

Savosolar Plc's business review for January–September 2020: Revenue and profitability continued to develop favourably

Key figures in July–September 2020

- Savosolar's revenue in July–September amounted to EUR 1.7 million (July–September 2019: EUR 0.1 million).
- Operating result (EBIT) amounted to EUR -0.8 million (EUR -1.3 million).
- Net result totalled EUR -1.0 million (EUR -1.3 million).

Key figures in January–September 2020

- Savosolar's revenue in January–September amounted to EUR 3.7 million (January–September 2019: EUR 1.8 million).
- Operating result (EBIT) amounted to EUR -2.6 million (EUR -3.6 million).
- Net result for the period totalled EUR -3.5 million (EUR -4.6 million).

Savosolar's CEO Jari Varjotie:

"Our business continued to develop favourably during the third quarter despite the Covid-19 pandemic, which we are very happy with. Our turnover in January-September doubled year-on-year.

We were able to continue the ongoing client projects in Central Europe after the lifting of the restrictions imposed due to the Covid-19 pandemic in the early summer. In the third quarter, we signed an agreement on the delivery of a solar thermal system to the City of Narbonne in France. System is ordered by the same client, NewHeat SAS, for whom Savosolar already delivered a solar thermal system in Condat, France for the process heat generation of a paper mill in 2019. The new order serve as proof of our ability to deliver our customer promises.

Our order backlog at the end of September stood at EUR 2.2 million (EUR 4.8 million). At the end of the reporting period, the order backlog was at a good level. The order backlog of the comparison period was increased by the signing of the Issoudun contract, the company's larger order to date, in the early autumn of 2019.

The value of our projects in the sales pipeline at the end of the reporting period was approximately EUR 279 million, being approximately EUR 260 million at the end of July. Of this, the total value of the projects in the tendering and planning stage amounted to approximately EUR 103 million (EUR 94 million at the end of June). The sales pipeline includes all the active projects entered in the company's sales management system.

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 the early part of the year despite the Covid-19 pandemic. Heat production accounted for more than 50% of the global energy production in 2019. According to the IEA, only 10% of this was produced with renewable energy. In Savosolar's estimate, less than three per cent of the global thermal energy was produced with clean modes of energy production in 2019.

In order to further step up its climate actions, 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, will be used for climate actions to strengthen the EU Green Deal programme.

In our estimate, the Covid-19 pandemic has caused delays in the investment decisions of certain industrial customers. The Covid-19 situation and potential new restrictions may further postpone client investment decisions and deliveries, and we seek to prepare for the potential effects of the pandemic situation on our business.

Our operating result for January–September was EUR -2.6 million. The net result for the reporting period also improved to EUR -1.0 million. The improved result was due to the increase in volume as well as the measures taken to improve our internal efficiency. We will continue our determined efforts to increase sales and to improve our internal efficiency towards profitable business.

In line with our strategy, we have continued to build our international partner network. After the reporting period, in October, we signed an agreement with a German company named Citrinsolar GmbH on cooperation in the sale and delivery of large solar thermal systems in Germany. In October, we also signed a cooperation agreement on the representation of our products with a Polish company named Eko Ekon. Our 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 has advanced to the tendering stage, and if we win the competitive tendering, the objective is that an agreement is reached on the execution of the project during 2020.

Savosolar is strongly committed to the fight against climate change by providing competitive and high-quality technology for the production of genuinely clean thermal energy on a large scale. Our strengths include advanced collector technology, strong references 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 dependable operator, who helps its clients to attain their environmental goals as cost-effectively as possible."

COMPARISON BY REPORTING PERIOD (FAS, unaudited)

(EUR 1,000)	Jul-Sep 2020	Jul-Sep 2019	Change (%)	Jan-Sep 2020	Jan-Sep 2019	Change (%)	Jan-Dec 2019
Revenue	1 659	96	1 624.2	3 702	1 776	108.5	3 415
Operating profit/ loss (EBIT)	-847	-1 252	32.3	-2 564	-3 584	28.5	-4 999

Profit/loss for the period	-969	-1 294	25.1	-3 533	-4 608	23.3	-6 760
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BUSINESS PERFORMANCE IN JANUARY–SEPTEMBER 2020

Savosolar's revenue for January–September increased by 108.5 per cent and amounted to EUR 3.7 million (January–September 2019: EUR 1.8 million). The revenue for July–September increased by 1 624 per cent and amounted to EUR 1.7 (0.1) million.

The solar thermal system and heat storage delivered to Fernwärme Ettenheim, Germany, were commissioned in July and handed over to the client after the reporting period in October. The value of the system is EUR 0.8 million, and it was Savosolar's first delivery to Germany. The handover of the solar thermal system to Kyotherm Solar in Issoudun, France, is estimated to take place by the end of this year. The solar thermal system in Creutzwald, France, will also be handed over to the client during 2020.

Savosolar's operating result (EBIT) for January–September 2020 amounted to EUR -2.6 (-3.6) million. The result for January–September was EUR -3.5 (-4.6) million. The third quarter operating result was EUR -0.8 (-1.3) million and the result EUR -1.0 (-1.3) million.

The favourable development of business performance was due to the growth in sales as well as the development measured taken to improve internal efficiency and the savings attained in personnel costs. Owing to the Covid pandemic, the company laid off on temporary basis 22 people 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 21 people for a maximum of 90 days. At the end of September, Savosolar had 35 employees. Overall, the company calculates that it will achieve approximately EUR 0.2 million in savings by the end of 2020 through the temporary layoffs and the management salary reductions decided in the third quarter.

The French company Sunti SAS has alleged that Savosolar has acted against the exclusive rights clause in the contract between the two companies and claims for a total compensation of approximately EUR 2.0 million from Savosolar. The first oral hearing between the parties before the commercial court of justice in Montpellier will be held on 9 November 2020. As already stated earlier, Savosolar considers Sunti's claim for alleged breach of contract and claim for compensation to be without any merit.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 14 October 2020, Savosolar announced having signed a cooperation agreement on the representation of its products with a Polish company named Eko Ekon. On 21 October 2020, Savosolar announced having signed a cooperation agreement with Citrinsolar GmbH on the sale and delivery of large solar thermal systems in Germany.



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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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