Valoe Corporation Interim Report 3 August 2016

# VALOE CORPORATION, INTERIM REPORT 1 JANUARY 2016 – 30 JUNE 2016

## SUMMARY

- The restructuring of Valoe Corporation ("Valoe") from a company providing electronics automation solutions to a technology company focusing on clean energy solutions, particularly on photovoltaic technologies, was completed during 2015. Now Valoe is a technology startup which, however, already has a new, competitive and tested technology in use; operating automated production plant; worldwide market and the first export order for a solar module factory to Ethiopia; as well as experienced personnel with competence in international technology sales, production and projects.

- In February 2016 Valoe received an approximately EUR 15.8 million order for a solar module manufacturing plant and its back contact technology. About EUR 9.5 million of the sales price will be paid in cash to Valoe and the rest of the sales price in shares of the customer company resulting in Valoe having a 30 percent shareholding in its Ethiopian manufacturing partner. The Development Bank of Ethiopia has granted Valoe's customer full financing for the order.

- During the reporting period Valoe sold its shares in the company's subsidiaries in Hong Kong and China to Savcor Tempo Oy, a related company belonging to Savisalo family. The transaction included all related debts and liabilities, however, excluding the guarantee on lease liability of max. EUR 0.65 million. The arrangement increases Valoe Group's consolidated result by approximately EUR 7.1 million and on the reporting period decreases Valoe Group's net debts by approximately EUR 3.9 million.

- During the first six months of 2016 Valoe Group's net sales increased to EUR 2.7 million as the sales on the Finnish solar energy market increased and the Ethiopian project started generating revenue. The EBITDA of the continuing operations increased to EUR 7.0 million after the company's liabilities in China were discharged. The EBITDA of the continuing operations excluding the one-off profit originating from the sale of the shares in the Chinese subsidiaries amounted to EUR -0.2 million.

- On the reporting period, after building and training a network of sales representatives and establishing cooperation with companies interested in Valoe's technology, Valoe started selling the company's solar power plants and modules in Finland. Valoe trusts it will be successful also on the Finnish solar power market that is still undeveloped.

- Valoe estimates that the net sales of Valoe Group will be ca. EUR 11 – 13 million in 2016 and the EBITDA ca. EUR 8.6 – 9.4 million. The profit for the financial year 2016 is estimated to be ca. EUR 5.3 – 6.1 million.

- Valoe's financial situation continues to be very tight. However, Valoe's management views that if the company will be able to arrange an advance payment guarantee and financing of EUR 2 – 4 million for building period of the Ethiopian project the company's financing situation stabilizes. Valoe has not yet been able to collect the aforesaid funding. Valoe's operations and the Ethiopian project have so far been funded by increased sales revenue and loans taken from related parties and investors. Additionally Valoe has been able to negotiate good payment terms with its suppliers, which has facilitated the progress of the Ethiopian project. For the moment the project proceeds as expected despite the company's tight financing situation.

More information on principle activities and events during and after the reporting period can be found in the stock exchange releases published on Valoe's website at www.valoe.com. The Interim Report has been drawn up in compliance with the IAS 34 Interim Financial Reporting standard. In the Interim Report Valoe has applied the same accounting principles as in its Annual Report 2015. The Interim Report has not been audited.

## CHANGES IN THE GROUP STRUCTURE

Valoe sold 100 percent of the shares in Savcor Pacific Ltd, a Hong Kong subsidiary of Valoe, to Savcor Tempo Oy that is 100 percent owned by the Savisalo Family. Savcor Pacific owns 100 percent of the shares in the Chinese subsidiary, Savcor Face (Beijing) Co., Ltd. Both Chinese companies as well as the debts and liabilities related to their operations, excluding a guarantee on lease liability, were transferred to Savcor Tempo Oy. The guarantee amounts to EUR 0.65 million at the most.

After the subsidiaries in China were sold Valoe Group includes practically only the mother company, Valoe Corporation. The US subsidiary employs only one person. It has no invoicing and the subsidiary's costs are paid in Finland. Valoe owns also one non-operative company in Finland.

## FINANCIAL RESULT IN JANUARY – JUNE 2016

During the reporting period Valoe's result started to improve as the product sales in Finland took off and the Ethiopian project started to generate revenue. However, the result was exceptional due to one-off item where Valoe's debts and liabilities related to the Beijing factory were discharged.

The sale of the shares of the Chinese subsidiaries increases Valoe Group's profit by ca. EUR 7.1 million and on the reporting period decreases the Group's net debts by ca. EUR 3.9 million. The transaction generates profit as the Chinese subsidiary's losses accumulated during Valoe's ownership and impairment associated with the subsidiary's assets are removed from Valoe Group's balance sheet. The transaction increases the value of the Group's capitalized development costs. The mother company acquired the outcome of the development and research mainly related to the conductive back sheet from China and capitalized the development costs in its balance sheet. After the sale of the Chinese subsidiaries the development costs are now included also in the Group balance sheet.

Valoe pays Savcor Tempo Oy a total of EUR 0.3 million by the end June 2017 for taking over the debts and liabilities of the Chinese subsidiary. The negative sales price is estimated to compensate the buyer for the costs from the Chinese company's closing process that probably will take several years. An annual interest rate of 12 percent will be paid on the debt.

The following financials include Valoe Group's continuing operations. The figures in brackets are comparison figures for the corresponding period in 2015, unless stated otherwise.

April – June 2016 (continuing operations)
- Valoe Group's net sales increased by 360 percent to EUR 1.1 million (In 2015: EUR 0.2 million).
- EBITDA was EUR 7.0 million (EUR -0.5 million).
- Operating profit was EUR 6.7 million (EUR -0.7 million).
- The profit before taxes was EUR 6.1 million (EUR -1.0 million).
- Profit for the period was EUR 6.1 million (EUR -1.0 million).

January – June 2016 (continuing operations)
- Valoe Group's net sales increased by 656 percent to EUR 2.7 million (In 2015: EUR 0.4 million).
- EBITDA was EUR 7.0 million (EUR -0.3 million).
- Operating profit was EUR 6.5 million (EUR -0.7 million).
- The profit before taxes was EUR 5.5 million (EUR -1.2 million).
- Profit for the period was EUR 5.5 million (EUR -1.2 million).
- Earnings per share were EUR 0.006 (EUR -0.001) and diluted earnings per share EUR 0.004 (EUR -0.001).

MANAGING DIRECTOR IIKKA SAVISALO'S REVIEW

The second quarter of 2016 was busy time for Valoe. The company focused on arranging financing for the Ethiopian project and running the project as well as looking for new manufacturing partners.

Valoe has previously announced that it received ca. EUR 1.3 million financing to launch the Ethiopian project. The required project financing totals EUR 2 – 4 million as previously has been disclosed. It has now appeared to be challenging to collect the financing and Valoe has had to arrange the financing in parts. This has turned the company's financing situation very tight from time to time. However, in addition to the above-mentioned already secured financing, Valoe has succeeded in increasing sales revenues in Finland and agreeing on backloaded payment terms with the company's main suppliers and thus bridging the funding gap.

The actual project has started well. To strengthen the project organisation Valoe recruited a project manager in May who has taken up his new demanding post with great energy and determination. Valoe's own project organisation and main suppliers have mainly been able to keep to the schedule regardless of difficulties generated by the funding gap.

Valoe's strategy is to find 6 – 8 manufacturing partners whose total annual capacity exceeds 1.5 GWp. Valoe has estimated that it will take about five years to establish this kind of partner network. Since the closing of the Ethiopian deal Valoe has made progress in its negotiations with several new potential manufacturing partners.

Valoe is continuously in contact with several world's leading solar module manufacturers in both China and elsewhere and negotiates various cooperation opportunities. Valoe will disclose a release if these connections seem to lead to concrete actions.

Valoe's turnover started to increase during the first six months of 2016 as the Ethiopian project started to generate revenue and the demand for solar electricity started to grow in Finland. The Ethiopian project's revenue recognition principles are described in this Interim Report's attachment (numbers).

During the second half of the year 2015 Valoe started to build a sales channel for its solar power systems systematically in Finland. The company has signed distribution agreements around Finland and trained retailers to become professionals in the field of solar electricity. The efficiency of the new sales channel is based on close cooperation between Valoe and companies that are enthusiastic about solar power systems sales and already have good reputation for selling similar products and services. The sales channel established based on Valoe's sales strategy is now almost ready and deliveries through the new sales channel have commenced. With the help from Valoe's distributors and other partners interested in Valoe's advanced technology, Valoe trusts it will be able to reach major part of the Finnish customers planning to start using solar power.

On the reporting period Valoe's research and development has mainly been concentrated on supporting the Ethiopian project delivery. Valoe has also commenced designing the second generation of MWT solar modules. The objective is to create an MWT solar module with longer lifetime and increased capacity. The main reason to invest in a new module model is to increase technological and economical lead over traditional modules; to improve competitiveness of the ecosystem using conductive back sheets, and thus reduce the price of solar electricity remarkably.

In December 2015, with a development loan of ca. EUR 4 million granted by Tekes, the Finnish Funding Agency for Innovation, Valoe commenced a project aiming to optimize cells for back contact modules. The objective of the project is to develop features of cells used in back contact modules to produce best possible capacity compared to H type modules made of similar materials.

Despite the growth and improved profitability the company's financial situation has been very tight during and after the reporting period. The company's management trusts that the working capital situation will improve and the cash flow from operations turns positive when the funding for the Ethiopian project is available to the company, or at the latest when the Ethiopian production line delivery has passed the tests in Finland and is ready for shipping. Valoe has moved on to the implementation phase of its strategy. Valoe's management believes the company will grow fast. The management also views that the growth will be profitable, which gradually improves the company's financial situation.

## VALOE'S STRATEGY

Valoe's net sales will be generated by the following four service and product concepts:

### 1. Photovoltaic modules and systems

Solar modules and small photovoltaic systems are probably Valoe's most visible in Finland but in terms of revenue potential the smallest product group. All PV modules Valoe deliveres are manufactured at the company's factory in Mikkeli for the time being. They are mainly delivered to the company's distributors and future manufacturing partners both in Finland and abroad. Further, the company provides solar power plants and systems to its customers in Finland and abroad. Valoe has enhanced the sale of its modules and solar systems in Finland by building and training its own sales channel.

Current capacity of the company's Mikkeli factory is designed to annually produce PV modules worth max EUR 6 – 8 million at the current market prices. Thus, the module sales do not form a major part of the sales of the company.

The first module manufacturing recipes fully developed by Valoe has passed the demanding test programs of the German Fraunhofer ISE, which enables Valoe's modules to be certified in all the company's market areas.

### 2. Production lines and related components

Typically, manufacturers already operating within the business, e.g. in China, could be interested in investing in new production lines. These Valoe's potential customers are producing traditional stringed H-pattern modules. According to the information available to Valoe many manufacturers are going to start to manufacture next generation modules using the CBS technology. These kinds of customers usually have their own factories and module manufacturing recipe and require only production equipment or lines.

According to Valoe's estimation typical price of production equipment or a production line for solar modules is EUR 4 – 8 million.

The company negotiates with several potential customers interested in Valoe's production technology for delivering solar module plants, production lines or equipment worldwide.

## 3. Manufacturing partners

After having received the first manufacturing partnership agreement and the first order for a manufacturing plant in February 2016, Valoe continues negotiating for cooperation agreements with several potential manufacturing partners who as newcomers on the market would commit themselves to both Valoe's production technology and module manufacturing recipe like the Ethiopian customer has done. Valoe provides a partner with a turnkey delivery project and commits to minority shareholding in a manufacturing company as was the case with the order from Ethiopia. Valoe's shareholding is agreed to be 30 percent in Ethiopia.

According to Valoe's strategy buyers of module manufacturing plants, who are Valoe's manufacturing partners, start using Valoe's components forming an ecosystem whose development and competitiveness Valoe looks after. Additionally Valoe will take care of an ecosystem's technological and economic competitiveness by updating plants based on the latest research and experience.

Valoe provides its manufacturing partners with technical support and is neither aiming to have a major shareholding in its partnership companies nor Valoe pursues to take responsibility for the sales of its partners' products or for other local business operations.

Manufacturing partners operate mainly on developing markets and produce solar energy modules for local and nearby markets. Value of a typical turnkey plant delivery is more than ten million euros. The value of the order from Ethiopia totaled EUR 15.8 million. Valoe is aiming to sign at least 10 manufacturing partnership contracts in the next five years.

## 4. Special components and technologies and services increasing utilization of solar energy

Special components are the most important part in Valoe's strategy and most remarkable in terms of net sales potential. Valoe's first component is Conductive Back Sheet (CBS) that has been developed by Valoe and is one of the most important components in a module. One normal size module production plant using back contact technology needs approximately 300,000 – 500,000 conductive back sheets in a year when operating at full capacity. Based on current estimation, considering price level in the near future, each production line will annually require back sheets worth approximately 5 – 11 million Euros.

In the future Valoe is planning to offer its partners other components too. These components might include e.g. various intelligent module components, and special back contact based cell technologies.

In the long run Valoe will include technologies relating to energy storages and fuel cells as well as other technologies increasing utilization of solar energy in the company's offering.  As to the key competences in these technologies Valoe will be supported by its technology partners.

## OPERATING ENVIRONMENT

Valoe operates in industries applying clean energy technology and its operating environment is global. The company's customers are companies that provide products and services locally or worldwide. Valoe's key products and services have been designed for the photovoltaic market.

General attitude to the solar energy investments started to improve clearly already at the end of 2013. The same trend continued the whole year 2014 and seems to be continuing to grow. Many solar module manufacturers with solid market position have broken losing streak and started to plan investing in capacity, partly to increase the amount of their production capacity and partly to replace production capacity for old H-pattern solar modules.

Valoe has previously announced that according to the company's view the focus of its future business will be in the developing countries. The company's view strengthened during 2015 and the order from Ethiopia in February 2016 further strengthens this view. Many of the mega trends such as national climate protection objectives; increasing industrialisation in the developing countries and increasing energy self-sufficiency, favour local manufacturing of solar modules. For the moment major part of the world's solar module manufacturing is concentrated in China. Modules are manufactured in large labour-intensive units and are delivered from there to the world market to be installed.

In the developed countries solar electricity is mainly produced in large solar power plants located in open landscape feeding electricity to main grid. In this kind of power plants logistics costs, among others, can be optimized and such parameters as module's capacity per square meter have not had major importance. In the developing countries logistics costs, in particular, are significant and demand is focused on so called mini grid systems where solar power plants have been decentralized and new local grid is built around them. Grids are connected to each other and to new small power plants as electricity consumption, distribution and production increases steadily. Electricity production is decentralized and electricity is distributed through a new type of grid infrastructure. Small power plants are often so called hybrids where solar power plants are operated together with diesel, water and wind power plants in same grid and where various energy storages can be integrated.

In an environment described above a local producer has much better possibilities to control logistics costs and adopt legislation favouring local production. Many of the partners Valoe is negotiating with have noticed that local production costs are clearly lower than prices of modules imported from China. When modules are produced locally possibilities to control the quality increase, too. In Valoe's view CBS based modules have typically solid quality which improves average module capacity in most of the cases.

## FINANCING

Cash flow from business operations before investments in January – June 2016 was EUR -1.0 million (EUR -1.0 million). Trade receivables at the end of the reporting period were EUR 0.04 million (EUR 0.4 million). Net financial items amounted to EUR 1.1 million (EUR 0.4 million).

At the end of June the equity ratio of Valoe Group was -55.1 percent (-174.6 %) and equity per share was EUR -0.008 (EUR -0.013). The equity ratio including capital loans was -3.4 percent (-116.6 %). At the end of the reporting period, the Group's liquid assets totaled EUR 0.004 million.

The sale of Valoe's Chinese subsidiaries taken place during the reporting period increased Valoe Group's result by EUR 7.1 million. The equity ratio including capital loans increased to -3.4 percent.

The financing situation of Valoe has been and continues to be very tight. According to the company's management the EUR 15.8 million order received in February 2016, out of which EUR 9.5 million is paid in cash, turns the company's financing situation clearly more stable. However, this is subject to the company being able to arrange an advance payment guarantee and financing for building period of this export project.

Valoe and the Finnish Funding Agency for Innovation, Tekes agreed on new funding for Valoe's research and development in December 2015. Tekes gives Valoe a subsidized loan of ca. EUR 4 million to further develop photovoltaic modules and to develop solar cells based on the back contact technology. The loan can amount to max. 70 per cent of the project's total costs which are estimated to be ca. EUR 5.8 million. The loan will be withdrawn in 2016 - 2019. The loan period is seven years. The loan interest rate is the base rate less 3 percent, but not less than 1 percent.

Valoe has agreed on extending the loan periods of Savcor Group's convertible bond of ca. EUR 0.36 million and Savcor Invest B.V.'s loan of EUR 0.32 million until 31 March 2017.

Valoe negotiates with Danske Bank and Finnvera on exteding the overdraft facility of EUR 0.7 million available to the company until 31 March 2017. Further, Valoe negotiates with Danske Bank on extending the payment schedule of the export credit limit of EUR 0.35 million that was due on 31 March 2016.

The company has planned to get long-term financing to finance the company's growth by arranging a share issue. A share issue is planned to be directed to investors in Finland and abroad. The schedule of a possible share issue is not yet known.

Valoe's financing situation continues to be tight at least until financing for building period for the order received from Ethiopia has been arranged and advance payment relating to the sale has been paid to Valoe. If the company is able to arrange financing for the delivery time the Ethiopian order will lead the cash flow from operations to turn positive and according to the management of the company no other bridging financing would be needed at that point.

Until financing and guarantee relating to the order from Ethiopia have been arranged Valoe's financing situation continues to be tight and until then the sufficiency of the company's financing and working capital for the next twelve months involve significant risks. Valoe's financial and other risks have been handled in the item "Risk management, Risks and Uncertainties" of this Interim Report.

## RESEARCH AND DEVELOPMENT

The knowledge and competence Valoe has gained so far and technological success of the company's products have based on significant investments in the research and development. The module developed by Valoe and its production technology have already proven to be well functional. Also in the future, commercial success will highly depend on how well the research and development succeeds. The ca. EUR 4 million loan granted by Tekes in December 2015 enables Valoe to continue systematic research and development and to invest in development areas that fastest improve the company's market position.

Valoe's strategically important products have already been tested and are functional. The objective of Valoe's research and development is to develop cell and module technology that further improves the competitiveness of Valoe's products and services. The company continues to make significant investments in research and development and will utilize both national and European research funding to finance that also in the future.

The Group's research and development costs during the January – June period amounted to EUR 0.6 million (EUR 0.6 million) or 22.2 (153.1) percent of net sales. The research and development costs of the Group's continuing operations during the January – June period totaled EUR 0.6 million (EUR 0.6 million) or 22.2 (177.8) percent of net sales.

## INVESTMENTS

Gross investments in the continuing operations during January - June period amounted to EUR 0.3 million (EUR 0.2 million). The investments on the reporting period as well as on the corresponding period were mainly in development costs.

## PERSONNEL

At the end of June the Group employed 22 (22) people, out of which 21 persons worked in Finland and one person in the USA. During the reporting period the Group's salaries and fees totaled EUR 0.7 million (EUR 0.8 million).

## SHARES AND SHAREHOLDERS

Valoe's share capital amounted to EUR 80,000.00 at the end of the reporting period. The number of shares was 862,472,136. The company has one series of shares, which confer equal rights in the company. Valoe did not own any of its own shares at the end of the reporting period.

The company had a total of 6,990 shareholders at the end of June 2016, and 20.4 percent of the shares were owned by foreigners. The ten largest shareholders held 73.75 percent of the company's shares and voting rights on 30 June 2016.

The largest shareholders on 30 June 2016

| | | shares | percent |
|---|---|---|---|
| 1 | SAVCOR GROUP OY | 282 200 871 | 32,72 |
| 2 | SAVCOR COMMUNICATIONS LTD PTY | 133 333 333 | 15,46 |
| 3 | GASELLI CAPITAL OY | 91 218 068 | 10,58 |
| 4 | KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ETERA | 63 673 860 | 7,38 |
| 5 | SAVCOR INVEST B.V. | 39 374 994 | 4,57 |
| 6 | SCI INVEST OY | 6 870 645 | 0,8 |
| 7 | FRATELLI OY | 6 622 650 | 0,77 |
| 8 | NORDEA PANKKI SUOMI OYJ | 5 222 442 | 0,6 |
| 9 | VUORENMAA TIMO ANTERO | 3 894 360 | 0,45 |
| 10 | KANNISTO PERTTI | 3 634 574 | 0,42 |
| | OTHERS | 226 426 339 | 26,25 |
| | TOTAL | 862 472 136 | 100,00 |

The list of the largest shareholders does not include e.g. the changes in ownership that would realize if subscriptions of the Convertible Bond I/2015 approved on 9 October 2015 would be converted to shares at a price of EUR 0.01 in the future.  Subscriptions for a total of EUR 7,700,000 were made which equals to max. 770,000,000 new shares in Valoe.

Savcor Communications Pty. Ltd purchased all the Valoe shares owned by Australian EMEFCY Group Ltd (former Savcor Group Ltd) i.e. a total of 133,333,333 Valoe´s shares representing altogether approximately 15.5 % of Valoe´s 862,472,136 shares and related voting rights.

The members of the Board of Directors and the President and CEO, either directly or through companies under their control, held a total of 464,278,602 shares in the company on 30 June 2016, representing about 53.8 percent of the company’s shares and voting rights. Additionally, the members of the Board of Directors and the President and CEO held a total of 75,500,000 options connected to the stock option scheme 2015. At the end of the period Iikka Savisalo, Valoe’s Managing Director, either directly or through companies under his control, held a total of 461,779,843 shares in the company and 26.500.000 options connected to the stock option scheme 2015.

The price of Valoe’s share varied between EUR 0.009 and 0.049 during the January – June period. The average price was EUR 0.025 and the closing price at the end of June EUR 0.011. A total of 167.7 million Valoe shares were traded at a value of EUR 4.2 million during the January – June period. The company’s market capitalization at the end of June stood at EUR 9.5 million.

During 2015 the Board of Directors of Valoe resolved the terms and conditions of a stock option scheme. The maximum total number of stock options issued is 130,000,000 and they entitle their owners to subscribe for a maximum total of 130,000,000 new shares in the company.  The stock options will be issued for free. Of the stock options, 50,000,000 are marked with the symbol 2015A, 40,000,000 are marked with the symbol 2015B and 40,000,000 are marked with the symbol 2015C. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group.

## SHARE ISSUE AUTHORIZATIONS IN FORCE

The Annual General Meeting 2016 resolved to authorize the Board of Directors to decide on a share issue with and/or without payment, either in one or in several occasions, so that the number of new shares issued based on the authorization or number of shares issued based on option rights and other special rights entitling to the shares pursuant to the Chapter 10, Section 1 of the Finnish companies Act, would equal to the total maximum amount of 1,000,000,000 shares. The authorization is in force until 30 June 2017.

## DECISIONS AT VALOE'S ANNUAL GENERAL MEETING AND ORGANIZING OF THE BOARD OF DIRECTORS

Valoe Corporation's Annual General Meeting was held on 24 May 2016 in Mikkeli, Finland. The AGM approved the 2015 financial statements and discharged the members of the Board and the President and CEO from liability for the financial year 2015. According to the Board' proposal, it was decided that no dividend for the financial year 2015 will be distributed. It was also decided that the loss for the financial period that ended on 31 December 2015 will be entered in retained earnings.

It was decided that the Board of Directors will have three members. Industrial counsellor Hannu Savisalo, Ville Parpola and Iikka Savisalo continue as old Board members in the Board of Directors.

At its organizing meeting following the Annual General Meeting, Valoe's Board of Directors elected Hannu Savisalo as the Chairman and Ville Parpola as the Vice Chairman of the Board. The Board of Directors decided, due to the scope of the company's business, that it is not necessary to establish any separate Board committees.

The Annual General Meeting resolved that an annual remuneration of EUR 40,000 will be paid to the Chairman and to the Vice Chairman of the Board, and EUR 30,000 to the members of the Board of Directors. Further, the Annual General Meeting resolved that 29,500,000 option rights pursuant to Valoe's option scheme 2015 will be issued to Hannu Savisalo, Chairman of the Board; 19,500,000 option rights to Ville Parpola, Vice Chairman of the Board; and 10,000,000 option rights to Iikka Savisalo, Member of the Board. Further, travel costs will be paid to the Board members pursuant to the company's travel policy.

KPMG Oy Ab, Authorized Public Accounting Firm, continues as the company's auditor and Petri Kettunen, APA, as the responsible auditor.

The Annual General Meeting resolved to authorize the Board of Directors to decide on a share issue with and/or without payment, either in one or in several occasions, including right to resolve on option rights and other rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act so that the number of new shares issued based on the authorization or number of shares issued based on option rights and other special rights entitling to the shares pursuant to the Chapter 10, Section 1 of the Finnish companies Act, would equal to the total maximum amount of 1,000,000,000 shares which equals to approximately 36.2 percent, at the most, of all shares in the company including shares issued based on the authorization and/or shares to be issued based on option rights and other special rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The authorization does not exclude the Board's right to decide also on directed issue of shares or option rights and other special rights pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The authorization may be used for important arrangements from the company's point of view e.g. to strengthen the capital structure, to finance investments, for acquisitions and business transactions or other business arrangements, or to expand ownership structure, or for incentive plans, or for other purposes resolved by the Board involving a weighty financial reason for issuing shares or option rights or special rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The share issue may be executed by deviating from the shareholders' pre-emptive subscription right provided the company has a weighty financial reason for that. The authorization is in force until 30 June 2017.

## THE MAJOR EVENTS SINCE THE END OF THE REPORTING PERIOD

### 2 August 2016: VALOE DISCLOSED A POSITIVE PROFIT WARNING

As previously disclosed Valoe sold its shares in the company's subsidiaries in Hong Kong and China to Savcor Tempo Oy, a related company belonging to Savisalo family, on the second quarter of 2016. The transaction included all related debts and liabilities, however, excluding the guarantee on lease liability of max. EUR 0.65 million. The arrangement increased Valoe Group's EBITDA by approximately EUR 7.1 million and decreased Valoe Group's net debts by approximately EUR 3.9 million. Due to the above mentioned one-off item and increase in the Group's calculated financing expenses in accordance with IFRS and in the other financing expenses Valoe changes its financial guidance for 2016 as follows:
" Valoe estimates that the net sales of Valoe Group will be ca. EUR 11 – 13 million in 2016, the EBITDA ca. EUR 8.6 – 9.4 million and the profit for the financial year 2016 ca. EUR 5.3 – 6.1 million, provided that the Ethiopian project is executed as planned."

RISK MANAGEMENT, RISKS AND UNCERTAINTIES

Valoe’s Board of Directors is responsible for the control of the company’s accounts and finances. The Board is responsible for internal control, while the President and CEO handles the practical arrangement and monitors the efficiency of internal control. Business management and control are taken care of using a Group-wide reporting and forecasting system.

The purpose of risk management is to ensure that any significant business risks are identified and monitored appropriately. The company’s business and financial risks are managed centrally by the Group’s financial department, and reports on risks are presented to the Board of Directors as necessary.

Due to the small size of the company and its business operations, Valoe does not have an internal auditing organization or an audit committee.

Valoe’s objective is to achieve a strong market position as a provider of, in various geographical areas, locally produced high-quality photovoltaic modules. Achievement of the objectives involves risks. Even though Valoe's strategy and objectives are based on market knowledge and technical surveys, the risks are significant and it is not certain if the company reaches all or part of the targets set for it. Valoe's future outlook will be highly dependent on the company's ability to reach the targeted market position in the global photovoltaic module market as well as on the company's financing.

According to the management of the company the EUR 15.8 million order for a module manufacturing plant received from Ethiopia in February 2016, out of which EUR 9.5 million is paid in cash, turns the company’s cash flow from operations positive if the order is realized as planned. However, Valoe has to arrange an advance payment guarantee for the order and financing for building period in addition to the payment terms arrangements agreed on with the company’s main suppliers. Until all of the aforesaid financing and guarantee has been arranged Valoe’s financing situation continues to be tight and until then the sufficiency of the company’s financing and working capital for the next twelve months involve very significant risks. If the above mentioned financing and guarantee for the order from Ethiopia would not be arranged, the company’s financing situation would further tighten and the continuity of the company’s operation may be jeopardized.

The financial negotiations with Finnvera and Danske Bank involve risks. If the financing limits shall not be extended the company’s financing situation tightens remarkably.

In the Auditor’s Report in the Annual Report 2015 the company’s auditor drew attention to the financial risk management, among others, with a so called Emphasis of Matter as follows: “We draw attention both to the report of the Board of Directors section “Risk management, Risks and Uncertainties” and to the Note 29 “Financial risk management”. As described in these paragraphs, the financial situation of the company is severe and the financing arrangements of the company are unfinished. As a result, there are significant risks in the adequacy of 12 months financing and in the ability of the company to continue its operations on a going concern basis. The financial statements of the company are prepared based on a going concern assumption. If the conditions for going concern cannot be secured, the values of assets in the financial statements of the company may need to be changed.”

The module manufacturing plant order from Ethiopia involves business, financial, schedule and country risks that are typical of international equipment sales.Until financing arrangements, guarantees and other arrangements for the Ethiopian order have been secured Valoe’s financing situation continues to be tight and until then the sufficiency of the company’s financing and working capital for the next twelve months involve very significant risks. If the company does not succeed to secure sufficient financing for the building period of the order from Ethiopia, the continuity of the company’s operation may be jeopardized.

The certain statements in this release and especially the company's financial guidance as well as non-binding estimations in Valoe's strategy are targeted to the future and based on the management's current estimations. They involve risks and uncertainty by their nature and may be affected by changes in general financial situation or business environment.

Other risks connected to Valoe have been presented in more detail in the Annual Report for 2015.

MARKET OUTLOOK

Valoe estimates that the net sales of Valoe Group will be ca. EUR 11 – 13 million in 2016 (2015: EUR 0.7 million) and the EBITDA ca. EUR 8.6 – 9.4 million (2015: EUR -2.8 million). The result for the financial year 2016 is estimated to be ca. EUR 5.3 – 6.1 million (2015: EUR –4.7 million). All comparison figures concern the continuing operations. The financial guidance is subject to the Ethiopian project to be executed as planned.

In Mikkeli, 3 August 2016

Valoe Corporation

BOARD OF DIRECTORS

For more information please contact:
Valoe: Iikka Savisalo, President and CEO, tel. +358 40 521 6082, iikka.savisalo@valoe.com

# Accounting principles

(unaudited)

**Revenue recognition principles**

The revenue generated by the Ethiopian project is recorded as sales under the percentage of completion method. The Ethiopian project has been subdivided into smaller projects whose physical percentage of completion is reviewed monthly. The percentage of completion is determined based on pre-planned milestones/actions and objectives.

Revenue is recognized based on determined percentage of completion and, if necessary, a provision is recognized to avoid exceeding the estimated margin of the project.

The presentation of the Ethiopia project in the balance sheet is defined during Q2 2016, the receivables and liabilities related to the revenue recognition of the project are offset.

**Application of the going concern assumption**

The financial statements of the company are prepared on a going concern assumption. The financing situation of Valoe has been and continues to be very tight. According to the company's management the EUR 15.8 million order received in February 2016, out of which EUR 9.5 million is paid in cash, turns the company's financing situation clearly more stable. However, this is subject to the company being able to arrange an advance payment guarantee and financing for building period of this export project.

Valoe's financing situation continues to be tight at least until financing for building period for the order received from Ethiopia has been arranged and advance payment relating to the sale has been paid to Valoe. If the company is able to arrange financing for the delivery time the Ethiopian order will lead the cash flow from operations to turn positive and according to the management of the company no other bridging financing would be needed at that point.

If the conditions for going concern cannot be secured, the values of assets in the financial statements of the company, including the revenue recognition of the Ethiopian project, may need to be changed.

# Consolidated statement of comprehensive income

(unaudited)

| 1 000 EUR | 4-6/2016 | 4-6/2015 | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Net sales** | 1 077 | 234 | 2 722 | 360 | 699 |
| Cost of sales | -680 | -270 | -1 476 | -434 | -937 |
| Gross profit | **397** | **-36** | **1 246** | **-74** | **-237** |
| | | | | | |
| Other operating income | 7 169 | 120 | 7 169 | 871 | 150 |
| Product development expenses | -371 | -309 | -604 | -640 | -1 078 |
| Sales and marketing expenses | -207 | -179 | -406 | -340 | -686 |
| Administrative expenses | -181 | -318 | -388 | -557 | -982 |
| Other operating expenses | -121 | -1 | -471 | -3 | -705 |
| | | | | | |
| **Operating profit** | **6 687** | **-723** | **6 546** | **-743** | **-3 540** |
| | | | | | |
| Financial income | 1 | -10 | 6 | 111 | 306 |
| Financial expenses | -550 | -250 | -1 057 | -525 | -1 497 |
| | | | | | |
| **Profit before taxes from continuing operations** | **6 138** | **-983** | **5 495** | **-1 157** | **-4 731** |
| | | | | | |
| Income taxes | 18 | 0 | 18 | 1 | 0 |
| | | | | | |
| **Profit/loss for the period from continuing operations** | **6 156** | **-983** | **5 513** | **-1 157** | **-4 731** |
| | | | | | |
| **Discontinued operations** | | | | | |
| Profit/loss after tax for the period from discontinued operations | -146 | -142 | -175 | -123 | -91 |
| | | | | | |
| **Profit/loss for the period** | **6 010** | **-1 125** | **5 339** | **-1 279** | **-4 822** |
| | | | | | |
| **Profit/loss attributable to:** | | | | | |
| Shareholders of the parent company | **6 010** | **-1 125** | **5 339** | **-1 279** | **-4 822** |
| | | | | | |
| Earnings/share (diluted), eur | 0,004 | -0,001 | 0,004 | -0,001 | -0,006 |
| Earnings/share (basic), eur | 0,007 | -0,001 | 0,006 | -0,001 | -0,006 |
| | | | | | |
| **Continuing operations:** | | | | | |
| Earnings/share (diluted), eur | 0,004 | -0,001 | 0,004 | -0,001 | -0,005 |
| Earnings/share (basic), eur | 0,007 | -0,001 | 0,006 | -0,001 | -0,005 |
| | | | | | |
| **Profit/loss for the period** | **6 010** | **-1 125** | **5 339** | **-1 279** | **-4 822** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Translation difference | 583 | 129 | 750 | -334 | -468 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **0** | **129** | **0** | **-334** | **-468** |
| | | | | | |
| **Total comprehensive income for the period** | **6 593** | **-996** | **6 088** | **-1 614** | **-5 290** |
| | | | | | |
| **Total comprehensive income attributable to:** | | | | | |
| Shareholders of the parent company | **6 593** | **-996** | **6 088** | **-1 614** | **-5 290** |

# Consolidated statement of financial position

(unaudited)

| 1 000 EUR | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | 55 | 64 |
| Consolidated goodwill | 441 | 441 | 441 |
| Other intangible assets | 8 506 | 3 796 | 3 737 |
| Available-for-sale investment | 9 | 9 | 9 |
| Deferred tax assets | 0 | 0 | 0 |
| **Total non-current assets** | **9 249** | **4 301** | **4 251** |
| **Current assets** | | | |
| Inventories | 244 | 106 | 254 |
| Trade and other non-interest-bearing receivables | 2 309 | 1 751 | 799 |
| Cash and cash equivalents | 4 | 222 | 31 |
| **Total current assets** | **2 557** | **2 080** | **1 084** |
| Assets classified as held for sale | 0 | 73 | 0 |
| **Total assets** | **11 805** | **6 454** | **5 336** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to shareholders of the parent company** | | | |
| Share capital | 80 | 80 | 80 |
| Other reserves | 0 | 806 | 0 |
| Translation difference | 0 | -616 | -750 |
| Retained earnings | -6 571 | -11 494 | -11 910 |
| | -6 491 | -11 225 | -12 579 |
| Non-controlling interests | 0 | 9 | 9 |
| **Total equity** | **-6 491** | **-11 216** | **-12 570** |
| **Non-current liabilities** | | | |
| Non-current loans | 8 508 | 2 243 | 7 222 |
| Other non-current liabilities | 489 | 0 | 0 |
| Deferred tax liabilities | 0 | -1 | 0 |
| **Total non-current liabilities** | **8 996** | **2 242** | **7 222** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 4 520 | 7 072 | 3 131 |
| Trande and other payables | 4 124 | 7 618 | 7 030 |
| Current provisions | 0 | 0 | 0 |
| **Total current liabilities** | **8 644** | **14 690** | **10 162** |
| Liabilities directly associated with assets classified as held for | 656 | 738 | 522 |
| **Total liabilities** | **18 297** | **17 670** | **17 906** |
| **Equity and liabilities total** | **11 805** | **6 454** | **5 336** |

# Consolidated statement of cash flows

(unaudited)

| 1 000 EUR | | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Income statement profit/loss from continuing operations before taxes | | 5 495 | -1 157 | -4 731 |
| Income statement profit/loss from discontinued operations before taxes | | -175 | -123 | -91 |
| Income statement profit/loss before taxes | | 5 320 | -1 280 | -4 822 |
| Non-monetary items adjusted on income statement | | | | |
| Depreciation and impairment | + | 442 | 443 | 696 |
| Gains/losses on disposals of non-current assets | +/- | -7 074 | 0 | 0 |
| Unrealized exchange rate gains (-) and losses (+) | +/- | -10 | -118 | -311 |
| Other non-cash transactions | +/- | 396 | -746 | 684 |
| Change in provisions | +/- | -14 | -58 | -86 |
| Financial income and expense | + | 1 061 | 533 | 1 502 |
| **Total cash flow before change in working capital** | | **120** | **-1 226** | **-2 337** |
| | | | | |
| **Change in working capital** | | | | |
| Increase (-) / decrease (+) in inventories | | 10 | -11 | -159 |
| Increase (-) / decrease (+) in trade and other receivables | | -2 093 | 970 | 1 076 |
| Increase (+) / decrease (-) in trade and other payables | | 1 057 | -623 | -1 358 |
| **Change in working capital** | | **-1 027** | **336** | **-441** |
| | | | | |
| **Adjustment of financial items and taxes to cash-based accounting** | | | | |
| Interest paid | - | 57 | 84 | 294 |
| Interest received | + | 0 | 1 | 1 |
| Other financial items | - | 14 | 29 | 68 |
| Taxes paid | - | -18 | 0 | 3 |
| Financial items and taxes | | -53 | -112 | -364 |
| **NET CASH FLOW FROM BUSINESS OPERATIONS** | | **-959** | **-1 002** | **-3 142** |
| | | | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Investments in tangible and intangible assets | - | 281 | 203 | 396 |
| Proceeds on disposal of tangible and intangible assets | + | 0 | 34 | 34 |
| Loans granted | - | 0 | 160 | 160 |
| Repayment of loan receivables | + | 0 | 263 | 263 |
| Disposal of subsidiaries and other business units | + | -23 | 640 | 640 |
| **NET CASH FLOW FROM INVESTMENTS** | | **-976** | **574** | **381** |
| | | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from non-current borrowings | + | 820 | 121 | 3 381 |
| Repayment of non-current borrowings | - | 0 | 8 | 8 |
| Proceeds from current borrowings | + | 1 368 | 822 | 265 |
| Repayment of current borrowings | - | 280 | 454 | 1 004 |
| **NET CASH FLOW FROM FINANCING ACTIVITIES** | | **1 908** | **481** | **2 634** |
| | | | | |
| **INCREASE (+) OR DECREASE (-) IN CASH FLOW** | | **-26** | **53** | **-127** |

# Consolidated statement of changes in equity

(unaudited)

| 1 000 EUR | Share capital | Other reserves | Translation difference | Distributable non-restricted equity fund | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **31.12.2015** | **80** | **0** | **-750** | **0** | **-11 910** | **-12 579** | **9** | **-12 570** |
| Profit/loss for the period | **-** | **-** | **-** | **-** | **5 338** | **5 338** | **0** | **5 338** |
| Translation difference, comprehensive income | **-** | **-** | **750** | **-** | **0** | **750** | **-9** | **741** |
| **30.6.2016** | **80** | **0** | **0** | **0** | **-6 571** | **-6 491** | **0** | **-6 491** |

The presentation of the own equity component of the convertible bond is defined during Q3 2015, they are transfered from distributable non-restricted equity fund to retained eranings. After the transfer the value of the distributable non-restricted equity fund is zero also in consolidated accounts.

| 1 000 EUR | Share capital | Other reserves | Translation difference | Distributable non-restricted equity fund | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **31.12.2014** | **3 425** | **4 908** | **-281** | **44 552** | **-62 500** | **-9 896** | **8** | **-9 888** |
| Profit/loss for the period | **-** | **-** | **-** | **-** | -1 279 | **-1 279** | 0 | **-1 279** |
| Translation difference, comprehensive income | - | - | -334 | - | 0 | **-334** | 1 | **-334** |
| **Transactions with owners:** | | | | | | | | |
| Own equity component of the convertible bond | | | | 286 | 0 | **286** | 0 | 286 |
| Reduction of share capital | -3 345 | -4 908 | 0 | -44 032 | 52 285 | **0** | | **0** |
| **30.6.2015** | **80** | **0** | **-616** | **806** | **-11 494** | **-11 226** | **9** | **-11 216** |

# Segment information

(unaudited)

From 1 January 2013 Valoe reported of three business segments to comply with the company's Cleantech strategy. The segments were Laser and Automation Applications (LAS), Life Cycle Management (LCM) and Clean Energy (CCE). 17 September Valoe announced that it has transfered the company's electronics automation business into Cencorp Automation Oy, a fully-owned subsidiary of Valow. Further, in accordance to the agreement signed earlier, FTTK Company Limited has purchased 70 percent of the shares in Cencorp Automation Oy. Further FTTK has used its option to purchase the remaining 30 percent of the shares in Cencorp Automation Oy and the parties have signed an agreement on exercising the option in December 2014. In consequence of the sale of the shares Valoe reports the financial figures relating to the electronics automation business, i.e. LAS and LCM segments, as discontinued operations from Q3/2014 and segment information is divided into continuing and discontinued operations. Segment information is not available after operating profit in profit and loss statement. Financial income and expenses or balance sheet items are not booked to segments. Valoe's new segment information is based on the management's internal reporting and on the organisation structure. During the years 2016 and 2015 the discontinued operations include the finishing up of few remaining projects of the electronics automation business sold to FTTK and finalising the sale of the shares.

| **1 000 EUR** | **4-6/2016** | **4-6/2015** | **1-6/2016** | **1-6/2015** | **1-12/2015** |
|---|---|---|---|---|---|
| **Net sales** | | | | | |
| Valoe Clean Energy - continuing operations | 1 077 | 234 | 2 722 | 360 | 699 |
| Discontinued operations | 0 | -74 | 0 | 58 | 113 |
| **Total** | **1 077** | **160** | **2 722** | **418** | **812** |
| **Operating profit** | | | | | |
| Valoe Clean Energy - continuing operations | 6 687 | -723 | 6 546 | -743 | -3 540 |
| Discontinued operations | -146 | -142 | -175 | -123 | -91 |
| **Total** | **6 540** | **-865** | **6 371** | **-865** | **-3 631** |
| **EBITDA** | | | | | |
| Valoe Clean Energy - continuing operations | 6 954 | -504 | 6 988 | -300 | -2 844 |
| Discontinued operations | -146 | -142 | -175 | -123 | -91 |
| **Total** | **6 808** | **-646** | **6 813** | **-422** | **-2 935** |
| **Depreciation** | | | | | |
| Valoe Clean Energy - continuing operations | 268 | 219 | 442 | 443 | 696 |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Total** | **268** | **219** | **442** | **443** | **696** |
| **Impairment** | | | | | |
| Valoe Clean Energy - continuing operations | 0 | 0 | 0 | 0 | 0 |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** | **0** |

# Discontinued operations
(unaudited)

17 September Valoe announced that it has transfered the company's electronics automation business into Cencorp Automation Oy, a fully-owned subsidiary of Valoe. Further, in accordance to the agreement signed earlier, FTTK Company Limited has purchased 70 percent of the shares in Cencorp Automation Oy. Further FTTK has used its option to purchase the remaining 30 percent of the shares in Cencorp Automation Oy and the parties have signed an agreement on exercising the option in December 2014. In consequence of the sale of the shares Valoe reports the financial figures relating to the electronics automation business as discontinued operations from Q3/2014.

During the years 2016 and 2015 the discontinued operations include the finishing up of few remaining projects of the electronics automation business sold to FTTK and finalising the sale of the shares.

**The results and major classes of assets and liabilities of Cencorp's electronics automation business are as follows:**

| **1 000 EUR** | **1-6/2016** | **1-6/2015** | **1-12/2015** |
|---|---|---|---|
| Revenue | 0 | 58 | 113 |
| Expenses | -175 | -181 | -204 |
| **Operating profit/loss from discontinued operation** | -175 | -123 | -91 |
| Gain on discontinued operations | - | - | - |
| **Assets** | | | |
| Property, plant and equipment | 0 | 0 | 0 |
| Other intangible assets | 0 | 0 | 0 |
| Inventories | 0 | 0 | 0 |
| Trade and other non-interest-bearing receivables | 0 | 73 | 0 |
| Cash and cash equivalents | 0 | 0 | 0 |
| Assets classified as held for sale | 0 | 73 | 0 |
| **Liabilities** | | | |
| Trande and other payables | 612 | 651 | 463 |
| Provisions | 44 | 86 | 59 |
| Liabilities directly associated with assets classified as held for sale | 656 | 738 | 522 |
| Net assets directly associated with disposal group | **-656** | **-665** | **-522** |
| Cumulative translation difference | | | |

**Net cash flow of Cencorp's electronics automation business:**

| **1 000 EUR** | **1-6/2016** | **1-6/2015** | **1-12/2015** |
|---|---|---|---|
| Operating | -41 | -364 | -536 |
| Investing | 0 | 102 | 96 |
| Earnings/share (basic), from discontinued operations | -0,0002 | -0,0001 | -0,0001 |
| Earnings/share (diluted) from discontinued operations | -0,0002 | -0,0001 | -0,0001 |

# Key figures

(unaudited)

| 1 000 EUR | 4-6/2016 | 4-6/2015 | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|---|---|
| Net sales | 1 077 | 234 | 2 722 | 360 | 699 |
| Operating profit | 6 687 | -723 | 6 546 | -743 | -3 540 |
| % of net sales | 620,8 % | -308,9 % | 240,5 % | -206,4 % | -506,4 % |
| EBITDA | 6 954 | -504 | 6 988 | -300 | -2 844 |
| % of net sales | 645,7 % | -215,4 % | 256,8 % | -83,2 % | -406,8 % |
| Profit before taxes | 6 138 | -983 | 5 495 | -1 157 | -4 731 |
| % of net sales | 569,8 % | -420,1 % | 201,9 % | -321,6 % | -676,8 % |
| | | | | | |
| Balance Sheet value | 11 805 | 6 454 | 11 805 | 6 454 | 5 336 |
| Equity ratio, % | -55,1 % | -174,6 % | -55,1 % | -174,6 % | -235,7 % |
| Net gearing, % | neg. | neg. | neg. | neg. | neg. |
| Gross investments (continuing operations) | 151 | 151 | 283 | 192 | 395 |
| % of net sales | 14,0 % | 64,5 % | 10,4 % | 53,3 % | 56,5 % |
| Research and development costs (continuing oper.) | 371 | 309 | 604 | 640 | 1 078 |
| % of net sales | 34,4 % | 132,3 % | 22,2 % | 177,8 % | 154,2 % |
| | | | | | |
| Order book | 13 530 | 87 | 13 530 | 87 | 45,58 |
| | | | | | |
| Personnel on average | 21 | 23 | 21 | 24 | 22 |
| Personnel at the end of the period | 22 | 22 | 22 | 22 | 20 |
| | | | | | |
| Non-interest-bearing liabilities | 5 225 | 8 269 | 5 225 | 8 269 | 7 493 |
| Interest-bearing liabilities | 13 028 | 9 315 | 13 028 | 9 315 | 10 354 |
| | | | | | |
| Share key indicators | | | | | |
| Earnings/share (basic) | 0,004 | -0,001 | 0,004 | -0,001 | -0,006 |
| Earnings/share (diluted) | 0,007 | -0,001 | 0,006 | -0,001 | -0,006 |
| Earnings/share (basic), from continuing operations | 0,004 | -0,001 | 0,004 | -0,001 | -0,005 |
| Earnings/share (diluted) from continuing operations | 0,007 | -0,001 | 0,006 | -0,001 | -0,005 |
| Equity/share | -0,008 | -0,013 | -0,008 | -0,013 | -0,015 |
| P/E ratio | 1,58 | -11,50 | 1,78 | -10,11 | -3,40 |
| Highest price | 0,029 | 0,020 | 0,049 | 0,020 | 0,020 |
| Lowest price | 0,009 | 0,008 | 0,009 | 0,007 | 0,007 |
| Average price | 0,016 | 0,013 | 0,025 | 0,011 | 0,013 |
| Closing price | 0,011 | 0,015 | 0,011 | 0,015 | 0,019 |
| Market capitalisation, at the end of the period, MEUF | 9,5 | 12,9 | 9,5 | 12,9 | 16,4 |

# Calculation of Key Figures

| Key figure | Numerator | Denominator |
|---|---|---|
| EBITDA, %: | Operating profit + depreciation + impairment | Net sales |
| Equity ratio, %: | Total equity x 100 | Total assets - advances received |
| Net gearing, %: | Interest-bearing liabilities - cash and cash equivalents and marketable securities x 100 | Shareholders' equity + non-controlling interests |
| Earnings/share (EPS): | Profit/loss for the period to the owner of the parent company | Average number of shares adjusted for share issue at the end of the financial year |
| Equity/share: | Equity attributable to shareholders of the parent company | Undiluted number of shares on the balance sheet date |
| P/E ratio: | Price on the balance sheet date | Earnings per share |

# Related party transactions

(unaudited)

The Group has sold and purchased goods and services from companies in which the majority holding and/or power of decision granting control of the company is held by members of the Group's related parties. Sales of goods and services carried out with related parties are based on market prices.

**The Group entered into the following transactions with related parties:**

| 1 000 EUR | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Sales of goods and services** | | | |
| Savcor companies - financial management and production services | 19 | 43 | 92 |
| Cencorp Automation Oy - financial management services | -2 | 0 | 0 |
| Savcor Face Ltd - solar modules / production services | 0 | 36 | 36 |
| Others | 1 | 0 | 0 |
| **Total** | **17** | **79** | **128** |
| | | | |
| **Purchases of goods and services** | | | |
| Savcor companies - financial management, legal and IT services | 66 | 110 | 227 |
| Savcor Face Ltd - marketing services | 16 | 16 | 51 |
| SCI-Finance Oy - marketing and administration services | 45 | 46 | 98 |
| Savcor Technologies Oy - marketing and administration services | 20 | 0 | 0 |
| Oy Marville Ab - legal services | 35 | 0 | 30 |
| Others - administration service | 0 | 1 | 0 |
| **Total** | **182** | **174** | **405** |
| | | | |
| **Gain on disposal** | | | |
| Savcor Tempo Oy | -300 | 0 | 0 |
| | | | |
| **Interest income** | | | |
| Savcor companies | 0 | 1 | 1 |
| | | | |
| **Interest expenses and other financial expenses** | | | |
| Savcor companies | 76 | 73 | 162 |
| SCI Invest Oy | 34 | 30 | 57 |
| SCI-Finance Oy - funding | 35 | 0 | 4 |
| Savcor Technologies Oy | 22 | 0 | 5 |
| Savcor Communications Pty Ltd | 27 | 0 | 0 |
| Savcor Tempo Oy | 5 | 0 | 0 |
| Others | 35 | 6 | 49 |
| **Total** | **234** | **109** | **277** |
| | | | |
| **Discontinued operations** | | | |
| **Purchases of goods and services** | | | |
| Savcor companies - financial management, legal and IT services | 0 | 0 | 7 |
| SCI-Finance Oy - administration services | 3 | 0 | 9 |
| Others | 2 | 0 | 1 |
| **Total** | **6** | **0** | **18** |

| 1 000 EUR | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| Non-current convertible subordinated loan from related parties | 2 020 | 187 | 1 882 |
| Non-current interest payable to related parties | 173 | 0 | 0 |
| Current convertible subordinated loan from related parties | 364 | 1 110 | 364 |
| Other current liabilities to related parties | 2 262 | 1 375 | 705 |
| Current interest payable to related parties | 438 | 322 | 156 |
| Trade payables and other non-interest-bearing liabilities to related parties | 359 | 545 | 197 |
| | | | |
| Trade and other current receivables from related parties | 17 | 63 | 25 |

From the beginnin of 2015 Savcor Group Limited in Australia is no longer part of Savcor Group, and liabilities to the company are not included in related party transactions.

Savcor companies are under influence of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board .

SCI Invest Oy is a company under control of Iikka Savisalo, Cencorp's CEO.

Savcor Face Ltd is a company under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

SCI-Finance Oy is a company under control of Hannu Savisalo, Valoe's Chairman of the Board.

Savcor Technologies Oy is a company under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

Savcor Communications Pty Ltd is a company under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

Savcor Tempo Oy is a company under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

Oy Marville Ab is a company under control of Ville Parpola, Valoe's Vice chairman of the Board.

| 1 000 EUR | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| **Wages and remuneration** | | | |
| Salaries of the management and Board | 364 | 382 | 856 |

The presentation of the salaries of the management and Board has been changed from receipts basis to accrual basis, also for the comparison period Q2 2015.

# Fair values

(unaudited)

| 1 000 EUR | Carrying amount 30.6.2016 | Fair value 30.6.2016 |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale investments | 9 | 9 |
| Trade and other receivables | 2 309 | 2 309 |
| Cash and cash equivalents | 4 | 4 |

The presentation of the Ethiopia project in the balance sheet is defined during Q2 2016, the receivables and liabilities related to the revenue recognition of the project are offset.

| | | |
|---|---|---|
| **Financial liabilities** | | |
| R&D loan, non-current | 2 781 | 2 781 |
| Non-current convertible subordinated loan | 5 726 | 5 726 |
| Loans from financial institutions, current | 1 598 | 1 598 |
| Current convertible subordinated loan | 364 | 364 |
| Other liabilities, current | 2 558 | 2 558 |
| Trade payables and other non-interest-bearing liabilities | 2 545 | 2 545 |

The fair value of non-current liabilities is expected to correspond to the carrying amount and recognized to their fair value when recorded. There has been no significant change in common interest rate after the withdrawal of the loans.

EUR 2.6 million out of trade payables, other current liabilites and accruals was overdue at the end of the reporting period. In addition, an export credit limit of EUR 0,3 million to Danske Bank was overdue.

# Change in intangible and tangible assets

(unaudited)

| 1 000 EUR | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| **Includes tangible assets, consolidated goodwill and other intangible assets** | | | |
| Carrying amount, beginning of period | 4 242 | 4 577 | 4 577 |
| Depreciation and impairment | -442 | -443 | -696 |
| Additions | 283 | 192 | 395 |
| Realization of an internal margin | 4 931 | 0 | 0 |
| Disposals | -47 | -34 | -34 |
| Exchange rate difference | -4 | 0 | 0 |
| Carrying amount, end of period | **8 963** | **4 292** | **4 242** |

# Commitments and contingent liabilities

(unaudited)

| 1 000 EUR | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| **Loans from financial institutions** | 949 | 950 | 950 |
| Promissory notes secured by pledge | 12 691 | 12 691 | 12 691 |
| | | | |
| **Factoring loan and export credit limit** | 349 | 872 | 448 |
| Trade receivables | 0 | 41 | 0 |
| Deposits | 0 | 14 | 0 |
| Promissory notes secured by pledge | 12 691 | 12 691 | 12 691 |
| | | | |
| **Collaterals given from other short-term loans** | | | |
| Deposits | 0 | 518 | 509 |
| | | | |
| **Commitments - continuing operations** | | | |
| Payable within one year | 61 | 83 | 61 |