

## VALOE CORPORATION INTERIM REPORT 1 January 2018 – 30 September 2018

### SUMMARY

- In December 2017 the company resolved on a directed share issue in which the company offered up to 10,000,000 new shares in the company for subscription to all the creditors of the company who at the time of subscription hold indisputable receivable amounting to at least EUR 25,000 from the company. The subscription price for the new shares could be paid in cash or by set-off against indisputable receivables the subscriber had from the company. In total 8,721,077 new shares were acceptably subscribed in the offering ended in the reporting period in January 2018. Thus, the company collected in the offering in total approximately EUR 859,000 new capital before fees and costs and the indebtedness of the company decreased in total approximately by EUR 9,257,000.
- On 19 April 2017 Valoe entered into a convertible note facility agreement with Bracknor Investment concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes that will be accompanied by share subscription warrants. By the end of the reporting period the company has withdrawn a total of EUR 1.65 million from the financing facility.
- In April 2018 Valoe and ForUs Capital Oy signed delivery contracts totalling ca. EUR 0.45 million. The contracts are part of the framework agreement between Valoe and ForUs Capital Oy, disclosed on 7 August 2017, on delivering solar power plants worth a total of ca. EUR 4 million to Finland. ForUs Capital sells electricity generated by the solar power plants to its own partners. The total value of the binding delivery contracts with ForUs Capital Oy signed by the end of the reporting period totals ca. EUR 1.6 million. Valoe has been delivering the orders since the autumn 2017 and most of the power plants ordered by the end of the reporting period will be delivered by the end of 2018.
- In April 2018 Valoe issued a convertible bond of MEUR 1.0 at the most in order to strengthen the company's capital structure and to purchase a cell production line from Megacell S.r.l., under liquidation. The subscription price was EUR 0.55 per share. The convertible bond was issued in deviation from the shareholders' pre-emptive subscription rights to the parties separately approved by the Board of Directors. The loan period shall expire on 31 May 2021 on which date the convertible bond shall expire to be repayable in its entirety in accordance with the terms of the loan. An annual interest of eight (8) percent shall be paid to the capital of the Convertible Bond. The subscription period of the shares under the convertible bond begun from the subscription of the convertible bond and shall expire on 31 May 2021. The Convertible Bond was fully subscribed. During the subscription period of the Convertible Bond new investments of EUR 0.9 million was paid in cash. Out of the subscriptions, a total of EUR 0.1 million was paid by setting the subscription price off against the subscribers' receivables from the company. Despite the aforesaid financial arrangements, pursuant to the estimates available to the company, the company's financing situation and working capital situation continue to be tight in 2018.
- During the reporting period Valoe made significant investments in its research and development. In April 2018 Valoe introduced Chrome II, a new glass-glass solar module including Valoe's own MWT (Metal Wrap Through) cell, on the market. Further, in April 2018 Valoe announced that it has purchased a solar cell production line from Italian Megacell S.r.l.; under liquidation, and that the company has signed a cooperation agreement with Soli Tek Cells JSC, a solar cell manufacturer based in

Lithuania. The cell production line Valoe purchased from Italy has been transferred to Soli Tek Cells JSC's premises in Lithuania. In May 2018 Valoe disclosed that it has signed a development and technology transfer agreement with German ISC Konstanz. The purchase of the cell production line from Italy and the cooperation agreements with both SoliTek and ISC Konstanz support Valoe's objective to develop, for Valoe's modules, an IBC (Interdigitated Back Contact) cell and a bifacial cell BiSoN also based on n-type silicon cell and IBC technology ZEBRA as well as to modify Valoe's current module structure in a way where the features of IBC and BiSoN can be utilized in the best possible way. Additionally, Valoe and ISC Konstanz have agreed on licensing the abovementioned cell types to Valoe and its future manufacturing partners.

- After the reporting period Valoe issued a Convertible Bond 2/2018 totalling EUR 2,195,289.10, in deviation from the shareholders' pre-emptive subscription rights, to Ilmarinen Mutual Pension Insurance Company. Ilmarinen subscribed the Convertible Bond 2/2018 against its loan receivable from Valoe by converting the loan capital and the interests of the Convertible Bond 1/2015 into the Convertible Bond 2/2018 which is a capital loan.
- On the reporting period January – September 2018, the net sales of Valoe Group, under the IFRS standards, was EUR 1.0 million (in 2017 EUR 0.5 million). The EBIT was EUR -2.0 million (EUR -1.9 million), the profit for the period was EUR -3.3 million (EUR -4.0 million), undiluted earnings per share were EUR -0.23 (EUR -0.87) and the EBITDA ca. EUR -1.1 million (EUR -0.9 million).
- Valoe's Asian customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. Valoe will enter the order in its order book only after the customer has secured financing for the factory project.
- Valoe will not disclose financial guidance for the financial year 2018.
- 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 2017. The Interim Report has not been audited.

## FINANCIAL DEVELOPMENT JANUARY – SEPTEMBER 2018

In December 2017 the company resolved on a directed share issue in which the company offered up to 10,000,000 new shares in the company for subscription to all the creditors of the company who at the time of subscription hold indisputable receivable amounting to at least EUR 25,000 from the company. The subscription price for the new shares could be paid in cash or by set-off against indisputable receivables the subscriber had from the company. In total 8,721,077 new shares were acceptably subscribed in the offering ended in January 2018. Thus, the company collected in the offering in total approximately EUR 859,000 new capital before fees and costs and the indebtedness of the company decreased in total approximately by EUR 9,257,000.

In April 2018 Valoe issued a convertible bond of MEUR 1.0 at the most in order to strengthen the company's capital structure and to purchase a cell production line from Megacell S.r.l., under liquidation. The subscription price was EUR 0.55 per share. The convertible bond was issued in deviation from the shareholders' pre-emptive subscription rights to the parties separately approved by the Board of Directors.

The loan period shall expire on 31 May 2021 on which date the convertible bond shall expire to be repayable in its entirety in accordance with the terms of the loan. An annual interest of eight (8) percent shall be paid to the capital of the Convertible Bond. The subscription period of the shares under the convertible bond begun from the subscription of the convertible bond and shall expire on 31 May 2021. The Convertible Bond was fully subscribed. During the subscription period of the Convertible Bond new investments of EUR 0.9 million was paid in cash. Out of the subscriptions, a total of EUR 0.1 million was paid by setting the subscription price off against the subscribers' receivables from the company. Despite the aforesaid financial arrangements, pursuant to the estimates available to the company, the company's financing situation and working capital situation continue to be tight in 2018.

In April Valoe and ForUs Capital Oy signed delivery contracts totalling ca. EUR 0.45 million. The contracts are part of the framework agreement between Valoe and ForUs Capital Oy, disclosed on 7 August 2017, on delivering solar power plants worth a total of ca. EUR 4 million to Finland. ForUs Capital sells electricity generated by the solar power plants to its own partners. The total value of the binding delivery contracts with ForUs Capital Oy signed by the end of the reporting period totals ca. EUR 1.6 million. Valoe has been delivering the orders since the autumn 2017 and most of the power plants ordered by the end of the reporting period will be delivered by the end of 2018.

Valoe has a product development loan from Business Finland (prev. Tekes) in the amount of EUR 4.1 million out of which the company had withdrawn a total of EUR 2.6 million by the end of the reporting period. As per the date of this Interim Report there is still a total of EUR 1.5 million to be withdrawn.

Although the profit and loss effects of the Ethiopian project was removed from Valoe's books during the financial year 2016, the Ethiopian project is continued in terms of operations and the company will resume recognizing revenue based on percentage of completion when the performance obligations under the IAS have been satisfied. Valoe sees that one of the most important requirements is the opening of a EUR 9.5 million Irrevocable Letter of Credit in a bank approved by Valoe or a significant cash payment from the customer. The company may need to pledge a security for cash payment, as usual in export business.

Valoe's Asian customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. Valoe will enter the order in its order book only after the customer has secured financing for the factory project. However, the financing negotiations are ongoing, and the outcome is not yet known. Further, Valoe has ongoing sales negotiations for several other production plants.

The following financials include Valoe Group's operations. The figures in brackets are comparison figures for the corresponding period in 2017, unless stated otherwise. The profit and loss effects of the Ethiopian project have been removed from the figures for the corresponding period in 2017. During the financial year 2017, the company reported the continuing operations and the discontinued operations separately. Since the beginning of the reporting period, the company does not report them in its profit and loss statement as there have been no discontinued operations neither during the reporting period nor during the corresponding period. However, there are liabilities related to the discontinued operations in the balance sheet.

July – September 2018:

- Valoe Group's net sales increased to EUR 0.5 million (In 2017: EUR 0.2 million).
- EBITDA was EUR -0.4 million (EUR -0.2 million).
- Operating profit was EUR -0.7 million (EUR -0.6 million).
- The profit before taxes was EUR -1.2 million (EUR -1.2 million).
- Profit for the period was EUR -1.2 million (EUR -1.2 million).
- Undiluted earnings per share were EUR -0.08 (EUR -0.26).

The operating profit excluding one-off other operating income was EUR -0.7 million (EUR -0.7 million).

January – September 2018:

- Valoe Group's net sales increased ca. 113 percent to EUR 1.0 million (In 2017: EUR 0.5 million).
- EBITDA was EUR -1.1 million (EUR -0.9 million).
- Operating profit was EUR -2.0 million (EUR -1.9 million).
- The profit before taxes was EUR -3.3 million (EUR -4.0 million).
- Profit for the period was EUR -3.3 million (EUR -4.0 million).
- Undiluted earnings per share were EUR -0.23 (EUR -0.87).

The operating profit excluding one-off other operating income was EUR -2.1 million (EUR -4.3 million).

## MANAGING DIRECTOR'S REPORT

### *Financials*

During the reporting period, Valoe's net sales continued growing, as expected, and increased by ca. 113 percent compared to the corresponding period last year. The gross profit of the projects delivered during the reporting period was positive. This gives the company's management a good reason to believe that the profitability will improve as the volume increases. However, as Valoe was preparing for the growth of its business operations the fixed costs were increased, which decreased the profitability during the reporting period.

The development investments that were substantial considering the company's size, put an exceptional strain on Valoe's cashflow and the company's working capital situation has been very tight during the reporting period and from time to time also after that. There will be no major improvement in the working capital situation until a share issue that is planned to take place late 2018 will realize.

Valoe requires about seven million Euros in order to materialize its current investment plan. The company has entered into negotiations with its major shareholders and some capital investors to raise funding. Also some industrial companies operating already in the industry have shown interest in Valoe's technology. Further, Valoe considers arranging a public offering to raise funds for its investments.

Although Valoe's operating profitability is low the company views it can improve its profitability thanks to the company's increasing net sales, new products and developing production technology. Further, the long-term profitability is expected to grow remarkably as the proportion of technology sales increases.

## *Operations*

During the reporting period, Valoe delivered several medium-sized solar power plants to its customers and improved its delivery capabilities significantly in order to better meet growing demand. Although the value of the order book decreased as the net sales from orders delivered during the reporting period were recognized, the company expects the growth to continue also during the next quarters. The company's current growth is based on increased sales in the very competitive solar power plant market in Finland. Since the end of the reporting period there are other opportunities arising in the Nordic and Baltic countries.

In Ethiopia, the company has continued supporting its manufacturing partner to withdraw the financing granted for Valoe's delivery. The prerequisites for the Ethiopian project have not changed and the operating environment for solar energy production continues to be favourable. Valoe's partner has shown exceptional persistence and is still fully committed to the project. Both the local government and its energy company have promised their support for Valoe as well as for the project. Valoe still trusts that the project will be completed.

Valoe is planning to pilot a concept for a solar power plant generating electricity on a 24-hour basis. An ability to provide an overall and economical solution with electricity storing features for implementing solar electricity will be one of Valoe's most important assets as the company's customers and manufacturing partners choose the best suppliers and technologies for them.

## *Valoe Focuses on Product Development*

It is Valoe's objective that the energy produced by Valoe's solar modules shall be the greenest as well as the cheapest energy on the market. Valoe is aiming at developing a module with a lifespan of more than hundred years. Although such a module does not yet exist, Valoe chooses its components with a view to extending a module's operational lifetime. Valoe never purchases cheaper components at the cost of their lifecycle.

With regard to cell technology, Valoe was, during 2017, able to lay foundations for development that enabled Valoe to introduce a glass-glass polycrystalline module, Chrome II, with back contact cells developed by the company on the market.

The next objective of Valoe's R&D is to develop, for Valoe's modules, an n-type IBC cell representing the next generation after the p-type cells and an n-type bifacial cell BiSoN as well as a solar module structure where the features of the aforementioned cells can be utilized in the best possible way.

Valoe's investment in its own MWT technology and later in IBC technology, the most significant investment in the company's history, proceeded well during the reporting period. Most of the Megacell cell production line was transferred to Valoe's partner's, Solitek's premises in Vilnius, Lithuania, and to Valoe's module manufacturing plant in Mikkeli, Finland. Valoe is going to commence development of an IBC cell having cell efficiency of 23 percent in cooperation with ISC Konstanz. Most of the development work will be conducted in Mikkeli, Finland, and Vilnius, Lithuania. The objective of the development is to create the most competitive solar module on the market for both home solar systems and large solar power plants. Valoe plans to launch the new Chrystal module family in the market during 2019.

Thanks to Valoe's back contact technology, the company views that it is one of the best positioned companies to enhance the advantages of IBC cells. Valoe views that in the near future the company's IBC

cells will be utilized in several special applications e.g. in the automotive industry and in integrated solar systems for buildings.

According to Valoe's information, there are only few manufacturers in the world, e.g. Korean LG and American Sunpower, that for the moment use in production scale the same technology as Valoe uses in its new Chrystal module. If Valoe succeeds to meet its development objectives the company's module will be one of the most efficient modules in the world. According to the International Technology Roadmap for Photovoltaic (ITRPV) the global market share of solar modules including IBC cells is increasing at least until 2027.

### *Market for Very High Efficiency Modules (IBC etc.)*

Valoe's strategy does still not include mass production of modules. All of Valoe's operations including the production that is essential for the development but low in volume is aimed at creating and improving competitive edge for the technology sales. Based on the company's history, the well-established key technologies and highly competent personnel, Valoe has always trusted it has capabilities that enable the company to remain at the forefront of development of competitive technologies. Valoe believes that if it utilizes the partnerships it has formed with the world's leading research and development institutes the company can sell competitive technology at sufficiently high price level.

With the back contact technology Valoe is about to establish totally new solar applications. During the reporting period the company commenced test production of odd-form solar modules. Valoe is developing extremely light and efficient moldable composite modules for the transport industry to be used in vehicles, boats, ships, caravans and camper vans. Valoe has also identified new applications for buildings and other structures. According to Valoe's development strategy the modules to be used in these kinds of solar applications must have high efficiency and be light.

At the Intersolar Europe held in Germany in June 2018, Valoe presented preliminary information on the company's new solar modules that are based on IBC cells. Valoe Chrystal Twin, the flagship model of this product family is a bifacial module whose 60-cell version generates solar power from both sides reaching capacity of ca. 450 Wp under optimal conditions. The pricing of the product enables competitive installations even in the biggest and the most competitive solar parks. The very high module efficiency gives the product competitive edge in the European and US markets where installation costs cover bigger and bigger part of the total costs of a solar park.

### *The Finnish Market Is Growing - Valoe Increases the Volume of Its Production*

Although the developing markets are the most important ones for Valoe's future, the Finnish solar electricity market is becoming more and more important for Valoe. In Finland, the solar electricity business has just started to grow. There are several very active solar energy companies and prices of solar power investments have dropped significantly. Low prices have attracted new customers who have made their decision based on the price of a solar system. However, well-informed customers rely their purchase decision on the price of produced electricity per kilowatt-hour. Estimated lifespan of a solar power plant should also be taken into account besides investment cost.

During the autumn 2017 Valoe signed a remarkable agreement with ForUs Capital Oy on delivering several solar power plants in Finland. Most of the power plants ordered by ForUs Capital have been delivered by

the date of this Interim Report. Valoe believes that the cooperation with ForUs will continue to grow also during the financial year 2019.

## VALOE'S STRATEGY

Valoe operates in industries applying clean energy technology and provides products, applications and services worldwide. Based on Valoe's strategy the company has the following four service and product concepts:

### 1. SALES AND SUPPLY OF PHOTOVOLTAIC MODULES AND SYSTEMS

Sales of modules and small photovoltaic systems are probably Valoe's most visible 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. Further, the company sells and 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 sales channels for its products systematically.

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. Based on the positive market outlook, Valoe has taken actions to increase its production capacity at its factory in Mikkeli, Finland.

Valoe's modules have passed all the tests commonly used for solar modules and included in the test programme Valoe ordered from the German testing and research institute, Fraunhofer ISE. Having these test results, Valoe can more easily and faster get specific local certifications, if required in Valoe's target market areas.

### 2. DEVELOPMENT AND SALES OF PRODUCTION LINES AND RELATED COMPONENTS

Manufacturers operating in the developing markets are typical investors for new module manufacturing production lines. These Valoe's potential customers are now manufacturers of traditional H-patterns modules. According to the information available to Valoe many of the manufacturers are going to start manufacturing next generation back contact modules. In most cases these customers have use their own module manufacturing recipe and need only single equipment or production lines. Valoe estimates that typical price of single equipment or a production line for back contact modules is EUR 4 – 8 million. A single production equipment costs EUR 0.3 – 1.0 million.

### 3. MANUFACTURING PARTNER NETWORK

The cornerstone of Valoe's strategy is to sign manufacturing partnership agreements or technology licensing agreements with solar module manufacturers who as newcomers on the market would commit themselves to Valoe's production technology and to using components designed for Valoe's back contact technology. Valoe provides a partner with a turnkey delivery project; secures availability of components for a partner either by manufacturing components by itself or by procuring required components from elsewhere; and as a technology partner commits itself to minority shareholding in a manufacturing company. Manufacturing partners pursued by Valoe 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. Valoe signed its first manufacturing partnership agreement with Ethiopian LS Corp in

2016. However, the technology delivery based on the agreement has not yet been executed as per the date of this Interim Report.

On the basis of the early stages of the Ethiopian project, Valoe has gained valuable information on costs and profitability for future solar plant deliveries and projects. Valoe's manufacturing plant concept, equipment, technology and deliveries are standardized and with the experience gained in the first project the profitability of the following project deliveries can be expected to be good. Further, each delivered manufacturing plant or production line generates to Valoe continuous profitable business through component sales. Valoe's objective is that only Valoe's components are used at the manufacturing plants and production lines Valoe has delivered. The product certificates Valoe has applied for on behalf of a customer are valid only if the customer uses components approved by Valoe. Based on Valoe's experience, the availability of the components is limited elsewhere for the moment.

Valoe's growth strategy is based on signing new manufacturing partnership agreements. Valoe is aiming to sign at least 10 manufacturing partnership contracts in the next five years. After achieving this amount of partnerships, Valoe's partnership network is so wide that even the biggest solar module manufacturers will not remarkably benefit from the advantage of economies of scale e.g. in raw materials purchases compared to Valoe's network.

#### 4. MODULE COMPONENTS SALES MAINLY TO MANUFACTURING PARTNERS

Special components, mainly for Valoe's manufacturing partners, 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. Typically, component deliveries to manufacturing partners can commence, at the earliest, about 12 months from the signing of the manufacturing partnership agreement.

Valoe provides its manufacturing partners also with IBC cells manufactured by Valoe and other special components. According to the company's estimation, the annual volume of cells that a full-size module factory might purchase from Valoe could be approx. EUR 25 – 30 million. Other components may include other manufacturers' smart components, components for storing energy and software for power management and electricity invoicing.

In the long run Valoe will include technologies related to energy storages and fuel cells as well as technologies increasing general usage of solar electricity in the company's offering. With regard to the expertise in these technologies Valoe will cooperate with its technology partners.

#### MARKET CONDITIONS

The prices of solar modules decreased by ca. 70 percent during 2010 – 2012. The prices of low- and middle-priced modules decreased by ca. 30 percent again in 2016 and 2017. Intense price competition followed by decrease in production costs of solar energy and decrease in domestic sales in China in 2018 cut prices outside China, which has led to rapid increase in solar electricity production around the world generating even stronger growth in the solar business.



The competitiveness of the solar electricity, compared to the fossil fuels and other renewable energy sources, will continue increasing faster and faster. Already during 2018, the solar electricity is estimated to be the cheapest form of electricity.

Valoe is prepared for its competitors introducing their own back contact modules and other innovations in the near future. The companies that will succeed in price competition will continue decreasing the prices of their standard products based on sales volumes and increasing production capacity and will continue worldwide price war. Valoe believes that innovative companies capable of continuously developing next generation technologies will succeed in the future business environment. Valoe trusts it will be one of these companies.

According to Valoe's view, the prices of low-end modules will unlikely rise. Thus, Valoe is focusing on developing production technology for next generation modules. In the high-end price categories' price reduction has not been remarkable. Valoe views that the most favourable markets for the company are the markets with incomplete or malfunctioning electricity grid, e.g. in Africa but also in Asia and South America. Valoe trusts that it has better possibilities to succeed if it is a part of the solar electricity value chain including solar electricity storages and smart grids.

According to the information available to Valoe there is only one major automation manufacturer, besides Valoe, in the market who provides its customers with turnkey production capacity for back contact modules. Valoe is aware that besides this automation manufacturer, there are companies developing production capacity for a similar application. However, according to Valoe's knowledge, it is the only back contact manufacturer with major existing mass production capacity for the moment.

Valoe provides production technology to all companies interested in back contact modules, e.g. large and often national solar energy projects; module subcontractors; and original equipment manufacturers. Valoe views that local production will increase significantly in the near future. However, Valoe is not aiming at becoming a local manufacturer but always seeks for a local partner and a financier. Valoe is responsible for production technology, product quality and development. Local investors and partners are responsible for project funding as well as marketing and product sales.

Continuously decreasing prices have brought many of the H-type module manufacturers into problems or even bankruptcy. The financial results of several world's biggest Chinese manufacturers have turned negative. Based on the market activities it seems that the current path is coming to an end in terms of price as well as technology. Valoe does not believe in increase in prices but estimates that there will be several new and better technologies in the near future. In the technological competition, Valoe finds itself to be well positioned thanks to the research and development the company has made in back contact technology for many years.

## FINANCING

On 19 April 2017, Valoe entered into a convertible note facility agreement with Bracknor Investment ("Bracknor") concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes (the "Convertible Notes") that will be accompanied by share subscription warrants (the "Warrants"). By the end of the reporting period Valoe has withdrawn a total of EUR 1.65 million from the Bracknor Investment's financing commitment. The detailed information and the terms of the Agreement can be found in the company's stock exchange releases.

At the share issue ended in January 2018 Valoe collected in total approximately EUR 0.86 million new capital and the indebtedness of the company decreased in total approximately by EUR 9.3 million. Additionally, with the Convertible Bond I/2018 with subscription period ended on 25 May 2018 the company received new cash investments of EUR 0.9 million and a total of EUR 0.1 million was paid by setting the subscription price off against the subscribers' receivables from the company. As Valoe is making its strategic investments the company's financing situation and working capital situation continue to be tight in 2018.

During the reporting period, Valoe increased the amount of its product development activities significantly. In order to proceed with the development projects Valoe will require new funding. Valoe's current investment plan needs new funding of at least seven million Euros to be materialized, for which Valoe has opened discussions with its major shareholders. Valoe has also entered into funding negotiations with capital investors and industrial companies. One option is to arrange public offering either together with or separately from a directed share issue. Additionally, the company has a product development loan from Business Finland (prev. Tekes) in the amount of EUR 4.1 million out of which there is as per the date of this Interim Report a total of EUR 1.5 million still to be withdrawn. In case the Company manages to collect the intended amount of new capital in the arrangements described above, the company is able to perform its investment plan.

Considering the available financing commitments as well as the cashflow based on increased demand, the Board of Directors of Valoe views that the company has sufficient working capital at least for the next 12 months. However, without additional funding of about seven million Euros the company will not be able to proceed with the investments according to the company's strategy.

Cash flow from business operations before investments in January – September was EUR -1.4 million (EUR -2.5 million). Trade receivables at the end of the reporting period were EUR 0.1 million (EUR 0.1 million). Net financial items amounted to EUR 1.3 million (EUR 2.1 million). At the end of September, the equity ratio of Valoe Group was -59.5 percent (-132.5 %) and equity per share was EUR -0.48 (EUR -2.75). The equity ratio including capital loans was -5.6 percent (-20.8 %). At the end of the reporting period, the Group's liquid assets totaled EUR 0.003 million.

Valoe's financial and other risks have been handled in the item "Risk management, Risks and Uncertainties" of this Annual Report.

## RESEARCH AND DEVELOPMENT

Valoe has boosted its research and development significantly. In 2017, Valoe's focus was on the development project relating to cell development and optimization, funded by Business Finland (prev. Tekes). The project made good progress during the reporting period. Valoe develops other special components for solar modules, too, and monitors closely the projects of its technology partners aiming at developing technologies increasing utilization of solar energy.

The company's another ambitious R&D objective is to develop a module with a lifespan of more than 100 years. Today the company expects its modules to operate ca. 40 years that is significantly longer than the lifespan of the modules of most of Valoe's competitors. Valoe views that in field of green energy production extending products' economic life cycle should be one of the most important objectives of development. The lifetime of a power plant has a direct effect on the price of produced electricity. The current market prices cannot be achieved by reducing only module prices, at least in the near future.

However, it is possible to meet the objective by extending lifetime of a power plant, increasing efficiency and simultaneously keeping capital investments at a reasonable level.

The energy produced by Valoe's solar modules shall be the greenest as well as the cheapest energy in the market.

Valoe's other research and development has mainly been concentrated on developing the production line concept. Equipment and machinery needed in automated module manufacturing process will increasingly be based on Valoe's own innovations and be designed by Valoe. Valoe is aiming at protecting its innovations in all important geographical areas.

In terms of research and development, the major events during the reporting period and other major events have been described in more detail in the Managing Director's Report in this Interim Report.

The Group's research and development costs during the reporting period amounted to EUR 0.9 million (EUR 1.2 million) or 93.3 (250.9) percent of net sales.

## INVESTMENTS

Gross investments in the continuing operations during January –September period amounted to EUR 3.2 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 September 2018 the Group employed 24 (17) people, who all worked in Finland. During the reporting period the Group's salaries and fees totaled EUR 0.9 million (EUR 0.7 million).

## SHARES AND SHAREHOLDERS

At the end of the reporting period Valoe's share capital amounted to EUR 80,000.00 and the number of shares was 16,036,338. The company has one series of shares, which confer equal rights in the company. On 30 September 2018 Valoe had in total 920,896 treasury shares.

The company had a total of 7,391 shareholders at the end of September 2018, and 12.71 percent of the shares were owned by foreigners. The ten largest shareholders held 71.2 percent of the company's shares on 30 September 2018.

## The largest shareholders on 30 September 2018

|   | Shares     | Percent |
|---|------------|---------|
| 1 OY HERTTAÄSSÄ AB                          | 1 762 723  | 11,0    |
| 2 SAVCOR COMMUNICATIONS LTD PTY             | 1 459 235  | 9,1     |
| 3 GASELLI CAPITAL OY                        | 1 356 463  | 8,5     |
| 4 SAVCOR INVEST B.V.                        | 1 323 752  | 8,3     |
| 5 SAVCOR TECHNOLOGIES OY                    | 1 284 701  | 8,0     |
| 6 SAVCOR GROUP OY                           | 1 071 511  | 6,7     |
| 7 OY INGMAN FINANCE AB                      | 1 000 000  | 6,2     |
| 8 VALOE OYJ                                 | 920 896    | 5,7     |
| 9 OLLILA JORMA JAAKKO                       | 919 528    | 5,7     |
| 10 KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN | 318 370    | 2,0     |
| OTHERS                                      | 4 619 159  | 28,8    |
| TOTAL                                       | 16 036 338 | 100,00  |

The members of the Board of Directors and the President and CEO, either directly or through companies under their control, held a total of 4,103,700 shares in the company on 30 September 2018, representing about 25.6 percent of the company's shares. Additionally, the members of the Board of Directors and the President and CEO held a total of 377,500 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 4,067,688 shares in the company and 132,500 options connected to the stock option scheme 2015.

The price of Valoe's share varied between EUR 0.32 and 1.35 during the January – September period. The average price was EUR 0.70 and the closing price at the end of September EUR 0.35. A total of 5.1 million Valoe shares were traded at a value of EUR 3.6 million during the January – September period. The company's market capitalization at the end of September stood at EUR 5.6 million.

## SHARE ISSUE AUTHORIZATIONS IN FORCE

The Annual General Meeting 2018 resolved to authorize the Board of Directors of Valoe 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 49,000,000 shares. 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 2019.

As per the date of this Interim Report the Board of Directors has resolved on an issue of a total of 10,100,000 shares based on the authorization.

## THE MAJOR EVENTS DURING THE REPORTING PERIOD

### 13 August 2018: VALOE CORPORATION NEGOTIATES ON REARRANGING THE OVERDUE CONVERTIBLE BOND 1/2015

The loan period of Valoe Corporation's ("Valoe") Convertible Bond 1/2015, a capital loan, has expired on 1 August 2018. Considering the company's current equity situation, the Convertible Loan cannot be repaid in accordance with the provisions regarding capital loans in the Finnish Companies Act. The overdue principal of the Convertible Bond 1/2015 totals ca. EUR 2.8 million out of which ca. 0.9 million is lent from the related parties and ca. EUR 1.9 million from other parties. Valoe negotiates on rearranging the Convertible Bond 1/2015 with the lenders.

### 31 August 2018: SUBSCRIPTION OF NEW SHARES IN VALOE CORPORATION

The Board of Directors of Valoe Corporation (the "Company") has resolved on 31 August 2018 to subscribe in total 545,825 new shares ("Subscribed Shares") in the share issue without consideration resolved by the Company on 16 October 2017.

The share subscription is conducted in order to implement a part of the financing arrangement between the Company and Bracknor Investment approved on 19 April 2017. The new shares may be used solely for the implementation of the financing arrangement so that the Company may issue the new shares held by it to Bracknor Investment when Bracknor investment subscribes shares on the basis of the convertible loans and warrants granted to it under the said financing arrangement. To the extent it is not necessary to issue new shares subscribed by the Company to Bracknor Investment, the Company shall annul the shares.

The new shares are of the same class as the Company's other shares and entitle to the same shareholder rights as the Company's old shares after their registration.

After the registration of the Subscribed Shares in the trade register, the total number of the shares in the Company is 16,036,338 shares of which 1,059,336 shares are held by the Company.

The Subscribed Shares are estimated to be registered in the trade register approximately on 5 September 2018 and the Company shall apply for the admission of the Subscribed Shares to public trading on the stock exchange list of Nasdaq Helsinki Ltd approximately on 6 September 2018.

## THE MAJOR EVENTS AFTER THE REPORTING PERIOD

18 October 2018: VALOE CORPORATION HAS AGREED WITH ILMARINEN MUTUAL PENSION INSURANCE COMPANY ON CONVERTING THE CONVERTIBLE BOND 1/2015 INTO A NEW CONVERTIBLE BOND 2/2018

The loan period of Valoe Corporation's ("Valoe") Convertible Bond 1/2015, a capital loan, expired on 1 August 2018. On 13 August 2018 Valoe disclosed that considering the company's equity situation, the Convertible Loan cannot be repaid in accordance with the provisions regarding capital loans in the Finnish Companies Act and that the company negotiates on rearranging the Convertible Bond 1/2015 with the lenders.

Valoe has resolved to issue a Convertible Bond 2/2018 ("Convertible Bond") totalling EUR 2,195,289.10, in deviation from the shareholders' pre-emptive subscription rights, to Ilmarinen Mutual Pension Insurance Company.

Ilmarinen Mutual Pension Insurance Company has subscribed the Convertible Bond against the subscriber's loan receivable from Valoe by converting the loan capital and the interests of the Convertible Bond 1/2015 into the Convertible Bond, a capital loan, in accordance with the terms of this Convertible Bond.

The Promissory Note Holder is entitled to convert the Promissory Note into the shares of the Company in accordance with the terms of the Convertible Bond. If the Company's shares are listed on the main list of Nasdaq Helsinki Oy when the conversion right is being used, the subscription price of one (1) new share of the Company shall be the six-month volume weighted average stock trading price on the period ending on 15 October 2021 less 15 percent. If the Company's shares are not listed on the main list of Nasdaq Helsinki Oy when the conversion right is being used, one of the Big Four accounting companies shall provide, at the Company's cost, a fairness opinion and assess the fair value of the Company's share which, less 15 percent, shall be the subscription price of one (1) new share of the Company.

The loan period shall commence on the payment date and expire on 15 October 2021 on which date the Convertible Bond shall expire to be repayable in its entirety in accordance with these terms of the loan.

The conversion period of the Convertible Bond commences on 15 October 2021 and terminates on 31 December 2021.

The shareholders' pre-emptive subscription rights are deviated from as the Company's existing loans are being rearranged in an economical way. Thus, there is from the Company's point of view a weighty financial reason to issue the special rights.

The company has one (1) class of shares.

The terms of the Convertible Bond are, without the technical appendices, attached to the release as Attachment 1.

## 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.

Pursuant to the estimates available to the company, the company's financing situation and working capital situation continue to be tight in 2018. Considering the company's working capital need, available financing commitments as well as cashflow based on increased demand, the Board of Directors of Valoe views that the company has sufficient working capital at least for the next 12 months. However, without additional funding of about seven million Euros the company will not be able to proceed with the investments according to the company's strategy.

In order to materialize its investment plan Valoe has opened financing discussions with its major shareholders, capital investors and industrial companies. One option is to arrange public offering either together with or separately from a directed share issue during 2018. The outcome of the negotiations is not known. Further, it is not yet certain if a share issue will be arranged or not and what the outcome would be.

Valoe has a product development loan from Business Finland (prev. Tekes) in the amount of EUR 4.1 million out of which there is as per the date of this Interim Report a total of EUR 1.5 million to be withdrawn. In case the Company manages to collect the intended amount of new capital in the arrangements described above, the company is able to perform its investment plan.

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.

Valoe's customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. The realization of the project involves significant risks. The financing negotiations are ongoing and it is not yet certain if the project or even a part of it will be realized.

The module manufacturing plant order from Ethiopia involves business, financial, schedule and country risks that are typical of international equipment sales. The country risks include also slow decision process for financing arrangements. The payments relating to the project have not yet begun despite the binding financing agreements. However, Valoe's customer, LS Corp, has commenced to withdraw some loan in local currency based on the abovementioned financial agreements and is building premises for the module manufacturing plant. The company follows very closely how the situation develops in Ethiopia and tries to support the customer in its negotiations by being present as often as possible.

The Agreement signed with ForUs Capital involves risks out of which the most remarkable risk relates to securing financing for the projects involved.

The developing markets can be unpredictable and operation in the markets involves many risks. When assessing the company, one shall be aware of the fact that the major part of the company's operations take place in high-risk environment and consider carefully the effects of the risks on the investor's own investment strategy.

The certain statements in this Interim Report and especially the 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.

## MARKET OUTLOOK

Valoe will not disclose financial guidance for the financial year 2018.

In Mikkeli, 7 September 2018

Valoe Corporation

Board of Directors

For more information:

CEO Iikka Savisalo, Valoe Corporation

Tel. +358 40 5216082

email: [iikka.savisalo@valoe.com](mailto:iikka.savisalo@valoe.com)



# Consolidated statement of comprehensive income

(unaudited)

| 1 000 EUR  | 7-9/2018      | 7-9/2017      | 1-9/2018      | 1-9/2017      | 1-12/2017     |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Net sales</b>                                   | 459           | 240           | 1 001         | 469           | 554           |
| Cost of sales                                      | -525          | -284          | -1 111        | -681          | -1 204        |
| <b>Gross profit</b>                                | <b>-67</b>    | <b>-45</b>    | <b>-110</b>   | <b>-213</b>   | <b>-650</b>   |
| Other operating income                             | 0             | 94            | 18            | 380           | 398           |
| Product development expenses                       | -369          | -333          | -934          | -1 176        | -1 536        |
| Sales and marketing expenses                       | -167          | -100          | -520          | -349          | -498          |
| Administrative expenses                            | -148          | -189          | -501          | -540          | -786          |
| Other operating expenses                           | 0             | -2            | 0             | -2            | -5            |
| <b>Operating profit</b>                            | <b>-750</b>   | <b>-574</b>   | <b>-2 048</b> | <b>-1 900</b> | <b>-3 078</b> |
| Financial income                                   | 0             | 0             | 0             | 0             | 0             |
| Financial expenses                                 | -439          | -640          | -1 259        | -2 064        | -2 716        |
| <b>Profit before taxes</b>                         | <b>-1 189</b> | <b>-1 214</b> | <b>-3 306</b> | <b>-3 964</b> | <b>-5 794</b> |
| Income taxes                                       | 0             | 0             | 0             | 0             | 0             |
| <b>Profit/loss for the period</b>                  | <b>-1 189</b> | <b>-1 214</b> | <b>-3 306</b> | <b>-3 964</b> | <b>-5 794</b> |
| <b>Profit/loss attributable to:</b>                |               |               |               |               |               |
| Shareholders of the parent company                 | <b>-1 189</b> | <b>-1 214</b> | <b>-3 306</b> | <b>-3 964</b> | <b>-5 794</b> |
| Earnings/share (basic), eur                        | -0,08         | -0,26         | -0,23         | -0,87         | -1,23         |
| Earnings/share (diluted), eur                      | -0,08         | -0,26         | -0,23         | -0,87         | -1,23         |
| <b>Profit/loss for the period</b>                  | <b>-1 189</b> | <b>-1 214</b> | <b>-3 306</b> | <b>-3 964</b> | <b>-5 794</b> |
| <b>Total comprehensive income for the period</b>   | <b>-1 189</b> | <b>-1 214</b> | <b>-3 306</b> | <b>-3 964</b> | <b>-5 794</b> |
| <b>Total comprehensive income attributable to:</b> |               |               |               |               |               |
| Shareholders of the parent company                 | <b>-1 189</b> | <b>-1 214</b> | <b>-3 306</b> | <b>-3 964</b> | <b>-5 794</b> |

The earnings per share for the corresponding period in 1-9/2017 have been calculated using the amount of the company's shares after the reduction of the quantity of the company's shares (the pre-split price has been multiplied with 200).

# Consolidated statement of financial position

(unaudited)

| 1 000 EUR   | 30.9.2018     | 30.9.2017      | 31.12.2017    |
|---|---------------|----------------|---------------|
| <b>ASSETS</b>   |               |                |               |
| <b>Non-current assets</b>   |               |                |               |
| Property, plant and equipment   | 31            | 10             | 8             |
| Consolidated goodwill   | 441           | 441            | 441           |
| Other intangible assets   | 9 274         | 7 285          | 6 982         |
| Available-for-sale investment   | 9             | 9              | 9             |
| <b>Total non-current assets</b>   | <b>9 756</b>  | <b>7 746</b>   | <b>7 441</b>  |
| <b>Current assets</b>   |               |                |               |
| Inventories   | 630           | 652            | 582           |
| Trade and other non-interest-bearing receivables                        | 1 318         | 1 066          | 1 256         |
| Cash and cash equivalents   | 3             | 21             | 350           |
| <b>Total current assets</b>   | <b>1 951</b>  | <b>1 738</b>   | <b>2 188</b>  |
| Assets classified as held for sale                                      | 0             | 0              | 0             |
| <b>Total assets</b>   | <b>11 707</b> | <b>9 484</b>   | <b>9 629</b>  |
| <b>EQUITY AND LIABILITIES</b>   |               |                |               |
| <b>Equity attributable to shareholders of the parent company</b>        |               |                |               |
| Share capital   | 80            | 80             | 80            |
| Other reserves  | 11 636        | 682            | 10 542        |
| Retained earnings   | -18 665       | -13 294        | -15 166       |
| <b>Total equity</b>   | <b>-6 949</b> | <b>-12 532</b> | <b>-4 544</b> |
| <b>Non-current liabilities</b>  |               |                |               |
| Non-current loans   | 11 103        | 4 252          | 7 874         |
| <b>Total non-current liabilities</b>                                    | <b>11 103</b> | <b>4 252</b>   | <b>7 874</b>  |
| <b>Current liabilities</b>  |               |                |               |
| Current interest-bearing liabilities                                    | 1 918         | 12 732         | 2 004         |
| Trade and other payables  | 5 195         | 4 699          | 3 773         |
| Current provisions  | 158           | 0              | 215           |
| <b>Total current liabilities</b>  | <b>7 271</b>  | <b>17 431</b>  | <b>5 992</b>  |
| Liabilities directly associated with assets classified as held for sale | 282           | 332            | 306           |
| <b>Total liabilities</b>  | <b>18 656</b> | <b>22 015</b>  | <b>14 172</b> |
| <b>Equity and liabilities total</b>                                     | <b>11 707</b> | <b>9 484</b>   | <b>9 629</b>  |

# Consolidated statement of cash flows

(unaudited)

| 1 000 EUR   | 1-9/2018      | 1-9/2017      | 1-12/2017     |
|---|---------------|---------------|---------------|
| <b>Cash flow from operating activities</b>                              |               |               |               |
| Income statement profit/loss before taxes                               | -3 306        | -3 964        | -5 794        |
| Non-monetary items adjusted on income statement                         |               |               |               |
| Depreciation and impairment   | + 924         | 999           | 1 333         |
| Unrealized exchange rate gains (-) and losses (+)                       | +/- 2         | -12           | -11           |
| Other non-cash transactions   | +/- 6         | -169          | -129          |
| Change in provisions  | +/- -63       | -40           | 175           |
| Financial income and expense  | + 1 257       | 2 076         | 2 728         |
| <b>Total cash flow before change in working capital</b>                 | <b>-1 179</b> | <b>-1 109</b> | <b>-1 698</b> |
| <b>Change in working capital</b>  |               |               |               |
| Increase (-) / decrease (+) in inventories                              | -49           | -232          | -162          |
| Increase (-) / decrease (+) in trade and other receivables              | -62           | -222          | -412          |
| Increase (+) / decrease (-) in trade and other payables                 | 140           | -655          | -611          |
| <b>Change in working capital</b>  | <b>30</b>     | <b>-1 108</b> | <b>-1 184</b> |
| <b>Adjustment of financial items and taxes to cash-based accounting</b> |               |               |               |
| Interest paid   | -             | 154           | 257           |
| Other financial items   | -             | 121           | 0             |
| Financial items and taxes   | -275          | -257          | -278          |
| <b>NET CASH FLOW FROM BUSINESS OPERATIONS</b>                           | <b>-1 425</b> | <b>-2 474</b> | <b>-3 160</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                              |               |               |               |
| Investments in tangible and intangible assets                           | -             | 2 397         | 231           |
| <b>NET CASH FLOW FROM INVESTMENTS</b>                                   | <b>-2 397</b> | <b>-231</b>   | <b>-357</b>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                              |               |               |               |
| Proceeds from share issue   | +             | 59            | 0             |
| Financing arrangement with Bracknor Investment                          | +             | 750           | 562           |
| Proceeds from non-current borrowings                                    | +             | 2 203         | 1 656         |
| Repayment of non-current borrowings                                     | -             | 0             | 0             |
| Proceeds from current borrowings  | +             | 1 397         | 1 010         |
| Repayment of current borrowings   | -             | 935           | 502           |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>                          | <b>3 474</b>  | <b>2 726</b>  | <b>3 869</b>  |
| <b>INCREASE (+) OR DECREASE (-) IN CASH FLOW</b>                        | <b>-347</b>   | <b>21</b>     | <b>352</b>    |

## Consolidated statement of changes in equity

(unaudited)

| <b>1 000 EUR</b>                             | <b>Share capital</b> | <b>Distributable non-restricted equity</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|--|----------------------|--|--------------------------|---------------------|
| <b>31.12.2017</b>                            | <b>80</b>            | <b>10 542</b>                              | <b>-15 166</b>           | <b>-4 544</b>       |
| Profit/loss for the period                   | -                    | -  | -3 306                   | -3 306              |
| <b>Transactions with owners:</b>             |                      |  |                          |                     |
| Sale of own shares                           |                      |  |                          |                     |
| Bracknor Investment                          | 0                    | 798  | 0                        | <b>798</b>          |
| Share issue                                  | 0                    | 295  |                          | <b>295</b>          |
| Stock option scheme 2015                     | 0                    | 0  | 24                       | <b>24</b>           |
| Own equity component of the convertible bond | 0                    | 0  | -217                     | <b>-217</b>         |
| <b>30.9.2018</b>                             | <b>80</b>            | <b>11 636</b>                              | <b>-18 665</b>           | <b>-6 949</b>       |

| <b>1 000 EUR</b>                             | <b>Share capital</b> | <b>Distributable non-restricted equity</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|--|----------------------|--|--------------------------|---------------------|
| <b>31.12.2016</b>                            | <b>80</b>            | <b>0</b>                                   | <b>-9 708</b>            | <b>-9 628</b>       |
| Profit/loss for the period                   | -                    | -  | -3 964                   | -3 964              |
| Translation difference, comprehensive income | -                    | -  | 2                        | <b>2</b>            |
| <b>Transactions with owners:</b>             |                      |  |                          |                     |
| Sale of own shares                           |                      |  |                          |                     |
| Bracknor Investment                          | 0                    | 682  | 0                        | <b>682</b>          |
| Own equity component of the convertible bond | 0                    | 0  | 300                      | <b>300</b>          |
| Stock option scheme 2015                     | 0                    | 0  | 75                       | <b>75</b>           |
| <b>30.9.2017</b>                             | <b>80</b>            | <b>682</b>                                 | <b>-13 294</b>           | <b>-12 532</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 financial year 2018, the company does not report the continuing operations and the discontinued operations separately in its profit and loss statement as there have been no discontinued operations neither during the reporting period nor during the corresponding period. However, there are liabilities related to the discontinued operations in the balance sheet.

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

| <b>1 000 EUR</b>  | <b>1-9/2018</b> | <b>1-9/2017</b> | <b>1-12/2017</b> |
|---|-----------------|-----------------|------------------|
| <b>Liabilities</b>  |                 |                 |                  |
| Trande and other payables   | 282             | 326             | 301              |
| Provisions  | 0               | 5               | 5                |
| Liabilities directly associated with assets classified as held for sale | 282             | 332             | 306              |
| Net assets directly associated with disposal group                      | <b>-282</b>     | <b>-332</b>     | <b>-306</b>      |

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

| <b>1 000 EUR</b>                                      | <b>1-9/2018</b> | <b>1-9/2017</b> | <b>1-12/2017</b> |
|---|-----------------|-----------------|------------------|
| Operating   | -12             | -161            | -186             |
| Investing   | 0               | 0               | 0                |
| Earnings/share (basic), from discontinued operations  | 0,00            | 0,00            | 0,00             |
| Earnings/share (diluted) from discontinued operations | 0,00            | 0,00            | 0,00             |

## Key figures

(unaudited)

| 1 000 EUR  | 7-9/2018 | 7-9/2017 | 1-9/2018 | 1-9/2017 | 1-12/2017 |
|--|----------|----------|----------|----------|-----------|
| Net sales  | 459      | 240      | 1 001    | 469      | 554       |
| Operating profit   | -750     | -574     | -2 048   | -1 900   | -3 078    |
| % of net sales   | -163,4 % | -239,6 % | -204,6 % | -405,4 % | -556,0 %  |
| EBITDA   | -441     | -241     | -1 123   | -900     | -1 745    |
| % of net sales   | -96,2 %  | -100,6 % | -112,2 % | -192,1 % | -315,1 %  |
| Profit before taxes                                      | -1 189   | -1 214   | -3 306   | -3 964   | -5 794    |
| % of net sales   | -259,1 % | -506,6 % | -330,3 % | -846,0 % | -1046,6 % |
| Balance Sheet value                                      | 11 707   | 9 484    | 11 707   | 9 484    | 9 629     |
| Equity ratio, %  | -59,5 %  | -132,5 % | -59,5 %  | -132,5 % | -47,3 %   |
| Net gearing, %   | neg.     | neg.     | neg.     | neg.     | neg.      |
| Gross investments (continuing operations)                | 1 255    | 116      | 3 240    | 243      | 272       |
| % of net sales   | 273,5 %  | 48,5 %   | 323,7 %  | 51,8 %   | 49,1 %    |
| Research and development costs (continuing operations)   | 369      | 333      | 934      | 1 176    | 1 536     |
| % of net sales   | 80,4 %   | 138,8 %  | 93,3 %   | 250,9 %  | 277,5 %   |
| Order book   | 16 209   | 16 324   | 16 209   | 16 324   | 16 935    |
| includes Ethiopia  | 15 834   | 15 834   | 15 834   | 15 834   | 15 834    |
| Personnel on average                                     | 22       | 17       | 20       | 17       | 17        |
| Personnel at the end of the period                       | 24       | 17       | 24       | 17       | 18        |
| Non-interest-bearing liabilities                         | 5 477    | 5 026    | 5 477    | 5 026    | 4 074     |
| Interest-bearing liabilities                             | 13 021   | 16 984   | 13 021   | 16 984   | 9 878     |
| Share key indicators                                     |          |          |          |          |           |
| Earnings/share (basic)                                   | -0,08    | -0,26    | -0,23    | -0,87    | -1,23     |
| Earnings/share (diluted)                                 | -0,08    | -0,26    | -0,23    | -0,87    | -1,23     |
| Equity/share   | -0,48    | -2,75    | -0,48    | -2,75    | -0,96     |
| P/E ratio  | -4,60    | -4,96    | -1,53    | -1,46    | -0,57     |
| Highest price  | 0,61     | 1,99     | 1,35     | 2,60     | 2,60      |
| Lowest price   | 0,32     | 1,00     | 0,32     | 1,00     | 0,66      |
| Average price  | 0,44     | 1,50     | 0,70     | 2,03     | 1,85      |
| Closing price  | 0,35     | 1,27     | 0,35     | 1,27     | 0,70      |
| Market capitalisation, at the end of the period,<br>MEUR | 5,6      | 6,0      | 5,6      | 6,0      | 3,7       |

The company's share prices for the comparison year 1-9/2017 have been calculated using the share price after the reduction of the quantity of the company's shares (the pre-split price has been multiplied with 200) .

## 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>1-9/2018</b> | <b>1-9/2017</b> | <b>1-12/2017</b> |
|--|-----------------|-----------------|------------------|
| <b>Continuing operations</b>   |                 |                 |                  |
| <b>Sales of goods and services</b>   |                 |                 |                  |
| Savcor Oy - financial management and production services                     | 0               | 38              | 38               |
| Savcor Face Ltd - solar modules / production services                        | 22              | 18              | 25               |
| Savcor Tempo Oy - production services  | 12              | 0               | 0                |
| <b>Total</b>   | <b>35</b>       | <b>56</b>       | <b>62</b>        |
| <b>Purchases of goods and services</b>                                       |                 |                 |                  |
| Dunsit Oy - rent   | 9               | 10              | 14               |
| Savcor Oy - financial management and IT services                             | 0               | -1              | -2               |
| Savcor Face Ltd - marketing services   | 0               | 3               | 3                |
| SCI-Finance Oy - marketing and administration services                       | 35              | 34              | 43               |
| Savcor Technologies Oy - marketing and administration services               | 64              | 24              | 52               |
| Savcor Tempo Oy - financial management services                              | 6               | 2               | 5                |
| Oy Marville Ab - legal services  | 0               | 43              | 43               |
| <b>Total</b>   | <b>114</b>      | <b>114</b>      | <b>157</b>       |
| <b>Interest expenses and other financial expenses</b>                        |                 |                 |                  |
| Savcor Invest B.V.   | 0               | 81              | 105              |
| SCI-Finance Oy   | 20              | 24              | 24               |
| Savcor Technologies Oy   | 210             | 186             | 268              |
| Savcor Communications Pty Ltd  | 0               | 72              | 93               |
| Savcor Tempo Oy  | 18              | 24              | 30               |
| Others   | 86              | 64              | 93               |
| <b>Total</b>   | <b>334</b>      | <b>450</b>      | <b>613</b>       |
| <b>1 000 EUR</b>   |                 |                 |                  |
|  | <b>1-9/2018</b> | <b>1-9/2017</b> | <b>1-12/2017</b> |
| Non-current convertible subordinated loan from related parties               | 1 882           | 500             | 1 282            |
| Non-current other subordinated loan from related parties                     | 2 011           | 0               | 1 511            |
| Non-current convertible loan from related parties                            | 114             | 114             | 114              |
| Current convertible subordinated loan from related parties                   | 0               | 5 667           | 0                |
| Other current liabilities to related parties                                 | 436             | 484             | 659              |
| Current interest payable to related parties                                  | 704             | 603             | 331              |
| Trade payables and other non-interest-bearing liabilities to related parties | 735             | 661             | 687              |
| Trade and other current receivables from related parties                     | 56              | 39              | 18               |



Savcor Invest B.V and Dunsit Oy are companies under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

Savcor Face Ltd, Savcor Technologies Oy, Savcor Communications Pty Ltd and Savcor Tempo Oy are companies under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

Since March 2017 Savcor Oy is no longer a company under control 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.

SCI-Finance Oy is a company under control of 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.

| <b>1 000 EUR</b>                          | <b>1-9/2018</b> | <b>1-9/2017</b> | <b>1-12/2017</b> |
|---|-----------------|-----------------|------------------|
| <b>Wages and remuneration</b>             |                 |                 |                  |
| Salaries of the management and Board      | 370             | 428             | 537              |
| Stock option scheme 2015 / IFRS 2 booking | 18              | 64              | 101              |

## Fair values

(unaudited)

| <b>1 000 EUR</b>  | <b>Carrying amount<br/>30.9.2018</b> | <b>Fair value<br/>30.9.2018</b> |
|---|--------------------------------------|---------------------------------|
| <b>Financial assets</b>                                   |                                      |                                 |
| Available-for-sale investments                            | 9                                    | 9                               |
| Trade and other receivables                               | 1 318                                | 1 318                           |
| Cash and cash equivalents                                 | 3                                    | 3                               |
| <b>Financial liabilities</b>                              |                                      |                                 |
| R&D loan, non-current                                     | 4 562                                | 4 562                           |
| Non-current subordinated loan                             | 6 294                                | 6 294                           |
| Non-current convertible bond                              | 247                                  | 247                             |
| Loans from financial institutions, current                | 775                                  | 775                             |
| Other loans, current                                      | 716                                  | 716                             |
| Other liabilities, current                                | 427                                  | 0                               |
| Trade payables and other non-interest-bearing liabilities | 1 975                                | 1 975                           |

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 2.4 million out of trade payables, other current liabilities and accruals was overdue at the end of the reporting period.

# Change in intangible and tangible assets

(unaudited)

| <b>1 000 EUR</b>   | <b>30.9.2018</b> | <b>30.9.2017</b> | <b>31.12.2017</b> |
|--|------------------|------------------|-------------------|
| <b>Includes tangible assets, consolidated goodwill and other intangible assets</b> |                  |                  |                   |
| Carrying amount, beginning of period   | 7 431            | 8 493            | 8 493             |
| Depreciation and impairment  | -924             | -999             | -1 333            |
| Additions  | 3 240            | 243              | 272               |
| Disposals  | 0                | 0                | 0                 |
| Carrying amount, end of period   | <b>9 747</b>     | <b>7 736</b>     | <b>7 431</b>      |

# Commitments and contingent liabilities

(unaudited)

| <b>1 000 EUR</b>                      | <b>30.9.2018</b> | <b>30.9.2017</b> | <b>31.12.2017</b> |
|---------------------------------------|------------------|------------------|-------------------|
| <b>Assets pledged for the company</b> |                  |                  |                   |
| Loans from financial institutions     | 525              | 709              | 600               |
| Export credit limit                   | 0                | 0                | 0                 |
| Other liabilities                     | 281              | 281              | 281               |
| <br>                                  |                  |                  |                   |
| Promissory notes secured by pledge    | 3 355            | 12 691           | 12 691            |
| <br>                                  |                  |                  |                   |
| <b>Operating lease liabilities</b>    |                  |                  |                   |
| Payable within one year               | 62               | 62               | 62                |