating is possible and profitable without a large water reservoir that can increase the share of solar thermal by more than 50 per cent. However, this seasonal reservoir is often such a large investment that a large part are seeking to reach a 20 per cent share. The magnitude of the German market potential can therefore be calculated as follows: If 20 per cent of the district heating production of the 70 largest German cities were made up of solar thermal, it would mean approximately 40 million square metres of solar collectors, meaning about EUR

14 billion in market potential. Germany is also moving from tariffs towards an auction system for the sale of renewable energy, leading to higher efficiency which will increase growth of larger systems. In different states of Germany there are different subsidies available, and in 2019-2020, the Government has also introduced new forms of subsidies for the production of clean thermal energy in line with the EU's Green Deal objectives. Thus, in most states, investment subsidies for solar thermal systems connected to district or process heating can range from 40 to 65 per cent, promoting the expansion of solar heat. In 2018 a new subsidy program called "Innovative CHP" was launched with a main objective to accelerate the transition to renewable energies within heating. As a result, several applications were submitted for this program during 2018 and 2019 and these projects are now underway. This is also evidenced by a report by the German research institute So-

<sup>3</sup> <http://planenergi.eu/activities/district-heating/solar-district-heating/1-gw-sdh-in-dk/>

<sup>4</sup> <https://www.solar-district-heating.eu/solar-thermal-is-on-the-rise-in-german-district-heating-networks/>

lites (Research Institute for Solar and Sustainable Thermal Energy Systems), according to whom in February 2020 there were six large solar thermal systems in operation in Germany and as many as 37 systems in active preparation, totaling almost 180,000 m<sup>2</sup>.<sup>5</sup> In addition to these, there are several projects in large cities in the works in the size range of 20,000- 70,000 m<sup>2</sup>. It is also noteworthy that the very low price of oil at the moment does not seem to be affecting Germany's energy and emission targets, nor, therefore, projects for large scale solar heating systems.

### France

In accordance with the EU strategy, France is focusing on the promotion of clean energy in the production of heating energy, including state support measures. For 2019, it was decided to double the sum of subsidies for renewable energy heating from the previous year, and the subsidies for 2020 increased further by EUR 50 million from last year. In the case of large solar thermal systems, the market has grown even faster than expected and the construction and operation of solar thermal systems are clearly profitable in France. Therefore, there are already several players in the market, the so-called project developers, that invest in solar thermal energy production and sell heating such as industrial process plants. These actors are able to take the necessary admini-

nistrative measures for an efficient investment and get the systems up and running faster than potential municipal operators. Taking into account information received by the Company management from the French State Agency for Environmental and Energy Development (ADEME) (Agence de l'Environnement-et de la Maîtrise de l'Énergie), from active customers in France and several active bidding projects on thousands of square meters of projects, some of which the Company is currently planning with customers, the Company estimates that the market will continue to grow rapidly in the near future.

In 2019, due to the systematic investments of the government and project developers, France developed into the the most active market for large solar thermal systems in Europe, which is also reflected in the orders received by Savosolar, when the Company has become a market leader in France according to the information available for the Company's management. It is also noteworthy that the very low price of oil at the moment does not seem to be affecting France's energy and emission targets, nor, therefore, projects for large scale solar heating systems.

## Latest projects

### Kyotherm Solar – France

- The contract was signed in August 2019
- Savosolar's largest order to date
- The solar heating system size is over 14.000 m<sup>2</sup>
- Largest solar heating system in France
- Final delivery in September 2020
- Deal value approximately EUR 3.9 million

### Fernwärme Ettenheim – Germany

- The contract was signed in September 2019
- The Company's first delivery to Germany
- The solar heating system size is 1.700 m<sup>2</sup>
- Final delivery in June 2020
- Deal value approximately EUR 0.8 million

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

- The contract was signed in February 2020
- The solar heating system size is over 5.900 m<sup>2</sup>
- Final delivery planned for autumn 2020
- Deal value nearly EUR 1.4 million
- The fourth system that Savosolar delivers to France



<sup>5</sup> <https://www.solar-district-heating.eu/significant-growth-in-the-german-solar-district-heating-market-in-2019/>

# Information about the Offering

Number of shares offered:	Maximum of 28,999,557
Size of the Offering:	Approximately EUR 4.3 million (45.8 MSEK)
Subscription price:	EUR 0.15 per share (SEK 1.58)
Subscription commitments and underwriting commitments:	Approximately 80 per cent of the Offering
Subscription rights:	Two (2) subscription rights entitle their holder to subscribe for three (3) offer shares
Trading in the subscription rights:	1-11 June 2020
Trading in temporary shares (estimated):	1 June – 1 July 2020
Subscription period in Sweden:	1-15 June 2020
Subscription period in Finland:	1-17 June 2020
Outcome of the Offering is announced (estimated):	23 June 2020
Warrants:	The subscriber will receive one (1) warrant of series TO5, one (1) warrant of series TO6 and one (1) warrant of series TO7 per each two (2) subscribed and paid offer shares
Trading in the warrants commences (estimated):	Week 27, 2020
Subscription price with warrants:	The subscription price for the warrants that be decided based on the volume weighted average price of the Company's shares on First North Finland for ten (10) trading days prior to the warrant's subscription period (9 – 20 November 2020 for TO5, 8 – 19 March 2021 for TO6 and 6 – 17 September 2021 for TO7) with a 30 per cent discount, at a maximum subscription price of EUR 0.30 per share.

## AMONG OTHERS, THE FOLLOWING RISKS RELATE TO THE COMPANY AND ITS BUSINESS:

- The coronavirus pandemic is having a negative impact on the world economy and its impact on the operations of the Company and its suppliers and customers is so far very difficult to assess
- Uncertainty in the Company's key operating markets, financial markets and general economic situation may adversely affect the Company
- The Company may not succeed its growth and internationalisation strategy in accordance with its plans
- Changes may occur in the Company's competitive environment that may adversely affect market prices of the products and/or the Company's market position
- There may be changes in the amount of investment subsidies that adversely affect the demand for the Company's products and/or the price level
- The Company's working capital on the date of the prospectus is insufficient to cover the Company's current working capital needs for the next 12 months from the date of the Prospectus and if the Offering is not fully subscribed and new shares worth at least EUR 1.0 million are subscribed for with the warrants, the Company may need additional working capital financing
- The Company has a history of operating losses and the operations may stay unprofitable for an unforeseeable future
- In order to implement its strategy and grow its business, the Company may need additional external financing in addition to the Offering and the warrants TO5, TO6 and TO7 and it is not certain that it will receive financing on favourable terms or at all
- Technical problems may cause interruptions in the manufacturing process of the Company
- The Company may be liable for compensation if it is unsuccessful in the proceedings pending in France

## AMONG OTHERS, THE FOLLOWING RISKS RELATE TO THE OFFERING, THE SHARES AND THE WARRANTS:

- An active public market for the Company's shares, subscription rights and/or warrants may not develop
- The subscription rights will expire and have no value if they are not exercised during the subscription period
- The market price of the shares, subscription rights and warrants may fluctuate considerably and the price of the shares could fall below the subscription price
- The amount of possible future dividends to be distributed to shareholders is not certain
- Dilution of the shareholding

## TIMETABLE

- 25 May  
Prospectus published
- 1 June  
Subscription period commences
- 1 June  
Trading in subscription rights and temporary shares commences
- 11 June  
Last day of trading in subscription rights
- 15 June  
Subscription period ends in Sweden
- 17 June  
Subscription period ends in Finland
- 23 June  
Outcome of the Offering is announced (estimate)
- 1 July  
Last day of trading in temporary shares