



Savosolar Plc

Financial statement release on 22 February 2021 at 8.30 a.m. (CET)

Savosolar Plc's financial statement release for 2020: revenue grew and result developed favourably

Key figures in October–December 2020

- Revenue amounted to EUR 1.4 million (October-December 2019: EUR 1.6 million).
- Operating result (EBIT) amounted to EUR -1,3 million (EUR -1.4 million).

Key figures and significant events in January-December 2020

- Revenue amounted to EUR 5.1 million (2019: EUR 3.4 million).
- Operating result (EBIT) amounted to EUR -3,9 million (EUR -5.0 million).
- Net result for the period stood at EUR -5.0 (-6.8) million.
- Undiluted earnings per share were EUR -0.161 (-0.006; comparable -0.584). Diluted earnings per share were EUR -0.054 (-0.003; comparable -0.350).
- Order backlog as at 31 December 2020 was EUR 2.0 million (EUR 3.2 million).
- With a rights issue and a related warrant plan, along with a supplementary directed share issue, the company raised net proceeds of about EUR 5.0 million in total to strengthen its working capital.

CEO JARI VARJOTIE:

“Savosolar’s revenue and profitability developed favourably in 2020. The company’s competitiveness improved in response to the development and efficiency improvement measures taken.

The Covid-19 pandemic delayed the agreed system deliveries and the clients’ decision-making and contract negotiations, but considering the exceptional nature of the past year, I am satisfied with our performance.

Our revenue increased from the previous year’s EUR 3.4 million to slightly over five million euros, and our operating income improved from EUR -5.0 million to EUR -3.9 million. Underlying this growth is our strong market position in France and our first delivery in Germany. We delivered the largest solar thermal system in France to Kyotherm for the drying of malt in Issoudun and a district heating system to Creutzwald for Cellcius SAS.

Our order backlog did not develop as expected, because the Covid-19 pandemic delayed our clients’ investment decisions. Nevertheless, the number of projects in the planning and tendering stage increased, which is indicative of not only the growth of the market, but also of the damming up of



investment decisions due to Covid-19. The number of district heating projects in the planning stage clearly reflects the impact of the EU's Green Deal objectives and measures. At the same time, many industrial companies are pursuing their own ambitious emission reduction targets. The fact that many financiers and investors are increasingly shifting the focus of their investments to companies that provide environmentally responsible products and services will also have a significant impact. In the short term, however, the corona situation and potential new restrictions imposed in different countries may continue to postpone the clients' investment decisions and deliveries.

We continued our determined efforts to improve our cost competitiveness, which yielded good results. Particularly positive was the active participation of our entire personnel in the development of our operations in the past year' exceptional circumstances.

We strengthened both our sales and our project organisation, and the results of these recruitment efforts could already be seen during the past year. In addition to recruitments, we also enhanced our system competence. As has been evident for several years, the demand for various kinds of hybrid solutions will increase. Several projects already combine fully clean solar heat and different kinds of heat pumps to achieve overall advantageous economic solutions.

When the restrictions imposed due to the corona pandemic are eventually lifted, we will be well prepared to respond to the growing market demand.

The rights issue arranged during the summer to finance our growth and the related warrant plan in the autumn succeeded well. It is great that our shareholders trust our expertise and want to be involved in developing competitive, genuinely clean thermal energy.

Savosolar's clients produce emission-free thermal energy using the systems we supply. With competitive emission-free thermal energy, we provide them with solutions for sustainable development. Our strengths include advanced collector technology, compatibility with other heat generation equipment, and ability to implement systems on a turnkey basis that exceed the client's expectations. On the market, we are renowned as an innovative and reliable operator, who helps its clients to attain their environmental goals cost-effectively."

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 world.



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 for example in Germany, Poland, 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 2019 financial statements.

The comparison figures refer to the corresponding period in 2019, unless otherwise indicated.

DEVELOPMENT OF BUSINESS OPERATIONS IN 2020

Revenue

Revenue for the full year 2020 amounted to EUR 5.1 (3.4) million. Revenue for the last quarter amounted to EUR 1.4 (1.6) million. The last quarter's revenue fell short of expectations due to the postponement of the commissioning in Issoudun to early 2021.

Significant deliveries and new orders

Savosolar's first delivery to Germany, a solar thermal system and heat storage installation delivered to Fernwärme Ettenheim, was commissioned in July and handed over to the client in October. The value of the delivery for Savosolar was about EUR 0.8 million.

The commissioning of the largest solar thermal system in France to be delivered to Kyotherm Solar in Issoudun, France, was postponed to the beginning of 2021 due to the delays caused by the Covid-19 pandemic. The value of the delivery for Savosolar is approximately EUR 3.9 million, and it is the single-largest order placed with Savosolar to date. The delivery of the solar heating system worth around EUR 1.4 million to Creutzwald, France that was agreed upon with the subsidiary of the French company La Française de l'Énergie (LFDE) in early 2020 was commissioned successfully in December in spite of the Covid-related delays, but the handover was postponed to early 2021.

In the second half of the year, Savosolar signed contracts on the delivery of two solar heating systems to NewHeat SAS in France. The value of the solar heating plant of the city of Narbonne for Savosolar is about EUR 0.9 million, and that of Pons about EUR 0.7 million. The deliveries to Narbonne and Pons commenced in 2020. Both are due for completion during the first half of 2021. Savosolar has already delivered a solar heating system to NewHeat in Condat, France, for the process heat generation of a paper mill.

In April 2020, Savosolar Plc agreed on the delivery of a solar thermal system of over 900 square metres for AbSOLAR SAS's pilot project in the city of Cadaujac in France. The agreement was signed after the reporting period in January 2021. The value of the delivery for Savosolar's is approximately



EUR 0.3 million. Savosolar also has an exclusivity agreement for designing and delivering AbSOLAR's second solar thermal plant for a greenhouse. If realised, the value of this delivery would be approximately EUR 2.5 million.

In Finland, Savosolar received in November 2020 an order from Etelä-Savon Energia Oy for a solar thermal plant, the value of which is approximately EUR 0.2 million. The delivery and commissioning of the system are expected to take place during 2021. The system is Savosolar's second delivery to Etelä-Savon Energia of a solar collector system connected to the district heating network.

In Asia, cooperation with the Chinese company Guangzhou Power Supply Co., Ltd. advanced to the tendering stage, but the decisions were postponed to 2021.

Savosolar's order backlog at the end of the financial year stood at about EUR 2.0 (3.2) million. In the comparison year, the order backlog was increased by the order from Kyotherm to Issoudun, France. In the company's sales management system, the total value of projects in the bidding and planning stage amounted to approximately EUR 117 (87) million.

Costs and earnings

Savosolar's operating result (EBIT) for 2020 amounted to EUR -3.9 (-5.0) million. The operating result (EBIT) for the last quarter amounted to EUR -1.3 (-1.4) million. The result for the last quarter was weakened by non-recurring items of EUR -0.2 (0,0) million and a write-down on inventory of EUR -0.1 (0.0) million. The non-recurring items included a provision for liquidated damages payable for Sunti SAS of approximately EUR 137.000.

The costs related to materials and services in 2020 totalled EUR 4.2 (3.4) million.

Personnel costs amounted to EUR 2.2 (2.4) million. Owing to the Covid-19 pandemic, the company laid off 22 people temporarily on a part-time or full-time basis in April–June following the completion of the statutory co-operation negotiations. Additionally, in September, the company decided to lay off temporarily 21 people for a maximum of 90 days. At the same time, the company's management and Board of Directors agreed on the reduction of their remuneration. Through the lay-offs and reductions in the management's remuneration, the company achieved savings of about EUR 0.5 million in personnel costs. Other operating expenses totalled EUR 2.2 (2.1) million.

Net financial income and expenses amounted to EUR -1.1 (-1.8) million. The majority of the financing costs, EUR 1.0 million, were related to the arrangement of a rights issue, the implementation of the related warrant plan, and the arrangement of the supplementary directed share issue.

Net result for the financial year stood at EUR -5.0 (-6.8) million. Undiluted earnings per share were EUR -0.161 (-0.006) and comparable undiluted earnings per share EUR -0.161 (-0.584). Diluted earnings per share were EUR -0.054 (-0.003) and diluted comparable earnings per share -0.054 (-0.350).

Key figures by reporting period

(EUR 1,000)	Oct-Dec 2020	Oct-Dec 2019	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Change (%)
Revenue	1,415	1,640	3,074	1,736	5,117	3,415	49.8
Operating profit/loss (EBIT)	-1,333	-1,415	-2,181	-2,667	-3,897	-4,999	22.0
Profit/loss for the period	-1,444	-2,152	-2,413	-3,446	-4,977	-6,760	26.4
Earnings per share*, EUR, undiluted	-0.041	-0.018 (-0.146)	-0.058	-0.005 (-0.238)	-0.161	-0.006 (-0.584)	72.4
Earnings per share*, EUR, diluted	-0.016	-0.003 (-0.111)	-0.026	-0.002 (-0.178)	-0.054	-0.003 (-0.350)	84.6

*The number of shares decreased during the reporting period in the ratio of 100: 1 as a result of the combination of shares. The earnings per share and the number of shares have been calculated assuming as if the combination of shares registered on 29 April 2020 had taken place on 31 December 2019. The comparison data adjusted based on the same assumption are given in brackets.

Financing

Total assets of the company as at 31 December 2020 totalled EUR 7.0 (7.3) million. Inventories stood at EUR 1.2 (1.8) million. Cash and cash equivalents at the end of the financial year totalled EUR 2.5 (2.1) million. Current receivables totalled EUR 1.3 (0.7) million, of which trade receivables accounted for EUR 0.7 (0.2) million.

Shareholders' equity increased from EUR 3.6 to EUR 4.7 million. Equity including subordinated loans amounted to EUR 4.9 (4.5) at the end of the financial year. With the subordinated loans taken into account, the equity ratio was 70.7 (61.8) per cent.

Liabilities amounted to EUR 2.1 (3.3) million, of which EUR 0.2 (0.5) were non-current and EUR 1.9 (2.8) million current liabilities. Of the non-current liabilities, loans from credit institutions accounted for EUR 0.2 (0.3) million. Of the current liabilities, subordinated loans accounted for EUR 0.2 (0.7) and loans from credit institutions EUR 0.1 (0.0) million. Subordinated loans were repaid during the financial year in the total amount of EUR 0.7 million in accordance with the repayment programme. Trade payables accounted for EUR 0.5 (0.8) million of the current liabilities. Accruals and deferred income included undelivered solar thermal collectors worth EUR 0.3 (0.9) million.

In September, Savosolar agreed with Nordea Bank Plc's Finland's Startup & Growth unit on a bank guarantee limit of EUR 0.9 million, which is in force for 12 months. The company uses the limit for



guarantees required during project deliveries and warranty periods. Finnvera Plc provides the bank with a counter-guarantee of 50 per cent of the limit.

Savosolar's financing position improved substantially following the rights issue arranged in the summer and the related warrant plan implemented in November and the supplementary directed share issue. The company raised EUR 5.0 million in new share capital after the transaction costs. The rights issue is described in section "Rights issue".

During the financial year, Business Finland granted Savosolar funding for business development in disruptive circumstances in the amount of EUR 100,000. The financing was used for developing component manufacture and coating methods so as to make production and assembly more resistant to disruptions such as the Covid-19 pandemic.

Cash flow from operations was EUR -4.9 (-6.1) million and cash flow from investments EUR -0.1 (-0.1) million. Cash flow from financing was EUR 5.4 (7.6) million, of which the share issues accounted for EUR 6.0 (9.0) million. Savosolar's cash and cash equivalents as at 31 December 2020 totalled EUR 2.5 (2.1) million.

Investments and product development

Investments totalled EUR 0.1 (0.1) million.

Business Finland has granted a loan of approximately EUR 0.5 million for the development of a new kind of solar collector, the interest rate of which is currently 1%. At the end of the financial year, the company has drawn down EUR 0.3 million of the loan. 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 project ended at the end of 2020, and an extension has been applied for.

The company has also developed its production and the installation of deliveries in such a way as to make them less vulnerable in disruptive circumstances such as the Covid-19 pandemic.

Management and personnel

At the end of the financial year, Savosolar had 36 (34) employees. The average number of personnel was 35 (34).

Savosolar's management team as at 31 December 2020 consisted of the following individuals: Jari Varjotie, CEO; Torben Frederiksen, CTO; Raul Ikonen, Country Manager, China; Martti Jalava, Director, Supply Chain Development, Production and Quality; Aku Järvisalo, Production Manager; Pekka Karjalainen, Quality Manager; Antti Lilleberg, Vice President, Sales and Marketing, Project Execution; Kaj Pischow, Senior Advisor; and Heikki Timonen, CFO.

Martti Jalava, who served as fixed term director responsible for supply chain development, was appointed Chief Operating Officer (COO) and a member of the Executive Management Team starting from 5 February 2020. Antti Lilleberg was appointed Vice President of Sales and Marketing and a member of the Executive Management Team starting from 1 June 2020.



In February 2021, Quality Manager Pekka Karjalainen was appointed Production Manager following Aku Järvisalo's transfer to another company.

Development of partner network

Savosolar continues to build its international cooperation partner network in line with its strategy. In October 2020, the company signed an agreement with a German company named Citrinsolar GmbH on cooperation in the sale and delivery of large solar thermal systems in Germany. A cooperation agreement on the representation of our products with a Polish company named Eko Ekon was also signed in October 2020. The objective is to conclude the first solar thermal system delivery contract to Poland during 2021.

In Asia, cooperation with the Chinese company Guangzhou Power Supply Co., Ltd. advanced after the Covid delay in the spring. The objective is to build a renewable thermal energy system in Nansha, Guangzhou as part of the China-Finland Energy Programme. The project advanced to the tendering stage during the reporting period, but the decisions were postponed to 2021.

RESOLUTIONS OF SAVOSOLAR PLC'S GENERAL MEETING

Savosolar Plc's Annual General Meeting of 27 April 2020 adopted the financial statements for 2019 and resolved that the loss for the financial year be carried over to the retained earnings/losses account and that no dividend be paid. The Board of Directors granted discharge from liability for the members of the Board of Directors and the CEO for the period of 1 January to 31 December 2019.

The Annual General Meeting resolved that the members of the Board of Directors be paid the following remuneration: 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 by giving to the Board members new shares in the company, and approximately 60% will be paid in cash.

The Annual General Meeting re-elected Feodor Aminoff, Eero Auranne, Mikael Lemström and Ari Virtanen as members of the Board of Directors. Auditing firm Tilintarkastus Inkeröinen & Himanen Oy was elected as the company's auditor.

The General Meeting resolved on the reduction of the quantity of the company's shares without reducing share capital by way of issuing new shares and by redemption of the company's own shares in such a way that each 100 shares in the company shall correspond to one new share.

The General Meeting resolved 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 100,000,000 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. 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 24 April 2025, and it repealed the previous authorisations granted by the General Meeting. The use of the authorisation during financial year 2020 is described in greater detail below in section “Existing authorisation of the Board of Directors”.

BOARD OF DIRECTORS AND AUDITOR

At the end of the period, Savosolar Plc’s Board of Directors consisted of the following individuals: Eero Auranne (Chairman), Feodor Aminoff, 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 2020, the members of the Board of Directors and the CEO held, either directly or through companies under their control, a total of 306,085 shares in Savosolar Plc, which represented 0,49% of the aggregate of company’s shares and votes.

RELATED-PARTY TRANSACTIONS

The company had no significant related-party transactions during the financial year.

SHARE

Number of shares

Savosolar has one class of shares. The number of shares as at 31 December 2020 following the combination of shares and share issues and the subscriptions of shares with warrants carried out during the financial year totalled 62,941,992 (31 December 2019: 1,723,265,358, comparable number of shares 17,232,653). Each share carries one vote at the general meeting of shareholders. The company does not hold any treasury shares. The average number of shares during the financial year was 30,890,608. (The number of shares has been calculated assuming as if the combination of shares registered on 29 April 2020 had taken place on 31 December 2019. Comparable number of shares 2019: 11.567.012).

In accordance with the decision of Savosolar Plc’s Annual General Meeting, the quantity of Savosolar’s shares was reduced without reducing the share capital by way of issuing new shares and by redeeming the company’s own shares in such a way that each current 100 shares in the company correspond to one share. The number of shares after all the arrangements related to the reduction of the quantity of shares was 19,333,038, which was registered with the Trade Register on 22 May 2020.



Trading with the share

During the financial year, the price of Savosolar's share in First North Growth Market Sweden fluctuated between SEK 0.032 and 4.13 (SEK 0.043 and 0.197). The closing price was SEK 1.47 (0.095). In First North Growth Market Finland, the share price fluctuated between EUR 0.003 and 0.392 (0.004 and 0.019). The closing price was EUR 0.151 (0.009). Savosolar's combined trading volume in 2020 was 1,520,918,794 (7,297,742,521) shares in First North Growth Market Sweden and 421,167,424 (736,597,388) shares in First North Growth Market Finland. The number of shares decreased during the reporting period in the ratio of 100: 1 as a result of the combination of shares. On 31 December 2020, Savosolar had 14,909 (13,580) shareholders.

Savosolar's combined trading volume in 2020 was 1,520,918,794 shares (110,497,469 shares assuming that the reduction of the quantity of shares carried out in 2020 would have occurred on 31 December 2019) in First North Growth Market Sweden and 421,167,424 shares (38,221,873 shares assuming that the reduction of the quantity of shares would have occurred on 31 December 2019) in First North Growth Market Finland.

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

On 9 March 2020, Savosolar's Board of Directors resolved on a directed share issue used as a part of the Board members' remuneration in accordance with the resolution passed by the Annual General Meeting in 2019. The Annual General Meeting of 2019 resolved that the portion of the Board of Directors' remuneration involving shares was to be paid out in two instalments. The resolution passed on 9 March 2020 concerned the second instalment of the share-based remuneration that, owing to insider rules, has not yet been paid out. The company issued a total of 1,065,875 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 1 November 2019 to 30 November 2019, i.e. SEK 0.1078, was used as the value per share.

On 25 May 2020, Savosolar Plc's Board of Directors resolved to carry out a rights issue of approximately EUR 4.3 million and a related offering of warrants that enables the company to raise up to a maximum of approximately EUR 13.0 million. The rights issue was subscribed for to 264 per cent, providing the company with new capital of about EUR 3.5 million after the transaction costs. A total of 28,999,557 new Savosolar shares were offered to the shareholders for subscription subject to the shareholders' pre-emptive subscription right. The subscription price was EUR 0.15 or SEK 1.58 per share. In the offering, Savosolar's shareholders received one book-entry subscription right for each share they held on the offering record date. Two subscription rights entitled the holder to subscribe for three offer shares. The offering was secured to 80 per cent.

Additionally, Savosolar gave, without consideration, each subscriber of the offer shares one newly issued 1-2020 (TO5) warrant, one newly issued 1-2021 (TO6) warrant, and one newly issued 2-2021 (TO7) warrant for each two shares subscribed and paid for in the offering. Warrant plans are described in greater detail in section "Stock option programmes".



The shares subscribed for in the offering were registered with the Finnish Trade Register on 26 June 2020, and trading in the new shares commenced on 29 June 2020 on First North Growth Market Finland and on 6 July 2020 on First North Growth Market Sweden.

As a result of the offering, the number of shares in Savosolar increased by 28,999,557 shares. After the offering, the total number of shares in the company amounted to 48,332,595. The number of warrants allocated in connection with the offering amounts to 43,495,893.

On 11 September 2020, Savosolar's Board of Directors resolved on a directed share issue to be arranged in accordance with the resolution passed by the Annual General Meeting in 2020. The company issued 110,766 new shares that were offered for subscription to the members of the Board of Directors without consideration. The shares were registered with the Finnish Trade Register on 30 September 2020 and admitted to public trading on 1 October 2020.

The share subscription period for 1-2020 (TO5) warrants was 9–20 November 2020. Based on the warrants, 13,222,734 new shares were subscribed for, and the company raised about EUR 1,5 million in new share capital before transaction costs. Of the warrants, approximately 91 per cent were exercised.

On 9 November 2020, Savosolar entered into an agreement with investor Fredrik Lundgren on a top guarantee in the maximum amount of approximately EUR 0.5 million to be used in a situation where the warrants in the Warrant Plan 1-2020 (TO5) are not fully used for subscription of shares. Based on this, the company's Board of Directors passed a resolution on 25 November 2020 on a directed issue where a maximum of 1,275,897 new shares were offered for subscription to Lundgren and in which the company raised about EUR 5.0 million in new share capital before transaction costs. The subscription price was the same as when subscribed for on the basis of warrants.

The new shares subscribed for based on the Warrant Plan 1-2020 (TO5) and the related directed share issue were registered with the Finnish Trade Register on 1 December 2020 and admitted to public trading on 2 December 2020.

Stock option programmes

In the rights issue carried out in June 2020, Savosolar gave, without consideration, each subscriber of the shares one newly issued 1-2020 (TO5) warrant, one newly issued 1-2021 (TO6) warrant and one newly issued 2-2021 (TO7) warrant for each two shares subscribed and paid for in the offering. Each of the aforementioned stock option programmes comprises 14,498,631 warrants. Each warrant entitles its holder to subscribe for one new share during the subscription period of 9–20 November 2020 (for 1-2020 (TO5) warrants), 8–19 March 2021 (for 1-2021 (TO6) warrants), and 6–17 September 2021 (for 2-2021 (TO7) warrants). 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 Growth Market Finland less 30 per cent during the ten trading days prior to the commencement of the subscription period of the shares. However, the subscription price may not exceed EUR 0.30 per share.



Existing authorisation of the Board of Directors

On 27 April 2020, the Annual General Meeting resolved 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 100,000,000 shares. The authorisation was used as follows: in the rights issue arranged in June and in the issuance of option rights (including the directed share issue related to the 1-2020 (TO5) warrants), a total of 72,495,450 shares, and for the payment of the share-based remuneration of the Board of Directors, 110,766 shares.

The authorisation is valid until 27 April 2025. Of the authorisation, 27,393,784 shares were remaining on 31 December 2020.

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 continuation of the Covid-19 pandemic and the restrictive measures caused by it may further delay and postpone tendering processes and contract negotiations or the implementation of projects that have already been agreed upon. The Covid-19 pandemic may directly affect the operations of Savosolar and its supply chain, or indirectly as a result of the weakening of the client's operating preconditions. The company seeks to secure, through special arrangements, the delivery of goods to the already agreed-upon worksites and to prepare for different scenarios together with its partners.

The company's Board of Directors monitors the development of the company's profitability and cash flow actively and, together with the company's management, seeks the best solutions to develop them towards profitable long-term business. 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, Savosolar cannot be certain that it will have sufficient working capital for the next 12 months. The company has previously succeeded in collecting the financing it needs, and considering the company's positive financial development and the favourable outlook of the industry, the company's Board of Directors is confident that the company will, where necessary, be able to obtain additional financing for achieving the growth and profitability in line with its strategy.

However, it cannot be guaranteed that the company's profitability and the volume of its business will grow sufficiently and that 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 improving its profitability and raising additional financing to meet the needs of business, the company may be forced to postpone, cut back or terminate operations.



DISPUTES

On 26 March 2018, Savosolar Plc announced that it had received a summons from the French company Sunti SAS to the Commercial Court of Montpellier due to Savosolar's alleged breach of contract regarding the exclusivity clause in a competitive tendering for a solar thermal project.

The Montpellier Commercial Court made a resolution in the matter on 23 December 2020, in which Savosolar is ordered to pay Sunti SAS a total of EUR 137,000 in damages. After end of the financial year, on 15 February 2021, Savosolar announced it has entered into a settlement agreement with Sunti SAS where the parties have agreed that neither party will make an appeal against the resolution made by the court.

STRATEGY AND LONG-TERM GOALS

Savosolar's mission is to fight climate change through the leading technology for competitive energy. Savosolar helps its clients to attain their goals related to climate change with the help of renewable, emission-free energy.

The company's vision is to be the first-choice supplier of high-performance solar installations on a global scale.

The company's strategy is to maintain its position as the supplier of the world's most efficient solar thermal collectors and systems equipped with MPE absorbers to applications where efficiency matters the most. These are large-scale industrial or real estate installations like solar district heating, industrial process heating and large real estate heating renovations.

Savosolar's strategic goal is to strengthen its position as the supplier of large solar thermal systems. 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.

The geographical focus of operations continues to remain in Europe, but the company is actively seeking partners and marketing its products and services outside Europe as well. Savosolar delivers energy systems on a turnkey basis in line with its strategy in collaboration with its partners. The partners in different countries also serve as a sales channel for Savosolar's products.

MARKET ENVIRONMENT

The demand for renewable energy, and especially for genuinely clean, emission-free energy, continues to grow when the actions to curb climate change increase. According to the International Energy Agency (IEA), only the production of renewable energy continued to grow during 2020 despite the Covid-19 pandemic.

Solar heat is an emission-free and renewable source of energy that can be utilised in areas such as district heat generation, industrial processes and in smaller systems for heating of domestic water, for example. The market for large solar thermal systems with a temperature of less than one hundred



degrees has a limited number of skilled turnkey suppliers, and only a few of them currently operate globally. Savosolar is the technology and quality leader in this segment. However, the number of local operators in different parts of the world is increasing. Furthermore, system integrators with experience in other heating systems also operate on the market in collaboration with one or more collector manufacturers.

Heat production accounts for more than 50% of the global energy production. According to the IEA, only 11% of this is produced with renewable energy. In the European Union, the proportion is about 20%. In Savosolar's estimate, less than three per cent of the global thermal energy was produced with genuinely clean modes of energy production in 2020.

The IEA estimates that the proportion of various forms of renewable energy in heat generation will grow by 85% by 2040. The proportion of solar heat is estimated to grow significantly faster than that of other renewable energy. The growth of large solar thermal systems is estimated to be the fastest in China and in the European Union. In autumn 2020, China announced that it strives for carbon neutrality before 2060. In Europe, the production capacity of solar district heating is expected to increase to about 15% of Europe's demand for district heating by 2050.

The EU Green Deal programme is expected to increase interest towards solar heat as part of district heating in particular. In the future, hybrid solutions will be seen increasingly often in heating in which heat and cooling are produced by means of combined systems consisting of solar thermal collectors and heat pumps running with renewable electricity.

Despite the delays caused by the Covid-19 pandemic, the market for large solar thermal systems is expected to remain active. For example, the IEA estimates that investment in the utilisation of renewable energy production will continue to grow in the near future as part of the economic recovery following the Covid-19 pandemic. The European Union has decided that 30 % of its multi-annual budget and support instrument for recovery from the corona crisis for 2021–2023, totalling approximately EUR 1,800 billion, must be used for climate actions, i.e. for strengthening the EU Green Deal programme.

Sources: *IAE: Global Energy Review 2020; Renewable Energy Market Update Outlook for 2020 and 2021. IEA: Renewables 2019, Analysis and Forecast 2020. Solar heat worldwide, 2020.*

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

On 8 January 2021, Savosolar announced having signed a contract worth approximately EUR 300,000 on a pilot delivery of a solar thermal system to AbSolar in Cadaujac, France.

On 8 January 2021, the company announced that it had received advance information concerning the contract dispute with the French company Sunti SAS. According to the advance information, the Montpellier Commercial Court has found that Savosolar has breached the agreement between Sunti SAS and Savosolar and ordered Savosolar to pay Sunti SAS a total of approximately EUR 137,000 in damages. On 15 February 2021, Savosolar announced it has entered into a settlement agreement



with Sunti SAS where the parties have agreed that neither party will make an appeal against the resolution made by the court.

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 2021. The notice to convene the Annual General Meeting will be published on 22 February 2021. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year of EUR -4.977.020,37 be carried over to retained earnings and losses account and that no dividend be paid.

FINANCIAL REPORTING OF THE COMPANY IN 2021

Savosolar's financial accounts and the report of the Board of Directors for 2020 will be published on the company's website on 30 March 2021 at the latest.

Business review for January-March will be published on 26 April 2021.

Half-year report for January-June will be published on 19 August 2021.

Business review for July-September will be published on 27 October 2021.

The financial reports will be published in Finnish and English.

SAVOSOLAR PLC

Board of Directors

More information:

CEO Jari Varjotie

Phone: +358 400 419 734

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ANNEXES

- 1 Comparison by reporting period
- 2 Income statement
- 3 Balance sheet
- 4 Cash flow statement
- 5 Calculation of changes in equity
- 6 Financial ratios and calculation of key figures
- 7 Biggest shareholders

ANNEX 1
COMPARISON BY REPORTING PERIOD (FAS, unaudited)

(EUR 1,000)						
	Jan-Dec 2020	Jan-Dec 2019	Jul-Dec 2020	Jul-Dec 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue	5,117	3,415	3,074	1,736	2,043	1,679
Operating profit/loss (EBIT)	-3,897	-4,999	-2,181	-2,667	-1,717	-2,332
Profit/loss for the period	-4,977	-6,760	-2,413	-3,446	-2,564	-3,314
Earnings per share, EUR *						
undiluted	-0.161	-0.006 (-0.584)	-0.058	-0.005 (-0.238)	-0.128	-0.007 (-0.363)
diluted	-0.054	-0.003 (-0.350)	-0.026	-0.002 (-0.178)	-0.028	-0.002 (-0.188)

*The number of shares decreased during the reporting period in the ratio of 100:1 as a result of the combination of shares. The earnings per share and the number of shares have been calculated assuming as if the combination of shares registered on 29 April 2020 had taken place on 31 December 2019. The comparison data adjusted based on the same assumption are given in brackets.

ANNEX 2
INCOME STATEMENT (FAS, unaudited)

(EUR 1,000)	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Revenue	3,074	1,736	5,117	3,415
Other operating income	41	0	111	0
Materials and services	-2,622	-1,848	-4,173	-3,355
Personnel costs	-1,160	-1,146	-2,238	-2,366
Depreciations and write-downs	-237	-317	-488	-624
Other operating expenses	-1,277	-1,092	-2,226	-2,069
Operating profit/loss	-2,181	-2,667	-3,897	-4,999
Financial income	94	3	160	20
Financial expenses	-326	-781	-1,240	-1,781
Profit/loss before appropriations and taxes	-2,413	-3,446	-4,977	-6,760
Net profit/loss for the reporting period/financial year	-2,413	-3,446	-4,977	-6,760

	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Earnings per share, undiluted, EUR	-0.058	-0.005 (-0.238)	-0.161	-0.006 (-0.584)
Earnings per share, diluted, EUR	-0.026	-0.002 (-0.178)	-0.054	-0.003 (-0.350)
Number of outstanding shares at the close of period	62,941,992	1,931,902,779 (19,319,028)	62,941,992	1,931,902,779 (19,319,028)
Average number of outstanding shares by month, adjusted by share issue	41,767,309	723,809,890 (14,476,198)	30,890,608	1,156,701,231 (11,567,012)
Number of outstanding shares, adjusted by dilutive effect	91,941,548	1,931,902,779 (19,319,028)	91,941,548	1,931,902,779 (19,319,028)

The earnings per share and the number of shares have been calculated assuming as if the combination of shares registered on 29 April 2020 had taken place on 31 December 2019. The comparison data adjusted based on the same assumption are given in brackets.

ANNEX 3

BALANCE SHEET (FAS, unaudited)

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Liabilities		
Non-current assets		
Intangible assets	733	991
Tangible assets	602	708
Shares in group companies	162	162
Total non-current assets	1,497	1,861
Current assets		
Inventories	1,174	1,789
Non-current receivables	529	803
Trade receivables	735	176
Receivables from participating interest undertakings	3	2
Other receivables	66	75
Prepayments and accrued income	540	453
Cash and cash equivalents	2,498	2,133
Total current assets	5,545	5,431
Total assets	7,042	7,292

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Equity and liabilities		
Equity		
Share capital	470	470
Share issue	0	1,537
Paid-up unrestricted equity reserve	44,296	36,715
Retained losses	-35,131	-28,371
Net profit/loss for the reporting period/financial year	-4,977	-6,760
Total equity	4,659	3,592
Mandatory provisions		
Other mandatory provisions	282	393
Total non-current liabilities		
Subordinated loans	0	231
Loans from financial institutions	191	314
Total non-current liabilities	191	545
Total current liabilities		
Subordinated loans	231	682
Loans from financial institutions	124	0
Advances received	128	0
Trade payables	479	706
Amounts owed to group undertakings	69	62
Other liabilities	41	41
Accruals and deferred income	840	1,272
Total current liabilities	1,911	2,763
Total liabilities	2,101	3,307
Total equity and liabilities	7,042	7,292

ANNEX 4

CASH FLOW STATEMENT (FAS, unaudited)

(EUR 1,000)	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Business operations				
Net profit/loss for the reporting period/financial year	-2,413	-3,445	-4,977	-6,760
Adjustments	392	1,183	1456	2,452
Increase/decrease in current receivables	-462	-474	-364	589
Increase/decrease in inventories	355	-1,103	615	-807
Increase/decrease in current non-interest-bearing debts	-773	1,342	-652	153
Interests from operating activities	-232	-779	-1,133	-1,761
Cash flow from operations	-3,133	-3,276	-5,056	-6,134
Investments				
Investments	-111	-3	-123	-122
Dividends received on investments	0	0	54	0
Cash flow from investment activities	-111	-3	-69	-122
Financing				
Paid share issue	1,675	3,825	6,044	8,979
Advances received	128	-64	128	0
Repayments of non-current loans	0	-440	0	-559
Withdrawals of current loans	0	1,031	0	1,031
Repayments of current loans	-382	-1,031	-682	-1,810
Cash flow from financing activities	1,421	3,321	5,490	7,641
Change in cash and cash equivalents	-1,822	41	365	1,386
Cash and cash equivalents at the beginning of period	4,321	2,092	2,133	747
Cash and cash equivalents at the end of period	2,498	2,133	2,498	2,133

ANNEX 5

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 2020	2,007	36,715	-35,131	0	3,592
Share issue	-1,537	7,581	0	0	6,044
Net profit/loss for the reporting period	0	0	0	-4,977	-4,977
Equity at 31 Dec 2020	470	44,296	-35,131	-4,977	4,659
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

ANNEX 6

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

(EUR 1,000)	Jan-Dec 2020	Jan-Dec 2019
Revenue	5,117	3,415
Net profit/loss for the reporting period/financial year	-4,977	-6,760
Cash and cash equivalents	2,498	2,133
Equity	4,659	3,592
Equity ratio, %	70.7	61.8

Calculation of key figures

Equity ratio, %	Equity in balance sheet at the end of the period + subordinated loans x 100 / Total assets - advances received
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 7

BIGGEST SHAREHOLDERS ON 31 DECEMBER 2020

Shareholder	Number of shares held	Percentage of all shares
GRIMALDI, SALVATORE	3,109,821	4.94
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	2,364,508	3.76
GEUST, JOHAN NIKLAS ERIK	1,069,905	1.70
VON DER OSTEN-SACKEN, BERNHARD	800,000	1.27
JOKINEN, JUKKA	800,000	1.27
HELLÉN, STEFAN ANDREAS	735,000	1.17
NORDNET PENSIONS FÖRSÄKRING AB	711,480	1.13
SPP SVERIGE PLUS	483,171	0.77
SAXO BANK A/S CLIENT ASSETS	461,675	0.73
CHOUHA, TONY	400,000	0.64
OTHERS	52,006,432	82.63
TOTAL ALL	62,941,992	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. 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.

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