

Valoe Corporation Business Review January – September 2023

THE THIRD QUARTER OF 2023 IN BRIEF

Financial Situation

In July - September 2023, the net sales of Valoe Group, under the IFRS standards, were EUR about 0.2 million (in 2022 EUR 0.4 million). The EBITDA was about EUR -0.8 million (EUR -0.8 million), the EBIT was ca. EUR -1.3 million (EUR -1.3 million), and the profit for the period was ca. EUR -2.1 million (EUR -1.7 million).

In January - September 2023, the net sales of Valoe Group, under the IFRS standards, were EUR about 1.1 million (in 2022 EUR 0.9 million). The EBITDA was about EUR -2.4 million (EUR -2.7 million), the EBIT was ca. EUR -3.7 million (EUR -3.9 million), and the profit for the period was ca. EUR -5.3 million (EUR -5.3 million). At the end of the reporting period, Valoe Group's equity ratio including capital loans was -26.9 percent (-3.8 %).

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	185	423	1 095	917	1 305
EBITDA	-843	-832	-2 376	-2 651	-3 877
Operating profit	-1 271	-1 255	-3 650	-3 920	-5 587
Profit for the period	-2 083	-1 680	-5 308	-5 331	-7 668

The working capital situation tightened further during the reporting period. To improve the situation, in July 2023 we issued a convertible bond of max EUR 0.6 million (Convertible Bond 1/2023). The maximum loan amount of the Convertible Bond 1/2023 was first increased to EUR 1.0 million on 15 August 2023 and again to EUR 3.0 million after the reporting period, on 3 November 2023. Unless the subscription period of the Convertible Bond 1/2023 is not extended, it will end on 17 November 2023.

In August 2023, we initiated the change negotiations with an outcome where Valoe resolved to adjust its operations by temporarily laying off part of its staff mainly for a maximum of 90 days. The layoffs will be implemented in a way that maintains the company's production and operational capacity as well as the ability to manufacture the current production demand from the company's customers and also to ensure potential new orders.

During the reporting period, the company decided on two share issues to the company itself without consideration. The third share issue to the company itself without consideration was conducted after the end of the reporting period at the end of October 2023. On 3 August 2023, the company resolved to subscribe a total of 25,000,000 new shares directed to it on the basis of the share issue without consideration to the company itself resolved by the company on 30 May 2023. On 21 September 2023, the company resolved on

a share issue of a total of 19,000,000 new shares to the company itself without consideration and subscribed all shares directed to it. After the reporting period, in a share issue resolved in October 2023, the company subscribed for 29,000,000 new shares. After the above-mentioned share issues, the total number of the shares in the Company was 621,859,607 shares.

On 17 August 2023, the Financial Supervisory Authority approved the registration document as well as the securities note and the summary, which together form the Prospectus relating to admission to trading of in total 85,250,206 shares in the company. The Prospectus has been published on Valoe's website www.valoe.fi/julkaisut on 17 August 2023.

Option Scheme for the Board of Directors

In accordance with the decision and authorisation of the Annual General Meeting held in May 2023, we resolved on the terms of option scheme for the Board of Directors. The terms have been disclosed in a stock exchange release on 20 July 2023. A total of 15,000,000 stock options were issued without consideration to the Chairman of the Board of Directors, and 15,000,000 stock options were issued to the members of the Board of Directors, 7,500,000 options per Board member. The eligible recipients of the stock options subscribed for all the stock options offered to them, and the Board of Directors approved all the subscriptions made. The stock options may be exercised, i.e., the shares may be subscribed for, only if the company's operating cash flow in the fourth quarter of the financial year 2023 is positive.

New Management Team

In July 2023, we expanded the expertise of our Management Team and appointed Tuukka Savisalo, CTO; Teemu Pulkkinen, who is responsible for Valoe's solar module systems and the OddForm® business; and Matts Kempe, who is responsible for the sales and marketing at Valoe, to the Management Team. CEO Iikka Savisalo, Chairman of the Management Team; CFO Seija Kurki; and Senior Vice President Jose Basso, who is responsible for Valoe's solar cell business, continue in the Management Team.

R&D

The cornerstones of our strategy are product development and in particular the development of innovative photovoltaic applications for vehicles. In August 2023, we disclosed that we are one of the partners in the EU's new project called GIANTS (Green Intelligent Affordable Nano Transport Solutions) aiming at developing affordable light electric vehicles suited for urban traffic solutions. A new EU GIANTS project to develop light electric vehicles for global urban mobility. Among others, Toyota, Renault, Valeo and Valoe's customer Clean Motion are also involved in the project. Valoe's task is to develop the efficiency, cost competitiveness and technological standard of the integrated solar panel system to enable the use of solar power in L-Class vehicles. The project aims to make a vehicle that is mainly independent of the electricity grid. The platform designed in the project will be demonstrated and validated in two cases, one for advanced markets and one low-cost solution for the emerging market. The GIANTS project will last 3.5 years and have a cost budget of EUR 15 million, of which EUR 12 million will be provided by a grant. Valoe's and Valoe Cells' total share of the grant is approximately EUR 0.45 million.

Extraordinary General Meeting

Valoe's Extraordinary General Meeting was held after the reporting period, on 27 October 2023. The General Meeting resolved on a reverse share split and thereto related directed share issue without consideration, redemption of shares and cancellation of shares. After these measures, the new number of

shares in the Company is 3,116,630. The new number of shares was registered with the Trade Register maintained by the Finnish Patent and Registration Office on 31 October 2023, and trading with the merged shares commenced on 1 November 2023 with a new ISIN code FI4000561576. Valoe's trading code VALOE remained the same.

THE MANAGING DIRECTOR'S REPORT

After Sono Motors cancelled its Sion car project in early 2023, Valoe's outlook for 2023 changed. The positive cash flow projected for the rest of the year did not materialise and the company had to adjust its operations to the new situation. Besides the Sion car project, Sono Motors has been an important product development customer for Valoe. The product development projects paid for by Sono Motors have provided Valoe with cash flow for several years. In these projects, we have also been able to develop our capacity for other automotive projects as well. At present, it seems clear that the Sion project will go down in history as an innovative concept car that will not be seen on the road despite good pre-sales.

However, Valoe's prominent role in the Sion project and the general interest in using solar energy in transport and other new applications has generated several interesting projects with established vehicle manufacturers and their supply chains. According to our view, photovoltaic solutions will most likely be part of the standard technology offering in the automotive industry in the coming years. Valoe has a good chance of achieving a significant market share in this still tiny but strongly growing market. Valoe's OddForm® technology and the IBC solar cell enable flexible, visual, and industrially feasible solutions that cannot be achieved with traditional solar panel technology.

However, in 2023, Valoe has had insufficient financial resources to develop such business that would enable us to achieve our future market share target. Instead of building a solid business, we had to focus on raising short-term financing and ensuring business continuity. Perhaps the most important of our tasks is to build financing facility base that allows our business to continue in an orderly manner until projects still in the product development phase turn cash positive. According to the current view, a positive cash flow could be achieved in the last quarter of the 2024 financial year.

Solar Energy and Vehicles

Valoe is currently working on several projects aimed at establishing a new industrial way of integrating solar energy into vehicles. In the first phase, we will see glass or polymer based photovoltaic roofing solutions. Such vehicles have already been introduced, and we expect the major automotive brands to introduce several car models including solar roofs in 2025 and 2026. In the next phase, vehicle windows and other suitable surfaces such as the hood will also be used for solar integration. Valoe is developing a solution for its customer where a solar panel is integrated into the car's rear window. Valoe's direct customers are expected to be the established Tier 1 suppliers in the automotive industry. Valoe has also made significant progress in protecting the intellectual property rights of its technology. In the future, patents may significantly improve the company's ability to maintain its position as competition in the sector becomes more intense.

Solar Energy and Refrigerated Transport

One of Valoe's most potential ongoing projects is a pilot project with TIP Group to replace diesel energy used to cool refrigerated trailers with solar power. Based on current experience, Valoe believes it can achieve a fossil-free operating range of 8-10 hours under good conditions. This could result in annual diesel savings of up to 10,000-12,000 litres per each trailer with a solar system.

Integrating photovoltaic systems into refrigerated trailers is a demanding task. The amounts of electricity required are sometimes very high, and the operating environment sets out many unexpected requirements on the system. Trailers travel all over Europe and operate in a wide range of environments, including ships. The constant change of tractor units and drivers also creates challenges for the introduction and training of new systems. Systems must operate reliably in all these changing conditions. While developing the right system is a demanding task, it also creates a very high threshold for competition. We therefore believe that, once the system has been successfully tested, Valoe has an excellent opportunity to achieve significant market share and thus growth as the use of solar electricity becomes more widespread in European refrigerated transport.

Solar Energy and IoT

In 2023, Valoe received an order to develop a photovoltaic component for a consumer electronics product. As the project progressed, the company discovered the significant benefits of the back contact technology when the component is integrated into an electronic device. Traditional stringing technology cannot be applied when connecting tiny photovoltaic components. The Internet of Things (IoT) is a perfect example of an environment where photovoltaics can be utilized. The operating time of various electronic devices is based on battery life, thus creating constraints on the availability of the devices. Using small photovoltaic components, the operating time of the product is significantly extended, even to the point where charging the battery is not at all needed. According to Valoe, such components can be used in various communication modules, monitoring devices, consumer electronics and GIS applications. The infinite operating time will also enable applications that are not yet feasible with current technology. In the IoT environment, product development cycles are much shorter than in the automotive industry and the cash flow is therefore much closer. We expect Valoe's first micro-scale solar energy component to enter the market in a mass-market product of a major consumer electronics manufacturer as early as the first half of financial year 2024.

Financing is Our Challenge

The company's working capital situation tightened further during the reporting period.

The cancellation of the Sono Motors' Sion car and the loss of cash flows related to Sono Motors have significantly impacted our operations during the period. Although we have been able to make good progress on our projects, both technically and contractually, and our customers have been satisfied with our deliveries, operating with the current financial resources has been very difficult and has been, and continues to be, associated with extremely significant financial risks.

In the current financing negotiations, we must be able to establish new financing arrangements that will allow us to make long-term operating plans and implement our projects on time. The long-term success of the ongoing projects and highly profitable prospects still in the sales pipeline requires significantly greater financial resources than at present. We aim to have our financing facilities in place by the end of the 2023

financial year. If the financing negotiations were to fail or take an unreasonably long time to conclude, this would at worst affect the continuity of Valoe's operations.

VALOE'S FUTURE OUTLOOK

Market Guidance

Due to the cancellation of the Sono Motors Sion car project, Valoe has not yet been able to replace this lost cash flow. Although new, very promising orders that might lead to mass production has been received, we estimate that it will take 3 to 12 months to start mass production, depending on the order. Under these circumstances, Valoe will not publish market guidance for 2023.

RISKS AND UNCERTAINTIES

The company's main risk relates to the sufficiency of its financing. The company's working capital situation tightened further during the reporting period. At the date of this review, the company's working capital is insufficient to cover its current needs for the next 12 months and that the company requires immediate additional funding, which we are negotiating with existing and new investors. In addition, we have entered into negotiations to restructure the company's short-term debt with its major creditors. If these negotiations were to fail or take an unreasonably long time to conclude, this would at worst affect the continuity of Valoe's operations.

Valoe has several cooperation agreements that aim at large-scale customer collaboration. The full implementation of these agreements involves many uncertainties. If the collaboration agreements would not be executed as originally planned, reducing the company's estimated revenue from the relevant agreements, it would have an adverse effect on the company's results of operations and/or financial situation and/or the value of the company's securities.

There are uncertainties and risks involved in assessing the profitability of products and services and in meeting quality standards for products and services. Especially, recent general economic uncertainty, increased inflation and changes in energy prices may have negative effect on the company's business and profitability. In this situation, there are specific risks associated with supply chains, and the company cannot at this time assess the impact of the risks on the availability and pricing of materials and services, and therefore on the company's financial situation and operations. In particular, a sharp rise in inflation will increase the price of the raw materials and energy used by Valoe. The critical raw materials Valoe uses include, e.g., special plastics, metals, glass and silicon wafers, spare parts and components for machines and equipment, and professional services related to operations. Valoe's solar panel production at the Juva plant and solar cell production in Lithuania are both energy-intensive activities, which means that unfavourable price developments in energy prices directly affect the company's profitability, and thus its operating results and financial position.

The statements, projections and market guidance in this Report and in Valoe's strategy are targeted to the future and based on the management's current estimates. Therefore, they involve risks and uncertainty by their nature and may be affected by changes in the general financial situation and in Valoe's and its customers' business environment.

These and other risks are described in more detail in the Annual Report published on 27 April 2023 and the Prospectus published on 17 August 2023, which are available on the company's website at www.valoe.fi.

Mikkeli, 16 November 2023

Valoe Oyj

Board of Directors

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