VALOe

ANNUAL REPORT 2019

CONTENTS

VALOE IN BRIEF

- Valoe is an innovative technology company based in Finland that operates in the clean energy business and specialises in efficient utilisation of solar energy. Valoe develops and sells Finnish solar energy technology to global markets.
- Valoe's core competencies include solar energy solutions, in particular the technology related to solar power generation and storage.
- Valoe develops and sells both solar modules and cells as well as automated production technology. Further, the company designs and delivers solar power plants that are based on Valoe's own technology.
- Valoe is interested in the hydrogen economy, including fuel cells and other methods of storing solar energy.
- Valoe's strategy is based on strong partnership network. In research and development, Valoe cooperates with the global leaders in the photovoltaic technology. In addition, Valoe needs reliable manufacturing partners to produce special components for solar modules as well as for production and distribution of finished modules.
- Valoe operates in the global clean energy markets. The company operates also in developing countries, where electricity consumption is growing even faster than in Western countries. Valoe's goal is to achieve a strong position especially as a technology developer and trader.
- Valoe's head office is in Mikkeli, Finland.
- Valoe's shares are listed on the NASDAQ OMX Helsinki Ltd.

YEAR 2019 IN BRIEF

Financing

- In December 2018 Valoe signed a convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 2,000,000 in convertible loan notes that will be accompanied by share subscription warrants. By the end of 2019 Valoe has withdrawn a total of EUR 1,500,000 out of the financing facility. In May 2019, Valoe resolved, on the basis of the financing arrangement between the company and Winance, on a share issuance of a total of 1,718,000 new shares to the company itself without consideration and the company subscribed all shares directed to it. Further, in July 2019, Valoe resolved, on the basis of the financing arrangement, on the issuance of a maximum of 10,000,000 new shares to the company itself without consideration. The subscription period for the new shares commenced on 15 July 2019 and shall end on 15 July 2020. The company has on 15 July 2019 subscribed in total 2,050,000 new shares and on 9 August 2019 in total 3,065,000 new shares in the share issue. The new shares may be used solely to the implementation of the financing arrangement and to the extent it is not necessary to issue new shares subscribed by the company to Winance Investment, the company shall annul the shares.
- In order to strengthen Valoe's capital structure the company issued in January 2019 a convertible bond that is a a capital loan. During the subscription period Valoe received subscriptions of approx. EUR 2.8 million in total for the convertible bond. During the subscription period of the convertible bond new investments of EUR 0.7 million was paid in cash. Out of the subscriptions, a total of approx. EUR 2.1 million was paid by setting the subscription price off against the subscribers' receivables from the company.
- In July 2019, Valoe disclosed on the share subscription based on the conversion of the promissory notes issued under the company's convertible bond 1/2019. The lenders of the convertible bond 1/2019 subscribed in total 11,565,864 new shares in the Company by converting the promissory notes into the new shares. The subscription price of the shares was entered in entirety into the company's invested non-restricted equity fund and thus the share capital of the company was not increased in connection with the share subscription. A total amount of EUR 1,700,000 of the loan capital of the convertible bond 1/2019 was converted to the new shares in the share subscription and thus the convertible bond 1/2019 decreased by EUR 1,700,000. In total 7,747,112 new shares can be subscribed by executing the conversion right under the convertible bond 1/2019.
- In summer 2019, the company commenced preparing a directed share issue in order to cover the working capital needs of the company, to finance the strategic investments of the company in the IBC cell technology among others and to strengthen the financial situation of the company. On 24 September 2019, the company published the prospectus of Valoe pursuant to the

Securities Market Act regarding the offering of 111,111,111 new shares and admission to trading of in total 3,700,000 new shares in the company at Nasdaq Helsinki Oy. Further, the company resolved on the basis of the authorization granted to it by the company's general meeting held on 5 September 2019 on a directed share issue in which a total of 79,403,553 new shares were acceptably subscribed. The subscription price for in total 38,337,744 of the new shares subscribed was paid in cash and the subscription price for in total 41,065,809 of the new shares subscribed was paid by way of set-off. Thus, the company collected in the offering in total approximately EUR 3.45 million new capital before fees and costs and the indebtedness of the company decreased in total approximately by EUR 3.70 million.

- Valoe is involved in an about 15-million-euro research project, called HighLite, as the only Finnish company or research institute and the only developer of cell technology. The project is part of the European Union’s Horizon 2020 programme. The most important research institutes in the European countries and a number of the world’s leading companies operating in the material technology are participating the project. Valoe’s share in the project is approximately two million euros for which the EU provides a grant of EUR 1.4 million. Valoe received the first payment of approximately EUR 0.5 million at the end of March 2020. The HighLite project also includes a section that will be carried out in Lithuania and was transferred to Valoe in connection with the acquisition of Solitek’s solar cell production business. EU shall provide an estimated grant of about EUR 0.5 million for the development work to be executed in Lithuania.
- During the financial year 2019, the company's working capital situation was tight. In April-May 2020, the company signed new financing agreements totaling EUR 5.5 million: an EUR 3.0 million subordinated financial facility with Winance. In an offering commenced at the beginning of May, Nordic Environment Finance Corporation (NEFCO) invested EUR 1.25 million in Valoe’s equity and granted an EUR 1.25 million loan to Valoe. In addition, the Savisalo Family and the companies under their control subscribed new shares of EUR 1.25 million in the Offering by setting-off against their receivables from the company, and Global BOD Group SIA, the previous owner of the Lithuanian cell plant, subscribed new shares of EUR 0.1 million. Having these new financial facilities as well as the funding from the already existing financial commitments from Business Finland and Horizon 2020 HighLite project, totaling approximately EUR 2.2 million, the company has assessed that it has sufficient financial commitments to pay the remaining part of the purchase price of the Lithuanian plant investment; to ramp up and expand the IBC cell plant; to modernize the solar module production transferred to Juva, Finland; to complete and ramp up Valoe Odd Form module production line that is based on the company’s own design; and to provide the company with working capital required for business operations until the cash flow from operating activities turns positive. If the company's cash flow from operations did not turn positive as planned, for example due to difficulties to ramp up production at the Lithuanian cell plant, the company's liquid assets are estimated to be sufficient until June 2021, provided that the financing facilities are executed as planned.
- Valoe has committed to commence a share issue of EUR 1.0 million in June 2020 provided that the annual general meeting to be held on 28 May 2020 grants the Board of Directors sufficient authorization for the share issue.
- In November 2019 Valoe issued an EUR 3.5 million convertible bond. The subscription period ended in May 2020. The During the subscription period, the convertible bond was subscribed for a total of 100,000 euros.

Research and Development

- In 2019, 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. In 2019, Valoe acquired the business of the Lithuanian solar cell manufacturer JCS SoliTek R&D, including Solitek’s cell plant. Valoe has been building a new IBC solar cell factory in Vilnius, Lithuania, by combining the cell production line producing standard cells with the cell production line Valoe purchased from Italy in 2018. The installation work is almost complete. Valoe expects the process to work and production of IBC cells to start about three months late, in summer 2020.
- For more than a year, Valoe has been developing back contact modules which are suitable for applications where conventional solar modules cannot be used. These freely formable composite modules and their applications may be related, for example, to transport or building integration. Valoe refers to these unusual modules as the Valoe Odd Form module.
- In February 2020, Valoe disclosed a cooperation agreement with Sono Motors GmbH to become a Technology Partner for the integrated solar components of the Sion, a Self-Charging electric car with solar integration.
- Valoe is involved in international research to develop photovoltaic technology. In March 2019, a research project called HighLite was selected for the European Union’s Horizon 2020 funding. Valoe play a key role in the project. The project aims to

bring Europe back to 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.

The Major Orders

- In Finland, sales cooperation with ForUs Capital Oy ("ForUs Capital") continued to be close. In July 2019, Valoe received two orders from ForUs Capital for delivering solar power plants to Finland; the first order totaled approximately EUR 1.2 million and the second one approximately EUR 0.4 million. ForUs Capital sells electricity generated by the solar power plants to its own partners. A significant part of the supply contracts concerned Valoe's new Chrystal module with IBC cells. The deliveries of the Chrystal modules begin during the financial year 2020, when the Lithuanian plant has commenced its commercial operations.
- In August 2019, Valoe signed an IBC Cells Supply Agreement with a major US customer. The value of the Agreement for 2020 is approximately USD 12 million. Valoe intends to manufacture the IBC cells in the Lithuanian cell plant.
- At the beginning of November 2019, the company disclosed an order for a solar power plant to be delivered on the walls of a new parking house with about 2,000 parking spots at the Helsinki Airport. Valoe supplies the solar power plant as a turnkey project. The company installed the modules manufactured in Mikkeli, Finland on the walls of the parking house in the spring 2020. The order is a very important reference for the company as a building-integrated installation.

Financials

- In the financial year 2019, the net sales of Valoe Group, under the IFRS standards, decreased by 75.3 percent. The net sales were EUR 0.3 million (in 2018 EUR 1.3 million). The EBIT was EUR -3.7 million (EUR -2.5 million), the profit for the period was EUR -5.8 million (EUR -4.2 million), undiluted earnings per share were EUR -0.14 (EUR -0.28) and the EBITDA EUR -2.0 million (EUR -1.2 million). Valoe Corporation's equity ratio at the end of 2019 was -16.2 percent (-60.5 percent) and Valoe Group's equity ratio was -21.1 percent (-61.5 percent).
- Valoe estimates that Valoe Group's cash flow will turn positive already during the Lithuanian factory's first year of operation in 2020 provided that provided that the company succeeds in ramping up the cell plant in time and achieves a sufficient level of quality for the cell, and that the company's contracts for supplying IBC technology materialize as planned and achieve the estimated profitability. Further, the company estimates its net sales for 2020 to be several times higher than the net sales for the financial year 2018 (EUR 1.3 million).
- The company cannot yet assess whether the Covid-19 pandemic, with its regulations and guidance, will directly or indirectly change the company's current estimates, for example, of the completion time of the Lithuanian cell plant. Significant postponement of completion would affect both the timing of the first cell deliveries and the delivery schedule for the power plants based on the IBC cells. The company will announce any possible changes to its guidance once the situation becomes clearer.
- All of Valoe's stock exchange releases and other releases can be found on the company's website www.valoe.com.

MANAGING DIRECTOR'S REPORT

IIKKA SAVISALO

The Changing World Is an Opportunity for Valoe!

The world won't be the same as it was before Covid-19! Businesses will be rearranged. Long supply chains reliant on maritime transport have shown to be vulnerable. We need to think again: is it wise to manufacture everything in China? Do we need what we take for granted? The world economy will rise through new forces and ideas, hopefully as soon as possible. This time, will the environment come out of this crisis as a clear winner. Valoe's values, vision and strategy are well fitted into this new world. Valoe's mission is to utilize the situation and get a growing and profitable business up and running.

Throughout its history Valoe has tried to 'think out of the box': do things slightly differently. For an innovative technology company operating in very wide and fast-growing industry, it may well be possible to find new market segments that require specialization. Valoe believes that solar power must be brought even closer to where it is being consumed: in homes, buildings, cars, electronics or for logistics - where electricity is being used.

With the Back Contact technology used in Valoe modules solar energy can easily be used in very unconventional markets. Valoe has developed new Odd Form module family e.g. for the automotive industry in collaboration with Sono Motors, which gradually starts to generate cash flow. After the IBC cell factory in Lithuania is completed Valoe will have access to top quality key components manufactured in-house and the company will be able to offer high value-added solar cells to third parties. During year 2020, Valoe Odd Form modules are already included in many projects but Valoe estimates that they won't produce significant cash flow until the next financial year.

Except the postponed order from Ethiopia, majority of Valoe's order backlog consists of preordered Valoe Chrystal and Valoe Chrystal Twin IBC modules that will be delivered on the roofs of large real estates or for ground installations. The modules need to be supplied to the customers during this year.

In April 2020, Valoe announced the move of its Mikkeli plant and investment in a new factory in Juva. During 2020, Valoe is aiming for significantly higher revenue and positive cash flow. The year 2020 will certainly be most challenging for us. Fortunately the company now has better finacial resources than ever before since starting in the solar energy business. A lot is expected of Valoe - results must be achieved! As Covid-19 eases, market shares will be redistributed. We at Valoe have trust in the future and our team and will do everything so that our business would finally start generating value to our shareholders and bring more benefits to customers.

Iikka Savisalo
Managing Director

VALOE´S STRATEGY

OUR VISION

The future of energy is in Solar.

OUR MISSION

We will enable the use of solar energy in the form of electricity everywhere, at any time 24 -7 - 365. We will accomplish this together with our manufacturing, technology and distribution partners.

OUR STRATEGY

Valoe's strategy is based on the fact that the limitations of solar energy utilization will be resolved in the future. Successful business requires capability to compete in the international markets. Valoe follows closely research and development related to its business and adapts applicable technologies to its own product concepts. Valoe's solutions are mainly based on Valoe's own technologies which the company has developed together with the world's leading experts and research institutes. The company strives for rapid and profitable growth.

Valoe has defined that its strategy is based on the vision according to which solar energy will be the best solution to meet the world's energy needs in the future. Two minutes of the sun provide the world with one year's energy needs of entire humanity. Solar energy is silent, odorless and the cleanest form of energy. The volume of the solar energy business, excluding the price of electricity generated worldwide, is approximately EUR 100 billion per year and the business is growing at an annual rate of about 20% (Source: ITRPV 2019). Solar energy contributes to halting climate change and minimizing the carbon footprint of energy production.

Valoe, as a promoter of solar power, is actively involved in the global development of solar applications and later also in storage applications. Valoe's technology partners have a key role in development worldwide.

Valoe's operations in technology development and manufacturing are based on in-depth knowledge of materials technology, knowledge and versatile use of laser technology, and global experience as a supplier of automation and robotization applications.

VALOE’S PRODUCTS AND SERVICES

Based on Valoe’s strategy the company has the following four service and product concepts:

1. SALES AND SUPPLY OF PHOTOVOLTAIC MODULES AND SYSTEMS (MODULES)

Sales of modules and small photovoltaic systems are Valoe’s most visible product group. All Valoe’s PV modules are manufactured at the company’s module factory in Mikkeli for the time being. They are delivered to the company’s distributors and manufacturing partners. Further, the company sells and provides solar power plants and systems directly to its customers in Finland and abroad.

Current Status of the MODULES Concept:

Valoe has enhanced the sale of its modules and solar systems in Finland by building sales channels for its products systematically. ForUs Capital Oy, which specializes in the sales of electricity produced from renewable sources, has been Valoe's most important customer during 2019 and Valoe has used a major part of its sales resources to support ForUs Capital's sales to Finnish property owners, production companies and communities.

The cornerstone of Valoe's strategy is the IBC technology and solar cells and modules based on it. The company intends to replace the currently sold and well-functioning Chrome II glass-glass module with Chrystal IBC module family including a Chrystal Twin module, a bifacial module with a nominal efficiency of more than 400 kW. Provided that the required funding is secured, the machinery and equipment at Valoe’s module factory are to be modernized in 2020 for the production of the Chrystal module family and Valoe Odd Form modules. After the investment, the module factory that was transferred from Mikkeli to Juva will use only IBC cells manufactured at Valoe’s plant in Lithuania for its modules.

Outlook for the MODULES Concept:

The company's goal is to introduce lightweight, flexible and efficient odd-form modules with polymer and composite structures into the new solar module market. The company started developing Odd Form modules together with its customers in 2018. Such modules can be used, for example, in vehicles, for off-site energy needs for logistics chains, or in aviation and aerospace applications. In these environments, energy supply problems have generally been solved in very expensive and less environmentally friendly ways, and there is no normal competition in the market. A solar power system must have very high efficiency combined with efficient space usage in order to succeed in this market. Valoe believes that the company’s back contact technology and IBC cells together provide Valoe with good conditions for developing photovoltaic applications for these markets.

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

2. DEVELOPMENT AND SALES OF PRODUCTION LINES AND RELATED COMPONENTS (PRODUCTION LINES)

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

Outlook for the PRODUCTION LINES Concept:

Valoe continues its development work in order to increase the efficiency of the production technology for back contact modules. Valoe has enhanced its module production technology sales and promising contacts with potential customers have been established. Valoe believes that in the future it will also be able to supply production lines to the customers starting to use Valoe’s odd-form modules.

3. MANUFACTURING PARTNER NETWORK (PARTNERS)

Valoe’s strategic goal is to sign manufacturing partnership agreements or technology licensing agreements with solar module manufacturers who as newcomers on the market would commit themselves to Valoe’s production technology and to using components designed for Valoe’s back contact technology. Valoe provides a partner with a turnkey delivery project; secures availability of components for a partner either by manufacturing components by itself or by procuring required components from elsewhere; and as a technology partner commits itself to minority shareholding in a manufacturing company. Manufacturing partners pursued by Valoe may operate e.g. on developing markets and produce solar energy modules for local and nearby markets. Value of a typical turnkey plant delivery is more than ten million euros.

<u>Current Status of the PARTNERS Concept:</u>

Valoe signed its first manufacturing partnership agreement with Ethiopian LS Corp in 2016. However, the technology delivery based on the agreement has not yet been executed as per the date of this Annual Report.

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

On 25 February 2020 Valoe disclosed it has signed a cooperation agreement with Sono Motors GmbH. This is the second significant cooperation agreement signed by Valoe. If Sono Motors succeeds, Valoe expects the cooperation to start generating significant cash flows. The cash flow for the financial year 2020 is still low and is related to joint product development and verification of technology concepts.

<u>Outlook for the PARTNERS Concept:</u>

Valoe is aiming to sign at least 10 manufacturing partnership contracts. After achieving this amount of partnerships, Valoe’s partnership network is so wide that even the biggest solar module manufacturers will not remarkably benefit from the advantage of economies of scale e.g. in raw materials purchases compared to Valoe’s network.

There is wide interest in Valoe's partner concept. Partnership agreements are constantly being negotiated. Based on its experience, Valoe assesses how the terms of partnership agreements should be modified and sales targeted to reach agreements with parties having real commercial potential.

4. MODULE COMPONENTS SALES MAINLY TO MANUFACTURING PARTNERS (COMPONENTS)

Special components are the most important part in Valoe’s strategy in terms of net sales potential. Valoe’s first component is Conductive Back Sheet (CBS) that has been developed by the company. Based on current estimation, considering price level in the near future, each production line will annually require back sheets worth approximately 5 – 11 million Euros.

In the future, Valoe plans to provide its manufacturing partners and other customers also with the company’s solar cells based on the IBC technology and possibly also other special components. According to the company's estimates, a full-sized module factory could buy Valoe cells for about EUR 18 - 25 million annually.

<u>Current Status of the COMPONENTS Concept:</u>

As previously disclosed, Valoe has signed its first cell supply agreement worth about USD 12 million annually for IBC cells manufactured in Vilnius. The agreement supports Valoe's understanding of the price level of the IBC cells.

<u>Outlook for the COMPONENTS Concept:</u>

Given the company’s need for cells for its own standard modules and Odd Form modules, and customers’ orders for cells, Valoe estimates that demand for IBC cells manufactured in its Lithuanian factory may in the future exceed Valoe's production capacity, provided production starts as expected. Valoe should consider and decide which business model would be best for it if demand exceeds the company’s production capacity.

DIRECTORS’ REPORT

FINANCIAL DEVELOPMENT

During the final quarter of 2019, Valoe carried out a directed share issue. The object of the share issue was to cover the working capital needs of the company, to finance the strategic investments of the company and to improve the financial performance of the company. The company collected in the offering in total approximately EUR 3.45 million new capital before fees and costs and the indebtedness of the company decreased approximately by EUR 3.70 million.

The cash share target was not achieved and Valoe issued a subordinated convertible bond of EUR 3.5 million, at the most, to execute the company’s business plan and to finish the IBC technology investment. The Convertible Bond is a capital loan. The subscription price was EUR 0.09 per one new share. During the subscription period, the Convertible Bond was subscribed for a total of 100,000 euros. The convertible bond can be converted to 1,111,111 new shares of the company.

The company’s financial situation and working capital situation were very tight in 2019. In April – May 2020, Valoe signed financing agreements totalling EUR 5.5 million, which significantly improved the company’s financial situation. More information on Valoe’s financial situation can be found in the item “Financing”.

The acquisition of JCS SoliTek R&D’s ("Solitek") solar cell production plant located in Lithuania between Valoe and Lithuanian Global BOD Group SIA ("BOD") was completed, and the title and the ownership of the solar cell factory was transferred to Valoe in October 2019. As disclosed, before the completion of the deal, the seller of the plant transferred the above-mentioned solar cell production plant including the machinery and equipment; the plant infrastructure; and all the assets and knowhow related to the solar cell production business into a new Lithuanian company whose shares Valoe acquired. The name of the new company is UAB Saules Elementu Gamyba. The remaining purchase price will be paid by 15 May 2020.

In connection with the aforementioned transaction between Valoe and BOD, Valoe issued a convertible bond of EUR 0.5 million to BOD. The parties have agreed on the rearrangement of the convertible bond so that EUR 0,1 million of the convertible bond principal shall be set off against subscription price of the new shares BOD has subscribed in the offering disclosed by Valoe on 6 May 2020. Further the parties have agreed that EUR 0.4 million of the convertible bond principal shall be converted into a new convertible bond after the annual general meeting to be held on 28 May 2020, provided that the annual general meeting grants the Board sufficient authorization to issue a new convertible bond. The main terms of the new convertible bond have been disclosed on 6 May 2020.

As disclosed on 31 March 2020, Valoe recategorizes equipment that was previously incorrectly categorized in the balance sheet as part of its product development costs. In the Financial Statements 2019, the company's equipment is included in non-current assets under Machinery and equipment. The adjustment will have no impact on profitability or equity.

Valoe continued its close sales cooperation with ForUs Capital and in July 2019 Valoe received two orders from ForUs Capital for delivering solar power plants to Finland; the first order totaled approximately EUR 1.2 million and the second one approximately EUR 0.4 million. ForUs Capital sells electricity generated by the solar power plants to its own partners. The solar power plants will be delivered during 2019 and 2020.

In August 2019, Valoe signed an IBC Cells Supply Agreement with a major US customer. The value of the Agreement for 2020 is approximately USD 12 million. Valoe intends to manufacture the IBC cells in the Lithuanian solar cell plant.

Valoe’s order book includes an EUR 15.8 million order for a module factory to Ethiopia. So far, no revenue has been recognized for the order. The profit and loss effects of the Ethiopian project was removed from Valoe’s books already in the financial year 2016. However, the company has a receivable of EUR 0.7 million in its balance sheet which the company plans to invest in a minority shareholding in a local affiliate as the project progresses. The Ethiopian project is continued in terms of operations and the company will resume recognizing revenue based on percentage of completion when the performance obligations under the IAS have been satisfied. Valoe sees that one of the most important requirements is the opening of a EUR 9.5 million Irrevocable Letter of Credit in a bank approved by Valoe or a significant cash payment from the customer. The company may need to pledge a security for cash payment, as usual in export business. Valoe estimates that the completion of the project will require significant amount of human resources and time. As the Lithuanian cell plant project is in progress, the project delivery to Ethiopia unlikely begins during the current financial year.

NET SALES AND RESULT

The net sales of Valoe Group's continuing operations in 2019 were EUR 0.3 million (EUR 1.3 million). The order book at the end of December stood at ca. EUR 17.2 million (EUR 15.9 million) out of which the Ethiopia order amounted to EUR 15.8 million (EUR 15.8 million). EBITDA was EUR -2.0 million (EUR -1.2 million). Operating profit was EUR -3.7 million (EUR -2.5 million). Profit before taxes was EUR -5.8 million (EUR -4.2 million). Profit for the period was EUR -5.8 million (EUR -4.2 million). Undiluted earnings per share were EUR -0.14 (EUR -0.28). The Valoe Group's equity ratio at the end of December was -21.1 percent (-61.5 %). The equity ratio including capital loans was 4.7 percent (-7.9 %). The mother company's, Valoe Corporation's equity ratio was -16.2 percent and 12.7 percent including capital loans.

OPERATING ENVIRONMENT

BUSINESS SECTOR

Valoe operates in industries applying clean energy technology. The company's operating environment is global, and it provides its customers with products, solutions and services worldwide.

MARKET CONDITIONS

The competitiveness of the solar electricity, compared to the fossil fuels and other renewable energy sources, will continue increasing faster and faster. Already in 2018, the production cost of solar electricity was below the cost of traditional electricity production in many geographical areas. According to the ITRPV 2019 report, the annual market now worth around EUR 100 billion, excluding electricity sales, is projected to grow annually by about 20 percent over the next 30 years. By 2029, the market share of the back contact modules is estimated to grow from a few percent to about one-third of the total market, i.e. to about EUR 150 billion annually.

The objectives of Valoe's entire strategy are based on having the cell that is one of the most efficient cells in the growing market and combining it with the back contact technology used by Valoe and gaining more market share.

According to forecasts, the share of solar energy in transport energy consumption will increase significantly. Solar modules will be integrated for example in cars and other vehicles. Valoe develops odd-form modules with IBC cells just for this type of applications.

Valoe is prepared for its competitors introducing their own back contact modules and other innovations in the near future. The companies that will succeed in price competition will continue decreasing the prices of their standard products based on sales volumes and increasing production capacity and will continue worldwide price war.

The Covid-19 pandemic has already changed the market traditionally dominated by large Chinese manufacturers. Disruptions to Chinese companies' deliveries caused by the virus may have changed the supply chain more permanently. Valoe, as a fully European manufacturer and a company using European core components, expects its potential to develop positively in such market changes.

According to Valoe's view, the prices of low-end modules will unlikely rise. Thus, Valoe is focusing on developing production technology for next generation cells and modules. In the high-end price categories 's price reduction has not been as remarkable. Valoe views that the most favorable markets for the company are those where the turnover generated is not of interest to major manufacturers and where technological innovations are more important than price. Generally, Valoe's business models are always based on locally generated solar power, whether it concerns a geographical area or electrical equipment. Thus, the natural geographical markets for Valoe are countries and regions with incomplete or malfunctioning grid. Such areas exist primarily in Africa, but also in Asia and South America. On the other hand, Valoe is aiming to apply its technology by integrating a module into an electrical appliance or even clothing.

Valoe provides production technology to all companies interested in back contact modules, e.g. large and often national solar energy projects; module subcontractors; and/or original equipment manufacturers. However, the tough price competition may hinder a Valoe-sized company to succeed, regardless of quality or technical advantages.

Valoe views that diversified local production will increase significantly in the near future. However, Valoe is not aiming at becoming a local manufacturer but when the company decides to enter into new geographical area it always seeks for a local partner and an investor for a solar module factory project. Valoe is responsible for production technology, product quality and development. Local investors and partners are responsible for project funding as well as marketing and product sales.

FINANCING

In December 2018 Valoe signed a convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 2,000,000 in convertible loan notes that will be accompanied by share subscription warrants. By the end of 2019 Valoe has withdrawn a total of EUR 1,500,000 out of the financing facility. In May 2019, Valoe resolved, on the basis of the financing arrangement between the company and Winance, on a share issuance of a total of 1,718,000 new shares to the company itself without consideration and the company subscribed all shares directed to it. Further, in July 2019, Valoe resolved, on the basis of the financing arrangement, on the issuance of a maximum of 10,000,000 new shares to the company itself without consideration. The subscription period for the new shares commenced on 15 July 2019 and shall end on 15 July 2020. The company has on 15 July 2019 subscribed in total 2,050,000 new shares and on 9 August 2019 in total 3,065,000 new shares in the share issue. The new shares may be used solely to the implementation of the financing arrangement and to the extent it is not necessary to issue new shares subscribed by the company to Winance Investment, the company shall annul the shares.

In order to strengthen Valoe's capital structure the company issued in January 2019 a convertible bond of EUR 3.8 million at the most. The convertible bond is a capital loan. During the subscription period Valoe received subscriptions of approx. EUR 2.8 million in total for the convertible bond. During the subscription period of the convertible bond new investments of EUR 0.7 million was paid in cash. Out of the subscriptions, a total of approx. EUR 2.1 million was paid by setting the subscription price off against the subscribers’ receivables from the company.

In July 2019, Valoe disclosed on the share subscription based on the conversion of the promissory notes issued under the Company's convertible bond 1/2019. The lenders of the convertible bond 1/2019 subscribed in total 11,565,864 new shares (the "New Shares") in the Company by converting the promissory notes into the New Shares. The subscription price of the shares was entered in entirety into the Company's invested non-restricted equity fund and thus the share capital of the company was not increased in connection with the share subscription. A total amount of EUR 1,700,000 of the loan capital of the convertible bond 1/2019 was converted to the new shares in the share subscription and thus the convertible bond 1/2019 decreased by EUR 1,700,000. In total 7,747,112 new shares can be subscribed by executing the conversion right under the convertible bond 1/2019.

In summer 2019, the company commenced preparing a directed share issue in order to cover the working capital needs of the company, to finance the strategic investments of the company and to strengthen the financial situation of the Company. On 24 September 2019, the company published the prospectus of Valoe pursuant to the Securities Market Act regarding the offering of 111,111,111 new shares and admission to trading of in total 3,700,000 new shares in the company at Nasdaq Helsinki Oy. Further, the company resolved on the basis of the authorization granted to it by the company's general meeting held on 5 September 2019 on a directed share issue in which a total of 79,403,553 new shares were acceptably subscribed. The subscription price for in total 38,337,744 of the new shares subscribed was paid in cash and the subscription price for in total 41,065,809 of the new shares subscribed was paid by way of set-off. Thus, the company collected in the Offering in total approximately EUR 3.45 million new capital before fees and costs and the indebtedness of the company decreased in total approximately by EUR 3.70 million.

The cash share target was not, however, achieved and Valoe issued a convertible bond of EUR 3.5 million, at the most, to execute the company’s business plan and to finish the IBC technology investment. The convertible bond is a capital loan. The subscription price is EUR 0.09 per one new share. During the subscription period, the Convertible Bond was subscribed for a total of 100,000 euros. The convertible bond can be converted to 1,111,111 new shares of the company.

Valoe has a product development loan from Business Finland (prev. Tekes) in the amount of EUR 4.1 million out of which the company had withdrawn a total of EUR 3.3 million by the end of 2019. As per the date of this Annual Report there is still a total of EUR 0.8 million to be withdrawn. Valoe estimates that the remaining part of the loan will be available to the company by the end of May 2020.

Valoe is one of the partners of an about 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 who develops solar cell technology. Valoe’s share in the project is approximately EUR two million for which the EU provides a grant of EUR 1.4 million. Valoe received the first payment of approximately EUR 0.5 million at the end of March 2020. The HighLite project also includes a section that will be carried out in

Lithuania and was transferred to Valoe in connection with the acquisition of Solitek's solar cell production business. EU shall provide an estimated grant of about EUR 0.5 million for the development work to be executed in Lithuania.

During the financial year 2019, the company's working capital situation was tight. In April-May 2020, the company signed the following new financing agreements totaling EUR 5.5 million. A new EUR 3.0 million subordinated financial facility with Winance. In the offering arranged in early May 2020 Nordic Environment Finance Corporation NEFCO invested EUR 1.25 million in Valoe's equity and granted Valoe an EUR 1.25 million loan. Valoe shall repay the loan to NEFCO over six years. In addition, the Savisalo Family and the companies under their control subscribed new shares of EUR 1.25 million in the offering by setting-off against their receivables from the company, and Global BOD Group SIA, the previous owner of the Lithuanian cell plant, subscribed new shares of EUR 0.1 million.

NEFCO's funding is expected to be available to the company in full before the end of June 2020. Winance's funding may be drawn down in maximum of 6 sequential tranches of EUR 500,000 each during a period of 24 months from the drawdown of the first tranche. However, EUR 1.5 million part of Winance funding would be available, if needed, by the end of June 2020. Valoe has committed to commence a share issue of EUR 1.0 million in June 2020 provided that the annual general meeting to be held on 28 May 2020 grants the Board of Directors sufficient authorization for the share issue.

Having these new financial facilities totaling EUR 5.5 million as well as the funding from the already existing financial commitments from Business Finland and Horizon 2020 HighLite project, totaling approximately EUR 2.2 million, the company has assessed that it has sufficient financial commitments to complete the IBC cell plant investment in Lithuania; to ramp up and expand the IBC cell plant; to modernize the solar module production transferred to Juva, Finland; to complete and ramp up Valoe Odd Form module production line that is based on the company's own design; and to provide the company with working capital required for business operations until the cash flow from operating activities turns positive.

if the company's cash flow from operations did not turn positive as planned, for example due to difficulties to ramp up production at the Lithuanian cell plant, the company's cash equivalents are estimated to be sufficient until June 2021, provided that the financing facilities are executed as planned.

Financial Uncertainties

General uncertainty caused by the Covid-19 virus and possible worlwide deep recession increase business related risks remarkably. In its cash flow forecast, Valoe estimates that positive cash flow will begin during 2020. Should the positive turn in the cash flow be postponed beyond June 2021, the agreed financing facilities could prove insufficient. In exceptional circumstances, banks or public funding organizations may face unpredictable pressures that could slow the payment of already agreed funding to Valoe.

The company has budgeted a significant part of the funding granted to it for the investment in the Lithuanian cell factory. Should unpredictable events cause a significant budget overrun, the current funding could prove too low.

Valoe has committed to commence a share issue of EUR 1.0 million in June 2020 provided that the annual general meeting to be held on 28 May 2020 grants the Board of Directors sufficient authorization for the share issue. The purpose of the additional funding to be collected is e.g.to reduce the above risks. The success of the share issue involves even greater risks than usual in the current, uncertain economic conditions.

Cash flow from business operations before investments in January – December was EUR -2.1 million (EUR -2.2 million). Trade receivables at the end of the reporting period were EUR 0.04 million (EUR 0.03 million). Net financial items amounted to EUR 2.1 million (EUR 1.7 million). At the end of December, the equity ratio of Valoe Group was -21.1 percent (-61.5 %) and equity per share was EUR -0.08 (EUR -0.47). The equity ratio including capital loans was 4.7 percent (-7.9 %). At the end of the reporting period, the Group's liquid assets totaled EUR 0.007 million.

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

RESEARCH AND DEVELOPMENT

Valoe invests heavily in its product development. The objective of Valoe's product development is that the energy produced by Valoe's solar modules shall be the greenest as well as the cheapest energy on the market. In addition, Valoe's goal is to produce solar modules whose materials are selected to extend the module's economic life by more than 100 years.

During the recent years, the focus of Valoe's research and development has been on a project relating to cell development and efficiency improvement as well as on development of IBC cells. In 2019, product development resources were further increased to rapidly introduce Valoe Odd Form modules in the market. Valoe develops flexible and lightweight composite modules for new applications to be used 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 industrialization. The customer commits and Valoe gets a long-term customer, for example, for its robotic assembly lines. Valoe is also prepared to offer its customers contract manufacturing of the products or components it develops.

The successful cooperation with Sono Motors GmbH has significantly raised and determined the level of Valoe's product development in terms of developing solar power applications for cars and other vehicles.

In 2019, 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. In 2019, Valoe acquired the business of the Lithuanian solar cell manufacturer JCS SoliTek R&D, including Solitek's cell plant. Valoe has been building a new IBC solar cell factory in Vilnius, Lithuania, by combining the cell production line producing standard cells with the cell production line Valoe purchased from Italy in 2018. The installation work is almost complete. Valoe expects the process to work and production of IBC cells to start about three months late, in summer 2020.

In March 2019, a research project called HighLite was selected for the European Union's Horizon 2020 funding. Valoe play a key role in the project. The project aims to bring Europe back to 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 past three years, Valoe has created a global partner network to support the company's own research and development. With the partners Valoe develops its products and technology to implement the next phase of the company's growth strategy. During the financial year 2018, Valoe signed a development and technology transfer agreement with ISC Konstanz.

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

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

Valoe is aiming at protecting its innovations in all important geographical areas.

The Group's research and development costs during the reporting period amounted to EUR 1.9 million (EUR 1.3 million).

INVESTMENTS

Gross investments in the continuing operations during January – December period amounted to EUR 4.8 million (EUR 3.3 million). The investments on the reporting period as well as on the corresponding period were mainly in development costs.

PERSONNEL

At the end of December 2019, the Group employed 32 (25) people, out of which 8 employees worked in Lithuania and the rest in Finland. During the reporting period the Group's salaries and fees totaled EUR 1.4 million (EUR 1.3 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 118,324,388. The company has one series of shares, which confer equal rights in the company. On 31 December 2019 Valoe had in total 6,803 treasury shares.

The company had a total of 9,256 shareholders at the end of December 2019, and 1.6 percent of the shares were owned by foreigners. The ten largest shareholders held 52.9 percent of the company's shares on 31 December 2019.

The largest shareholders on 31 December 2019

		Shares	Percent
1	SAVCOR TECHNOLOGIES OY	13 822 766	11,7
2	GASELLI CAPITAL OY	13 098 979	11,1
3	SAVISALO IIKKA	6 216 709	5,2
4	APTEEKKIEN ELÄKEKASSA	5 550 000	4,7
5	SCI-FINANCE OY	5 406 722	4,6
6	OLLILA JORMA	4 525 640	3,8
7	SAVCOR OY	4 384 449	3,7
8	HISINGER-JÄGERSKIÖLD EVA CONSTANCE	3 750 000	3,2
9	PUURTINEN JUKKA	3 019 411	2,5
10	SAVISALO ULLA	2 828 661	2,4
	OTHERS	55 721 051	47,1
	TOTAL	118 324 388	100,00

The members of the Board of Directors and the President and CEO, either directly or through companies under their control, held a total of 32,881,311 shares in the company on 31 December 2019, representing about 27.8 percent of the company's shares. Additionally, the members of the Board of Directors and the President and CEO held a total of 116,270 options connected to the stock option scheme 2015. At the end of the period Iikka Savisalo, Valoe's Managing Director, either directly or through companies under his control, held a total of 32,613,633 shares in the company and 40,810 options connected to the stock option scheme 2015.

The price of Valoe's share varied between EUR 0.07 and 0.80 during the January – December period. The average price was EUR 0.15 and the closing price at the end of December EUR 0.10. A total of 43.8 million Valoe shares were traded at a value of EUR 6.5 million during the January – December period. The company's market capitalization at the end of December stood at EUR 11.4 million.

SHARE ISSUE AUTHORIZATIONS IN FORCE

The company has a share issue authorization in force granted by the Annual General Meeting held on 24 May 2019 according to which the Board of Directors is entitled to resolve on a share issue with and/or without payment, either in one or in several occasions, including right to resolve on option rights and other rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act so that the number of new shares issued based on the authorization or number of shares issued based on option rights and other special rights entitling to the shares pursuant to the Chapter 10, Section 1 of the Finnish companies Act, would equal to the total maximum amount of 50,000,000 shares. The Board of Directors is authorized to decide on all terms of a share issue and option rights and other rights entitling to shares. The authorization does not exclude the Board's right to decide also on directed issue of shares or option rights and other special rights pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The authorization is in force until 30 June 2020. As per date of this Annual Report this authorization has been fully exercised.

The company has a share issue authorization in force granted by the Annual General Meeting held on 5 September 2019 according to which the Board of Directors is entitled to decide on a share issue with and/or without payment, either in one or in several occasions, including right to resolve on option rights and other rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act so that the number of new shares issued based on the authorization or number of shares issued based on option rights and other special rights entitling to the shares pursuant to the Chapter 10, Section 1 of the Finnish companies Act, equals to the total maximum amount of 150,000,000 shares. The authorization does not exclude the Board's right to decide also on directed issue of shares or option rights and other special rights pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The authorization may be used for important arrangements from the company's point of view e.g. to strengthen the capital structure, to finance investments, for acquisitions and business transactions or other business arrangements, or to expand ownership structure, or for incentive plans, or for other purposes resolved by the Board involving a weighty financial reason for issuing shares or option rights or special rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The share issue may be executed by deviating from the shareholders' pre-emptive subscription right provided the company has a weighty financial reason for that. The authorization shall not revoke any previous authorizations. The authorization is in force until 30 June 2020. By the date of this Annual Report the Board of Directors has resolved on issues of a total of 147,924,244 shares based on the authorization.

THE MAJOR EVENTS DURING THE FINANCIAL YEAR 2019 ACCORDING TO THE STOCK EXCHANGE RELEASES

On 18 January 2019 Valoe disclosed that in order to strengthen Valoe Corporation's capital structure the company issues a convertible bond of EUR 3.8 million at the most. The Convertible Bond is a capital loan. The convertible bond can be converted to max. 25,333,333 new shares of the company. The subscription price is EUR 0.15 per share. The convertible bond is issued in deviation from the shareholders' pre-emptive subscription rights to the parties separately approved by the Board of Directors.

On 18 February 2019 Valoe disclosed that the company has during the subscription period received subscriptions of approx. EUR 2.8 million in total for the Convertible Bond I/2019. During the subscription period of the Convertible Bond new investments of EUR 0.7 million was paid in cash. Out of the subscriptions, a total of approx. EUR 2.1 million was paid by setting the subscription price off against the subscribers' receivables from the company.

on 19 February 2019 Valoe disclosed that it starts its own IBC solar cell production in Lithuania. In addition, the company disclosed that it has agreed to acquire from Lithuanian Global BOD Group SIA (”BOD”) the solar cell production business of JCS SoliTek R&D (“SoliTek”), a fully owned subsidiary of BOD.

On 27 March 2019 Valoe disclosed that the company takes part in a EUR 15 million EU Horizon 2020 research project.

On 26 April 2019 Valoe release the auditor's for the company's Financial Statements for 2018. The Auditor's report included so called emphasis of matter relating to the measurement of development costs.

On 9 May 2019 Valoe disclosed the cancellation of the company's own shares in connection with the financial agreement made with Bracknor Investment. In addition, the company disclosed an issue of new shares in Valoe without consideration to the company itself in connection with the financial facility made with Winance.

On 1 July 2019 Valoe disclosed that it received an order from ForUs Capital Oy for delivering solar power plants worth a total of ca. EUR 1.2 million to Finland.

On 8 July 2019 Valoe disclosed that it received an order from ForUs Capital Oy for delivering solar power plants worth a total of ca. EUR 0.4 million to the properties owned by Osuuskauppa Suur-Savo in Eastern Finland.

On 15 July 2019 Valoe disclosed that the company has, on the basis of the financing arrangement between the company and Winance Investment approved on 19 December 2018, resolved on the issuance of a maximum of 10,000,000 new shares to the company itself without consideration.

On 18 July 2019 Valoe disclosed that the compnay has resolved on the share subscription based on the conversion of the promissory notes issued under the company's convertible bond 1/2019. In the said share subscription, the lenders of the convertible bond 1/2019 subscribed in total 11,565,864 new shares in the company by converting the promissory notes into the new shares pursuant to the conversion requests delivered to the company.

On 19 July 2019 Valoe disclosed that the company and BOD have now agreed on amendments of the terms regarding the acquisition of the Lithuanian solar cell plant. In addition, the company announced that it commences preparations for a share issue.

On 19 July 2019 Valoe announced that the Financial Supervisory Authority has today approved the prospectus of Valoe Corporation pursuant to the Finnish Securities Markets Act (746/2012, as amended) regarding admission to trading of in total 13,615,864 new shares in the company. The Prospectus covers admission to trading of in total 2,050,000 new shares subscribed by the company in the directed share issue without consideration to the company itself on 15 July 2019 and of in total 11,565,864 new shares subscribed by the lenders of the company's convertible bond 1/2019 by converting the promissory notes on 18 July 2019.

On 9 August 2019 Valoe announced that the company has resolved to subscribe in total 3,065,000 new shares in the share issue without consideration resolved by the company on 15 July 2019. The share subscription is conducted in order to implement a part of the financing arrangement between the Company and Winance approved on 19 December 2018.

On 15 August 2019 Valoe disclosed that it has signed an IBC (Interdigitated Back Contact) Cells Supply Agreement with a major US customer. The value of the Agreement for 2020 is approximately USD 12 million.

On 15 August 2019 Valoe released a notice to an extraordinary general meeting where the Board of Directors seeks for an authorization to decide on a share issue as well as other option rights and other special rights entitling to shares in the company.

The General Meeting held on 5 September 2019 resolved to authorize the Board of Directors to decide on a share issue with and/or without payment, either in one or in several occasions, including right to resolve on option rights and other rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act so that the number of new shares issued based on the authorization or number of shares issued based on option rights and other special rights entitling to the shares pursuant to the Chapter 10, Section 1 of the Finnish companies Act, equals to the total maximum amount of 150,000,000 shares. The authorization does not exclude the Board's right to decide also on directed issue of shares or option rights and other special rights pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The authorization may be used for important arrangements from the company's point of view e.g. to strengthen the capital structure, to finance investments, for acquisitions and business transactions or other business arrangements, or to expand ownership structure, or for incentive plans, or for other purposes resolved by the Board involving a weighty financial reason for issuing shares or option rights or special rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. The share issue may be executed by deviating from the shareholders' pre-emptive subscription right provided the company has a weighty financial reason for that. The authorization shall not revoke any previous authorizations. The authorization is in force until 30 June 2020.

On 16 September 2019 Valoe announced that the Company and BOD have agreed on extension to the payment term of the remaining purchase price of the Lithuanian cell plant.

On 24 September 2019 Valoe disclosed that it has resolved on the issuance of a maximum of 25,000,000 new shares to the company itself without consideration.

On 24 September 2019 Valoe announced that the Financial Supervisory Authority has approved the prospectus of Valoe pursuant to the Regulation (EU) 2017/1129 of the European Parliament and of the Council regarding the offering of 111,111,111 new shares and admission to trading of in total 3,700,000 new shares in the company. In addition, the company released certain information related to the financial situation and financing needs of the company as well as guidance regarding the outlook for the year 2020, as described in the Prospectus.

On 24 September 2019 Valoe disclosed that the company has resolved on the basis of the authorization granted to it by the company's Extraordinary General Meeting held on 5 September 2019 on a directed share issue in which the company shall offer in total 111,111,111 new shares in the company for subscription to private persons and corporations.

On 21 October 2019 Valoe disclosed the result of the offering in which new shares worth about EUR 7.15 million were acceptably subscribed in the Offering. Thus, the company collected in the offering in total approximately EUR 3.45 million new capital before fees and costs and the indebtedness of the company decreased in total approximately by EUR 3.70 million.

On 21 October 2019 Valoe announced that it and BOD have today agreed on a payment arrangement of the remaining part of the purchase price of the solar cell factory in Lithuania and the terms of the transfer of the ownership.

On 28 October 2019 Valoe disclosed that the title and the ownership of the Lithuanian solar cell plant was transferred to Valoe.

On 5 November 2019 Valoe disclosed that the company has resolved to issue a convertible bond of EUR 0.5 million to Global BOD Group SIA as a partial payment of the purchase price of the solar cell production business as agreed between the company and BOD and disclosed on 21 October 2019.

On 5 November 2019 Valoe announced that the company has resolved to issue a convertible bond of EUR 3.5 million at the most in order to collect more financing to execute the company's business plan and to complete the IBC cell technology investment.

On 7 November 2019 Valoe disclosed that it will deliver a solar power plant to the facade of the new parking house with about 2,000 parking spots at Helsinki Airport. Futher, the company announced on the same day that the company changes its communication policy regarding new orders. Previously, the company has only published orders exceeding about EUR 400,000. In the future the company will also disclose orders with lower monetary value if the orders are otherwise important to the company, for example because of their reference value or if they involve new technology.

On 2 December 2019 Valoe released that the company has nominated José Basso as a Member of the Management Group of Valoe Corporation and as the CEO for Valoe's business operations in Lithuania.

On 2 December 2019 Valoe announced that it negotiates with Global BOD Group SIA on arrangements for the payment of the remaining purchase price of the solar cell plant in Lithuania and the convertible bond.

THE MAJOR EVENTS AFTER THE FINANCIAL YEAR 2019

The main events since the end of the financial year 2019 have been handled in this Annual Report's items: Financial Result, Financing, and Shares and Shareholders. The main events since the end of the financial year 2019 have been listed in the item Notes to the Consolidated Financial of this Annual Report starting from the page 58.

RISK MANAGEMENT, RISKS AND UNCERTAINTIES

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

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

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

Risks Related to Financial Situation and Financing

These risks have also been described in the section Financing, risk related paragraph.

During the financial year 2019, the company's working capital situation was tight. In April-May 2020, the company signed the following new financing agreements totaling EUR 5.5 million: a new EUR 3.0 million subordinated financial facility with Winance; an equity investment of EUR 1.25 million and an EUR 1.25 million loan from NEFCO. Having these new financial facilities as well as the funding from the already existing financial commitments from Business Finland and Horizon 2020 HighLite project, totaling approximately EUR 2.2 million, the company has assessed that it has sufficient financial commitments to complete the Lithuanian plant investment; to ramp up the IBC cell plant; to modernize the solar module production transferred to Juva, Finland; to complete and ramp up Valoe Odd Form module production line that is based on the company's own design; and to provide the company with working capital required for business operations until the cash flow from operating activities turns positive.

If the company's cash flow from operations did not turn positive as planned, for example due to difficulties to ramp up production at the Lithuanian cell plant, the company's liquid assets are estimated to be sufficient until June 2021, provided that the financing facilities are executed as planned.

Failure to realize 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, an impairment of intangible and tangible assets could have a material 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.

The Covid-19 virus has caused general uncertainty and exceptional circumstances in the world, which significantly increase business risks. In its cash flow forecast, Valoe estimates that positive cash flow will begin during 2020. Should the turn in cash flow be postponed, for example due to contraction in the market of Valoe's U.S. customer, beyond June 2021, the new financing facilities may prove insufficient.

In exceptional circumstances, banks or public funding organizations may face unpredictable pressures that could slow the payment of already agreed funding to Valoe. Such a situation could, in some circumstances, cause the company's working capital situation to tighten again.

The company has budgeted a significant part of the funding granted to it for the investment in the Lithuanian cell factory. Should unpredictable events cause a significant budget overrun, the current funding could prove too low. Provided that the Annual General Meeting grants the Board of Directors sufficient authority to arrange a share issue, the company will seek to obtain additional financing by arranging a share issue in June 2020, the success of which cannot be assured in advance.

<u>Risks Related to the Strategy, Business Operations, New Technologies, and Manufacturing</u>

Valoe has developed solar module and solar cell technology. Development and commercialization of new technologies involves always uncertainties and risks. If the company's product development projects were not successful, or business environment or market situation changed, the company's ability to provide its customers with competitive products or services could be threatened. In such a situation, the company's the profitability could be lower than expected which could have a significant effect in company's profitability and financial situation.

If Valoe was not able to ramp up its Lithuanian cell plant or its processes, and the quality or quantity requirements for IBC cells were not met, it could affect the deliveries of the IBC cell technology. These include e.g. deliveries of Valoe Chrystal and Valoe Chrystal Twin modules as well as Valoe Odd Form Modules including the planned cell deliveries to a US customer mentioned below. On 15 August 2019, Valoe announced that it has signed an agreement worth approximately USD 12 million for 2020. If the agreed delivery times, quality or quantity requirements were not met, the customer might not accept the deliveries on a price level that guarantee profitability. The number of cells needed by the customer could also be negatively affected by the Covid-19 pandemic in the ways mentioned in the chapter on Covid-19 risks below.

Valoe's objective is to launch a bifacial Valoe Chrystal Twin module with IBC cells in the market in 2020. The company has EUR 1.2 million orders for these modules and the power plants made of them. The orders include an annual, kilowatt-based performance guarantee to the customers. Should the power plants not reach the promised performance during the agreed review period, Valoe may have to reimburse the customer for the expansion of the power plant at no additional cost. Valoe estimates that this risk will not exceed EUR 200,000 at the date of this Annual Report. Valoe has not provided a similar performance guarantee for its other products.

The company uses components from international suppliers and subcontractors to produce its products. The main raw materials and factors of production used in the components are plastics and metals, the market prices of which vary according to market conditions. The main raw materials in solar power modules are silicon and silver. The most important component in the cell production is wafer. Should the market prices of these main materials rise, it could affect negatively the company's profitability and financial situation, if the company fails to pass on any rising procurement costs of the components and raw materials to its customer prices.

The Covid-19 pandemic can be assumed to have an effect on the world market prices and availability of the components. At the moment, it is difficult to estimate the final effect it has on Valoe. However, it is likely that the availability of components manufactured in the worst affected areas of the pandemic will decline and/or delivery times will increase. Valoe strives to manage the situation and find alternative supply chains for such components. However, there is no certainty about the success of this.

During 2019, ForUs Capital Oy was still Valoe's main customer and Valoe used a large portion of its sales resources to support ForUs Capital sales. Focusing the sales on ForUs involves risks. The most significant risk is whether ForUs Capital can secure the funding required for the solar power plants projects. If ForUs Capital was not able to secure sufficient funding, it could lead, at least temporarily, to a drop in domestic sales. However, if Valoe is successful in implementing the solar cell business according to its strategy, the share of domestic sales in the company's total sales will decrease. Based on the company's current order backlog, delivery contracts and ongoing contract negotiations, it is estimated that domestic sales will be insignificant from 2020 onwards.

Valoe has on 24 March 2017 disclosed that its Asian customer has ongoing negotiations on arranging financing for a factory delivery worth EUR 26.5 million. Although local financing negotiations are still ongoing, Valoe assesses that as the negotiations drag on there is a significant risk that the customer will not be able to secure the financing. Valoe will disclosed a separate release if the transaction is completed.

Risks Related to the Ethiopian Order and Operations in Emerging Markets

The company is using part of its resources to market and sell its technology in emerging markets. So far, there has been no significant orders from emerging markets except for the Ethiopian order for a solar plant worth EUR 15.8 million. As the customer has not been able to arrange local, foreign currency funding despite the existing financing agreements, the order has not been delivered as per the date of this Annual Report. This order has not been recognized in revenue and the company has EUR 0.7 million receivable in its balance sheet that the company plans to invest in minority shareholding in the local associated company as the project progresses. If the project did not proceed at any stage, and the company would not otherwise be able to collect its receivable, the receivable would be exposed to a corresponding credit risk.

Administrative and Legal Risks

Due to the composition of the Board of Directors, the company's Board of Directors could end up in a situation where it is not able to make decisions as required by the Companies Act. If there was not a quorum and the company were not able to make decisions on matters required by its business, it could have an adverse effect on the company's results and/or financial position.

Public funding and investment subsidies have a significant incentive effect in the solar energy business. In Finland in particular, changes in public funding or investment subsidies for solar power projects that are unfavorable from the manufacturers' point of view could significantly reduce the domestic market. The possible negative effects of such factors on the company's business, results and/or financial position cannot be foreseen or excluded with certainty.

Risks Due to the Covid-19 Pandemic

The company cannot yet assess whether the Covid-19 pandemic, with its official regulations and guidelines, will directly or indirectly change the company's current estimates of, for example, the completion time of the Lithuanian cell plant. Significant postponement of completion would affect both the timing of the start of cell deliveries and the delivery schedule for the power plants based on the IBC cells. Delays can occur for example due to travel restrictions, the availability of key components or a sudden drop in end-customer demand.

Should the Covid-19 pandemic cause a substantial delay in the ramp-up of the cell plant in Lithuania and thus a postponement of positive cash flow, it could, if continued, jeopardize the adequacy of the company's liquid assets. The company estimates that liquid assets will be sufficient in such a case until June 2021.

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

MARKET GUIDANCE

Valoe estimates that Valoe Group's cash flow will turn positive already during the Lithuanian factory's first year of operation in 2020 provided that the company's delivery agreements for IBC technology materialize as planned and achieve the estimated profitability. The company estimates its net sales for 2020 to be several times higher than the net sales for the financial year 2018 (EUR 1.3 million).

Valoe cannot yet assess whether the Covid-19 pandemic, with its regulations and guidance, will directly or indirectly change the company's current estimates, for example, of the quantity of the cells to be delivered to the company's US customer or the completion time of the Lithuanian cell plant. Significant postponement of completion would affect both the timing of the first cell deliveries and the delivery schedule for the power plants based on the IBC cells. The company will announce any possible changes to its guidance once the situation becomes clearer.

CORPORATE GOVERNANCE STATEMENT

Valoe applies the Finnish Corporate Governance Code approved by the Securities Market Association effective as of 1 October 2010. Valoe's Corporate Governance Statement drawn in accordance with Recommendation 51 will be released on the week commencing on 4 May 2020 as a separate report.

THE BOARD OF DIRECTORS' PROPOSAL CONCERNING THE DISTRIBUTION OF PROFIT

The Board of Directors proposes to the Annual General Meeting that no dividend from the financial year 2019 will be paid.

EUR 1 000	2019 12 months	2018 12 months	2017 12 months
Net sales	328	1 328	554
Operating profit	-3 674	-2 468	-3 078
% of net sales	-1118,9 %	-185,8 %	-556,0 %
Result before taxes	-5 771	-4 210	-5 794
% of net sales	-1757,4 %	-316,9 %	-1 046,6 %
Return on equity, %	n/a	n/a	n/a
Return on capital employed, %	n/a	n/a	n/a
Equity ratio, %	-21,1	-61,5	-47,3
Net gearing, %	neg.	neg.	neg.
Non-interest-bearing liabilities	5 391	4 414	4 074
Interest-bearing liabilities	13 355	13 774	9 878
Gross investments	4 767	3 286	272
% of net sales	1451,8 %	247,4 %	49,1 %
Research and development costs	1 873	1 322	1 536
% of net sales	570,3 %	99,5 %	277,5 %
Order book, EUR million	17,2	15,9	16,9
includes Ethiopia	15,8	15,8	15,8
Personnel on average	26	21	17
Personnel at the end of the period	32	25	18
Share key indicators			
Earnings per share (basic)	-0,14	-0,28	-1,23
Earnings per share (diluted)	-0,14	-0,28	-1,23
Earnings per share (basic) -continuing operations	n/a	n/a	-1,23
Earnings per share (diluted) - continuing operations	n/a	n/a	-1,23
Equity / share, EUR	-0,08	-0,47	-0,96
Dividend / share, EUR	0,00	0,00	0,00
Effective dividend yield, %	0,00	0,00	0,00
P/E ratio (basic)	-0,7	-0,5	-0,6
P/E ratio (diluted)	-0,7	-0,5	-0,6
Share price at the end of the period	0,10	0,14	0,70
Market capitalization of shares at the end of the period, MEUR	11,4	2,3	3,7
Share trading adjusted for share issue	43 781 991	7 605 261	2 102 871
Portion of weighted average of shares, %	106,3 %	51,0 %	44,6 %
Weighted average number of shares adjusted for share issue over the financial year	41 185 384	14 898 309	4 716 410
Number of shares adjusted for share issue at the end of the financial year	118 324 388	17 136 338	5 269 436
Average number of shares diluted by share option and adjusted for share issue over the financial year	137 324 829	23 288 620	7 432 107

The Ethiopian project may be activated when circumstances in Ethiopia and other resources of the Company permit that.

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

The share key indicators for the year 2017 are calculated using the amount of the company's shares after the reduction of the quantity of the company's shares (the pre-split price multiplied with 200).

Return on investment (ROI), %:	Profit/loss + financial expenses x 100 / Shareholders' equity + interest-bearing financial liabilities
Equity ratio, %:	Total equity x 100 / Total assets - advances received
Net gearing, %:	Interest-bearing liabilities - cash and cash equivalents and marketable securities x 100 / Shareholders' equity + non-controlling interests
Earnings/share (EPS):	Profit/loss for the period to the owner of the parent company / Average number of shares adjusted for share issue at the end of the financial year
Equity/share:	Equity attributable to shareholders of the parent company / Undiluted number of shares on the balance sheet date
Dividend/share:	Dividend distribution for the financial period / Undiluted number of shares on the balance sheet date
Dividend/profit, %:	Dividend per share x 100 / Earnings per share
Effective dividend yield, %:	Dividend / share x 100 / Price on the balance sheet date
P/E ratio:	Price on the balance sheet date / Earnings per share

EUR 1 000	Note	1 Jan – 31 Dec 2019		1 Jan – 31 Dec 2018	
Net sales	1	328	100 %	1 328	100 %
Cost of sales		-1 147	-349 %	-1 657	-125 %
Gross profit		-818	-249 %	**-329**	-25 %
Other operating income	3	177		562	
Product development expenses		-1 873		-1 322	
Sales and marketing expenses		-467		-697	
Administrative expenses		-649		-682	
Other operating expenses	4	-45		0	
Operating profit / loss		**-3 674**	-1119 %	**-2 468**	-186 %
Financial income	7	0		0	
Financial expenses	8	-2 097		-1 743	
Profit/loss before taxes from continuing operations		-5 771	-1757 %	-4 210	-317 %
Income taxes	9	0		0	
Profit/loss for the period		**-5 771**	-1757 %	**-4 210**	-317 %
Profit/loss for the financial year		**-5 771**		**-4 210**	
Earnings/share (basic), EUR	10	-0,14		-0,28	
Earnings/share (diluted), EUR	10	-0,14		-0,28	
Profit/loss for the financial year		**-5 771**		**-4 210**	
Total comprehensive income for the financial year		**-5 771**	-1757 %	**-4 210**	-317 %
Total comprehensive income attributable to:					
shareholders of the parent company		-5 771		-4 210	

Valoe has applied a simplified method for the adoption of IFRS 16 as of 1st January 2019 and therefore does not adjust its comparative figures. The assets and liabilities of the contracts have been recognized in IFRS 16 leases and properties at the date of transition.

EUR 1 000	Note	31 Dec 2019	Adjusted 31 Dec 2018	Adjusted 31 Dec 2017
ASSETS				
Non-current assets				
Property, plant and equipment	11	8 996	3 755	1 336
Consolidated goodwill	12	441	441	441
Other intangible assets	12	4 325	5 290	5 654
Available-for-sale ivestments	13	9	9	9
Long-term receivables	14	62	672	672
Total non-current assets		**14 443**	**10 168**	**8 113**
Current assets				
Inventories	16	833	659	582
Trade and other non-interest-bearing receivables	17	429	602	583
Cash and cash equivalents	18	7	22	350
Total current assets		**1 268**	**1 283**	**1 515**
Current assets		**15 712**	**11 451**	**9 629**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the parent company				
Share capital	19	80	80	80
The invested unrestricted equity fund	19	21 243	11 804	10 542
Retained earnings	19	-24 607	-18 927	-15 166
Total equity		**-3 284**	**-7 044**	**-4 544**
Non-current liabilities				
Non-current loans	22	4 934	4 860	3 293
Non-current subordinated loans	22	4 013	6 135	4 581
Non-current lease liabilities (IFRS 16)	22	686	0	0
Total non-current liabilities		**9 632**	**10 995**	**7 874**
Current liabilities				
Current interest-bearing liabilities	22	3 197	2 779	2 004
Current lease liabilities (IFRS 16)	22	525	0	0
Trade and other payables	23	5 391	4 339	3 773
Current provisions	21	249	307	215
Total current liabilities		**9 363**	**7 425**	**5 992**
Liabilities directly associated with assets classified as held for sale		0	75	306
Total liabilities		**18 995**	**18 495**	**14 172**
Equity and liabilities total		**15 712**	**11 451**	**9 629**

Valoe corrected equipment that was previously incorrectly categorized in the balance sheet as part of its product development costs. The error has been corrected to the comparison figures for 2018 and reduces product development costs by EUR 3.7 million and increases the value of machinery and equipment by EUR 3.7 million, respectively. The cumulative effect of the adjustment for the financial year 2019 is EUR 4.1 million.

EUR 1 000		Jan-Dec 2019	Jan-Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Income statement profit/loss before taxes		-5 771	-4 210
Non-monetary items adjusted on income statement			
Depreciation and impairment	+	1 699	1 232
Unrealized exchange rate gains (-) and losses (+)	+/-	2	5
Other non-cash transactions	+/-	-130	-526
Change in provision	+/-	-58	87
Financial income and expenses	+/-	2 095	1 737
Total cash flow before change in working capital		**-2 163**	**- 1676**
Change in working capital			
Increase (-) / decrease (+) in inventories		-56	-78
Increase (-) / decrease (+) in trade and other receivables		17	-53
Increase (+) / decrease (-) in trade and other payables		-136	59
Change in working capital		**-174**	**-72**
Adjustment of financial items and taxes to cash-based accounting			
Interest paid	-	223	195
Other financial items	-	30	247
Financial items and taxes		**193**	**-442**
NET CASH FLOW FROM BUSINESS OPERATIONS		**-2 144**	**-2 190**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-	3 090	2 613
NET CASH FLOW FROM INVESTMENTS		**-3 090**	**-2 613**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	+	3 159	59
Financing arrangement with Bracknor Investment	+	1 000	918
Increase in non-current loans	+	1 010	2 421
Repayment of non-current loans	-	0	0
Increase in current loans	+	2 112	2 829
Repayment of current loans	-	2 062	1 751
NET CASH FLOW FROM FINANCING ACTIVITIES		**5 219**	**4 476**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**-15**	**-327**
Cash and cash equivalents at the beginning of the financial year		22	350
Translation adjustment to cash and cash equivalents		0	-1
Cash and cash equivalents at the end of the financial year		7	22
		-15	**-327**

Statement of Changes in Equity, 1 Jan – 31 Dec 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 period			-5 771	**-5 771**
Transactions with owners:				
Own equity component of the convertible bond			91	**91**
Sale of own shares – Winance and Bracknor		1 186		**1 186**
Share issues		8 254		**8 254**
31 Dec 2018	**80**	**21 243**	**-24 607**	**-3 284**

Statement of Changes in Equity, 1 Jan – 31 Dec 2018

EUR 1 000	Share capital	Distributable non-restricted equity fund	Retained earnings	Total
31 Dec 2017	**80**	**10 542**	**-15 166**	**-4 544**
Profit/loss for the financial period			-4 210	**-4 210**
Transactions with owners:				
Own equity component of the convertible bond			416	**416**
Sale of own shares – Bracknor Investment		966		**966**
Share issue		295		**295**
Stock options to be executed and paid in shares			32	**32**
31 Dec 2018	**80**	**11 804**	**-18 927**	**-7 044**

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 7 May 2020. 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 2018. 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.

Application of the going concern assumption

The financial statements have been prepared under the going concern assumption. In April-May 2020, the company signed the following new financing agreements totaling EUR 5.5 million. A new EUR 3.0 million subordinated financial facility with Winance. In the offering arranged in early May 2020 Nordic Environment Finance Corporation NEFCO invested EUR 1.25 million in Valoe's equity and granted Valoe an EUR 1.25 million loan. Valoe shall repay the loan to NEFCO over six years. In addition, the Savisalo Family and the companies under their control subscribed new shares of EUR 1.25 million in the offering by setting-off against their receivables from the company, and Global BOD Group SIA, the previous owner of the Lithuanian cell plant, subscribed new shares of EUR 0.1 million.

NEFCO's funding is expected to be available to the company in full before the end of June 2020. Winance's funding may be drawn down in maximum of 6 sequential tranches of EUR 500,000 each during a period of 24 months from the drawdown of the first tranche. However, EUR 1.5 million part of Winance funding would be available, if needed, by the end of June 2020. Valoe has committed to commence a share issue of EUR 1.0 million in June 2020 provided that the annual general meeting to be held on 28 May 2020 grants the Board of Directors sufficient authorization for the share issue.

Having these new financial facilities totaling EUR 5.5 million as well as the funding from the already existing financial commitments from Business Finland and Horizon 2020 HighLite project, totaling approximately EUR 2.2 million, the company has assessed that it has sufficient financial commitments to complete the IBC cell plant investment in Lithuania; to ramp up and expand the IBC cell plant; to modernize the solar module production transferred to Juva, Finland; to complete and ramp up Valoe Odd Form module production line that is based on the company's own design; and to provide the company with working capital required for business operations until the cash flow from operating activities turns positive.

If the company's cash flow from operations did not turn positive as planned, for example due to difficulties to ramp up production at the Lithuanian cell plant, the company's cash equivalents are estimated to be sufficient until June 2021, provided that the financing facilities are executed as planned.

Valoe Group has applied as from 1 January 2019 the following new and amended standards that have come into effect:

IFRS 16 *Leases (*effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group has two long-term lease at the end of the year 2019. Other leases are valid until further notice and management has assessed their lease term and materiality. The Group will adopt the exceptions, which relate to either short term contracts or contracts with low value. Valoe applies the IFRS 16 standard using the simplified approach, meaning that comparison figures are not adjusted. The introduction of the standard improves Valoe's consolidated EBITDA.

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 and product development costs.

In addition, management discretion was in 2019 used to apply the IFRS 16. The management estimates the duration of the leases that are valid until further notice. However, if indefinite lease or renewable fixed-term lease has a notice term of less than 12 months, but Valoe's objective is to extend the agreement for an indefinite period without terminating the agreement, the lease is recognized in accordance with IFRS 16. At the time of an amendment to a short-term agreement, the agreement will be reviewed as a new agreement.

Uncertainties relating to financing and continuity of the company's business operations have been described above in the accounting principles as well as the arguments for going concern assumption.

The company has not recorded a EUR 0.2 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 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 consolidated 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

The 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

Valoe corrects equipment that was previously incorrectly categorized in the balance sheet as part of its product development costs. In the financial statements 2019, the company's equipment is included in non-current assets under Machinery and equipment. The company will adjust the comparison figures for 2018 to reflect the new categorization.

In its financial statements for 2012 - 2018, the company has also recognized property, plant and equipment, such as production and development machinery, which, in the company's view at the time, would not be able to generate significant cash flow without successful product development.

In preparing the financial statements for 2019 and after discussing the matter with the auditor and the external expert, the management of Valoe has decided to revise the financial statements for 2019 and comparison figures so that the company's equipment is not presented as part of the company's development costs but are included in the non-current assets under Machinery and equipment. . The error has been corrected to the comparison figures for 2018 and reduces product development costs by EUR 3.7 million and increases the value of machinery and equipment by EUR 3.7 million, respectively. The cumulative effect of the adjustment for the financial year 2019 is EUR 4.1 million.

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:

Buildings	25 years
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

Research 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

Valoe Group adopted the IFRS 16 standard on 1 January 2019, and its adoption brought a significant part of the value of Valoe's leases onto the balance sheet. 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.

Valoe applies the IFRS 16 standard using the simplified approach, meaning that comparison figures are not adjusted and the cumulative effect arising from the adoption of the standard is recognised at the time of adoption, 1 January 2019 Assets and liabilites arising from adopting the standard are recognised in buildings and long-term and short-term liabilites.

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.

The effects of the adoption of IFRS 16 -standard are presented in Notes 4 and 11.

Impairment 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. The Group has no pension arrangements considered to be defined benefit plans.

Share-based payments

During the financial year 1.1. – 31.12.2019 no options were given to the management. The company has an option scheme in force as per 31 December 2019.

The options given to Valoe Group's key employees are appreciated at their fair value as per the time of the transaction and recorded as an expense on a straight-line-basis over the issuance period. The expense of the granted options equivalent to the fair value is recorded in the personal expenses and the corresponding booking is made in the equity. Further, the final amount and the period of validity are evaluated when the options are granted. The amount recorded as an expense will later be adjusted to equal the final amount of the options. When the option rights are used the payments, adjusted by possible transaction costs, will be recorded in the equity and the distributable non-restricted equity fund.

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.

The guarantee 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 0.2 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.

The company has no income form the delivery of goods and services from unfinished projects at the end of the financial year 2019.

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.

Non-current assets classified as held for sale and discontinued operations

Non-current assets (or disposal group) and assets and liabilities related to discontinued operations are classified as held for sale if the amount of their book value will be recovered through the sale of them instead of continuous use. Conditions for classification as held for sale are fulfilled when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition on customary terms and conditions, and when the management is committed to the sale and the sale is expected to occur within one year of the classification.

From the moment of the classification as held for sale (or disposal group) the assets are valued at book value or fair value less costs to sell, depending on whichever is lower. Depreciation of these assets is discontinued at the time of classification.

A discontinued operation is a component of the Group, which has been disposed or is classified as held for sale and which meets one of the following conditions;

1. It represents a separate major business unit or geographical area
2. It is part of a coordinated plan to dispose a separate major business unit or geographical area
3. It is a subsidiary acquired exclusively with a view to resale

The profit or loss of discontinued operations is presented separately in the consolidated statement of comprehensive income. Assets held for sale, disposal groups, items recognized in other comprehensive income related to assets held for sale and liabilities included in the disposal group are presented in the balance sheet separately from other items.

Valoe has reported liabilities related to the discontinued operations (the electronics automation business sold to FTTK) during the financial year 2018.

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 The Group has no financial assets recognized at fair value through profit or loss during the financial years 2019 and 2018.

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.

The Group had no derivative contracts during the financial years 2019 and 2018.

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.

The Board of Directors of Valoe Corporation resolved on 18 July 2019 on the share subscription based on the conversion of the promissory notes issued under the Company's convertible bond 1/2019. In the said share subscription, the lenders of the convertible bond 1/2019 subscribed in total 11,565,864 new shares in the company by converting the promissory notes into the new shares pursuant to the conversion requests delivered to the company. A total amount of EUR 1,700,000 of the loan capital of the convertible bond 1/2019 was converted to the new shares in the share subscription. The subscription price of the shares was entered in entirely into the company's invested non-restricted equity fund.

The Board of Directors of Valoe Corporation resolved on 24 September 2019 on a directed share issue in which the company offered up to 111,111,111 new shares in the company for subscription to private persons and corporations. In total 79,403,553 new shares were acceptably subscribed in the offering. According to the terms and conditions of the offering, the subscription price for the new shares was payable in cash or by set-off against, in the view of the Board of Directors of the company, indisputable receivables the subscriber had from the company at the time of subscription. The subscription price for in total 38,337,744 of the new shares subscribed was paid in cash and the subscription price for in total 41,065,809 of the new shares subscribed was paid by way of set-off. Thus, the company collected in the offering in total approximately EUR 3.45 million new capital before fees and costs and the indebtedness of the company decreased in total approximately by EUR 3.70 million. The subscription price for the new shares shall be fully credited to the company’s invested non-restricted equity fund.

A total of EUR 1.2 million was recorded in the company’s invested non-restricted eguity fund in the financing arrengements with Winance and Bracknor Investment during the year 2019.

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 IFRSs 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.

Presentation of Figures

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

1. Segment Information

The Group no longer reports as their significance in the company's balance sheet is not material.

The Group has one customer whose revenues totalled to apr. 56 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
2019						
External net sales	328	0	0	0	0	**328**
Non-current assets	13 771	0	0	0	672	**14 443**
2018						
External net sales	1 283	0	22	23	0	**1 328**
Non-current assets	9 495	0	0	0	672	**7 441**

Distribution of net sales	**2019**	**2018**
Revenues from services	8	97
Revenues from the sale of goods	321	1 231
Total	**328**	**1 328**

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

	2019	**2018**
Cumulative net sales	0	145
Recognized as revenue for the financial period	0	145
Amount not recognized as revenue	0	23
Advance payments received	0	0
Receivables from percentage-of-completion contracts	0	145

3. Other operating income

Correction of previous year's accrual	128	0
Other income items	49	562
Total	**177**	**562**

4. Other operating expenses

	2019	2018
Write-down of receivables	45	0
Total	**45**	**0**
Auditors' fees / Authorized Public Accountants Auditus Tilintarkastus Oy		
Certificates and Statements	1	5
Total	**59**	**61**
Rental expenses		
Rental expenses	294	344

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 2019.

Leases

The adoption of IFRS 16 standard has effect on Valoe's balance sheet, profit and loss and key figures. In the balance sheet interest-bearing liabilities and non-current assets are higher than with IAS 17. Depreciation on buildings and interest expenses arising from lease liabilities are recognised in the profit and loss, instead of previously recognized rental payments, which increases Valoe's EBITDA and operating profit.

Amounts of rental leases included in Profit and Loss	**2019**	**2018**
Depreciations of lease agreements (buildings)	333	-
Interest expenses	69	-
Costs relatd to short-term leases (included in production costs)	284	-
Costs related to low-value leases (included in R&D, sales and marketing and administrative expenses)	10	-

5. Employee benefits

	2019	2018
Salaries	1 393	1 281
Retirement expenses – defined contribution plans	214	233
Other indirect employee expenses	56	52
Stock option scheme 2015 (IFRS2)	0	32
Total	**1 662**	**1 599**

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

Employees by function were		
During the financial period on average		
Procurement and production	13	11
Product development	8	6
Sales and marketing	2	2
Administration	3	3
Total	**26**	**21**
At the end of the year		
Procurement and production	12	15
Product development	16	6
Sales and marketing	2	2
Administration	3	3
Total	**32**	**25**

6. Depreciation and impairment

	2019	2018
Depreciation by product group		
Intangible assets		
Development cost	1 030	1 150
Patents	18	18
Intangible rights	5	5
Other intangible assets	1	20
Total	**1 054**	**1 193**
Property, plant and equipment		
Buildings	333	0
Machinery and equipment	169	38
Total	**503**	**38**
Impairments by product groups		
Development costs	143	0
Total	**143**	**0**

83k euros impairment was due to development expenses of Crome I panel. Since 2018 the product has been replaced by Crome II panel and company no longer believes in selling the Crome I model. 60k euros impairment was due to first generation CBS conductive backsheet, which is no longer offered as a separate product to customers.

7. Financial income

	2019	2018
Exchange rate gains	0	0
Total	**0**	**14**

The items above the operating profit don’t include ecxhange rate gains or losses in 2019 or 2018.

8. Financial expenses

Interest expenses	1 873	1 567
Exchange rate losses	10	10
Other financial expenses	214	166
Total	**2 097**	**1 743**

9. Income taxes

Tax based on the taxable income for the financial year	0	0
Taxes carried forward	0	0
Total	**0**	**0**

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:

Profit/loss before taxes	-5 771	-4 210
Taxes at the parent entity’s statutory income tax rate of 20 % (2018: 20 %)	-1 154	-842
Different tax rates of subsidiaries	5	-2

Tax-free revenue / non-deductible expenses	133	35
Loss to be confirmed in taxation not recognized as deferred tax assets	1 016	805
Taxes in the income statement	**0**	**0**

The parent company has confirmed deductible losses, totalling EUR 30.1 million, out of which 9.5 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses as their utilization is uncertain.

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 2019	**Jan – Dec 2018**
Loss attributable to shareholders of the parent (EUR 1,000)	-5 771	-4 210
Weighted average number of shares during the period (1,000)	41 185	14 898
Basic earnings per share (EUR/share)	-0,14	-0,28
Diluted earnings per share (EUR/share)	-0,14	-0,28

The dilutive potential of ordinary shares has not been taken into account in 2019 or in 2018 as required by IAS 33, paragraph 41, because it would reduce the loss per share.

11. Property, plant and equipment

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
Transfers 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**

2018	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2018	0	1 514	0	1 514
Additions	0	2 466	0	2 466
Acquisition cost, 31 Dec 2018	0	3 979	0	3 979
Accumulated depreciation and impairment, 1 Jan 2018	0	-186	0	-186
Depreciation for the period	0	-38	0	-38
Accumulated depreciation and impairment, 31 Dec 2018	0	-224	0	-224
Carrying amount, 1 Jan 2018	0	1 328	0	1 328
Carrying amount, 31 Dec 2018	**0**	**3 755**	**0**	**3 755**

Valoe corrected equipment that was previously incorrectly categorized in the balance sheet as part of its product development costs. The error has been corrected to the comparison figures for 2018 and reduces product development costs by EUR 3.7 million and increases the value of machinery and equipment by EUR 3.7 million, respectively. The cumulative effect of the adjustment for the financial year 2019 is EUR 4.1 million.

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.

Effect on the opening balance	31 Dec 2018	Effect of IFRS 16	1 Jan 2019
Assets			
Buildings	0	895	895
Total	**0**	**895**	**895**
Liabilities			
Non-current interest-bearing liabilities	10 995	562	11 557
Current interest-bearing liabilities	2 779	333	3 113
Total	**13 774**	**895**	**14 669**

12. Intangible assets

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
Transfers 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**

2018	Consolidated goodwill	Development costs	Patents	Other intangible assets	Total
Acquisition cost, 1 Jan 2018	743	9 528	151	255	10 678
Additions	0	821	0	0	821
Acquisition cost, 31 Dec 2018	743	10 349	151	255	11 499
Accumulated depreciation and impairment, 1 Jan 2018	-302	-4 017	-51	-205	-4 575
Depreciation for the period	0	-1 150	-18	-25	-1 193
Accumulated depreciation and impairment, 31 Dec 2018	-302	-5 167	-69	-230	-5 768
Carrying amount, 1 Jan 2018	441	5 511	100	51	6 104
Carrying amount, 31 Dec 2018	**441**	**5 182**	**82**	**25**	**5 731**

Specification of capitalized development costs by sub-projects	2019	2018
Technology transfer China	2 937	3 525
Pilot production line development	242	465
PV-module recipe for Crome II, Chrystal and Chrystal Twin	131	222
MWT Cell development	497	557
Future PV-technology development	434	414
Total	**4 241**	**5 182**

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 5 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. The actual production line based on this pilot line will be delivered to Valoe's Juva plant durin 2020. 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 Crome II and future Chrystal series panels. The Crome II panel is still competitive and the company is actively offering it to its customers. In the future, part of this sub-project could be subject to the risk of write-downs when the Crome II panel is completely replaced by Chrystal series panels.

The product development of MWT cells is closely related to the development of the Crome II panel and is subject to a similar write-down risk as the above-mentioned solar panel recipe.

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 4.2 million, of which EUR 1.3 million is related to R&D projects, where amortizations are estimated to be started during 2020 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 2019. Other intangible assest total to EUR 4.3 million, which includes the capitalized development costs of EUR 4.2 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, that the company believes it will supply to American customer in accordance with earlier announced delivery agreement. Also solar panels and solar power plants, for which company has orders from e.g. ForUs Capital and SRV. In addition the company has on-going development projects that customers are paying for e.g. with Sono Motors.

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% (2018 6,8%) which includes 5% market risk premium. The interest rate corresponds with the interest rate that the company believes it can get finance for during 2020. Sensitivity analysis shows that the company could use 11,5% 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 valuation calculation 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 2020. Gross profit is expected to slightly increase after 2020 when Lithuanian cell pland becomes fully operational. Gross margin varies between 22 – 24 % during the period considered. Overhead cost structure is based on 2019 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 2019			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 2019.

14. Non-current receivables

	2019	2018	17
Loan receivable from Ethiopia	672	672	72
Total	**672**	**672**	**72**

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 the Lithuanian cell plant investment starts to generate cash flow at the end of the financial year 2020.

15. Deferred tax assets and liabilities

The parent company has confirmed deductible losses, totalling EUR 30.1 million, out of which 9.5 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses as their utilization is uncertain.

16. Inventories

	2019	2018
Materials and supplies	246	148
Work in progress	386	388
Finished products	149	123
Advance payments	53	0
Total	**833**	**659**

No write-downs were recognized for inventories in 2019 or 2018.

17. Trade and other non-interest-bearing receivables

Trade receivables	42	29
Percentage of conpletion receivables	0	145
Prepayments and accrued income	49	43
Other receivables	337	385
Total continuing operations	**429**	**602**

Age distribution of trade receivables and recognized impairment losses		
Undue	33	14
Due 0–30 days	1	5
Due 61–90 days	0	8
Due over 90 days	8	2
Total	**42**	**29**

18. Cash and cash equivalents

Cash on hand and deposits	7	22
Total	**7**	**22**

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**
31.12.2017	**5 269**	**80**	**10 542**
Direct Share Issue (2017)	8 721	0	295
Issues of new Shares to Company itself (3 pcs)	3 145	0	0
Financing arrangement with Bracknor Investment	0	0	966
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	0	0	1 104
31.12.2019	**118 324**	**80**	**21 243**

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 2018 EUR 1.0 million related to the financing arrangement between Valoe and Bracknor Investment was credited to the distributable non-restricted equity fund. As a result of the directed share issue in December 2017 EUR 0.3 million was credited to the distributable non-restricted equity fund in January 2018, when EUR 0.1 million new capital was collected and the indebtness of the Company decreased by EUR 0.2 milllion.

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.

20. Share-based payments and convertible bonds

During the financial year, the Group had in place options related to bond I/2015 (original nominal value EUR 7.7 million, after conversions to new Convertible Bonds book value on 31.12.2019 EUR 0.0 million), to bond I/2017 (original nominal value EUR 1.5 million and book value on 31.12.2019 EUR 0.04 million), to bond 1/2018 (nominal value EUR 1.0 million and book value on 31.12.2019 EUR 0.0 million), to bond 2/2018 (nominal value EUR 2.2 million and book value on 31.12.2019 EUR 2.0 million), to bond 1/2019 (original nominal value EUR 2.8 million and after setting off share issue payments book value on 31.12.2019 EUR 0.3 million), to bond 2/2019 (original nominal value EUR 0.1 million and book value on 31.12.2019 EUR 0.1 million), to bond 3/2019 (original nominal value EUR 0.5 million and book value on 31.12.2019 EUR 0.5 million) and to bond 4/2019 (original nominal value EUR 0.1 million and book value on 31.12.2019 EUR 0,1 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 and stock options marked with the symbol 2015B ended on December 31, 2019.

In Convertible Bond I/2017 one loan share of EUR 2.0 pursuant to the Promissory Note entitles the Promissory Note Holder to subscribe for one new share. Based on the subscriptions made pursuant to the loan Valoe shall issue a maximum amount of 20,000 new Valoe shares. The loan period and the conversion period expired on 1 February 2019.

In Convertible Bond 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 January 2019 Valoe issued a Convertible Bond 1/2019 of EUR 3.8 million at the most. The subscription price was EUR 0.15 per share. The convertible bond is issued in deviation from the shareholders' pre-emptive subscription rights to the parties separately approved by the Board of Directors. The minimum amount of subscription of the convertible bond shall be EUR 50,000.00 entitling the convertible bond holder to subscribe for 333,333 new shares of the company. The Convertible Bond can also be subscribed against indisputable loan receivable the Subscriber has from the Company at the time of subscription by converting the loan capital and/or interest receivable into the Convertible Bond in accordance with the terms of this Convertible Bond if the Subscriber simultaneously subscribes the Convertible Bond with a cash payment of minimum EUR 50,000.00 too.
Valoe received subscriptions of approxim. EUR 2.8 million in total. Out of the subscriptions, new investments of EUR 0.7 million was paid in cash and approx. EUR 2.1 million was paid by setting the subscription price off against the subscribers' receivables from the company. The loan period expires on 31 May 2022 and the conversion period commences on 15 March 2019 and terminates on 31 May 2022.

EUR 1.7 million was converted into the new shares of the company in the share subscription by converting the promissory notes in July 2019. EUR 0.7 million was converted into new shares of in a direct share issue in September-October 2019. Based on the remaining subscriptions made pursuant to the loan (EUR 0.4 million) Valoe shall issue a maximum amount of 2.768.527 new Valoe shares.

In March 2019 Valoe issued a Convertible Bond 2/2019 totalling EUR 144,056.44, in deviation from the shareholders' pre-emptive subscription rights, to Wind in Capital Inc because the Convertible Bond 1/2015, a capital loan, expired on 1 August 2018 and considering the company's equity situation, it cannot be repaid in accordance with the provisions regarding capital loans in the Finnish Companies Act. Wind in Capital Inc has subscribed the Convertible Bond against the subscriber's loan receivable from Valoe by converting the loan capital and the interests of the Convertible Bond 1/2015 into the Convertible Bond, a capital loan, in accordance with the terms of this Convertible Bond. The Promissory Note Holder is entitled to convert the Promissory Note into the shares of the Company in accordance with the terms of the Convertible Bond. If the Company's shares are listed on the main list of Nasdaq Helsinki Oy when the conversion right is being used, the subscription price of one (1) new share of the Company shall be the six-month volume weighted average stock trading price on the period ending on 15 October 2021 less 15 percent. If the Company's shares are not listed on the main list of Nasdaq Helsinki Oy when the conversion right is being used, one of the Big Four accounting companies shall provide, at the Company's cost, a fairness opinion and assess the fair value of the Company's share which, less 15 percent, shall be the subscription price of one (1) new share of the Company. The loan period shall commence on the payment date and expire on 15 October 2021 on which date the Convertible Bond shall expire to be repayable in its entirety in accordance with these terms of the loan. 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 November Valoe issued a convertible bond 3/2019 of EUR 0.5 million to Global BOD Group SIA as a partial payment of the purchase price of the solar cell production business as agreed between the Company and BOD and disclosed on 21 October 2019. The convertible bond can be converted to max. 5,555,555 new shares of the company. The subscription price is EUR 0.09 per share. The convertible bond is issued in deviation from the shareholders' pre-emptive subscription rights to BOD. The loan period shall commence on the payment date and expire on 31 January 2020 on which date the convertible bond shall expire to be repayable in its entirety in accordance with the terms of the loan. The subscription period of the shares under the convertible bond shall begin on 1 December 2019 and expire on 31 January 2020

In November Valoe issued a convertible bond 4/2019 EUR 3.5 million at the most. The Convertible Bond is a capital loan. The convertible bond can be converted to max. 38,888,888 new shares of the company. The subscription price is EUR 0.09 per share.The convertible bond is issued in deviation from the shareholders' pre-emptive subscription rights to the parties separately approved by the Board of Directors. The minimum amount of subscription of the convertible bond shall be EUR 100,000.00 entitling the convertible bond holder to subscribe for 1,111,111 new shares of the company. The Convertible Bond can also be subscribed against indisputable loan receivable the Subscriber has from the Company at the time of subscription by converting the loan capital and/or interest receivable into the Convertible Bond in accordance with the terms of this Convertible Bond. The loan period shall commence on the payment date and expire on 15 April 2022 on which date the convertible bond shall expire to be repayable in its entirety in accordance with the terms of the loan. The subscription period of the shares under the convertible bond shall begin on 1 March 2020 and expire on 15 April 2022. During the subscription period, the Convertible Bond was subscribed for a total of 100,000 euros. The convertible bond can be converted to 1,111,111 new shares of the company.

Outstanding optios		**2019**		**2018**	
	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 2015A	-	0	2.40	250
	Options 2015B	3.80	200	3.80	200
	Options 2015C	2.18	200	2.18	200
Options expired	Options 2015A	-	-	2.40	250
	Options 2015B	3.80	200		
At the end of the financial year	Options 2015B		-		200
	Options 2015C		200		200
Exercisable share options at the end of the financial year			200		400

No options were exercised during 2019 or 2018.

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

	Exercise price	**Vesting period (years)**	**Number of shares**
2019	2.18	1.0	200
2018	2.18 – 3.80	1.5	400

21. Provisions

	2019	2018
Provisions at the beginning of the financial year	307	220
Additions to provisions	216	149
Provisions exercised	-274	-63
Provisions at the end of the financial year	**249**	**307**
Warranty provisions		
Long-term provisions	0	0
Current provisions	249	307
Total	**249**	**307**

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 2019, warranty provisions totalled EUR 249,000 (31 Dec 2018: EUR 307,000). 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 216,000.

22. Financial liabilities

	Balance sheet values	Balance sheet values
Non-current financial liabilities at amortized cost	**2019**	**2018**
R&D loan	4 934	4 860
Convertible bond 1/2012	364	364
Convertible bond 1/2015	0	999
Convertible bond 1/2017	0	398
Convertible bond 1/2018	0	762
Convertible bond 2/2018	1 969	1 602
Convertible bond 1/2019	316	0
Convertible bond 2/2019	126	0
Convertible bond 4/2019	77	0
Other subordinated loans	1 160	2 011
Lease liability (IFRS 16)	686	0
Total	**9 632**	**10 995**
Current financial liabilities at amortized cost		
Convertible bond 1/2017	40	246
Convertible bond 3/2019	500	0
Loans from financial institutions	900	1 107
Repayments of non-current loans	495	0
Other current liabilities	1 262	1 427
Lease liability (IFRS 16)	525	0
Total	**3 723**	**2 779**

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 31.12.2019: 2.0 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 31.12.2019: 0.3 million) is recognized at amortized cost and the equity share (0.1 million) is recognized under equity. The equity share is measured at fair balue 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 31.12.2019: 0.1 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 1.0 million convertible subordinated loan 4/2019. The liability component (book value 31.12.2019: 0.8 million) is recognized at amortized cost and the equity share (0.3 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond. . The key assumptions in the calculation were: Share price EUR 0.55; option's subscription price in conversion EUR 0.55; company's imputed market interest rate 12% and subscription period and due date based on the main terms 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 by two years and is now twelve 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.

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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 will be withdrawn in the course of the years 2016 and 2019 and the loan period is seven years. The nominal value of the withdrawn amount till December 31, 2018 is EUR 2.9 million. 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.

The convertible bonds 1/2015, 1/2017 and 1/2018 reported in long-term liabilities on 31 December 2018 have been converted into a new convertible bond 1/2019 in February 2019 or converted into new shares of the company in the share subscription by converting the promissory notes in July 2019 and in a direct share issue in September-October 2019.

Current liabilities include a convertible bond 1/2017 of EUR 0.04 million. The equity share is measured at fair value on the issue date of the convertible bond. EUR 0.16 million was converted into new shares of the company in the share subscription by converting the promissory notes in July 2019 and in a direct share issue in September-October 2019. EUR 0.04 million was paid in October 2019.

Current liabilities include a EUR 0.5 million convertible bond 3/2019. The convertible bond can be converted to new shares of the company. The subscription price is EU 0.09 per share.

Maturity analysis of interest-bearing liabilities

31.12.2019	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 liabilities	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**

31.12.2018	2019	2020	2021	2022	2023 and later
R&D loan	79	1 664	1 648	1 481	1 206
Convertible bonds	0	521	3 441	2 134	0
Other liabilities	1 788	2 532	0	0	0
Total interest-bearing liabilities	**1 867**	**4 717**	**5 089**	**3 615**	**1 206**

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

	2019	2018
Trade payables	1 866	1 556
Accruals and deferred income	2 162	2 659
Other liabilities	1 363	124
Total for continued operations	**5 391**	**4 339**
Other liabilities	0	75
Total for discontinued operations	**0**	**75**

EUR 1.8 million out of trade payables of EUR 1.9 million above was overdue at the year end 2019. EUR 1.8 million out of other short-term non-interest bearing liabilities, accruals and deferred income as well as tax liabilities (total EUR 3.5 million above) was overdue at the year end 2019. 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 2019 and 2018.

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 2019 and 2018.

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 is 2.

Average interest rates on interest-bearing liabilities	**2019**	**2018**
Loans from financial institutions	4,93 %	5,72 %

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

25. Non-cash transactions

	2019	**2018**
Depreciatio n	1 699	1 232
Exchange rate differences	2	5
Stock option scheme 2015	0	32
Other items	-130	-559
Total	**1 571**	**711**

26. Leases

Minimum lease payments payable on the basis of other non-terminable leases:

Within one year	500	216
Within 2 to 5 years	1 000	514

27. Other contingent liabilities

Assets pledged for the company

Loans from financial institutions	450	525
Loans from related parties	482	0
Other liabilities	281	281
Promissory notes secured by pledge	4 700	3 355

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 %
Saulés Elementu Gamyba 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	**2019**	**2018**
Savcor Face Ltd - production services	0	22
Savcor Oy – production services	3	12
Total	**3**	**35**
Purchases of goods and services		
SCI Invest Oy – rent	48	24
Savcor Face Ltd – marketing services	0	8
SCI-Finance Oy - marketing and administration services	59	66
Savcor Technologies Oy - marketing and administration services	61	88
Savcor Oy – administration services	8	10
Oy Marville Ab – legal services	8	4
Total	**183**	**199**
Interest expenses and other financial expenses		
SCI-Finance Oy	112	55
Savcor Technologies Oy	292	283
Savcor Oy	28	24
Others	137	119
Total	**569**	**481**
Non-current convertible subordinated loan from related parties	415	1 882
Non-current other subordinated from related parties	1 160	2 011
Non-current convertible loan from related parties	0	114
Other current liabilities to related parties	565	630
Current interest liabilities to related parties	429	820
Trade payables and other non-interest-bearing liabilities to related parties	468	547
Trade receivables from related parties	14	22

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.

Employment benefits of the management	**2019**	**2018**
Wages and other short-term employment benefits	411	410
Stock option scheme 2015 (IFRS 2)	0	10
Total	**411**	**420**

The management does not have defined-benefit pension plans.

Wages and remuneration		
Salaries of the CEO and his deputies (incl. in management wages)	168	168
Stock option scheme 2015 (IFRS 2)	0	4
Total	**168**	**172**
Board members and deputies		
Parpola Ville - remuneration	40	40
Parpola Ville – stock option scheme 2015	0	5
Savisalo Hannu - remunerations	40	40
Savisalo Hannu - stock option scheme 2015	0	7
Savisalo Iikka – stock option 2015	0	2
Total	**80**	**95**

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.-31.12.2019. 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 on the pages 47 - 49.

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.

Financial Uncertainties

General uncertainty caused by the Covid-19 virus and possible worldwide deep recession increase business related risks remarkably. In its cash flow forecast, Valoe estimates that positive cash flow will begin during 2020. Should the positive turn in the cash flow be postponed beyond June 2021, the agreed financing facilities could prove insufficient. In exceptional circumstances, banks or public funding organizations may face unpredictable pressures that could slow the payment of already agreed funding to Valoe.

The company has budgeted a significant part of the funding granted to it for the investment in the Lithuanian cell factory. Should unpredictable events cause a significant budget overrun, the current funding could prove too low.

Valoe has committed to commence a share issue of EUR 1.0 million in June 2020 provided that the annual general meeting to be held on 28 May 2020 grants the Board of Directors sufficient authorization for the share issue. The purpose of the additional funding to be collected is e.g.to reduce the above risks. The success of the share issue involves even greater risks than usual in the current, uncertain economic conditions.

Risks related to liquidity and sufficiency of working capital

The financial statements have been prepared under the going concern assumption. In April-May 2020, the company signed the following new financing agreements totaling EUR 5.5 million. A new EUR 3.0 million subordinated financial facility with Winance. In the offering arranged in early May 2020 Nordic Environment Finance Corporation NEFCO invested EUR 1.25 million in Valoe’s equity and granted Valoe an EUR 1.25 million loan. Valoe shall repay the loan to NEFCO over six years. In addition, the Savisalo Family and the companies under their control subscribed new shares of EUR 1.25 million in the offering by setting-off against their receivables from the company, and Global BOD Group SIA, the previous owner of the Lithuanian cell plant, subscribed new shares of EUR 0.1 million.

NEFCO's funding is expected to be available to the company in full before the end of June 2020. Winance's funding may be drawn down in maximum of 6 sequential tranches of EUR 500,000 each during a period of 24 months from the drawdown of the first tranche. However, EUR 1.5 million part of Winance funding would be available, if needed, by the end of June 2020. Valoe has committed to commence a share issue of EUR 1.0 million in June 2020 provided that the annual general meeting to be held on 28 May 2020 grants the Board of Directors sufficient authorization for the share issue.

Having these new financial facilities totaling EUR 5.5 million as well as the funding from the already existing financial commitments from Business Finland and Horizon 2020 HighLite project, totaling approximately EUR 2.2 million, the company has assessed that it has sufficient financial commitments to complete the IBC cell plant investment in Lithuania; to ramp up and expand the IBC cell plant; to modernize the solar module production transferred to Juva, Finland; to complete and ramp up Valoe Odd Form module production line that is based on the company’s own design; and to provide the company with working capital required for business operations until the cash flow from operating activities turns positive.

If the company's cash flow from operations did not turn positive as planned, for example due to difficulties to ramp up production at the Lithuanian cell plant, the company's cash equivalents are estimated to be sufficient until June 2021, provided that the financing facilities are executed as planned.

The sufficiency of the shareholders' equity of Valoe Group's parent company may involve risks if the company's financial situation does not develop as estimated by the company's management.

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 2019, 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 96,6 % 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	2019	2018
Impact of fluctuation in short-term interest rate +/-2%	+/-7	+/-7
The Group had credit limits at 31 Dec 2019 consisting of the following:		
Check account limit	0,45 milj. eur	0,5 milj. eur

Exposure to currency risks

In 2019, 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 2019.

Financial assets denominated in foreign currency	**2019**	**2018**
USD	96	59
ETB	672	672
Financial liabilities denominated in foreign currency		
USD	20	26
Net	**748**	**705**
Impact on result		
EUR/USD +/-10%	+/-6	+/-3
EUR/ETB +/-10%	+/-54	+/- 54

Materials management risks

The most significant risks related to material prices and availability are those related to the copper and silicon and the general price risk related to components. The objective is to pass the price increases on to the sales prices and to improve price competitiveness through product development.

30. The Major Events After the End of The Reporting Period

On 8 January 2020 Valoe disclosed subscription of its own shares in connection with the financing arrangement between the Company and Winance approved on 19 December 2018.

On 23 January 2020 Valoe released a notice to extraordinary general meeting to elect a new responsible auditor as the company's previous responsible auditor has taken up a new position.

On 6 February 2020 Valoe disclosed that Winance granted a short-term loan of EUR 500,000 to Valoe.

On 13 February 2020 Valoe announced that the company has been informed about the decision of the Audit Oversight Unit in the Finnish Patent and Registration Office regarding the KHT auditor who acted e.g. as Valoe's responsible auditor. In addition, Valoe disclosed that it postpones the release of its Financial Statement Release for 2019.

On 17 February 2020 Valoe announced that the extraordinary general meeting held on 17 Febuary 2020 elected Auditus Tilintarkastus Oy, business identification No. 0727888-1, as the company's auditor and KHT auditor Mikko Riihenmäki as the responsible auditor.

On 25 February 2020 Valoe disclosed that the company has signed a cooperation Agreement with the Munich based Sono Motors GmbH to become a Technology Partner for the integrated solar components of the Sion, a Self-Charging electric car with solar integration.

On 25 February 2020 Valoe announced that the company has, on the basis of the share issue without consideration to the Company itself resolved by the Company on 24 September 2019, resolved to subscribe a total of 11,000,000 shares directed to it. The subscription is conducted in order to implement a financing arrangement in order to finance the Company's investments.

On 12 March 2020 Valoe announced that the company extends the subscription period of the Convertible Bond 4/2019 until 5 May 2020 at 6.00 pm. The other terms of the Convertible Bond 4/2019 remain unchanged.

On 31 March 2020 Valoe disclosed a correction to categorization of Valoe's non-current assets; and that it transfers in its balance sheet, part of the development costs to Machinery and Equipment; and that the adjustment will have no impact on profitability or equity.

On 16 April 2020 Valoe announced that the company expands its solar module production and transfers module production to Juva. In addition, Valoe disclosed that it will recruit 15 – 3 new employees in 2020.

On 22 April 2020 Valoe disclosed that it has entered into a convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes (the "Convertible Notes") that will be accompanied by share subscription warrants (the "Warrants"). Valoe intends to use the funding to support its strategy, when necessary, with half of the funding, ie EUR 1.5 million, to be invested in the IBC cell plant in Lithuania and half, EUR 1.5 million, to Valoe's domestic working capital needs and the module plant investment in Juva, Finland, announced by Valoe on 16.4.2020.

On 24 April Valoe disclosed a notice to annual general meeting.

On 6 May 2020 Valoe announced that the company has received a subscription of EUR 0.1 million in total for the Convertible Bond 4/2019 disclosed on 5 November 2019.

On 6 May 2020 Valoe disclosed 2019 a directed share issue (the "Offering") in which the Company shall offer up to 48,148,148 new shares in the Company for subscription to investors and all the creditors of the Company (including holders of the convertible loans) who at the time of subscription hold indisputable receivable amounting to at least EUR 100,000 from the Company.

On 6 May 2020 Valoe announced that the company has agreed on an EUR 2.5 million financial facility with Nordic Environment Finance Corporation (NEFCO).

On 6 May 2020 Valoe announced the rearrangement of the Convertible Bond 3/2019.

EUR	Liite	1.1. - 31.12.2019		1.1. - 31.12.2018	
Net sales	1-2	324 130,13	100 %	1 328 447,46	100 %
Cost of sales		-2 983 083,22	-920 %	-2 983 379,84	-225 %
Gross profit/loss		**-2 658 953,09**	**-820 %**	**-1 654 932,38**	**-125 %**
Sales and marketing costs		-492 188,08		-690 558,67	
Administrative expenses		-631 886,37		-655 226,78	
Other operating income	3	177 271,43		795 709,98	
Other operating expenses	9	-45 000,00		0,00	
Operating loss		**-3 650 756,11**	**-1126 %**	**-2 205 007,85**	**-166 %**
Financial income	11	33,49		130,63	
Financial expenses	11	-1 942 767,71		-911 475,88	
Profit/loss before appropriations and taxes		**-5 593 490,33**	**-1726 %**	**-3 116 353,10**	**-235 %**
Profit/loss for the financial year		**-5 593 490,33**	**-1726 %**	**-3 116 353,10**	**-235 %**

EUR	Liite	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Intangible assets	12	4 440 460,58	5 335 987,12
Tangible assets	13	5 476 620,74	4 822 845,13
Investments	14	3 515 504,60	13 004,60
Long-term receivables	15	672 330,00	672 330,00
		14 104 915,92	**10 844 166,85**
Current assets			
Inventories	16	674 272,27	659 388,38
Short-term receivables	17	477 478,77	561 459,16
Cash and cash equivalents		3 103,66	56 981,46
		1 154 854,70	**1 277 829,00**
TOTAL ASSETS		**15 259 770,62**	**12 121 995,85**
LIABILITIES			
Shareholders´ equity			
Share capital	18	80 000,00	80 000,00
Distributable non-restricted equity fund	18	21 870 806,06	11 803 611,25
Profit/loss carried forward	18	-18 808 829,26	-15 692 476,16
Profit/loss for the financial year	18	-5 593 490,33	-3 116 353,10
		-2 451 513,53	**-6 925 218,01**
Obligatory provisions			
Other obligatory provisions	19	248 820,00	306 930,00
Vieras pääoma			
Non-current subordinated loans	20	4 378 338,37	6 969 001,28
Other non-current liabilities	20	5 743 800,00	5 883 748,50
Current liabilities	21	7 340 325,78	5 887 534,08
		17 462 464,15	**18 740 283,86**
TOTAL LIABILITIES		**15 259 770,62**	**12 121 995,85**

Valoe corrected equipment that was previously incorrectly categorized in the balance sheet as part of its product development costs. The error has been corrected to the comparison figures for 2018 and reduces product development costs by EUR 4.8 million and increases the value of machinery and equipment by EUR 4.8 million, respectively. The cumulative effect of the adjustment for the financial year 2019 is EUR 5.3 million.

1 000 EUR		1-12/2019	1-12/2018
Cash flow from operating activities			
Income statement profit/loss before extraordinary items		-5 593	-3 116
Non-monetary items adjusted on income statement			
Depreciation and impairment	+	1 288	1 232
Unrealized exchange rate gains (-) and losses (+)	+/-	0	4
Other non-cash transactions	+/-	-130	-792
Financial income and expenses	+	1 943	908
Total cash flow before change in working capital		-2 493	-1 765
Change in working capital			
Increase(-) / decrease (+) in inventories		-15	-78
Change in reserves		-58	87
Increase (-) / decrease (+) in short-term trade and other receivables		39	-53
Increase (+) / decrease (-) in short term trade and other payables		19	55
Change in working capital		-15	11
Cash flow from business operations before financial items and taxes		-2 508	-1 754
Adjustment of financial items and taxes to cash-based accounting			
Interest paid and payments for other financial expenses	-	496	442
Financial items and taxes		-496	-442
NET CASH FLOW FROM BUSINESS OPERATIONS		**-3 004**	**-2 196**
Cash flow from investments			
Investments in tangible and intangible assets	-	2 998	3 286
NET CASH FLOW FROM INVESTMENTS		**-2 998**	**-3 286**
Cash flow from financing			
Payments from share issues	+	3 450	59
Financing arrangement with Bracknor Investment	+	1 000	918
Increase in non-current loans	+	1 155	3 094
Increase in current loans	+	2 112	2 829
Repayment of current loans	-	1 729	1 751
NET CASH FLOW FROM FINANCING ACTIVITIES		**5 988**	**5 148**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**-13**	**-334**
Cash and cash equivalents at the beginning of the financial year		16	350
Cash and cash equivalents at the end of the financial year		3	16
		-13	**-334**

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

Recearch and product development costs are normally recognized as an annual cost for the financial year in which they have been incurred. During the financial year 2019 Valoe had an extensive product development project underway, the costs of which have been, deviating from the general principle, capitalized in the balance sheet.

Development costs in the balance sheet inclede EUR 1.4 million capitalized costs where amortizations are expected to begin during 2020 after the development is complete. The amortization of development costs currently capitalized in the balance sheet is expected to end during the financial year 2027.

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.

The company has no income form the delivery of goods and services from unfinished projects at the end of the financial year 2019.

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.

The guarantee 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 INCOME STATEMENT

1. Distribution of net sales by market area

	2019	2018
Europe	324	1 283
Americas	0	22
Asia and Australia	0	23
Total	**324**	**1 328**

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	0,0 %	10,9 %
Revenue recognized on percentage of completion basis during the financial year	0	145
Amount not recognized as revenue based on the stage of completion	0	23

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

	2019	2018
Correction of incorrect accruals from prior year	128	0
Other income	49	796
Total	**177**	**796**

4. Materials and services

Materials and suppliers		
Purchases during the financial year	366	547
Change in inventories	-4	20
Total	**362**	**567**
Third-party services	272	272
Total	**634**	**839**

5. Number of personnel

During the financial period on average		
Procurement and production	13	11
Product development	7	6
Sales and Marketing	2	2
Administration	3	3
Total	**24**	**21**

At the end of the year		
Procurement and production	12	15
Product development	8	6
Sales and Marketing	2	2
Administration	3	3
Total	**24**	**25**

6. Personnel expenses

	2019	2018
Wages and remuneration	1 371	1 274
Retirement expenses	214	233
Other indirect employee expenses	54	52
Total	**1 639**	**1 559**

7. Management´s salaries and remuneration

CEO and his deputy	168	168
Board members	80	80
Total	**248**	**248**

8. Depreciation and impairment

Depreciation on costs of sales	1	4
Depreciation on development costs	1 101	1 226
Depreciation on sales and marketing	2	2
Depreciation on administration	0	0
Impairment on development costs	184	0
Total	**1 288**	**1 232**

106k euros impairment was due to development expenses of Crome I panel. Since 2018 the product has been replaced by Crome II panel and company no longer believes in selling the Crome I model. 78k euros impairment was due to first generation CBS conductive backsheet, which is no longer offered as a separate product to customers.

9. Operating expenses

Other operating expenses	45	0
Total	**45**	**0**

10. Auditors´ fees

Auditus Tilintarkastus Oy		
Auditors´ fees	58	56
Certificates and Statements	1	5
Total	**59**	**61**

11. Financial income and expenses

Other interest and financial income		
Exchange rate gains	0	0
Total financial income	**0**	**0**
Interest expenses and other financial expenses		
Interest expenses	1 093	738
Listing expenses	627	0
Other financial expenses	214	166
Exchange rate losses	9	8
Total financial expenses	**1 943**	**911**
Total financial income and expenses	**-1 943**	**-911**

At the end of the financial year 2019 EUR 1.0 million of equity based loan interests were not booked as an expense (EUR 0.4 million for 2019 and 0.5 million for previous years).

NOTES TO THE BALANCE SHEET

12. Intangible assets

1 000 EUR	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
Reclassifications 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 for the period	-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**

1 000 EUR	Development costs	Intangible rights	Other long-term expenses	Total
Acquisition cost, 1 Jan 2018	10 364	299	108	10 771
Additions	795	0	0	795
Acquisition cost, 31 Dec 2018	**11 159**	**299**	**108**	**11 566**
Accumulated depreciation and impairment, 1 Jan 2018	-4 790	-168	-88	-5 046
Depreciation for the period	-1 141	-23	-20	-1 184
Accumul. depr., 31 Dec. 2018	**-5 931**	**-191**	**-108**	**-6 230**
Carrying amount, 1 Jan 2018	5 574	131	21	5 725
Carrying amount, 31 Dec 2018	**5 228**	**107**	**1**	**5 336**

Valoe corrected equipment that was previously incorrectly categorized in the balance sheet as part of its product development costs. The error has been corrected to the comparison figures for 2018 and reduces product development costs by EUR 4.8 million and increases the value of machinery and equipment by EUR 4.8 million, respectively. The cumulative effect of the adjustment for the financial year 2019 is EUR 5.3 million.

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	**2019**	**2018**
Technology transfer China	2 937	3 525
Pilot production line development	263	478
PV-module recepies for Crome II, Chrystal an Chrystal Twin	142	228
MWT cell development	541	572
Future PV-technology development	473	425
Total	**4 357**	**5 228**

Possible write-down risks related to capaitalized development cots by sub-projects are described in consolidated Note 12. Intangible assets.

13. Tangible assets

1 000 EUR	Machinery and eguipment	Total
Acquisition cost, 1 Jan 2019	5 070	5 070
Additions	820	820
Disposals	0	0
Reclassifications 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
Acquisition cost, 31 Dec 2019	**5 477**	**5 477**

1 000 EUR	Machinery and eguipment	Yhteensä
Acquisition cost, 1 Jan 2018	1 906	1 906
Additions	3 164	3 164
Acquisition cost, 31 Dec 2018	**5 070**	**5 070**
Accumulated depreciation		
and impairment, 1 Jan 2018	-200	-200
Depreciation for the period	-47	-47
Accumul. depr., 31 Dec. 2018	**-248**	**-248**
Carrying amount, 1 Jan 2018	1 706	1 706
Carrying amount, 31 Dec 2018	**4 823**	**4 823**

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, Saulés Elementu Gamyba	Vilnius, Lithuania	100,0 %	
UAB Valoe	Vilnius, Lithuania	100,0 %	

The consolidated financial statements include the parent company Valoe Corporation and all of its subsidiaries.

Other shares and participations	2019	2018
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. Long-term receivables

Receivables 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 the Lithuanian cell plant investment starts to generate cash flow at the end of the financial year 2020.

16. Inventories

Materials and supplies	140	151
Work in progress	386	386
Finished products/goods	149	123
Total	**674**	**659**

17. Short-term receivables

Receivables from Group companies		
Other receivables	85	0
Total	**85**	**0**
Receivables from others		
Trade receivables	18	29
Advances paid	266	272
Other receivables	60	73
Accrued income	49	188
Total	**392**	**562**
Short-term receivables total	**477**	**562**
Relevant items of accrued income		
Rents in advance	37	37
Accrual of indirect employee cotst	0	4
Percentage of completion -receivables	0	145
Other accrued income	12	2
Total	**49**	**188**

18. Shareholders´equity

	2019	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	11 804	10 542
Sale of own shares – Winance and Bracknor	1 186	966
Share subscription based on convertible bond 1/2019	1 735	0
Share issue	7 146	295
Distributable non-restricted equity fund on 31 Dec	**21 871**	**11 804**
Retained earnings on 1 Jan	-18 809	-15 692
Profit/loss for the financial year	-5 593	-3 116
Retained earnings on 31 Dec	**-24 402**	**-18 809**
Total non-restricted equity	**-2 532**	**-7 005**
Total equity	**-2 452**	**-6 925**
Subordinated loans	4 378	6 969
Total equity and subordinated loans	**1 927**	**44**

Calculation of distributable non-restricted equity

Retained earnings on 31 Dec.	-24 402	-18 809
Distributable non-restricted equity fund	21 871	11 804
Unbooked interests on subordinated loans	-960	-1 009
Development costs capitalized in the balance sheet	-4 357	-5 228
Total	**-7 849**	**-13 243**

Main terms of the capital loans

	Interest	Due date	Conversion price	2019	2018
Convertible bond 1/2012	8,0 %	n/a	n/a	364	364
Convertible bond 1/2015	8,0 %	n/a	2,00	0	999
Convertible bond 1/2017	0,0 %	1.2.2019	2,00	0	400
Convertible bond 1/2018	8,0 %	31.5.2021	0,55	0	1 000
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	0
Convertible bond 2/2019	8,0 %	15.10.2021	Weighted average 16.4.-15.10.21 - 15%	144	0
Convertible bond 4/2020	8,0 %	15.4.2022	0,09	100	0
Other capital loans	12,0 %	30.6.2021	n/a	270	775
Other capital loans	15,0 %	30.6.2021	n/a	890	1 236
				4 378	**6 969**

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

At year end 2019 Valoe Corporation has unbooked and unpaid interests in the amount of EUR 0.1 million relating to a bond issued in 2012, EUR 0.2 million relating to a bond issued in 2018 and EUR 0.04 million relating to three bonds issued in 2019. 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 issued in 2012, 2018 and 2019. The company has no non-restricted equity at the end of the financial year. In addition to above mentioned unbooked interests totaling EUR 0.4 million, Valoe Corporation has unbooked interests of EUR 0.6 million for other equity based loans at the year end 2019. 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	2019	2018
Warranty provisions	249	307
Total	**249**	**307**

20. Non-current liabilities

Liabilities maturing in one to five years		
Subordinated loans	4 378	6 969
Loans from financial institutions	4 023	5 290
Total	**8 401**	**12 259**
Liabilities maturing later than in five years		
Loans from financial institutions	1 721	594
Total	**1 721**	**594**
Total non-current liabilities	**10 122**	**12 853**

21. Current liabilities

Liabilities to Group undertakings		
Loans from Group undertakings	2	2
Total	**2**	**2**
Liabilities to others		
Convertible bonds	540	250
Loans from financial institutions	1 395	1 107
Other loans	1 116	1 281
Trade payables	1 746	1 569
Other liabilities	1 361	186
Accrued expenses	1 180	1 493
Total	**7 339**	**5 886**
Total current liabilities	**7 340**	**5 888**

Material items of accrued expenses	2 019	2018
Subsidies received from the EU for product development projects	67	67
Accrued interest	405	480
Accrued personnel expenses	398	612
Accrued remuneration to Board members	113	97
Other accrued expenses	157	170
Other accrued liabilities	40	67
Total	**1 180**	**1 493**

22. Notes concerning collateral and contingent liabilities

Liabilities secured by mortgages		
Loans from financial institutions	450	525
Loans from related parties	482	0
Other liabilities	281	281
Business mortgages	4 700	3 355
Rental liabilities		
Maturing the following year	500	216
Maturing later	1 000	514

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. on pages 53 - 55.

24. Notes concerning an accountable entity belonging to the Grou

Valoe Corporation is the parent company of Valoe Group.

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

Mikkeli 7 May 2020

Hannu Savisalo
Chairman

Ville Parpola
Vice Chairman

Iikka Savisalo
Member of the Board
CEO

Auditor's Note

A report has been issued today on the audit that has been conducted.

Tampere 7 May 2020

Auditus Tilintarkastus Oy
Authorized Public Accountants

Mikko Riihenmäki
Authorized Public Accountant

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 year ended 31 December 2019. 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.

Emphasis of Matter – Measurement of Development Costs

We would like to draw attention to the development costs totaling EUR 4.2 million that have been capitalized in the non-current assets. The company's management has, pursuant to the IAS 36, run impairment testing where the recoverable amounts have been determined on the basis of the value in use. Those calculations use discounted future cash flow forecasts in which management make judgments over certain key inputs, for example net sales growth rate, discount rate and rate of borrowed capital.

The measurement of development costs may include uncertainty, which will have a significant impact on the company's financial position.

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.

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 2019 and at the year- end the company's financial situation was very tight and its liquidity was low. The Group's overdue debts totaled EUR 3.7 million at balance sheet date. The consolidated cash flow from operating activities was negative in the financial years 2018 and 2019. 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. The assessment is based on the following: the company has been able to improve its financing situation by drawing new borrowings in 2019, by converting convertible bonds to shares in a share issue and rearranging its current debts. Furthermore, the company has resolved it will not launch delivery projects in full until project funding pursuant to a delivery agreement is available to thecompany. Additionally, investments will not be made unless required financing and going concern is secured.	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, as well as on the company's efforts to settle the borrowings and other liabilities fallen due with its creditors. At the beginning of 2020, the company has agreed on new financing facilities which, in the view of the company's management, secure going concern until 30 June 2021.

Capitalised development costs, EUR 4.2 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 2019 the capitalised development costs were carried at EUR 4.2 million, which accounted for 27 per cent of the consolidated total assets. The capitalized development costs of the parent company totaled EUR 4.4 million, representing 29 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 how stages in a project when amortization is begun is defined.

We analysed management estimates and assumptions, upon which future cash flow forecasts are based. We involved our own valuation specialists when assessing the appropriateness of the assumptions used, such as discount rates.

We performed audit procedures to examine the technical accuracy of the calculations.

Furthermore, we considered the appropriateness of the disclosures provided in respect of developments costs and impairment testing.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, 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 Managing Director 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 Managing Director are responsible for assessing the parent company's and the group's ability to continue as a 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 the 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 skepticism 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.

Other Reporting Requirements

We have been the company's auditor elected by the general meeting as from 17 February 2020.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report but does not include the financial statements and our auditor's report thereon. We have received the report of the Board of Directors before the date of this Auditor's Report and we expect to receive the Annual Report after this 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 received prior the date of the 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 Tampere, 7 May 2020

AUDITUS TILINTARKASTUS OY

Mikko Riihenmäki
Authorised Public Accountant, KHT

ADMINISTRATION

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 Market 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 May 2020.

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 2019 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 concern- ing 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 2019, one of Valoe's three directors was 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

The 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 75 times in 2019. 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 2019.

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 2018 elected four members to the Board of Directors.

Hannu Savisalo

- Chairman of the Board since 2009
- b. 1946, M.Sc. (Eng.), Industrial Counsellor (a Finnish honorary title)
- Chairman of the Board of Savcor Technologies Oy, Member of the Board of Directors of Savcor Communications Pty Ltd and Savcor Invest B.V.
- 26,396,924 shares in Valoe Corporation through Savcor Communications Pty Ltd, Savcor Invest B.V. , SCI-Finance Oy, Savcor Oy and Savcor Technologies Oy.
- 45,430 options connected to the option scheme 2015.
- The attendance rate at the Board meetings in 2019 was 100 percent.

Ville Parpola

- Vice Chairman and Independent member of the Board since 2015
- b. 1972, LL.M.
- Chairman of Board of Directors of Tonfisk Design Oy and Oy Marville Ab
- 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.
- Parpola owns directly 244,160 shares and through Oy Marville Ab 23,518 shares in Valoe Corporation.
- He has 30,030 options connected to the option scheme 2015.
- The attendance rate at the Board meetings in 2019 was 100 percent.

Iikka Savisalo

- member of the Board since 2009
- b. 1972, BBA(Accounting)
- CEO of Valoe Corporation
- Iikka Savisalo directly owns 6,216,709 shares in Valoe Corporation and 26,396,924 shares in Valoe Corporation through Savcor Communications Pty Ltd, Savcor Invest B.V., SCI-Finance Oy, Savcor Oy and Savcor Technologies Oy.
- 40,810 options connected to the option scheme 2015.
- The attendance rate at the Board meetings in 2019 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 2019, 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 member independent of the company and major shareholders was Ville Parpola.
- 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 Board 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 convenes when needed, however, at least twice a month. The Management Team is chaired by the President and CEO.

COMPOSITION OF THE MANAGEMENT TEAM

Iikka Savisalo

- CEO of Valoe Corporation since 2012
- member of the Board since 2009
- b. 1972, BBA(Accounting)
- Iikka Savisalo directly owns 6,216,709 shares in Valoe Corporation and 26,396,924 shares in Valoe Corporation through Savcor Communications Pty Ltd, Savcor Invest B.V., SCI-Finance Oy, Savcor Oy and Savcor Technologies Oy.
- 40,810 options connected to the option scheme 2015.

Sami Lindfors

- Senior Vice President, member of the Management Team since 2010
- b. 1975, MBA
- 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
- 17.710 options connected to the stock option scheme 2015.

Seija Kurki

- Chief Financial Officer, member of the Management Team since 2012
- s. 1963, BBA(Accounting)
- Seija Kurki has held different financial management positions at Savcor Companies since 1984.
- 68,166 shares in Valoe Corporation
- 17.710 options connected to the stock option scheme 2015.

Jose Basso

- CEO of UAB Valoe, member of the Management Team since 2019
- SVP of Sales and Marketing Americas of Valoe Oyj since 2014
- b. 1965, Industrial Engineering degree, MBA in Marketing and International Business
- 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.

REMUNERATION

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 2019 decided that an annual remuneration of EUR 40,000 be paid to both the Chairman 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 2019 totalled EUR 168,000.00. In 2019, the salaries, fees and fringe benefits to the Management Team members totalled EUR 243,253.85. No remuneration was paid to the members of the Management Team under the bonus scheme in 2019.

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 2020 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 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 stock options will be issued for free. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group. Of the stock options, 250,000 were marked with the symbol 2015A, however, their subscription term expired 31 December 2018. 200,000 were marked with the symbol 2015B but their subscription term expired 31 December 2019. 200,000 are marked with the symbol 2015C.

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

Auditing

The auditor is elected for one term at a time by the Annual General Meeting. The term ends at the end of the following Annual General Meeting. Auditus Tilintarkastus Oy, with Heidi Pirttijoki, Authorized Public Accountant, acted as the company's auditor during 2019. In the extraordinary general meeting held on 17 February 2020 Auditus Tilintarkastus Oy, business identification No. 0727888-1, was elected as the company's auditor and KHT auditor Mikko Riihenmäki as the responsible auditor. In 2019 the fees to the auditors totalled EUR 59,348.18.

Corporate Directory

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Corporate Identity Number 0749606-1
Incorporated in Mikkeli, Finland
www.valoe.com

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

CEO
Iikka Savisalo

SECURITIES EXCHANGE LISTING
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