

VALOE INTERIM REPORT 1 JANUARY – 31 MARCH 2020

SUMMARY

- During the first quarter of 2020, the net sales of Valoe Group, under the IFRS standards, increased by 670 percent. The net sales were EUR 0.3 million (in 2019 EUR 0.04 million). The EBIT was EUR -0.9 million (EUR -0.8 million), the profit for the period was EUR -1.3 million (EUR -1.3 million), diluted earnings per share were EUR -0.01 (EUR -0.08) and the EBITDA EUR -0.6 million (EUR -0.4 million).
- During the first quarter of 2020, the company's financial situation and working capital situation were very tight. However, the situation improved due to financing facilities secured after the reporting period.
- In February 2020 Valoe and Winance signed a Bridge Loan Agreement of EUR 500,000. In May 2020, Valoe repaid the loan principal by converting it into the fourth convertible notes tranche of the convertible bond under the terms and conditions of the financing arrangement between Valoe and Winance announced on 20 December 2018.
- In April 2020, Valoe entered into a convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes that will be accompanied by share subscription warrants.
- In an offering arranged in May 2020, 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 the said offering, the Savisalo Family and the companies under their control subscribed new shares of EUR 1.25 million and Global BOD Group SIA, the previous owner of the Lithuanian cell plant, subscribed new shares of EUR 0.1 million by setting-off against their receivables from the company. The financing facilities with NEFCO and Winance improved the company's financial situation significantly.
- The acquisition of JCS SoliTek R&D's ("Solitek") solar cell 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. Valoe paid the remaining part of the purchase price after the reporting period in May 2020.
- In connection with the above mentioned acquisition between Valoe and BOD, Valoe issued a convertible bond of EUR 0.5 million to BOD in November 2020. EUR 0,1 million of the convertible bond principal was set off against subscription price of the new shares BOD has subscribed in the offering disclosed by the Company 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.
- In February 2020, Valoe signed 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.
- After the reporting period, in April 2020, Valoe announced that the company modernizes and expands its solar module production and transfers its module production to Juva, Finland. At the new Juva plant,

Valoe will in 2020 launch a modernized production line, designed by the company itself, for conventional solar modules, which will also enable the mass production of bifacial solar modules called Chrystal Twin. In addition, Valoe will launch a new production line, also based on the company's own design, which will be used to manufacture Valoe Odd Form modules and photovoltaic systems, e.g. for the automotive industry. The production of conventional solar modules will commence in Juva immediately after the move in the summer of 2020. Mass production of Valoe Odd Form modules is planned to commence during 2021.

- After the reporting period, on 27 May 2020, Valoe disclosed that the company's first IBC cells manufactured at the company's cell plant in Lithuania have reached the set quality standards in the tests run by ISC Konstanz. The cells have been manufactured of semi-finished products provided by Valoe's technology partner ISC Konstanz. According to current estimates, Valoe will in June 2020 begin, at its solar module factory in Juva, pilot production of modules including IBC cells made at Valoe's Lithuanian plant. The first cell deliveries to customers are currently expected to begin in late summer 2020, provided the ramp-up of all production processes continues as planned and e.g. travel restrictions due to the Covid-19 virus do not prevent or delay the arrival of experts needed to start production in Vilnius.
- 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.
- More information on principle activities and events during and after the reporting period can be found in the stock exchange releases published on Valoe's website at www.valoe.com. The Interim Report has been drawn up in compliance with the IAS 34 Interim Financial Reporting standard. In the Interim Report Valoe has applied the same accounting principles as in its Annual Report 2018. In addition, Valoe has applied a simplified approach to the adoption of IRFS 16 as of 1 January 2019. The Interim Report has not been audited.

MARKET GUIDANCE FOR 2020

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.

THE OUTLOOK FOR 2020

During the year 2020, Valoe aims to launch several new products whose success is crucial to the company's future prospects. The sales of Chrystal and Chrystal Twin modules with IBC cells have already begun and the company has agreed to deliver them to a number of Forus Capital sites in Finland.

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.

Valoe develops the applications together with its customers. If this development is successful, Valoe can provide its customers with both Valoe Odd Form modules and the equipment or manufacturing services needed to produce Odd Form modules. An example of such cooperation could be Valoe's cooperation, announced on 25 February 2020, with Sono Motors GmbH, a Munich electric car manufacturer. Many other customer groups are also interested in Valoe's Odd Form module technology.

In April 2020, Valoe announced that the company modernizes and expands its solar module production and transfers its module production to Juva, Finland. At the new Juva plant which is more than twice the size of former plant, Valoe will in 2020 launch a modernized production line for conventional solar modules, designed by the company itself, which will also enable the mass production of bifacial solar modules called Chrystal Twin. In addition, Valoe will launch a new production line, also based on the company's own design, which will be used to manufacture Valoe Odd Form modules and photovoltaic systems, e.g. for the automotive industry. The project is fully financed and will continue until the beginning of the financial year 2021. The production of conventional solar modules will commence in Juva immediately after the move in the summer of 2020. Mass production of Valoe Odd Form modules is planned to commence during 2021.

IBC solar cells to be manufactured at Valoe's Lithuanian solar cell plant have been sold as a component sale already before the plant was completed: In the summer 2019, Valoe signed a supply agreement with a US customer. Valoe estimates that the annual value of the agreement is approximately USD 12 million. The company is planning to receive the necessary customer approvals and begin pilot deliveries during the summer of 2020. In addition to about four million euros commitment, based on the price level in September 2019, from Global BOD Group, the seller of the Lithuanian plant, several other major companies have expressed their interest in purchasing Valoe's IBC cells and conventional or Odd Form modules with IBC cells.

MANAGING DIRECTOR'S REPORT

Valoe is finally starting to be ready for the growth path. After the completion of the Vilnius plant project, the company's start-up phase is over.

In the first quarter of the financial year 2020, the Valoe Group's net sales increased by 670 % and the loss was the same compared to the beginning of 2019. However, the net sales of approximately EUR 0.3 million are still modest compared to the company's significant investments. The net sales for the first quarter comprised mainly component sales at the Lithuanian cell plant and product development cooperation with Sono Motors. Valoe has an order backlog and supply agreements for the financial year 2020, which, if realized, will enable the company to multiply its turnover compared to 2018 as the company has estimated. A significant portion of the supply agreements requires the timely launch of the Chrystal / Chrystal Twin modules. This in turn requires that the Lithuanian plant begins to deliver IBC cells and the Juva module plant investment is successful. These are challenging goals for Valoe considering its current resources.

Valoe has started recruiting new people for both production and product development in both Finland and Lithuania.

So far, our team has successfully dealt with the challenges. The Lithuanian cell plant is ramping up and has already manufactured the first IBC cells made of semi-finished products supplied by ISC Konstanz with excellent test results.

In Juva, things are also progressing positively. The plant facilities suit very well for industrial operations and module production will start at the beginning of June 2020.

Valoe's research and development continues operating at full capacity and has achieved results based on which the company believes in significant growth from 2020 onwards.

Valoe estimates that the growth it seeks will be based not only on cell deliveries to third parties but on sales of almost totally new Chrystal/Chrystal Twin and Odd Form modules.

The company will build production lines for Odd Form modules and back contact sheets at the Juva plant. The lines are more flexible, economical, and efficient in terms of production capacity. The sale of production lines will also be facilitated when a customer can get acquainted with the operating production processes.

The first quarter of the financial year 2020 was financially very challenging for Valoe. The ongoing investment in Lithuania, negative operating cash flow and deficient financing solutions kept the cash situation very tight. However, the new financing facilities announced after the end of the reporting period with Winance and NEFCO, together with the previously agreed financing from EU Highlite and Business Finland, have finally given the company the financial resources provided to develop its business better than before. The Lithuanian investment is now fully financed, as is the Juva module plant. In addition, the company now has better opportunities to bring new products from the product development phase to mass production through customer pilots.

FINANCIAL DEVELOPMENT

During the first quarter of 2020, the company's financial situation and working capital situation were very tight. After the reporting period, in April – May 2020, the company signed new financing agreements totaling EUR 5.5 million and the company's financial situation improved remarkably. Valoe's financial situation is described in more detail below under FINANCING.

The acquisition of JCS SoliTek R&D's ("Solitek") solar cell 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 were transferred to Valoe in October 2019. Valoe paid the remaining part of the purchase price after the reporting period in May 2020.

In connection with the above mentioned acquisition between Valoe and BOD, Valoe issued a convertible bond of EUR 0.5 million to BOD in November 2019. EUR 0,1 million of the convertible bond principal was set off against subscription price of the new shares BOD has subscribed in the offering disclosed by the Company 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.

In November 2020, 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 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.

In February 2020, Valoe signed 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.

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'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 a 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.

More information on Valoe's financial situation can be found in the item "FINANCING".

Financial Result

The following financials include Valoe Group's operations. The figures in brackets are comparison figures for the corresponding period in 2019, unless stated otherwise.

January – March 2020:

- Valoe Group's net sales increased by 670 percent to EUR 0.3 million (In 2019: EUR 0.04 million).
- EBITDA was EUR -0.6 million (EUR -0.4 million).
- Operating profit was EUR -0.9 million (EUR -0.8 million).
- The profit before taxes was EUR -1.3 million (EUR -1.3 million).
- Profit for the period was EUR -1.3 million (EUR -1.3 million).
- Undiluted earnings per share were EUR -0.01 (EUR -0.08).

VALOE'S 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.

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 Juva from June 2020. The modules 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.

Current Status of the PARTNERS Concept:

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.

Outlook for the PARTNERS Concept:

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.

Current Status of the COMPONENTS Concept:

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.

Outlook for the COMPONENTS Concept:

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.

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 application.

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' 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 February 2020 Valoe and Winance signed a Bridge Loan Agreement of EUR 500,000. In May 2020, Valoe repaid the loan principal by converting it into the fourth convertible notes tranche of the convertible bond under the terms and conditions of the financing arrangement between Valoe and Winance announced on 20 December 2018.

During the first quarter of year 2020, the company's working capital situation was tight. After the reporting period, 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. 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.

On 22 April 2020, Valoe announced that the company 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 that will be accompanied by share subscription warrants. Under the Arrangement, Valoe issues Convertible Notes to Winance. The Convertible Notes 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 provided that the preconditions for each Tranche are met. Each Tranche may be drawn in several parts. Winance has the right to convert each Tranche into the Company's newly issued or treasury shares. In addition, Winance will receive Warrants stripped from the Convertible Notes at the drawdown of each Tranche. The Company has an obligation to draw down a minimum of two (2) Tranches of the Convertible Notes, i.e. a total minimum of EUR 1,000,000. The remainder of the Convertible Notes, a total of 4 Tranches i.e. EUR 2,000,000, may be drawn down by the Company at its discretion.

On 6 May 2020 Valoe disclosed that it has agreed on an EUR 2.5 million financing facility with NEFCO. The financing facility comprises EUR 1.25 million investment in Valoe's equity and an EUR 1.25 million loan to Valoe. Valoe shall repay the loan to NEFCO over six years in equal instalments. The maturity date of the loan is in August 2026 and there shall be no payments during the first eighteen months after the date of the Loan Agreement. The investment in the equity was done simultaneously so that NEFCO subscribed a total of 23,148,148 new shares in the Company at a subscription price of EUR 0.054 per share in the share issue disclosed by the Company on 6 May 2020.

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.

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 31 March 2020. At the end of the reporting period there was still a total of EUR 0.8 million to be withdrawn. After the end of the reporting period, Valoe withdrew half of the remaining loan i.e. EUR 0.4 million.

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.

Having these new financial facilities totaling EUR 5.5 million as well as the remaining funding from the existing financial commitments from Business Finland and Horizon 2020 HighLite project, totaling approximately EUR 1.3 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.

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 March 2020 Valoe has withdrawn a total of EUR 1,500,000 out of the financing facility. After the reporting period, Valoe repaid the EUR 500,000 principal of the short-term loan from Winance disclosed on 6 February by converting the loan principal into the fourth convertible notes tranche of the convertible bond under the terms and conditions of the financing arrangement between Valoe and Winance announced on 20 December 2018.

In order to partially execute the financing arrangement between the company and Winance disclosed on 20 December 2018, Valoe subscribed in January 2020 a total of 5,000,000 new shares and in February 2020 a total of 11,000,000 new shares on the basis of the directed share issue to the company itself without consideration resolved on 24 September 2019. In addition, Valoe subscribed in May 2020 a total of 7,750,000 new shares on the basis of the directed share issues to the company itself without consideration resolved on 15 July 2019 and 24 September 2019. 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.

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 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.

Cash flow from business operations before investments in January – March was EUR -0.5 million (EUR -0.7 million). Trade receivables at the end of the reporting period were EUR 0.1 million (EUR 0.02 million). Net financial items amounted to EUR 0.5 million (EUR 0.5 million). At the end of March, the equity ratio of Valoe Group was -26.2 percent (-60.5 %) and equity per share was EUR -0.03 (EUR -0.44). The equity ratio including capital loans was -0.3 percent (-7.8 %). At the end of the reporting period, the Group's liquid assets totaled EUR 0.1 million.

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.

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 and 2020, the main challenge for Valoe's research and development was, as the first and according to Valoe's knowledge the only company in Europe so far, to design and build a new type of solar cell plant in Vilnius. In 2019, Valoe acquired the cell plant of the Lithuanian solar cell manufacturer Solitek. For about a year, Valoe has been building a new IBC solar cell factory in Vilnius, Lithuania, utilizing Solitek's cell plant. The plant is now almost ready. Valoe expects the process to work and production of IBC cells to start 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 0.3 million (EUR 0.4 million).

INVESTMENTS

Gross investments in the continuing operations during January – March period amounted to EUR 0.2 million (EUR 0.1 million). The investments on the reporting period were mainly in equipment.

PERSONNEL

At the end of March 2020, the Group employed 32 (25) people, out of which 9 employees worked in Lithuania and the rest in Finland. During the reporting period the Group's salaries and fees totaled EUR 0.4 million (EUR 0.4 million).

SHARES AND SHAREHOLDERS

At the end of the reporting period Valoe's share capital amounted to EUR 80,000.00 and the number of shares was 134,324,388. The company has one series of shares, which confer equal rights in the company. On 31 March 2020 Valoe had in total 7,330,616 treasury shares.

The company had a total of 9,478 shareholders at the end of March 2019, and 2.6 percent of the shares were owned by foreigners. The ten largest shareholders held 49.96 percent of the company's shares on 31 March 2020.

The largest shareholders on 31 March 2020

	Shares	Percent
1 SAVCOR TECHNOLOGIES OY	13 822 766	10,3
2 GASELLI CAPITAL OY	13 098 979	9,8
3 VALOE OYJ	7 330 616	5,5
4 SAVISALO IIKKA	6 216 709	4,6
5 APTEEKKIEN ELÄKEKASSA	5 550 000	4,1
6 SCI-FINANCE OY	5 406 722	4,0
7 OLLILA JORMA	4 525 640	3,4
8 SAVCOR OY	4 384 449	3,3
9 HISINGER-JÄGERSKIÖLD EVA CONSTANCE	3 750 000	2,8
10 PUURTINEN JUKKA	3 019 411	2,2
OTHERS	67 219 096	50,0
TOTAL	134 324 388	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 March 2020, representing about 24.5 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 0.04 and 0.10 during the January – March period. The average price was EUR 0.068 and the closing price at the end of March EUR 0.045. A total of 28.4 million Valoe shares were traded at a value of EUR 1.9 million during the January – March period. The company's market capitalization at the end of March stood at EUR 6.0 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 REPORTING PERIOD

On 8 January 2020 Valoe disclosed that the company has subscribed its own shares in order to implement a part of the financing arrangement between the Company and Winance approved on 19 December 2018.

On 23 January 2020 Valoe disclosed a notice to an extraordinary general meeting to elect a new responsible auditor following the previous responsible auditor taking up a new position.

On 6 February 2020 Valoe disclosed that the company and Winance signed a short-term Bridge Loan Agreement of EUR 500,000.

On 13 February 2020 Valoe disclosed that it 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. Simultaneously, the company announced that it will postpone the disclosure of its financial statement release for 2019.

On 17 February 2020 Valoe disclosed that Valoe's extraordinary general meeting held on 17 February 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 announced 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 disclosed that it 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 it has resolved to extend 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 an announcement regarding a correction to categorization of non-current assets, and that the company has in its balance sheet transferred equipment from the development costs to Machinery and equipment, and that the adjustment will have no impact on profitability or equity.

THE MAJOR EVENTS AFTER THE REPORTING PERIOD

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.

On 7 May 2020 Valoe disclosed the auditor's report for the company's Financial Statements for 2019 of 7 May 2020. The Auditor's report includes so called emphasis of matter relating to the measurement of development costs.

On 8 May Valoe announced that the company repaid the short-term loan to Winance, issued convertible notes and warrants pursuant to the financing facilities between the company and Winance, and disclosed a conversion of convertible notes.

On 18 May 2020 Valoe disclosed the result of the offering resolved on 5 May 2020.

On 18 May 2020 Valoe announced that the company has, in order to implement the financing arrangement between the Company and Winance approved on 19 December 2018 in its entirety, resolved, on the basis of the authorization given by the annual general meeting held on 24 May 2019, to increase the number of the shares to be subscribed by Winance on the basis of the convertible notes and warrants pursuant to the Financing Arrangement by a maximum of 18,705,876 shares out of which a maximum of 17,442,384 shares can be subscribed on the basis of convertible bonds and a maximum of 1,263,492 shares on the basis of warrants. Further, the company announced that it has, on the basis of the share issues without consideration to the Company itself resolved by the company on 15 July 2019 and 24 September 2019, resolved to subscribe a total of 7,750,000 shares directed to it.

On 27 May 2020, the company disclosed that the company's first IBC cells manufactured at the company's cell plant in Lithuania have reached the set quality standards in the tests run by ISC Konstanz. The cells have been manufactured of semi-finished products provided by Valoe's technology partner ISC Konstanz. According to current estimates, Valoe will in June 2020 begin, at its solar module factory in Juva, pilot production of modules including IBC cells made at Valoe's Lithuanian plant. The first cell deliveries to customers are currently expected to begin in late summer 2020, provided the ramp-up of all production processes continues as planned and e.g. travel restrictions due to the Covid-19 virus do not prevent or delay the arrival of experts needed to start production in Vilnius.

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.

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

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. From Valoe's point of view, travel restrictions imposed by the Covid-19 pandemic, especially in Europe, have so far had biggest effects. Restrictions have already slowed down the ramp-up of the

Lithuanian cell plant. Valoe assumes that the restrictions will be removed for the most part in June 2020. Failure to do so could delay the start-up of the cell plant. At the moment, it is difficult to estimate the final effect pandemic 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 disclose 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.

In Mikkeli, 27 May 2020

Valoe Corporation

Board of Directors

Consolidated statement of comprehensive income

(unaudited)

1 000 EUR	1-3/2020	1-3/2019	1-12/2019
Net sales	331	43	328
Cost of sales	-525	-200	-1 147
Gross profit	-194	-157	-818
Other operating income	0	0	177
Product development expenses	-316	-381	-1 873
Sales and marketing expenses	-117	-122	-467
Administrative expenses	-229	-178	-649
Other operating expenses	0	0	-45
Operating profit	-857	-839	-3 674
Financial income	0	0	0
Financial expenses	-466	-499	-2 097
Profit before taxes	-1 323	-1 338	-5 771
Income taxes	0	0	0
Profit/loss for the period	-1 323	-1 338	-5 771
Profit/loss attributable to:			
Shareholders of the parent company	-1 323	-1 338	-5 771
Earnings/share (basic), eur	-0,01	-0,08	-0,14
Earnings/share (diluted), eur	-0,01	-0,08	-0,14
Total comprehensive income for the period	-1 323	-1 338	-5 771
Total comprehensive income attributable to:			
Shareholders of the parent company	-1 323	-1 338	-5 771

Consolidated statement of financial position

(unaudited)

1 000 EUR	31.3.2020	Adjusted 31.3.2019	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment	9 102	4 630	8 996
Consolidated goodwill	441	441	441
Other intangible assets	4 167	5 016	4 325
Available-for-sale investment	9	9	9
Non-current receivables	672	672	672
Total non-current assets	14 391	10 769	14 443
Current assets			
Inventories	876	823	833
Trade and other non-interest-bearing receivables	513	732	429
Cash and cash equivalents	121	66	7
Total current assets	1 510	1 622	1 268
Total assets	15 901	12 391	15 712
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	80	80	80
Other reserves	21 724	11 886	21 243
Retained earnings	-25 929	-19 456	-24 607
Total equity	-4 125	-7 490	-3 284
Non-current liabilities			
Non-current loans	5 013	5 207	4 934
Other non-current liabilities	4 082	6 518	4 013
Other non-current liabilities	611	479	686
Total non-current liabilities	9 706	12 204	9 632
Current liabilities			
Current interest-bearing liabilities	3 737	2 959	3 723
Trade and other payables	6 334	4 335	5 391
Current provisions	249	307	249
Total current liabilities	10 321	7 602	9 363
Liabilities directly associated with assets classified as held for sale	0	75	0
Total liabilities	20 026	19 881	18 995
Equity and liabilities total	15 901	12 391	15 712

Valoe recategorizes 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 31 March 2019 reducing product development costs by EUR 3.8 million and increases the value of machinery and equipment by EUR 3.8 million, respectively. The cumulative effect of the adjustment for the financial year 2019 is EUR 4.1 million.

Consolidated statement of cash flows

(unaudited)

1 000 EUR	1-3/2020	1-3/2019	1-12/2019
Cash flow from operating activities			
Income statement profit/loss before taxes	-1 323	-1 338	-5 771
Non-monetary items adjusted on income statement			
Depreciation and impairment	+ 291	429	1 699
Unrealized exchange rate gains (-) and losses (+)	+/- -1	1	2
Other non-cash transactions	+/- -150	-83	-130
Change in provisions	+/- 0	0	-58
Financial income and expense	+ 467	499	2 095
Total cash flow before change in working capital	-715	-493	-2 163
Change in working capital			
Increase (-) / decrease (+) in inventories	-43	-164	-56
Increase (-) / decrease (+) in trade and other receivables	-169	-89	17
Increase (+) / decrease (-) in trade and other payables	456	149	-136
Change in working capital	244	-104	-174
Adjustment of financial items and taxes to cash-based accounting			
Interest paid	-	14	97
Other financial items	-	16	0
Financial items and taxes	-30	-97	193
NET CASH FLOW FROM BUSINESS OPERATIONS	-502	-694	-2 144
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-	258	219
Grants received	+	483	0
NET CASH FLOW FROM INVESTMENTS	226	-219	-3 090
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	+	0	0
Financing arrangement with Bracknor Investment	+	0	0
Proceeds from non-current borrowings	+	0	960
Proceeds from current borrowings	+	971	310
Repayment of current borrowings	-	581	271
NET CASH FLOW FROM FINANCING ACTIVITIES	390	998	5 219
INCREASE (+) OR DECREASE (-) IN CASH FLOW	114	85	-15

Consolidated statement of changes in equity

(unaudited)

1 000 EUR	Share capital	Distributable non- restricted equity fund	Retained earnings	Total equity
31.12.2019	80	21 243	-24 607	-3 284
Profit/loss for the period	-	-	-1 323	-1 323
Translation difference, comprehensive income	-	-	0	0
Transactions with owners:				
Sale of own shares				
Bracknor Investment and Winance	0	481	0	481
31.3.2020	80	21 724	-25 929	-4 125

1 000 EUR	Share capital	Distributable non- restricted equity fund	Retained earnings	Total equity
31.12.2018	80	11 804	-18 927	-7 044
Profit/loss for the period	-	-	-1 338	-1 338
Translation difference, comprehensive income	-	-	0	0
Transactions with owners:				
Sale of own shares				
Bracknor Investment	0	82	0	82
Share issue	0	0		0
Own equity component of the convertible bond	0	0	810	810
31.3.2019	80	11 886	-19 456	-7 490

Key figures

(unaudited)

1 000 EUR	1-3/2020	1-3/2019	1-12/2019
Net sales	331	43	328
Operating profit	-857	-839	-3 674
% of net sales	-258,8 %	-1963,2 %	-1118,9 %
EBITDA	-565	-410	-1 975
% of net sales	-170,9 %	-960,1 %	-601,4 %
Profit before taxes	-1 323	-1 338	-5 771
% of net sales	-399,6 %	-3132,2 %	-1757,4 %
Balance Sheet value	15 901	12 391	15 712
Equity ratio, %	-26,2 %	-60,5 %	-21,1 %
Net gearing, %	neg.	neg.	neg.
Gross investments	239	134	4 767
% of net sales	72,3 %	314,1 %	1451,8 %
Research and development costs	316	381	1 873
% of net sales	95,6 %	892,7 %	570,3 %
Order book	17 353	15 782	17 187
includes Ethiopia	15 834	15 834	15 834
Personnel on average	32	25	26
Personnel at the end of the period	32	25	32
Non-interest-bearing liabilities	6 334	4 410	5 391
Interest-bearing liabilities	13 443	15 164	13 355
Share key indicators			
Earnings/share (basic)	-0,01	-0,08	-0,14
Earnings/share (diluted)	-0,01	-0,08	-0,14
Equity/share	-0,03	-0,44	-0,08
P/E ratio	-4,32	-4,61	-0,69
Highest price	0,103	0,80	0,80
Lowest price	0,041	0,13	0,07
Average price	0,068	0,30	0,15
Closing price	0,045	0,36	0,10
Market capitalisation, at the end of the period, MEUR	6,0	6,2	6,0

Calculation of Key Figures

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

Related party transactions

(unaudited)

The Group has sold and purchased goods and services from companies in which the majority holding and/or power of decision granting control of the company is held by members of the Group's related parties. Sales of goods and services carried out with related parties are based on market prices.

The Group entered into the following transactions with related parties:

1 000 EUR	1-3/2020	1-3/2019	1-12/2019
Sales of goods and services			
Savcor Oy - production services	0	0	3
Total	0	0	3
Purchases of goods and services			
SCI Invest Oy - rent	12	12	48
Basso J., business management services in Lithuania	49	0	0
SCI-Finance Oy - marketing and administration services	11	16	59
Savcor Technologies Oy - marketing and admin services	21	22	61
Savcor Oy - financial management services	2	1	8
Oy Marville Ab - legal services	0	6	8
Total	97	57	183
Interest expenses and other financial expenses			
SCI-Finance Oy	42	19	112
Savcor Technologies Oy	42	82	292
Savcor Oy	4	6	28
Others	18	42	137
Total	107	149	569
Non-current convertible subordinated loan from related parties	415	2 461	415
Non-current other subordinated loan from related parties	1 160	2 011	1 160
Other current liabilities to related parties	486	718	565
Current interest payable to related parties	494	743	429
Trade payables and other non-interest-bearing liabilities to related parties	585	361	468
Trade and other current receivables from related parties	14	22	14

Savcor Face Ltd, Savcor Technologies Oy, Savcor Oy and SCI-Finance Oy are companies under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board.

SCI Invest Oy is a company under control of Iikka Savisalo, Valoe's CEO.

Oy Marville Ab is a company under control of Ville Parpola, Valoe's Vice chairman of the Board.

1 000 EUR	1-3/2020	1-3/2019	1-12/2019
Wages and remuneration			
Salaries of the management and Board	121	120	491
Stock option scheme 2015 / IFRS 2 booking	0	0	0

Fair values

(unaudited)

1 000 EUR	Carrying amount 31.3.2020	Fair value 31.3.2020
Financial assets		
Available-for-sale investments	9	9
Trade and other receivables	513	513
Cash and cash equivalents	121	121
Financial liabilities		
R&D loan, non-current	5 013	5 013
Non-current subordinated loan	4 082	4 082
Other non-current liabilities	611	611
Convertible bond, current	540	540
Loans from financial institutions, current	1 050	1 050
R&D loan, current	495	495
Other loans, current	756	756
Other liabilities, current	896	896
Trade payables and other non-interest-bearing liabilities	3 464	3 464

The fair value of non-current liabilities is expected to correspond to the carrying amount and recognized to their fair value when recorded. There has been no significant change in common interest rate after the withdrawal of the loans.

Other non-current and other current liabilities include EUR 1.1 million of liabilities arising from the IFRS 16 standard.

EUR 4.0 million out of trade payables, other current liabilities and accruals was overdue at the end of the reporting period. In addition, convertible bonds of EUR 0,54 million were overdue.

Change in intangible and tangible assets

(unaudited)

1 000 EUR	31.3.2020	31.3.2019	31.12.2019
Includes tangible assets, consolidated goodwill and other intangible assets			
Carrying amount, beginning of period	13 762	10 381	10 381
Depreciation and impairment	-291	-429	-1 699
Acquisition of a subsidiary	0	0	3 433
Additions	239	134	998
Adoption of a new Standard (IFRS 16)	0	0	649
Carrying amount, end of period	13 710	10 087	13 762

The assets and liabilities of the contracts have been recognized in IFRS 16 leases and properties at the date of transition 1 Jan 2019.

Commitments and contingent liabilities

(unaudited)

1 000 EUR	31.3.2020	31.3.2019	31.12.2019
Assets pledged for the company			
Loans from financial institutions	450	475	450
Other liabilities	281	281	281
Promissory notes secured by pledge	4 700	3 355	4 700
Operating lease liabilities			
Payable within one year	461	265	461
Payable over one year	895	476	895