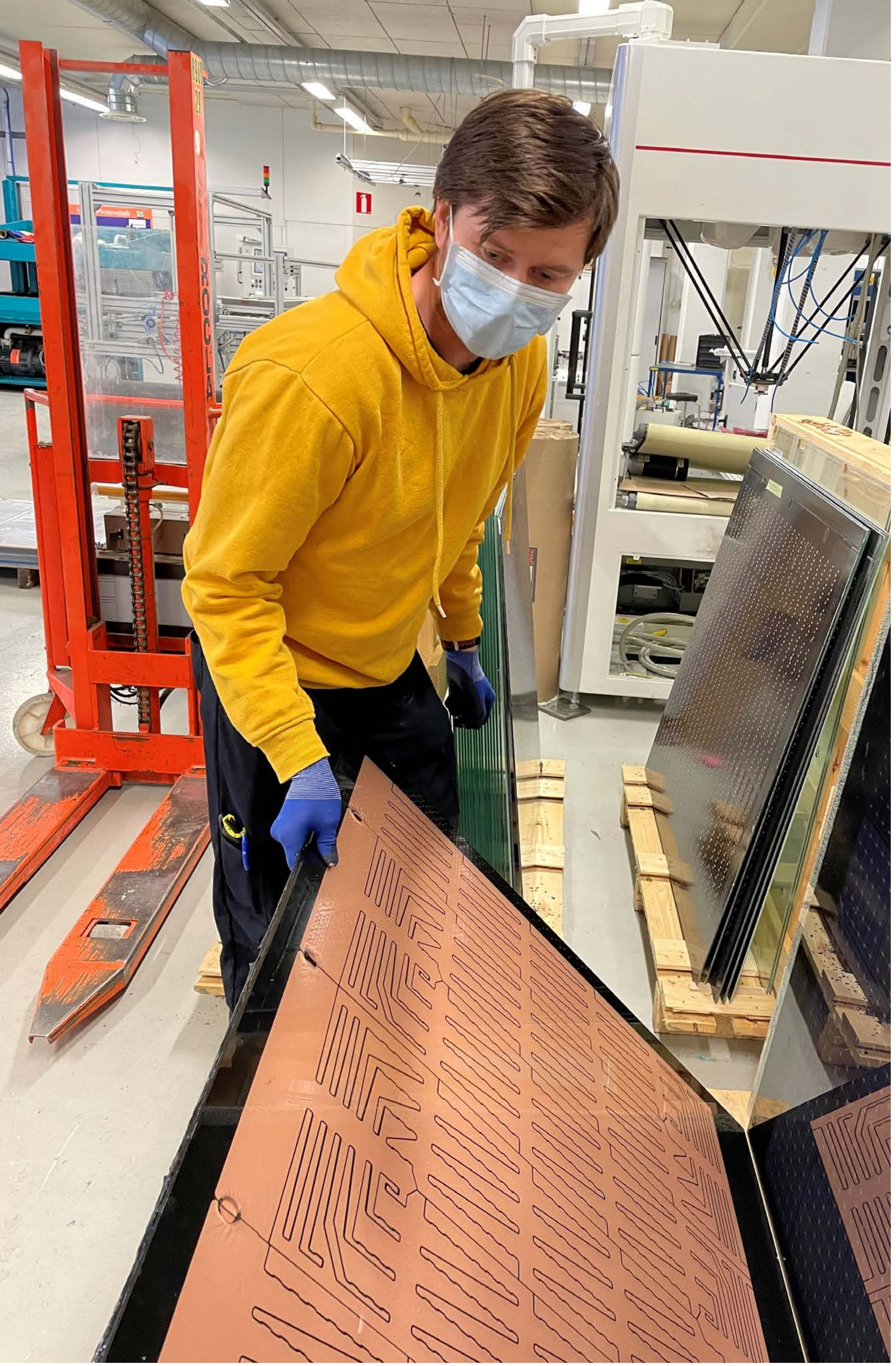
VALOE

Annual Report 2020



Contents

This Is Valoe

We are an innovative technology company based in Finland. We use our know-how to enhance the diverse use of clean solar energy.

The sun provides enough energy to meet the world's needs. However, efficient collection and versatile use of solar energy require new technology and new ideas. Distributed on-site production of solar energy is the most efficient and environmentally friendly. We at Valoe believe that we have the technical know-how and experience to promote broader and more diverse solar electricity use.

The most crucial insight in Valoe's business is to focus on back-contact technology and its development. In a back-contact solar module, all electricity generated by the solar cell passes through the rear side of the cells to a conductive, module-sized circuit board. There are no soldered wires on the front side of the module, leaving the entire surface to generate electricity efficiently and look uniform. However, a conductive back sheet requires a suitable solar cell, e.g., Interdigated Back Contact (IBC), to work optimally. The back-contact structure and IBC cells form a technically ideal combination for efficient photovoltaic modules for various applications.

As there were no IBC cells available on the market, we made a significant investment in our own cell manufacturing plant in Lithuania during the last two years. We developed manufacturing technology for IBC cells together with a German research institute, ISC Konstanz. Test deliveries to customers commenced in March 2021.

At our other factory in Juva, we manufacture Chrystal IBC modules with conductive back sheets for rooftop installations like standard modules. The advantage of back-contact modules is high efficiency and long service life. Our modules are not competitive with low-cost products in terms of price, but as the capital expenditure will be distributed to Valoe modules' longer service life, the electricity they produce will be the cheapest. The aesthetic of Valoe modules is very attractive: the colour of cells is very dark and uniform, and there are no ribbons on the module surface, making the modules appear finished.

The back-contact technology and production lines utilising the technology are adjustable and flexible, enabling the production of different types of panels with the same production equipment. OddForm modules with different features compared to standard panels can be customized. The shape, size, or material of a back-contact module can vary almost indefinitely. As an expert in photovoltaic technology, Valoe can meet customers' needs to use solar energy in entirely new ways. Thus, customers' interest in OddForm modules has grown rapidly.

Our headquarters is located in Mikkeli, Finland. Valoe's shares are listed on NASDAQ Helsinki

Sustainable Innovations

KNOW-HOW, TECHNOLOGY AND PARTNERSHIPS ARE CORE VALUES TO OUR CUSTOMERS

Valoe plays an essential role in the value chain as a developer and industrialist of new photovoltaic applications. We provide customers with added value by combining our know-how and advanced technology with the customer's idea and the product's desired features.

We use high-quality and sustainable materials in our products.

Our products and operations are environmentally friendly, and their positive environmental impact is significant.

Our customers utilise our solutions in different applications for various purposes. Typically, all applications support modern society's objectives: sustainability and slowing down climate change.

CAREFULLY SELECTED AND TESTED RAW MATERIALS

Silicon Wafers

Chemicals

Polymers

Composites

Glass

Lead-free

Non-toxicity

Recyclability

Ethics

RESPONSIBLE SOURCING

The goals of the European module manufacturing are non-toxicity and a small carbon footprint, which already are compulsory in some countries. New standards prohibit the use of lead.

SMART SOLUTIONS

Conductive Back Sheet

IBC Technology

OddForm Modules

Module Structure Solutions

Power Management

Energy Storages

Material Solutions

Connection Technology

Laser Applications

Innovative Production Solutions

KNOW-HOW AND TECHNOLOGY

The technological know-how covering the entire production chain, from a cell to a power plant, enables the industrialisation of inventions.

OUR CUSTOMERS' APPLICATIONS AND FINAL PRODUCTS

Passenger cars

Refrigerated transportation

Delivery vehicles

Busses

Boats

Wall and rooftop structures

Fabrics

Greenhouses

Satellites

BROAD OFFERING

Our customers use our solutions in a large variety of applications.

SUSTAINABLE OPPERATIONS

We promote distributed production of the most environmentally friendly solar electricity.

We provide products to expand the use of renewable energy.

We have received a European award for environmentally friendly premises.

We use renewable energy in our production.

SUSTAINABILITY BENEFITS

We promote renewable energy in all our operations.

Our Values

We Are Equal

We promote equality and cultivate an open atmosphere. Our goal is to work as a team with respect for each individual member.

We Listen and Learn

To be innovative, we must always be eager to learn more. We combine our knowledge and experience with the know-how of the experts in the field and our customers. We understand the value of listening and learning.

We Are Valuable Parners

We aim to deliver genuine value to our customers. It is only through a true partnership with our customers that we can develop our services most efficiently.

We Acknowledge Our Responsibility

We carry our responsibility for all our actions. We understand our responsibility towards our customers, the environment, society and our fellow workers.

Love of Life

Without a love of life and care for the quality of life, work and its result would be meaningless.

Our Vision

is to have clean solar electricity available for everyone everywhere.

Solar electricity is the best form of energy. It is available all over the world, even in places with no grid. Distributed, local electricity production replaces fossil fuels. Further, solar energy contributes to solving economic, social and health problems in developing countries

We want to develop sustainable and efficient photovoltaic modules for various applications. We want also to develop photovoltaic technology to promote clean mobility.

Our Mission

to promote diversified production and use of clean solar energy with our technology and knowledge.

Solar energy will soon be part of our natural environment. All surfaces onto which the sun radiates can be utilised to produce electricity for their own needs.

The product range of new solar energy applications will be wide. We cooperate closely with our customers and other developers in the industry. It is our shared mission to increase the use of solar electricity.

Managing Director's Report

THE CHANGING WORLD IS AN OPPORTUNITY FOR VALOE

Converting solar energy into electricity is a challenge we took up with enthusiasm in 2014. We had knowledge and experience in technology. As the industry evolves rapidly, we started with product development projects. After six years of work and hundreds of tests, we now know more about theory and practice. We know the whole production chain, from the cell to the power plant.

The know-how is valuable, but it did not bring the desired breakthrough for Valoe and the shareholders in 2020. We promised to start the production of new cells and modules in the autumn. However, we estimated the required time to be too short, and the production is not yet quite at its full speed. In that sense, the year 2020 was a disappointment. Of course, COVID-19 caused many significant scheduling delays.

On the other hand, we gained a lot of valuable information on cell and module technology. We turned ideas into reality. We tried and tested tirelessly. We succeeded and failed. Now, we are even more prepared to enter the photovoltaic market. We found our niche where demand is growing.

Our original idea of producing electricity close to where it is used was supported. During the financial year, there were ideas to be implemented on the global market for which there was no ready-made product available on the store shelf. Valoe's know-how was and is needed for the industrialisation of new products, i.e., product development, prototype testing as well as product and equipment manufacturing.

The world has taken a long leap in utilising solar energy. We constantly receive new ideas of how to make things in a completely different way.

An innovative technology company operating in a vast and rapidly growing industry will surely find specialised, innovative and profitable market segments.

We believe that in the future, solar electricity must be produced much closer to where it is consumed: homes, buildings, cars, electronics, logistics - wherever electricity is used.

With the back-contact technology, photovoltaics is easy to deploy in very unconventional markets. Valoe has developed its new OddForm module family, e.g., for the automotive industry with Sono Motors. The Lithuanian IBC cell plant enables the in-house sourcing of high-quality vital components. Additionally, we can offer solar cells with high added value to third parties. Valoe OddForm modules were involved in many projects during 2020, but Valoe expects to receive significant cash flow from them only in the next financial year.

In April 2020, we disclosed the move of our Mikkeli plant and the new plant investment in Juva, Finland. We continue to grow and pursue positive cash flow during 2021. We now have better financial resources at our disposal than we had when we launched the photovoltaic business. These days, a lot is expected from us.

As COVID-19, which has slowed down the economy, fades, the market will be redistributed. At Valoe, we trust the future and our team. We will do our best to ensure that the company's operations finally begin to generate value for its shareholders and steadily increasing benefits for its customers.

Iikka Savisalo
CEO

Directors' Report 2020

NET SALES AND RESULT

Valoe's net sales for the financial year 2020 were EUR 1.6 million (in 2019 EUR 0.3 million) as the company estimated in its guidance. The operating profit was EUR -3.3 million (EUR -3.7 million), and the profit for the financial year was EUR -4.9 million (EUR -5.8 million). Undiluted and diluted earnings per share were EUR -0.03 (EUR -0.14).

MARKET GUIDANCE

Valoe aims for growth in financial year 2021. The restrictions and other effects of the coronavirus pandemic make it challenging to assess the market situation, and thus the company does not provide guidance for its net sales for 2021.

The Valoe Group's operating cash flow will turn positive on a monthly basis during the second quarter of 2021, provided that COVID-19 does not, directly or indirectly, further delay the start of mass production of solar cells at the Lithuanian plant and the beginning of full-scale deliveries.

THE YEAR 2020 IN BRIEF

Production at Valoe's Cell Plant Began

The construction of the Lithuanian cell plant and its processes was already well underway at the beginning of 2020. However, the project still required months of work and testing. The first compliant IBC test cells were manufactured in May 2020, and the process ramp-up commenced during the summer.

Implementing manufacturing processes of complex solar cells is very challenging. The coronavirus pandemic disrupted critical components' sourcing, and restrictions related to the pandemic occasionally prevented experts from entering Lithuania. Solar cell production commenced in December 2020. Production volumes will gradually be increased. Testing of the processes to maximise cell efficiency continued in January and February 2021. The first test batches of cells were delivered to both the Juva plant and to customers in late March 2021.

Valoe's Module Plant Moved

Valoe's module production moved from Mikkeli to larger premises better suited to growing industrial operations in Juva. Module production resumed in June 2020 after roughly two months of shutdown. At the Juva plant, the company has continued investing in the Chrystal module family and Odd Form modules production. All new products are manufactured in Juva, and they have IBC cells manufactured at the Vilnius plant in Lithuania.

At the end of 2020, the production of Chrome II modules was discontinued. Machinery was modified to produce new IBC modules, Chrystal and bifacial Chrystal Twin. The first IBC module was manufactured in late March 2021, and the deliveries of Chrystal modules are about to begin.

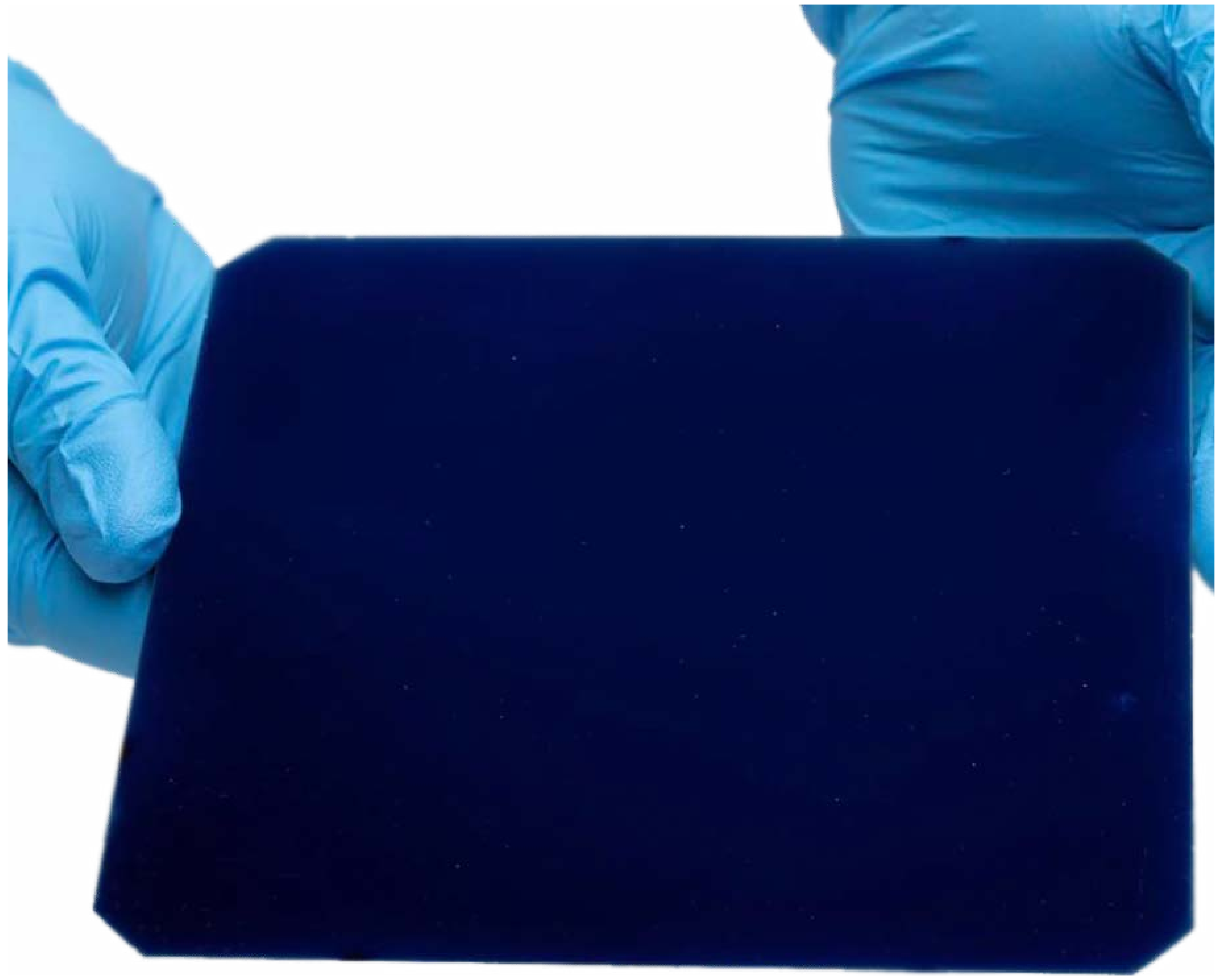
Own Installation Team Secures the Quality of Power Plants

During 2020, we installed all solar power plants with Chrome II modules by ourselves on private real estate, industrial buildings and shopping centres across Finland. The quality of the installation work was ensured by training our installers. The power plant with Chrome II modules delivered to ForUs Capital sites ultimately accounted for most of Valoe's net sales in 2020.

Financing

Valoe secured new financing through share issues, convertible bonds and other loans in 2020 and at the beginning of 2021. New funding totalling ca. EUR 9.4 million was collected, and additionally, Valoe's indebtedness decreased in total by ca. EUR 1.6 million. Valoe was able to bridge the funding gap caused by the company's investments. The company's working capital situation improved but is still tight. As of 22 April 2021, there is a total of EUR 1.0 million to be withdrawn from the Winance financing facility.

Valoe was able to implement the remarkable investments, considering its size, in Vilnius and Juva to the extent that the commercial production of modules and cells can begin. Valoe's financial situation is described in more detail in the item FINANCING.



Research and Development Played a Key Role in Business Operations

The success of product development is crucial for Valoe's future. Valoe's R&D team, comprising 10 employees in Finland and 10 employees in Lithuania as of 31 December 2020, operated at its limits throughout the year. The staff performed exceptionally well and achieved several objectives. In the future, we have to have new success in developing new vehicle-integrated products, equipment and machinery development, ramping up the production of Chrystal and Chrystal Twin modules, and continuously improving the IBC cells and production methods.

For the time being, Valoe's R&D team is required to participate in the product and production technology development of all the OddForm projects it sells. Our R&D designs and implements quality control and develops manufacturing processes, automation and machinery for new products.

In 2020, the most significant achievement of our R&D team was the OddForm modules developed for Sono Motors GmbH's self-charging motor vehicle, Sion. Additionally, Valoe developed a solar-powered trailer for refrigerated transport in cooperation with Sono Motors.

As disclosed on 19 April 2021, Valoe and Sono Motors signed an approx. EUR 2.2 million co-operation agreement on continuing development collaboration. The co-operation project commences immediately and lasts about 12 months. The continuing collaboration with Sono Motors has brought and continues to bring new and even greater opportunities for Valoe, especially in Europe, as the electrification of transport increases. During the financial year, Valoe's own projects related to solar-powered trailers made good progress as well.

Valoe's part in the EU Horizon HighLite project progressed on the same schedule with the other participants. The project already offered Valoe impressive value in many ways in 2020. Valoe gained valuable information from the research work performed in the project and the funding for it. In addition, Valoe was invited to work with the best European research institutes. Many of Valoe's new and promising commercial applications originate from Valoe's HighLite project partners. More information on the R&D is in the item RESEARCH AND DEVELOPMENT.

The Main Events during the Financial Year

More information on events after the reporting period can be found in the stock exchange releases published on Valoe's website at www.valoe.com.

The Main Events after the Financial Year

On 19 January 2021 Valoe disclosed that to strengthen Valoe's working capital situation and capital structure the company issues a subordinated convertible bond of EUR 3.0 million at the most. On 29 January 2021, the company increased the maximum amount of the convertible bond 1/2021 to EUR 3.4 million.

On 1 February 2021 Valoe announced that the convertible bond 1/2021 had been oversubscribed and the Board of Directors of the company had approved subscriptions for the maximum amount of the convertible bond, i.e., EUR 3.4 million.

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MARKET CONDITIONS

Compared to fossil fuels and other renewable energy sources, the competitiveness of solar electricity will continue to increase faster and faster. Back in 2018, the production cost of solar electricity was already below the cost of all other electricity production in many geographical areas. Solar energy production capacity is estimated to reach the nominal value of 180 GW during 2021 (PVTech 2 April 2021/IHS Markit. For reference: Olkiluoto nuclear power plant units 1 and 2 with capacity of 0.9 GW/unit and Olkiluoto unit 3 with capacity of ca. 1.6 GW, although nuclear power plants generate electricity all day, all year round). The annual business volume excluding electricity sales was worth around EUR 100 billion in 2020 and is projected to grow annually by about 20 percent over the next 30 years (ITRPV 2019).

According to forecasts, the photovoltaics' share of total energy consumption in transport will increase significantly. The global solar-powered vehicle market is expected to be USD 329 million in 2023 and is projected to reach USD 4.1 billion by 2030, registering an annual growth rate of 43.3% (Allied Market Research 2020).

More and more OddForm solar modules are integrated, e.g., into cars

and other vehicles. In 2021, Valoe has chosen to focus on IBC cells and unconventional vehicle-integrated Valoe OddForm modules based on the Conductive Back Sheet.

We rely on specialisation and our OddForm modules, but we are prepared that competitors soon introduce their back-contact modules and other innovations in the market. The market for standard modules is changing as well. The companies that will succeed in price competition will continue to decrease their traditional products' prices based on sales volumes, increase production capacity, and continue a worldwide price war. On the other hand, the COVID-19 pandemic has changed supply chains. There is already a shortage of silicon wafers and plastic and glass used in photovoltaics. Their prices increase, generating an increase in standard module's prices, which may open new markets for specialised companies.

VALOE'S FUTURE OUTLOOK

Valoe We Focus on OddForm Applications for Transportation

The structures of Valoe OddForm modules are based on the use of composites. The modules are efficient, light, flexible and can be of any shape. These modules can be used in vehicles, on-the-spot energy needs in logistics chains, and aviation and aerospace applications.

In such an environment and space especially, power-related problems have usually been resolved with expensive and less environmentally friendly solutions with no regular competition on the market. In such applications, Valoe can provide a customer with crucial added value by combining the high efficiency of Valoe cells, back-contact technology for efficient use of space and flexible production for different types of cells at the Vilnius plant.

We have continued development work to improve efficiency in back-contact module manufacturing technology. New applications require a new kind of thinking in terms of production methods. We need efficient production technology ourselves, but we have also streamlined our Odd Form module production sales. We will supply production lines mainly for special projects related to vehicles and construction to customers who will start using Valoe's unconventional modules.

At the end of 2020 and in 2021, Valoe has received several orders for OddForm modules for new applications. However, the orders have fallen below the company's disclosure threshold of EUR 400,000. Valoe has ongoing negotiations for several new projects. Valoe believes that vehicle-integrated photovoltaics will generate turnover during financial year 2021 and move the company's focus more on these applications. A good example of achieved objectives is Valoe's cooperation with Sono Motors regarding the development of vehicle-integrated OddForm modules for an electric car called Sion.

Demand for Valoe OddForm modules is constantly increasing as new operators and businesses discover their potential. In December 2020, Valoe received an order for a development project where a new type of OddForm module is developed for greenhouses. Such unconventional module applications suit Valoe's back-contact technology well and have remarkably better margins than in standard solar power plant projects.

Valoe's Back-Contact Technology for Building Integrated Power Plants

In spring 2020, Valoe installed building-integrated solar modules on the wall of a new parking house at Helsinki-Vantaa Airport. Valoe's back-contact technology is optimal for building-integrated photovoltaics (BIPV) applications. Valoe's competitive edge in these applications is often better, thanks to an attractive appearance, than when competing for a typical rooftop power plant at a price.

High-quality Standard Modules Are Needed

Valoe's solar module plant in Juva is prepared to start production of Chrystal and Chrystal Twin modules as soon as deliveries of Lithuania's mass production cells begin. Demand for Chrystal modules remains good. In 2021, Valoe is going to choose the sales channels for Chrystal and Chrystal Twin standard modules that are one of the most efficient modules on the market. With Valoe's new pricing, its standard modules are on the same price level as other premium modules.

We Continue Supplying Manufacturing Technology for Standard Modules

Valoe provides manufacturers interested in back-contact technology with its production technology designed for Chrystal and Chrystal Twin modules.

We foresee that module production continues to decentralise, even though China will also dominate the market in the future. We will sell a back-contact module plant to our local partner who secures funding for the plant and sells produced modules. Valoe can continue minority shareholding in the plant and take care of production technology, product quality and development.

Valoe's Geographical Markets

Valoe will succeed in the markets where sales potential is too small and fragmented for large entities and where technical innovations are prioritized over price.

Valoe's business models are based on producing solar energy on the spot, whether it concerns a geographical area or electric equipment.

The natural geographical markets for Valoe are countries and regions with an incomplete or malfunctioning grid. Such areas exist primarily in Africa but also in Asia and South America

VALOE'S STRATEGY

We are an international growth company with high objectives in terms of business volume and technology level. We are quick, flexible and innovative!

In 2021, our focus is on transport applications. Traffic is undergoing a major change, and Valoe must take advantage of the rapid electrification of transportation. Other megatrends that support Valoe's operations are new forms of mobility, especially in metropolitan traffic. City centres will be car-free, and the "last mile" will be travelled not only on foot or electric scooters but also on shared and autonomous electric vehicles based on entirely new ideas. Photovoltaics will become more important as it will be more difficult to charge electric vehicles due to their increased number and the size of such mobility vehicles.

According to our vision, Valoe's back-contact technology, high-efficient IBC cells and OddForm modules will be at the core of new mobility solutions.

We Believe the Solar Energy Can Make a Change

Solar energy is the cleanest and safest form of energy, and the sun provides enough energy to meet the world's needs. As soon as we learn to convert solar energy into electricity efficiently and store energy for later use, photovoltaics can replace fossil fuels. Solar energy is silent, odourless and purest energy. In many areas, the price of electricity produced by photovoltaics is lower than the price of electricity produced in any other way. Our strategy is based on the fact that the limitations of solar energy utilisation will be resolved in the future.

We Focus Our Skills on Increasing the Utilisation of Photovoltaics

A successful business requires the capability to compete in international markets. Valoe follows research and development related to its business closely and adapts applicable technologies to its product concepts. Valoe's strength lies in in-depth knowledge of materials technology, laser technology expertise, and long experience as a supplier of industrial automation applications.

The Technology Valoe Has Chosen Can Be Applied to New Solar-Powered Appliances

Our back contact-based and adaptable production technology as well as our own cell and module plants provide us with the capacity to work as a technology partner and possibly later also as a manufacturing partner for new products' industrialisation.

We Believe in the Photovoltaics in Developing Areas

We develop technology and module production lines for emerging countries. Photovoltaics is the most natural way to improve living conditions in areas with no electricity. We want to establish photovoltaic supply even in the poorest regions, which requires proper funding solutions among others.

Successful operation in the photovoltaic business requires the capability to compete in international markets. Valoe as a newcomer has to find its niche market.

PRODUCTS AND SERVICES

1. PHOTOVOLTAIC MODULES AND POWER PLANTS

Standard Modules

We invest in high-quality module materials, finished products, efficiency, abstention from lead, and long service life. Nearly the entire cost of solar energy arises from the installation of the system. Fuel is free and only very little maintenance is needed. As long-life modules generate the most electricity during their service life, the cost per produced unit is the lowest. Long-lasting and efficient modules are also the most environmentally friendly and save natural and other resources. Our modules are ecological and made in Finland, which gives us a competitive advantage in the conventional module market.

The Chrome II and Chrystal modules we manufactured in 2020 were back-contact modules. Still, they competed with Chinese mass-produced modules in rooftop and also land installations in Finland only based on price. Domesticity, meaning Made in Finland, better visual appearance, and advanced technology were not enough to reach a reasonable sales volume.

Next, we will commence manufacturing Chrystal modules with IBC cells, including a Chrystal Twin module, one of the most efficient modules in the market generating electricity on both sides with a nominal power of more than 400 kW. The new Chrystal IBC module is also a premium product in terms of appearance.

Unconventional Valoe OddForm Modules

Under the pressure of climate change, many are thinking about harnessing solar energy. Because a conventional module is a standard model with properties that can hardly be changed, it requires special competence in photovoltaic technology to implement new ideas. Unforeseen products are now being developed for new, global markets. Product development is carried out enthusiastically at Valoe, as all over the world.

Back-contact technology is the key to new applications. The new photovoltaic modules come in different sizes and shapes depending on where the modules are used. Their materials and shapes vary. Weight, flexibility and appearance as well as efficiency in power generation are the most important competitive advantages of Valoe's IBC OddForm modules. We cooperate closely with our customers to develop customised OddForm modules for special applications.

OddForm modules can be applied to vehicles to generate electricity. IBC cells with very high efficiency are required in transportation-related applications as the available space is very limited. Together with German Sono Motors, we have developed OddForm modules that are integrated on the surface of an electric vehicle, Sion, and can hardly be seen.

Sono Motors and Valoe are collaborating on product development and marketing to minimise emissions of refrigerated transport by applying zero-emission photovoltaics. Valoe OddForm modules are resistant to vibration and shock and can be installed on trucks. Sono Motors provides the system with its electronic control and optimisation system.

In 2020, our R&D participated in the development of several very different product ideas. There are exciting development opportunities in aerospace applications, as well as in greenhouse cultivation and building materials. These productisation projects will continue in 2021.

2. PRODUCTION LINES AND MANUFACTURING PARTNER SERVICES

Valoe offers its know-how through manufacturing partnerships and technology licensing agreements, which are essential for our strategy for strong growth. Manufacturers who use Valoe's photovoltaic technology in their applications undertake to use Valoe's production technology and components related to Valoe's back-contact technology.

Valoe will supply a partner with an entire module factory or equipment. Valoe also guarantees the availability of the partner's components by manufacturing them, if necessary. We believe that a satisfied customer appreciates long-term customer relationships and strives to engage Valoe as a technology supplier to cooperate, in some cases to act as an OEM manufacturer, or sometimes to invest in a joint manufacturing company as a minority shareholder.

Valoe signed its first manufacturing partnership agreement with Ethiopian LS Corp in 2016. However, the technology delivery has not been executed as of the date of this annual report. Valoe has excluded the value of the partnership agreement delivery from its order book.

On 25 February 2020, Valoe signed a cooperation agreement with Sono Motors. If Sono Motors and its self-charging electric vehicle will be successful and Valoe can meet the customer's expectations, the collaboration will generate significant cash flow.

Partner for Industrialising New Products

We know the entire photovoltaic supply chain: cell production, standard module and OddForm module production, as well as design and manufacturing of production equipment. The cornerstones of our technology are the IBC cell and the back-contact module. The flexibility and adaptability of back contact-based production technology is an essential feature in developing new products. It enables the production of prototypes and a small series of new products.

Successful product development and test production help a customer to industrialize and bring a new product to market quickly. Valoe is prepared to deliver production equipment and lines to a customer immediately or produce a smaller series at its plants. We continue our development work to increase the efficiency of the manufacturing technology for back-contact modules and develop different types of production equipment. We are confident that in the future we will deliver production lines to customers implementing OddForm modules.

Partner for Producing Modules in Developing Countries

We have not left behind the idea of selling photovoltaic production lines to developing countries, especially in Africa. When the time to trade is right, we believe that production line options can be optimised to be less expensive and easier to implement as experience increases. Locally produced electricity is the best option if there is no grid available.

Photovoltaics can significantly improve living conditions and opportunities in areas with no electricity available and replace expensive and harmful fossil fuels in electricity generation. As a technology partner, Valoe's role is to support module production ramp-up and ensure that production runs smoothly.

3. CELLS AND OTHER MODULE COMPONENTS

Valoe provides its partners and other customers with its solar cells based on IBC technology as well as other special components.

Given Valoe's own need and other customers' increasing need for cells, the Vilnius plant's production capacity may be exceeded. Valoe should consider which business model should be used at the Lithuanian cell production to benefit the company most.

We also supply special components for back-contact modules. Valoe's first special component is Conductive Back Sheet (CBS) that the company has developed. The CBS development continues, and we believe our customers' interest will turn into orders along with the improvements to the product.

INVESTMENTS

Gross investments during the financial year amounted to EUR 2.1 million (EUR 4.8 million). The investments in the reporting period were mainly in equipment. About half of the investments were made in the machines and equipment at the Lithuanian plant. A new laminator for OddForm module production was built at the Juva factory. Additionally, quality control equipment was updated, and more automation was built.

The investment in Vilnius improved the production conditions at the cell factory. In Juva, the capacity to produce new IBC Chrystal and OddForm modules expanded significantly. As production volumes increase, Valoe continues to invest in both plants and eliminates production bottlenecks.

FINANCING

The company's financial position was very tight throughout the financial year. The company financed its investments and improved its working capital situation with the above-mentioned offerings and convertible bonds and by withdrawing convertible note tranches under the terms and conditions of the financing arrangement between Valoe and Winance. As of the date of this annual report, there is still a total of EUR 1.0 million to be withdrawn from the Winance funding facility.

In February 2020, Valoe and Winance signed a Bridge Loan Agreement of EUR 500,000. In May 2020, Valoe repaid the loan principal by converting it into the fourth convertible notes tranche of the convertible bond under the terms and conditions of the financing arrangement between Valoe and Winance announced on 20 December 2018. In April 2020, Valoe entered into a new convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes as disclosed on 22 April 2020. Out of this financial facility, Valoe raised a total of EUR 1.5 million during the financial year 2020 and EUR 0.5 million in April 2021.

In May 2020, Valoe agreed on a EUR 2.5 million financing facility with Nordic Environment Finance Corporation (NEFCO). The financing facility comprises a EUR 1.25 million loan to Valoe and EUR 1.25 million investment in Valoe's equity in the offering resolved on 5 May 2020. At the same offering, the Savisalo family and the companies under its control converted their receivables totalling EUR 1.25 million into shares pursuant to the NEFCO financing agreement, and Global BOD Group SIA converted EUR 0.1 million of the initial EUR 0.5 million principal of the Convertible Bond 3/2019 into shares. In the financial arrangements resolved on 5 May 2020, the company collected in total EUR 1.25 million new capital, withdrew a long-term loan of EUR 1.25 million, and the company's indebtedness decreased in total by EUR 1.35 million.

On 24 June 2020, Valoe resolved on a directed share issue with which the company collected in total EUR 0.85 million new capital and the company's indebtedness decreased in total by EUR 0.135 million.

As disclosed on 23 July 2020, the company resolved on a EUR 0.4 million subordinated convertible bond issued to Global BOD Group SIA to convert the loan principal receivable of Convertible Bond 3/2019 BOD had from the company into a new Convertible Bond 1/2020. EUR 0.1 million of the initial EUR 0.5 million principal of the Convertible Bond 3/2019 was converted into shares in the offering resolved on 5 May 2020.

As disclosed in June 2020, the promissory notes issued under the company's convertible bond 4/2019 were converted into 1,155,921 new shares in the company and the subscription price of a share was paid by way of set-off against the unpaid capital and interests of the convertible bond 4/2019.

At the end of September 2020, the Financial Supervisory Authority approved the prospectus relating to admission to trading of in total 89,888,886 shares in the company. The prospectus and the admission to trading of the shares relate to the following share issues agreed upon by the Board of Directors: (i) in the aggregate 48,148,148 new shares in the company issued to certain investors and creditors through a decision by the Board of Directors dated 15 May 2020; (ii) in the aggregate 18,240,738 new shares in the Company issued to certain investors and creditors through decisions by the Board of Directors dated 24 June 2020 and 30 June 2020; and (iii) in the aggregate 23,500,000 new shares in the Company issued to the Company as treasury shares through a decision by the Board of Directors dated 16 September 2020. The shares were listed on the stock exchange list of Nasdaq Helsinki on 1 October 2020.

During the financial year 2020, Valoe has subscribed a total of 23,750,000 new shares in the share issues without consideration directed to the company itself to partly implement the financing agreement with Winance disclosed on 20 December 2018.

On 27 August 2020, Valoe subscribed in total 3,740,000 shares in the share issue without consideration to the company itself resolved on 27 August 2020.

On 21 December 2020, Valoe resolved on a share issuance of a total of 18,500,000 new shares to the company itself without consideration to implement a financing arrangement with Winance and strengthen the company's capital structure. The company subscribed all the shares directed to it. The shares were listed on the stock exchange list of Nasdaq OMX Nordic Helsinki on 23 December 2020.

During 2020, the company raised a total of EUR 0.8 million from Business Finland, an amount which was the remaining part of the EUR 4.1 million development loan granted by Business Finland in 2015.

Valoe is one of the partners of a roughly 15-million-euro research project called HighLite. The project is part of the European Union's Horizon 2020 programme. Valoe is the only party in the project which develops solar cell technology. Valoe conducts development work both in Finland and Lithuania and has raised a total of EUR 1.4 million of the EU's grant by the end of the reporting period. Thus, there is still project-related funding totaling about EUR 0.5 million to be collected.

After the end of the reporting period, in January 2021, Valoe issued a EUR 3.4 million convertible bond with a minimum subscription of EUR 100,000 and directed it to major shareholders and professional investors. The convertible bond was oversubscribed. Out of the approved subscriptions, approximately EUR 2.4 million are new cash investments and about EUR 1.0 million was paid by setting the subscription price off against the subscribers' indisputable receivables from the company.

According to current estimates, the company has sufficient financing until the operating cash flow turns positive. As of the date of this annual report, the company estimates the Valoe Group's operating cash flow to turn positive on a monthly basis during the second quarter of 2021. However, there is currently a great deal of uncertainty about the future due to the unpredictability of the second wave of the COVID-19 pandemic and related restrictions. Although the company's financial position has improved, it cannot afford to delay the estimated cash flows.

Cash flow from business operations before investments in January – December was EUR -3.4 million (EUR -2.1 million). Trade receivables at the end of the reporting period were EUR 0.06 million (EUR 0.04 million). Net financial items amounted to EUR 1.6 million (EUR 2.1 million). At the end of December, the equity ratio of the Valoe Group was -15.6 percent (-21.1 %), and equity per share was EUR -0.01 (EUR -0.08). The equity ratio, including capital loans, was 8.0 percent (4.7 %). At the end of the reporting period, the Group's liquid assets totalled EUR 0.4 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

The objective of our product development is that the energy produced by Valoe's technology shall be the greenest as well as the cheapest energy on the market. The materials in Valoe's photovoltaic modules are chosen responsibly and so that a module's economic life could be extended to more than 100 years.

The importance of the research and development for Valoe is well illustrated by the human resources allocated to research and development. On 31 December 2020, the Valoe Group employed 42 people, out of whom 20 people work on the company's product development projects in Finland and Lithuania.

In 2019, product development resources were further increased to introduce Valoe Odd Form modules in the market rapidly. Valoe develops flexible and lightweight composite modules for new applications in the automotive, aviation, and aerospace industries. With the introduction of such a new application, Valoe will have an opportunity to cooperate closely with its customer on product development and industrialisation. The customer commits, and Valoe gets a long-term customer, for example, for its robotic assembly lines. Valoe is prepared to provide its customers with contract manufacturing of the products or components it develops.

In connection with the cooperation for self-charging electric vehicles with Sono Motors, Valoe has improved and upgraded its product development for developing solar power applications for cars and other vehicles.

The surface of Sono's Sion vehicle is almost completely covered with elements, where Valoe's OddForm modules made from IBC cells at the Lithuanian plant generate electricity for driving the car and all other needs. The cooperation with Sono Motors developed well, and Valoe's role is well established.

In 2019 and 2020, the main challenge for Valoe's research and development was, as the first and, according to Valoe's knowledge, the only company in Europe so far, to design and build a new type of solar cell plant in Vilnius. The first cells manufactured at the Valoe plant were produced in May 2020, but the entire cell production process was commenced only in December 2020. However, the production line did not reach mass production capacity by the end of the financial year because delivery times for critical parts and software upgrades were extended due to the COVID-19 pandemic.

Valoe delivered the first test batches of cells to customers at the end of March 2021, as previously announced.

In March 2019, a research project called HighLite was selected for the European Union's Horizon 2020 funding. Valoe plays a crucial role in the project. The project aims to bring Europe back to the forefront of photovoltaic technology. This project is an excellent complement to Valoe's IBC cell plant project. Valoe's task in the project is to improve the performance of solar cells. The project commenced at the beginning of October 2019.

Over the last three years, Valoe has created a global partner network to support the company's own research and development. Valoe develops its products and technology with the partners to implement the next phase of the company's growth strategy. During financial year 2018, Valoe signed a development and technology transfer agreement with ISC Konstanz, one of the leading solar energy research institutes in Europe.

Valoe's other primary technology partners include Energy Research Centre of the Netherlands (ECN), which now belongs to TNO, and the Fraunhofer Institute for Solar Energy Systems (Fraunhofer ISE). In the Horizon HighLite project, Valoe will be able to utilise the knowledge and experience of IMEC in Belgium, CEA and Ines in France, CSEM in Switzerland and leading universities in several countries. Further, Valoe will be able to work with some of the world's most renowned materials technology companies.

Valoe also focuses on developing the production line concept. Equipment and machinery needed in the automated module manufacturing process are based on Valoe's innovations and designed by Valoe.

Valoe is aiming to protect its innovations in every essential geographical area.

During the reporting period, the Group's research and development costs amounted to EUR 1.1 million (EUR 1.9 million).

PERSONNEL

At the end of December 2020, the Group employed 42 (32) people, out of which 11 employees worked in Lithuania and the rest in Finland. During the reporting period, the Group's salaries and fees totalled EUR 1.9 million (EUR 1.4 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 255,359,195. The company has one series of shares, which confer equal rights in the company. On 31 December 2020, Valoe had in total 18,515,616 treasury shares.

The company had a total of 10,759 shareholders at the end of December 2020, and 2.5 percent of the shares were owned by foreigners. The 10 largest shareholders held 50.7 per cent of the company's shares on 31 December 2020.

The largest shareholders on 31 December 2021

1	SAVCOR TECHNOLOGIES OY	39.470.914	15,5
2	NEFCO	23.148.148	9,1
3	VALOE OYJ	18.515.616	7,2
4	GASELLI GROUP OY	13.098.979	5,1
5	OLLILA JORMA JAAKKO	7.303.417	2,9
6	SAVISALO IIKKA	6.216.709	2,4
7	JOENSUUN KAUPPA JA KONE OY	5.997.777	2,3
8	APTEEKKIEN ELÄKEKASSA	5.550.000	2,2
9	SCI-FINANCE OY	5.406.722	2,1
10	K22 FINANCE OY	4.747.777	1,9
	OTHERS	125.903.136	49,3
	TOTAL	255.359.195	100,0

The members of the Board of Directors and the President and CEO, either directly or through companies under their control, held a total of 58,529,459 shares in the company on 31 December 2020, representing about 22.9 percent of the company's shares. At the end of the period, Iikka Savisalo, Valoe's managing director, either directly or through companies under his control, held a total of 58,261,781 shares in the company.

The price of Valoe's share varied between EUR 0.041 and 0.103 during the financial year. The average price was EUR 0.062, and the closing price at the end of December was EUR 0.064. A total of 153.3 million Valoe shares were traded at a value of EUR 9.6 million during the financial year. The company's market capitalisation at the end of December 2020 stood at EUR 16.3 million.

SHARE ISSUE AUTHORISATIONS IN FORCE

Vuo The company has a share issue authorisation in force granted by the Annual General Meeting 2020 according to which the Board of Directors is authorised to decide on a share issue with and/or without payment, either on one or on several occasions, including the right to resolve on option rights and other rights entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act so that the number of new shares issued based on the authorisation 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 be equal to the total maximum amount of 150,000,000 shares. The authorisation does not exclude the Board's right to also decide on a directed issue of shares or option rights and other special rights pursuant to Chapter 10, Section 1 of the Finnish Companies Act. It was resolved that the authorisation 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 a given party 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 such a measure. The authorisation is in force until 30 June 2021. By the date of this Annual Report, the Board of Directors has resolved on issues of a total of 149,765,000 shares based on the authorisation.

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 handle the practical arrangement and monitor 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 organisation or an audit committee.

RISKS RELATED TO FINANCIAL POSITION AND FINANCING

The Operating Cash Flow Does not Materialise as Planned

Valoe has estimated that the Valoe Group's operating cash flow will turn positive on a monthly basis during the second quarter of 2021. Should the COVID-19 pandemic re-emerge, especially in Lithuania and elsewhere in Europe, it may hamper the availability of materials and services. Increasing difficulties in supplies could further slow the start of cell mass production and customer deliveries. The delay may have a negative effect on the company's operating result and/or financial position.

The Positive Turn in the Company's Cash Flow Is Delayed

Should the positive turn in the company's cash flow be delayed, contrary to the company's forecast, the secured financing arrangements could prove insufficient. Valoe should receive new funding from either its financiers or shareholders.

The Assumptions Related to the Company's Cash Flow Do Not Realise

Failure to realise the assumptions related to the company's cash flow forecasts could lead to a situation where the company's impairment tests would indicate the need to write down the company's intangible and tangible assets or goodwill. In such a situation, impairment of intangible and tangible assets could have an adverse effect on the company's financial position. A detailed description of the company's impairment testing can be found in Note 12 to the consolidated financial statements.

Risks Related to the Strategy, Business Operations, New Technologies, and Manufacturing

Valoe's growth strategy is based on success in new photovoltaic applications, e.g., for electro mobility. Should Valoe fail to convince its new potential customers of the added value of its products sufficiently quickly, global competition may intensify and Valoe's opportunities to sell highly profitable products could weaken. A fall in the price level could have a significant impact on the company's profitability and financial position.

Valoe's R&D Projects Do not Deliver Outcome Quickly Enough

Should Valoe's product development projects fail or take too long to achieve results (or if new products are delayed while competition only tightens), the price level of new products falls and Valoe's profitability remains substantially lower than estimated; it could significantly affect the company's financial position.

Materials and Services Supplies Related Risks due to the COVID-19 Pandemic

The COVID-19 pandemic has already delayed Valoe's module production and, especially, the start of cell mass production, as well as the start of customer deliveries and the realization of cash flow. The company uses components from international suppliers and subcontractors to produce its products. The primary raw materials include silicon wafers, silver, other metals, plastics and glass, whose delivery times have been extended. At the moment, it is impossible to estimate the final effect the pandemic will have on Valoe.

Increase in the Clobal Raw Material Prices due to the COVID-19 Pandemic

The prices of raw materials have risen due to the COVID-19 pandemic. Should the company fail to pass on any rising procurement costs to its customer prices, it could negatively affect its profitability and financial situation. At the moment, it is impossible to estimate the final effect pandemic will have on Valoe.

Certain statements in this annual report and especially the non-binding estimations in Valoe's strategy are targeted at the future and based on management's current estimates. They involve risks and uncertainty by their nature and may be affected by changes in the general financial situation or business environment.

PROPOSAL FOR DIVIDEND AND ANNUAL GENERAL MEETING

The Board of Directors proposes to the Annual General Meeting that no dividend from financial year 2020 will be paid. The company's annual general meeting will be held on 20 May 2021.

Key Figures

EUR 1 000	2020	2019	2018
Net sales	1 621	328	1 328
Operating profit	-3 277	-3 674	-2 468
% of net sales	-202,2 %	1118,9 5	-185,8 %
Result before taxes	-4 922	-5 771	-4 210
% of net sales	-303,7 %	-1757,4 %	-316,9 %
Return on equity, %	n/a	n/a	n/a
Return on capital employed, %	n/a	n/a	n/a
Equity ratio, %	-15,6 %	-21,1 %	-61,5 %
Net gearing, %	neg.	neg.	neg.
Non-interest-bearing liabilities	4 128	5 391	4 414
Interest-bearing liabilities	14 480	13 355	13 774
Gross investments	2 050	4 767	3 286
% of net sales	126,5 %	1451,8 %	247,4 %
Research and development costs	1 055	1 873	1 322
% of net sales	65,1 %	570,3 %	99,5 %
Order book, EUR million	0,4	17,2	15,9
includes Ethiopia	0	15,8	15,8
Personnel on average	38	26	21
Personnel at the end of the period	42	32	25

EUR 1 000	2020	2019	2018
Share key indicators			
Earnings per share (basic)	-0,03	-0,14	-0,28
Earnings per share (diluted)	-0,03	-0,14	-0,28
Equity / share, EUR	-0,01	-0,08	-0,47
Dividend / share, EUR	0,00	0,00	0,00
Effective dividend yield, %	0,00	0,00	0,00
P/E ratio (basic)	-2,4	-0,7	-0,5
P/E ratio (diluted)	-2,4	-0,7	-0,5
Share price at the end of the period	0,06	0,10	0,14
Market capitalization of shares at the end of the period, MEUR	16,3	11,4	2,3
Share trading adjusted for share issue	153 279 461	43 781 991	7 605 261
Portion of weighted average of shares, %	83,8 %	106,3 %	51,0 %
Weighted average number of shares adjusted for share issue over the financial year	182 842 299	41 185 384	14 898 309
Number of shares adjusted for share issue at the end of the financial year	255 359 195	118 324 388	17 136 338
Average number of shares diluted by share option and adjusted for share issue over the financial year	266 264 102	137 324 829	23 288 620

Return on equity and net gearing has not been presented for the reportable years as the equity is negative.

Calculation of Key Figures

Return on investment (ROI), % : $\dfrac{\text{Profit/loss + financial expenses x100}}{\text{Shareholders' equity + interest-bearing financial liabilities}}$

Equity ratio, %: $\dfrac{\text{Total equity x 100}}{\text{Total assets - advances received}}$

Net gearing, % : $\dfrac{\text{Interest-bearing liabilities - cash and cash equivalents and marketable securities x 100}}{\text{Shareholders' equity + non-controlling interests}}$

Earnings/share (EPS): $\dfrac{\text{Profit/loss for the period to the owner of the parent company}}{\text{Average number of shares adjusted for share issue at the end of the financial year}}$

Equity/share: $\dfrac{\text{Equity attributable to shareholders of the parent company}}{\text{Undiluted number of shares on the balance sheet date}}$

Dividend/share: $\dfrac{\text{Dividend distribution for the financial period}}{\text{Undiluted number of shares on the balance sheet date}}$

Dividend/profit, %: $\dfrac{\text{Dividend per share x 100}}{\text{Earnings per share}}$

Effective dividend yield, %: $\dfrac{\text{Dividend / share x 100}}{\text{Price on the balance sheet date}}$

P/E ratio: $\dfrac{\text{Price on the balance sheet date}}{\text{Earnings per share}}$

Consolidated Statement of Comprehensive Income

EUR 1 000	Note	1 Jan – 31 Dec 2020		1 Jan – 31 Dec 2019	
Net sales	1	1621	100 %	328	100 %
Cost of sales		-2 621	-162 %	-1 147	-349 %
Gross profit		**-1 000**	-62 %	**-818**	-249 %
Other operating income	3	68		177	
Product development expenses		-1 055		-1 873	
Sales and marketing expenses		-542		-467	
Administrative expenses		-747		-649	
Other operating expenses	4	0		-45	
Operating profit / loss		**-3 277**	-202 %	**-3 674**	-1119 %
Financial income	7	0		0	
Financial expenses	8	-1 645		-2 097	
Profit/loss before taxes from continuing operations		-4 922	-304 %	-5 771	-1757 %
Income taxes	9	0		0	
Profit/loss for the period		**-4 922**	-304 %	**-5 771**	-1757 %
Profit/loss attributable to:					
Shareholders of the parent company		-4 922		-5 771	
Earnings/share (basic), EUR	10	-0,03		-0,14	
Earnings/share (diluted), EUR	10	-0,03		-0,14	
Profit/loss for the financial year		**-4 922**		**-5 771**	
Total comprehensive income for the financial year		**-4 922**	-304 %	**-5 771**	-1757 %
Total comprehensive income attributable to:					
Shareholders of the parent company		-4 922		-5 771	

Consolidated Balance Sheet

EUR 1 000	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment	11	9 858	8 996
Consolidated goodwill	12	441	441
Other intangible assets	12	3 544	4 325
Available-for-sale ivestments	13	9	9
Long-term receivables	14	672	672
Total non-current assets		**14 524**	**14 443**
Current assets			
Inventories	16	444	833
Trade and other non-interest-bearing receivables	17	905	429
Cash and cash equivalents	18	435	7
Total current assets		**1 784**	**1 268**
Total assets		**16 308**	**15 712**

EUR 1 000	Note	31 Dec 2020	31 Dec 2019
Equity attributable to shareholders of the parent company			
Share capital	19	80	80
The invested unrestricted equity fund	19	26 930	21 243
Retained earnings	19	-29 535	-24 607
Total equity		**- 2 525**	**-3 284**
Non-current liabilities			
Non-current loans	22	7 944	4 934
Non-current subordinated loans	22	3 821	4 013
Non-current rental lease liabilities (IFRS 16)	22	283	686
Total non-current liabilities		**12 049**	**9 632**
Current liabilities			
Current interest-bearing liabilities	22	1 964	3 197
Current rental lease liabilities (IFRS 16)	22	467	525
Trade and other payables	23	4 128	5 391
Current provisions	21	226	249
Total current liabilities		**6 785**	**9 363**
Total liabilities		**18 833**	**18 995**
Equity and liabilities total		**16 308**	**15 712**

Consolidated Cash Flow Statement

EUR 1 000		Jan-Dec 2020	Jan-Dec 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Income statement profit/loss before taxes		-4 922	-5 771
Non-monetary items adjusted			
Depreciation and impairment	+	1 413	1 699
Unrealized exchange rate gains (-) and losses (+)	+/-	-2	2
Other non-cash transactions	+/-	-52	-130
Other adjustments	+/-	-269	0
Change in provision	+/-	-23	-58
Financial income and expenses	+/-	1 648	2 095
Total cash flow before change in working capital		**-2 207**	**-2 163**
Change in working capital			
Increase (-) / decrease (+) in inventories		3	-56
Increase (-) / decrease (+) in trade and other receivables		-440	17
Increase (+) / decrease (-) in trade and other payables		-46	-136
Change in working capital		**-482**	**-174**
Adjustment of financial items and taxes to cash-based accounting			
Interest paid	-	325	-223
Other financial items	-	401	30
Financial items and taxes		**-726**	**193**
NET CASH FLOW FROM BUSINESS OPERATIONS		**-3 415**	**-2 144**

EUR 1 000		Jan-Dec 2020	Jan-Dec 2019
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-	1 847	3 090
Acquisition of subsidiaries	-	1 062	0
Grants received	+	1 382	0
NET CASH FLOW FROM INVESTMENTS		**- 1 527**	**-3 090**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	+	1 854	3 159
Financing arrangement with Winance/Bracknor	+	1 957	1 000
Increase in non-current loans	+	2 330	1 010
Increase in current loans	+	554	2 112
Repayment of current loans	-	1 325	2 062
NET CASH FLOW FROM FINANCING ACTIVITIES		**5 370**	**5 219**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**428**	**-15**
Cash and cash equivalents at the beginning of the financial year		7	22
Translation adjustment to cash and cash equivalents		0	0
Cash and cash equivalents at the end of the financial year		435	7
		428	**-15**

Statement of Changes in Equity

1.1.-31.12.2020

EUR 1 000	Share Capital	Distributable non-restricted equity fund	Retained Earnings	Total
31 Dec 2019	80	21 243	-24 607	-3 284
Profit/Loss for the financial perid			-4 922	-4 922
Transactions with owners:				
Own equity component of the convertible bond			-6	-6
Sale of own shares – Bracknor and Winance		2 243		2 243
Share issue		3 689		3 689
Share issue expenses		-246		-246
31 Dec 2020	80	26 930	-29 535	-2 525

1.1.-31.12.2019

EUR 1 000	Share Capital	Distributable non-restricted equity fund	Retained Earnings	Total
31 Dec 2018	80	11 804	-18 927	-7 044
Profit/Loss for the financial perid			-5 771	-5 771
Transactions with owners:				
Own equity component of the convertible bond			91	91
Sale of own shares – Bracknor and Winance		1 186		1 186
Share issue		8 881		
Share issue expenses		-627		-627
31 Dec 2019	80	21 243	-24 607	-3 284

GENERAL INFORMATION

Valoe Corporation specializes in the clean energy, especially in photovoltaic solutions. Valoe provides automated production technology for solar modules based on the company's own technology; production lines for modules, solar modules and special components for solar modules.

The Group's parent company is Valoe Corporation, a Finnish public limited company domiciled in Mikkeli. The company's registered address is Insinöörinkatu 5, FI-50150 Mikkeli.

A copy of the consolidated financial statements is available online at www.valoe.com or at the Group's headquarters at Insinöörinkatu 8, FI-50150 Mikkeli.

Valoe Corporation's Board of Directors approved the financial statements on 22 April 2021. According to the Limited Liability Companies Act, shareholders are entitled to approve or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting may also decide on amendments to the financial statements.

ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), following the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, effective on 31 December 2020. International accounting standards refer to standards and interpretations approved for application in the European Union as provided for in the Finnish Accounting Act and regulations based on the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements are also in accordance with the Finnish accounting and business legislation supplementing the IFRS regulations.

The consolidated financial statements have been prepared under the historical cost convention, with the exception of available-for-sale investments, which have been measured at fair value. The figures in the financial statements are given in thousands of euros.

Valoe Group has not applied any new or changed standards or interpretations during financial year 2020.

The Going Concern Assumption

The financial statements have been prepared under the going concern assumption.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

Management consideration connected with accounting policies and their adoption

The Group's management uses discretion in the selection and application of accounting principles. When preparing the financial statements the major issues for which the management has used discretion are evaluation of the going concern assumption and in appreciation of goodwill, machinery and product development costs. In addition, management discretion was used to apply the IFRS 16.

The company has not recorded a EUR 0.1 million calculated tax liability nor EUR 0.02 million tax receivable originating from the temporary timing differences between book value and taxation value because of improbable realization. The company has a remarkable amount of confirmed tax losses of which tax receivables have not been recorded.

Uncertainties connected with estimates

Estimates made when compiling the financial statements are based on the management's best views on the closing date of the reporting period. The estimates are based on previous experience and assumptions about the future that are deemed the most likely on the balance sheet date. Management estimates are used especially in goodwill impairment testing and the capitalization of product development costs (Note 12.). When testing for the impairment of assets, estimates are made on the recoverable amount of assets. The key uncertainty factors in development expenses and goodwill impairment testing are related to sale, sales margins and the interest rate used by the company. The company has performed the impairment testing on goodwill and development expenditure in accordance with IFRS.

When testing for the impairment of assets, estimates are made on the recoverable amount of assets. Further information on the estimates used in goodwill impairment testing, as well as the bases for the estimates, is available under "Depreciation and Impairment" and "Intangible Assets / Goodwill" in the notes to the consolidated financial statements.

ACCOUNTING PRINCIPLES FOR THE CONSOLODATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company Valoe Corporation and all of its subsidiaries. Subsidiaries are entities in which the Group exercises control. A position of control arises when the Group, by being an investor, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The information of subsidiaries is given in Related party transactions, Note 28. The Group has no subsidiaries with a significant proportion of non-controlling interests.

Intra-group shareholding has been eliminated using the acquisition method. Acquired subsidiaries are consolidated in the financial statements from the date on which the Group has acquired control over the company, and disposed subsidiaries are deconsolidated from the date on which control ceases. All of the Group's internal operations, receivables, liabilities, unrealized gains and internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated if the losses result from impairment.

FOREIGN CURRENCY TRANSLATION

KThe figures representing the performance and financial standing of the Group's units are measured in the functional currency of each unit's main operating environment. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions have been recognized in euros using the exchange rate prevailing on the transaction date. In practice, the rate used is often one that approximately equals the rate on the transaction date. Monetary items denominated in foreign currency have been translated into euros at the closing rate. Non-monetary items in foreign currency, measured at fair value, have been translated into euros at the rates prevailing on the measurement date. Other non-monetary items have been measured at the rate prevailing on the transaction date. Gains and losses from foreign currency transactions and from the translation of monetary items have been recognized in the income statement. Exchange rate gains and losses from business activities are included in the corresponding items above operating profit.

The revenues and expenses in the income statements of foreign group undertakings have been translated into euros using the weighted average rate for the financial year, while the balance sheets have been translated using the closing rates. Using different rates to translate the period's result in the income statement and balance sheet results in a translation difference that needs to be recognized in the statement of comprehensive income. Translation differences resulting from the elimination of the acquisition cost of foreign subsidiaries are recognized in the income statement when the net investment is divested wholly or partly.

Unrealized exchange gains and losses are recognized through profit or loss. If the exchange gains and losses are recognized in the same item in the balance sheet, they are measured at net realizable value and then recognized through profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been recognized at original cost less depreciation and impairment.

If an asset consists of several components, with useful lives of different lengths, each component is treated as a separate asset. In this case, the expenses related to the renewal of a component are capitalized and any remaining carrying amount is derecognized in conjunction with the renewal. Otherwise, expenses incurred at a later time are included in the carrying amount of an asset only if it is probable that any future economic benefit associated with the asset will flow to the Group and if the acquisition cost of the asset can be reliably determined. Other repair and maintenance expenses are recognized in the income statement after their realization.

Straight-line depreciations are made on assets over their estimated useful life. Land is not depreciated. The estimated useful lives are the following:

Building rights	as rental agreements
Modernization of leased facilities	5 years
Machinery and equipment	2-7 years

The residual value and useful life of assets are assessed for every financial statement and, if needed, adjusted to reflect any changes in the expected economic benefit.

The depreciation of property, plant and equipment is terminated when the asset is classified as Held for Sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on disposals and transfers of property, plant and equipment are included in other operating income or expenses.

PUBLIC SUBSIDIES

Public subsidies, such as government assistance for the acquisition of property, plant and equipment, are recognized as deductions from the carrying amount of property, plant and equipment or intangible assets when it is reasonably certain that the Group will receive the subsidies and that it complies with the conditions attached to them. Subsidies are recognized in the form of smaller depreciation over the useful life of the asset. Subsidies received as compensation for expenses already incurred are recognized in the income statement when the expenses related to the subsidized object are recognized as an expense. These types of subsidies are presented under other operating income. During 2019 and previous financial years, the Group has received product development subsidies that involve the first of the recognition methods explained above.

According to IFRS 9 the benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognized and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with this Standard.

INTANGIBLE ASSETS

Goodwill

Goodwill arising in business combinations is recognized at the amount by which the consideration given, the share of the shareholders without control in the acquired business and the previously held share combined exceed the fair value of the acquired net assets. The goodwill of business combinations carried out prior to 2004 corresponds to the carrying amount that complies with previous accounting standards, which has been used as the default acquisition cost according to IFRS.

Goodwill and other intangible assets with indefinite useful life are not subject to depreciation but are tested annually for any impairment. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at original cost less impairment (Note 12)

Research and development costs

TResearch expenditure is recognized as an expense in the income statement. Development expenditure arising from the design of new or more advanced products is capitalized in the balance sheet under intangible assets as of the date the product is technically realizable and commercially viable and can be expected to generate future economic benefit. Capitalized development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. Development expenditure that has been recognized as an expense in previous periods cannot be capitalized later.

Depreciation of an intangible asset begins once the asset is ready for use. Capitalized development expenditure is reviewed annually for any indication of impairment. An intangible asset that is not ready for use is tested annually for impairment. After initial recognition, capitalized development expenditure is measured at cost less accumulated depreciation and impairment. The useful life of capitalized development expenditure is 5 to 10 years, during which time capitalized costs are amortized on a straight-line basis.

Other intangible assets

An intangible asset is recognized in the balance sheet at original cost if the cost can be reliably determined and it is likely that the expected economic benefit from the asset will flow to the company.

Intangible assets with a limited useful life are capitalized in the balance sheet at acquisition cost and amortized on a straight-line basis through profit or loss over their useful life.

Other intangible assets have the following depreciation periods:

Patents	10 years
Software licenses	5 years

INVENTORIES

Inventories are measured at the lower of acquisition cost or net realizable value. The acquisition cost of material inventories is determined using the weighted average cost method and that of work in progress using the FIFO (first in, first out) method. The cost of finished products and work in progress includes raw materials, direct labor costs and other direct costs, and a systematically allocated share in the variable manufacturing overhead costs. The net realizable value is the estimated selling price in normal business operations, less the estimated costs of completion and estimated costs resulting from sales.

LEASES

A right-of-use asset is recognised for leases, as well as a financial liability corresponding to the lease liability, and their balance sheet value is based on the present value of future rent payments. Short-term and low-value assets are subject to an exemption, and these items remain off the balance sheet. Valoe acts as a lessee, and has leases relating to production, storage and office facilites.

Short-term leases intended to last for less than 12 months are treated as short-time leases, and are not recognised on the balance sheet. Low-value leases are also excluded from calculations made in accordance with the IFRS 16 standard. These agreements are recognised as an expense in other operating expenses over the duration of the lease. Management's judgement was partially used to determine the lease term.

As all the leases are related to business premises and are similar in nature, a single discount rate (6.8 %) has been applied to them.

IMPAIRMENT TESTING OF TANGIBLE AND INTANGIBLE ASSETS

Tangible and Intangible Assets

On every closing date the Group tests assets for possible impairment. If any indication of impairment is found, the recoverable amount of the asset in question is assessed. The recoverable amount is also estimated annually for goodwill and product development projects, irrespective of whether indications of impairment are found. The need for impairment is assessed at the level of cash-generating units, that is, at the lowest unit level that is mainly independent of other units and has separately identifiable cash flows.

The recoverable amount of an asset is the higher of its fair value less expenses from disposal or its value in use. Value in use equals the net future cash flows expected to be recovered from the asset or cash-generating unit, discounted to present value.

An impairment loss is recognized if the carrying amount of an asset is higher than its recoverable amount. An impairment loss is recognized immediately in the income statement. If the impairment loss concerns a cash-generating unit it is first allocated to reduce the goodwill of the cash-generating unit and then to proportionately reduce the unit's other assets. An impairment loss is reversed if there is a change in the conditions under which the recoverable amount of the asset was measured and if the recoverable amount of the asset has changed since the recognition of the impairment loss. However, the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment is not reversed under any circumstances.

EMPLOYEE BENEFITS

Pension obligations

Pension plans are categorized into defined benefit and defined contribution schemes. In defined contribution schemes the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to take care of all of the pension benefits. All other schemes that do not meet these conditions are defined benefit schemes. Contributions made into defined contribution payment schemes are recognized in the income statement in the financial period they are due. All the pensions Group has, are defined contribution schemes.

Share-based payments

During the financial year 1.1. – 31.12.2019 no options were given to the management. The company no longer has an option scheme in force as per 31 December 2020.

Other employee benefits

After a long period of employment, employees receive a reward or paid holiday. Long-term employee benefits are booked as deferred liability at the balance sheet at the present value at the reporting date. Actuarial gains and losses are recognized in profit or loss.

PROVISIONS

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that the payment obligation must be settled and the amount of the obligation can be reliably estimated. If there is a possibility to get compensation from a third party for part of the obligation, the compensation is recognized as a separate asset, but not until it is practically certain that the compensation will be received. Provisions are measured at the present value of expenditures required to settle the obligations. The discount rate used to calculate the present value is selected to reflect current market assessments of the time value of money and the risks specific to the obligation.

A warranty provision is recorded once a year on a project-by-project basis based on at the best information at the time.

A provision is recognized for an onerous contract if the expenses required to settle the obligations exceed the benefits from the contract.

INCOME TAXES AND DEFERRED TAXES

The taxes in the income statement include current tax and deferred tax. Tax expenses are recognized through profit or loss, with the exception of items recognized directly in equity, in which case the tax impact is recognized correspondingly as part of equity. Current tax is calculated from taxable income using the tax rate enacted in each country.

Deferred taxes are calculated on temporary differences between the carrying amount and taxable amount. The largest temporary differences arise from measurement at fair value in connection with acquisitions. Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available in the future against which the temporary difference can be utilized.

The company has not recognized deferred tax assets based on its deductible losses. The company has also not recorded a EUR 0.1 million calculated tax liability nor EUR 0.02 million tax receivable originating from the temporary timing differences between book value and taxation value because of improbable realization.

REVENUE RECOGNITION PRINCIPLES

Sold goods and produced services

Revenue from the sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. At this time, the Group no longer has control or regulatory power over the product. This usually coincides with the date on which the goods have been delivered to the customer according to the agreed delivery clause. Revenue from services is recognized at the time the service is carried out. Net sales consist of the revenue from the sales of products, services, raw materials and equipment, adjusted by indirect taxes, discounts and exchange rate differences from sales in foreign currencies.

Long-term contract revenue has been recognized as revenue on the basis of the percentage of completion. The company has defined as long-term contract work projects which have started and ended in different financial periods and where the recognition of income as revenue has a substantial impact on net sales and result. The stage of completion of long-term contracts has been determined as the proportion of costs incurred in relation to the estimated total contract costs and is dependent on the eventual total revenue and costs and a reliable way to measure the progress of the project. A loss for a project is recognized as soon as it is known and can be estimated.

Cost of sales on profit and loss statement includes all direct costs and fixed production costs. As fixed costs, rent as major item, are rated for much larger production volume, gross profit is notably negative with current sales.

INTEREST AND DIVIDEND

Interest income is recognized using the effective interest method and dividend yield at the time of vesting.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group’s financial assets are categorized into the following groups according to IFRS 9 Financial Instruments: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The categorization is carried out based on the purpose for which the financial assets were acquired and is done in conjunction with the original acquisition.

Loans and other receivables are non-derivative assets that have fixed or measurable payments, are not quoted on active markets and not held for trading by the Group. They are measured on the basis of amortized cost. They are presented under trade and other receivables in the balance sheet depending on their nature: in non-current assets if they mature in more than 12 months and in current assets otherwise.

Financial assets available for sale are assets that are not included in derivatives and have been expressly allocated to this group or have not been classified into any other group. They are included in non-current assets except if they are to be held for less than 12 months from the closing date, in which case they are recorded under current assets. Available-for-sale financial assets consist of shares and interest-bearing investments. They are measured at fair value or, when the fair value cannot be reliably determined, at cost. Changes in the fair value of available-for-sale financial assets are recorded in equity in the fair value reserve taking into consideration the tax impact. Changes in fair value are transferred from equity to the income statement when the investment is sold or if it is subjected to impairment and an impairment loss must be recognized on the investment.

Cash and cash equivalents consist of cash, bank deposits that can be withdrawn if demanded and other current, highly liquid investments. Items in cash and cash equivalents have a maximum maturity of three months from the date of acquisition. Credit accounts related to Group accounts are included in current interest-bearing liabilities and reported as set off, as the Group has a contractual, legally recognized right to settle or otherwise eliminate all or a portion of an amount due to a creditor.

Transaction expenses are included in the original carrying amount of financial assets in the case of an item that is not measured at fair value through profit or loss. All of the purchases and sales of financial assets are recognized on the transaction date.

Financial assets are derecognized if the Group loses the contractual right to cash flows or if it transfers substantial risks and income outside the Group.

Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction expenses are included in the original carrying amount of financial liabilities. All financial liabilities are later measured at amortized cost using the effective interest method. Financial liabilities are included in current and non-current liabilities and they can be either interest-bearing or non-interest-bearing. The fair value of the liability component of a convertible subordinated loan is determined using the prevailing market interest rate for a similar debt at the time of issue. The liability component is recognized at amortized cost. In calculating the convertible bond, the equity share has been recognized under equity.

The fair value measurement principles applied to all financial assets and liabilities are presented in Note 24.

Impairment of financial assets

On each balance sheet date the Group assesses whether objective indication exists of impairment of an individual financial asset or a group of financial assets. A significant and long-lasting impairment of share investments, resulting in the fair value falling under the cost of acquisition, is an indication of impairment of available-for-sale shares.

The Group recognizes an impairment loss for trade receivables if objective indication exists that the receivable cannot be collected in full. Considerable financial difficulties of a debtor, likelihood of bankruptcy, default of payments or a payment delay of more than 90 days are indications of possible impairment of trade receivables. The amount of the impairment loss recognized in the income statement is determined as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted using the effective interest rate. If the amount of the impairment loss decreases in a later period, and the decrease can be objectively related to an event subsequent to impairment recognition, the recognized loss is reversed through profit or loss.

BORROWING COSTS

The Group also capitalizes the borrowing costs for the acquisition, construction or production of a qualifying asset that are directly attributable as part of the cost of the asset when it is probable that they will generate future economic benefits, and the costs can be measured reliably. The Group no longer capitalizes the costs when the asset is substantially ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they occur.

SHAREHOLDER'S EQUITY

The Group classifies the instruments issued on the basis of their nature either as equity or as a liability (financial debt). Any contract that entitles to the assets of an entity after deducting all of its liabilities is an equity instrument. Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item. If the company buys back its own equity instruments, the cost of these instruments is deducted from equity.

DIVIDEND DISTRIBUTION

The dividend proposed by the Board of Directors to the Annual General Meeting is not deducted from distributable equity until the Annual General Meeting makes its decision.

NEW IFRS-STANDARDS AND INTERPRETATIONS

IFRS standards which will come into force and would affect Valoe Group Corporation's consolidated income statement, statement of financial position or notes at the time of the adoption are not known at the closing of the accounts.

Notes to the Consolidated Financial Statements

Presentation of Figures

Unless otherwise indicated, the figures in the following notes are given in thousands of euros.

1. Segment Information

The Group has one customer whose revenues totalled to apr. 42 per cent of the Group's revenue.

Geographical information

EU, the rest of Europe, the Americas, Asia and Africa are reported under geographical information. Geographical information in terms of net sales is determined based on the customer's location and in terms of assets on the location of the assets.

	EU	Other European countries	America	Asia	Africa	Group
2020						
External net sales	1 621	0	0	0	0	**1 621**
Non-current assets	13 582	0	0	0	672	**14 524**
2019						
External net sales	328	0	0	0	0	**328**
Non-current assets	13 771	0	0	0	672	**14 443**

Distribution of net sales	2020	2019
Revenues from services	399	8
Revenues from the sale of goods	961	321
Revenues recognized from long-term contracts	261	0
Total	**1 621**	**328**

2. Long-term contract revenues recognized on the basis of % of completion	2020	2019
Cumulative net sales	261	0
Recognized as revenue for the financial period	261	0
Amount not recognized as revenue	12	0
Receivables from percentage-of-completion contracts	261	0

3. Other operating income	2020	2016
Correction of previous year's accrual	0	128
Other income items	68	49
Total	**68**	**177**

4. Other operating expenses	2020	2019
Write-down of receivables	0	45
Total	**0**	**45**
Auditors' fees / Authorized Public Accountants Auditus Tilintarkastus Oy		
Auditor's fees	59	58
Certificates and Statements	1	1
Total	**60**	**59**
Rental expenses		
Rental expenses	23	294

In accordance with the adoption of IFRS 16, rental expenses above include only the rents of less than 12 months and low-value leases in 2020 and 2019.

Amounts of rental leases included in Profit and Loss	2020	2019
Depreciations of lease agreements (buildings)	509	333
Interest expenses	79	69
Costs relatd to short-term leases (included in production costs)	23	284
Costs related to low-value leases (included in R&D, sales and marketing and administrative expenses)	0	10

5. Employee benefits

	2020	2019
Salaries	1 870	1 393
Retirement expenses – defined contribution plans	241	214
Other indirect employee expenses	80	56
Total	**2 191**	**1 662**

Information on the emoluments of the management is given in Note 28. Related party transactions.

Employees by function were

	2020	2019
During the financial period on average		
Procurement and production	14	13
Product development	18	8
Sales and marketing	2	2
Administration	4	3
Total	**38**	**26**
At the end of the year		
Procurement and production	16	12
Product development	20	16
Sales and marketing	3	2
Administration	4	3
Total	**42**	**32**

6. Depreciation and impairment

	2020	2019
Depreciation by product group		
Intangible assets		
Development cost	608	1 030
Patents	18	18
Intangible rights	5	5
Other intangible assets	0	1
Total	**631**	**1 054**
Property, plant and equipment		
Building rights	509	333
Machinery and equipment	6	169
Other tangible assets	2	0
Total	**517**	**502**
Impairments by product groups		
Inventory	266	0
Development costs	0	143
Total	**266**	**143**

The write-down in the financial year 2020 was related to product development related to an Ethiopian project in inventories, which the company no longer considers to have value in use.

7. Financial income

	2020	2019
Exchange rate gains	0	0
Total	**0**	**0**

The items above the operating profit does’t include ecxhange rate gains or losses in 2020 or 2019.

8. Financial expenses

	2020	2019
Interest expenses	1 334	1 873
Exchange rate losses	4	10
Other financial expenses	307	214
Total	**1 646**	**2 097**

9. Income taxes

	2020	2019

Statement on the differences between the tax expense in the income statement and the tax rate of the Group's home country, reconciliation of calculated taxes:

	2020	2019
Profit/loss before taxes	-4 922	-5 771
Taxes at the parent entity's statutory income tax rate of 20 % (2019: 20 %)	-984	-1 154
Different tax rates of subsidiaries	12	5
Tax-free revenue / non-deductible expenses	265	133
Loss to be confirmed in taxation not recognized as deferred tax assets	707	1 016
Taxes in the income statement	**0**	**0**

The parent company has confirmed deductible losses, totalling EUR 31.9 million, out of which 9.7 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses.

10. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the parent by the weighted average of the number of outstanding shares during the period.

	Jan –Dec 2020	Jan – Dec 2019
Loss attributable to shareholders of the parent (EUR 1,000)	-4 922	-5 771
Weighted average number of shares during the period (1,000)	182 842	41 185
Basic earnings per share (EUR/share)	-0,03	-0,14
Diluted earnings per share (EUR/share)	-0,03	-0,14

The dilutive potential of ordinary shares has not been taken into account in 2020 or in 2019 as required by IAS 33, paragraph 41, because it would reduce the loss per share.

11. Property, plant and equipment

2020	Building rights	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2020	1 544	8 176	2	9 722
Additions	515	611	252	1 378
Disposals	-367	0	0	-367
Transfers between items	0	120	0	120
Acquisition cost, 31 Dec 2020	1 692	8 907	254	10 853
Accumulated depreciation and impairment, 1 Jan 2020	-333	-393	0	-727
Accumulated depreciation on disposals and transfers	248	0	0	248
Depreciation for the period	-509	-6	-2	-517
Accumulated depreciation and impairment, 31 Dec 2020	-594	-400	-2	-996
Carrying amount, 1 Jan 2020	1 211	7 783	2	8 996
Carrying amount, 31 Dec 2020	**1 098**	**8 507**	**253**	**9 858**

2019	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2019	895	3 979	0	4 874
Acquisition of a subsidiary	0	3 431	2	3 433
Additions	649	716	1	1 366
Transfer between items	0	49	0	49
Acquisition cost, 31 Dec 2019	1 544	8 176	2	9 722
Accumulated depreciation and impairment, 1 Jan 2019	0	-224	0	-224
Depreciation for the period	-333	-169	0	-502
Accumulated depreciation and impairment, 31 Dec 2019	-333	-393	0	-727
Carrying amount, 1 Jan 2019	895	3 755	0	4 650
Carrying amount, 31 Dec 2019	**1 211**	**7 783**	**2**	**8 996**

IFRS 16 Leases

The adoption of IFRS 16 -standard had some effect on Valoe's balance sheet, income statement and key figures. On the balance sheet, interest-bearing liabilities and non-current assets are higher than with IAS 17. Depreciation on fixed asset item and interest expenses arising from lease liabilities are recognized on the income statement, instead of rental payments, which increases Valoe's EBITDA and opeating profit for the time beeing.

Items of leases presented in the balance sheet	2020	2019
Liabilities		
Non-current interest-bearing liabilities	283	686
Current interest-bearing liabilities	467	525
Total	**750**	**1 211**

12. Intangible assets

2020	Consolidated goodwill	Development costs	Patents	Other intangible assets	Total
Acquisition cost, 1 Jan 2020	743	10 581	151	255	11 731
Disposals	0	-334	0	-108	-442
Acquisition cost, 31 Dec 2020	743	10 247	151	147	11 288
Accumulated depreciation and impairment, 1 Jan 2020	-302	-6 340	-87	-236	-6 965
Accumulated depreciation on disposals	0	184	0	108	292
Depreciation for the period	0	-608	-18	-5	-631
Accumulated depreciation and impairment, 31 Dec 2020	-302	-6 764	-105	-133	-7 304
Carrying amount, 1 Jan 2020	441	4 241	64	19	4 766
Carrying amount, 31 Dec 2020	**441**	**3 483**	**46**	**14**	**3 984**

2019	Consolidated goodwill	Development costs	Patents	Other intangible assets	Total
Acquisition cost, 1 Jan 2019	743	10 349	151	255	11 499
Additions	0	281	0	0	281
Transfer between items	0	-49	0	0	-49
Acquisition cost, 31 Dec 2019	743	10 581	151	255	11 731
Accumulated depreciation and impairment, 1 Jan 2019	-302	-5 167	-69	-230	-5 768
Depreciation for the period	0	-1 030	-18	-6	-1 054
Impairment	0	-143	0	0	-143
Accumulated depreciation and impairment, 31 Dec 2019	-302	-6 340	-87	-236	-6 965
Carrying amount, 1 Jan 2019	441	5 182	82	25	5 731
Carrying amount, 31 Dec 2019	**441**	**4 241**	**64**	**19**	**4 766**

Specification of capitalized development costs by sub-projects	2020	2019
Technology transfer China	2 350	2 937
Pilot production line development	242	242
PV-module recipe for Chrystal and Chrystal Twin	112	131
MWT Cell development	482	497
Future PV-technology development	297	434
Total	**3 483**	**4 241**

The transfer of the technology from China includes the original technology rights from Vale's Chinese plants. The company amortizes it on a straight-line basis over ten years and the remaining amortization period is 4 years. If the company ceased to use this technology, could this project be subject to a write-down.

The development of the pilot production line consists of the modernization of the Valoe production line. This sub-project would be subject to the risk of write-downs in the event that the production line could not be used as planned.

The recipe for solar panels will be utilized in the comapany's current Chrystal series panels. In the future, part of this sub-project could be subject to the risk of write-downs if the Chrystal panel proved to be inoperable.

For the moment, Valoe does not manufacture MWT cell, but the MWT technology can e.g. be applied to photovoltaic applications for aerospace. Valoe is further developing the MWT cell to be used in space technology. Should the company's efforts to produce MWT cells for such applications fail, this project would be subject to a write-down.

The mapping of future pv technology is closely related to the OddForm panel family publidhed by Valoe in 2020. IF the OddForm panel did not achieve its goals, and if other Valoe's future projects did not achieve the desired results, there would be a risk of write-downs for this sub-project.

INTANGIBLE ASSETS AND GOODWILL

Valoe's other intangible assets include capitalized development costs for EUR 3.5 million, of which EUR 1.1 million is related to R&D projects, where amortizations are estimated to be started during 2021 after the development is compelete. The useful lifetime of the capitalized development expenditure is 5 to 10 years, during which capitalized costs are recognized on straight-line basis as an expense during the financial year.

Goodwill arising in business combinations is recognized at the amount by which the consideration given, the share of the shareholders without control in the acquired business and the previously held share combined exceed the fair value of the acquired net assets. The goodwill of business combinations carried out prior to 2004 corresponds to the carrying amount that complies with previous accounting standards, which has been used as the default acquisition cost according to IFRS.

Goodwill and unfinished capitalized R&D expenditure are not subject to depreciation but are tested annually for any impairment. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at cost less impairment losses.

At the end of the financial year the consolidated goodwill totaled EUR 0.44 million, no additions or disposals were booked in 2020. Other intangible assest total to EUR 3.7 million, which includes the capitalized development costs of EUR 3.5 million.

The impairment testing included the cash flows generated by the Group's three future product lines together and separately. The impairments were tested on goodwill and other intangible assets. Tested items were solar cells, solar panels, solar power plants and machinery.

Company is using net present value method for valuation of current value of intangible assets. Specification by sub-projects is presented on the previous page. As discounting interest rate the company has used WACC rate of 8.6% (2019 8.6%) which includes 5% market risk premium. The interest rate corresponds with the interest rate that the company believes it can get finance for during 2021. Sensitivity analysis shows that the company could use about 33 % as WACC interest rate without need for write down.

An impairment loss is recognized if the carrying amount of an asset is higher than its recoverable amount. An impairment loss is recognized immediately in the income statement. If the impairment loss concerns a cash-generating unit it is first allocated to reduce the goodwill of the cash-generating unit and then to proportionately reduce the unit's other assets. An impairment loss is reversed if there is a change in the conditions under which the recoverable amount of the asset was measured and if the recoverable amount of the asset has changed since the recognition of the impairment loss. However, the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment is not reversed under any circumstances.

In impairment testing current year turnover is based in committed orderbook added with the number of offers already accepted by the customer. Gross margin level is based on budgeted gross margin for 2021. Gross profit is expected to slightly increase after 2020 when Lithuanian cell pland becomes fully operational. Gross margin varies between 16 – 40 % during the period considered. Overhead cost structure is based on 2020 actual with budgeted changes reflected. Company has significant amount of unused tax credits. Therefore no tax payment is expected within period in consideration. Capital employed has been estimated to be 15% of the growth of the company which reflects actual amount of tied up capital as company grows. However, a business development involves naturally considerable risks.

Should the company fail in its business plan implementation, it could generate a need for a write-off in goodwill and other intangible assets.

13. Available-for-sale financial assets

	Level 1	Level 2	Level 3
Financial assets available for sale, 31 Dec 2020			9

Financial assets available for sale consist of shares for which the purchase price is considered to correspond to the fair value. No events affecting financial assets available for sale took place in 2020.

14. Non-current receivables	2020	2019
Loan receivable from Ethiopia	672	672
Total	**672**	**672**

The Ethiopian project may be activated when circumstances in Ethiopia and other resources of the Company permit that. The receivable is to be converted into a minority investment in Ethiopian joint venture when the project will be activated. According the company's view, it will have the necessary resources at its disposal to restart the project when when the company's current businesses begin to generate positive cash flow.

15. Deferred tax assets and liabilities

The parent company has confirmed deductible losses, totalling EUR 31.9 million, out of which 9.7 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses.

16. Inventories	2020	2019
Materials and supplies	314	246
Work in progress	0	386
Finished products	130	149
Advance payments	0	53
Total	**444**	**833**

Inventories were written down by EUR 0.3 million for product development related to the Ethiopian project in 2020 (EUR 0 in 2019).

17. Trade and other non-interest-bearing receivables

	2020	2019
Trade receivables	61	42
Percentage of conpletion receivables	261	0
Prepayments and accrued income	95	49
Other receivables	487	337
Total continuing operations	**905**	**429**
Age distribution of trade receivables and recognized impairment losses		
Undue	15	33
Due 0–30 days	0	1
Due 31–60 days	38	0
Due over 90 days	8	8
Total	**61**	**42**

18. Cash and cash equivalents

	2020	2019
Cash on hand and deposits	435	7
Total	**435**	**7**

Cash and cash equivalents in the cash flow statement consist of cash on hand and bank deposit.

19. Notes to shareholders' equity

	Number of shares (1,000)	Share capital	Distributable non-restricted equity fund
31.12.2018	**17 136**	**80**	**11 804**
Financing arrangement with Bracknor Investment	0	0	82
Cancellation of Shares 9 May 2019 (Bracknor)	-314	0	0
Issue of new Shares to Company itself 9 May 2019	1 718	0	0
Issue of new Shares to Company itself 15 July 2019	2 050	0	0
Direct Share Issue 18 July 2019	11 566	0	1 735
Issue of new Shares to Company itself 9 August 2019	3 065	0	0
Issue of new Shares to Company itself 24 September 2019	3 700	0	0
Direct Share Issue (public) Sept - Oct 2019	79 404	0	6 519
Financing arrangement with Winance 2019	0	0	1 104
31.12.2019	**118 324**	**80**	**21 243**
Issue of new Shares to Company itself 10 Jan 2020	5 000	0	0
Issue of new Shares to Company itself 28 Feb 2020	11 000	0	0
Issue of new Shares to Company itself 25 May 2020	7 750	0	0
Share Issue I 29 May 2020	48 148	0	2 354
Share Subscription 15 June 2020	1 156	0	104
Share Issue II 29 June and 3 July 2020	18 241	0	985
Issue on new Shares to Company itself 1 Sep 2020	3 740	0	0
Issue on new Shares to Company itself 24 Sep 2020	23 500	0	0
Issue of new Shares to Company itself 22 Dec 2020	18 500	0	0
Financing arrangement with Winance 2020	0	0	2 243
31.12.2020	**255 359**	**80**	**26 930**

All shares issued have been paid in full. The shares have no nominal value.

Distributable non-restricted equity fund

The distributable non-restricted equity fund contains other quasi-equity investment instruments and the subscription price of shares when this is not separately recorded in share capital.

During the year 2019 EUR 1.2 million related to the financing arrangements between Valoe and Bracknor Investment and Winance was credited to the distributable non-restricted equity fund. As a result of a direct share issue in July 2019 EUR 1.7 million was credited to the distributable non-restricted equity fund by converting the promissory notes issued under the company's convertible bond 1/2019 into nt new shares. As a result of the direct share issue on Sept-Oct 2019 EUR 6.5 million was credited to the distributable non-restricted equity fund. The company collected EUR 3.45 million new capital and the indebtness of the company decreased by EUR 3.7 million. The share issue cost deducted from the amount recorded in the fund were EUR 0.6.million.

On 5 May 2020, the Board of Directors of Valoe Corporation on a directed share issue (the "Offering") in which the company offered up to 48,148,148 new shares in the company for subscription to investors and all the creditors of the company who at the time of subscription hold indisputable receivable amounting to at least EUR 100,000 from the company. In total 48,148,148 new shares were acceptably subscribed in the offering. The subscription price for in total 23,148,148 of the new shares subscribed was paid in cash and the subscription price for in total 25,000,000 of the new shares subscribed was paid by way of set-off. Thus, the company collected in the offering in total EUR 1.25 million new capital and the indebtedness of the company decreased in total by EUR 1.35 million. The subscription price for the new shares shall be fully credited to the reserve for invested equity of the company.

In June 2020, a total of EUR 0.1 million was entered into the invested non-restricted equity fund due to the share subscription based on the conversion of the promissory notes issued under the convertible bond 4/2019.

On 24 June 2020, Valoe Corporation's Board of Directors resolved on a directed share issue in which the company offered up to 18,518,518 new shares in the company for subscription to investors and to all the creditors of the company who hold an indisputable receivable amounting to at least of EUR 100,000 from the company. In total 18,240,738 new shares were acceptably subscribed in the offering. The subscription price for in total 15,740,738 of the new shares now subscribed was paid in cash and the subscription price for in total 2,500,000 of the new shares was paid by way of set-off. Thus, the company collected in the offering in total EUR 0.85 million new capital and the indebtedness of the company decreased in total by EUR 0.135 million. The subscription price for the New Shares was fully entered into the invested non-restricted equity fund.

The Board of Directors of Valoe Corporation has on 8 June 2020 resolved on the share subscription based on the conversion of the promissory notes issued under the company's convertible bond 4/2019. In the said share subscription, the promissory note holder subscribed in total 1,155,921 new shares in the company based on the conversion request delivered to the company. The unpaid capital and interests of the convertible bond 4/2019 totalling EUR 0.1 million was converted into new shares in the company. The subscription price of the new shares was entered in entirety into the company's invested non-restricted equity fund.

A total of EUR 2.2 million was recorded in the company's invested non-restricted eguity fund in the financing arrangement with Winance during the year 2020.

20. Share-based payments and convertible bonds

During the financial year, the Group had in place options related to bonds bond 1/2012 (nominal value EUR 0.4 million and book value on 31.12.2020 EUR 0.4 million), to bond 1/2017 (nominal value EUR 0.02 million and book value on 31.12.2020 EUR 0.02 million), and 2/2018 (nominal value EUR 2.2 million and book value on 31.12.2020 EUR 2.4 million), to bond 1/2019 (original nominal value EUR 2.8 million and book value on 31.12.2020 EUR 0.04 million), to bond 2/2019 (nominal value EUR 0.1 million and book value on 31.12.2020 EUR 0.2 million), to bond 3/2019 (original nominal value EUR 0.5 million and after setting off share issue payments and new convertible bond book value on 31.12.2020 EUR 0.0 million), to bond 4/2019 (original nominal value EUR 0,1 million and after setting off share issue payments book value on 31.12.2020 EUR 0.0 million) and to bond 1/2020 (nominal value EUR 0.4 million and book value on 31.12.2020 EUR 0,4 million).

The Board of Directors of Valoe Corporation resolved the terms and conditions of an stock option scheme during 2015. The maximum total number of stock options issued is 650,000 and they entitle their owners to subscribe for a maximum total of 650,000 new shares in the Company. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group. Of the stock options, 250,000 are marked with the symbol 2015A, 200,000 are marked with the symbol 2015B and 200,000 are marked with the symbol 2015C. All options have been given during the financial year 2016. The share subscription period of stock options marked with the symbol 2015A ended on December 31, 2018, stock options marked with the symbol 2015B ended on December 31, 2019 and stock options marked with the symbol 2015C ended on December 31, 2020. The stock option scheme therefore no longer entitles to subscribe for the company's share.

Subscribtion rights under convertible bonds 1/2012 and 1/2017 have been terminated.

In Convertible Bonds 1/2012, 1/2017 and 2/2018 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. Based on the subscriptions made pursuant to the loan Valoe shall issue a maximum amount of 10,100,000 new Valoe shares.The loan period expires on 15 October 2021 and the conversion period commences on 15 October 2021 and terminates on 31 December 2021.

In Convertible Bond 2/2019 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. Based on the subscriptions made pursuant to the loan Valoe shall issue a maximum amount of 1,200,000 new Valoe shares. The conversion period of the Convertible Bond commences on 15 October 2021 and terminates on 31 December 2021.

In May 2020, Valoe agreed with Global BOD Group SIA on a rearrangement of the remaining EUR 0.4 million principal of the Convertible Bond 3/2019 by converting it into a new subordinated Convertible Bond 1/2020. The Convertible Bond 1/2020 can be converted into a maximum amount of 5,479,452 new company shares. The subscription price of one (1) new share of the Company shall be EUR 0.073 per share. The loan period shall commence on 22 July 2020 and expire on 30 June 2021 on which date the Convertible Bond 1/2020 shall expire to be repayable in its entirety pursuant to the terms and conditions of the Convertible Bond. The conversion period shall begin on 1 September 2020 and expires on 30 June 2021.

Outstanding optios

		2020		2019	
	Option scheme	**Weighted average exercise price EUR/share**	**Number of options (1,000)**	**Weighted average exercise price EUR/share**	**Number of options (1,000)**
At the beginning of the financial year	Options 2015B	3.80	200	3.80	200
	Options 2015C	2.18	200	2.18	200
Options expired	Options 2015B	-	-	3.80	200
	Options 2015C	3.80	200		
At the end of the financial year	Options 2015B		0		0
	Options 2015C		0		200
Exercisable share options at the end of the financial year			0		200

No options were exercised during 2020 or 2019.

Exercise price fluctuation and weighted average vesting period for share options outstanding at year-end.

	Exercise price	**Vesting period (years)**	**Number of shares**
2020	0.00	0.0	0
2019	2.18	1.0	200

21. Provisions

	2020	**2019**
Provisions at the beginning of the financial year	249	307
Additions to provisions	124	216
Provisions exercised	-148	-274
Provisions at the end of the financial year	**226**	**249**
Warranty provisions		
Current provisions	226	249
Total	**226**	**249**

Revenue from the sales of goods is recognized when the significant risks and rewards of purchasing have been transferred to the buyer. A provision is made for estimated warranty expenses. On 31 Dec 2020, warranty provisions totalled EUR 226,000 (31 Dec 2019: EUR 249,000). Guarantee provision is based on previous years' experience on products that are faulty or required additional installations. During the financial year the company made a gurantee provision of EUR 124,000.

22. Financial liabilities	**Balance sheet values**	**Balance sheet values**
Non-current financial liabilities at amortized cost	**2020**	**2019**
R&D loan	6 558	4 934
Loans from financial institutions	1 386	0
Convertible bond 1/2012	364	364
Convertible bond 2/2018	2 374	1 969
Convertible bond 1/2019	399	316
Convertible bond 2/2019	153	126
Convertible bond 4/2019	0	77
Convertible bond 1/2020	391	0
Other subordinated loans	141	1 160
Lease liability (IFRS 16)	283	686
Total	**12 049**	**9 632**

Current financial liabilities at amortized cost		
Convertible bond 1/2017	20	40
Convertible bond 3/2019	0	500
Loans from financial institutions	864	900
Repayments of non-current loans	0	495
Other current liabilities	1 080	1 262
Lease liability (IFRS 16)	467	525
Total	**2 431**	**3 723**

The non-current financial liabilities include a EUR 0,4 million convertible subordinated loan 1/2012

The non-current financial liabilities include a EUR 2.2 million convertible subordinated loan 2/2018. The liability component (book value 31.12.2020: 2.4 million) is recognized at amortized cost and the equity share (0.6 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The non-current financial liabilities include a EUR 0.4 million convertible subordinated loan 1/2019 (the original nominal value was EUR 2.8 million). The liability component (book value 31.12.2020: 0.4 million) is recognized at amortized cost and the equity share (0.2 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The non-current financial liabilities include a EUR 0.1 million convertible subordinated loan 2/2019. The liability component (book value 31.12.2020: 0.2 million) is recognized at amortized cost and the equity share (0.04 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The non-current financial liabilities include a EUR 0.4 million convertible subordinated loan 1/2020. The liability component (book value 31.12.2020: 0.4 million) is recognized at amortized cost and the equity share (0.02 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The terms of the convertible subordinated loans are described in more detailed in section 20. Share-based payments and convertible bonds.

Business Finland granted Valoe a loan, of ca. EUR 3 million, in 2012 to develop business and production model relating to the design and production of cost effective photovoltaic modules as well as to the development of components. The loan could amount maximum to 50 percent of the project's total costs which were estimated to be ca. EUR 6 million. The loan was withdrawn in the course of the years 2013 and 2017, as the duration of the project was extended. The loan period was extended and is now sixteen years. The loan was fully withdrawn by 31.12.2017. The interest of the loan is 1 %. In accordance with IFRS 9 the grant component has been deducted and the amortized 8% interest expense added to the loan amount in consolidated accounts.

Business Finland granted Valoe a loan, of ca. EUR 4.1 million, in 2015 to further develop Valoe's solar modules and back contact based cells. The loan can amount maximum to 70 percent of the project's total costs which are estimated to be ca. EUR 5.8 million. The loan was withdrawn in the course of the years 2016 and 2020, as the duration of the project was extended. The extended loan period is now ten years. The loan as fully withdrawn by 31.12.2020. The interest of the loan is 1 %. In accordance with IFRS 9 the grant component has been deducted and the amortized 8% interest expense added to the loan amount in consolidated accounts.

Current liabilities include a convertible bond 1/2017 of EUR 0.02 million. The equity share is measured at fair value on the issue date of the convertible bond. EUR 0.02 million of the loan was paid during 2020.

The convertible bond 4/2019 reported in non-current liabilities on 31 December 2019 was converted into 1.155.921 new shares of the company in June 2020. Out of the convertible bond 3/2019 reported in current liabilities on 31 December 2019, EUR 0.1 million was converted into new shares of the company in the direct share issue in May 2020 and EUR 0.4 million was converted into a new convertible bond 1/2020 in July 2020.

Maturity analysis of interest-bearing liabilities

	2021	2022	2023	2024	2025 and later
R&D loan	122	495	1 512	1 498	3 813
Convertible bonds	26	4 213	0	0	0
Other loans	1 063	258	445	430	617
Lease liability (IFRS 16)	467	231	53	0	0
Total interest-bearing liabilities	**1 678**	**5 197**	**2 010**	**1 927**	**4 430**

	2020	2021	2022	2023	2024 and later
R&D loan	586	552	547	1 564	3 289
Convertible bonds	563	3 494	534	0	0
Other loans	1 526	1 733	0	0	0
Lease liability (IFRS 16)	525	298	298	90	0
Total interest-bearing liabilities	**3 201**	**6 077**	**1 380**	**1 654**	**3 289**

23. Trade payables and other short-term non-interest-bearing liabilities

	2020	2019
Trade payables	1 313	1 866
Accruals and deferred income	2 430	2 162
Advancec received	93	0
Other liabilities	291	1 363
Total	**4 128**	**5 391**

EUR 1.2 million out of trade payables of EUR 1.3 million above was overdue at the year end 2020. EUR 0.5 million out of other short-term non-interestbearing liabilities, accruals and deferred income (total EUR 2.8 million above) was overdue at the year end 2020. Significant items in accrued liabilities consist of personnel expenses, accrrued intrest and other accrued expenses.

24. Fair values of financial assets and liabilities

The carrying amount of the financial assets equals with the fair value of the financial assets in 2020 and 2019.

The financial assets available-for-sale are investments that belong to categorie 3.

The fair value of trade and other receivables is expected to correspond to the carrying amount due to their short maturity.
The carrying amount of financial liabilities equals with the fair value of the financial liabilities in 2020 and 2019.

The fair value of non-current liabilities is expected to correspond to the carrying amount as the loans were recognized to their fair value when recorded. There has been no significant change in genereal interest level since withdrawals.

At the year end, other short-term interest bearing liabilities included EUR 0.3 million of overdue liabilities.

The hierarchy level for fair values of financial liabilities is 2.

Average interest rates on interest-bearing liabilities	2020	2019
Loans from financial institutions	3,82 %	4,93 %

The fair value of short-term liabilities is expected to correspond to the carrying amount due to their short maturity.

25. Non-cash transactions

	2020	2019
Depreciation	1 413	1 699
Exchange rate differences	-2	2
Other items	-321	-130
Total	**1 090**	**1 571**

26. Leases

	2020	2019
Minimum lease payments payable on the basis of other non-terminable leases:		
Within one year	161	500
Within 2 to 5 years	201	1 000

27. Other contingent liabilities

Assets pledged for the company		
Loans from financial institutions	390	450
Loans from related parties	353	482
Other liabilities	265	281
Promissory notes secured by pledge	3 405	4 700

28. Related party transactions

Valoe complies with the Finnish Companies Act and International Financial Reporting Standards (IAS 24) obligations for monitoring of related party transactions. The Group's related parties include parent company Valoe Oyj and Group subsidiaries. Key members of the Board of Directors and Management Team, also CEO and the persons, who have a significant influence over the Group, are included with their families to the related parties. Also those communities which are controlled or influenced by, or is under common control or influence over the persons, who are included to the related parties, are included to the related parties. The Group's related parties also include those companies that have a significant control over the Group.

The relations and shares between the parent company and subsidiaries are as follows:

Company	Business area	Domicile	Group's holding
Parent company Valoe Oyj	Development, manufacture and sales of clean energy solutions	Mikkeli, Finland	100,0 %
PMJ Testline Oy	Sale of industrial machinery	Lohja, Finland	100,0 %
Valo Clean Energy USA Inc	Development, manufacture and sales of clean energy solutions	Canton MI, USA	100,0 %
Valoe Cells UAB	Manufacture and sales of solar cells	Vilnius, Lithuania	100,0 %
UAB Valoe	Product development	Vilnius, Lithuania	100,0 %

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:

Sales of goods and services	**2020**	**2019**
Savcor Oy – production services	9	3
Purchases of goods and services		
SCI Invest Oy – rent	48	48
J.Basso – marketing and administration services	141	0
SCI-Finance Oy - marketing and administration services	82	59
Savcor Technologies Oy - marketing and administration services	106	61
Savcor Oy – administration services	10	8
Oy Marville Ab – legal services	0	8
Aurinkolahden Tilintarkastus Oy - consulting of financial statements in 2019	4	0
Others	48	0
Total	**440**	**183**

Interest expenses and other financial expenses

SCI-Finance Oy	108	112
Savcor Technologies Oy	72	292
Savcor Oy	12	28
SCI-Inveest Oy	1	0
Others	76	137
Total	**270**	**569**
Non-current convertible subordinated loan from related parties	461	415
Non-current other subordinated from related parties	141	1 160
Other current liabilities to related parties	399	565
Current interest liabilities to related parties	184	429
Trade payables and other non-interest-bearing liabilities to related parties	458	468
Trade receivables from related parties	19	14

Savcor Face Ltd, Savcor Technologies Oy, Savcor Oy and SCI-Finance Oy are companies 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, Valoe's CEO.
Oy Marville Ab is a company under control of Ville Parpola, Valoe’s Vice Chairman of the Board
Aurinkolahden tilintarkastus Oy is a company under control of Tuomas Honkamäki, Valoe’s member of the Board.

Employment benefits of the management	**2020**	**2019**
Wages and other short-term employment benefits	411	411
Total	**411**	**411**

The management does not have defined-benefit pension plans

Wages and remuneration	**2020**	**2019**
Salaries of the CEO and his deputies (incl. in management wages)	168	168
Total	**168**	**168**
Board members and deputies		
Parpola Ville	40	40
Honkamäki Tuomas	18	0
Savisalo Hannu	40	40
Total	**97**	**80**

The CEO has a six-month term of notice. The CEO’s pension is determined in accordance with the Employees Pensions Act.

No options was granted to the management during the financial year 1.1.-31.12.2020. The company has an option scheme in force as per 31 December 2019. More information on the option scheme in Section 20 ”Share-based Payments and Convertible Bonds .

29. Financial risk management

Financial risks

Valoe’s normal business activities expose the company to financial risks: interest rate risks, credit risks, currency risks and funding risks. Risk management aims to minimize the adverse effects that changes in the financial market may have on the Group’s financial performance and balance sheet. The Group’s general risk management policy is approved by the Board of Directors, and its implementation is the joint responsibility of the Group’s centralized finance department and the business groups. The finance department identifies, assesses and acquires the instruments needed to hedge the company against risks in close cooperation with the operational units. Hedging transactions are carried out in compliance with the risk management policy approved by Group management. The Group has not hedged itself against currency or interest rate risks.

Risks and uncertainties related to financing are discussed in the Board of Directors’ report in the section “RISK MANAGEMENT, RISKS AND UNCERTAINTIES / Risks related to financial position and financing needs”.

Currency risks

The Group’s international operations expose it to transaction risks caused by foreign exchange positions and to risks arising from the translation of foreign-currency investments into the parent company’s functional currency. Currency risks arise from purchases and sales carried out in currencies other than the Group’s functional currency, from trade receivables and payables denominated in foreign currencies. Valoe has no foreign currency investments in its subsidiaries.

Interest rate risk

The Group’s revenue and operational cash flows are mostly independent of interest rate fluctuations. During 2020, the Group was exposed to fair value interest rate risk (fixed-rate liabilities) and cash flow interest rate risk (floating-rate liabilities), mainly due to interest on liabilities. In compliance with the principles for risk management, at least 10% of the credit portfolio must be fixed-rate and the loan portfolio shall have an average duration of 3–6 years. Fixed-rate loans account for 97.2 % of the company’s interest-bearing liabilities.

Credit risk

The company’s business involves the normal cross-border trade-related credit risks to which the company aims to manage with advance payments and by monitoring the customers payment behavior and the credit information. The balance sheet values of the financial assets correspond best the maximum amount of the group’s credit risk, excluding the fair value of the guarantees, in such a case where the parties in question cannot fullfil the obligations related to the financial instruments.

Capital management

Capital management aims at ensuring the continuity of the company's operations and the increase of shareholder value. Capital structure management is based on decisions concerning share issues, the use of equity-settled instruments and distribution of dividends. Capital structure indicators include equity ratio and net gearing.

Exposure to financial risks	**2020**	**2019**
Impact of fluctuation in short-term interest rate +/-2%	+/-2	+/-7
The Group had credit limits consisting of the following		
Check account limit	0	0,45 milj. eur

Exposure to currency risks

In 2020, the Group's minor currency risks consisted of ETB and USD denominated financial assets and liabilities. The following sensitivity analysis is based on existing financial assets and liabilities denominated in foreign currencies on 31 December 2020.

Financial assets denominated in foreign currency	**2020**	**2019**
USD	13	96
ETB	672	672
Financial liabilities denominated in foreign currency		
USD	30	20
Net	**654**	**748**
Impact on result		
EUR/USD +/-10%	+/-1	+/-6
EUR/ETB +/-10%	+/-54	+/- 54

Parent Company Income Statement

EUR	Note	1 Jan – 31 Dec 2020		1 Jan – 31 Dec 2019	
Net sales	1-2	1 276 853,30	100 %	324 130,13	100 %
Cost of sales		-3 325 971,83	-260 %	-2 983 083,22	-920 %
Gross profit/loss		**-2 049 118,53**	**-160 %**	**-2 658 953,09**	**-820 %**
Sales and marketing costs		-536 996,62		-492 188,08	
Administrative expenses		-687 975,98		-631 886,37	
Other operating income	3	67 605,48		177 271,43	
Other operating expenses	9	0,00		-45 000,00	
Operating loss		**-3 206 485,65**	**-251 %**	**-3 650 756,11**	**-1126 %**
Financial expenses	11	24,92		33,49	
Financial expenses	11	-1 324 766,45		-1 942 767,71	
Profit/loss before appropriations and taxes		**-4 531 227,18**	**-355 %**	**-5 593 490,33**	**-1726 %**
Profit/loss for the financial year		**-4 531 227,18**	**-355 %**	**-5 593 490,33**	**-1726 %**

Parent Company Balance Sheet (FAS)

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	12	3 809 265,08	4 440 460,58
Tangible assets	13	5 893 514,00	4 576 620,74
Investments	14	3 131 604,60	3 515 504,60
Non-current receivables	15	2 012 266,28	672 330,00
		14 846 650,16	**14 104 915,92**
Vaihtuvat vastaavat			
Inventories	16	256 154,79	674 272,27
Short-term receivables	17	1 029 648,54	477 478,77
Cash and cash equivalents		416 478,93	3 103,66
		1 702 282,26	**1 154 854,70**
TOTAL ASSETS		**16 548 932,42**	**15 259 770,62**

EUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	80 000,00	80 000,00
Distributable non-restricted equity fund	18	27 802 838,83	21 870 806,06
Profit/loss carried forward	18	-24 402 319,59	-18 808 829,26
Profit/loss for the financial year	18	-4 531 227,18	-5 593 490,33
		-1 050 707,94	**-2 451 513,53**
Obligatory provisions			
Other obligatory provisions	19	225 582,00	248 820,00
Liabilities			
Non-current subordinated loans	20	3 658 867,37	4 378 338,37
Non-current liabilities	20	8 618 500,00	5 743 800,00
Current liabilities	20	5 096 690,99	7 340 325,78
		17 374 058,36	**17 462 464,15**
TOTAL EQUITY AND LIABILITIES		**16 548 932,42**	**15 259 770,62**

Parent Company Cash Flow Statement

EUR 1 000		1-12/2020	1-12/2019
Cash flow from operating activities			
Income statement profit/loss before extraordinary items		-4 531	-5 593
Non-monetary items adjusted			
Depreciation and impairment	+	903	1 288
Unrealized exchange rate gains (-) and losses (+)	+/-	-2	0
Other non-cash transactions	+/-	-52	-130
Other adjustments	+/-	-269	0
Financial income and expenses	+	1 327	1 943
Total cash flow before change in working capital		-2 624	-2 493
Change in working capital			
Increase (-) / decrease (+) in inventories		33	-15
Change in reserves		-23	-58
Increase (-) / decrease (+) in short-term trade and other receivables		-497	39
Increase (+) / decrease (-) in short term trade and other payables		-103	19
Change in working capital		-591	-15
Cash flow from business operations before financial items and taxes		-3 216	-2 508
Adjustment of financial items and taxes to cash-based accounting			
Interest paid and payments for other financial expenses	-	891	496
Financial items and taxes		-891	-496
NET CASH FLOW FROM BUSINESS OPERATIONS		**-4 106**	**-3 004**

EUR 1 000		1-12/2020	1-12/2019
Cash flow from investments			
Investments in tangible and intangible assets	-	745	2 998
Loans granted	-	974	0
Repayment of loan receivables	+	140	0
Acquisition of subsidiaries	-	1 062	0
Grants received	+	1 036	0
NET CASH FLOW FROM INVESTMENTS		**-1 605**	**-2 998**
Cash flow from financing			
Payments from share issue	+	2 100	3 450
Financing arrangement with Winance/Bracknor	+	1 957	1 000
Increase in non-current loans	+	2 330	1 155
Increase in current loans	+	554	2 112
Repayment of current loans	-	816	1 729
NET CASH FLOW FROM FINANCING ACTIVITIES		**6 124**	**5 988**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**413**	**-13**
Cash and cash equivalents at the beginning of the financial year		3	16
Cash and cash equivalents at the end of the financial year		416	3
		413	**-13**

Notes to the Parent Company Financial Statement

Accounting, measurement and accrual principles

Valoe Oyj's financial statements have been prepared in accordance with the Finnish Accounting Act in force and with other regulations and provisions concerning the preparation of financial statements. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as have the parent company's financial statements, where possible.

Use of estimates in the financial statements

When preparing financial statements according to good accounting practice, the company management has to make estimates and assumptions that affect the amounts of the reported assets and liabilities on the balance sheet date and the amounts of income and expenses reported for the financial year. The estimates and assumptions have been made following the precautionary principle. The final figures may differ from these estimates.

Measurement of non-current assets

Tangible and intangible assets have been recorded on the balance sheet at original cost of acquisition less planned depreciation. Planned depreciation has been calculated from the original cost of acquisition with amortization on a straight-line basis according to the estimated useful life. Depreciations of new property, plant and equipment have been calculated as of the month of commissioning. The depreciations have been booked by function.

The planned depreciation periods are:

Intangible rights	5-10	years
Development costs	5-10	years
Goodwill	5	years
Other expenses with long-term effects	5	years
Machinery and equipment	2-7	years

Gains and losses from the disposal of fixed assets are presented in the income statement.

Maintenance and repairs

Maintenance and repair costs are recognized as expenses for the financial year. Significant basic improvement costs are included in the carrying amount of the tangible fixed assets and depreciated over the remaining useful life of the asset.

Research and product development costs

Research and product development have primarily been recognized as annual costs in the year in which they have been incurred.

New development costs have not been capitalized during the financial year.Development costs in the balance sheet include EUR 1.4 million capitalized costs where amortizations will be started during 2021 after the development is compelete. The depreciation of development costs currently capitalized in the balance sheet is expected to end during the financial year 2026.

Other intangible assets

Acquisition costs for patents, trademarks and licences are capitalized and depreciated on a straight-line basis over the useful life, as a general rule over 10 years. Acquisition costs for software licences are included in intangible rights and depreciated over 5 years.

Measurement of inventories

Inventories are presented in compliance with the principle of weighted average price at the lower of acquisition cost or replacement price or likely sales price.

Items denominated in foreign currencies

Receivables and liabilities denominated in foreign currencies have been translated into euros using the average rate quoted by the Bank of Finland on the balance sheet date.

Revenue recognition principles

When calculating net sales, indirect taxes, discounts and exchange rate differences related to sales are deducted from the sales revenue. Income from the sale of goods and services are recognized as revenue when they have been carried out.

Long-term contract revenue has been recognized as revenue on the basis of the stage of completion. The company has defined as long-term contract work projects which have started and ended in different financial periods and where the recognition of income as revenue has a substantial impact on net sales and result. The stage of completion of long-term contracts has been determined as the proportion of costs incurred in relation to the estimated total contract costs and is dependent on the eventual total revenue and costs and a reliable way to measure the progress of the project. A loss for a project is recognized as soon as it is known and can be estimated.

Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation that is likely to require the outflow of economic benefits or cause a financial loss and the amount of the obligation can be estimated in a reliable manner. The amount of the provision to be recognized corresponds to the best estimate of the company's management concerning the expenses required to settle the obligation on the balance sheet date. Provisions may relate to restructuring of operations, onerous contracts, legal cases or tax risks.

A warranty provision is recorded once a year on a project-by-project basis based on at the best information at the time.

A provision is recognized for an onerous contract if the expenses required to settle the obligations exceed the benefits from the contract.

Unless otherwise indicated, the figures in the following notes are given in thousands of euros

NOTES TO THE PARENT COMPANY INCOME STATEMENT

1. Distribution of net sales by market area

	2020	2019
Europe	1 277	324
Total	**1 277**	**324**

2. Long-term contract revenues recognized on the basis of the percentage of completion

Proportion of net sales recognized under percentage of ccompletion -method of the financial year's total sales	20.5 %	0,0 %
Revenue recognized on percentage of completion basis during the financial year	261	0
Revenue recognized on percentage of completion basis during previous financial years	0	0
Amount not recognized as revenue based on the stage of completion	12	0

Valoe had no projects, where the revenues are recognized on the basis of the percentage of completion, at the year end of 2019.

3. Other operating income

	2020	2019
Correction of previous year's accrual	0	128
Other income	68	49
Total	**68**	**177**

4. Materials and services

	2020	2019
Materials and supplies		
Purchases during the financial year	875	366
Change in inventories	76	-4
Materials and supplies	**951**	**362**
Third-party services	103	38
Total	**1 054**	**400**

5. Number of personnel

	2020	2019
During the financial period on average		
Procurement and production	13	13
Product development	10	7
Sales and Marketing	2	2
Administration	3	3
Total	**28**	**24**
At the end of the year		
Procurement and production	16	12
Product development	10	8
Sales and Marketing	3	2
Administration	3	3
Total	**31**	**24**

6. Personnel expenses

Wages and remuneration	1 635	1 371
Retirement expenses	241	214
Other indirect employee expenses	77	54
Total	**1 953**	**1 639**

7. Management's salaries and remuneration

	2020	2019
CEO and his deputy	168	168
Board members	97	80
Total	**266**	**248**

8. Depreciation and impairment

	2020	2019
Depreciation on cost of sales	0	1
Depreciation on development costs	636	1 101
Depreciation on sales and marketing	2	2
Impaiment on development costs	0	184
Impairment on inventory	266	0
Total	**903**	**1 288**

The write-down in the financial year 2020 was related to product development related to an Ethiopian project in inventories, which the company no longer considers to have value in use.

9. Operating expenses

Write-down of receivables	0	45
Total	**0**	**45**

10. Auditors' fees

Auditus Tilintarkastus Oy		
Auditors' fees	59	58
Certificates and Statements	1	1
Total	**60**	**59**

11. Financial income and expenses

	2020	2019
Interest expenses and other financial expenses		
Interest expenses	768	1 093
Listing expenses	246	627
Other financial expenses	307	214
Exchange rate losses	4	9
Total financial expenses	1 325	1 943
Total financial income and expenses	-1 325	-1 574

At the end of the financial year 2020 EUR 1.0 million of equity based loan interests were not booked as an expense (EUR 0.3 million for 2020 and 0.7 million for previous years).

12. Intangible assets

EUR 1 000	Development costs	Intangible rights	Other long-term expenses	Total
Acquisition cost, 1 Jan 2020	11 336	299	108	11 743
Disposals	-184	0	-108	-292
Acquisition cost, 31 Dec 2020	**11 152**	**299**	**0**	**11 451**
Accumulated depreciation and impairment, 1 Jan 2020	-6 979	-215	-108	-7 302
Accum.depreciations on disposals	184	0	108	292
Depreciation for the period	-608	-23	0	-631
Accumul. depr., 31 Dec. 2020	**-7 403**	**-238**	**0**	**-7 641**
Carrying amount, 1 Jan 2020	4 357	84	0	4 440
Carrying amount, 31 Dec 2020	**3 749**	**60**	**0**	**3 809**

EUR 1 000	Development costs	Intangible rights	Other long-term expenses	Total
Acquisition cost, 1 Jan 2019	11 159	299	108	11 566
Additions	226	0	0	226
Transfers between items	-49	0	0	-49
Acquisition cost, 31 Dec 2019	**11 336**	**299**	**108**	**11 743**
Accumulated depreciation and impairment, 1 Jan 2019	-5 931	-191	-108	-6 230
Depreciation for the period	-865	-23	-1	-889
Impairment	-184	0	0	-184
Accumul. depr., 31 Dec. 2019	**-6 979**	**-215**	**-108**	**-7 302**
Carrying amount, 1 Jan 2019	5 228	107	1	5 336
Carrying amount, 31 Dec 2019	**4 357**	**84**	**0**	**4 440**

Should the company fail in its business plan implementation, it could generate a need for a write-off in intangible assets.

Specification of capitalized development costs by sub-projects	2020	2019
Technology transfer China	2 350	2 937
Pilot production line development	263	263
PV-module recipe for Chrystal and Chrystal Twin	122	142
MWT Cell development	541	541
Future PV-technology development	473	473
Total	**3 749**	**4 357**

Possible write-down risks related to project-specific capitalization of development costs are described in Note 12 to the consolidated notes, Intangible assets.

13. Tangible assets

EUR 1 000	Machinery and equipment	Total
Acquisition cost, 1 Jan 2020	5 940	5 940
Additions	303	303
Transfers between items	120	120
Acquisition cost, 31 Dec 2020	**6 363**	**6 363**
Accumulated depreciation and impairment, 1 Jan 2020	-463	-463
Depreciation for the period	-6	-6
Accumul. depr., 31 Dec. 2020	**-470**	**-470**
Carrying amount, 1 Jan 2020	5 477	5 477
Carrying amount, 31 Dec 2020	**5 894**	**5 894**

EUR 1 000	Machinery and equipment	Total
Acquisition cost, 1 Jan 2019	5 070	5 070
Additions	820	820
Transfers between items	49	49
Acquisition cost, 31 Dec 2019	**5 940**	**5 940**
Accumulated depreciation and impairment, 1 Jan 2019	-248	-248
Depreciation for the period	-216	-216
Accumul. depr., 31 Dec. 2019	**-463**	**-463**
Carrying amount, 1 Jan 2019	4 823	4 823
Carrying amount, 31 Dec 2019	**5 477**	**5 477**

14. Investments

Shares and equity interest in Group companies	Domicile	Parent company's holding	Group's holding
PMJ testline Oy	Lohja,Finland	100,0 %	
Valo Clean Energy USA Inc.	Canton MI, USA	100,0 %	
UAB Valoe Cells	Vilnus, Lithuania	100,0 %	
UAB Valoe	Vilnus, Lithuania	100,0 %	

All Group companies have been consolidated in the parent company's consolidated financial statements.

Other shares and participations	2020	2019
Kiinteistö Oy Musko II one-week share	3	3
Helsinki Halli Oy B shares, 2 shares	6	6
Total	**9**	**9**

The fair value of Kiinteistö Oy Musko II shares is expected to correspond to the carrying amount.

Helsinki Halli Oy B shares were written-off at fair value in 2012.

15. Non-current receivables

Receivabels from Group companies		
Loan receivables	1 303	0
Other receivables	37	0
Total	**1 340**	**0**
Receivables from others		
Loans receivable from Ethiopia	672	672
Total	**672**	**672**
Total non-current receivabls	**2 012**	**672**

The Ethiopian project may be activated when circumstances in Ethiopia and other resources of the Company permit that. The receivable is to be converted into a minority investment in Ethiopian joint venture when the project will be activated. According the company's view, it will have the necessary resources at its disposal to restart the project when when the company’s current businesses begin to generate positive cash flow.

16. Inventories

	2020	2019
Materials and supplies	126	140
Work in progress	0	386
Finished products/goods	130	149
Total	**256**	**674**

17. Current receivables

	2020	2019
Receivables from Group companies		
Trade receivables	91	0
Other receivables	0	85
Total	**91**	**85**
Receivables from others		
Trade receivable	61	15
Adances paid	245	266
Other receivables	99	60
Accrued income	533	49
Total	**938**	**392**
Total current receivables	**1 030**	**478**
Relevant items of accrued income		
Rents in advance	30	37
Accrual of financial costs	177	0
Percentage of completion -receivables	261	0
Other accrued income	66	12
Total	**533**	**49**

18. Shareholders' equity

	2020	2019
Share capital on 1 Jan	80	80
Share capital on 31 Dec	**80**	**80**
Total restricted equity	**80**	**80**
Distributable non-restricted equity fund on 1 Jan	21 871	11 804
Sale of own shares – Winance / Bracknor	2 243	1 186
Direct share issue	2 100	7 146
Direct share issue by exch. loan shares	1485	1735
Share subscription by exch. loan shares	104	0
Distributable non-restricted equity fund on 31 Dec	**27 803**	**21 871**
Retained earnings on 1 Jan	-24 402	-18 809
Profit/loss for the financial year	-4 531	-5 593
Retained earnings on 31 Dec	**-28 934**	**-24 402**
Total non-restricted equity	**-1 131**	**-2 532**
Total equity	**-1 051**	**-2 452**
Subordinated loans	3 659	4 378
Total equity and subordinated loans	**2 608**	**1 927**

Calculation of distributable non-restricted equity on 31 Dec 2020		
Retained earnings on 31 Dec.	-28 934	-24 402
Distributable non-restricted equity fund	27 803	21 871
Unbooked interests on subordinated loans	-951	-960
Capitalized development costs	-3 749	-4 357
Total	**- 5 830**	**-7 849**

Main terms of the capital loans

	Interest	Due date	Conversion price	2020	2019
Convertible bond 1/2012	8,0 %	n/a	n/a	364	364
Convertible bond 2/2018	8,0 %	15.10.2021	Weighted average 16.4.-15.10.21 - 15%	2 195	2 195
Convertible bond 1/2019	8,0 %	31.5.2022	0,15	415	415
Convertible bond 2/2019	8,0 %	15.10.2021	Weighted average 16.4.-15.10.21 - 15%	144	144
Convertible bond 4/2019	8,0 %	15.4.2022	0,09	0	100
Convertible bond 1/2020	8,0 %	30.6.2021	0,073	400	0
Other capital loans	12,0 %	30.6.2021	n/a	0	270
Other capital loans	15,0 %	30.6.2021	n/a	141	890
				3 659	**4 378**

Capital lonas and their interest can be repaid only when the conditions of Chapter 12 of the Companies Act are met.

At year end 2020 Valoe Corporation has unbooked and unpaid interests in the amount of EUR 0.1 million relating to a bond issued in 2012, EUR 0.4 million relating to a bond issued in 2018, EUR 0.1 million relating to two bonds
issued in 2019 and EUR 0.01 million relating to bond issues in 2020. The interest can only be repaid annually to the extent that the amount of Valoe Corporation’s unrestricted equity and all subordinated loans exceeds the amount of loss confirmed for the most recently ended financial year or included in the balance sheet of more recent financial statements. An interest of 8 % is calculated on the bonds. The company has no non-restricted equity at the end of the financial year. In addition to above mentioned unbooked interests totaling EUR 0.7 million, Valoe Corporation has unbooked interests of EUR 0.3 million for other equity based loans at the year end 2020. The Group has booked the interest expense according to IFRS. The sufficiency of the shareholder's equity of Valoe Corporation may involve risks if the company's financial situation does not develop as estimated by the company's management.

19. Obligatory provisions

	2020	2019
Warranty provisions	226	249
Total	**226**	**249**

20. Non-current liabilities

Liabilities maturing in one to five years		
Subordinated loans	3 659	4 378
Loans from financial institutions	6 129	4 023
Total	**9 788**	**8 401**
Liabilities maturing later than in five years		
Loans from financial institutions	2 490	1 721
Total	**2 490**	**1 721**
Total non-current liabilities	**12 277**	**10 122**

21. Current liabilities

	2020	2019
Liabilities to Group undertakings		
Loans from Group undertakings	2	2
Total	**2**	**2**
Liabilities to others		
Convertible bonds	20	540
Loans from financial institutions	864	1 395
Other loans	934	1 116
Advances received	93	0
Trade payables	1 188	1 746
Other liabilities	250	1 361
Accrued expenses	1 745	1 180
Total	**5 095**	**7 339**
Total current liabilities	**5 097**	**7 340**

Material items of accrued expenses	**2020**	**2019**
Subsidies received from the EU for product development projects	508	67
Accrued interest	439	405
Accrued personnel expenses	405	398
Accrued remuneration to Board members	77	113
Other accrued expenses	280	157
Other accrued liabilities	36	40
Total	**1 745**	**1 180**

22. Notes concerning collateral and contingent liabilities

Liabilities secured by mortgages		
Loans from financial institutions	390	450
Loans to related parties	353	482
Other liabilities	265	281
Business mortgages	3405	4700
Rental liabilities		
Maturing the following year	161	500
Maturing later	201	1 000

23. Related party transactions

No borrowings were made to persons within related party and no guarantees or other securities were given for their debts.

Related party transactions are specified in the Group’s Notes in Section 28.

24. Notes concerning an accountable entity belonging to the Group

Valoe Oyj is the parent company of Valoe Group.

The consolidated financial statements can be obtained from the following address:
Insinöörinkatu 5, 50150 Mikkeli or **www.valoe.com**

Signatures to the Financial Statements and the Report of the Board of Directors

Signatures to the Financial Statements and the Report of the Board of Directors

In Mikkeli 22 April 2021

Hannu Savisalo
Chairman of the Board

Ville Parpola
Vice Chairman of the Board

Tuomas Honkamäki
Member of the Board

Iikka Savisalo
Member of the Board
CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

In Hämeenlinna 22 April, 2020

Auditus Tilintarkastus Oy
Authorized Public Accountants

Mikko Riihenmäki
Authorised Public Accountant

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Valoe Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valoe Oyj (business identity code 0749606-1) for the financial year 1 January – 31 December 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have not performed any other services than auditing to the parent company or to any Group companies.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Going Concern	
During the financial year 2020, the parent company's and the Group's liquidity has improved. However, it was low at the end of the financial year. The offering carried out the end of 2019 improved the company's liquidity. The consolidated cash flow from operating activities was negative in the financial years 2019 and 2020. Based on the assessment presented in the Financial Statements and Directors' Report, management of the company and the Board of Directors believe that the going concern basis is appropriate in preparing the financial statements.	Our audit procedures comprised evaluation of the company's cash flow forecast, order book and sufficiency of the financing. In addition, we discussed with company representatives about the future development and outlook of the company's operations. The company's ability to continue as a going concern is dependent on the development of its operations and cash flows. In 2020, the company secured a financing facility that provides additional funding also for 2021. At the beginning of 2021, the company also signed a significant co-operation agreement that is expected to generate cash flow in 2021. In the view of the company's management, these agreements secure going concern.
Capitalised development costs, EUR 3.5 million (refer to Accounting Principles for consolidated financial statements and notes 6 and 12) (refer to Accounting, measurement and accrual principles for the parent company financial statements and note 12)	
At the balance sheet date of 31 December 2020 the capitalised development costs were carried at EUR 3.5 million, which accounted for 21 per cent of the consolidated total assets. The capitalized development costs of the parent company totaled EUR 3.7 million, representing 23 per cent of the parent company's total assets. As part of the accounting for development costs, management is required to exercise judgment and make assumptions that affect carrying values and amortisation methods. Development costs have been tested for possible impairment. Valoe determines the recoverable amounts in impairment testing based on value in use. Value in use is calculated on discounted cash flow forecasts. Determination of key assumptions underlying the forecasts requires management's judgement. The consideration is related to e.g. income expectations, the market interest rate used for discounting and the interest rate on borrowings. Due to management's judgment related to the used forecasts, uncertainty estimation, and the significance of balance sheet values, capitalized development costs are a key consideration in the audit.	We assessed the composition of development costs and the capitalization criteria applied, original project plans and discussed the changes in plans with the company representatives. Our audit procedures also included agreeing the non- current asset register to the general ledger, assessing the appropriateness of the amortisation methods and testing amortisation accounting. In addition, we discussed with company representatives how development costs are monitored and accounted for, assessed amortization and its timing. We analysed management estimates and assumptions, upon which future cash flow forecasts are based. The valuation of development costs is significantly affected by the discount rate used by management in its calculations and the future development of the business. We performed audit procedures to examine the technical accuracy of the calculations. Furthermore, we considered the appropriateness of the disclosures provided in respect of

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 17 February 2020.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In Hämeenlinna 22 April 2021

AUDITUS TILINTARKASTUS OY

Public Accountants

Mikko Riihenmäki
Authorised Public Accountant, KHT

Corporate Governance

Valoe Corporation and its subsidiaries are governed in accordance with the law, the company's Articles of Association, and the Finnish Corporate Governance Code effective as of 2015. The company also complies with the applicable standards issued by the Financial Supervisory Authority, and the rules and regulations of NASDAQ OMX Helsinki Ltd.

Valoe's Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code approved by the Securities Market Association and Chapter 2, Section 6, Subsection 3 of the Securities Markets Act. An unofficial English translation of the Finnish Corporate Governance Code is available on the website of the Securities Mar- ket Association at www. cgfinland.fi. Valoe's Corporate Governance Statement is presented as a report separate from the Report of the Board of Directors. The Board of Directors handled the Corporate Governance Statement in its meeting in April 2021.

Valoe abides by the Finnish Corporate Governance Code with the following exceptions:

- Recommendation 9 - The composition of Valoe's Board of Directors does not comply with the recommendation of having both genders represented at the Board of Directors. The 2020 annual general meeting did not elect any woman to the Board of Directors.
- Recommendation 14 – The composition of Valoe's Board of Directors does not comply with the recommendation concerning the independence of directors specified in the Finnish Corporate Governance Code, according to which the majority of the directors shall be independent of the company and, in addition, at least two of the directors representing this majority shall be independent of significant shareholders of the company. In early 2020, one of Valoe's three directors was independent of the company and significant shareholders. The annual general meeting held on 28 May 2020 elected four members to the Board out of whom two directors were independent of the company and significant shareholders. The non-compliance is justified by the fact that major part of Valoe's shares are owned by the Savisalo family or Companies owned by the Savisalo family. Therefore, the General Meeting of Valoe has deemed it appro- priate to ensure strong owner representation in its Board composition
- Recommendation 24 – The company's Board of Directors has not set up a separate audit committee because the scope of the company's business does not require matters related to financial reporting and supervision to be prepared by a group smaller than the entire Board of Directors. The Board of Directors handles the tasks of the audit committee.

GROUP STRUCTURE

Valoe's head office is located in Mikkeli. Responsibility for Valoe Group's corporate governance and operations is divided between the Board of Directors, which is appointed by the General Meeting, and the President and CEO.

GENERAL MEETING

Varsinainen yhtiökokous pidetään vuosittain hallituksen määräämänä päivänä kesäkuun loppuun mennessä. YlThe Annual General Meeting shall be held each year on a day decided by the Board of Directors, by the end of June. An Extraordinary General Meeting shall be held when deemed necessary by the Board of Directors or when legally required. The General Meeting shall be held at the Company's domicile, Mikkeli, or when the Board of Directors so decides, in Helsinki.

The invitation to the General Meeting shall be published, through a stock exchange release and on the Company's website, at the earliest three calendar months prior to the record date of the General Meeting and at the latest three weeks prior to the General Meeting, however, always at least nine days prior to the record date of the General Meeting. The Board of Directors may also decide to publish the invitation to the meeting in a national newspaper.

At the Annual General Meeting, the following shall be presented:

- Financial Statements
- Auditor's Report

At the Annual General Meeting, the following shall be decided upon:

- the approval and adoption of the Financial Statements
- the measures to be taken on the basis of the profit shown in the approved balance sheet,
- the discharge from liability of the members of the Board of Directors and the President and CEO
- the number of members on the Board of Directors
- the remuneration payable to the members of the Board of Directors and the principles for indemnifying travel expenses

At the Annual General Meeting, the following shall be elected:

- the members of the Board of Directors and, when necessary, deputy members
- the auditor and, when necessary, deputy auditor

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's governance and the appropriate organisation of the company's operations. The Board comprises at least three and up to seven members. The Board members are elected by the General Meeting for one year at a time. The Board elects a chairman from among its members. The Board of the parent company of Valoe Group determines the composition of the Boards of its subsidiaries.

MAIN TASKS OF THE BOARD OF DIRECTORS

Under the Limited Liability Companies Act, the Board of Directors is responsible for the administration of the company and the appropriate organization of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company accounts and finances. The Board is responsible for controlling and supervising the company's management; appointing and dismissing the President and CEO; approving the company's strategic goals, budget, total investments and their allocation, and bonus schemes; deciding on long-term contracts and the principles of risk management; ensuring the operation of the management system; approving the company's vision, values and organization model; approving and publishing interim reports, stock exchange releases, annual report and financial statements; determining the company's dividend policy; and summoning the General Meeting. It is the Board's duty to promote the best interest of the company and all its shareholders.

The Board of Directors convened 66 times in 2020. The attendance rate of the Board members was 100 percent. The attendance rate of each Board member is mentioned below in the item Composition of the Board of Directors.

BOARD COMMITTEES

In 2008, the Company's Board of Directors decided to discontinue the nomination and remuneration committee, as the addressing of these issues does not require preparation of matters by a group smaller than the entire Board of Directors. The same procedure was followed in 2020.

The company's Board of Directors has not set up a separate audit committee because the scope of the company's business does not require matters related to financial reporting and supervision to be prepared by a group smaller than the entire Board of Directors. The Board of Directors handles the tasks of the audit committee.

COMPOSITION OF THE BOARD OF DIRECTORS

The Annual General Meeting held in 2020 elected four members to the Board of Directors.

Hannu Savisalo, b.1946, M.Sc. (Eng.), Industrial Counsellor

- Chairman of the Board since 2009
- Chairman of the Board of Savcor Technologies Oy, Member of the Board of Directors of Savcor Communications Pty Ltd and Savcor Invest B.V.
- Hannu Savisalo owns 52,045,072 shares in Valoe Corporation through Savcor Communications Pty Ltd, Savcor Invest B.V. , SCI-Finance Oy, Savcor Oy and Savcor Technologies Oy.
- The attendance rate at the Board meetings in 2020 was 100 percent

Ville Parpola, b. 1972, LL.M.

- Vice Chairman and Independent member of the Board since 2015
- Chairman of Board of Directors of Tonfisk Design Oy and Oy Marville Ab, and a Member of the Board of Directors in SoluLight Oy.
- Ville Parpola is an entrepreneur and works as a lawyer at his own company. He has a long experience in Valoe Corporation. He worked as Vice President, Legal Affairs, also in Valoe's predecessors in PMJ Automec Oy and Cencorp Corporation in 1999 – 2010.
- Ville Parpola directly owns 244,160 shares and through Oy Marville Ab 23,518 shares in Valoe Corporation.
- The attendance rate at the Board meetings in 2020 was 100 percent.

Iikka Savisalo, b.1972, BBA (Accounting)

- member of the Board since 2009
- CEO of Valoe Corporation
- Iikka Savisalo directly owns 6,216,709 shares in Valoe Corporation and 52,045,072 shares in Valoe Corporation through Savcor Communications Pty Ltd, Savcor Invest B.V., SCI-Finance Oy, Savcor Oy and Savcor Technologies Oy.
- The attendance rate at the Board meetings in 2019 was 100 percent

Tuomas Honkamäki, b. 1972, M.Sc. (Economics), KHT

- Independent member of the Board since 2020
- Tuomas Honkamäki is an experienced auditor and advisor. He has been a member of the auditing board of Suomen Tilintarkastajat ry (the Finnish association of auditors), a member of the Auditing Board that operates under the auspices of the Ministry of Economic Affairs and Employment, and a chairman of the Tilintarkastustutkintoryhmä (Finnish auditor examination board).
- The attendance rate at the Board meetings in 2020 was 100 percent.

EVALUATION OF THE INDEPENDENCE OF BOARD MEMBERS

The Board of Directors evaluates its members' independence of the company and major shareholders. Based on the evaluation of independence carried out in 2020, the composition of Valoe's Board of Directors does not comply with the recommendation concerning the independence of directors specified in the Finnish Corporate Governance Code.

- The Board members independent of the company and major shareholders were Ville Parpola and Tuomas Honkamäki.
- Iikka Savisalo and Hannu Savisalo exercise control in the Savcor companies and act in their governing bodies.

The non-compliance is justified by the fact that major part of Valoe's shares are owned by the Savisalo Family members or companies owned by the Savisalo family. Thus, the General Meeting of Valoe has deemed it appropriate to ensure strong owner representation in its composition.

PRESIDENT AND CEO

Under the Limited Liability Companies Act, the President and CEO shall attend to the company's day-to-day management in compliance with the instructions and orders given by the Board of Directors. The President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The President and CEO shall supply the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The President and CEO may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorized by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the company. In the latter case, the Board of Directors shall be notified of the measures as soon as possible. The President and CEO is responsible for the day-to- day operations, budget compliance, the performance of Valoe Group, and the performance of those reporting directly to the President and CEO.

MANAGEMENT TEAM

The Group's Management Team assists the President and CEO in the operative management of the company, prepares matters to be dealt with by the Board of Directors and the President and CEO and plans and oversees the operations of the business units. The Group's Management Team

Iikka Savisalo, b.1972, BBA (Accounting)

- CEO of Valoe Corporation since 2012
- member of the Board since 2009
- Iikka Savisalo directly owns 6,216,709 shares in Valoe Corporation and 52,045,072 shares in Valoe Corporation through Savcor Communications Pty Ltd, Savcor Invest B.V., SCI-Finance Oy, Savcor Oy and Savcor Technologies Oy.

Seija Kurki, b. 1963, BBA (Accounting)

- Chief Financial Officer, member of the Management Team since 2012
- Seija Kurki has held different financial management positions at Savcor Companies since 1984.
- 68,166 shares in Valoe Corporation

Sami Lindfors, b. 1975, MBA

- Senior Vice President, member of the Management Team since 2010
- Sami Lindfors joined the Savcor Group in 1996. In 2001, he transferred to Guangzhou, China, as President of Chinese operations and, since 2004, has served as President of Savcor Face China.
- In 2013 he was nominated as CEO of Valoe Clean Energy.
- 88,888 shares in Valoe Corporation

Jose Basso, b. 1965, MBA (Marketing and International Business), Industrial Engineering Degree

- CEO of UAB Valoe, member of the Management Team since 2019
- SVP of Sales and Marketing Americas of Valoe Oyj since 2014
- José Basso has an extensive experience in international business. Join the Savcor Group in 2004 as Managing Director of Savcor Brazil until 2008 and since 2006, he has acted as President and CEO of Savcor Face Ltd and Savcor Mexico being responsible for the North America market. Mr. Basso has headed the solar cell factory in Vilnius from the beginning of December 2019.

RENUMERATION

The General Meeting decides on the remuneration of the Board members and auditors. The Board of Directors decides on and approves the President and CEO's terms of employment with a written contract. The Board of Directors decides on the principles of remuneration for senior management. The Board of Directors annually approves, if appropriate, an incentive system for the Company's employees.

The Board of Directors has decided not to set up separate committees since the scope of the Company's business and the size of the Board of Directors do not require matters to be prepared by a group smaller than the Board of Directors. Therefore, the task of preparing the remuneration of the Board of Directors has not been assigned to the nomination committee and the task of preparing the remuneration of other executives has not been assigned to the remuneration committee.

RENUMERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting held in spring 2020 decided that an annual remuneration of EUR 40,000 be paid to both the Chair- man and the Vice Chairman of the Board of Directors and an annual remuneration of EUR 30,000 be paid to the Board members. In addition, travel expenses are indemnified in accordance with Valoe Corporation's travel policy. The Board members do not have fringe benefits or other benefits outside their remuneration.

REMUNERATION OF THE PRESIDENT AND CEO AND OTHER MANAGEMENT TEAM MEMBERS

The Company's President and CEO is Iikka Savisalo. The period of notice on the President and CEO agreement is six months, both for the Company and for Iikka Savisalo. Should Iikka Savisalo terminate the President and CEO agreement for a reason not attributable to the Company, the Company shall not be liable to pay Iikka Savisalo any other compensation than the notice period pay. If the Company cancels the President and CEO agreement, the Company shall not be liable to pay Iikka Savisalo the above-mentioned severance pay or any other compensation.

The Board of Directors decides on the principles of remuneration of the members of the Management Team. The remuneration system consists of a monthly salary, options and an annual bonus.

The salaries, fees and fringe benefits to President and CEO Iikka Savisalo in 2020 totalled EUR 168,060.00. In 2020, the salaries, fees and fringe benefits to the Management Team members totalled EUR 243,424.00. No remuneration was paid to the members of the Management Team under the bonus scheme in 2020.

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BONUS SCHEMES FOR EMPLOYEES

Valoe has in place a salary-based bonus scheme for management and other employees based in Finland. The Board of Directors decides on the application of the bonus scheme annually.

Depending on the job, the maximum amount payable under the bonus scheme 2021 can vary between 8 and 12 percent of the person's regular annual salary. The amount payable to the President and CEO and other executives under the bonus scheme can be up to 15 percent of their regular annual salary.

The payment of the amount under the bonus scheme is linked to the realization of the company's business targets and those set for the person's field of responsibility. In addition, indicators related to processes, personal goals and projects are used.

In 2015 the Board of Directors of Valoe resolved the terms and conditions of a stock option scheme. The subscription term of the options expired 31 December 2020. No subscriptions were made.

INSIDERS AND INSIDER ADMINISTRATION

Valoe has in place insider rules complying with the guidelines for insiders approved by NASDAQ OMX Helsinki Ltd. According to the insider rules, insiders, persons under their guardianship and corporations under their control are not permitted to trade in the Company's shares and options during a period of 30 days prior to the publication of its financial results (closed window period).

The Company's statutory insiders include the members of the Board of Directors, the President and CEO, the auditors and the accounting firm's auditor with principal responsibility. In addition, the Company's permanent insiders include, as specified insiders, the members of the Management team and specified persons from the Group's financial and other administration. Persons involved in corporate transactions or other projects that affect the value of the Company's shares are included in the Company's project-specific insiders and are subject to a temporary prohibition of trading.

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

CONTROL ENVIRONMENT

Valoe's business idea

Valoe Corporation specializes in the clean energy, especially in photovoltaic solutions. Valoe provides automated production technology for solar modules based on the company's own technology; production lines for modules; solar modules and special components for solar modules.

Environmental Policy

The company complies with the environmental legislation in force. The company aims to take environmental issues into consideration in management systems and decision-making.

Planning and monitoring processes

The Group's operations are planned and reviewed annually using a strategic planning process and a budgeting process. The implementation of plans and the development of the business environment are monitoring in connection with monthly reports, quarterly reports and financial statements. At Valoe Group, risk analysis and risk management are part of the annual strategic planning process and day-to-day operations. The purpose of internal control and risk management is to ensure the effective and profitable operations of the company, reliable information and compliance with the relevant regulations and operating principles.

Internal Control Activities

Authority and responsibility are assigned to persons responsible for budget compliance and to line organization supervisors, in accordance with their roles and duties. Compliance with laws and regulations is ensured using internal guidelines. The objectives of internal control include operational targets, financial reporting and compliance with laws and regulations.

Board of Directors

- Defining the operating principles of internal control
- Monitoring the performance of internal control
- Approving the company's risk management principles
- Reviewing auditors' reports
- Determining the company's bonus scheme

President and CEO

- Monitoring the existence and performance of internal control in practice
- Ensuring that operations are in compliance with the company's values
- Adjusting operating principles and policies
- Ensuring the appropriate and efficient use of resources
- Determining control mechanisms (approval processes, balancing and reporting)
- Determining risk management principles andmethods

Chief Financial Officer

- Management accounting: monitoring and analysis of performance
- Financial accounting andreporting
- Maintenance and development of planning processes
- Ensuring liquidity

Auditor

- Statutory audit
- Expanded audit at the Board's separate request
- Reporting to the Board

INTERNAL CONTROL AND RISK MANAGEMENT

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. Due to the small size of the company and the limited scope of its business operations, Valoe does not have an internal auditing organization or an audit committee. The Board aims to evaluate and continuously develop the company's risk management, internal control and management processes, also by using the interim audits and internal control reports prepared by external auditors in connection with interim reports.

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.

REPORTING SYSTEM

Valoe prepares its consolidated financial statements and interim reports in compliance with the International Financial Reporting Standards (IFRS) adopted in the EU. The report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Accounting Act and the guidelines and published opinions of the Accounting Board.

In accordance with the reporting system, the CEO reports to the Board of Directors monthly on the operations, performance and deviations from the budget and adjusted forecasts (monthly report) of the Group and its business units; quarterly on the operating result based on the interim report/financial statements; and immediately on any significant changes in the business environment. The President and CEO reports to the Board of Directors regularly on the implementation of the company's strategy and long-term plans.

The CFO is responsible for Group reporting. Accounting for the Finnish Group companies and consolidated financial statements is carried out in the financial department of Valoe. Accounting and reporting for foreign subsidiaries are carried out using local, qualified accounting firms or other external experts.

The accuracy of reporting is ensured by using financial reporting guidelines, maintaining the professional skills of employees, ensuring the reliability of information systems, using normal internal control mechanisms and an expanded audit. Any deviations from the budget or plans detected in reports are investigated.

The CFO and external auditors are responsible for verifying the accuracy of the financial reporting.

COMMUNICATIONS

The Board of Directors and the President and CEO are together responsible for the Group's communications. The President and CEO is responsible for communications within the company.

MONITORING

The performance of internal control is evaluated regularly in connection with management and control measures, and separately upon the completion of audit reports. Monitoring measures carried out continuously include comparing the actual and targeted figures in financial reports, various balancing measures, and the monitoring of the regularity of operational reports. The Board's annual plan includes planning and monitoring meetings. Information systems are, for the most part, established, and their reliability is regularly assessed by an external expert.

Corporate Directory

VALOE OYJ

Business Identity No. 0749606-1
Corported in Mikkeli, Finland
www.valoe.com

CONTACT

Insinöörinkatu 5 FI-50150 Mikkeli
Tel: +358 20 7747 788

BOARD OF DIRECTORS

Hannu Savisalo (Chairman)
Ville Parpola (Vice Chairman and Independent Board Member)
Tuomas Honkamäki (Independent Board Member)
Iikka Savisalo (Board Member)

SECURITIES EXCHANGE LISTING

NASDAQ OMX Helsinki Oy
Listing Identity VALOE

AUDITOR

Auditus Tilintarkastus Oy
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