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Valoe Corporation Business Review January – March 2023

THE FIRST QUARTER OF 2023

In January - March 2023, the net sales of Valoe Group, under the IFRS standards, were EUR about 0.4 million (in 2022 EUR 0.5 million). The EBITDA was about EUR -0.9 million (EUR -0.6 million), the EBIT was ca. EUR -1.3 million (EUR -1.0 million), and the profit for the period was ca. EUR -1.9 million (EUR -1.6 million). At the end of the reporting period, Valoe Group's equity ratio including capital loans was -14,7 percent (4.4 %).

Sono Motors' Sion Project Was Suddenly Cancelled

In the first quarter of the year, the development cooperation on Sono Motors' Sion car project, which lasted for several years and aimed at mass production, ended after Sono Motors unexpectedly announced in February 2023 that it would cancel the project. The surprising end of the project caused and still causes difficulties in arranging financing. Had the Sion project continued, Valoe's financing and cash flow would have been largely in order, at least throughout 2023.

We were preparing for the start of mass production of Sion, Sono Motors' solar electric car, which employed a large part of our staff at the Juva module factory and the Vilnius cell factory. After the project was cancelled, we adjusted our operations and human resources to the changed situation. As a result, we introduced temporary layoffs for our staff, for a maximum period of 90 days. The layoffs were implemented to maintain the company's production and operational capacity all the time. The first layoffs started after the end of the reporting period, at the beginning of April, and their impact will be seen in the second quarter of the current financial year.

We Received New Orders

We have received several new orders, e.g., from the established automotive industry for photovoltaic applications which have been the focus of our sales for some time. Existing customers have been pleased with our cooperation and have placed new follow-up orders. We have commenced several new cooperation projects with significant potential. In these projects, our aim is to be closely involved in the product development of the application, then in the industrialisation phase, and finally in mass production.

At the beginning of the reporting period, we made a breakthrough. We signed a contract with a Dutch TIP Group for integrating Valoe solar systems onto refrigerated trailers managed by TIP. The intention of the contract is to equip hundreds of trailers by the end of 2025. The value of the agreement is approx. 20 M€ by the end of 2025, provided the mutually accepted KPIs are met. The first solar-powered trailer with Valoe's solar application will be delivered to TIP in May. The trailer operated by Frigoscandia between Finland and southern Europe collects important data for the start of mass production of solar-powered trailers.

The first phase of the development collaboration with Simoldes Plásticos S.A. was completed at the end of 2022. In March 2023, we agreed to extend the cooperation agreement to a second phase, in which Valoe designs, develops and manufactures a solar car roof prototype for Stellantis. In May 2023, we received a new order from Simoldes for building a prototype of a polymer-based solar window for a Stellantis passenger vehicle. The new window will provide electricity to extend the range and to support electronic devices such as air conditioning and infotainment. We expect the project to lead to significant income in 2024 and onwards.

After the reporting period, we received an order from a US company operating in the military and space industries to collaborate on the development and prototyping of a photovoltaic application. In terms of value, the order is equivalent to early-stage development projects Valoe has previously received and will not significantly impact Valoe's revenue or profit in 2023. However, Valoe expects the development cooperation to continue after the first phase. In such a case, the collaboration would generate monetary value from 2024 onwards.

After the reporting period, we received an order from another remarkable global supply chain provider. The company placed an order for a market study about the residential solar market and has an interest in using Valoe's technology and the company´s European manufacturing capacity to provide high-end solar PV products, perfectly finished to the highest standards and performance. In terms of value, the order is equivalent to a typical market survey in the industry and will not have a significant impact on Valoe's revenue or profit in 2023.

Financing, Working Capital and Profit

In January 2023, we, based on the share issue without consideration to the company itself resolved by the company on 21 September 2022, subscribed a total of 30,000,000 new shares directed to it. The share subscription is conducted to implement a part of the company's financing arrangements. The new shares were registered in the trade register on 1 February 2023 and listed on the stock exchange list of Nasdaq Helsinki Ltd on 3 February 2023. After the registration of the new shares in the trade register, the total number of the shares in the company is 448,359,195 shares.

The working capital situation continued tight throughout the reporting period. In February 2023, we signed a convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 5,000,000 in convertible loan notes that will be accompanied by share subscription warrants. The funding is used as working capital and to pay down part of the debt to Riverfort Global Opportunities Pcc Limited. Valoe has an obligation to draw down the first Tranche of EUR 2,000,000 and a minimum of two sequential Tranches of the Convertible Notes, i.e., a total minimum of EUR 3,000,000. The remainder of the Convertible Notes, a total of four Tranches of EUR500,000 totalling EUR 2,000,000, may be drawn down by the Company at its discretion. By the date of this Report, Valoe has withdrawn a total of EUR 2.5 million, part of which has been used to pay down the debt to Riverfort.

	1-3/2023	**1-3/2022**	**1-12/2022**
Net Sales	412	466	1 305
EBITDA	-905	-626	-3 877
Operating Profit	-1 320	-1 049	-5 587
Profit for the Period	-1 871	-1 571	-7 668

VALOE'S FUTURE OUTLOOK

Market Guidance

Following Sono Motors GmbH's (Sono) announcement on 24 February 2023 that it will discontinue its solar electric car project, Sion, the mass production agreement between Valoe and Sono will not be signed. The agreement would have generated a major part of Valoe's turnover in 2023.

At the time of this Report, Valoe is negotiating several other supply contracts. Negotiations are continuing. Thus, Valoe does not yet disclose any guidance for 2023. Once the ongoing negotiations are closed, Valoe will publish market guidance on turnover and profit for 2023.

Markets

The sharp rise in the prices of the most important raw materials used by Valoe seems to level off. However, logistics problems in supply chains caused by the war in Ukraine and the Covid-19 pandemic continue to hinder operations.

In Europe, investments in solar energy are growing. The EU emphasized the importance of solar energy by investing heavily in photovoltaic applications. In May 2022, the EU granted funding for the IBC4EU research project which also Valoe and Valoe Cells participate. Our companies receive a grant of a total of EUR 2.2 million to implement the project.

The interest in vehicle-integrated solar applications increased. In the EU's solar strategy published on 18 May 2022, the EU designated vehicle-integrated solar applications as one of the focus areas in the coming years. Thanks to years of development of our OddForm® components, we feel we are in a good position now as solar electrification of vehicles is now really starting.

Strategy

We have defined that our strategy is based on the vision that solar energy will be the best solution to meet the world's energy needs in the future.

We have chosen the VIPV, Vehicle Integrated Photovoltaic, as our most important application. We compete in global markets. Our goal is to be among the world's leading suppliers.

We also follow the global development of photovoltaic applications outside the VIPV business and adapt applicable technologies to our product concepts. Our solutions are mainly based on our technologies, which we have developed with leading experts and research institutes. Valoe is already involved in the second major EU-funded project run by a consortium and aimed at developing future solar energy technologies. In the new project, Valoe is again cooperating with the major European research institutes and solar energy companies, above all with ISC Konstanz, to develop Valoe's IBC cell technology.

We are looking for clients with large, long-term projects, where we can reproduce and process the lessons learned into products. We are having a good start with a number of high-profile projects that fit well with our strategy. We have disclosed potential projects at an early stage whenever we see significant near-term financial opportunities.

MANAGING DIRECTOR'S REPORT

During the first quarter, our high growth expectations for 2023 were hit hard when Sono Motors announced the immediate cancellation of the Sion solar electric car project. As a result, we introduced immediate cost savings by laying off all our staff. The temporary layoffs are implemented so that our delivery capacity is not materially affected. Valoe and Sono Motors have been collaborating for more than three years to develop the solar panel system for the Sion. Sono Motors has announced that it is looking for a buyer for the Sion project. If Sono Motors is able to sell the project, our work with the project's successor will start again. However, a quick sale of the Sion project is by no means certain.

During the Sion project, we received a lot of positive publicity worldwide, and the interest in our expertise grew all the time. We are already involved in a number of different vehicle projects, the most significant and advanced of which is the collaboration with Simoldes Plásticos S.A. for Stellantis. The project started in December 2021 and has now progressed to the third phase. If our project proceeds as planned, our product could be included in a well-known car brand's volume model entering mass production in 2025. If the plans move on schedule, our turnover will grow already in the 2024 financial year, when the customer's investments for mass production will begin at the latest.

In the first quarter of 2023, we designed and built the first photovoltaic system for TIP Group's temperature-controlled trailer. When writing this Report, the system is in the testing phase and is scheduled to be delivered to the customer in May. If all goes according to plan, we will have our share of the big job: TIP's goal is to electrify all of its 16,000 trailers.

We are happy to see that one of our first light vehicle customers, Clean Motion, a Swedish company, is about to start the pre-series production, preceding mass production, for its EVIG vehicle. Valoe's well-functioning solar roof is ready for series production.

The market interest in vehicle-integrated photovoltaics is high. During the financial year, in addition to the separately announced projects, we have received several small orders from major automotive industry suppliers for prototypes, aiming for mass production in the coming years.

For Valoe's customers, the journey from the first prototype to mass production is long and complex. All companies offering new technologies, especially in the automotive industry but also elsewhere, have to follow the same long path of testing and approvals. For this reason, our sales and prototyping team must have enough new and potential projects as work in progress. According to our knowledge, we are currently involved in most of the vehicle-integrated photovoltaic projects underway in Europe and negotiating many new ones. We expect the number and size of projects to continue to grow already in the current financial year. Our work towards IATF 16949 certification for the automotive industry has progressed well, and our goal of obtaining the certificate before the end of the 2023 financial year seems realistic. IATF 16949 is often required for the mass production of automotive components, and thus securing certification is a significant competitive advantage over most potential competitors.

We are preparing to deploy all the capacity already invested in Lithuania. Interest in the IBC cell is strong. However, at the moment, we do not offer our cells as a mass product to third parties but strive to develop our cells for solutions with high added value. Based on our customers' forecasts, the current capacity will be needed for existing projects. This year, already before we have secured mass production agreements, we aim to agree on binding capacity reservations for the Lithuanian cell factory for the coming years.

We have noticed that major European companies are interested in the results of our long and determined development work. Our non-mainstream, European IBC and back contact technology is in line with the current trends in Europe. The objective is to increase the manufacturing capacity for solar energy

technology, which has almost disappeared from the continent, to meet the needs of Europe's energy reform. We must be able to utilise these developments.

Our biggest challenge is still the financing of our operations. However, the cancellation of Sono Motors' Sion project, which was unfortunate in many ways, significantly reduced our funding needs for 2023. Our vertically integrated technology organisation is expensive, although we have taken steps to control our overheads. Despite these measures, our cash flow remains negative. For the time being, we need continuous funding to sustain our operations. We are constantly looking for a financing solution to secure sufficient resources to ensure required resources for bringing our projects to the point where our cash flow turns positive.

RISKS AND UNCERTAINTIES

Our business growth expectations are based on existing and new development projects to supply photovoltaic applications, particularly for transport and the industrialization of the projects.

The rapid growth of our new market and growth-related investments will significantly increase our financing needs. Securing sufficient funding involves significant risks, and the lack of long-term and sufficient financing can limit our growth.

The consequences of the effects of the war in Ukraine and related sanctions on global supply chains and logistics together with rising raw material and energy prices hamper our solar module production. As the global demand starts to increase, the shortage of components, difficulties in the supply of certain raw materials and increasing prices hinder our operations. We aim to pass on higher purchasing costs to our customer prices. If we fail to do so, the increase in prices may have a negative effect on our profitability and financial situation. The shortage of components could delay the increase in production capacity at the module factory in Juva as well as at the cell plant in Lithuania.

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 estimates. 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 Annual Report disclosed on 27 April 2023 which is available on the company’s web page www.valoe.com.

In Mikkeli 23 May 2023

Valoe Corporation

Board of Directors

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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. Valoe's head office is located in Mikkeli, Finland.