



# SAVOSOLAR PLC'S ANNUAL ACCOUNTS AND REPORT OF THE BOARD OF DIRECTORS FOR 2019

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This document is an unofficial translation  
of the original Finnish document.



## **Review of the Board of Directors of Savosolar Plc for 2019**

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 in Australia, for example, and in the Latin America and China.

### **OPERATING ENVIRONMENT**

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

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

### **BUSINESS OPERATIONS IN 2019**

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

#### **Revenue**

Revenue for the full-year 2019 amounted to EUR 3.4 million (in 2018: EUR 5.4 million). Revenue fell short of expectations, because the progress of the deliveries to Issoudun and Ettenheim was slower than planned, and the decisions on other projects were postponed from the end of the year.

## Significant deliveries and new orders

The solar thermal plant of about 4,000 m<sup>2</sup> (3.3 MW) delivered by Savosolar to NewHeat SAS in Condat-sur-Vézère, France, was started up in January 2019. The solar thermal plant in Condat is the largest in Europe ever delivered for industrial process heat generation. Its solar yield is very high, and it is the first system of its kind of this order of magnitude in the whole world that is fitted with tilting, sun-tracking solar collectors that increase the efficiency of heat recovery. The total value of the delivery was slightly over two million euros. The solar thermal system delivered to NewHeat SAS for the process heat generation of a local paper mill serves as a good example of new applications of solar heat and industry's growing interest in the utilisation of solar heat.

Savosolar's largest turn-key solar thermal system to date, delivered to Grenaa Varmeværk in Denmark, was placed in service in district heat generation in March and handed over to the client in April. The solar field is nearly 21,000 m<sup>2</sup> in size, and the total value of the delivery was EUR 3.5 million. During the early part of the year, Savosolar also delivered an extension of about 4,800 m<sup>2</sup> to a solar field delivered in 2016 to Jelling Varmeværk. The value of the delivery was about EUR 0.7 million.

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

The contract signed in August with Kyotherm Solar on the delivery of the France's largest solar thermal system to Issoudun, France, is the largest order placed with Savosolar to date. The size of the system is more than 14,000 m<sup>2</sup>, and it will also be the largest solar thermal system used for industrial process heating in Europe. The value of the delivery for Savosolar is EUR 3.9 million. Savosolar will deliver the largest part of the whole solar thermal system. Kyotherm and its affiliate Kyotherm Solar are investment companies that specialise in the third-party financing of renewable heat and energy efficiency projects. Kyotherm Solar will be selling heat from this system built in Issoudun to a malt drying factory.

A solar thermal system of approximately 1,700 m<sup>2</sup> and 1.2 MW and a 200 m<sup>2</sup> heat storage to supplement the existing wood chip burner of the City of Ettenheim will be delivered to Fernwärme Ettenheim. The new Savosolar system will reduce both costs and emissions in heat production. The value of the system is approximately EUR 0.8 million, and it is Savosolar's first delivery to Germany.

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

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

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

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

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

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

### Costs and earnings

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

Personnel costs amounted to EUR 1.9 (1.9) million. Other operating expenses totalled EUR 2.6 (2.5) million. The operating result (EBIT) for 2019 amounted to EUR -5.0 (-5.6) million. Profitability did not improve quite as expected. This was caused by the low volume, warranty repairs of collectors delivered during the previous years, an increase in the warranty provision, a credit loss provision, the higher-than-expected costs of the first project in Germany, and the investments made in the streamlining of production and operations.

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

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

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

### COMPARISON BY REPORTING PERIOD

(EUR 1,000)	January-December 2019	January-December 2018
Revenue	3,415	5,428
Operating profit/loss (EBIT)	-4,999	-5,586
Profit/loss for the period	-6,760	-6,635
Earnings per share, undiluted EUR	-0.006	-0.03
Earnings per share, diluted EUR	-0.003	-0.02

## Financing

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

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

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

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

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

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

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

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

## Investments and product development

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

Savosolar's project on the development of a new type of solar thermal collector was supported by a loan granted by Business Finland (formerly Tekes, the Finnish Funding Agency for Innovation) amounting to a maximum of EUR 494 thousand, with the interest rate today being 1%. The project is focusing on the development of energy-efficient collectors, which are suited for large solar thermal fields and can be manufactured in mass production. The objective is to lower the costs for logistics and installation as well as

to improve the flexibility of installation. The project is estimated to last until the end of 2020, and its total budget amounts to EUR 0.7 million.

### **Personnel and management**

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

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

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

### **Business development**

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

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

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

## **RESOLUTIONS OF SAVOSOLAR PLC'S GENERAL MEETINGS**

### **Extraordinary General Meeting of 22 January 2019**

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

During 2019, the authorisation was used as follows: 1,057,615,242 shares in the rights issue arranged in the spring of 2019; 765,506 shares for the payment of the second instalment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 27 March 2019; 787,346 shares for the payment of the first instalment of the share-based remuneration of the Board of Directors on which the Annual General Meeting passed a resolution on 28 March 2019; 311,558,850 shares based on the warrants issued in connection with the rights issue; and 171,370,364 and 37,267,057 shares in the share issues decided upon on 12 December 2019 and 27 December 2019, respectively. Of the authorisation, 420,635,635 shares were remaining on 31 December 2019.

### **Annual General Meeting of 28 March 2019**

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

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

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

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

### **BOARD OF DIRECTORS AND AUDITOR**

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

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

For the financial year 2019 a total of EUR (54.0) 48.7 thousand was paid to the members of the Board of Directors, including a total of 765,506 (570,302) new shares transferred as part of the Board of Directors' remuneration. In 2019, audit costs amounted to EUR 27.5 (20.1) thousand.

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

### **RELATED-PARTY TRANSACTIONS**

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



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

## SHARE

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

Savosolar' shares are listed on the First North Growth Market Sweden marketplace maintained by Nasdaq Stockholm AB as of 2 April 2015 with the ticker SAVOS. Secondary listing of the shares on the First North Growth Market Finland marketplace maintained by Nasdaq Helsinki Oy started on 24 April 2015 with the ticker SAVOH.

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

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

## BIGGEST SHAREHOLDERS ON 30 DECEMBER 2019

Shareholder	Holding, number of shares	Percentage of all shares
GRIMALDI, SALVATORE	89,355,081	5.19
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	62,181,860	3.61
NORDNET PENSIONS FÖRSÄKRING AB	25,682,445	1.49
GEUST, NIKLAS	23,689,351	1.38
JOKINEN, JUKKA ERKKI	23,000,000	1.34
SPP SVERIGE PLUS	17,267,785	1.00
JOJIC, ZORAN	15,718,284	0.91
VON SCHUPPLER, HENRIK	11,000,001	0.64
NORDNET BANK AB	10,093,096	0.59
SEB LIFE INTERNATIONAL ASSURANCE COMPANY DAC	10,000,000	0.58
OTHERS	1,435,277,455	83.29
<b>ALL TOTAL</b>	<b>1,723,265,358</b>	<b>100</b>

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

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

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

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

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

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

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

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

In the second directed share issue arranged in December, a maximum of 37,267,057 new shares were offered for subscription to the underwriters who chose to receive their underwriting fee in shares at the

subscription price of SEK 0.077 per share. The subscription price was paid by setting off the underwriting fee receivables of the subscribers.

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

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

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

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

### **Stock option programs**

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

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

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

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

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

## **GENERAL RISKS AND UNCERTAINTY FACTORS CONCERNING OPERATIONS**

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

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

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

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

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

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

## **DISPUTES**

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

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

## STRATEGY AND LONG-TERM GOALS

Savosolar's mission is to accelerate the solar economy through the leading technology for competitive energy. The company's vision is to be the first-choice supplier to high performance solar installations on a global scale.

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

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

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

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

## MARKET OUTLOOK

Several market forecasts, based on studies and calculations made by several organisations and institutes such as IEA, IRENA, EU Heat Roadmap are stating that the share of the clean heating is going to grow significantly in the coming years. To support this development many governments have introduced support schemes at the same time when fossil fuels have faced restrictions and additional financial penalties.

In Germany well respected 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 9 TWh annually in order to meet the targets. This translates into one million square meters of new capacity for district heating in Germany each year for the next ten years. Even if not reaching this level of numbers immediately, the German cities and district heating companies have reacted to these targets – and the market situation is better than ever before. At the same time, thanks to systematic efforts by the government and project developers, France is currently the most active market for large solar thermal systems in Europe, which is also reflected in orders received by Savosolar. China is talking about building 4 million square metres of solar heat each year, and the biggest growth is expected to come from large-scale systems.

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

## SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

On 5 February 2020, Martti Jalava was appointed Chief Operating Officer (COO). Jalava previously served as Director, Supply Chain on a temporary basis. In his new position Jalava is responsible for production, supply chain and quality, and continues as a member of the management team. Morten Hofmeister, Head of

Projects and System Design, will leave the company by the end of June. The change is made in due to the decreased volumes in the Danish market. The company has started initiatives to adapt its organisation to this change and to focus its efforts on more active markets.

Savosolar announced on 20 February 2020 that it had signed a contract worth over EUR 1.3 million with the subsidiary of the French company La Francaise de l'Énergie (LFDE) to deliver a solar heating system in Creutswald, France. The system delivery and construction will start during the spring 2020, and the hand-over is planned for summer 2020. LFDE subsidiary will own and operate the solar heating system and sell heat to ENES Creutswald, the energy service company of Creutswald's municipality, owner of the district heating network. The size of the solar heating system is over 5,900 m<sup>2</sup>, and it will generate over 2,600 MWh of clean energy annually. It is the fourth project of Savosolar for the French market. Savosolar will deliver the largest part of the whole solar thermal plant including the solar collector field, piping, heat exchange station and automation.

The Board of Directors resolved on 9 March 2020 on a directed share issue to be used as a part of the Board members' remuneration in accordance with the resolution by the Annual General Meeting on 28 March 2019. The Annual General Meeting resolved that the portion of the remuneration to be paid in shares will be paid to the members of the Board of Directors in two instalments, the first instalment within two weeks of the publication of the half-year report for the period 1 January – 30 June 2019 and the second instalment between the period 1 – 30 November 2019. This the second instalment of the above-mentioned resolution, which had not, due to insider rules, been paid to the members of the Board of Directors previously. The company issues a total of 1,065,875 new shares, which were offered for subscription to the members of the Board of Directors without consideration. The Chairman of the Board subscribed for 426,350 new shares and other the Board members 213,175 new shares each. When calculating the number of shares the volume weighted average price of the company's share on Nasdaq First North Growth Market Sweden during 1 November 2019 – 30 November 2019, i.e. SEK 0.1078, has been used.

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

Due to the possible negative effects of the coronavirus pandemic, Savosolar Oyj announced statutory collaborative negotiations 18 March 2020 due to production and financial reasons. Based on the collaborative procedure, the company announced 30 March 2020 that it would temporarily lay off 22 people part-time or full-time for a maximum of 90 days in April-June. Through total personnel arrangements and other ongoing cost saving actions, the company expects to achieve savings of approximately EUR 0.5 million by the end of June 2020.

#### **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 will be held on 27 April 2020. The notice to convene the Annual General Meeting was published on 9 March 2020.

The Board of Directors proposes to the Annual General Meeting that the loss for the financial year of EUR 6,759,928.16 be carried over to retained earnings and losses account and that no dividend be paid.

Mikkeli 3 April 2020

SAVOSOLAR PLC  
Board of Directors

**INCOME STATEMENT**

	<b>1 Jan 2019- 31 Dec 2019</b>	<b>1 Jan 2018- 31 Dec 2018</b>
<b>NET TURNOVER</b>	3 415 400,13	5 428 164,07
Other operating income	0,00	9 049,91
<i>Materials and services</i>		
<i>Raw materials and consumables</i>		
Purchases during the financial year	-2 998 124,74	-3 142 115,26
Increase (-) or decrease (+) in stocks	804 212,69	-50 021,59
External services	-1 160 683,11	-2 726 946,76
<b>Total materials and services</b>	-3 354 595,16	-5 919 083,61
<i>Personnel expenses</i>		
Wages and salaries	-1 571 091,99	-1 608 891,43
Pension expenses	-251 724,43	-268 116,73
Other social security expenses	-58 670,52	-54 833,16
<b>Total personnel expenses</b>	-1 881 486,94	-1 931 841,32
Depreciation, amortisation and impairment	-624 098,46	-718 691,50
Other operating expenses	-2 554 078,33	-2 453 884,97
<b>OPERATING PROFIT/LOSS</b>	<b>-4 998 858,76</b>	<b>-5 586 287,42</b>
<i>Financial income and expenses</i>		
Interest and other financial income	20 026,15	23 285,19
Interest and other financial expenses	-1 781 095,55	-1 072 367,75
<b>Total financial income and expenses</b>	-1 761 069,40	-1 049 082,56
<b>PROFIT/LOSS</b>	<b>-6 759 928,16</b>	<b>-6 635 369,98</b>
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>-6 759 928,16</b>	<b>-6 635 369,98</b>
<b>PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>-6 759 928,16</b>	<b>-6 635 369,98</b>

**BALANCE SHEET**

<b>ASSETS</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<i>NON-CURRENT ASSETS</i>		
<i>Intangible assets</i>		
Development costs	801 213,78	979 700,54
Intangible rights	117 535,47	138 674,31
Other long-term expenses	72 787,86	229 574,94
<b>Total intangible assets</b>	<b>991 537,11</b>	<b>1 347 949,79</b>
<i>Property, plant and equipment</i>		
Machinery and equipment	708 046,26	854 003,53
<b>Total tangible assets</b>	<b>708 046,26</b>	<b>854 003,53</b>
<i>Investments</i>		
Shares in group companies	161 887,19	161 887,19
<b>Total Investments</b>	<b>161 887,19</b>	<b>161 887,19</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1 861 470,56</b>	<b>2 363 840,51</b>
<i>CURRENT ASSETS</i>		
<i>Inventories</i>		
Materials and supplies	659 881,23	731 549,48
Work in progress	36 359,67	19 332,55
Finished products	1 053 775,03	194 921,21
Advance payments	39 044,00	35 783,00
<b>Total inventories</b>	<b>1 789 059,93</b>	<b>981 586,24</b>
<i>Receivables</i>		
<i>Long-term receivables</i>		
Other receivables	802 659,61	504 150,24
<b>Total long-term receivables</b>	<b>802 659,61</b>	<b>504 150,24</b>
<i>Short-term receivables</i>		
Accounts receivables	175 601,38	62 878,55
Receivables from participating interest undertakings	1 827,08	846,92
Other receivables	75 476,02	460 336,14
Accruals and deferred income	453 007,37	1 069 374,47
<b>Total current receivables</b>	<b>705 911,85</b>	<b>1 593 436,08</b>
<b>Total receivables</b>	<b>1 508 571,46</b>	<b>2 097 586,32</b>
Cash and cash equivalents	2 133 065,36	747 360,73
<b>TOTAL CURRENT ASSETS</b>	<b>5 430 696,75</b>	<b>3 826 533,29</b>
<b>TOTAL ASSETS</b>	<b>7 292 167,31</b>	<b>6 190 373,80</b>



<b>EQUITY AND LIABILITIES</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<i>EQUITY</i>		
Share capital	470 210,00	470 210,00
Share Issue	1 536 714,85	0,00
Unrestricted equity fund	36 715 418,15	29 273 134,59
Retained earnings	-28 370 893,67	-21 735 523,69
Net profit (loss)	-6 759 928,16	-6 635 369,98
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>3 591 521,17</b>	<b>1 372 450,92</b>
<i>OBLIGATORY RESERVES</i>		
Other obligatory reserves	393 413,61	326 049,00
<b>Obligatory reserves in total</b>	<b>393 413,61</b>	<b>326 049,00</b>
<i>LIABILITIES</i>		
<i>Long-term liabilities</i>		
Capital loans	230 661,65	0,00
Loans from financial institutions	314 042,00	314 042,00
<b>Total Long-term liabilities</b>	<b>544 703,65</b>	<b>314 042,00</b>
<i>Short-term liabilities</i>		
Capital loans	681 636,99	1 431 275,17
Loans from financial institutions	0,00	818 717,65
Accounts payable	706 457,72	1 501 446,24
Trade payables	62 406,11	57 624,73
Other liabilities	40 506,94	34 562,20
Accruals and deferred income	1 271 521,12	334 205,89
<b>Total short-term liabilities</b>	<b>2 762 528,88</b>	<b>4 177 831,88</b>
<b>TOTAL LIABILITIES</b>	<b>3 307 232,53</b>	<b>4 491 873,88</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7 292 167,31</b>	<b>6 190 373,80</b>

**CASH FLOW STATEMENT**

	<b>2019</b>	<b>2018</b>
<b>Cash flow from operating activities</b>		
Profit (loss) before extraordinary items	-6 759 928,16	-6 635 369,98
Adjustments:		
Depreciation according to plan	624 098,46	718 691,50
Other income and expenses from non-cash items	67 364,61	154 131,00
Financial income and expenses	1 761 069,40	1 049 082,84
Cash flow before change in working capital	-4 307 395,69	-4 713 464,64
Change in working capital:		
Increase (-) or decrease (+) in current interest-free receivables	589 014,86	-1 747 873,69
Increase (-) or decrease (+) in inventories	-807 473,69	14 238,59
Increase (+) or decrease (-) in current interest-free payables	153 052,86	1 369 367,60
Cash flow from operations before financial items and taxes	-4 372 801,66	-5 077 732,14
Interest paid and other financial expenses	-1 781 095,55	-1 072 367,75
Interest received and other financial income	20 026,15	23 285,19
Cash flow before extraordinary items	-6 133 871,06	-6 126 814,70
<b>Cash flow from operations (A)</b>	<b>-6 133 871,06</b>	<b>-6 126 814,70</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible and tangible assets	-121 728,54	-162 533,37
Investments in subsidiaries	0,00	0,00
<b>Cash flow from investment activities (B)</b>	<b>-121 728,54</b>	<b>-162 533,37</b>
<b>Cash flows from financing activities</b>		
Share issue	8 978 998,41	4 353 995,97
Proceeds from short-term borrowings	1 031 056,02	1 069 274,55
Repayment of short-term borrowings	-1 809 773,67	-508 690,03
Proceeds from short-term borrowings	0,00	112 803,00
Repayment of short-term borrowings	-558 976,53	-203 056,38
<b>Cash flow from financing activities (C)</b>	<b>7 641 304,23</b>	<b>4 824 327,11</b>
<b>Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)</b>	<b>1 385 704,63</b>	<b>-1 465 020,96</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>747 360,73</b>	<b>2 212 381,69</b>
<b>Cash and cash equivalents at end of period</b>	<b>2 133 065,36</b>	<b>747 360,73</b>
	1 385 704,63	-1 465 020,96

## NOTES

### ACCOUNTING POLICY

The financial accounts have been prepared following the principle of continuity of operations.

### NOTES REGARDING GROUP

The parent company of the Group is Savosolar Oyj, domiciled in Mikkeli, Finland. The company has three subsidiaries, Savosolar ApS, domiciled in Denmark, Savosolar GmbH, domiciled in Germany and Savolaser Ltd, domiciled in Mikkeli. Since this is a small Group, no consolidation of Financial Statements has been made in accordance with Bookkeeping Act § 6:1. If the Consolidated Financial Statements had been made, it would not have had a substantial effect to get the true and fair view of the Group's result of operations and financial position.

### Valuation and sequencing principles and methods

Inventories are valued at the acquisition cost, or if the value of replacement cost or realisable sales value is lower, at lowest cost. The acquisition cost of inventories includes the variable production costs and related fixed production cost overhead.

Non-current assets have been valued to their acquisition costs. Depreciations according to plan regarding development expenses, intangible rights and other long-term expenses have been calculated as a straight-line depreciation from the original acquisition cost. Expenditure depreciation from the residue has been used for other non-current assets, starting from the period when the non-current asset was taken into use.

	<b>2019</b>	<b>2018</b>
Development expenses	10 yrs straight-line depreciation	10 yrs straight-line depreciation
Intangible rights	5/10 yrs straight-line depreciation	5/10 yrs straight-line depreciation
Other long-term expenses	5 yrs straight-line depreciation	5 yrs straight-line depreciation
Machinery and equipment	25% of residual value	25% of residual value

The depreciation period for activated development expenses is longer than 5 years because the product being developed is unique and the development expenses are believed to generate income for 10 years. Grants received for development costs have been recorded as decrease in acquisition cost. IPO costs recorded as long-term expenses in non-current assets are depreciated in straight-line method in 5 years.

### Revenue recognition

Long duration projects are recognised as revenue based on the stage of completion. The degree of completion of long duration projects has been determined by comparing the actual costs of the project with the estimated total project costs that can be reliably determined. Projects of minor importance in accordance with the principle of materiality have been recognized on the basis of the delivery of the project. An unrealized loss on a project that becomes unprofitable has been recognized in full as provision in the profit and loss account as soon as it is deemed certain or probable. Ready, not delivered collectors has been booked as an other provision to projects for revenue recognition.

### Comparability of the figures from previous financial years

Accounting periods are comparable. Change in warranty provision has been changed in profit and loss statement in 2019 from Other operating expenses to Purchases during the financial year. Year 2018 information has been converted to this new habit.

## Foreign currency items

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. Currency differences have been recognised in profit and loss. Foreign currency receivables and liabilities have been converted to Euros according to the exchange rate of the Balance Sheet date.

## Notes to the profit and loss account

### Net turnover

#### Specification of Revenue

	<b>2019</b>	<b>2018</b>
Revenue recognized according to degree of completion	3 007 540,19	4 908 771,00
Other Revenue	407 859,94	519 393,07
Total Revenue	<u>3 415 400,13</u>	<u>5 428 164,07</u>

The Cumulative Revenue from current and previous financial year of non-delivered projects, where income is recognized according to degree of completion

1 461 316,56	4 908 771,00
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### Unrecognized revenue of non-delivered projects

3 250 858,44	1 400 636,00
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### Obligatory reserves

#### Notes concerning personnel and governing bodies

##### Personnel costs

	<b>2019</b>	<b>2018</b>
Wages and salaries	1 571 091,99	1 648 249,43
Pension expenses	251 724,43	268 116,73
Other social security expenses	58 670,52	63 417,16
Activated as development costs	0,00	-47 942,00
	<u>1 881 486,94</u>	<u>1 931 841,32</u>
Wages and salaries		
Board members and CEO	194 876,41	189 214,96

### Average number of personnel

Average number of employees during the financial year	31	33
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### Other operating expenses

	<b>2019</b>	<b>2018</b>
Administration expenses	910 388,61	556 191,32
Premises expenses	471 872,89	498 073,93
Telephone-, IT- and office expenses	34 639,97	29 228,41
Travelling expenses	207 997,97	190 115,73
Marketing expenses	531 063,01	558 060,21
Development expenses	121 343,03	95 464,19
Quality	9 111,60	16 312,68
Other operating expenses	267 661,25	648 970,50
	<u>2 554 078,33</u>	<u>2 584 966,97</u>

<b>Remuneration to accountant</b>	<b>2019</b>	<b>2018</b>
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Figures are included in the Administration expenses presented above.

Statutory audit	27 500,00	20 059,95
Assignments	0,00	1 576,20
Other services	0,00	19 092,00
	27 500,00	40 728,15

<b>Finance expenses</b>	<b>2019</b>	<b>2018</b>
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Expenses of rights issue	1 167 146,35	832 611,56
Other financing and interest expenses	613 949,20	239 756,19
	1 781 095,55	1 072 367,75

<b>Balance sheet notes</b>	<b>2019</b>	<b>2018</b>
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**INTANGIBLE ASSETS**

**DEVELOPMENT EXPENSES**

Acquisition cost 1 Jan	2 362 625,80	2 207 092,71
Increase 1 Jan - 31 Dec	35 676,50	155 533,09
Acquisition cost 31 Dec	2 398 302,30	2 362 625,80
Accumulated depreciation	-1 382 925,26	-1 125 466,42
Depreciation in year 2018	-208 203,26	-211 860,24
Impairment	-5 960,00	-45 598,60
Bookkeeping value 31 Dec	801 213,78	979 700,54

**INTANGIBLE RIGHTS**

Acquisition cost 1 Jan	209 931,90	209 931,90
Increase 1 Jan - 31 Dec	0,00	0,00
Acquisition cost 31 Dec	209 931,90	209 931,90
Accumulated depreciation	-71 257,58	-50 118,74
Depreciation in year 2018	-21 138,84	-21 138,84
Bookkeeping value 31 Dec	117 535,47	138 674,31

**OTHER LONG-TERM EXPENSES**

Acquisition cost 1 Jan	783 935,18	783 935,18
Acquisition cost 1 Jan	0,00	0,00
Increase 1 Jan - 31 Dec	783 935,18	783 935,18
Accumulated depreciation	-554 360,23	-397 573,15
Depreciation in year 2018	-156 787,08	-156 787,08
Bookkeeping value 31 Dec	72 787,86	229 574,94

## TANGIBLE ASSETS

## MACHINERY AND EQUIPMENT

	<b>2019</b>	<b>2018</b>
Acquisition cost 1 Jan	2 526 697,33	2 519 697,33
Increase 1 Jan - 31 Dec	86 052,04	7 000,00
Acquisition cost 31 Dec	2 612 749,37	2 526 697,33
Accumulated depreciation	-1 672 693,79	-1 389 387,04
Depreciation in year 2018	-232 009,31	-283 306,75
Bookkeeping value 31 Dec	<u>708 046,26</u>	<u>854 003,53</u>

## INVESTMENTS

Bookkeeping value 1 Jan	161 887,19	161 887,19
Increase 1 Jan - 31 Dec	0,00	0,00
Bookkeeping value 31 Dec	<u>161 887,19</u>	<u>161 887,19</u>

**Receivables from group companies****2019****2018**

Receivable from group companies	1 827,08	846,92
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**Debts to group companies****2019****2018**

Trade payables to Group companies	62 406,11	57 624,73
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**Prepayments and accrued income****2019****2018**

## Accruals

Degree of completeness receivables	380 790,06	1 042 525,00
Other prepayments	72 217,31	26 849,47
	<u>453 007,37</u>	<u>1 069 374,47</u>

**Capital and reserves****2019****2018**

## Restricted equity

Subscribed capital 1 Jan	470 210,00	470 210,00
Increase in subscribed capital	0,00	0,00
Subscribed capital 31 Dec	<u>470 210,00</u>	<u>470 210,00</u>

Share issue 1 Jan	0,00	470 210,00
Increase in share issue	1 536 714,85	0,00
Share issue 31 Dec	<u>1 536 714,85</u>	<u>470 210,00</u>

Restricted equity in total	2 006 924,85	470 210,00
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## Other reserves

Invested unrestricted equity fund 1 Jan	29 273 134,59	24 919 138,62
Increase in Invested unrestricted equity fund	7 442 283,56	4 353 995,97
Invested unrestricted equity fund 31 Dec	<u>36 715 418,15</u>	<u>29 273 134,59</u>

Retained profit / loss 1 Jan	-28 370 893,67	-21 735 523,69
Retained profit / loss 31 Dec	-28 370 893,67	-21 735 523,69
Profit / loss for the financial year	-6 759 928,16	-6 635 369,98
Unrestricted equity in total	1 584 596,32	902 240,92
Capital and reserves in total 31 Dec	3 591 521,17	1 372 450,92
<b>Distributable funds</b>	<b>2019</b>	<b>2018</b>
Invested unrestricted equity fund	36 715 418,15	29 273 134,59
Retained profit / loss	-28 370 893,67	-21 735 523,69
Loss for financial year	-6 759 928,16	-6 635 369,98
Activated development costs	-801 213,78	-979 700,54
Distributable funds 31 Dec	783 382,54	-77 459,62

The distributable funds of the company are EUR 783 382,54

#### Proposal by the Board of Directors on procedures concerning the company's result

Loss for the financial year 2019 is EUR -6.759.928,16. The Board of Directors proposes to the Annual General Meeting that the loss for the period EUR -6.759.928,16 be transferred to the retained profit / loss account and that no dividend be paid.

#### Guarantees and contingent liabilities

<b>Loans with business mortgage as collateral and value of collateral</b>	<b>2019</b>	<b>2018</b>
Loans from credit institutions	0,00	40 000,00
Bank loan with business mortgage as collateral	1 600 000,00	1 600 000,00
<b>Bank accounts pledged as collaterals</b>	800 266,63	500 957,26
<b>Collaterals given for warranty period and for deliveries</b>	1 600 397,57	1 001 926,64
<b>Collaterals for rent</b>	2 392,98	3 192,98
<b>Other given collaterals</b>	2 410,76	2 410,76
<b>Rent liabilities</b>	94 448,34	93 808,77

#### Structural and Financial arrangements

The company has had share issues during the financial period: rights issue and directed share issue in March 2019 and subscription of shares against warrants in November-December 2019. Further information on share issues is given in the report of the Board of Directors.

On February 21, 2019 Savosolar Plc and Finnvera Oyj have been made changes to the payments of loan 241.058,96 EUR. Loan will be paid back once a year in next three years. Starting on August 15, 2019.

Also Savosolar Plc and Suur-Savon Osuuspankki have been renegotiated loan terms on February 20, 2019 so that the loans will be paid back in monthly instalments during 24 months beginning on April 2019.

### Subsidiaries

During the financial period 2017 the company acquired a new subsidiary in Germany, Savosolar GmbH. During the financial year 2014 the company established a new subsidiary in Denmark, Savosolar ApS. The company also has a subsidiary Savolaser Oy, which was established in 2013.

<b>Shares of the company</b>	<b>2019</b>	<b>2018</b>
Shares, A-series (1 vote/share), pcs	1 723 265 358	352 538 414
<b>Capital loans</b>	<b>2019</b>	<b>2018</b>
Capital loans 1 Jan	1 431 275,17	1 431 275,17
Decrease 1 Jan - 31 Dec	-518 976,53	0,00
Capital loans 31 Dec	912 298,64	1 431 275,17

The company has a capital loan of EUR 751.592,67 from the Bank Suur-Savon Osuuspankki. The main terms of the loan are:

- 1) The loan and interest can be paid back in a debtor's liquidation and bankruptcy situation only with the lowest order of preference compared to all other creditors. According to the 12 chapter 2§ in the Finnish Companies Act this loan is anyhow having the same order of preference with the other capital loans the debtor may have issued or with other comparable financing instruments, if nothing else has been agreed in the funding contract.
- 2) The loan and its interest are allowed to be paid only as much as the amount of the debtor's free own equity including all capital loans at the time of payment exceeds the accumulated losses in the debtor's balance sheet in the latest audited financial report. The loan expires on 31 March 2021.
- 3) If annual interests remain unpaid because of the regulations in the Finnish Companies Act, the unpaid interest will be accumulated to the following periods until it can be paid in full taken into consideration the said limitations in item 2).

The annual interest is 3% and it is calculated from the date when the restructuring program was approved by the court on 13 February 2014. The first due date for the payment of the interest is 15 May 2015. The annual interest has been changed on February 20, 2019 from 3% to 4%. The annual interest on delayed payments, whether the loan itself, interest or other payments, is 18%.

The interest on the capital loan (2019: EUR 62.486,22, 2018: EUR 35.706,48, 2017: EUR 35.706,48, 2016: EUR 35,706.49) is reported as interest expenses on the income statement.



The company has a capital loan of EUR 160.705,97 from Finnvera Oyj.  
The main terms of the loan are:

1) The loan and interest can be paid back in a debtor's liquidation and bankruptcy situation only with the lowest order of preference compared to all other creditors, but anyhow with higher order of preference than the distribution quota to the shareholders.

2) The loan and its interest are allowed to be paid only as much as the amount of the debtor's free own equity including all capital loans at the time of payment exceed the accumulated losses in the debtor's balance sheet in the latest audited financial report. The loan will expire on 15th August 2021.

3) There will be no guarantee given for the payment of the loan or interest. If the interest cannot be paid, the payment will be transferred to a time when an audited financial report shows that it can be paid. The annual interest is 4% starting from 1st of March 2019. The interest is paid on the due date ex post.

The annual interest on delayed payments, whether the loan itself, interest or other payments, is 18%.

The interest on the capital loan (2019: EUR 8.037,50, 2018: EUR 7.231,77, 2017: EUR 7.231,77, 2016: EUR 7,251.77) is reported as interest expenses on the income statement.

### **General risks and factors of uncertainty concerning operations**

The most significant risks of Savosolar's business operations are the sufficiency of working capital to reach the growth in line with the strategy, the ability to gain new projects and to increase the efficiency of operations, thereby turning the operations profitable.

The Board of Directors actively monitors the company's financial position and, together with the Company's management, seeks alternative financing solutions and additional ways to reduce costs associated with the company's operations. The Board of Directors is reviewing the adequacy of financing as an important part of the company's growth strategy.

At the time of this release, Savosolar Oyj can not expect the level of working capital to be enough for next 12 months, based on the current cost level of the business, on the maturity of the company's loans and on the cumulative turnover. The company has succeeded in providing the financing it previously needed and taking into account the improvement in the company's cost of production and the favorable outlook for the industry, Savosolar's Board of Directors is confident that the additional funding the company will need to deliver growth in line with its strategy can be obtained.

### **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 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. The court of justice has now determined a new schedule for the trial between SUNTI SAS and Savosolar Plc. According to the new schedule in this case, there will be a written preparering until 31st of January 2020 and after that the court of justice will determine the hearing schedule.

**Holdings in other companies**

<b>Name and domicile</b>	<b>Holding</b>	<b>Equity</b>	<b>Profit/loss for the year</b>
Savosolar ApS, Denmark	100,00 %	97 519,51	19 577,83
Savosolar GmbH, Germany	100,00 %	38 093,15	4 338,47
Savolaser Oy, Mikkeli Finland	55,00 %	-973,13	-876,01

**Signatures to the financial statements**

Mikkeli 3 April 2020

Aminoff Feodor  
Chairman of the Board

Varjotie Jari  
Managing director

Auranne Eero  
Member of the Board

Virtanen Ari  
Member of the  
Board

Lemström Mikael  
Member of the Board

## **AUDITOR´S REPORT (Translation of the Finnish Original)**

To the Annual General Meeting of Savosolar Oyj

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Savosolar Oyj (business identity code 2309682-6) for the year ended 31 December 2019. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

#### **Basis for Opinion**

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to the notes in the financial statements and the report of the board of directors, section "General risks and uncertainty factors concerning operations", according to which, based on the current level of costs, the maturity of the loans and revenues, the company does not expect the working capital to be sufficient for the next 12 months period. These conditions indicate that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no other realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Other Reporting Requirements**

### **Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Mikkeli 3 April 2020

Tilintarkastus Inkeröinen & Himanen Oy  
Authorized Public Accountants

Juho Himanen  
APA