

## Savosolar Plc's business review for January–September 2022

### Key figures and significant events in January–September 2022

- Savosolar's revenue in January–September amounted to EUR 2.9 million (January–September 2021: EUR 2.2 million).
- Operating result (EBIT) in January–September amounted to EUR -3.5 million (EUR -3.2 million).
- Net result for the period totalled EUR -3.7 million (EUR -3.5 million).
- Contracts with Newheat SAS on the delivery of a solar thermal field to Verdun, France, and with Jorgensen Thermal Solutions APS to Sonora, Mexico.
- On 29 August 2022, Savosolar announced a conditional share exchange agreement under which Savosolar Plc will acquire the entire capital stock of Meriaura Ltd if implemented.

### Key figures in July–September 2022

- Savosolar's revenue in July–September amounted to EUR 0.8 million (July–September 2021: EUR 0.5 million).
- Operating result (EBIT) in July–September amounted to EUR -1.1 million (EUR -1.0 million).
- Net result for July–September totalled EUR -1.2 million (EUR -1.2 million).

### Savosolar's CEO Jari Varjotie:

“Interest towards solar heat is stronger than ever before, and our sales and system design teams are actively supporting both our current and potential new customers, especially in Europe, to find solutions for the deployment of emission-free and reliable thermal energy. However, we did not yet receive any new customer orders in the third quarter.

In addition to climate targets, interest in large-scale solar thermal systems is growing especially in response to the need for energy self-sufficiency and the price competitiveness of solar heat. In addition, the utilisation of solar heat also accelerates the transition to clean energy production when emission-free electricity of limited availability can be utilised elsewhere than in heat production. Heat accounts for about half of all energy consumption in Europe and globally. However, in the short term, the turbulent energy market and the general uncertainty of the economic outlook hinder the customers' decision-making.

Our revenue in January–September grew by 35 per cent compared to corresponding period of the previous year and was EUR 2.9 million. The third quarter accounted for EUR 0.8 million of the revenue. During the current year, the net result has been weakened by the increase in material costs, which we have been unable to fully transfer to the previously agreed-upon fixed customer prices. In new tenders, we have taken the

changes in material costs into account more strongly than before. Our order backlog at the end of September stood at EUR 1.0 million, compared to EUR 0.6 million a year ago.

Our new deliveries started this year are progressing as planned both in Verdun, France, and in Sonora, Mexico.

Dozens of large-scale solar thermal systems are planned in Europe and are awaiting implementation decisions. Energy companies' investment decisions in particular are currently being complicated not only by the turbulence in the energy market, but also by the compelling need for energy companies to deposit cash collateral for the amounts under their previously agreed-upon fixed supply contracts when the price of energy has risen dramatically. In industrial process heating, the maker of the investment decision is often a party other than a traditional energy company, for which reason they are not faced with a similar deposit collateral problem. As it is, industrial process heating has become even more promising than the district heating market, at least in the short term. Industrial process heating has already been a strong segment for us, as evidenced by our recent deliveries to Issoudun and Verdun.

A new phase in Savosolar's business development will begin if the aforementioned conditional share exchange agreement is implemented, in which case we will get VG-Shipping, a company specialised in low-carbon and sustainable transport, as our anchor owner. VG-Shipping has a strong track record in successful business development in marine logistics and in the production and utilisation of renewable energy. Together with Meriaura, a company currently owned by VG-Shipping, we can meet the growing demand for solutions based on renewable energy and fill the supply gap. The objective of the merger is to speed up business expansion in solar heat and in various sustainable hybrid solutions for energy and heat production, as well as in low-carbon marine logistics and other projects promoting the green transition. The planning of the new group's operations and strategy has proceeded well. We expect the merger to be completed by the end of November.

Even though the recent turbulence in the energy market has held back investment decisions, I believe that the growth of large-scale solar heat utilisation will accelerate, and I see that the merger with Meriaura will increase our ability to respond to growing demand both financially and by expanding supply. The group that will be formed as a result of the share exchange will be able to better address customer needs and significantly increase the shareholder value."

#### COMPARISON BY REPORTING PERIOD

(EUR 1,000)	Jul-Sep 2022	Jul-Sep 2021	Change (%)	Jan-Sep 2022	Jan-Sep 2021	Change (%)	Jan-Dec 2021
Revenue	802	540	48.3	2,934	2,168	35.3	2,497
Operating profit/ loss (EBIT)	-1,096	-1,017	-7.8	-3,519	-3,218	-9.3	-4,554
Profit/loss for the period	-1,157	-1,204	3.9	-3,706	-3,537	-4.8	-5,772

The comparison figures presented in this business review refer to the corresponding period in the previous year, unless otherwise indicated.

## **BUSINESS PERFORMANCE IN JANUARY–SEPTEMBER 2022**

Savosolar's revenue in January–September increased to EUR 2.9 (2.2) million. The revenue for July–September was EUR 0.8 (0.5) million.

It is typical of project-based operations that the revenue of individual quarters and half years may vary depending on the degree of completion of the project deliveries.

The works on the solar thermal field to Newheat SAS in Verdun, France, are proceeding as planned. The system is due to be commissioned at the end of this year and will be handed over to the customer in the spring of 2023. Once completed, this solar thermal field worth around EUR 3 million will produce heat for Lactalis Group's whey powder factory, being the largest solar heating system in France for industrial process heat.

Deliveries to the mining project contracted by Jorgensen Thermal Solutions ApS in Sonora, Mexico have also started as planned. The value of the delivered solar thermal field for Savosolar is approximately EUR 0.2 million. The commissioning and handover of the plant will take place in 2023. As the first delivery by the company for process heating in the mining industry, the Sonora delivery is of more significance than its size indicates.

Savosolar's operating result (EBIT) for January–September amounted to EUR -3.5 (-3.2) million. The net result for January–September totalled EUR -3.7 (-3.5) million. The third quarter operating result was EUR -1.1 (-1.0) million and the net result EUR -1.2 (-1.2) million.

The reason for the weaker than expected result development was that revenue fell clearly short of what was expected due to delays in new project contracts. Profitability was also considerably affected by the increase in material costs, which the company has been unable to fully transfer to the previously agreed-upon fixed customer prices.

Equity at the end of the reporting period amounted to EUR 4.8 (3.2) million, with the equity ratio being 72.2 (68.8) per cent.

## **CONDITIONAL SHARE EXCHANGE AGREEMENT ON THE ACQUISITION OF MERIAURA LTD**

On 29 August 2022, Savosolar Plc signed a conditional share exchange agreement with VG-Shipping Ltd to acquire marine logistics company Meriaura Ltd and the business of VG EcoFuel Ltd, producer and marketer of biofuels. If the share exchange is executed, Savosolar's current shareholders will own about 28% and VG-Shipping about 72% of the merged entity, when taking into account also the shares to be subscribed in the directed share issue relating to EUR 1.0 million guarantee for the 2-2021 warrants given by VG-Shipping.

Together, Savosolar, Meriaura and VG EcoFuel will respond to the growing demand for solutions based on renewable energy. Meriaura is a profitably growing company and a pioneer in the provision of low-carbon marine transport. The merger will speed up business expansion in solar heat, low-carbon marine logistics and other projects promoting the green transition. Following the merger, the company will have two business areas: renewable energy and marine logistics. The transaction will be executed by arranging a directed share issue to VG-Shipping Ltd, which owns all the shares of Meriaura Ltd. VG-Shipping Ltd is a holding company that owns Meriaura and has no other actual business.

Meriaura's revenue for the first half of 2022 was EUR 33.2 million, operating profit EUR 4.1 million, and the number of personnel 148. The revenue increased by 30% on previous year. VG EcoFuel's revenue for January–June was EUR 0.6 million, an increase of 30%. Operating profit was EUR 0.02 million. In the share exchange agreement, it has been agreed that at the time of the transaction, Meriaura Ltd and VG EcoFuel Ltd will together have a maximum of EUR 21 million of interest-bearing debt and at least EUR 4.4 million of cash and cash equivalents.

Jussi Mälkiä will continue as the principal owner and Chair of the Board of Directors of VG-Shipping. Kirsi Suopelto will be proposed as the Chair of the Board of Directors of Savosolar Plc, the parent company of new Savosolar Group. Jari Varjotie will continue as CEO of Savosolar Plc, the parent company of Savosolar Group and Bengt-Erik Rosin as Meriaura's Managing Director.

The contemplated transaction is conditional to the decisions of Savosolar Plc's General Meeting of shareholders. Execution of the transaction requires a written consent to the change in the company's ownership from Meriaura's financiers (Nordea, Finnvera, Varma).

Savosolar Plc aims to continue being listed on the First North Growth Market in both Stockholm and Helsinki. The company description on the new company is intended to be published before the Extraordinary General Meeting of Savosolar Plc which will decide on the transaction. According to the agreement, the transaction will be executed by 30 November 2022.

More detailed information about the draft terms of merger has been published in the company announcement of 29 August 2022.

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

The number of Savosolar Plc's shares registered with the Finnish Trade Register as at 30 September 2022 was 216,959,964 (at 31 December 2021, the number of shares was 165,187,636).

The number of shares increased during the first half of the year by 33,991,820 new shares as a result of the share subscriptions carried out on the basis of the 1-2021 warrants, which were registered with the Finnish Trade Register on 8 April 2022.

The share subscription period for Savosolar's 2-2021 warrants started on 12 September 2022 and ended on 23 September 2022. Of the warrants, about 46 percent were exercised to subscribe for shares, and a total of 17,780,508 were subscribed for. Savosolar raised with the subscriptions proceeds of approximately one million euros before transaction costs. The new shares were registered with the Finnish Trade Register on 3 October 2022. Additionally, based on the received subscription undertaking, the company will decide on a directed share issue of approximately EUR 1.0 million to VG-Shipping Ltd if the conditional share exchange announced on 29 August 2022 is executed. The subscription price is EUR 0.056 per share, which is the same as the subscription price based on the warrants. The share exchange is planned to take place on 30 November 2022.

On 29 August 2022, Savosolar announced a conditional share exchange agreement under which Savosolar Plc and Meriaura Ltd will merge. If the share exchange is executed and following the one-million-euro directed share issue to VG-Shipping Ltd related to guarantee for the warrant plan 2-2021, Savosolar's shareholders will have about 28% and VG-Shipping Ltd about 72% of Savosolar's shares instead of the originally announced 30% and 70%, respectively. The new shares to be issued in the directed share offering are planned to be applied for trading on the First North Growth Market once the transaction is closed.

After the transaction defined in the share exchange agreement, the number of Savosolar Plc's shares will rise to approximately 782,723,687 shares. VG-Shipping Ltd is committed not to transfer the Savosolar Plc shares



subscribed for in the share exchange during a period of 12 months from the implementation of the share exchange.

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Savosolar Plc discloses the information provided herein pursuant to EU Market Abuse Regulation. The information was submitted for publication on 26 October 2022 at 8.30 (CEST) by the aforementioned person.

**Savosolar in brief**

Savosolar with its highly efficient collectors and large-scale solar thermal systems has taken solar thermal technology to the next level. The company's collectors are equipped with the patented, optically high-quality coated direct flow absorbers, and with this leading technology, Savosolar helps its customers to produce competitive clean energy. Savosolar's vision is to be the first-choice supplier to high performance solar installations on a global scale. The company focuses on large solar heat collectors as well as heating systems in excess of 1,000 m<sup>2</sup> in district heat generation and industrial process heating – the market segments with a big potential for rapid growth. The company primarily delivers complete systems from design to installation, using the best local partners. Savosolar is known as the most innovative company in the business and aims to stay as such.

Savosolar's shares are listed on Nasdaq First North Growth Market Sweden with the ticker SAVOS and on Nasdaq First North Growth Market Finland with the ticker SAVOH. [www.savosolar.com](http://www.savosolar.com)

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