

## VALOE CORPORATION, INTERIM REPORT 1 JANUARY 2016 – 31 MARCH 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 solutions, was completed during 2015. Now Valoe is a technology startup which, however, already has new, competitive and tested technology in use; operating automated production plant; worldwide market; as well as experienced personnel with competence in international technology sales, production and projects.
- During the reporting period, in February 2016 Valoe received a ca. EUR 15.8 million order for a solar module manufacturing plant and back contact technology. The plant will be delivered during the year 2016. 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 financing for the order.
- The net sales of the continuing operations of Valoe Group for the reporting period January – March 2016 were EUR 1.6 million (EUR 0.1 million in 2015). The operating profit of continuing operations was EUR -0.1 million (EUR -0.02 million), profit for the period was EUR -0.6 million (EUR -0.2 million), earnings per share were EUR -0.0007 (-0.0002) and EBITDA was EUR 0.03 million (EUR 0.2 million).
- After the end of the reporting period Valoe sold the Chinese companies owned by Valoe and related debts and liabilities to Savcor Tempo Oy, a Savisalo family related company. Valoe estimates that the arrangement improves its consolidated result by ca. EUR 7 million. Valoe will report the final result of the arrangement in its Interim Report for the second quarter that will be released on 3 August 2016. The Beijing factory was already closed and Valoe Group had no longer during the reporting period any future expectations relating to the factory in its balance sheet. At the end of the reporting period the group balance sheet included all of the debts of the Beijing subsidiary. The net debts totaled ca. EUR 3.7 million.
- Valoe estimates that the net sales of Valoe Group will be ca. EUR 11 – 13 million in 2016 and the EBITDA ca. EUR 1.5 – 2.0 million. The financial year 2016 is estimated to be profitable. The market outlook is subject to the Ethiopian project to be finished as planned.
- Valoe’s financial situation continues to be tight. However, Valoe’s management views that the fully funded order for a module manufacturing plant and a technology package from Ethiopia turns Valoe’s financial situation stable provided the company succeeds to arrange advance payment guarantee and financing for building period that are typical of export business. Valoe has to arrange advance payment guarantee that is typical of export business and financing of ca. EUR 2.0 – 4.0 million for building period from its suppliers and financiers. After the reporting period Valoe has received loan commitments of ca. EUR 1.3 million.

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](http://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.

## FINANCIAL DEVELOPMENT

Valoe transferred its electronics automation business to Cencorp Automation Oy and sold at first 70 percent and in December 2014 the remaining 30 percent of this company to FTTK, after which Valoe has reported of only one business segment. The profit of EUR 0.276 million from the transaction between Valoe and FTTK was entered in the books in 2014. The figures of Cencorp Automation Oy have no longer been consolidated in Valoe's financial reports in 2015.

The figures in brackets are comparison figures for the corresponding period in 2015, unless stated otherwise.

January – March 2016 (continuing operations)

- Valoe Group's net sales increased more than tenfold to EUR 1.6 million (In 2015: EUR 0.1 million).
- EBITDA was EUR 0.03 million (EUR 0.2 million).
- Operating profit was EUR -0.1 million (EUR -0.02 million).
- The profit before taxes was EUR -0.6 million (EUR -0.2 million).
- Profit for the period was EUR -0.6 million (EUR -0.2 million).
- Earnings per share were EUR -0.0007 (EUR -0.0002) and diluted earnings per share EUR -0.0007 (EUR -0.0002).

The operating profit of the first quarter of the corresponding year 2015 was increased by a one-off cost of EUR 0.7 million that related to the Beijing factory and was invoiced from Savcor Group Ltd. The cost was due to the Share and Asset Sale Agreement signed between Valoe and Savcor Group Ltd, an Australian based company, in 2009. The receivable was written off in the Financial Statements for 2015.

## MANAGING DIRECTOR IIKKA SAVISALO'S REVIEW

During the first quarter of the financial year 2016 Valoe was finally able to start implementing its strategy as the module manufacturing plant and technology transfer project to Ethiopia was commenced. The objective of the demanding project is to deliver an advanced solar module manufacturing plant to the customer, Valoe's first manufacturing partner, and provide the customer with technological knowhow required to run the plant successfully.

Valoe is well prepared for the project. The company's project team has a lot of experience of challenging projects and international business operations. New resources have been hired to the project team and more high profile professionals will be recruited as required. The company's management trusts the project organization is able to deliver a high quality product to the customer within the agreed timetable.

Although Valoe's customer has financed the whole order with funding granted by the Ethiopian Development Bank, Valoe has to arrange financing for the building period. Valoe succeeded in collecting the first phase financing, ca. EUR 1.3 million, and the project was started. Negotiations for funding took longer time than expected but Valoe believes that the project proceeds within the schedule agreed with the customer.

As Valoe has now the first manufacturing partner in its ecosystem it has to increase the number of resources developing technologies for the manufacturing partners. Valoe is prepared to provide its partners with various components including Conductive Back Sheet, developed by Valoe, besides production lines. Securing sufficient and competitive production capacity for Conductive Back Sheets is now one of the company's most important short-term investment objectives.

Valoe's turnover started to increase during first quarter of 2016 as the Ethiopian project was launched and the demand for solar electricity started to grow in Finland. The company's management views that the demand continues to grow in Finland in the spring and the summer 2016.

Valoe trusts that the consumers value Valoe's solar power plants that have high capacity, long lifespan and attractive aesthetics and produce clean energy for decades as well as increase the value of properties owned by Valoe's customers. 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 several distribution agreements around Finland and trained retailers to become professionals in the field of solar electricity. The new sales channel is already operating with good results. Its efficiency is based on close cooperation between Valoe and private companies that are enthusiastic about solar power systems sales and already have good reputation for selling similar products and services.

The demand for solar energy gives Valoe an opportunity to test sales and delivery models for modules and solar power plant technologies, at home. However, the production of Valoe's plant in Mikkeli is not essential for the company's growth regardless of the company's success in Finland. The most substantial growth will be achieved if Valoe succeeds in selling several module manufacturing plants and related technology packages like the one sold in Ethiopia. According to Valoe's strategy buyers of module manufacturing plants, who are Valoe's manufacturing partners, start using Valoe's components. Valoe's customers and manufacturing partners form an ecosystem of companies, specializing in standardized and modern back contact modules, whose technological development and production cost efficiency Valoe will look after. Additionally Valoe will take care of the whole ecosystem's technological and economic competitiveness by updating its partners' 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.

The ebitda of the financial year's first quarter was positive for the first time since Valoe's Clean Energy strategy was introduced. This proves Valoe has made investments in the right direction. However, the long-term profitability depends on the Ethiopian project delivery as well as on the company's ability to sign new manufacturing partnership agreements. During the reporting period Valoe continued its negotiations with several new candidates for a manufacturing partner around the world as has been announced previously.

Despite the growth and improved profitability the company's financial situation has been very tight during 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, which is estimated to take place at the end of the second quarter or at the latest when the Ethiopian production line delivery has passed the tests in Finland and is ready for shipping.

Valoe's research and development continues working with development projects announced previously. The objective is to continuously improve the competitiveness of the ecosystem using back contact technology. In 2015 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. Tekes, the Finnish Funding Agency for Innovation, granted Valoe a significant development loan of EUR 4 million, which secured financing for the project.

During the first half of the year 2016 major part of the company's development resources will be targeted to the Ethiopian project.

In the long-term, Valoe will include in its offering technologies relating to energy storages and fuel cells according to the company's strategy. As to the key competences in these technologies Valoe will be supported by its technology partners.

Valoe has moved on to the implementation phase of its strategy. In compliance with the company's financial guidance Valoe believes it will grow fast and profitably, which will gradually improve the company's financial situation.

## VALOE'S STRATEGY

Valoe's net sales will be generated by the following four 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 Valoe's PV modules 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 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. The value of the contracts Valoe is negotiating for varies from approximately 2 million Euros to approximately 60 million Euros.

### 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. Valoe provides its partners with technical support and is neither aiming to have a major shareholding in its partnership companies nor it pursues to take responsibility for its partners' sales or other 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

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 components, components relating to energy storages and special back contact based cell technologies.

## 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. Modern next generation conductive back sheet based solar modules can be manufactured with Valoe's own module manufacturing recipe and automated production.

On the 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 still during 2015. Many solar module manufacturers with solid market position have 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 has 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 – March 2016 was EUR -0.6 million (EUR -0.7 million). Trade receivables at the end of the reporting period were EUR 9.6 million (EUR 0.8 million). Net financial items amounted to EUR 0.5 million (EUR 0.2 million).

At the end of March the equity ratio of Valoe Group was -88.4 percent (-148.7 %) and equity per share was EUR -0.015 (EUR -0.012). The equity ratio including capital loans was -48.6 percent (-102.5 %). At the end of the reporting period, the Group's liquid assets totaled EUR 0.002 million (EUR 0.2 million) and unused export credit limits and bank guarantee limits amounted to EUR 0.0 million (EUR 0.0 million).

The sale of Valoe's Chinese subsidiaries taken place after the end of the reporting period is estimated to increase Valoe Group's result by ca. EUR 7 million and thus changing Valoe Group's equity ratio remarkably. Valoe will report the final result of the sale of the subsidiaries in its Interim Report for the second quarter of 2016 that will be released on 3 August 2016.

The financing situation of Valoe has improved remarkably due to the successful Convertible Bond I/2015 during the autumn 2015. However, the financing situation continues to be tight but according to the company's management the EUR 15.8 million order received in February 2016, out of which EUR 9.5 million will be paid in cash, turns the company's financing situation clearly more stable. However, this is subject to the company being able to arrange financing for building period and advance payment guarantee that are typical of export business and the order being delivered as agreed.

Valoe and the Finnish Funding Agency for Innovation, Tekes agreed on new funding for Valoe 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 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.

As the company has previously informed many negotiations for deliveries of production technology have made progress. 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.

Valoe has agreed on extending the loan periods of Savcor Group's convertible bond of ca. EUR 0.364 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 extending the overdraft facility of EUR 0.95 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 0.45 million that was due on 31 March 2016. The company will disclose a separate release after the negotiations have been closed.

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 and the targets set for the research and development have been exceeded. Also in the future, commercial success will highly depend on how well the research and development will succeed. 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. If Valoe succeeds in its research and development the company may obtain 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 – March period amounted to EUR 0.2 million (EUR 0.3 million) or 14.2 (127.9) percent of net sales. The research and development costs of the Group's continuing operations during the January – March period totaled EUR 0.2 million (EUR 0.3 million) or 14.2 (262.3) percent of net sales.

## INVESTMENTS

Gross investments in the continuing operations during January - March period amounted to EUR 0.1 million (EUR 0.04 million). The investments on the reporting period as well as on the corresponding period were mainly in development costs.

## PERSONNEL

At the end of March the Group employed 21 (26) people, out of which 20 persons worked in Finland and 1 person in the USA. During the reporting period the Group's salaries and fees totaled EUR 0.3 million (EUR 0.4 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 6,661 shareholders at the end of March 2016, and 20.3 percent of the shares were owned by foreigners. The ten largest shareholders held 79.0 percent of the company's shares and voting rights on 31 March 2016.

The largest shareholders on 31 March 2016

|  | shares      | percent |
|--|-------------|---------|
| 1 SAVCOR GROUP OY                      | 324 511 387 | 37,63   |
| 2 SAVCOR GROUP LIMITED                 | 133 333 333 | 15,46   |
| 3 GASELLI CAPITAL OY                   | 95 000 000  | 11,01   |
| 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              | 5 077 942   | 0,59    |
| 9 VUORENMAA TIMO ANTERO                | 3 894 360   | 0,45    |
| 10 SAARELAINEN MIKA                    | 2 800 000   | 0,32    |
| OTHERS                                 | 181 312 965 | 21,02   |
| 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. After the end of the reporting period Savcor Communications Pty. Ltd purchased all the Valoe shares owned by Australian EMEFCY Group Ltd (former Savcor Group Ltd). Savcor Communications Pty.Ltd acquired 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 373,255,785 shares in the company on 31 March 2016, representing about 43.3 percent of the company's shares and voting rights. Iikka Savisalo, Valoe's Managing Director, either directly or through companies under his control, held a total of 370,757,026 shares in the company and 5,194,481 options connected to bond I/2012.

The price of Valoe's share varied between EUR 0.019 and 0.049 during the January – March period. The average price was EUR 0.034 and the closing price at the end of March EUR 0.029. A total of 84.9 million Valoe shares were traded at a value of EUR 2.9 million during the January – March period. The company's market capitalization at the end of March stood at EUR 25.0 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. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group. During the reporting period 71,000,000 options were distributed to the key employees. 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.

## SHARE ISSUE AUTHORIZATIONS IN FORCE

There is no share issue authorizations in force as the Convertible Bond I/2015 has been fully subscribed and the company has resolved on the stock option scheme during 2015.

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

### 5 APRIL 2016: DISCLOSURE UNDER CHAPTER 9, SECTION 10 OF THE SECURITIES MARKET ACT

Valoe Corporation has received an announcement from Savcor Communications Pty.Ltd on 5 April 2016 according to which its shareholding in Valoe shares has exceeded the threshold of over 15 % of all the shares in Valoe as a result of a share transactions concluded on 5 April 2016 whereby Savcor Communications Pty.Ltd purchased all the Valoe shares owned by Australian EMEFCY Group Ltd (former Savcor Group Ltd). Savcor Communications Pty.Ltd acquired on the deal 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.

## 5 APRIL 2016: VALOE HAS RECEIVED AN ANNOUNCEMENT OF A TRANSFER OF RECEIVABLES FROM SAVCOR COMMUNICATIONS

Savcor Communications Pty. Ltd has notified Valoe that it has agreed with EMEFCY Group Ltd (former Savcor Group Ltd.), an Australian company, on a transfer of receivables. A loan of ca. EUR 0.8 million with interests granted by EMEFCY Group (former Savcor Group Ltd) to Valoe has been transferred to Savcor Communications on 5 April 2016. The loan between Valoe and Savcor Communications shall fall due on 31 December 2016 unless the parties agree otherwise. The interest rate of the loan is 10.75%. There is no guarantee provided for the loan.

## 18 APRIL 2016: VALOE HAS RECEIVED A NOTIFICATION OF AN AWARD OF THE ARBITRAL TRIBUNAL IN THE CASE CONCERNING THE SHARES IN CENCORP AUTOMATION

In its award of today the arbitral tribunal has confirmed that the 30 percent ownership in Cencorp Automation Oy has been transferred from Valoe to FTTK Company Limited on 21 January 2015.

## 29 APRIL 2016: VALOE HAS RECEIVED LOAN COMMITMENTS OF EUR 1.3 MILLION. VALOE MAKES A WRITE-DOWN IN THE MOTHER COMPANY'S FINANCIAL STATEMENTS FOR 2015 AND UPDATES THE SITUATION OF ITS FINANCING NEGOTIATIONS

Valoe has resolved to write down a revenue of EUR 0.7 million recognized on the first quarter of 2015 based on a claim against Australian Savcor Group Ltd Creditors Trust (former Savcor Group Ltd), in the financial statements for 2015. The claim was based on the share and asset sale agreement, signed in 2009, regarding the factories in China between Savcor Group Ltd and Cencorp Corporation (now Valoe Corporation). Valoe claimed Savcor Group Ltd Creditors Trust to pay taxes provided for in China that were recognized during Savcor Group Ltd's ownership. According to the information Valoe has received it has become clear that Savcor Group Ltd Creditors Trust which is under Australian liquidation process does, in Valoe's opinion, no longer have enough assets or income to pay the compensation even if the claim would be successful. In the last quarter of 2015 Valoe recognized a tax cost of EUR 0.7 million related to the above mentioned claim. This one-off cost related to the Beijing factory was based on afterwards changed taxation of equipment imported in 2008.

Since the end of the financial year the company's financing situation has declined. Valoe has to arrange an advance payment guarantee that is typical of export business and financing of ca. EUR 2.0 – 4.0 million for building period for the Ethiopian order from its suppliers and financiers. By the disclosure of this release Valoe has received loan commitments of ca. EUR 1.3 million for building period financing for the EUR 15.8 million order from Ethiopia from the company's shareholders and promissory note holders. Valoe views that this financing will enable the company to continue with the delivery with maximum effort and provides time to arrange additional funding and guarantees. Negotiations for additional funding and advance payment guarantee are ongoing but not yet finished.

On 5 April 2016 Valoe announced that Savcor Communications Pty Ltd has notified Valoe that it has agreed with EMEFCY Group Ltd (former Savcor Group Ltd.), an Australian company, that Valoe's loan of ca. EUR 0.8 million with interests has been transferred from the Australian company, former Savcor Group Ltd to Savcor Communications on 5 April 2016. The loan shall fall due on 31 December 2016 unless the parties agree otherwise. The interest rate of the loan is 10.75%. There is no guarantee provided for the loan. Valoe

has started negotiations with Savcor Communications Pty Ltd for new loan terms. Valoe's object is to agree with Savcor Communications Pty Ltd on converting the loan to a subordinated loan.

## 29 APRIL 2016: THE AUDITORS'S REPORT OF VALOE

Valoe's auditor has today given his report for the company's Financial Statements for 2015.

### **AUDITOR'S REPORT**

#### ***To the Annual General Meeting of Valoe Oyj***

We were engaged to audit the accounting records, the financial statements, the report of the Board of Directors, and the administration of Valoe Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

#### *Responsibility of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the consolidated financial statements and consolidated financial statements information included in the report of the Board of Directors" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

*Opinion on the company's financial statements and the company's financial statements information included in the report of the Board of Directors*

In our opinion, the financial statements of Valoe Oyj (parent company) and the parent company's financial statements information included in the report of the Board of Directors, give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The parent company information in the report of the Board of Directors is consistent with the information in the financial statements.

*Basis for Disclaimer of Opinion on the consolidated financial statements and consolidated financial statements information included in the report of the Board of Directors*

The section "Financial development" in the report of the Board of Directors describes both the situation and potential impacts of the Beijing subsidiary to the consolidated financial position of Valoe. No accounting records have been kept for the Beijing subsidiary for financial year 2015 for reasons described in the report by Board of Directors. As a result, we were not able to verify the correctness of receivables, bank account or debt of the Beijing subsidiary.

*Disclaimer of Opinion*

Due to the significance of the matter described in the Basis for Disclaimer of Opinion, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express opinion on the consolidated financial statements or consolidated financial statements information included in the report of the Board of Directors.

*Auditor's remark*

The interim report 1.1.-30.6.2015 prepared by the board of directors includes a revenue of EUR 0.7 million recognized based on a claim raised by Valoe. Further, the section "Financial development" in the report of the Board of Directors describes the accounting treatment of both the claim and the related costs as basis for the claim during financial year 2015.

In our opinion, the recognized revenue of EUR 0.7 million based on a claim is not in accordance with IFRS. As described in the report of the Board of Directors, the tax cost of EUR 0.7 million was recognized in the Beijing subsidiary in the last quarter of 2015. Taking into consideration the above mentioned, the cost of EUR 0.7 million should have been included in the interim report 1.1.-30.6.2015.

We refer to the Securities Market Act, Chapter 7 section 8 subsection 2 and make a remark that interim report for the period 1.1.-30.6.2015 has not been prepared in accordance with the laws and regulations governing the preparation of the Interim report.

## *Emphasis of matter*

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.

## 29 APRIL 2016: VALOE'S ANNUAL REPORT AND CORPORATE GOVERNANCE STATEMENT HAS BEEN DISCLOSED

Valoe Corporation's Annual Report 2015 has been published. The Annual Report is available in Finnish and in English on the company's website at [www.valoe.com](http://www.valoe.com). The Annual Report includes the Report of the Board of Directors, the Financial Statements, the Auditor's Report and the Corporate Governance Statement.

## 2 MAY 2016: NOTICE TO THE GENERAL MEETING OF VALOE CORPORATION

Notice is given to the shareholders of Valoe Corporation to the Annual General Meeting to be held on 24 May 2016 at 11:00 (Finnish time) at the company's headquarters at Insinöörinkatu 5, 50100 Mikkeli, Finland. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 10:30 (Finnish time).

### A. Matters on the agenda of the General Meeting

At the General Meeting, the following matters will be considered:

1. Opening of the meeting
2. Calling the meeting to order
3. Election of persons to scrutinize the minutes and to supervise the counting of votes
4. Recording the legality of the meeting
5. Recording the attendance at the meeting and adoption of the list of votes
6. Presentation of financial statements, group financial statements, the report of the Board of Directors and the auditor's report for the year 2015 and the review by the CEO
7. Adoption of the financial statements and group financial statements
8. Resolution on the use of the profit shown on the balance sheet and the payment of dividend

The Board of Directors proposes to the General Meeting that the loss for the financial year ended on 31 December 2015 is entered in retained earnings and that no dividend will be distributed.

9. Resolution on the discharge of the members of the Board of Directors and the CEO from liability

- 10.** Resolution on the number of members of the Board of Directors
- 11.** Resolution on the remuneration and principles for travelling cost payments of the members of the Board of Directors
- 12.** Election of members of the Board of Directors
- 13.** Resolution on the remuneration of the auditor

The Board of Directors proposes to the General Meeting that the auditor is paid auditor's fee and compensation of the costs against a reasonable invoice accepted by Valoe Corporation.

- 14.** Election of auditor

The Board of Directors proposes to the General Meeting that the firm of independent accountants KPMG Oy Ab be re-elected as the company's auditor for a period ending in the first Annual General Meeting following the Annual General Meeting, in which it was elected. KPMG Oy Ab has informed that the principal auditor would be Petri Rekonen, Authorised Public Accountant.

- 15.** Authorization of the Board of Directors to decide on a share issue as well as other option rights and other special rights entitling to shares in the company

The Board of Directors proposes to the General Meeting, that the General Meeting authorizes 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. It is proposed that 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. It is proposed that the authorization is in force until 30 June 2017.

- 16.** Closing of the meeting

## 10 MAY 2016: VALOE SOLD ITS CHINESE SUBSIDIARY AND RELATED LIABILITIES TO SAVCOR TEMPO OY

Valoe Corporation has concluded its negotiations with a Savisalo family related company for selling Valoe's subsidiary in Beijing, China. In the arrangement Valoe sold 100 percent of the shares in Savcor Pacific Ltd, a Hong Kong subsidiary of Valoe, to Savcor Tempo Oy. Savcor Pacific owns 100 percent of the shares in the

Chinese subsidiary, Savcor Face (Beijing) Co., Ltd. Both companies as well as the debts and liabilities related to their operations were transferred to Savcor Tempo Oy. 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. An annual interest rate of 12 percent will be paid on the debt.

Only a guarantee on lease liability given by Valoe on behalf of the Chinese factory was excluded from the transaction. The guarantee amounts to EUR 0.65 million at the most if realized. A provision equivalent to the guarantee was booked in Valoe's Financial Statements for 2014 where it has been recognized as an additional expense and the mother company's liability as announced earlier. Valoe has contested the guarantee.

Valoe has written down the value of the shares of its subsidiary, Savcor Pacific Ltd, in the Financial Statements for 2014.

Valoe estimates that the aforesaid arrangement improves its consolidated result by ca. EUR 7 million. The aforementioned figures are at this point only estimations. Valoe will report the final result of the arrangement in its Interim Report for the second quarter that will be released on 3 August 2016.

## 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.

The Convertible Bond I/2015 enabled the company to stabilize its short-term financing remarkably. According to the management of the company the EUR 15.8 million order for a module manufacturing plant received from Ethiopia in 2016, out of which EUR 9.5 million will be paid in cash, turns the company's cash flow from operations positive if the order is realized as planned. However, Valoe has to arrange advance payment guarantee, typical of export business, for the order and financing of ca. EUR 2.0 – 4.0 million for building period from its suppliers and financiers. The company has received funding commitments of a total of EUR 1.3 million by the disclosure of this Interim Report. 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

fully 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 execution of the non-binding cooperation agreement signed between Valoe and Vikram Solar involves typical business risks. Arrangements pursuant to the non-binding cooperation agreement are subject to several terms and conditions, especially to Valoe's financing.

The execution of the non-binding Memorandum of Understanding signed with a Chinese photovoltaic module manufacturer involves significant risks. The final terms of an agreement are still under negotiations, thus execution of the agreement is not yet guaranteed. Additionally, the agreement is subject to Valoe's financing.

The module manufacturing plant order from Ethiopia involves business, financial 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 1.5 – 2.0 million (2015: EUR -2.1 million). The financial year 2016 is estimated to be profitable (2015: EUR –3.9 million). All comparison figures concern the continuing operations.

In Mikkeli, 19 May 2016

Valoe Corporation

BOARD OF DIRECTORS

For more information please contact:

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# Consolidated statement of comprehensive income

(unaudited)

| 1 000 EUR  | 1-3/2016    | 1-3/2015    | 1-12/2015     |
|--|-------------|-------------|---------------|
| <b>Continuing operations</b>   |             |             |               |
| <b>Net sales</b>   | 1 645       | 126         | 699           |
| Cost of sales  | -796        | -165        | -937          |
| <b>Gross profit</b>  | <b>848</b>  | <b>-39</b>  | <b>-237</b>   |
| Other operating income   | 0           | 751         | 150           |
| Product development expenses   | -233        | -330        | -1 078        |
| Sales and marketing expenses   | -199        | -161        | -686          |
| Administrative expenses  | -207        | -239        | -982          |
| Other operating expenses   | -349        | -2          | -705          |
| <b>Operating profit</b>  | <b>-141</b> | <b>-20</b>  | <b>-3 540</b> |
| Financial income   | 5           | 121         | 306           |
| Financial expenses   | -507        | -275        | -1 497        |
| <b>Profit before taxes from continuing operations</b>  | <b>-643</b> | <b>-175</b> | <b>-4 731</b> |
| Income taxes   | 0           | 1           | 0             |
| <b>Profit/loss for the period from continuing operations</b>                                     | <b>-643</b> | <b>-174</b> | <b>-4 731</b> |
| <b>Discontinued operations</b>   |             |             |               |
| Profit/loss after tax for the period from discontinued operations                                | -29         | 20          | -91           |
| <b>Profit/loss for the period</b>  | <b>-672</b> | <b>-154</b> | <b>-4 822</b> |
| <b>Profit/loss attributable to:</b>  |             |             |               |
| Shareholders of the parent company   | -672        | -154        | -4 822        |
| Earnings/share (diluted), eur  | -0,0008     | -0,0002     | -0,006        |
| Earnings/share (basic), eur  | -0,0008     | -0,0002     | -0,006        |
| <b>Continuing operations:</b>  |             |             |               |
| Earnings/share (diluted), eur  | -0,0007     | -0,0002     | -0,005        |
| Earnings/share (basic), eur  | -0,0007     | -0,0002     | -0,005        |
| <b>Profit/loss for the period</b>  | <b>-672</b> | <b>-154</b> | <b>-4 822</b> |
| <b>Other comprehensive income</b>  |             |             |               |
| Translation difference   | 166         | -464        | -468          |
| <b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b> | <b>166</b>  | <b>-464</b> | <b>-468</b>   |
| <b>Total comprehensive income for the period</b>   | <b>-505</b> | <b>-618</b> | <b>-5 290</b> |
| <b>Total comprehensive income attributable to:</b>   |             |             |               |
| Shareholders of the parent company   | -505        | -618        | -5 290        |

# Consolidated statement of financial position

(unaudited)

| 1 000 EUR  | 31.3.2016      | 31.3.2015      | 31.12.2015     |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-current assets</b>  |                |                |                |
| Property, plant and equipment                                      | 12             | 8              | 64             |
| Consolidated goodwill  | 441            | 441            | 441            |
| Other intangible assets  | 3 696          | 3 907          | 3 737          |
| Available-for-sale investment                                      | 9              | 9              | 9              |
| Deferred tax assets  | 0              | 0              | 0              |
| <b>Total non-current assets</b>                                    | <b>4 159</b>   | <b>4 365</b>   | <b>4 251</b>   |
| <b>Current assets</b>  |                |                |                |
| Inventories  | 276            | 49             | 254            |
| Trade and other non-interest-bearing receivables                   | 10 342         | 1 913          | 799            |
| Cash and cash equivalents  | 22             | 225            | 31             |
| <b>Total current assets</b>  | <b>10 639</b>  | <b>2 188</b>   | <b>1 084</b>   |
| Assets classified as held for sale                                 | 0              | 564            | 0              |
| <b>Total assets</b>  | <b>14 798</b>  | <b>7 117</b>   | <b>5 336</b>   |
| <b>EQUITY AND LIABILITIES</b>                                      |                |                |                |
| <b>Equity attributable to shareholders of the parent company</b>   |                |                |                |
| Share capital  | 80             | 3 425          | 80             |
| Other reserves   | 0              | 49 460         | 0              |
| Translation difference   | -583           | -745           | -750           |
| Retained earnings  | -12 581        | -62 654        | -11 910        |
|  | -13 084        | -10 515        | -12 579        |
| Non-controlling interests  | 0              | 9              | 9              |
| <b>Total equity</b>  | <b>-13 084</b> | <b>-10 506</b> | <b>-12 570</b> |
| <b>Non-current liabilities</b>                                     |                |                |                |
| Non-current loans  | 8 278          | 1 699          | 7 222          |
| Other non-current liabilities                                      | 335            | 0              | 0              |
| Deferred tax liabilities   | 0              | -1             | 0              |
| <b>Total non-current liabilities</b>                               | <b>8 613</b>   | <b>1 698</b>   | <b>7 222</b>   |
| <b>Current liabilities</b>   |                |                |                |
| Current interest-bearing liabilities                               | 3 116          | 7 405          | 3 131          |
| Trade and other payables   | 15 602         | 7 454          | 7 030          |
| Current provisions   | 0              | 0              | 0              |
| <b>Total current liabilities</b>                                   | <b>18 718</b>  | <b>14 860</b>  | <b>10 162</b>  |
| Liabilities directly associated with assets classified as held for | 551            | 1 065          | 522            |
| <b>Total liabilities</b>   | <b>27 882</b>  | <b>17 623</b>  | <b>17 906</b>  |
| <b>Equity and liabilities total</b>                                | <b>14 798</b>  | <b>7 117</b>   | <b>5 336</b>   |

# Consolidated statement of cash flows

(unaudited)

| 1 000 EUR   |     | 1-3/2016    | 1-3/2015    | 1-12/2015     |
|---|-----|-------------|-------------|---------------|
| <b>Cash flow from operating activities</b>                              |     |             |             |               |
| Income statement profit/loss from continuing operations before taxes    |     | -643        | -175        | -4 731        |
| Income statement profit/loss from discontinued operations before taxes  |     | -29         | 20          | -91           |
| Income statement profit/loss before taxes                               |     | -672        | -155        | -4 822        |
| <b>Non-monetary items adjusted on income statement</b>                  |     |             |             |               |
| Depreciation and impairment   | +   | 175         | 224         | 696           |
| Gains/losses on disposals of non-current assets                         | +/- | 63          | 0           | 0             |
| Unrealized exchange rate gains (-) and losses (+)                       | +/- | 8           | -118        | -311          |
| Other non-cash transactions   | +/- | 282         | -739        | 684           |
| Change in provisions  | +/- | -9          | -11         | -86           |
| Financial income and expense  | +   | 494         | 273         | 1 502         |
| <b>Total cash flow before change in working capital</b>                 |     | <b>342</b>  | <b>-526</b> | <b>-2 337</b> |
| <b>Change in working capital</b>  |     |             |             |               |
| Increase (-) / decrease (+) in inventories                              |     | -22         | 46          | -159          |
| Increase (-) / decrease (+) in trade and other receivables              |     | -9 566      | 338         | 1 076         |
| Increase (+) / decrease (-) in trade and other payables                 |     | 8 642       | -523        | -1 358        |
| <b>Change in working capital</b>  |     | <b>-945</b> | <b>-139</b> | <b>-441</b>   |
| <b>Adjustment of financial items and taxes to cash-based accounting</b> |     |             |             |               |
| Interest paid   | -   | 41          | 56          | 294           |
| Interest received   | +   | 0           | 1           | 1             |
| Other financial items   | -   | -1          | 28          | 68            |
| Taxes paid  | -   | 0           | 0           | 3             |
| Financial items and taxes   |     | -41         | -82         | -364          |
| <b>NET CASH FLOW FROM BUSINESS OPERATIONS</b>                           |     | <b>-644</b> | <b>-748</b> | <b>-3 142</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                              |     |             |             |               |
| Investments in tangible and intangible assets                           | -   | 150         | 51          | 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           |
| <b>NET CASH FLOW FROM INVESTMENTS</b>                                   |     | <b>-173</b> | <b>726</b>  | <b>381</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                              |     |             |             |               |
| Proceeds from non-current borrowings                                    | +   | 820         | 121         | 3 381         |
| Repayment of non-current borrowings                                     | -   | 0           | 8           | 8             |
| Proceeds from current borrowings  | +   | 110         | 106         | 265           |
| Repayment of current borrowings   | -   | 126         | 149         | 1 004         |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>                          |     | <b>804</b>  | <b>71</b>   | <b>2 634</b>  |
| <b>INCREASE (+) OR DECREASE (-) IN CASH FLOW</b>                        |     | <b>-13</b>  | <b>48</b>   | <b>-127</b>   |

## Consolidated statement of changes in equity

(unaudited)

| 1 000 EUR                                    | Share capital | Other reserves | Translation difference | Distributable non-     |                   | Total          | Non-controlling interests | Total equity   |
|--|---------------|----------------|------------------------|------------------------|-------------------|----------------|---------------------------|----------------|
|  |               |                |                        | restricted equity fund | Retained earnings |                |                           |                |
| <b>31.12.2015</b>                            | <b>80</b>     | <b>0</b>       | <b>-750</b>            | <b>0</b>               | <b>-11 910</b>    | <b>-12 579</b> | <b>9</b>                  | <b>-12 570</b> |
| Profit/loss for the period                   | -             | -              | -                      | -                      | -672              | -672           | 0                         | -672           |
| Translation difference, comprehensive income | -             | -              | 166                    | -                      | 0                 | 166            | -9                        | 157            |
| <b>31.3.2016</b>                             | <b>80</b>     | <b>0</b>       | <b>-583</b>            | <b>0</b>               | <b>-12 581</b>    | <b>-13 084</b> | <b>0</b>                  | <b>-13 084</b> |

The presentation of the own equity component of the convertible bond is defined during Q3 2015, they are transferred from distributable non-restricted equity fund to retained earnings. 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-     |                   | Total          | Non-controlling interests | Total equity   |
|--|---------------|----------------|------------------------|------------------------|-------------------|----------------|---------------------------|----------------|
|  |               |                |                        | restricted equity fund | Retained earnings |                |                           |                |
| <b>31.12.2014</b>                            | <b>3 425</b>  | <b>4 908</b>   | <b>-281</b>            | <b>44 552</b>          | <b>-62 500</b>    | <b>-9 896</b>  | <b>8</b>                  | <b>-9 888</b>  |
| Profit/loss for the period                   | 0             | 0              | 0                      | 0                      | -154              | -154           | 0                         | -154           |
| Translation difference, comprehensive income | 0             | 0              | -464                   | 0                      | 0                 | -464           | 1                         | -463           |
| <b>31.3.2015</b>                             | <b>3 425</b>  | <b>4 908</b>   | <b>-745</b>            | <b>44 552</b>          | <b>-62 654</b>    | <b>-10 516</b> | <b>9</b>                  | <b>-10 506</b> |

## 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 transferred 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.

| <b>1 000 EUR</b>                             | <b>1-3/2016</b> | <b>1-3/2015</b> | <b>1-12/2015</b> |
|--|-----------------|-----------------|------------------|
| <b>Net sales</b>                             |                 |                 |                  |
| Cencorp Clean Energy - continuing operations | 1 645           | 126             | 699              |
| Discontinued operations                      | 0               | 132             | 113              |
| <b>Total</b>                                 | <b>1 645</b>    | <b>258</b>      | <b>812</b>       |
| <b>Operating profit</b>                      |                 |                 |                  |
| Cencorp Clean Energy - continuing operations | -141            | -20             | -3 540           |
| Discontinued operations                      | -29             | 20              | -91              |
| <b>Total</b>                                 | <b>-170</b>     | <b>-1</b>       | <b>-3 631</b>    |
| <b>EBITDA</b>                                |                 |                 |                  |
| Cencorp Clean Energy - continuing operations | 34              | 204             | -2 844           |
| Discontinued operations                      | -29             | 20              | -91              |
| <b>Total</b>                                 | <b>5</b>        | <b>224</b>      | <b>-2 935</b>    |
| <b>Depreciation</b>                          |                 |                 |                  |
| Cencorp Clean Energy - continuing operations | 175             | 224             | 696              |
| Discontinued operations                      | 0               | 0               | 0                |
| <b>Total</b>                                 | <b>175</b>      | <b>224</b>      | <b>696</b>       |
| <b>Impairment</b>                            |                 |                 |                  |
| Cencorp Clean Energy - continuing operations | 0               | 0               | 0                |
| Discontinued operations                      | 0               | 0               | 0                |
| <b>Total</b>                                 | <b>0</b>        | <b>0</b>        | <b>0</b>         |

## Discontinued operations

(unaudited)

17 September Valoe announced that it has transferred 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:

| <b>1 000 EUR</b>  | <b>1-3/2016</b> | <b>1-3/2015</b> | <b>1-12/2015</b> |
|---|-----------------|-----------------|------------------|
| Revenue   | 0               | 132             | 113              |
| Expenses  | -29             | -113            | -204             |
| <b>Operating profit/loss from discontinued operation</b>                | <b>-29</b>      | <b>20</b>       | <b>-91</b>       |
| Gain on discontinued operations   | -               | -               | -                |
| <b>Assets</b>   |                 |                 |                  |
| 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               | 564             | 0                |
| Cash and cash equivalents   | 0               | 0               | 0                |
| Assets classified as held for sale                                      | 0               | 564             | 0                |
| <b>Liabilities</b>  |                 |                 |                  |
| Trade and other payables  | 502             | 931             | 463              |
| Provisions  | 50              | 134             | 59               |
| Liabilities directly associated with assets classified as held for sale | 551             | 1 065           | 522              |
| Net assets directly associated with disposal group                      | <b>-551</b>     | <b>-501</b>     | <b>-522</b>      |

Cumulative translation difference

Net cash flow of Cencorp's electronics automation business:

| <b>1 000 EUR</b>                                      | <b>1-3/2016</b> | <b>1-3/2015</b> | <b>1-12/2015</b> |
|---|-----------------|-----------------|------------------|
| Operating   | 1               | -392            | -536             |
| Investing   | 0               | 103             | 96               |
| Earnings/share (basic), from discontinued operations  | -0,00003        | 0,00002         | -0,0001          |
| Earnings/share (diluted) from discontinued operations | -0,00003        | 0,00002         | -0,0001          |

# Key figures

(unaudited)

| 1 000 EUR   | 1-3/2016 | 1-3/2015 | 1-12/2015 |
|---|----------|----------|-----------|
| Net sales   | 1 645    | 126      | 699       |
| Operating profit                                      | -141     | -20      | -3 540    |
| % of net sales  | -8,6 %   | -16,0 %  | -506,4 %  |
| EBITDA  | 34       | 204      | -2 844    |
| % of net sales  | 2,1 %    | 162,1 %  | -406,8 %  |
| Profit before taxes                                   | -643     | -175     | -4 731    |
| % of net sales  | -39,1 %  | -138,6 % | -676,8 %  |
| Balance Sheet value                                   | 14 798   | 7 117    | 5 336     |
| Equity ratio, %                                       | -88,4 %  | -148,7 % | -235,7 %  |
| Net gearing, %  | neg.     | neg.     | neg.      |
| Gross investments (continuing operations)             | 133      | 41       | 395       |
| % of net sales  | 8,1 %    | 32,6 %   | 56,5 %    |
| Research and development costs (continuing oper.)     | 233      | 330      | 1 078     |
| % of net sales  | 14,2 %   | 262,3 %  | 154,2 %   |
| Order book  | 7 995    | 122      | 0,05      |
| Personnel on average                                  | 21       | 26       | 22        |
| Personnel at the end of the period                    | 21       | 26       | 20        |
| Non-interest-bearing liabilities                      | 16 103   | 8 386    | 7 493     |
| Interest-bearing liabilities                          | 11 394   | 9 104    | 10 354    |
| Share key indicators                                  |          |          |           |
| Earnings/share (basic)                                | -0,0008  | -0,0002  | -0,006    |
| Earnings/share (diluted)                              | -0,0008  | -0,0002  | -0,006    |
| Earnings/share (basic), from continuing operations    | -0,0007  | -0,0002  | -0,005    |
| Earnings/share (diluted) from continuing operations   | -0,0007  | -0,0002  | -0,005    |
| Equity/share  | -0,015   | -0,012   | -0,015    |
| P/E ratio   | -37,25   | -44,70   | -3,40     |
| Highest price   | 0,049    | 0,010    | 0,020     |
| Lowest price  | 0,019    | 0,007    | 0,007     |
| Average price   | 0,034    | 0,009    | 0,013     |
| Closing price   | 0,029    | 0,008    | 0,019     |
| Market capitalisation, at the end of the period, MEUR | 25,0     | 6,9      | 16,4      |



## Calculation of Key Figures

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

## 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:

| <b>1 000 EUR</b>   | <b>1-3/2016</b> | <b>1-3/2015</b> | <b>1-12/2015</b> |
|--|-----------------|-----------------|------------------|
| <b>Continuing operations</b>   |                 |                 |                  |
| <b>Sales of goods and services</b>   |                 |                 |                  |
| Savcor companies - financial management and production services              | 14              | 17              | 92               |
| Cencorp Automation Oy - financial management services                        | 0               | 1               | 0                |
| Savcor Face Ltd - solar modules / production services                        | 0               | 0               | 36               |
| Others   | 0               | 1               | 0                |
| <b>Total</b>   | <b>14</b>       | <b>19</b>       | <b>128</b>       |
| <b>Purchases of goods and services</b>                                       |                 |                 |                  |
| Savcor companies - financial management, legal and IT services               | 41              | 55              | 227              |
| Savcor Face Ltd - marketing services   | 8               | 8               | 51               |
| SCI-Finance Oy - marketing and administration services                       | 24              | 19              | 98               |
| Others - legal service   | 19              | -1              | 30               |
| <b>Total</b>   | <b>92</b>       | <b>81</b>       | <b>405</b>       |
| <b>Interest income</b>   |                 |                 |                  |
| Savcor companies   | 0               | 1               | 1                |
| <b>Interest expenses and other financial expenses</b>                        |                 |                 |                  |
| Savcor companies   | 38              | 36              | 162              |
| SCI Invest Oy  | 17              | 15              | 57               |
| SCI-Finance Oy - funding   | 18              | 0               | 0                |
| Muut   | 21              | 0               | 58               |
| <b>Total</b>   | <b>94</b>       | <b>51</b>       | <b>277</b>       |
| <b>Discontinued operations</b>   |                 |                 |                  |
| <b>Purchases of goods and services</b>                                       |                 |                 |                  |
| Savcor companies - financial management, legal and IT services               | 0               | 0               | 7                |
| SCI-Finance Oy - administration services                                     | 3               | 0               | 9                |
| Others   | 0               | 0               | 1                |
| <b>Total</b>   | <b>3</b>        | <b>0</b>        | <b>18</b>        |
| Non-current convertible subordinated loan from related parties               | 1 951           | 0               | 1 882            |
| Non-current interest payable to related parties                              | 119             | 0               | 0                |
| Current convertible subordinated loan from related parties                   | 364             | 1 195           | 364              |
| Other current liabilities to related parties                                 | 685             | 1 355           | 705              |
| Current interest payable to related parties                                  | 111             | 264             | 156              |
| Trade payables and other non-interest-bearing liabilities to related parties | 255             | 986             | 197              |
| Trade and other current receivables from related parties                     | 30              | 163             | 25               |

From the beginning 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 .

| <b>1 000 EUR</b>                     | <b>1-3/2016</b> | <b>1-3/2015</b> | <b>1-12/2015</b> |
|--------------------------------------|-----------------|-----------------|------------------|
| <b>Wages and remuneration</b>        |                 |                 |                  |
| Salaries of the management and Board | 182             | 179             | 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 Q1 2015.

## Fair values

(unaudited)

| <b>1 000 EUR</b>  | <b>Carrying amount<br/>31.3.2016</b> | <b>Fair value<br/>31.3.2016</b> |
|---|--------------------------------------|---------------------------------|
| <b>Financial assets</b>                                   |                                      |                                 |
| Available-for-sale investments                            | 9                                    | 9                               |
| Trade and other receivables                               | 10 342                               | 10 342                          |
| Cash and cash equivalents                                 | 22                                   | 22                              |
| <br>  |                                      |                                 |
| <b>Financial liabilities</b>                              |                                      |                                 |
| R&D loan, non-current                                     | 2 747                                | 2 747                           |
| Non-current convertible subordinated loan                 | 5 531                                | 5 531                           |
| Loans from financial institutions, current                | 1 402                                | 1 402                           |
| Current convertible subordinated loan                     | 364                                  | 364                             |
| Other liabilities, current                                | 1 350                                | 1 350                           |
| Trade payables and other non-interest-bearing liabilities | 6 503                                | 6 503                           |

The fair value of trade and other receivables is expected to correspond to the carrying amount due to their short maturity.

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 5.9 million out of trade payables and other current liabilities was overdue at the end of the reporting period. That included EUR 4.0 million of Savcor Face Beijing's overdue liabilities. . In addition, an interest-bearing loan of EUR 0,5 million to Savcor Group Limited / The Savcor Creditors' Trust and an export credit limit of EUR 0,4 million to Danske Bank were overdue.

## Change in intangible and tangible assets

(unaudited)

| <b>1 000 EUR</b>   | <b>31.3.2016</b> | <b>31.3.2015</b> | <b>31.12.2015</b> |
|--|------------------|------------------|-------------------|
| <b>Includes tangible assets, consolidated goodwill and other intangible assets</b> |                  |                  |                   |
| Carrying amount, beginning of period   | 4 242            | 4 577            | 4 577             |
| Depreciation and impairment  | -175             | -224             | -696              |
| Additions  | 133              | 41               | 395               |
| Disposals  | -47              | -38              | -34               |
| Discontinued operations  | 0                | 0                | 0                 |
| Exchange rate difference   | -4               | 0                | 0                 |
| Carrying amount, end of period   | <b>4 149</b>     | <b>4 356</b>     | <b>4 242</b>      |

# Commitments and contingent liabilities

(unaudited)

| <b>1 000 EUR</b>                                     | <b>31.3.2016</b> | <b>31.3.2015</b> | <b>31.12.2015</b> |
|--|------------------|------------------|-------------------|
| <b>Loans from financial institutions</b>             | 954              | 950              | 950               |
| Promissory notes secured by pledge                   | 12 691           | 12 691           | 12 691            |
| <b>Factoring loan and export credit limit</b>        | 448              | 1 172            | 448               |
| Trade receivables                                    | 0                | 73               | 0                 |
| Promissory notes secured by pledge                   | 12 691           | 12 691           | 12 691            |
| <b>Collaterals given from other short-term loans</b> |                  |                  |                   |
| Deposits   | 489              | 539              | 509               |
| <b>Commitments - continuing operations</b>           |                  |                  |                   |
| Payable within one year                              | 61               | 83               | 61                |