



loudspring

Financial statement bulletin for 1 January – 31 December 2018 (audited)

Loudspring Oyj

Company release

29 March 2019 at 8:30 (EET)

[You can find the financial statement bulletin 2018 full report in PDF here.](#)

SUMMARY OF MAIN EVENTS

- The combined non-audited revenue estimate of the core holdings (excluding Enersize) was EUR 14,98 million in 2018
- Lassi Noponen appointed as new CEO
- Revenues of Nuuka Solutions, Sofi Filtration and ResQ Club grew significantly, Eagle Filters remained at the same level, and Swap.com decreased
- Minority-owned portfolio company Nocart filed for bankruptcy
- Net loss was EUR 3 448 thousand. The increased loss was mainly due to impairments in Nocart and other portfolio companies as well as one time expenses
- Loudspring makes impairments totalling EUR 12,1 of which EUR 1,8 million have an effect on the result for the review period and EUR 10,3 million (excluding deferred tax liabilities) are made in the revaluation reserve
- Loudspring acquired majority ownership in Eagle Filters
- Loudspring diluted its ownership in Nuuka Solutions into minority ownership
- Loudspring increased its ownership in ResQ Club
- PlugSurfing was sold to Fortum
- Loudspring signed contract for debt facilities with Nordea, totalling EUR 2,5 million
- Loudspring signed EUR 2,5 million convertible loan agreement with NEFCO
- Loudspring Plc changes its communication language to English
- Loudspring appoints Erik Penser Bank as new Certified Advisor
- Loudspring has updated its description of risks and uncertainties

SUMMARY OF OUTLOOK FOR 2019:

- For most business sectors the outlook continues to be positive
- Competition is expected to increase in all business sectors
- A need for securing additional funding continues for most of the portfolio companies

KEY FIGURES

(In thousands of euros)	1-12 / 2018	1-12 / 2017	1-12 2016
Revenue	71	29	396
Operational result	-1 750	-1 305	-1 085
Result for the financial period	-3 448	-1 562	-1 136
Operational result / turnover (%)	neg.	neg.	neg.
Cash at the end of the review period	76	3 562	1 206

Shareholders equity at the end of the review period	10 844	22 705	19 800
Return on equity	-20,5%	-7,4%	-8,6%
Head count	7	5	4
Salaries	411	393	367

Loudspring does not report consolidated accounts as Loudspring and its subsidiaries is regarded as minor group in accordance with Finnish Accounting Act chapter 1 § 6 a.

CEO'S REVIEW

2018 was a challenging year for Loudspring. As you will be able to read from this report, while several portfolio companies developed positively, progress was overshadowed by the bankruptcy of our portfolio company Nocart. Due to this event, management has been forced to curb some development plans.

We regret the confusion and harm that Nocart's bankruptcy – and related publicity – caused to our shareholders and other stakeholders. We work to continuously improve our processes and have increased oversight of individual minority-owned portfolio companies.

Loudspring's core focus has always been to develop and own a diversified business portfolio. While Nocart's failure was a major setback, and some portfolio companies did not achieve growth, many portfolio companies have continued to develop positively during the period.

Eagle Filters' revenue remained flat in 2018, which is a clear disappointment. However, in the latter half of 2018 there were positive signs of our investments into Eagle Filters starting to bear fruit. If not for delays in a few orders, the year's revenue could have looked better. Customer filter changes follow maintenance cycles, and during the period Eagle Filters continued a major push for achieving growth in the future.

Nuuka Solutions signed large customers both in Europe and in the United States, 2018 revenues grew by 153% compared to 2017. We are pleased with this development, as high-profile customers including the City of Helsinki, and ICA Real Estate in Sweden provide excellent references for further international growth. Real estate is a conservative sector and sales cycles are therefore relatively long. During the period, Nuuka started discussions with several major real estate portfolio owners and we await to see development with these.

ResQ Club has continued its strong growth as it crossed 1.4 M portions sold. Operationally, the company focused on profitability and long-term growth. 2018 revenues grew by 107% compared to 2017. We are very pleased with ResQ's development and achievements during the period. There are other companies active in this space in Europe. From our perspective ResQ, being nearly cash flow positive, stands out and provides a solid platform for future business development. During the period ResQ has made progress with its geographic expansion plans and is constantly improving its product to achieve competitive advantage with new features.

During the period Sofi Filtration started to redeem its promise. 2018 revenues grew by 132% compared to 2017. We are very happy with this result and the fact that the company is increasingly focusing on a few specific customer segments: energy, marine, as well as microplastics filtration, all of which provide significant growth opportunities with a standardized product needs.

In the United States, Swap.com shifted focus towards achieving profitability and efficiency. Unfortunately, revenues decreased by 26% and since the company has not developed as we had expected, Loudspring decided to impair the EUR 1,22 million revaluation reserve for Swap.com. While negative growth is a disappointment, we are supportive of the company's new, seasoned, US-based CEO Jennifer Carr-Smith as well as the new business model with focus on margin improvement. Additionally, the company rolled out improvements in internal processes and software developments.

Enersize, as it is listed on First North Stockholm reports separately. Enersize's share price decreased during the period.

I started as the CEO of Loudspring in May 2018. Since that time we have had a whole new management team in place.

We have brought up to speed an external, independent party to evaluate how we could improve our processes in information gathering and communications, especially with respect to understanding and informing on the operations and risks associated with our minority-owned portfolio companies. We have made changes to this report with an aim to give readers information through a relevant framework. As well as to form a comprehensive picture of how Loudspring businesses are performing. Not necessarily to communicate more, but rather in fewer words communicate the most important, relevant key developments transparently. We also started working with Inderes, which has been providing coverage of Loudspring. During the period, Loudspring for the first time, provided financial targets for Eagle Filters and Nuuka Solutions.

I hope these actions will serve shareholders and investors, however, more needs to be done. We have begun initiatives to improve further and look forward to listening to our shareholders' needs and servicing those needs. At the same time, individual portfolio companies are highly sensitive when it comes to releasing competitor sensitive information resulting in a delicate balance we are actively managing.

Our negative result consists of our operative cost, as well as write-offs that are non-cash items. Our operating philosophy is not to give up on our portfolio companies but to instead lean into our portfolio and actively help companies when they are facing challenges. This is why we assisted Nocart during 2018. Nocart related costs accounted for most of the increased operational costs in 2018. It is also worth pointing out that as per Loudspring's operating model a major part of our team's time is spent performing tasks for core portfolio companies, which translates into increased value of our portfolio. Costs that would otherwise be incurred at the portfolio company level, if we did not step in.

While our main focus is to increase shareholder value, we have also taken major steps to reduce our burn rate. Going forward, we have reduced our own costs as well as started to gradually charge portfolio companies for services we perform for them. These actions have decreased our monthly continuous operational burn rate after the reporting period.

Loudspring has been on its mission to preserve the planet's ecosystems for over 13 years. During difficult times, Loudspring has always evaluated its practices and strategies in order to come out better than before. We are doers, passionate about our work, and one of our key strengths as a team is not giving up when there are challenges. This has been the Loudspring way, and will continue to be so. We can not guarantee success, but our business portfolio consist of a few high potential companies that have already started a nice growth trajectory and the next few years will show if they will be able to fulfill their high potential.

Loudspring companies are solving some of the biggest problems mankind is facing and they have a direct and measurable positive impact on the environment. They save significant amounts of energy in manufacturing and real estate, two major energy consuming sectors globally. They can prevent microplastics from getting into our oceans. Loudspring companies substantially increase the efficiency of our existing energy

production infrastructure, facilitating the transition to renewable and low carbon energy as well as lead the transition to a circular economy.

Loudspring has measured its environmental impact for several years. Our core companies are in early stage but still in 2018 their activities resulted in CO2 emissions reductions of 144 107 tons. Loudspring's Impact Report 2018 will be published on April 12th, 2019.

Saving natural resources is Loudspring's mission. We believe that it continues to be a unique long-term business opportunity.

LOUDSPRING IN BRIEF

Loudspring is an investment group focused on saving natural resources. We manage a portfolio of Nordic growth companies that are making a big environmental impact globally. We believe that as our entrepreneurial teams are contributing to solving some of the biggest challenges our planet faces, this translates into a unique opportunity for growing profitable businesses.

Loudspring core holdings

Eagle Filters - power plant efficiency technologies - 67,6% ownership

Nuuka Solutions - smart building SaaS company - 45,0% ownership

Enersize - energy efficiency cloud analytics for heavy industry - 35,6% ownership

Sofi Filtration - efficient water filtration technology - 25,2% ownership

ResQ Club - consumer app for rescuing restaurant meals - 19,3% ownership

Swap.com - online store for pre-owned clothing - 9,3% ownership

In addition to these, there are five incubation holdings.

Loudspring will in its annual review provide unaudited financial estimates of its core portfolio provided that they are available at the time of this report.

LOUDSPRING EFFECTIVE FULLY DILUTED OWNERSHIPS 31.12.2018

Below is Loudspring's effective fully diluted ownership 31.12.2018.

Company	Ownership (effective fully diluted)	Options
Aurelia	1,2 %	
Eagle Filters	67,6 %	Option to go up to 80% through a share purchase
Enersize	35,6 %	
Metgen	2,4 %	
Nuuka Solutions	45,0 %	Option to go up to 47,5% through a loan conversion
Resq Club	19,3 %	
Sansox	9,6 %	
Sofi Filtration	25,2 %	
Swap.com*	9,3 %	
Watty**	3,2 %	

*Loudspring owned effectively 1% additional Swap.com shares at the end of the review period which have been purchased from Loudspring after the review period.

**During the review period Loudspring has sold its directly owned shares in Watty and currently only holds indirect ownership in the company through a holding company.

Eagle Filters was Loudspring's only subsidiary at the end of the review period. Ownership is reported as effective fully diluted except for Enersize, where effective ownership is reported due to Enersize being a listed company. Effective ownership takes into account both direct and indirect ownership in the portfolio firms. Loudspring has indirect ownership through the Clean Future Fund (CFF), a Finnish limited partnership and several Cleantech Invest SPVs, all of them Swedish holding companies founded by Loudspring. Exit and dividend proceeds from portfolio companies may differ from ownership percentages, both in positive or negative direction, due to different share classes and provisions in shareholder agreements.

MAJOR EVENTS

The comments on associated companies are not full descriptions of each of the associated companies' situations or their risks. Risks are described in more detail in the Risks and Uncertainties section.

OVERALL DEVELOPMENT

2018 for Loudspring was overshadowed by the bankruptcy of Nocart. This unfortunate event and related negative media created a difficult operating environment for Loudspring. At the same time, many of the core portfolio companies developed well during 2018, and our focus is now fully on supporting these firms on their growth journeys.

During 2018, Eagle Filters' revenue remained on the same level as 2017. During H2 2018 the company strengthened its financial resources and team significantly. Loudspring's 2020 targets for Eagle Filters remain the same.

Three core holdings; Nuuka Solutions, ResQ Club and Sofi Filtration made very good progress during the year and their revenues grew significantly.

Swap.com significantly reduced costs and streamlined its operations, which has resulted in reduced revenue but a much healthier business. Enersize stock price declined during the period.

During 2018 Loudspring signed an agreement with Nordea to increase its limit for debt facilities to EUR 2,5 million. The debt facilities consist of a limit and a long-term debt. In addition, Loudspring signed a convertible loan agreement with NEFCO for EUR 2,5 million funding. During the period Loudspring also appointed Erik Penser Bank as its new Certified Advisor.

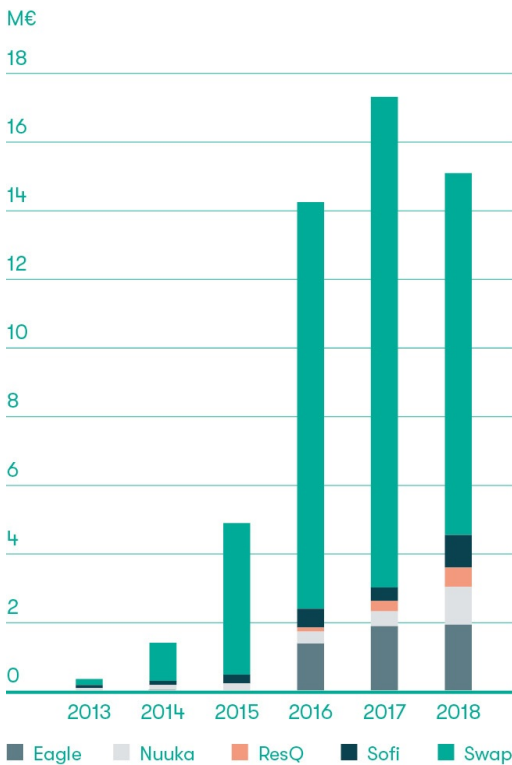
Loudspring has refined its strategy and will target to acquire more external equity funding for its core portfolio firms. We are hence also more open to dilution where we see this leads to better returns on absolute terms. This does not, however, prevent us from considering majority ownership in selected targets, through investments and share swaps. The shift in financing strategy is due to Loudspring's market valuation decreasing significantly. At the same time, private market valuations for good growth companies are attractive. From shareholder value perspective it has, in several cases, become more attractive to dilute on the portfolio company level as opposed to Loudspring level, when additional funding is needed. During H2 2018 our ownership in Nuuka decreased slightly and Nuuka is now a minority-owned portfolio company.

At the end of the review period Loudspring had the following financing arrangements and balance sheet items:

- Cash EUR 76 thousand
- EUR 950 thousand untapped credit limit from Nordea, effective until 15.9.2019, expected to be renewed
- An agreement made with NEFCO in November 2018 for a EUR 2,5 million convertible loan, completely untapped 31.12.2018. This convertible loan can be used to finance the operations of portfolio companies. Received proceeds may be used freely.
- The company owned listed shares (Enersize Oyj) with a fair value 31.12.2018 of EUR 2,29 million. The shares have been given as collateral for the loans of EUR 1.5 million in Loudspring's balance sheet and for the EUR 950 thousand credit line. The consent of the collateral holder is required for the selling of these shares.

In addition, the company has after the review period received payments for a EUR 400 million loan receivable and the selling of portfolio company shares for EUR 250 million.

Revenue development for Loudspring's core holdings 2013 - 2018 (estimated), excluding Enersize



The estimated (non-audited) combined revenue of Loudspring core holdings (excluding Enersize) was EUR 14,98 million in 2018 (EUR 17,19 million in 2017).

EAGLE FILTERS

Eagle Filters provides advanced air filtration solutions for energy utilities, which increases the efficiency of gas turbines. The technology significantly reduces CO2 emissions and increases profitability. Eagle's technology is being used by some of the world's largest energy utilities. Loudspring has an option to increase its ownership in Eagle to 80%.

Business Update

Eagle Filters' revenue 2018 was EUR 1,9 million (unaudited estimate). Revenue stayed on the same level as the previous year. The key reason for this is resourcing: new sales team members have not been fully trained and operational until Q4 2018. The stagnant revenue development was also partly due to some larger turbine maintenance schedules pushed to 2019. In addition, as a result of poor performance,

some agent agreements have been terminated by Eagle and new agent agreements have been negotiated and signed. After the review period, Eagle's business has developed well and at the time of reporting Eagle had signed orders of appx. EUR 1,25 million for 2019.

Eagle Filters Inc started operational activities in the USA in late 2018. During H2 2018 the company has strengthened its financial resources and team significantly.

Key opportunities include:

- High profile references create a good opportunity for global growth and
- Investment pay-back time is exceptionally short improving customers' fleet value significantly

Key risks include (but are not limited to):

- Competition is intensifying
- Increasing sales efforts coupled with long lead times increases capital requirements

Non-audited financials 2018 (estimate) / 2017

Revenue 2018	Revenue 2017	EBITDA 2018	EBITDA 2017
1 900 066	1 854 113	-360 000	-206 603

Eagle Filters revenue development 2015 - 2018 (estimated)



Targets for 2021

Loudspring has set the following financial targets for 2021 for Eagle Filters, replacing earlier targets:

- 2021 Revenue: more than EUR 10 million
- 2021 EBITDA: more than EUR 2 million

Previously given targets were the same but for year 2020. We have pushed the targeted growth one year further due to slow 2018 revenue development.

These targets are Loudspring group level targets and are more conservative than the subsidiary company's internal targets. The targets are not financial guidance and will only be in general updated on an annual or semi-annual basis. Deviation from these targets will not trigger a positive or negative profit warning.

NUUKA SOLUTIONS

Nuuka Solutions provides a cloud-based software for professional building analytics.

Nuuka connects building intelligence systems into one common platform, enabling greatly improved energy efficiency and indoor air quality, as well as streamlined operations and reporting. Customers include large building asset managers, multinational corporations and cities.

Business Update

Nuuka grew its revenues by 153% during 2018 to EUR 1,09 million. Revenues consist of Monthly Recurring Revenue (MRR) and project revenues. Nuuka's MRR order intake number was at the end of year 86 500 € / month. This is the anticipated billing from current signed contracts after the projects have been fully installed. The recurring revenue grows gradually as buildings are connected to Nuuka over a

period of several months or years in some cases. This number is also highly dependent on a small number of potential customer contracts and during Q4 no major deals were signed.

Nuuka's most significant deals during 2018 were a deal with the ICA Real Estate in Sweden and a deal with the City of Helsinki. At the end of 2018, appx 2500 buildings were connected to the Nuuka cloud. Nuuka has also proceeded with the pilot in the USA for an international work place operator and is also negotiating a wider roll-out which currently is not certain.

Interest in Nuuka's product offering has remained strong. At the same time, competition is increasing, with several players entering the smart building market. Nuuka's main competitive edges are the ability to deliver the complete platform solution for large portfolios management, being hardware manufacturer agnostic, and having excellent integration solutions to other cloud solutions and a long experience of real estate business.

At the end of 2018, Nuuka was no longer a subsidiary of Loudspring, as the ownership fell slightly below 50%. Nuuka established a fully owned subsidiary Nuuka AB in Sweden in late 2018.

Key opportunities include:

- High profile references have increased awareness and interest for Nuuka in the Nordics and globally
- Large potential accounts under negotiation

Key risks include (but are not limited to):

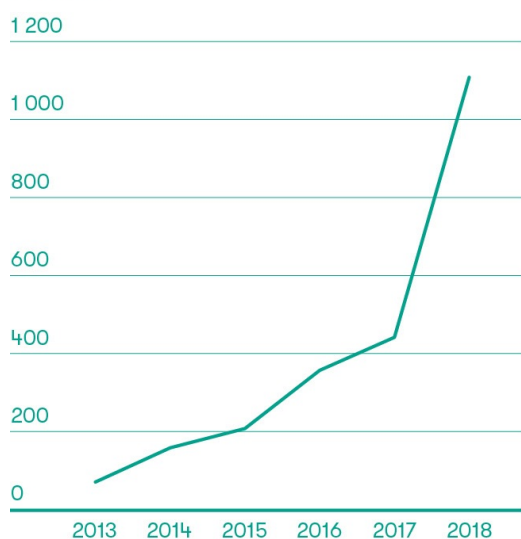
- Competition is intensifying and many different solutions are entering the market
- Additional financing is needed to increase sales efforts and keeping ahead in technology development
- Sales and R&D recruitments form a bottleneck
- Revenue growth potential is concentrated on a small number of larger potential accounts

Non-audited financials 2018 (estimate) / 2017

Revenue 2018	Revenue 2017	EBITDA 2018	EBITDA 2017
1 094 071	433 298	-281 696	-373 269

Nuuka Solutions revenue development 2013 - 2018 (estimated)

thousand



Loudspring set the following financial target for Nuuka Solutions in the H1 2018 report: revenue in 2020 more than EUR 4 million. Nuuka was no longer a subsidiary of Loudspring at the end of 2018, and 2021 targets are not given.

These targets are Loudspring group level targets and are more conservative than the subsidiary company's internal targets. The targets are not financial guidance. Deviation from these targets will not trigger a positive or negative profit warning.

RESQ CLUB

ResQ is an app for rescuing surplus food from restaurants and grocery stores, at big discounts. The online marketplace enables restaurants, cafes and grocery stores to sell their surplus food to nearby people who want to save time, money and planet while enjoying quality food.

Business Update

Annualized GMV (products sold over platform) was at the end of the reporting period over EUR 4 million. GMV for the full year 2018 was EUR 3 million and revenue EUR 0,56 million. During 2018, ResQ Club cut operating costs significantly. Also, marketing spend per each new acquired customer decreased significantly. The company was close to break even at the end of 2018.

ResQ launched a new customer segment in 2018: grocery stores, which was welcomed very well by both the partners and users. ResQ Club is currently operating in the Nordics.

Key opportunities include:

- The current operational model fits well in the current markets, resulting in balanced and cost-efficient growth on both sides of the marketplace
- ResQ Club has identified new markets outside Nordics which are befitting for the current growth model

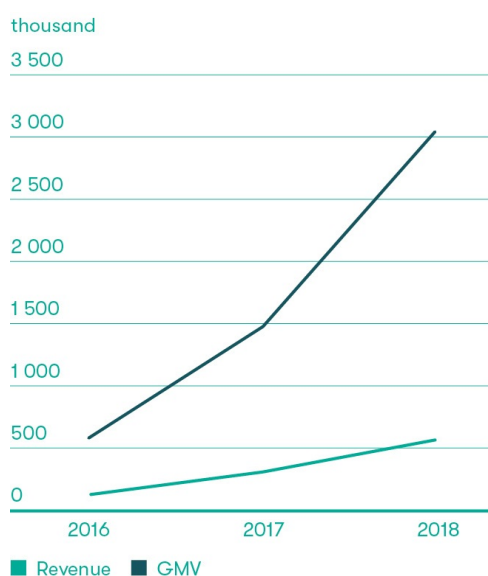
Key risks include (but are not limited to):

- Competition is increasing (although ResQ believes this also to be positive because it educates consumers and validates market opportunity)
- More funding may be required to accelerate international growth

Non-audited financials 2018 (estimate) / 2017

Revenue 2018	Revenue 2017	GMV 2018	GMV 2017	EBITDA 2018	EBITDA 2017
556 986	299 525	3 005 003	1 450 000	- 453 036	- 1 286 644

ResQ Club revenue development 2016 - 2018 (estimated)



ENERSIZE

Enersize provides energy efficiency cloud analytics for heavy industry. The company is listed in Nasdaq First North Stockholm. With Enersize's technology, large industrial factories can save significantly in their compressed air system electricity costs.

Business Update

As a Nasdaq First North listed company, Enersize reports independently on its developments. Enersize's financial reports can be found on <https://enersize.com/>. Enersize stock owned by Loudspring at the end of 2018 was valued at EUR 2,29 million.

SOFI FILTRATION

Sofi Filtration provides efficient water filtration technology. Their self-cleaning filter enables cost efficient micro filtration of large amounts of water.

Business Update

Sofi Filtration's revenues in 2018 were EUR 0,9 million. Revenues increased by 144% and the company was profitable. The company sold its water filtration technology to the energy and marine industries. After several successful trials a first commercial deal for marine scrubbers was signed. A successful pilot was also conducted for filtering microplastics from a plastics manufacturing plant. Sofi Filtration strengthened its patent portfolio and established a fully owned subsidiary in the US.

Key opportunities include:

- Possibility to scale sales through channel-to-market partners
- Individual large scale project prospects
- Focus on few market segments with standardized product offering

Key risks include (but are not limited to):

- Current resources are limited in comparison to delivery schedules
- Financial risks exist as the delivery scopes are increasingly larger and require capital during manufacturing period

Non-audited financials 2018 (estimate) / 2017

Revenue 2018	Revenue 2017	EBITDA 2018	EBITDA 2017
949 000	388 416	368 483	-63 965

Sofi Filtration revenue development 2013 - 2018 (estimated)



SWAP.COM (SWAP.COM SERVICES OY)

Swap.com is an online store for pre-owned clothing. Swap.com has an extensive selection, wide consumer reach, and thanks to its full service consignment sales model, shipping expenses are lower than in comparable peer-to-peer sales platforms such as eBay.

Business Update

Swap.com's revenue was EUR 10,5 million, down 26% from the previous year. The company made significant cost cuts in H1 2018, including significant layoffs, mainly in the USA. Product focus was shifted towards higher margin products with higher customer demand resulting in faster turnaround.

As a result, EBITDA improved from USD -1,75 million per month during Q1 to averaging USD -0,38 million per month in Q2-Q4.

Swap.com closed a funding round with current investors totalling EUR 4,5 million. In December, ecommerce and digital industry experts Jennifer Carr-Smith and Yona Shtern were appointed to join Swap.com's board of directors. After the review period, Jennifer Carr-Smith was appointed CEO. Jennifer most recently served as an SVP at Groupon and as CEO of Peapod. Earlier in her career, she held senior operating roles as COO of J.Crew Direct, COO of Gilt Groupe, and VP of Strategy, Finance and Operations at Ralph Lauren Media.

Key Opportunities Include:

- Operational efficiency improvements have reduced fixed costs base
- Core team strengthened through high level recruits

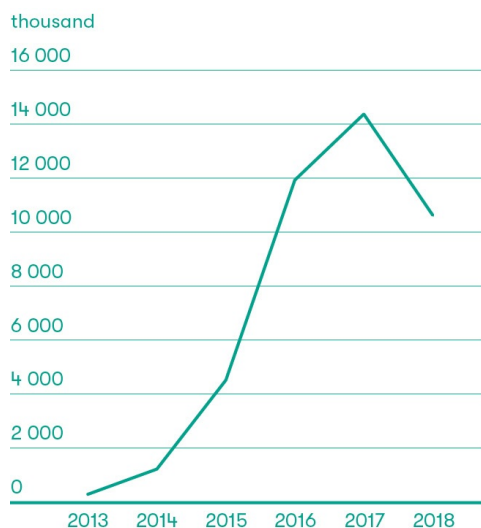
Key Risks include (but are not limited to):

- Profitability is dependent on revenue growth from current level
- Additional funding may be required to achieve profitability and growth targets

Non-audited financials 2018 (estimate) / 2017

Revenue 2018	Revenue 2017	EBITDA 2018	EBITDA 2017
10 476 892	14 210 728	-7 600 000	-14 650 000

Swap.com revenue development 2013 - 2018 (estimated)



Since Swap.com revenue has not developed as we had expected, Loudspring decided to impair the revaluation reserve for Swap.com.

INCUBATION HOLDINGS

Incubation holdings (venture holdings that are not deemed core holdings by Loudspring) will be commented upon only if significant developments take place.

During the reporting period there were the following major events:

PlugSurfing GmbH was acquired by Fortum. Loudspring owned 3.3% of PlugSurfing before the sale. The transaction returned the invested capital and yielded approximately 18% annual return on top of it during the time the company was in the Loudspring portfolio.

Oricane (Swedish AB) was written down, and Loudspring no longer has financial expectations from the company. After the reporting period, Oricane filed for bankruptcy.

Direct ownership in Watty (Swedish AB) was sold to management with a contract yielding 80% of proceeds in a possible exit. Loudspring still has indirect ownership in Watty.

Impairments were made in Aurelia Turbine Oy and Watty AB shares due to a decrease in the estimated disposal value of said shares.

INCOME STATEMENT: REVENUE AND RESULT

Revenue

The company's revenue for the review period 1 January to 31 December 2018 was EUR 71 thousand (1-12/2017: EUR 29 thousand).

Expenses

Personnel costs during the review period 1 January to 31 December 2018 amounted to EUR 518 (453) thousand.

Other operating expenses in the review period 1 January to 31 December 2018 were a total of EUR 1 100 (622) thousand.

The increase in expenses is mainly due to one time expenses related to Nocart, changes in personnel as well as to retrospective changes in Loudspring's VAT treatment from 2017 onwards.

Depreciation, amortization and write-downs

Depreciation, amortization and write-downs of intangible and tangible assets in the review period 1 January to 31 December 2018 was a total of EUR 178 (179) thousand.

Operating income

The company's operating loss for the review period 1 January to 31 December 2018 was EUR 1 750 (1 305) thousand. The increase in the operating loss was mainly due to higher operational expenses.

Financial income and expenses

Financial income in the review period 1 January to 31 December 2018 was a total of EUR 261 (314) thousand, financial expenses a total of EUR 1 959 (EUR 571) thousand. The financial expenses are mostly related to impairments in portfolio company shares (Nocart, Clean Future Fund, Cleantech Invest SPV 4, Oricane, Aurelia, Watty and Cleantech Invest SPV 3), loan arrangement fees and currency fluctuations. Financial income was mainly return on capital from exit proceeds.

Result for the review period

The net loss of the review period 1 January to 31 December 2018 was EUR 3 448 (EUR 1 562) thousand. (poistettu lause)

BALANCE SHEET: FINANCING AND INVESTMENTS

At the end of the review period, the balance sheet total stood at EUR 12 579 (24,862) thousand. The decrease is mainly due to impairments in portfolio companies Nocart (EUR 7,4 million), Oricane (EUR 190 thousand), Clean Future Fund (EUR 339 thousand), Cleantech Invest SPV 5 (EUR 207 thousand), Swap.com (EUR 1,22 million), Enersize (EUR 2,56 million), Aurelia (EUR 92 thousand), Watty (EUR 35 thousand) and Cleantech Invest SPV 3 (EUR 29 thousand). These impairments are mainly made in the revaluation reserve and affect the result for the financial period by EUR -1,8 million.

The shareholders' equity was EUR 10,844 (22,705) thousand and the equity ratio was 86,2% (91,3%).

The total current liabilities at the beginning of the review period was EUR 623 thousand and EUR 740 thousand at the end of the review period.

INVESTMENTS DURING THE REVIEW PERIOD

ResQ Club Oy: Loudspring led an investment round for ResQ Club, increasing ownership from 15,6% to 19,4%.

Eagle Filters Oy: Loudspring made two additional investments in Eagle Filters, first increasing ownership from 34% to 63,4%, followed by another investment to increase ownership to 67,6%. Loudspring still has the option to further increase ownership to 80%. In addition, Loudspring has provided Eagle Filters with a capital loan.

Nocart Oy: Loudspring participated in a financing round in Nocart during H1 2018. In H2 2018 Nocart filed for bankruptcy.

Swap.com Oy: Loudspring has participated in an investment round in Swap.com, increasing Loudspring's ownership in Swap.com to 9,3% (excluding 233 159 shares that have been bought from Loudspring after the review period) at the end of the review period.

Nuuka Solutions Oy: Loudspring has made an investment in Nuuka in the form of a convertible loan.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

The company went through the following personnel changes during the review period:

Lassi Noponen, was appointed Managing Director and continued as a member of the board. Alexander Lidgren, who acted as the Managing Director of the company until May left Loudspring's service. Tarja Teppo, who acted as CFO of the company, left Loudspring's service with Timo Linnainmaa taking over the position as CFO. Thomas Bengtsson, former member of the board, took over the position as Chairman of the Board. Antonio Gallizio was appointed Chief Investment Officer. Alf-Oskar Witting was appointed Junior Controller to assist with financial management and investor relations. Joshua Burguete-Kirkman continued as Communications Director.

Loudspring employed on average 7 persons during the review period.

Previous members of the board Gudrun Giddings and Peter Carlsson left the board at the AGM 20th of April 2018. At the end of the review period the board of directors consisted of Thomas Bengtsson (Chairman), Lassi Noponen, James Penney and Matti Vuoria.

ANNUAL GENERAL MEETING

The Annual General Meeting of Loudspring was held on the 20th of April 2018 in Helsinki.

The Annual General Meeting adopted the annual accounts for 2017 and resolved that the net loss of EUR 1,562,276.68 be transferred to accrued earnings and that no dividend be paid. The Annual General Meeting discharged the members of the Board of Directors and the CEO from liability for the year 2017.

The Annual General Meeting resolved that the members of the Board of Directors be paid EUR 400 per month and granted additionally 20,000 stock options as annual remuneration. The stock options also include the stock option remuneration resolved by the Annual General Meeting on 21st of April 2017 (10,000 stock options per member of the Board of Directors), which have not been granted to the members of the Board of Directors. The stock options shall be issued based on the authorization granted by the Annual General Meeting. The remuneration of the members of the Board of Directors is not paid to persons working for the company. The members of the Board of Directors are reimbursed for reasonable travel and lodging costs. Travel and lodging costs will not be compensated to those members of the Board of Directors who reside in the greater Helsinki area when the meetings are held in the greater Helsinki area.

The Annual General Meeting resolved that four (4) members be elected to the Board of Directors. The Annual General Meeting re-elected Mr. Thomas Bengtsson, Mr. Lassi Noponen, Mr. James Penney and Mr. Matti Vuoria of the current members of the Board of Directors as members of the Board of Directors for a term ending at the closing of the Annual General Meeting of year 2019.

The Annual General Meeting resolved that the auditor's fees are paid according to the auditor's invoice approved by the company. The Annual General Meeting re-elected Deloitte & Touche Oy, Authorized Public Accountants as the company's auditor. Deloitte & Touche Oy has informed that the principal auditor will be Mr. Aleksi Martamo, Authorised Public Accountant.

Three main authorizations were given: 1) authorizing the board of directors to decide on issuance of shares, 2) authorizing the board of directors to decide on issuance of options and 3) authorizing the board of directors to decide on acquisition of the company's own shares.

The Extraordinary General Meeting was held in Helsinki 19.12.2018. The Extraordinary General Meeting decided to give the Board of Directors the authorization to decide in one or more transactions on the issuance of option-rights that may be converted to shares in accordance with the Convertible Loan Agreement with NEFCO.

The AGM decisions are available in detail on the company website at <http://loudspring.earth/news/category/1213/resolutions-of-loudspring-plcs-annual-general-meeting-and-board-of-director>

OUTLOOK 2019

All of our portfolio companies face a multitude of growth company challenges and thus carry significant amounts of risks. At the same time, the companies have matured and as such, are better equipped to face these challenges. Loudspring's mission of saving natural resources, and fighting climate change has continued to develop globally, thus for most of our business sectors the outlook continues to be positive.

Demand for energy and resource efficiency is a growing megatrend and one that provides vast opportunities for growth. It also means that competition is expected to increase in various business sectors. Our companies provide quality solutions, but they are going to need to continue to improve their value propositions as competition increases.

Increasing numbers of investors and capital providers are interested in clean technologies. While the need to secure additional funding continues for most of the Loudspring portfolio companies, so does the available pool of capital.

Saving the Earth's natural resources by growing companies is Loudspring's mission, and it is increasingly viewed as an important one. We will continue on this mission and believe it remains a unique long-term business opportunity.

EVENTS AFTER THE REVIEW PERIOD

After the review period the following events have taken place.

Loudspring extended an EUR 800 000 loan to its daughter company Eagle Filters. The loan provides Eagle Filters with the resources to accelerate its growth strategy.

Eagle Filters entered into strategic alliance with Australian Baltec IES, for combining marketing and technology efforts to accelerate both companies' growth. Baltic IES is the largest subsidiary of The Environmental Group Limited (EGL), an environmental technology company listed on the Australian Securities Exchange, ASX (code: EGL). Baltec IES has customers on every continent with an established presence in over 40 countries, by focusing on delivering tailored design and equipment for optimising large-scale gas turbine power projects. Eagle's business has developed well and at the time of reporting Eagle had signed orders of appx. EUR 1,25 million for 2019.

Loudspring extended a 250 000 EUR loan to Enersize (Nasdaq First North ticker: ENERS) to accelerate its internationalization.

RISKS AND UNCERTAINTIES

Loudspring Oyj (the "Company") and its portfolio companies (the "Portfolio Companies") are associated with a number of risks and uncertainties including but not limited to the following:

The Portfolio Companies of the Company are start-up and growth companies and Company's value depends heavily on the future development of these companies and the Company's ability to realize the value of its investments. The Company and the Portfolio Companies are associated with significant risks and uncertainties including but not limited to: 1) risks related to financial position and availability of additional financing that they dependent on, 2) risk related to Portfolio Companies' acquisitions, expansions and ability to sustain growth, 3) risks related to competition and technological development, 4) risks related to protection of intellectual property rights, 5) dependence on a limited number of key employees, 6) various business related risks, such as dependence on a limited number of clients, technical and warranty risks, credit loss risk and currency fluctuation risk, 7) insurance risks and 8) economic, political and regulatory risks in various markets.

There can be no assurance that the Company or its Portfolio Companies will become profitable, which could impair the Company's and the Portfolio Companies' ability to sustain their operations or obtain any required additional financing. Even if the Company or its Portfolio Companies would become profitable in the future, they may not necessarily be able to deduct the previous losses in taxation and sustain profit in subsequent periods.

Amendments to the laws and regulations and interpretations of laws and regulations relating to the Company's or Portfolio Company's business may involve negative effects to the Company or to the Portfolio Company in question. In the event of any litigation, authoritative or administrative proceedings, risks related to financial sanctions and/or limitation of business opportunities may occur. Any acts or alleged acts in conflict with the positive societal values, reliability and good quality of the Company or its Portfolio Companies, may damage the Company's or its Portfolio Companies' reputation, long-term profitability and value.

In addition, the Company is associated with inter alia the following risks that relate to its business operations as a development and investment company:

The Company's ability to make profit fully depends on the potential exit proceeds and cash flows it may receive from its Portfolio Companies and all acquisitions and disposals of assets are subject to uncertainty. There is a risk that the Company will not succeed in selling its holdings in the Portfolio Companies at the price the shares are being traded at on the market at the time of the disposal or valued at in the balance sheet. Furthermore, the Company may be affected by liquidity risk if liquidity will not be available to meet payment commitments due to the fact that the Company cannot divest its holdings quickly or without considerable extra costs.

The Company does not independently control its Portfolio Companies, other than its daughter company Eagle Filters Oy, and there may occur potential interest conflicts with the other shareholders and stakeholders exercising influence over each respective Portfolio Companies' operations or the information provided by a Portfolio Company to the Company may not be accurate or adequate. Furthermore, an investment in a Portfolio Company may be affected by the existence of shareholders agreements or articles of associations containing provisions restricting transferability of the Portfolio Companies' shares or otherwise having an impact on the value of said shares.

GENERAL MEETING AND FINANCIAL COMMUNICATION 2019

The 2018 annual accounts with management report and the auditor's report are available on the company's website at loudspring.earth/share/general-meetings.

The Annual General Meeting will be held on Friday 26th of April 2019 in Helsinki. The invitation to the General Meeting will be published 3rd of April 2019. The Board of Directors proposes to the Annual General Meeting that the result be transferred to retained earnings / loss account

and that no dividend be paid.

The half-year report for the period 1 January – 30 June 2019 will be published on Friday 30th of August 2019. Q1 summary for the period 1 January – 31 March 2019 will be published on Thursday 25th of April and Q3 summary for the period 1 July – 30 September 2019 on Thursday 31st of October.

SHARE

At the beginning of the financial period 2018 the company had a total of 23,945,317 shares, divided into 4,569,031 class K shares, each having 20 votes at shareholders' meetings, and 19,376,286 class A shares, each having one vote at shareholders' meetings.

On the 18th of January a share swap with Eagle Filters took place, increasing Loudspring class-A shares by 128,788.

During the review period 265,000 series K shares were converted to series A shares.

At the end of the review period the total amount of Loudspring shares was 24,168,498, divided into 4,398,424 K shares and 19,770,074 A shares.

Loudspring board members and the management team owned on 31 December 2018 a total of 985,402 Series A shares, 2,252,138 Series K shares and options that give a right to subscribe 1,209,749 Series K shares and options that give a right to subscribe 320,000 class A-options taking into account all shares and options owned directly and indirectly through companies controlled or influenced by them or through their family members. In addition, 16,000 options that give a right to subscribe series A shares are owned by persons working for the company.

The shares owned by board members and the management team represent approximately 13,4% of the company's all outstanding shares registered on 31 December 2018 in the trade register and 42,7% of the voting rights of the shares.

Loudspring had 5118 registered shareholders according to the share register on December 31st 2018. Euroclear Finland had 3686 shareholders and Euroclear Sweden 1432 shareholders.

The number of class A shares, which are traded on First North, at the end of the financial period was 19,770,074 and the market cap on 28th of December 2018 was EUR 6.7 million. When taking into account also the class K shares, which are not subject to multilateral trading, the market cap was EUR 8.2 million. Closing price of the company's class A share on 28th of December 2018 was 0,34€ per share on First North Finland. During the financial period the highest price paid for the company's class A share on First North Finland was 2,65€, the lowest 0,33€, and the volume-weighted average 0,98€ per share.

The company has a liquidity provision agreement with Pareto Securities that fulfils Nasdaq Stockholm AB's Liquidity Providing (LP) requirements. Loudspring's shares traded on First North Finland are not covered by the liquidity provision agreement.

STOCK OPTION SCHEMES

Stock option program 2013

Based on the authorization granted by the shareholders' unanimous resolution on 10 May 2013, the Board of Directors of the company has on 10 May 2013 resolved on a stock option program for the key employees under which a maximum 2,443,936 new K shares can be subscribed. The share subscription period of the stock option program 2013 ends on 31 December 2020. The subscription price is EUR 0.0001 per share.

During the reporting period 94.393 options from the 2013 options program were used to subscribe new K-series shares.

Stock option program 2/2016

Based on the authorization granted by the Extraordinary General Meeting on 9 March 2016, the Board of Directors has on 10 June 2016 decided on a stock option program for the key employees, under which a maximum 1,000,000 new class A shares can be subscribed. 333,333 of these stock options have been marked as 2-2016A, 333,333 as 2-2016B and 333,334 as 2-2016C. The share subscription period with 2-2016A stock options is 1 July 2016 – 31 December 2025, with 2-2016B stock options 1 July 2017 – 31 December 2025 and with 2-2016C stock options 1 July 2018 – 31 December 2025.

On 20 April 2016, the Annual General Meeting resolved that the members of the Board of Directors that are not working for the company be granted 10,000 stock options as annual remuneration. Following members of the Board of Directors received stock options: Mr. Thomas Bengtsson, Mr. Peter Carlsson, Mr. James Penney and Mr. Matti Vuoria.

In January 2017, the Board of Directors of the company allocated 806,000 stock options belonging to the stock option program 2-2016 to key personnel of the company. The stock options were allocated to the members of the company's management team as follows: Managing Director Alexander Lidgren 400,000 stock options, Lassi Noponen 200,000 stock options, Tarja Teppo 100,000 stock options, Timo Linnainmaa 100,000 stock options and Joshua Kirkman 6,000 stock options.

The share subscription period shall not begin for stock option 2-2016A prior to the trade volume weighted average quotation of the company's class A share on First North Finland has been not less than EUR 1.75 during four (4) consecutive weeks, for stock option 2-2016B prior to the trade volume weighted average quotation of the company's class A share on First North Finland has been not less than EUR 2.25 during four (4) consecutive weeks, and for stock option 2-2016C prior to the trade volume weighted average quotation of the company's class A share on First North Finland has been not less than EUR 3.00 during four (4) consecutive weeks. The share subscription price based on these options is EUR 1.00 per share. The subscription price will be recorded into unrestricted equity fund of the company.

Stock option program 2018

The Board of Directors have been authorized by the Annual General Meeting on 20 April 2018 to decide on a stock option program for key employees, under which a maximum 1,200,000 new class A shares can be subscribed. 400,000 of these stock options have been marked as 2018A, 400,000 as 2018B and 400,000 as 2018C. The share subscription period with 2018A stock options is 1 January 2018 – 31 December 2022, with 2018B stock options 1 January 2021 – 31 December 2022 and with 2018C stock options 1 January 2022 – 31 December 2022.

The share subscription period shall not begin for stock option 2018A prior to the trade volume weighted average quotation of the company's

class A share on First North Finland has been not less than EUR 3.00 during four (4) consecutive weeks, for stock option 2018B prior to the trade volume weighted average quotation of the company's class A share on First North Finland has been not less than EUR 4.00 during four (4) consecutive weeks, and for stock option 2018C prior to the trade volume weighted average quotation of the company's class A share on First North Finland has been not less than EUR 5.00 during four (4) consecutive weeks.

The share subscription price based on these options is EUR 1.52 per share.

Stock option program for NEFCO 2018

The Board of Directors have been authorized by the Extraordinary General Meeting on 19 December 2018, to decide, in one or more transactions, on the issuance of option rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows to enable implementation of the conversion in relation to the Convertible Loan Agreement entered with NEFCO on 21 November 2018 against payment or without payment.

The number of options to be issued based on the authorization may in total amount to a maximum 2,500,000 option rights. Each option right shall entitle to subscribe for one (1) class A share. The subscription price of the class A shares is EUR one (1) per one (1) class A share. If all offered class A shares will be subscribed, the aggregate subscription price will be EUR 2,500,000. The subscription price has been set according to what has been agreed in the negotiations regarding the issuance of the option rights entitling to class A shares in the Company. The class A shares shall be subscribed and paid by NEFCO setting off its receivables under the Convertible Loan Agreement, one (1) euro against one (1) class A share.

DEFINITIONS

Equity ratio (%)	Total equity x 100/ Total assets
Number of shares	Total number of shares at the end of the period
Weighted average number of shares	Issue and conversion-adjusted weighted average number of shares
Diluted number of shares	Total number of shares at the end of the period added by outstanding warrants
Weighted average number of shares, Diluted	Issue and conversion-adjusted weighted average number of shares added by outstanding warrants
Basic earnings per share (€)	Result for the (financial) period / Issue and conversion-adjusted weighted average number of shares
Diluted earnings per share (€)	Result for the (financial) period / Issue and conversion-adjusted weighted average number of shares added by outstanding warrants

ACCOUNTING PRINCIPLES OF THE SEMI-ANNUAL ACCOUNTS

Semi-annual accounts have been prepared following generally accepted accounting principles and applicable laws. The half-year figures for 2017 and 2018 of the review have not been audited. The full year figures for 2017 and 2018 of the profit and loss statement, balance sheet and statement of cash flows are audited. The figures presented are rounded.

FINANCIAL INFORMATION

Loudspring aims to primarily increase revenue in its subsidiaries and associated companies. Loudsprings' own revenue is small and mainly consists of services provided to Loudsprings' portfolio companies. The majority of Loudspring's expenses are operating costs related to increasing the value of subsidiaries and associated companies.

Profit and Loss Statement

EUR '000	1 - 12 / 2018	1 - 12 / 2017	7 - 12 / 2018	7 - 12 / 2017
Turnover	71	29	49	11
Materials and services	-25	-79	46	-37
Personnel expenses	-518	-453	-183	-245
Depreciation and impairment charges	-178	-179	-89	-90
Other operating expenses	-1 100	-622	-748	-326
Operating loss	-1 750	-1 305	-925	-687
Financial income	261	314	205	167
Financial expenses	-1 959	-571	- 1 699	-389
Result before taxes	-3 448	-1 561	-2 419	-909
Taxes	0	-1	0	0
Result for the financial period	-3 448	-1 562	-2 419	-909
Basic earnings per share	-0,14	-0,07	-0,10	-0,04
Diluted earnings per share	-0,13	-0,06	-0,10	-0,03

Balance Sheet

EUR '000 31/12/2018 31/12/2017

Assets

Non-current assets

Intangible assets	90	264
Tangible assets	18	22
Holdings in group undertakings	1 154	0
Holdings in participating interests	9 676	19 990
Total non-current assets	10 938	20 276

Current assets

Accounts receivables	50	110
Loan receivables from participating interests	827	776
Loan receivables from group undertakings	400	0
Loan receivables	0	11
Other receivables	64	80
Deferred assets	226	46
Cash and cash equivalents	76	3 562
Total current assets	1 641	4 585
Total assets	12 579	24 862

Equity and liabilities

Shareholders equity

Share capital	80	80
Reserve for invested non-restricted equity	17 015	16 675
Revaluation reserve	3 045	11 798
Retained earnings	-5 848	-4 286
Result for the financial period	-3 448	-1 562
Total shareholders equity	10 844	22 705

Liabilities

Non current

Deferred tax liability	0	1534
Bank loans	1 000	0

Current liabilities

Bank loans	500	269
Accounts payable	68	294
Other current liabilities	138	9
Accruals	29	51
Total liabilities	1 735	2 156
Total equity and liabilities	12 579	24 862

Statement of cash flows

EUR '000 1 - 12 / 2018 1 - 12 / 2017

CASH FLOW FROM OPERATING ACTIVITIES

Result before taxes	-3 448	-1 561
Taxes	0	-1
Adjustments	1 556	207
Depreciation	178	179
Change in receivables, increase (-), decrease (+)	-103	145
Change in current liabilities, increase (+), decrease (-)	-118	0
Cash flow from operating activities	-1 935	-1 031

CASH FLOW FROM INVESTING ACTIVITIES

Investments in tangible and intangible assets	0	-12
Investments in group undertakings	-548	0
Investments in shares of participating companies	-2 840	-759
Returns received for participating companies	147	0
Dividend income from shares	237	86

Loans granted to participating companies	-500	-426
Loans granted to group undertakings	-550	0
Repayment of loan receivables	511	0
Loan receivables from others	11	11
Cash flow from investing activities	-3 532	- 1 862

CASH FLOW FROM FINANCING ACTIVITIES

Share issue against payment	0	4 981
Increase in non- current liabilities	1 000	0
Increase in current liabilities	1 250	269
Decrease in interest bearing liabilities	-269	0
Dividends and other profit distribution	0	0
Cash flow from financing activities	1 981	5 250

CHANGE IN CASH AND CASH EQUIVALENTS

	-3 487	2 356
Cash and cash equivalents at the beginning of the period	3 562	1 206
Cash and cash equivalents at the end of the period	76	3 562

Statement of Changes in Shareholders' Equity

EUR '000	Share capital	Revaluation reserve	Reserve for invested non-restricted equity	Retained earnings	Result for the financial period	Total shareholders' equity
Shareholders' equity January 1, 2018	80	11 798	16 675	-5 848	0	22 705
Share issue	0	0	0	0	0	0
Revaluation reserve	0	-8 753	0	0	0	-8 753
Reserve for invested non-restricted equity	0	340	0	0	0	340
Result for the financial period	0	0	0	0	-3 448	-3 448
Shareholders' equity December 31, 2018	80	3 045	16 675	-5 848	-3 448	10 884
Shareholders' equity January 1, 2017	80	12 703	11 303	-4 286	0	19 800
Share issue	0	0	5 373	0	0	5 373
Revaluation reserve	0	-905	0	0	0	-905
Result for the financial period	0	0	0	0	-1 562	-1 562
Shareholders' equity December 30, 2017	80	11 798	16 675	-4 286	-1 562	22 705

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Loudspring in brief

Loudspring is an industrial group focused on saving natural resources. We own and operate Nordic growth businesses that are making a big environmental impact. We have a diversified business portfolio in order to balance out the fluctuations of individual companies' performance. Our technologies save energy, water and materials in industry, real estate and in everyday life.

The company group is listed on First North Finland under the ticker LOUD and on First North Stockholm under the ticker LOUDS.

www.loudspring.earth

LinkedIn: <https://www.linkedin.com/company/loudspring/>

Twitter: [@loudspring](https://twitter.com/loudspring)

IG: [@loudspring_earth](https://www.instagram.com/loudspring_earth)

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