

Valoe Corporation Business Review January – March 2021

THE FIRST QUARTER OF 2021

- In January – March 2021, the net sales of Valoe Group, under the IFRS standards, were EUR about 0.3 million (in 2020 EUR 0.3 million). The EBIT was ca. EUR -1.4 million (EUR -0.9 million), the profit for the period was ca. EUR -1.8 million (EUR -1.3 million). The EBITDA was about EUR -1.1 million (EUR -0.6 million). At the end of the reporting period, Valoe Group’s equity ratio including capital loans was 18.5 percent (-0.3 %).
- In January 2021, the company issued a convertible bond of EUR 3.4 million, which was oversubscribed. The company raised new funding of a total of EUR 2.4 million through the convertible bond, and the indebtedness of the company decreased in total by EUR 1.0 million.
- Interest in Valoe's OddForm technology is growing. After the end of the review period, we signed two cooperation agreements for utilizing photovoltaics in vehicles: In April 2021, we signed about EUR 2.2 million development agreement with Sono Motors GmbH (“Sono Motors”; www.sonomotors.com), and in May 2021, an agreement with Sin Cars Industry JSC (“Sin Cars”; sincars.co.uk) for the development, prototyping, and production of a vehicle integrated PV system. The system will first be introduced in L CITY electric vehicles designed for deliveries in city centers. Sin Cars and L CITY estimate to sell up to 20000 vehicles until 2026. At the beginning, the value of the Agreement is approximately EUR 60,000. The estimated price of a VIPV system for one vehicle when in mass production is agreed to be EUR 2,000 - 4,000 depending on the model of the vehicle.

	1-3/2021	1-3/2020	1-12/2020
Net Sales	268	331	1,621
Operating Profit	-1,438	-857	-3,277
EBITDA	-1,108	-565	-1,863
Profit for the Period	-1,830	-1,323	-4,922

VALOE’S FUTURE OUTLOOK

Market Guidance

The company’s market outlook remains unchanged as follows: Valoe aims for growth in the financial year 2021. The restrictions and other effects of the coronavirus pandemic make it challenging to assess the market situation, and thus the company does not provide guidance for its net sales for 2021. As disclosed on 10 November 2021, the company estimates that the Valoe Group’s operating cash flow will turn positive on a monthly basis during the second quarter of 2021, provided that COVID-19 does not, directly or indirectly, further delay the start of mass production of solar cells at the Lithuanian plant and the beginning of full-scale deliveries.

Events during and after the Reporting Period

- Customer activity was brisk.
- Interest in Valoe's OddForm technology grew.
- The collaboration with Sono Motors has deepened with the new EUR 2,2 million co-operation agreement.
- Valoe's cell plant in Lithuania has been ramped up. However, production volumes are still too low. We increase volumes as soon as the cell quality reaches the set targets.
- Our R&D staff and operators at the Lithuanian plant have been very successful in starting up the plant, given that technical support has not been available almost always when needed due to Covid-19 travel restrictions, and that the pandemic has at times caused a shortage of essential materials and services.

Markets

Since the end of last year, the prices of raw materials, including silicon wafers which are the essential ones for Valoe, have continued rising. Due to silicon wafers' rising prices and continued strong demand, the prices of other manufacturers' conventional solar modules rise for the first time in years. We believe that rising prices will limit the availability of solar panels, at least in small markets such as Finland, and improve our competitiveness in the Finnish conventional solar panel markets.

In our view, the rising prices will not harm our OddForm module business. However, when we sell IBC cells to third parties for their conventional solar panels, we must pass on the price increase of silicon wafers to the cell prices.

In its Financial Statement Release of 24 February 2021, Valoe disclosed that in summer 2019 the company signed a supply agreement with a US customer, and that Valoe and the customer negotiate the way and schedule by which deliveries can begin. Now, Valoe updates the situation as follows: Negotiations with the customer continue but due to the above-mentioned increase in wafer prices the previously agreed prices must be raised. We constantly discuss deliveries, delivery methods, and prices with the customer. We still believe that after the cell production at the Lithuanian plant reaches its quantity and quality targets with competitive prices, we can reach an agreement to start deliveries. Even if no agreement is reached the need for IBC cells in our OddForm modules is growing, and we can use a significant part of Lithuanian cells in our further developed and higher-margin applications.

New Development at the Juva Solar Module Plant

During the review period, Valoe has used many resources to expand and reorganize the production of the Juva module plant. We closed the Chrome II module production at the end of the 2020 fiscal year as planned. The production of the next module generation, i.e., IBC cell based Chrystal module, required modifications and equipment modernization at the Juva factory. Thus, mass production has not commenced. According to the current plan, we will begin Chrystal module deliveries in the second quarter of the financial year.

In the second quarter of the financial year, we will implement an entirely new HAMA production line for solar module production at the Juva plant. The new HAMA production line is designed and manufactured by Valoe. With the new production line, we can manufacture conventional solar modules as well as

OddForm modules. In addition, the HAMA line will serve as a test platform for several future technology concepts.

Vehicle-Integrated Photovoltaic

The global market for automotive-related photovoltaic solutions is still small, but it is estimated to grow rapidly. According to a research carried out by Allied Market Research in 2020, the global solar-powered vehicle market is expected to be USD 330 million in 2023 and is projected to reach USD 4,088 million by 2030, registering an annual growth rate of 43.3%. Our OddForm modules are ideally suited to this market, and the company aims to be a significant technology supplier in this very fast-growing market. The co-operation agreements with Sono Motors and Sin Cars are a good start.

Photovoltaic Solutions for Space Technology

The solar modules used in satellites have based on a similar conductive back sheet in which Valoe specializes. In the near future, the photovoltaic market related to space technology will significantly grow due to constellation satellites. Solar panels, as a power source, will be one of the most important components of satellites. We are interested in applying photovoltaic applications for space technology and we have already established some cooperation with leading space companies. Our future goal is to provide a solar modules and cell to be used in constellation satellites.

MANAGING DIRECTOR IIKKA SAVISALO:

“During the reporting period, Valoe’s net sales originated from production development with Sono Motors, other development projects, and individual solar power plant deliveries in Finland.

According to current estimates, the company has sufficient financing until the operating cash flow turns positive on a monthly basis. Although the start of cell deliveries and deliveries of Chrystal panels have been delayed, we still believe that the operating cash flow will turn positive on a monthly basis during the second quarter of 2021. However, we cannot afford to delay the estimated cash flows.

The deepening development cooperation with Sono Motors and the good demand for OddForm modules have a positive effect on the cash flow.

During this financial year, we have received several orders for development work related to OddForm modules. We develop photovoltaic applications for vehicles and interesting agricultural applications for our customers. Vehicle-integrated photovoltaic systems may become one of our breakthrough products.

We are already operating primarily in the international market. I believe that our future success will depend on how well we manage to convince our demanding clients of our skills and abilities. Many of our clients are international conglomerates who review us only by the outcome, which presents tough challenges to us. I know that challenges can only be met by setting goals correctly. Our sales, product development, and production must work with ambition, aiming to improve the result of our work continuously.”

Risks and Uncertainties: The COVID-19 Pandemic Can Further Delay Cash Flows and Increase Risks

Valoe's business is strongly focused on international markets. There is currently a great deal of uncertainty about the future due to the unpredictability of the COVID-19 pandemic and related restrictions.

Valoe's financial situation involves significant risks. Although the company's financial position has improved, we cannot afford to delay the estimated cash flows. Valoe's cash position will remain tight until the cash flow from operating activities turns permanently positive.

Certain statements in this Business Review, market guidance, 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 the general financial situation or business environment.

These and other risks have been described in detail in the company's Financial Statement Release of 24 February 2021 and Annual Report disclosed on 22 April 2021 and are available on the company's web pages www.valoe.fi.

In Mikkeli 18 May 2021

Valoe Corporation

Board of Directors