

Valoe Corporation Business Review January – September 2022

THE THIRD QUARTER OF 2022

In July - September 2022, the net sales of Valoe Group, under the IFRS standards, were EUR about 0.4 million (in 2021 EUR 0.5 million). The EBITDA was about EUR -0.8 million (EUR -0.5 million), the EBIT was ca. EUR -1.3 million (EUR -0.9 million), and the profit for the period was ca. EUR -1.7 million (EUR -1.3 million).

In January - September 2022, the net sales of Valoe Group, under the IFRS standards, were EUR about 0.9 million (in 2021 EUR 1.7 million). The EBITDA was about EUR -2.7 million (EUR -1.4 million), the EBIT was ca. EUR -3.9 million (EUR -2.6 million), and the profit for the period was ca. EUR -5.3 million (EUR -3.8 million). At the end of the reporting period, Valoe Group's equity ratio including capital loans was -3,8 percent (15.9 %).

In July 2022, we agreed with Sono Motors GmbH ("Sono Motors") on the final phases of having the solar cell assemblies for Sion vehicle integration fully tested and ready for mass production. Therefore, during the third quarter of 2022, we focused on the testing phase including tasks for which, if completed successfully, Sono Motors will pay a success fee of EUR 1.0 million. By the date of this Business Review, some of the acceptance tests have been passed, and Valoe has received part of the fee. Negotiations with Sono Motors on the mass production contract continue.

The working capital situation continued to be very tight during the reporting period. The Convertible Bond 1/2022 issued in April 2022 was subscribed for a total of EUR 0.7 million. The subscriptions were made in new cash investments. We resolved to discontinue the subscription period of the Convertible Bond 1/2022 on 10 August 2022 and issued a new subordinated Convertible Bond 2/2022 of EUR 3.0 million at the most. The subscription period of the Convertible Bond 2/2022 ends on 15 December 2022.

At the end of the reporting period, we subscribed a total of 5,000,000 new shares based on the share issue without consideration to the company itself resolved on 2 December 2021. Further, we resolved to issue a maximum of 50,000,000 new shares to the company itself without consideration and subscribed a total of 20,000,000 new shares directed to it. The share issues are conducted to implement financing arrangements.

	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Net Sales	423	467	917	1 694	2 148
EBITDA	-832	-485	-2 651	-1 426	-1 904
Operating Profit	-1 255	-867	-3 920	-2 602	-3 173
Profit for the Period	-1 680	-1 288	-5 331	-3 770	-4 776

VALOE'S FUTURE OUTLOOK

Market Guidance

Valoe Group's net sales for the financial year 2022 will clearly increase, and loss at the EBITDA level will decrease compared to the previous year.

Markets

The sharp rise in the prices of the most important raw materials used by Valoe seem 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.

MANAGING DIRECTOR'S REPORT

During the third quarter, Valoe made good progress in its two most significant projects for the automotive industry. We trust that both projects will move to the next phase within the current year. During the following stages prior to mass production, we believe Valoe's turnover will increase significantly compared to previous product development stages. Our project relating to solar cell assemblies for Sono Motors' Sion vehicle, in particular, will create a solid basis for the financial year 2023. Our objective is to agree on the production of solar cell assemblies for 257,000 Sion vehicles at Valoe's factories in Juva and Vilna. The project is, according to our knowledge, the largest vehicle-integrated solar module project in the world.

The automotive industry is characterised by long product development and test phase before the start of mass production. After the products to be used in mass production are selected, they will be used

throughout the project, usually for 5 to 10 years. Thus, even one such project generates significant revenue for the manufacturer for several years.

If Valoe is selected as a supplier for either of the mentioned projects, the company's aspired market leadership as a manufacturer of VIPV components will also be realized.

We constantly systematize our operations to meet the automotive industry's strict quality and other requirements. In June 2022, we reached a significant milestone: the ISO 9000 certificate. The quality systems in the automotive industry are based on ISO 9000. We are now well on our way and believe we will obtain the IATF 16949 certificate in the first half of 2023. To our knowledge, no solar energy company using polymers has yet achieved a similar certification for the automotive industry.

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, when we have secured mass production agreements, we aim to agree on binding capacity reservations for the Lithuanian cell factory for the coming years.

Valoe's biggest challenge is still the financing of its operations. We are preparing large and long-lasting projects. Getting them started and ramped up takes a long time and requires extensive resources. The financing needs to continue to grow the closer we get to the production phase. We have come close to our objective with a minimal financial contribution. Now in the reporting period, as the goal approaches, we have had to stretch our financial and other resources to the limit. To ensure our funding, we have issued a convertible bond and contacted our most important customers with relatively good success to finance, in our view, the "last transitional phase". Relying on the support from our customers and shareholders, we believe we can cover our funding shortfall anticipated for the end of this year.

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 COVID-19 pandemic and 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. Also, the shortage of components and difficulties in the supply of raw materials 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 29 April 2022 which is available on the company's web page www.valoe.com.

In Mikkeli 16 November 2022

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.