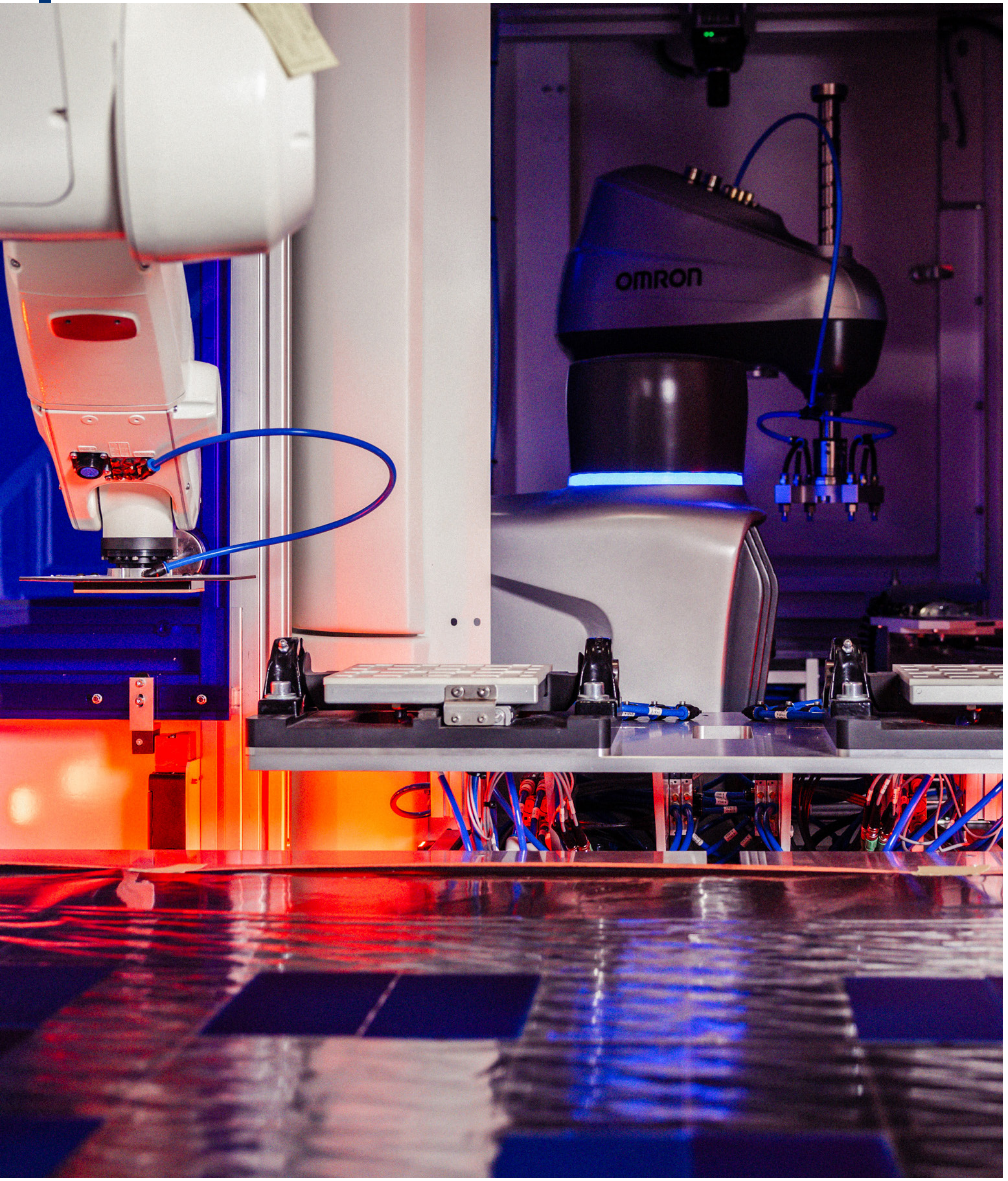
VALOe

ANNUAL REPORT 2022



Valoe's modules can take any shape thanks to the back contact technology. Three-dimensional panels are also possible. Valoe's IBC cells are assembled by robots onto a conductive backsheet at the most optimal places to obtain maximum current from the panel. The production lines and equipment are designed and manufactured by Valoe.

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This is Valoe

Valoe is a Finnish technology company specializing in solar energy. Our headquarters is located in Mikkeli, Finland. We have a solar cell factory in Vilnius, Lithuania. We manufacture solar modules at our plant in Juva, Finland. In Juva, we also have research and development as well as a test laboratory. Valoe shares are listed on Nasdaq Helsinki.

- Valoe Valoe has developed back contact technology for generating solar electricity based on a module-sized conductive circuit board, i.e., Conductive Back Sheet. The solar electricity is derived from the backside of the cells, and there are no soldered wires on the front side of the module as in traditionally manufactured panels. The back contact technology allows us to customize the panels in shape, size, and properties to suit various applications.
- The efficiency of the Conductive Back Sheet is maximized by a technically compatible Interdigitated Back Contact (IBC) cell, which is the most efficient, long-lasting, and visually attractive commercially available cell. IBC is an n-type monocrystalline cell with an unlimited lifetime. In addition, the IBC cell can convert more than 23 percent of the sunlight into electricity.
- Valoe has developed cell manufacturing technology in cooperation with ISC Konstanz, a German solar energy research institute. Valoe as a manufacturer of cells, modules, and production equipment, is one of the partners in the EU's Horizon H2020 Highlight development project that aims to establish new high-quality solar energy technology in Europe.
- During the past few years, Valoe has focused on developing new types of solar modules. Valoe's mono facial and bifacial IBC Back Contact modules, Valoe Chrystal IBC, and Valoe Chrystal Twin can be applied for rooftop and wall installations.
- Valoe has put special effort into the development of vehicle-integrated OddForm® modules. OddForm® modules can be manufactured from different materials such as glass, polymer, and composites. Valoe has ongoing development projects with several vehicle manufacturers to develop customized modules for vehicle surfaces.
- On 31 December 2022, Valoe employed 39 people in Finland and 19 in Lithuania. A total of 30 people work in the research and development.

Valoe designs a separate "motherboard" for each panel. This ensures that the back contact module has the best possible efficiency optimised for its shape and surface area. Cell efficiency is essential in modules that are often very small. Valoe's IBC cells are among the most efficient on the market.

Our Values

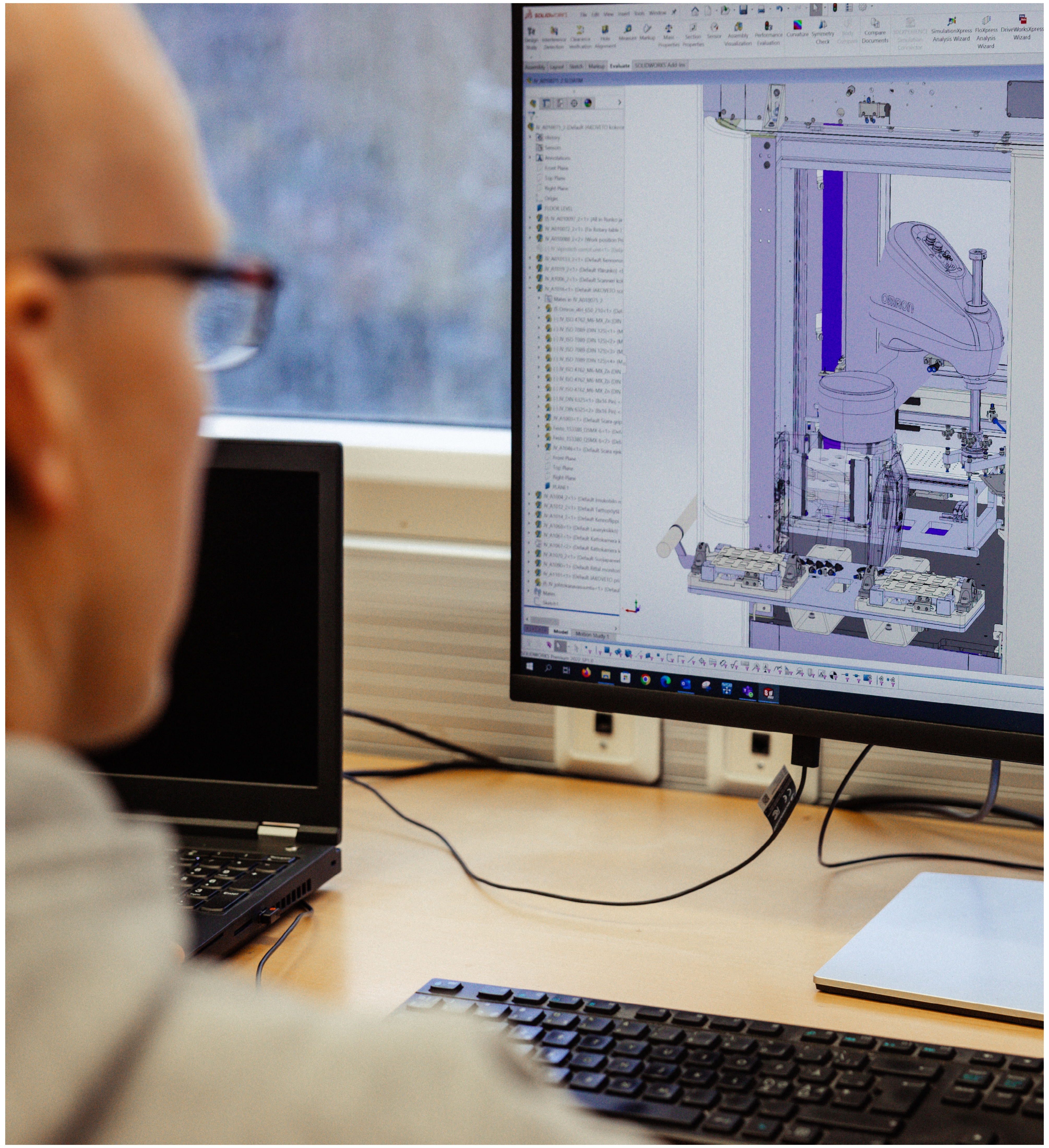
We Are Equal
We promote equality and cultivate an open atmosphere. Our goal is to work as a team with respect for each individual member.

We Listen and Learn
To be innovative, we must always be eager to learn more. We combine our knowledge and experience with the know-how of the experts in the field and our customers. We understand the value of listening and learning.

We Are Valuable Parners
We aim to deliver genuine value to our customers. It is only through a true partnership with our customers that we can develop our services most efficiently.

We Acknowledge Our Responsibility
We carry our responsibility for all our actions. We understand our responsibility towards our customers, the environment, society and our fellow workers.

Love of Life
Without a love of life and care for the quality of life, work and its result would be meaningless



Due to the company's history, Valoe's team includes experienced experts specialised in machine design, robotics, programming, and laser technology. Their previous work results are utilised in many applications in the automotive industry as well as in mobile phone manufacturing.

Our Vision

is to have clean solar electricity available for everyone everywhere.

Solar electricity is the best form of energy. It is available all over the world, even in places with no grid. Distributed, local electricity production replaces fossil fuels. Further, solar energy contributes to solving economic, social and health problems in developing countries.

We want to develop sustainable and efficient photovoltaic modules for various applications. We want also to develop photovoltaic technology to promote clean mobility.

Our Mission

is to promote diversified production and use of clean solar energy with our technology and knowledge.

Solar energy will soon be part of our natural environment. All surfaces onto which the sun radiates can be utilised to produce electricity for their own needs.

The product range of new solar energy applications will be wide. We cooperate closely with our customers and other developers in the industry. It is our shared mission to increase the use of solar electricity.

Managing Director's Report

Climate change concerns us! New technologies can slow and even reverse the negative climate trend. However, technology applications need energy. Solar energy is clean and will not run out. We strive to make solar power practical and affordable for everyone, everywhere!

We have chosen the automotive industry and transport as our first priority areas. In 2022, about 90% of our turnover came from vehicle-integrated photovoltaic applications. We are increasingly convinced that photovoltaic systems will find their way into most well-known vehicle manufacturers' models in the coming years, equally in electric and combustion engine cars.

Although our turnover fell far below our targets, we are proud of our new applications and product development results. Our products and services are starting to be ready for large-scale deployment. We already have several leading companies among our customers who have the ability and resources to adopt our innovations in their mass-market products if they wish.

We are working closely with many vehicle manufacturers and their key suppliers. Some of these projects aim for mass production already in 2024 and 2025. The mass production of Sion, our first partner's Sono Motors' car project, was scheduled to start in Uusikaupunki in 2024. Unfortunately, we were not lucky with this project, which began in 2019. Sono Motors announced on 24 February 2023 that the Sion car project would be discontinued. This news was a surprise and a bitter setback for us at Valoe.

We counted heavily on the cash flow from the Sion project and the investment financing promised by Sono. The cancellation of the project created significant challenges for the company and postponed again the much-needed positive cash flow for investors who believe in Valoe. If Sono quickly finds a successor to Sion, Valoe's position as a likely supplier of solar integration for Sion will revert to the status quo.

Sion's fate is unfortunate. However, we did not waste our time. We learned a lot from the Sion project. In our view, we gained a head start in the competition for integrating photovoltaics in vehicles.

Even greater opportunities lie in the cooperation with Simoldes Plásticos S.A. Simoldes is one of Europe's largest suppliers of plastic parts for almost all European car brands. In 2022, the first phase of the joint development project between Simoldes and Valoe was completed. In early 2023, we received a second order from Simoldes. We are involved in designing and testing the technical production solutions for the photovoltaic system to be delivered to Stellantis.

At the beginning of 2023, we received several other good news: TIP Group, one of the world's largest road transport trailer operators, ordered the first solar energy systems for refrigerated trailers from us. The first trailer will be delivered to its end user, Frigoscandia, in early May, a week from now! The TIP Group also wanted an option for a further order for solar systems for hundreds of trailers. The option will be exercised if the first delivery meets the buyer's requirements.

We were also delighted when one of our customer target groups, the "Last Mile" light vehicle manufacturers, discovered Valoe's photovoltaic technology. We also received small orders from key international suppliers well-known in the automotive industry, which anticipates joint development projects. There is a clear market demand for Valoe's innovations.

In terms of financing, 2023 will be difficult for us because of the sudden cancellation of the Sion project. Valoe was supposed to have secured funding. Valoe, other Sono partners and even some of Sono's key employees received the surprising termination news only in Sono's release. This situation underlines the importance of our financing structure: we need a long-term financing partner with whom we can quickly seize the opportunities that open up for us. We are currently looking for financing partners in Europe.

We made progress and solved many technical problems that are important for the future. In a technology company, the whole team is always to thank for successes. At Valoe, we have a skilled and innovative team. I thank you all for your incredible work and perseverance. Time and time again, you have achieved things that no one has done before.

The best reward for our hard work, regardless of the difficulties, and the innovations we have created in a good working environment, comes from the growing orders from our customers. A breakthrough is just around the corner. So, let's take it from here.

Iikka Savisalo
Managing Director

Directors' Report 2022

NET SALES AND RESULT

Valoe's net sales for the financial year 2022 were about EUR 1.3 million (in 2021 EUR 2.1 million), the operating profit was EUR -5.6 million (EUR -3.2 million), and the profit for the financial year was EUR -7.7 million (EUR -4.8 million). Undiluted and diluted earnings per share were EUR -0.02 (EUR -0.02).

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 Annual 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.

THE YEAR 2022 IN BRIEF

Increased focus on VIPV

In 2022, we continued to pursue our strategy to focus both our production and product development on Vehicle Integrated Photovoltaics (VIPV) applications. Almost all our turnover, around 90%, came from orders from the automotive industry during the financial year. Already in 2021, we signed product development agreements with several important customers. The cooperation with all major customers progressed well and led to further agreements. We expect several of these customer relationships to develop into mass production agreements in 2024 and 2025.

- The first phase of the development collaboration with Simoldes Plásticos S.A. was clompleted. 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.
- The development cooperation started with the Swedish electric vehicle manufacturer Clean Motion AB in 2021 continued. The customer launched its new EVIG vehicle including Valoe's solar system to its own customers in October 2022. In early 2023, Clean Motion placed an order for the first series of 100 special solar modules with Valoe.
- As a new application for solar-powered transport, in March 2022, we agreed on a product development project with Norwegian Eker Design, belonging to the Eker Group, to develop a solar-powered application for urban ferries.
- In May 2022, the EU commission chose us as one of the leading European companies to develop new technology to reduce European CO2 footprint more effectively. The EU granted funding for the three-year project IBC4EU, in which Valoe Oyj and UAB Valoe Cells are partners. The project is the logical continuation of the Horizon 2020 project Highlite Valoe is partnering in 2019 -2023. The new project commenced in the autumn 2022 and lasts for three years. The project budget is approximately EUR 17 million, Valoe's part of the grant is approximately EUR 0.9 million and Valoe Cells's approximately EUR 1.3 million.
- In July 2022 we signed a contract for the final testing and approval of the solar cell assemblies for Sion's mass production. Product development cooperation with Sono began already in 2019. In the financial year 2022, the preparation for the start of mass production of Sono's Sion solar electric vehicle employed a large part of our personnel at both the Juva module factory and the Vilnius cell factory. After the reporting period, Sono announced the termination of the Sion project. We are currently negotiating with Sono on module deliveries for Sono's other vehicle applications.

During almost five years of cooperation with Sono Motors GmbH, Valoe learned a lot about how numerous practical and theoretical challenges are tackled when photovoltaic is integrated into a vehicle. Unfortunately, Sono had to stop the development of the self-charging solar electric car, Sion, at the very end. We hope that a successor for Sion will be found soon!

Solar energy is utilised also in road freight

Heavy goods transport aims to reduce its emissions. During the financial year, we continued our product development to implement solar power to refrigerated trailers. After the reporting period, we achieved a significant goal and, in January 2023, signed a contract with 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 at the beginning of May. The trailer operated by Frigoscandia between Finland and southern Europe collects important data for the start of mass production of solar-powered trailers.

Global production technology

We continued to sell design and construction services for production lines based on our technology. In October 2021, we signed an agreement with ICON Advanced Co Ltd to deliver a solar module plant to Saudi Arabia. The preparations for the project have taken longer than expected but are still ongoing.

The quality at the Lithuanian cell factory is good

Our Lithuanian cell factory produced cells for our Juva module factory throughout the year. The cells were mainly used for modules manufactured for the Sion tests. By the end of the year, the quality of the cells was already at the level of the best cells in the world. We believe that we will soon reach our ambitious quality targets we initially set.

We are partnering in two of the EU's most important photovoltaic development projects

In line with our strategy, we invest heavily in product development. In May 2022, the EU granted funding for the project IBC4EU, in which Valoe Oyj and UAB Valoe Cells are partners. The new project is part of Horizon 2020 programme. Our task in the project is together with Europe's leading companies to develop sustainable production methods for efficient PV modules. The project lasts for 36 months and its budget totals approximately EUR 17 million. The Horizon 2020 HighLite development project commenced in 2019, was closed on 31 March 2023.

Our research and development are described in more detail in the item RESEARCH AND DEVELOPMENT.

Financing

The working capital situation was tight throughout the reporting period. We raised funding through two convertible bonds. 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. In August 2022, we issued the Convertible Bond 2/2022 which was subscribed for a total of EUR 1.7 million. Out of the approved subscriptions, EUR 0.8 million are new cash investments and EUR 0.9 million was paid by setting the subscription price off against the subscribers' indisputable receivables from the company. The receivables included the EUR 0.7 million Convertible Bond 1/2022 issued by the company earlier this year, which was entirely converted to the new Convertible Bond 2/2022.

During the reporting period, we also raised funding from the financing agreement with RiverFort Global Opportunities Pcc Limited and the final tranche of the financing agreement signed with Winance in 2020.

Our financing is described in more detail in the item FINANCING.

The main events during the financial year

More information on events during the reporting period can be found in the stock exchange releases published on Valoe's website at www.valoe.com

The first major order in 2023 was for photovoltaic systems for temperature-controlled trailers managed by TIP Group. TIP has a fleet of around 16,000 trailers. We expect this cooperation to continue for years to come! The first trailer will be delivered to Frigoskandia in May 2023.

VALOE'S STRATEGY

We are an international growth company with high business volume and technology level objectives. We are quick, flexible, and innovative! Successful product development is the key to our success!

We believe the solar energy can make a change

Solar energy is the cleanest and safest form of energy, and the sun provides enough energy to meet the world's energy needs. In addition, solar energy is free and easy to convert into electricity. In many areas, the price of solar electricity is already the cheapest form of energy! Our goal is to harvest the energy effectively and enhance the use of solar energy as close as possible to its production. In the future, we may also be involved in electricity storage.

We focus our skills on increasing the utilisation of photovoltaics

A successful operation in the solar energy-related business requires the capability to compete in international markets. Therefore, we must closely follow research and development related to our business and adapt applicable technologies to our product concepts quickly. Our strength lies in our international business approach, in-depth knowledge of materials technology, laser technology expertise, and long experience as a supplier of industrial automation applications.

Applications for transport are now our main priority

In 2021, we chose the applications for transport as our primary strategic priority. Traffic is changing, and its electrification is advancing rapidly. In big cities, there are new forms of transportation. City centers become carfree, and the "Last Mile" is walked, driven by an e-scooter, or soon with public autonomous electric vehicles based on entirely new ideas. Solar-powered vehicles become increasingly important as traffic is electrified and chargers become congested.

According to our vision, the Back Contact technology, efficient IBC cells, and Valoe OddForm® modules will be at the heart of new transport forms. Moreover, having adaptable manufacturing technology and vertically integrated cell and module factories, we can act as a technology partner for the industrialization of new products and possibly also as a manufacturing partner.

Vehicles are the most important application for Valoe OddForm® module

Thanks to Valoe OddForm® module's efficiency, visual look, flexibility, and durability they can be applied very well to vehicle surfaces.

Vehicle-integrated solar panels have significantly higher value-added and margins than conventional modules. The competitive situation is reasonable and technological barriers for a new entrant are high. Changing the light of the sun hitting a moving vehicle first economically electricity and then propulsion requires solar electricity understanding of the physical truths associated with. Construction of a practical application requires expertise in complex materials technology and electronics as well as programming skills.

We continue developing and supplying manufacturing technology for standard modules

We continue to develop technology and module production lines. Our sales are now focused on the developed countries. As the world situation changes, we are also prepared to operate in emerging markets. Photovoltaics is the most natural way to improve living conditions in areas with no electricity. However, module factory or power plant deliveries, e.g., to developing countries, seem to require the customer to have secured and sufficient funding.

We do not rule out the possibility of participating in solar power plant deliveries if our high-efficiency modules are needed. For example, in Saudi Arabia or places where flying sand and heat set special requirements for modules, we believe that locally made Chrystal modules will be successful. In addition to our project in Saudi Arabia, we have ongoing negotiations for delivering module factories using the back contact technology to other countries.

Although, we focus on VIPV we continue to manufacture Chrystal Twin modules for selected sites. However, we do not put special effort into the sales of conventional modules.

Valoe's new building-integrated façade panels also produce clean solar electricity! Depending on the decorative pattern and installation location, Valoe's IBC panels can generate almost as much electricity on the building wall as a normal roof panel.

MARKET SITUATION AND VALOE'S OPPORTUNITIES

Changes in international trade policy and rising raw material prices have disrupted old supply chains. Both Europe and North America are trying to increase their own know-how and production in photovoltaic technology. As a result of commercial policy measures, Asian suppliers no longer have the price advantage they once had. Our position as a supplier of the latest photovoltaic technology was strengthened in 2022. The European Union took an interest in photovoltaics and increased its funding to restore European technological leadership in the sector. Several new and large-scale EU projects are being planned or about to begin in 2023. We are well positioned to continue as one of the key companies focusing on photovoltaics in EU projects.

Our main customers operate in transport. Our expertise in cell and module technology also creates new opportunities for providing applications for building integration and military and space technology. Our technological expertise is recognised worldwide. We already have contracts with the European space industry and have provided military applications for North American companies. In April 2023, we received an order for solar technology development from a major North American military and space company.

We are at the forefront of a growing industrial sector. Our challenge is to stay there long enough to integrate the photovoltaic products and services we develop for our customers into their mass production products. We will not sit back and wait but continue our development efforts. Development requires continuous funding. In 2023, after Sono's Sion project was cancelled, successful financing will determine our future.

In the automotive industry, our goal is to part of the mass production phase

Our key customer is now the automotive industry and other suppliers involved in the car production chain. Our aim is to be involved in automotive photovoltaic projects, first in product development, then in industrialisation phase, and finally in mass production, either at Valoe's production plant or the customer's designated production facility. Typically, in the automotive industry, one mass production model is produced in 30,000 to 200,000 units per year. In 2022, more than 1,000,000 Tesla Model 3s were produced.

Whether we can grow into a significant solar technology company in terms of turnover depends how we succeed in securing VIPV mass production agreements. In the production chain, solar components can be produced by Valoe, Valoe's joint venture company, or the customers. If we do not participate in manufacturing directly, we can supply machinery, transfer technology, or take care of our technology rights through license and royalty fees. In 2023, we, as a developer and manufacturing expert of photovoltaic components for well-known car manufacturers, will participate projects aiming to start mass production in 2024 and 2025.

In buildings, power plants can be installed elsewhere than on the roof

Power plants that can be integrated onto buildings, for example on the facades, suit well to Valoe's back contact technology. Solar power generation on south-west facing facades, concrete surfaces or balconies should be considered at the beginning of the building design process. Thanks to the module efficiency and adaptable and beautiful appearances of our solar modules, our competitiveness in building-integrated applications is better than in standard rooftop power plants. Our product development is already finalising a decorative module suitable for commercial production.

We continue selling module manufacturing technology for our partners

We are not aiming at becoming a local manufacturer abroad but seeking a local partner and an investor like in Saudi Arabia. We are responsible for production technology, product quality, and development. Local investors and partners are responsible for project funding as well as marketing and product sales.

We offer our customers our own back contact technology. By including suitable processes in a Chrystal and Chrystal Twin panel manufacturing plant Valoe OddForm® modules can also be manufactured in the same factory.

In addition to the Saudi Arabian project, we are negotiating with several customers to supply solar module factories worldwide. We believe that our partners value the versatility of their investment and are keener on keeping Valoe involved in later stages of development.

All Valoe's panels are manufactured in Juva, Finland, with up-to-date facilities of about 6,000 m2. At the Vilnius cell factory, Valoe has about 8,000 m2 of space in an industrial building selected as Europe's most environmentally friendly.

We use all cells manufactured at the Lithuanian plant

We have changed our strategy also on the cell market.

We are no longer looking for buyers for our IBC cells. We will need the full capacity of our Lithuanian cell plant for our products from the beginning of 2024 at the latest. The cells used in our highly processed products will provide us significantly better value-added than world market prices.

Sufficient solid funding is crucial to our success

In 2023, our biggest challenge continue to be the adequacy of funding. We need working capital as long as our customers' projects are in the product development phase. Sooner or later, our customer projects will move to a stage where Valoe also needs to be able to invest. Even if the customer pays for the investment required to manufacture their products, the production volumes are so high that our production infrastructure and resources must be increased significantly. Our task now is to ensure that our financing and other resources are in place to meet our working capital needs and to respond quickly to the investment requirements of our customers projects.

RESEARCH AND 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. The importance of research and development for Valoe is well illustrated by the human resources allocated to research and development. At the end of 2022, Valoe Group employed 58 people, out of whom 30 worked on the company's product development projects in Finland and Lithuania.

We are developing an industrial production solution for IBC technology together with leading European operators

During recent years, the focus of our research and development has been on the IBC cell technology. In May 2022, the EU commission chose us as one of the leading European companies to develop new technology to reduce European CO2 footprint more effectively. The EU granted funding for the three-year project IBC4EU, in which Valoe Oyj and UAB Valoe Cells are partners. The project is the logical continuation of the Horizon 2020 project Highlite Valoe is partnering in 2019 -2023. The new project commenced in the autumn 2022 and lasts for three years. The project budget is approximately EUR 17 million, Valoe's part of the grant is approximately EUR 0.9 million and Valoe Cells's approximately EUR 1.3 million.

The target of the project is to develop and demonstrate at a pilot line level cost-competitive and sustainable industrial production of IBC based PV products along the value chain from ingots and wafers to solar cells and modules in Europe. In the IBC4EU project, Valoe's task is to implement the innovations in the development of cells and modules and their production methods.

The commercialisation of our products is based on long-term development

Many technologies we have been developing for a long time are nearing the commercialisation stage. A good example is the project with the Dutch TIP Group, announced in January 2023, to integrate solar electricity onto refrigerated trailers. We believe that in 2023 we will bring to market several innovations to harness solar power in new environments.

We have global partner network

Over the past years, we have created a global partner network to support our research and development. With the partners, we develop products and technology to implement the next phase of our growth strategy. The development and technology transfer collaboration with ISC Konstanz has been steadily deepening. ISC Konstanz is one of the leading solar energy research institutes in Europe. We also work closely with a wide European research and business network on EU projects.

The Group's research and development costs amounted to EUR 2.9 million (EUR 2.0 million) during the reporting period.

INVESTMENTS

Gross investments in the continuing operations during January – December period amounted to EUR 1.3 million (EUR 1.7 million). The investments on the reporting period were mainly in equipment.
As our business grows, we expect our investments to increase sharply already during the current financial year, depending on the availability of required funding.

We highly value our skilled and professional employees. There's a reason for that: manufacturing innovations are created almost every week. No one has ever before made vehicle-integrated solar panels for passenger cars that meet the automotive industry's stringent requirements.

FINANCING

Financing during the financal year 2022

In April 2022, we issued a subordinated convertible bond 1/2022 of EUR 3.0 million at the most. The subscription period of the convertible bond was discontinued on 10 August 2022. The convertible bond 1/2022 was subscribed for a total of EUR 0.7 million. The subscriptions were made in new cash investments. The convertible bond 1/2022 was entirely converted into the convertible bond 2/2022 Valoe issued on 10 August 2022.

On 10 August 2022, we issued a new, subordinated convertible bond 2/2022 of EUR 3.0 million at the most to strengthen Valoe's working capital situation and capital structure and to prepare for the orders it expects from the automotive industry. The convertible bond 2/2022 was subscribed for a total of EUR 1.7 million. Out of the approved subscriptions, EUR 0.8 million are new cash investments and EUR 0.9 million was paid by setting the subscription price off against the subscribers' indisputable receivables from the company. The receivables included the convertible bond 1/2022, totaling EUR 0.7 million, which was entirely converted to the new convertible bond 2/2022.

In September 2022, we, on the basis of the share issue without consideration to the company itself resolved by the company on 2 December 2021 ("Share Issue I"), subscribed a total of 5,000,000 new shares directed to it ("Subscribed Shares I"). On the basis of the Share Issue I, resolved by the company on 2 December 2021, the company had previously subscribed a total of 25,000,000 shares. Further, we resolved on the issuance of a maximum of 50,000,000 new shares ("New Shares") to the company itself without consideration ("Share Issue II") thus that the subscription period for the New Shares commenced immediately and shall end on 15 September 2023. The Share Issue II is conducted to implement company's financing arrangements. We subscribed a total of 20,000,000 New Shares directed to it in the Share Issue II ("Subscribed Shares II"). The Subscribed Shares I and II were registered in the trade register on 29 September 2022 and listed on the stock exchange list of Nasdaq Helsinki Ltd on 30 September 2022. After the registration of the Subscribed Shares I and II, totalling 25,000,000 shares, in the trade register, the total number of the shares in the Company is 418,359,195 shares. The new shares are of the same class as the Company's other shares and entitle to the same shareholder rights as the Company's old shares after their registration.

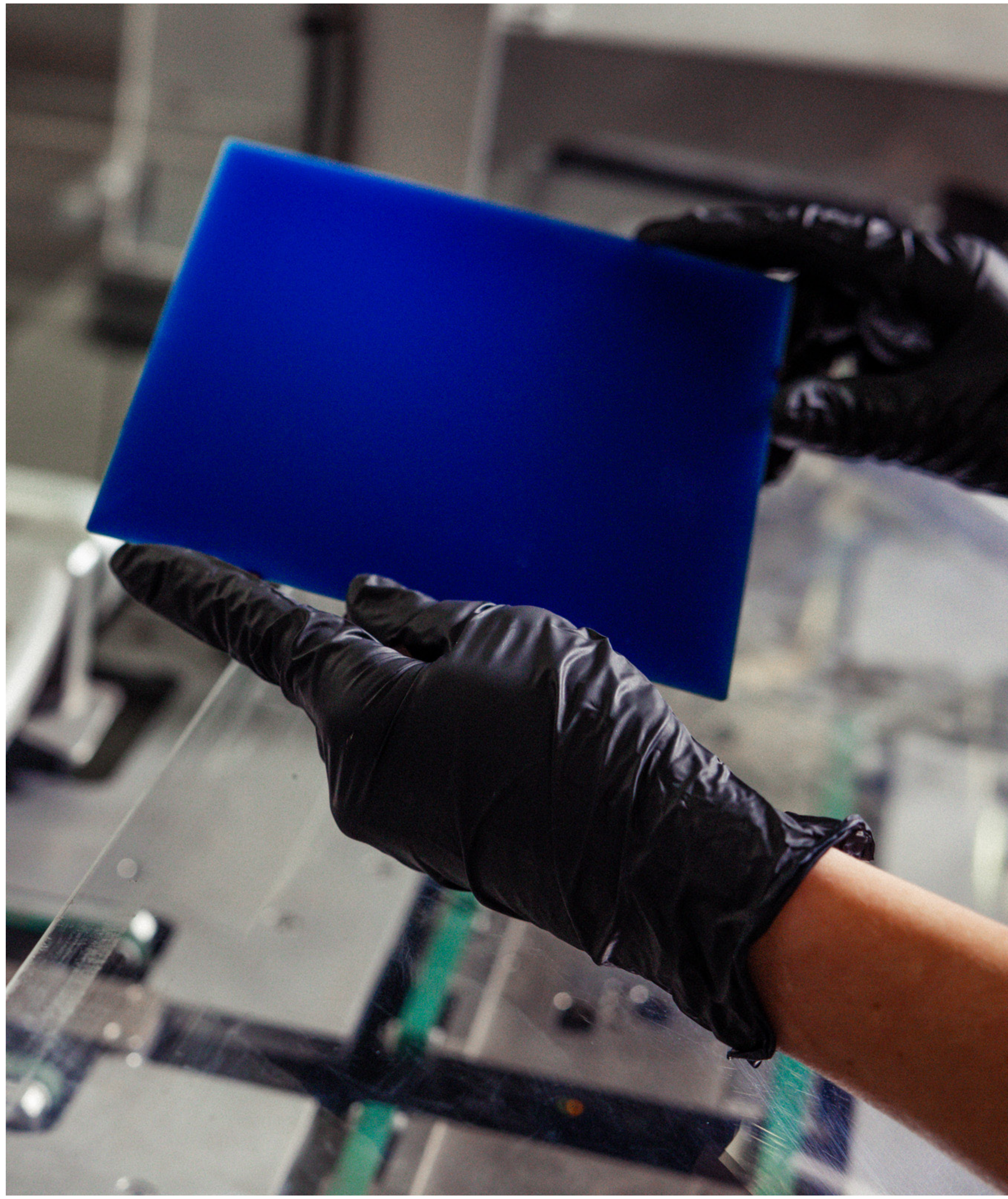
Valoe Corporation has been cooperating with ISC Bioheat Oy with Matts Kempe as the company's CEO in sales and marketing since 2019. We paid ISC Bioheat Oy a total fee of EUR 58,664.93 for 2021 in Valoe shares and transferred a total of 642,436 treasury shares to ISC Bioheat as disclosed on 31 March 2022 and 6 July 2022. In addition, we paid ISC Bioheat a total fee of EUR 8,621.25 for the first half of 2022 in Valoe shares in October 2022 and transferred a total of 142,024 treasury shares to ISC Bioheat.

During the reporting period, we drew a total of EUR 0.3 million from the financing agreement signed with RiverFort Global Opportunities Pcc Limited in July 2021. We have drawn a total of EUR 4.05 million from the financing agreement by the end of the financial year 2022, of which we have repaid a total of about EUR 2.3 million by the date of this Annual Report.

Under the financing arrangement between Valoe and Winance announced in April 2020, we disbursed the last loan tranche of EUR 750,000 in March 2022. The loan disbursed under this financing arrangement has been fully converted into shares in the company.

In May 2022, the EU commission chose us as one of the leading European companies to develop new technology to reduce European CO2 footprint more effectively. The EU granted funding for the three-year project IBC4EU, in which Valoe Oyj and UAB Valoe Cells are partners. The project is the logical continuation of the Horizon 2020 project Highlite Valoe is partnering in 2019 -2023. The new project commenced in the autumn 2022 and lasts for three years. The project budget is approximately EUR 17 million, Valoe's part of the grant is approximately EUR 0.9 million and Valoe Cells's approximately EUR 1.3 million. Valoe Oyj and Valoe Cell will get a grant totalling EUR 0,755 million by the end of April 2024. Valoe's previous EU project, Horizon 2020 HighLite, continued until 31 March 2023, and the final instalment of around EUR 0,2 million will be paid to Valoe approximately in June 2023.

After the reporting period, in February 2023, we signed a new convertible note facility agreement with Winance concerning a funding arrangement of up to EUR 5,000,000 in convertible loan notes, out of which we have drew down a total of EUR 2.25 million.



Valoe's IBC cell is smooth and has uniform colour. The colour tone of an IBC cell can be adjusted to some extent. The basic colour is a very dark blue, almost black.

The Board estimates that the financing from Winance and the above-mentioned EU grants, together with the cash flow from operations, will be sufficient for Valoe to operate at its current scale and to carry out the most essential investments for the next 12 months.

Financing can limit our growth. To meet our already-known commitments, our activities will inevitably expand. If any major car manufacturer were to order a photovoltaic application for any of its cars, it would mean significant investments already this year at both our module and cell factories. We have already discussed with several parties how to arrange funding in such a situation.

Valoe's financial risks, the sufficiency of funding, and other risks have been handled in detail in this Report's item "Risks and Uncertainties".

PERSONNEL

At the end of December 2022, the Group employed 58 (52) people, out of which 19 (19) employees worked in Lithuania and the rest in Finland. During the reporting period, the Group's salaries and fees totalled EUR 2.4 million (EUR 2.1 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 418.359.195. The company has one series of shares, which confer equal rights in the company. On 31 December 2022 Valoe had 24,758,606 treasury shares.

The company had a total of 16,442 shareholders at the end of December 2022, and 3.6 per cent of the shares were owned by foreigners. The ten largest shareholders held 37.4 per cent of the company's shares on 31 December 2022.

The largest shareholders on 31 December 2022

1	SAVCOR TECHNOLOGIES OY	44.448.414	11,3 %
2	VALOE OYJ	35.778.086	9,1 %
3	NEFCO	23.148.148	5,9 %
4	SAVISALO IIKKA	13.426.709	3,4 %
5	OLLILA JORMA JAAKKO	11.053.417	2,8 %
6	SAVISALO HANNU	10.562.500	2,7 %
7	APTEEKKIEN ELÄKEKASSA	10.550.000	2,7 %
8	KAKKONEN KARI	9.447.777	2,4 %
9	JOCER OY AB	8.750.000	2,2 %
10	JOENSUUN KAUPPA JA KONE OY	8.255.127	2,1 %
	OTHERS	217.939.017	49,3 %
	TOTAL	393.359.195	100,0 %

The members of the Board of Directors and the President and CEO, either directly or through companies under their control, held a total of 67.305.360 shares in the company on 31 December 2022, representing about 16.1 per cent of the company's shares. At the end of the period Iikka Savisalo, Valoe's Managing Director, either directly or through companies under his control, held a total of 55.015.947 shares in the company.

The price of Valoe's share varied between EUR 0.03 and 0.13 during the January – December period. The average price was EUR 0.07 and the closing price at the end of December EUR 0.03. A total of 235.7 million Valoe shares were traded at a value of EUR 15.7 million during the January – December period. The company's market capitalization at the end of December stood at EUR 12.6 million.

SHARE ISSUE AUTHORISATIONS IN FORCE

The company has a share issue authorization in force granted by the Annual General Meeting 2022 according to which the Board of Directors is authorized 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, could increase by a 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, 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 is in force until 30 June 2023.

By the date of this Report the Board of Directors has resolved on issues of a total of 149,707,839 shares based on the authorization.

RISK MANAGEMENT, RISKS AND UNCERTAINTIES

Valoe's Board of Directors is responsible for controlling the company's accounts and finances. The Board is responsible for internal control, while the President and CEO handle the practical arrangement and monitor internal control efficiency. 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 needs in 2023

At the budgeting stage, our financing needs for 2023 were planned to be covered by Sono Motors GmbH's Sion project financing. Our budgeted turnover and margins were based on project revenues from Sono. A mass production contract with Sono Motors GmbH for Sion solar electric vehicle was planned to be signed by the end of January 2023 at the latest. The contract also included a clause according to which Sono would be willing to finance Valoe's activities with EUR 2.8 million after the signing. In February 2023, Sono unexpectedly announced the termination of its Sion project, leaving Valoe without the agreed funding. We had to reassess our activities and their funding for 2023.

We have signed a new EUR 5 million financing agreement with Winance. Over the next 12 months, we may withdraw EUR 2.75 million from Winance. In addition, based on our project plans, we expect with reasonable certainty to receive payments of around EUR 1 million from ongoing EU projects and increasing, but still relatively limited, revenue funding. Based on the above, Valoe's Board of Directors estimates that the company will have sufficient funding to cover its operations' running costs and mandatory investments for the next 12 months. Valoe's management has many other solutions to secure sufficient funding and ongoing negotiations, including restructuring maturing loan instalments. The management is confident that the negotiations will have a positive outcome from the company's point of view. On this basis, the financial statements have been prepared on a going concern basis.

Considering the several customer projects that are in the product development phase, where typically costs can exceed revenues; the maturing loans in the coming 12 months that have not yet been restructured; and the investments in machinery and equipment required in the growth phase in the second half of the next 12 months; we estimate that we will need EUR 4 - 5 million of additional funding for our planned high growth activities in the last quarter of 2023. The Board of Directors has decided to initiate measures to direct a new convertible bond to professional investors or to launch a share issue to the public in the third or fourth quarter of 2023.

We know that we have favorable payment terms in some of our large offers. If the offers become orders, the advances and other project payments would be sufficient to cover the funding required for the planned activities and the necessary investments. Although management estimates that the offers in question have a high probability of success, there is no certainty that the offers will materialize into orders.

If the above-mentioned management plans and measures will not be implemented as planned, uncertainty may relate to the going concern.

The risk related to the financial situation of Sono Motors GmbH materialised

Sono Motors N.V. (SEV, Sono), listed on Nasdaq New York, resolved to cancel its Sion project, Sono's self-charging solar electric vehicle.

If the mass production of Sion commenced as planned, we had estimated that we would have received a EUR six million machinery order with associated financing and cash flow from Sono for 2023, which would have been sufficient to finance our operations until the start of mass production. If materialised, the mass production planned to start in 2024 would have increased Valoe's turnover to tens of millions for seven years. The expected cash flow was virtually cancelled. We are negotiating on deliveries for other projects at Sono, but we estimate that deliveries would be small even in the best-case scenario.

Sono has announced its intention to sell the Sion project as soon as possible. If Sono succeeds in this endeavour, our aim is to conclude an agreement with the new successor to the project. If this were to realize, we would be back to where we were in November 2022 and the funding for 2023 would be about six months behind our previous estimates.

Other risks related to financial situation and financing

The cash flow from our operations is still low and is not sufficient to cover our investments. Production volumes at the Lithuanian solar cell plant are still low, but the quality is already meeting our targets. The number of our customer deliveries are increasing all the time. Difficulties in raw material supply and the low level of our working capital funding may further hamper the increase in solar cell production volumes, which could have a material adverse effect on the company's results and/or financial situation.

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, 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 in the Annual Report 2022.

In exceptional circumstances, banks or public or private 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 further tighten.

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

The development and commercialization of new technologies always involve uncertainties and significant risks. If our product development projects were unsuccessful, or the business environment or market situation changed, our ability to provide our customers with competitive products or services could be threatened. In such a situation, the profitability could be lower than expected, which could significantly affect our profitability and financial situation.

In the uncertain global environment created by Russia's war of aggression, supply chains involve specific risks. Their impact on the availability and pricing of materials and services, and thus on the company's financial situation and operations, cannot be assessed. Such critical raw materials include, e.g., special plastics, metals, glass and silicon wafers, spare parts and components for machines and equipment, and professional services related to operations. Our supply chains mainly include European and some individual Asian suppliers. The components and raw materials we purchase from these suppliers are critical to our business. The delivery times for components, silicon wafers, silver, other metals, plastics, and glass used in our production have been extended, and also their prices have risen. Should the availability of critical components and raw materials continue to decline, or the prices continue to rise, this could further slow down the production of our products, delay our deliveries to customers and reduce our profitability. This could have an adverse effect on our business, profit, financial situation, and the value of the company's securities.

Administrative and Legal Risks

Public funding and investment subsidies have a significant incentive effect on the solar energy business. Particularly in Finland, changes in public funding or investment subsidies for solar power projects that are unfavourable from the manufacturers' point of view could significantly reduce the domestic market. The possible negative effects of such factors on our business, results and/or financial position cannot be foreseen.

Other issues

Certain statements in this Annual Report, market guidance and in particular the non-binding estimates mentioned in Valoe's strategy are prospective and based on management's current views. Therefore, they involve risks and uncertainty by their nature and may be affected by changes in the general financial situation and business environment.

THE PROPOSAL FOR DIVIDEND AND ANNUAL GENERAL MEETING

The Board of Directors proposes to the Annual General Meeting that no dividend from the financial year 2022 will be paid. The company's annual general meeting will be held on 26 May 2023.

CONSOLIDATED FINANCIAL STATEMENT, IFRS

Key Figures

EUR 1 000	2022	2021	2020
Net sales	1 305	2 148	1 621
Operating profit	-5 587	-3 173	-3 277
% of net sales	-428,2 %	-147,7 %	-202,2 %
Result before taxes	-7 668	-4 776	-4 922
% of net sales	-587,7 %	-222,3 %	-303,7 %
Return on equity, %	n/a	n/a	n/a
Return on capital employed, %	n/a	n/a	n/a
Equity ratio, %	-42,0 %	-6,0 %	-15,6 %
Net gearing, %	neg.	neg.	neg.
Non-interest-bearing liabilities	4 854	2 154	4 128
Interest-bearing liabilities	16 767	15 975	14 480
Gross investments	1 320	1 701	2 050
% of net sales	101,1 %	79,2 %	126,5 %
Research and development costs	2 854	2 028	1 055
% of net sales	218,7 %	94,4 %	65,1 %
	0		
Order book, EUR million	0,45	0,8	0,4
	0		
Personnel on average	56	47	38
Personnel at the end of the period	58	52	42

Share key indicators			
Earnings per share (basic)	-0,02	-0,02	-0,03
Earnings per share (diluted)	-0,02	-0,02	-0,03
Equity / share, EUR	-0,016	-0,003	-0,01
Dividend / share, EUR	0,00	0,00	0,00
Effective dividend yield, %	0,00	0,00	0,00
P/E ratio (basic)	-1,6	-5,5	-2,4
P/E ratio (diluted)	-1,6	-5,5	-2,4
Share price at the end of the period	0,03	0,08	0,06
Market capitalization of shares at the end of the period, MEUR	12,6	32,6	16,3
Share trading adjusted for share issue	235 671 594	364 876 933	153 279 461
Portion of weighted average of shares, %	58,9 %	115,6 %	83,8 %
Weighted average number of shares adjusted for share issue over the financial year	399 797 551	315 511 219	182 842 299
Number of shares adjusted for share issue at the end of the financial year	418 359 195	393 359 195	255 359 195
Average number of shares diluted by share option and adjusted for share issue over the financial year	471 644 907	393 800 661	266 264 102

Return on equity and net gearing has not been presented for the reportable years as the equity is negative.

Calculation of Key Figures

Return on investment (ROI), %:
$$\frac{\text{Profit/loss + financial expenses} \quad \text{x100}}{\text{Shareholders' equity + interest-bearing financial liabilities}}$$

Equity ratio, %:
$$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$$

Net gearing, %:
$$\frac{\text{Interest-bearing liabilities - cash and cash equivalents and marketable securities x 100}}{\text{Shareholders' equity + non-controlling interests}}$$

Earnings/share (EPS):
$$\frac{\text{Profit/loss for the period to the owner of the parent company}}{\text{Average number of shares adjusted for share issue at the end of the financial year}}$$

Equity/share:
$$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Undiluted number of shares on the balance sheet date}}$$

Dividend/share:
$$\frac{\text{Dividend distribution for the financial period}}{\text{Undiluted number of shares on the balance sheet date}}$$

Dividend/profit, %:
$$\frac{\text{Dividend per share x 100}}{\text{Earnings per share}}$$

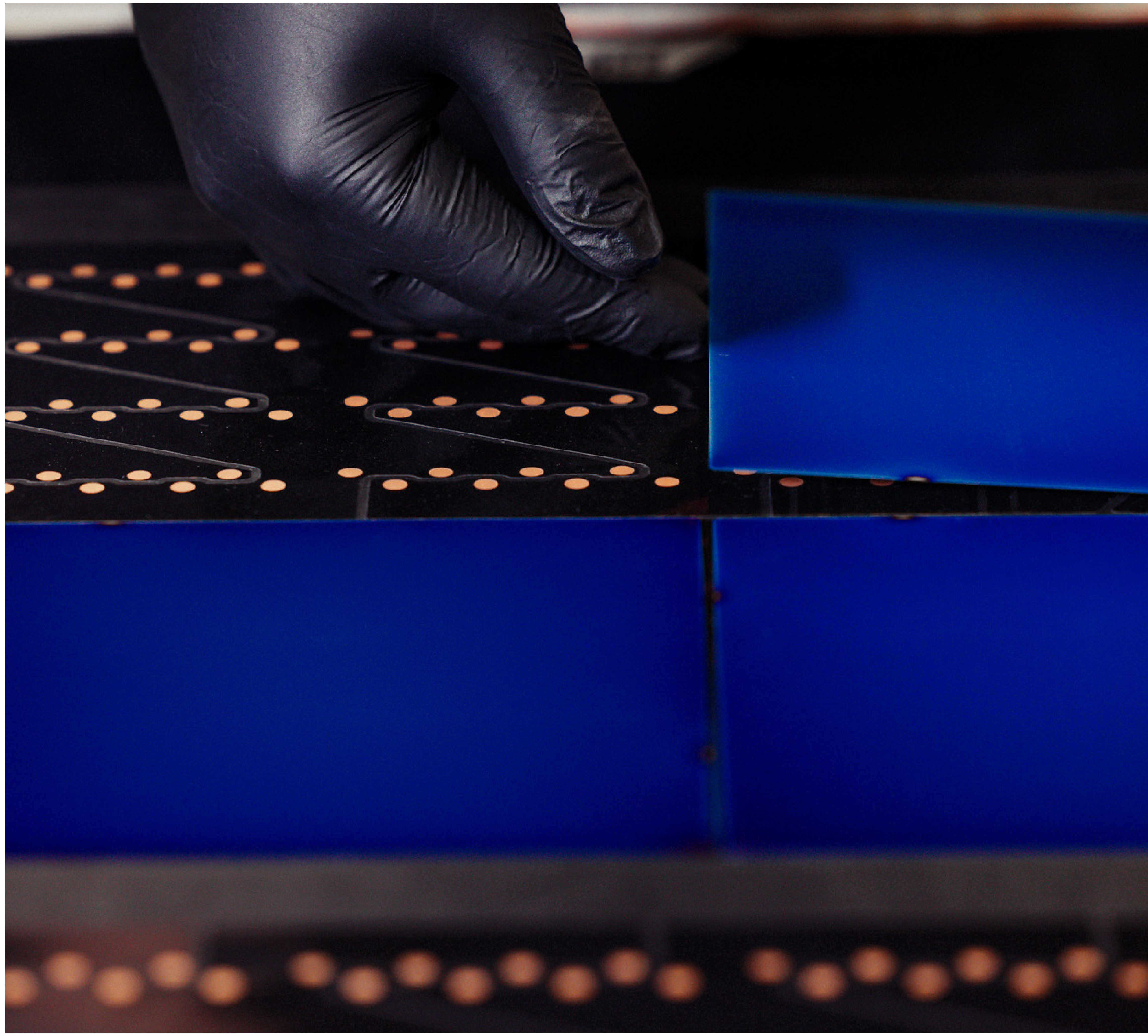
Effective dividend yield, %:
$$\frac{\text{Dividend / share x 100}}{\text{Price on the balance sheet date}}$$

P/E ratio:
$$\frac{\text{Price on the balance sheet date}}{\text{Earnings per share}}$$

Quality control is one of the most important activities in the automotive industry. Our testing laboratory at the Juva module factory is well equipped. Valoe has ISO 9001certification.

Consolidated Statement of Comprehensive Income

EUR 1 000	Note	1 Jan-31 Dec 2022		1 Jan-31 Dec 2021	
Net sales	1	1 305	100%	2 148	100 %
Cost of sales		-2 332	-179%	-1 964	-91 %
Gross profit		**-1 027**	-79%	**185**	9 %
Other operating income	3	94		538	
Product development expenses		-2 854		-2 028	
Sales and marketing expenses		-549		-601	
Administrative expenses		-889		-831	
Other operating expenses	4	-362		-435	
Operating profit / loss		**-5 587**	-428%	**-3 173**	-148%
Financial income	7	**2**		2	
Financial expenses	8	-2 083		-1 605	
Profit/loss before taxes		**-7 668**	-588%	**-4 776**	-222%
Income taxes	9	0		0	
Profit/loss for the period		**-7 668**	-588%	**-4 776**	-222%
Profit/loss attributable to:					
Shareholders of the parent company		-7 668		-4 776	
Earnings/share (basic), EUR	10	-0,02		-0,02	
Earnings/share (diluted), EUR	10	-0,02		-0,02	
Profit/loss for the financial year		**-7 668**		**-4 776**	
Total comprehensive income for the financial year		**-7 668**	-588%	**-4 766**	-222%



A back contact module will work, even if the cell is physically broken. The solar electricity is derived from the backside of the cells to a circut board via the points shown in the picture. In a car, this kind of module still works even if it has been cracked a little bit.

Consolidated Balance Sheet

EUR 1 000	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	11	10 598	10 447
Consolidated goodwill	12	441	441
Other intangible assets	12	2 022	2 798
Available-for-sale ivestments	13	9	9
Long-term receivables	14	336	672
Total non-current assets		**13 407**	**14 368**
Current assets			
Inventories	16	361	465
Trade and other non-interest-bearing receivables	17	1 445	2 334
Cash and cash equivalents	18	236	15
Total current assets		**2 042**	**2 814**
Total assets		**15 449**	**17 182**

EUR 1 000	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	19	80	80
The invested unrestricted equity fund	19	34 694	32 771
Retained earnings	19	-41 051	-33 887
Total equity		**-6 277**	**-1 036**
Non-current liabilities			
Non-current loans	22	6 576	7 080
Non-current subordinated loans	22	1 516	2 567
Non-current rental lease liabilities (IFRS 16)	22	25	62
Total non-current liabilities		**8 116**	**9 710**
Current liabilities			
Current interest-bearing liabilities	22	5 002	5 211
Current subordinated loand	22	3 477	528
Current rental lease liabilities (IFRS 16)	22	173	526
Trade and other payables	23	4 854	2 154
Current provisions	21	104	89
Total current liabilities		**13 609**	**8 509**
Total liabilities		**21 725**	**18 218**
Equity and liabilities total		**15 449**	**17 182**

Consolidated Cash Flow Statement

EUR 1 000		1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Income statement profit/loss before taxes		-7 668	-4 776
Non-monetary items adjusted			
Depreciation and impairment	+	1 710	1 593
Unrealized exchange rate gains (-) and losses (+)	+/-	-2	-1
Other non-cash transactions	+/-	361	-177
Other adjustments	+/-	0	-503
Change in provision	+/-	15	-137
Financial income and expenses	+/-	2 083	1 604
Total cash flow before change in working capital		**-3 500**	**-2 397**
Change in working capital			
Increase (-) / decrease (+) in inventories		87	-191
Increase (-) / decrease (+) in trade and other receivables		430	-868
Increase (+) / decrease (-) in trade and other payables		1 731	-145
Change in working capital		**2 247**	**-1 203**
Adjustment of financial items and taxes to cash-based accounting			
Interest paid	-	281	373
Interest received	+	0	1
Other financial items	-	82	411
Financial items and taxes		**-362**	**-784**
NET CASH FLOW FROM BUSINESS OPERATIONS		**-1 615**	**-4 384**

EUR 1 000		1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-	1 319	1 989
Grants received	+	1 262	0
NET CASH FLOW FROM INVESTMENTS		**-57**	**-1 989**
CASH FLOW FROM FINANCING ACTIVITIES			
Financing arrangement with Winance/Bracknor	+	1 050	750
Increase in non-current loans	+	1 500	6 110
Repayment of non-current loans	-	0	100
Increase in current loans	+	155	188
Repayment of current loans	-	812	995
NET CASH FLOW FROM FINANCING ACTIVITIES		**1 892**	**5 952**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**220**	**-420**
Cash and cash equivalents at the beginning of the financial year		15	435
Cash and cash equivalents at the end of the financial year		236	15
		220	**-420**

Statement of Changes in Equity

1.1.-31.12.2022

EUR 1 000	Share capital	Distributable non-restricted equity fund	Retained earnings	Total
31 Dec 2021	**80**	**32 771**	**-33 887**	**-1 036**
Profit/loss for the financial period			-7 668	**-7 668**
Conversion diffrence (average rate)				**0**
Transactions with owners:				
Own equity component of the convertible bond			504	**504**
Sale of own shares – Winance		750		**750**
Riverfort and other arrangements		1 173		**1 173**
31 Dec 2022	**80**	**34 694**	**-41 051**	**-6 277**

1.1.-31.12.2021

EUR 1 000	Share capital	Distributable non-restricted equity fund	Retained earnings	Total
31 Dec 2020	**80**	**26 930**	**-29 535**	**-2 525**
Profit/loss for the financial period			-4 776	**-4 776**
Conversion diffrence (average rate)			0	**0**
Transactions with owners:				
Own equity component of the convertible bond			423	**423**
Sale of own shares – Winance		1 224		**1 224**
Riverfort and other arrangements		1 218		**1 218**
Share issues		3 400		**3 400**
31 Dec 2021	**80**	**32 771**	**-33 887**	**-1 036**

GENERAL INFORMATION

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.

The Group's parent company is Valoe Corporation, a Finnish public limited company domiciled in Mikkeli. The company's registered address is Insinöörinkatu 8, FI-50150 Mikkeli.

A copy of the consolidated financial statements is available online at www.valoe.com or at the Group's headquarters at Insinöörinkatu 8, FI-50150 Mikkeli.

Valoe Corporation's Board of Directors approved the financial statements on 27 April 2023. According to the Limited Liability Companies Act, shareholders are entitled to approve or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting may also decide on amendments to the financial statements.

ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), following the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, effective on 31 December 2022. International accounting standards refer to standards and interpretations approved for application in the European Union as provided for in the Finnish Accounting Act and regulations based on the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements are also in accordance with the Finnish accounting and business legislation supplementing the IFRS regulations.

The consolidated financial statements have been prepared under the historical cost convention, with the exception of available-for-sale investments, which have been measured at fair value. The figures in the financial statements are given in thousands of euros.

Valoe Group has not applied any new or changed standards or interpretations during financial year 2022

The Going Concern Assumption

The financial statements have been prepared under the going concern assumption.

We have signed a new EUR 5 million financing agreement with Winance. Over the next 12 months, we may withdraw maximum EUR 2.75 million from Winance. In addition, based on our project plans, we expect with reasonable certainty to receive payments of around EUR 1 million from ongoing EU projects and cash flow from operations.

Based on the above, Valoe's Board of Directors estimates that the company will have sufficient funding to cover its operations' running costs and mandatory investments for the next 12 months. Valoe's management has many other solutions to secure sufficient funding and ongoing negotiations, e.g., to restructure maturing loan instalments. The management is confident that the negotiations will have a positive outcome from the company's point of view. On this basis, the financial statements have been prepared on a going concern basis.

Considering the several customer projects that are in the product development phase, where typically costs can exceed revenues; the maturing loans in the coming 12 months that have not yet been restructured; and the investments in machinery and equipment required in the growth phase in the second half of the next 12 months; we estimate that we will need EUR 4 - 5 million of additional funding for our planned high growth activities in the last quarter of 2023. The Board of Directors has decided to initiate measures to direct a new convertible bond to professional investors or to launch a share issue to the public in the third or fourth quarter of 2023.

If the above-mentioned management plans and measures will not be implemented as planned, there is material uncertainty relating to the going concern.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration

Management consideration connected with accounting policies and their adoption

The Group's management uses discretion in the selection and application of accounting principles. When preparing the financial statements the major issues for which the management has used discretion are evaluation of the going concern assumption and in appreciation of goodwill, machinery and product development costs. In addition, management discretion was used to apply the IFRS 16.

In 2022, management discretion was also used for a EUR 0.7 million investment/receivable made in a partner company in Ethiopia during the financial year 2016. The partner company has used the funds, e.g., for the land for the production facility and its preparation, and for preparations to establish the actual business operations. The commencement of operations has been delayed from the planned timeline, and the project's risk level has significantly increased. Based on the increased risk level, Valoe has written down 50% of the original investment. The partner company continues to take measures to start business operations, but it is difficult to estimate the timing or likelihood of success at the moment.If the business operations cannot be launched as planned, the partner company would seek to liquidate the land it manages and repatriate at least 50% of the value of the initial investment.

The company has not recorded a EUR 0.1 million calculated tax liability nor EUR 0.02 million tax receivable originating from the temporary timing differences between book value and taxation value because of improbable realization. The company has a remarkable amount of confirmed tax losses of which tax receivables have not been recorded.

Uncertainties connected with estimates

Estimates made when compiling the financial statements are based on the management's best views on the closing date of the reporting period. The estimates are based on previous experience and assumptions about the future that are deemed the most likely on the balance sheet date. Management estimates are used especially in goodwill impairment testing and the capitalization of product development costs (Note 12.). When testing for the impairment of assets, estimates are made on the recoverable amount of assets. The key uncertainty factors in goodwill impairment testing are related to sale, sales margins and the interest rate used by the company. The company has performed the impairment testing on goodwill and development expenditure in accordance with IFRS.

When testing for the impairment of assets, estimates are made on the recoverable amount of assets. Further information on the estimates used in goodwill impairment testing, as well as the bases for the estimates, is available under "Depreciation and Impairment" and "Intangible Assets / Goodwill" in the notes to the consolidated financial statements.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company Valoe Corporation and all of its subsidiaries. Subsidiaries are entities in which the Group exercises control. A position of control arises when the Group, by being an investor, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The information of subsidiaries is given in Related party transactions, Note 28. The Group has no subsidiaries with a significant proportion of non-controlling interests.

Intra-group shareholding has been eliminated using the acquisition method. Acquired subsidiaries are consolidated in the financial statements from the date on which the Group has acquired control over the company, and disposed subsidiaries are deconsolidated from the date on which control ceases. All of the Group's internal operations, receivables, liabilities, unrealized gains and internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated if the losses result from impairment.

FOREIGN CURRENCY TRANSLATION

The figures representing the performance and financial standing of the Group's units are measured in the functional currency of each unit's main operating environment. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions have been recognized in euros using the exchange rate prevailing on the transaction date. In practice, the rate used is often one that approximately equals the rate on the transaction date. Monetary items denominated in foreign currency have been translated into euros at the closing rate. Non-monetary items in foreign currency, measured at fair value, have been translated into euros at the rates prevailing on the measurement date. Other non-monetary items have been measured at the rate prevailing on the transaction date. Gains and losses from foreign currency transactions and from the translation of monetary items have been recognized in the income statement. Exchange rate gains and losses from business activities are included in the corresponding items above operating profit.

The revenues and expenses in the income statements of foreign group undertakings have been translated into euros using the weighted average rate for the financial year, while the balance sheets have been translated using the closing rates. Using different rates to translate the period's result in the income statement and balance sheet results in a translation difference that needs to be recognized in the statement of comprehensive income. Translation differences resulting from the elimination of the acquisition cost of foreign subsidiaries are recognized in the income statement when the net investment is divested wholly or partly.

Unrealized exchange gains and losses are recognized through profit or loss. If the exchange gains and losses are recognized in the same item in the balance sheet, they are measured at net realizable value and then recognized through profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been recognized at original cost less depreciation and impairment.

If an asset consists of several components, with useful lives of different lengths, each component is treated as a separate asset. In this case, the expenses related to the renewal of a component are capitalized and any remaining carrying amount is derecognized in conjunction with the renewal. Otherwise, expenses incurred at a later time are included in the carrying amount of an asset only if it is probable that any future economic benefit associated with the asset will flow to the Group and if the acquisition cost of the asset can be reliably determined. Other repair and maintenance expenses are recognized in the income statement after their realization.

Straight-line depreciations are made on assets over their estimated useful life. Land is not depreciated. The estimated useful lives are the following:

Building rights	as in rental agreements
Machinery and equipment	3-7 years
Other tangible assets	5 years

The residual value and useful life of assets are assessed for every financial statement and, if needed, adjusted to reflect any changes in the expected economic benefit.

The depreciation of property, plant and equipment is terminated when the asset is classified as Held for Sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on disposals and transfers of property, plant and equipment are included in other operating income or expenses.

PUBLIC SUBSIDIES

Public subsidies, such as government assistance for the acquisition of property, plant and equipment, are recognized as deductions from the carrying amount of property, plant and equipment or intangible assets when it is reasonably certain that the Group will receive the subsidies and that it complies with the conditions attached to them. Subsidies are recognized in the form of smaller depreciation over the useful life of the asset. Subsidies received as compensation for expenses already incurred are recognized in the income statement when the expenses related to the subsidized object are recognized as an expense. These types of subsidies are presented under other operating income. During 2019 and previous financial years, the Group has received product development subsidies that involve the first of the recognition methods explained above.

According to IFRS 9 the benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognized and measured in accordance with IFRS 9. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with this Standard.

INTANGIBLE ASSETS

Goodwill

Goodwill arising in business combinations is recognized at the amount by which the consideration given, the share of the shareholders without control in the acquired business and the previously held share combined exceed the fair value of the acquired net assets. The goodwill of business combinations carried out prior to 2004 corresponds to the carrying amount that complies with previous accounting standards, which has been used as the default acquisition cost according to IFRS.

Goodwill and other intangible assets with indefinite useful life are not subject to depreciation but are tested annually for any impairment. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at original cost less impairment (Note 12).

Research and development costs

Research expenditure is recognized as an expense in the income statement. Development expenditure arising from the design of new or more advanced products is capitalized in the balance sheet under intangible assets as of the date the product is technically realizable and commercially viable and can be expected to generate future economic benefit. Capitalized development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. Development expenditure that has been recognized as an expense in previous periods cannot be capitalized later.

Depreciation of an intangible asset begins once the asset is ready for use. Capitalized development expenditure is reviewed annually for any indication of impairment. An intangible asset that is not ready for use is tested annually for impairment. After initial recognition, capitalized development expenditure is measured at cost less accumulated depreciation and impairment. The useful life of capitalized development expenditure is 5 to 10 years, during which time capitalized costs are amortized on a straight-line basis.

Other intangible assets

An intangible asset is recognized in the balance sheet at original cost if the cost can be reliably determined and it is likely that the expected economic benefit from the asset will flow to the company.

Intangible assets with a limited useful life are capitalized in the balance sheet at acquisition cost and amortized on a straight-line basis through profit or loss over their useful life.

Other intangible assets have the following depreciation periods:

Patents	10 years
Software licenses	5 years

INVENTORIES

Inventories are measured at the lower of acquisition cost or net realizable value. The acquisition cost of material inventories is determined using the weighted average cost method and that of work in progress using the FIFO (first in, first out) method. The cost of finished products and work in progress includes raw materials, direct labor costs and other direct costs, and a systematically allocated share in the variable manufacturing overhead costs. The net realizable value is the estimated selling price in normal business operations, less the estimated costs of completion and estimated costs resulting from sales.

LEASES

A right-of-use asset is recognised for leases, as well as a financial liability corresponding to the lease liability, and their balance sheet value is based on the present value of future rent payments. Short-term and low-value assets are subject to an exemption, and these items remain off the balance sheet. Valoe acts as a lessee, and has leases relating to production, storage and office facilites.

Short-term leases intended to last for less than 12 months are treated as short-time leases, and are not recognised on the balance sheet. Low-value leases are also excluded from calculations made in accordance with the IFRS 16 standard. These agreements are recognised as an expense in other operating expenses over the duration of the lease. Management's judgement was partially used to determine the lease term.

As all the leases are related to business premises and are similar in nature, a single discount rate (6.8 %) has been applied to them.

IMPAIRMENT TESTING OF TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets

On every closing date the Group tests assets for possible impairment. If any indication of impairment is found, the recoverable amount of the asset in question is assessed. The recoverable amount is also estimated annually for goodwill and product development projects, irrespective of whether indications of impairment are found. The need for impairment is assessed at the level of cash-generating units, that is, at the lowest unit level that is mainly independent of other units and has separately identifiable cash flows.

The recoverable amount of an asset is the higher of its fair value less expenses from disposal or its value in use. Value in use equals the net future cash flows expected to be recovered from the asset or cash-generating unit, discounted to present value.

An impairment loss is recognized if the carrying amount of an asset is higher than its recoverable amount. An impairment loss is recognized immediately in the income statement. If the impairment loss concerns a cash-generating unit it is first allocated to reduce the goodwill of the cash-generating unit and then to proportionately reduce the unit's other assets. An impairment loss is reversed if there is a change in the conditions under which the recoverable amount of the asset was measured and if the recoverable amount of the asset has changed since the recognition of the impairment loss. However, the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment is not reversed under any circumstances.

EMPLOYEE BENEFITS

Pension obligations

Pension plans are categorized into defined benefit and defined contribution schemes. In defined contribution schemes the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to take care of all of the pension benefits. All other schemes that do not meet these conditions are defined benefit schemes. Contributions made into defined contribution payment schemes are recognized in the income statement in the financial period they are due. The Group has no pension arrangements considered to be defined benefit plans.

Share-based payments

During the financial year 1.1. – 31.12.2022 no options were given to the management. The company has an option scheme in force as per 31 December 2022.

Other employee benefits

After a long period of employment, employees receive a reward or paid holiday. Long-term employee benefits are booked as deferred liability at the balance sheet at the present value at the reporting date. Actuarial gains and losses are recognized in profit or loss.

PROVISIONS

V A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that the payment obligation must be settled and the amount of the obligation can be reliably estimated. If there is a possibility to get compensation from a third party for part of the obligation, the compensation is recognized as a separate asset, but not until it is practically certain that the compensation will be received. Provisions are measured at the present value of expenditures required to settle the obligations. The discount rate used to calculate the present value is selected to reflect current market assessments of the time value of money and the risks specific to the obligation.

The guarantee provision is recorded once a year on a project-by-project basis based on at the best information at the time.

A provision is recognized for an onerous contract if the expenses required to settle the obligations exceed the benefits from the contract.

INCOME TAXES AND DEFERRED TAXES

The taxes in the income statement include current tax and deferred tax. Tax expenses are recognized through profit or loss, with the exception of items recognized directly in equity, in which case the tax impact is recognized correspondingly as part of equity. Current tax is calculated from taxable income using the tax rate enacted in each country.

Deferred taxes are calculated on temporary differences between the carrying amount and taxable amount. The largest temporary differences arise from measurement at fair value in connection with acquisitions. Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available in the future against which the temporary difference can be utilized.

The company has not recognized deferred tax assets based on its deductible losses. The company has also not recorded a EUR 0.1 million calculated tax liability nor EUR 0.02 million tax receivable originating from the temporary timing differences between book value and taxation value because of improbable realization.

REVENUE RECOGNITION PRINCIPLES

Sold goods and produced services

Revenue from the sales of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. At this time, the Group no longer has control or regulatory power over the product. This usually coincides with the date on which the goods have been delivered to the customer according to the agreed delivery clause. Revenue from services is recognized at the time the service is carried out. Net sales consist of the revenue from the sales of products, services, raw materials and equipment, adjusted by indirect taxes, discounts and exchange rate differences from sales in foreign currencies.

Long-term contract revenue has been recognized as revenue on the basis of the percentage of completion. The company has defined as long-term contract work projects which have started and ended in different financial periods and where the recognition of income as revenue has a substantial impact on net sales and result. The stage of completion of long-term contracts has been determined as the proportion of costs incurred in relation to the estimated total contract costs and is dependent on the eventual total revenue and costs and a reliable way to measure the progress of the project. A loss for a project is recognized as soon as it is known and can be estimated.

Cost of sales on profit and loss statement includes all direct costs and fixed production costs. As fixed costs, rent as major item, are rated for much larger production volume, gross profit is negative with current sales.

INTEREST AND DIVIDEND

Interest income is recognized using the effective interest method and dividend yield at the time of vesting.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group's financial assets are categorized into the following groups according to IFRS 9 Financial Instruments: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The categorization is carried out based on the purpose for which the financial assets were acquired and is done in conjunction with the original acquisition.

Loans and other receivables are non-derivative assets that have fixed or measurable payments, are not quoted on active markets and not held for trading by the Group. They are measured on the basis of amortized cost. They are presented under trade and other receivables in the balance sheet depending on their nature: in non-current assets if they mature in more than 12 months and in current assets otherwise.

Financial assets available for sale are assets that are not included in derivatives and have been expressly allocated to this group or have not been classified into any other group. They are included in non-current assets except if they are to be held for less than 12 months from the closing date, in which case they are recorded under current assets. Available-for-sale financial assets consist of shares and interest-bearing investments. They are measured at fair value or, when the fair value cannot be reliably determined, at cost. Changes in the fair value of available-for-sale financial assets are recorded in equity in the fair value reserve taking into consideration the tax impact. Changes in fair value are transferred from equity to the income statement when the investment is sold or if it is subjected to impairment and an impairment loss must be recognized on the investment.

Cash and cash equivalents consist of cash, bank deposits that can be withdrawn if demanded and other current, highly liquid investments. Items in cash and cash equivalents have a maximum maturity of three months from the date of acquisition. Credit accounts related to Group accounts are included in current interest-bearing liabilities and reported as set off, as the Group has a contractual, legally recognized right to settle or otherwise eliminate all or a portion of an amount due to a creditor.

Transaction expenses are included in the original carrying amount of financial assets in the case of an item that is not measured at fair value through profit or loss. All of the purchases and sales of financial assets are recognized on the transaction date.

Financial assets are derecognized if the Group loses the contractual right to cash flows or if it transfers substantial risks and income outside the Group.

Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction expenses are included in the original carrying amount of financial liabilities. All financial liabilities are later measured at amortized cost using the effective interest method. Financial liabilities are included in current and non-current liabilities and they can be either interest-bearing or non-interest-bearing. The fair value of the liability component of a convertible subordinated loan is determined using the prevailing market interest rate for a similar debt at the time of issue. The liability component is recognized at amortized cost. In calculating the convertible bond, the equity share has been recognized under equity.

The fair value measurement principles applied to all financial assets and liabilities are presented in Note 24.

Impairment of financial assets

On each balance sheet date the Group assesses whether objective indication exists of impairment of an individual financial asset or a group of financial assets. A significant and long-lasting impairment of share investments, resulting in the fair value falling under the cost of acquisition, is an indication of impairment of available-for-sale shares.

The Group recognizes an impairment loss for trade receivables if objective indication exists that the receivable cannot be collected in full. Considerable financial difficulties of a debtor, likelihood of bankruptcy, default of payments or a payment delay of more than 90 days are indications of possible impairment of trade receivables. The amount of the impairment loss recognized in the income statement is determined as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted using the effective interest rate. If the amount of the impairment loss decreases in a later period, and the decrease can be objectively related to an event subsequent to impairment recognition, the recognized loss is reversed through profit or loss.

BORROWING COSTS

The Group capitalizes the borrowing costs for the acquisition, construction or production of a qualifying asset that are directly attributable as part of the cost of the asset when it is probable that they will generate future economic benefits, and the costs can be measured reliably. The Group no longer capitalizes the costs when the asset is substantially ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they occur.

SHAREHOLDERS' EQUITY

The Group classifies the instruments issued on the basis of their nature either as equity or as a liability (financial debt). Any contract that entitles to the assets of an entity after deducting all of its liabilities is an equity instrument. Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item. If the company buys back its own equity instruments, the cost of these instruments is deducted from equity.

DIVIDEND DISTRIBUTION

The dividend proposed by the Board of Directors to the Annual General Meeting is not deducted from distributable equity until the Annual General Meeting makes its decision.

NEW IFRS STANDARDS AND INTERPRETATIONS

IFRS standards which will come into force and would affect Valoe Group Corporation's consolidated income statement, statement of financial position or notes at the time of the adoption are not known at the closing of the accounts.

Valoe believes the final leg of the journey, the "last mile", will be driven by light electric vehicles, all powered by the sun. Delivery companies already are deploying daytime solar-powered vehicles manufactured by Valoe's customers. In the picture there is EVIG from our Swedish partner, CleanMotion. The EVIG has a solar panel on its roof - co-designed and entirely manufactured by Valoe.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

Unless otherwise indicated, the figures in the following notes are given in thousands of euros

1. Segment Information

The Group has one customer whose revenues totalled to apr. 84 per cent of the Group's revenue

Geographical information

EU, the rest of Europe, the Americas, Asia and Africa are reported under geographical information. Geographical information in terms of net sales is determined based on the customer's location and in terms of assets on the location of the assets.

	EU	Other European countries	America	Asia	Africa	Total
2022						
External net sales	1 295	0	9	0	0	**1 305**
Non-current assets	13 071	0	0	0	336	**13 407**
2021						
External net sales	2 132	0	8	9	0	**2 148**
Non-current assets	13 695	0	0	0	672	**14 368**

Distribution of net sales	2022	2021
Revenues from services	850	1 157
Revenues from the sale of goods	242	912
Revenues recognized from long-term contracts	213	80
Total	**1 305**	**2 148**

2. Long-term contract revenues recognized on the basis of % of completion	2022	2021
Cumulative net sales	671	80
Recognized as revenue for the financial period	671	80
Amount not recognized as revenue	329	166
Receivables from percentage-of-completion contracts	293	80

3. Other operating	2022	2021
Negotiated discounts on payment agreements	0	148
Refund of VAT paid abroad	81	0
Other income items	13	390
Total	**94**	**538**

4. Other operating expenses	2022	2021
Write-down of receivables	361	25
Other expenses	1	410
Total	**362**	**435**

Auditors' fees	2022	2021
Authorized Public Accountants Auditus Tilintarkastus		
Auditor's fees	64	61
Total	**64**	**61**

Rental expenses	2022	2021
Rental expenses	57	76

In accordance with the adoption of IFRS 16, rental expenses above include only the rents of less than 12 months and low-value leases in 2022 and 2021.

Amounts of rental leases included in Profit and Loss	2022	2021
Depreciations of lease agreements (buildings)	526	467
Interest expenses	84	77
Costs relatd to short-term leases (included in production costs)	57	76

5. Employee benefits	2022	2021
Salaries	2 377	2 104
Retirement expenses – defined contribution plans	322	283
Other indirect employee expenses	99	81
Total	**2 797**	**2 469**

Information on the emoluments of the management is given in Note 28. Related party transactions.

Employees by function were	2022	2021
During the financial period on average		
Procurement and production	20	15
Product development	30	26
Sales and marketing	2	2
Administration	4	4
Total	**56**	**47**
At the end of the year		
Procurement and production	23	15
Product development	30	31
Sales and marketing	1	3
Administration	5	4
Total	**58**	**52**

6. Depreciation and impairment

6. Depreciation and impairment	2022	2021
Depreciation by product group		
Intangible assets		
Development cost	872	765
Patents	5	18
Intangible rights	20	5
Total	**898**	**788**
Property, plant and equipment		
Building rights	526	467
Machinery and equipment	262	161
Other tangible assets	7	6
Total	**794**	**634**
Impairments by product groups		
Inventory	18	170
Total	**18**	**170**

The write-down in the financial year 2021 was mainly related to the company's Chrome product family.

7. Financial income

7. Financial income	2022	2021
Interest income	0	1
Exchange rate gains	2	1
Total	**2**	**2**

The items above the operating profit don't include ecxhange rate gains or losses in 2022 or 2021.

8. Financial expenses

8. Financial expenses	2022	2021
Interest expenses	1 456	1 256
Exchange rate losses	7	13
Other financial expenses	619	336
Total	**2 083**	**1 605**

9. Income taxes

9. Income taxes	2022	2021
Statement on the differences between the tax expense in the income statement and the tax rate of the Group's home country, reconciliation of calculated taxes:		
Profit/loss before taxes	-7 668	-4 776
Taxes at the parent entity's statutory income tax rate of 20 % (2021: 20 %)	-1 534	-955
Different tax rates of subsidiaries	49	12
Tax-free revenue / non-deductible expenses	234	-6
Loss to be confirmed in taxation not recognized as deferred tax assets	1 251	950
Taxes in the income statement	**0**	**0**

The parent company has confirmed deductible losses, totalling EUR 33.3 million, out of which 9.8 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses.

10. Earnings per share

Basic earnings per share calculated by dividing the profit attributable to shareholders of the parent by the weighted average of the number of outstanding shares during the period.

	1 Jan-31 Dec 2022	2 Jan-31 Dec 2021
Loss attributable to shareholders of the parent (EUR 1,000)	-7 668	-4 776
Weighted average number of shares during the period (1,000)	399 798	315 511
Basic earnings per share (EUR/share)	-0,02	-0,02
Diluted earnings per share (EUR/share)	-0,02	-0,02

The dilutive potential of ordinary shares has not been taken into account in 2022 or in 2021 as required by IAS 33, paragraph 41, because it would reduce the loss per share.

11. Property, plant and equipment

2022	Building rights	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2022	1 834	9 727	272	11 833
Additions	0	944	2	945
Disposals	0	0	-1	-1
Acquisition cost, 31 Dec 2022	1 834	10 670	273	12 777
Accumulated depreciation and impairment, 1 Jan 2022	-1 061	-317	-8	-1 386
Acc. depreciation on disposals	0	0	1	1
Depreciation for the period	-526	-262	-7	-794
Accumulated depreciation and impairment, 31 Dec 2022	-1 586	-579	-13	-2 179
Carrying amount, 1 Jan 2022	774	9 410	264	10 447
Carrying amount, 31 Dec 2022	**248**	**10 091**	**259**	**10 598**

2021	Building rights	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2021	1 692	8 907	254	10 853
Additions	142	1 063	18	1 223
Disposals	0	-243	0	-243
Acquisition cost, 31 Dec 2021	1 834	9 727	272	11 833
Accumulated depreciation and impairment, 1 Jan 2021	-594	-400	-2	-995
Acc. depreciation on disposals	0	243	0	243
Depreciation for the period	-467	-161	-6	-634
Accumulated depreciation and impairment, 31 Dec 2021	-1 061	-317	-8	-1 386
Carrying amount, 1 Jan 2021	1 098	8 507	253	9 858
Carrying amount, 31 Dec 2021	**774**	**9 410**	**264**	**10 447**

IFRS 16 Leases

The adoption of IFRS 16 -standard had some effect on Valoe's balance sheet, income statement and key figures. On the balance sheet, interest-bearing liabilities and non-current assets are higher than with IAS 17. Depreciation on fixed asset item and interest expenses arising from lease liabilities are recognized on the income statement, instead of rental payments, which increases Valoe's EBITDA and operating profit for the time beeing.

Items of leases presented in the balance sheet	2022	2021
Liabilities		
Non-current interest-bearing liabilities	25	62
Current interest-bearing liabilities	173	526
Total	**197**	**588**

12. Intangible assets

2022	Consolidated goodwill	Development costs	Patents	intangible assets	Total
Acquisition cost, 1 Jan 2022	743	10 490	156	185	11 574
Additions	0	0	0	123	123
Acquisition cost, 31 Dec 2022	743	10 490	156	308	11 697
Accumulated depreciation and impairment, 1 Jan 2022	-302	-7 772	-123	-138	-8 336
Depreciation for the period	0	-872	-20	-5	-898
Accumulated depreciation and impairment, 31 Dec 2022	-302	-8 645	-144	-144	-9 234
Carrying amount, 1 Jan 2022	441	2 718	32	47	3 238
Carrying amount, 31 Dec 2022	**441**	**1 846**	**12**	**165**	**2 463**

2021	Consolidated goodwill	Development costs	Patents	Other intangible assets	Total
Acquisition cost, 1 Jan 2021	743	10 247	151	147	11 288
Additions	0	0	4	38	43
Transfers between items	0	243	0	0	243
Acquisition cost, 31 Dec 2021	743	10 490	156	185	11 574
Accumulated depreciation and impairment, 1 Jan 2021	-302	-6 764	-105	-133	-7 304
transfers	0	-243	0	0	-243
Depreciation for the period	0	-765	-18	-5	-788
Accumulated depreciation and impairment, 31 Dec 2021	-302	-7 772	-123	-138	-8 336
Carrying amount, 1 Jan 2021	441	3 483	46	14	3 984
Carrying amount, 31 Dec 2021	**441**	**2 718**	**32**	**47**	**3 238**

Specification of capitalized development costs by sub-projects	2022	2021
Technology transfer China	1 175	1 762
Pilot production line development	139	191
Chrystal Twin	55	83
MWT Cell development	364	475
Future PV-technology development	113	207
Total	**1 846**	**2 718**

The transfer of the technology from China includes the original technology rights from Valoe's Chinese plants. The company amortizes it on a straight-line basis over ten years and the remaining amortization period is 4 years. If the company ceased to use this technology, could this project be subject to a write-down.

The development of the pilot production line consists of the modernization of the Valoe production line. This sub-project would be subject to the risk of write-downs in the event that the production line could not be used as planned.

The recipe for solar panels will be utilized in the comapany's current Chrystal series panels. In the future, part of this sub-project could be subject to the risk of write-downs if the Chrystal panel proved to be inoperable.

For the moment, Valoe does not manufacture MWT cell, but the MWT technology can e.g. be applied to photovoltaic applications for aerospace. Valoe is further developing the MWT cell to be used in space technology. Should the company's efforts to produce MWT cells for such applications fail, this project would be subject to a write-down.

The mapping of future pv technology is closely related to the OddForm panel family published by Valoe in 2020. If the OddForm panel did not achieve its goals, and if other Valoe's future projects did not achieve the desired results, there would be a risk of write-downs for this sub-project.

INTANGIBLE ASSETS AND GOODWILL

Valoe's other intangible assets include capitalized development costs for EUR 1.8 million, whose depreciation is expected to end during the financial year 2026. The useful lifetime of the capitalized development expenditure is 5 to 10 years, during which capitalized costs are recognized on straight-line basis as an expense during the financial year.

Goodwill arising in business combinations is recognized at the amount by which the consideration given, the share of the shareholders without control in the acquired business and the previously held share combined exceed the fair value of the acquired net assets. The goodwill of business combinations carried out prior to 2004 corresponds to the carrying amount that complies with previous accounting standards, which has been used as the default acquisition cost according to IFRS.

Goodwill and unfinished capitalized R&D expenditure are not subject to depreciation but are tested annually for any impairment. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at cost less impairment losses.

At the end of the financial year the consolidated goodwill totaled EUR 0.44 million, no additions or disposals were booked in 2022. Other intangible assest total to EUR 2.0 million, which includes the capitalized development costs of EUR 1.8 million.

The company has tested the expected future cash flows for the goodwill and other intangible assets.

Company is using net present value method for valuation of current value of intangible assets. Specification by sub-projects is presented on the previous page. As discounting interest rate the company has used WACC rate of 9.3 % (2021 7.9 %) which includes 6 % market risk premium. The interest rate corresponds with the interest rate that the company believes it can get finance for during 2023. Sensitivity analysis shows that the company could use about 16.8 % as WACC interest rate without need for write down.

An impairment loss is recognized if the carrying amount of an asset is higher than its recoverable amount. An impairment loss is recognized immediately in the income statement. If the impairment loss concerns a cash-generating unit it is first allocated to reduce the goodwill of the cash-generating unit and then to proportionately reduce the unit's other assets. An impairment loss is reversed if there is a change in the conditions under which the recoverable amount of the asset was measured and if the recoverable amount of the asset has changed since the recognition of the impairment loss. However, the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized. Goodwill impairment is not reversed under any circumstances.

In impairment testing current year turnover is based in committed orderbook added with the number of offers the company considers most likely to realize. The company has not taken into account the offers, which, if implemented, would significantly affect the company's market guidance. Gross margin level is based on budgeted gross margin for 2023. Gross margin varies between 30 – 44 % during the period considered. Overhead cost structure is based on 2022 actual with budgeted changes reflected. Company has significant amount of unused tax credits. Therefore no tax payment is expected within period in consideration. Capital employed has been estimated to be 10 % of the growth of the company which reflects actual amount of tied up capital as company grows.

Should the company fail in its business plan implementation, it could generate a need for a write-off in goodwill and other intangible assets.

13. Available-for-sale financial assets

13. Available-for-sale financial assets	Level 1	Level 2	Level 3
Financial assets available for sale, 31 Dec 2022			9

Financial assets available for sale consist of shares for which the purchase price is considered to correspond to the fair value. No events affecting financial assets available for sale took place in 2022.

14. Non-current receivables

14. Non-current receivables	2022	2021
Loan receivable from Ethiopia	336	672
Total	**336**	**672**

In 2022, management discretion was also used for a EUR 0.7 million investment/receivable made in a partner company in Ethiopia during the financial year 2016. The partner company has used the funds, e.g., for the land for the production facility and its preparation, and for preparations to establish the actual business operations. The commencement of operations has been delayed from the planned timeline, and the project's risk level has significantly increased. Based on the increased risk level, Valoe has written down 50% of the original investment. The partner company continues to take measures to start business operations, but it is difficult to estimate the timing or likelihood of success at the moment. If the business operations cannot be launched as planned, the partner company would seek to liquidate the land it manages and repatriate at least 50% of the value of the initial investment.

15. Deferred tax assets and liabilities

The parent company has confirmed deductible losses, totalling EUR 33.3 million, out of which 9.8 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses.

16. Inventories

16. Inventories	2022	2021
Materials and supplies	361	464
Finished products	0	1
Total	**361**	**465**

Inventories were written down by EUR 0.02 million in 2022 (EUR 0.2 million in 2021).

17. Trade and other non-interest-bearing receivables

17. Trade and other non-interest-bearing receivables	2022	2021
Trade receivables	180	817
Percentage of conpletion receivables	293	80
Prepayments and accrued income	423	718
Other receivables	549	719
Total continuing operations	**1 445**	**2 334**

Age distribution of trade receivables and recognized impairment losses

Undue	10	216
Due 0–30 days	0	147
Due 31–60 days	0	140
Due 61–90 days	3	0
Due over 90 days	167	314
Total	**180**	**817**

18. Cash and cash equivalents

18. Cash and cash equivalents	2022	2021
Cash on hand and deposits	236	15
Total	**236**	**15**

Cash and cash equivalents in the cash flow statement consist of cash on hand and bank deposit.

19. Notes to shareholders' equity

	Number of shares (1,000)	Share capital	Distributable non-restricted equity fund
31.12.2020	**255 359**	**80 000**	**26 930**
Share Subscription (VVK 1/2021) 23 June 2021	85 000	0	3 400
Issue of new Shares to Company itself 23 June 2021	28 000	0	0
Share Subscription (VVK 1/2020 partly) 20 Aug 2021	0	0	330
Share Subscription 20 Aug 2021	0	0	50
Share Subscription 24 Sept 2021	0	0	500
Issue of new Shares to Company itself 9 Dec 2021	25 000	0	0
Riverfort Implementation Fees, 3 pcs in 2021	0	0	338
Financing arrangement with Winance 2021	0	0	1 224
31.12.2021	**393 359**	**80 000**	**32 771**
Share Subscription, 3 pcs in 2022	0	0	67
Issue of new Shares to Company itself 29 Sept 2022	25 000	0	0
Riverfort Implementation Fee	0	0	27
Financing arrangement with Riverfort 2022	0	0	1 079
Financing arrangement with Winance 2022	0	0	750
31.12.2022	**418 359**	**80 000**	**34 694**

All shares issued have been paid in full. The shares have no nominal value.

Distributable non-restricted equity fund

The distributable non-restricted equity fund contains other quasi-equity investment instruments and the subscription price of shares when this is not separately recorded in share capital.

On 11 June 2021, the Board of Directors of Valoe Corporation resolved on the share subscription based on the conversion of the promissory notes issued under the Company's convertible bond 1/2021. In the said share subscription, the lenders of the convertible bond 1/2021 subscribed in total 85,000,000 new shares in the Company by converting the promissory notes into the New Shares pursuant to the conversion requests delivered to the Company. The entire loan capital of the convertible bond 1/2021 was converted to the New Shares. One loan share of EUR 1.00 pursuant to the promissory note entitled the lender to subscribe for 25 New Shares of the Company. The subscription price of a share was paid by way of set off against the unpaid capital of the convertible bond 1/2021. Thus, the indebtness of the company decreased in total by EUR 3.4 million.The subscription price of the New Shares was entered in entirety into the Company's invested non-restricted equity fund.

The Board of Directors of Valoe Corporation has on 12 August 2021 resolved to partially convert the loan shares of the Company's convertible bond 1/2020 into the Company's shares and partially pay the loan shares in cash. Based on the conversion request submitted to the Company by the promissory note holder, EUR 300,000 of the Convertible Bond 1/2020 capital and interest on the entire loan capital was converted into 4,521,524 Company's treasury shares. The subscription price of one share in the Company was EUR 0.073 per share. The subscription price of a share was paid by way of set off against the unpaid capital of the convertible bond 1/2020. Thus, the indebtness of the company decreased in total by EUR 0.3 million. The subscription price of the shares was entered in entirety into the Company's invested non-restricted equity fund.

The Board of Directors of Valoe has on 12 August 2021 resolved to convert the Promissory Note into Valoe shares and to transfet a total of 555,556 treasury shares to ISC Bioheat. The subscription price for one share was EUR 0.09. Thus, the indebtness of the company decreased in total by EUR 0.05 million. The subscription price of the shares was entered in entirety into the Company's invested non-restricted equity fund.

A total of EUR 0.8 million was recorded the the companyt's invester unrestricted equity fund in the financing arrangement with Riverford during the year 2021. Of this EUR 0.5 million was loan installments and EUR 0.3 million arrangement fees.

A total of EUR 1.2 million was recorded in the company's invested non-restricted equity fund in the financing arrangement with Winance during the year 2021.

The Board of Directors of Valoe has on 31 March 2022 resolved to convert the Promissory Note into Valoe shares and to transfet a total of 346,737 treasury shares to ISC Bioheat. The subscription price for one share was EUR 0.0973. Thus, the indebtness of the company decreased in total by EUR 0.03 million. The subscription price of the shares was entered in entirety into the Company's invested non-restricted equity fund.

The Board of Directors of Valoe has on 6 July 2022 resolved to convert the Promissory Note into Valoe shares and to transfet a total of 295,699 treasury shares to ISC Bioheat. The subscription price for one share was EUR 0.0843. Thus, the indebtness of the company decreased in total by EUR 0.02 million. The subscription price of the shares was entered in entirety into the Company's invested non-restricted equity fund.

The Board of Directors of Valoe has on 20 October 2022 resolved to convert the Promissory Note into Valoe shares and to transfet a total of 142,024 treasury shares to ISC Bioheat. The subscription price for one share was EUR 0.0607. Thus, the indebtness of the company decreased in total by EUR 0.01 million. The subscription price of the shares was entered in entirety into the Company's invested non-restricted equity fund.

A total of EUR 1.1 million was recorded the the companyt's invester unrestricted equity fund in the financing arrangement with Riverford during the year 2022. Of this EUR 1.08 million was loan installments and EUR 0.03 million arrangement fees.

A total of EUR 0.75 million was recorded in the company's invested non-restricted equity fund in the financing arrangement with Winance during the year 2022.

20. Share-based payments and convertible bonds

During the financial year, the Group had in place options related to bond 1/2019 (original nominal value EUR 2.8 million and book value on 31.12.2022 EUR 0 million after converting the last part of the loan to a new convertible bond), to bond 2/2021 (nominal value EUR 2.9 million and book value on 31.12.2022 2.9 million), to bond 1/2022 (nominal value EUR 0.7 million and book value on 31.12.2022 EUR 0 million after converting to a new convertible bond) and to bond 2/2022 (noinal value EUR 1.7 million and booke value on 31.12.2022 EUR 1.5 million).

The stock options related to convertible bonds 1/2012 and 2/2019 have expired.

The Promissory Note Holder of the Convertible Bond 2/2021 is entitled to convert the Promissory Note into the shares of the Company in accordance with the terms of the Convertible Bond 2/2021. When the conversion right is being used, the subscription price of one (1) new share of the Company shall be the six-month volume weighted average stock trading price on the period ending on the conversion date less 20 percent. Based on the subscriptions made pursuant to the loan shares the Company shall issue a maximum amount of 28,000,000 new Company shares. The due date of the Convertible Bond on 15 October 2023. The conversion period of the Convertible Bond commences on 15 October 2022 and terminates on 31 December 2023..

In April 2022 Valoe issued a EUR 3.0 million convertible bond 1/2022, of which EUR 0.7 million was subscribed. The subscriptions were made in new cash investments. The holders of this convertible bond fully converted their loans into a new convertilbe bond 2/2022 during the autumn 2022.

In August 2022 Valoe issued a EUR 3.0 million convertible bond 2/2022, which was subscribed for a total of EUR 1.7 million. Out of the approved subscriptions, EUR0.8 million are new cash investments and EUR0.9 million was paid by setting the subscription price off against the subscribers' indisputable receivables from the company. The receivables included the Convertible Bond 1/2022, totaling EUR0.7 million and issued by the Company earlier this year, which was entirely converted to the new Convertible Bond 2/2022. The Promissory Note Holder is entitled to convert the Promissory Note into the shares of the Company in accordance with the terms of the Convertible Bond 2/2022. The convertible bond can be converted into the Shares of the Company during the Conversion Period I which begins on 31 March 2023 and expires on 30 April 2023, and during the Conversion Period II which begins on 1 June 2024 and expires on 30 June 2024.

When converting the Convertible Bond into the shares of the Company during the Conversion Period I the subscription price of one (1) share of the Company shall be (i) EUR 0.07 per share or (ii) the twomonth volume weighted average stock trading price prior to 30 March 2023, less 15 percent, depending on which of the above options (i) or (ii) results to a larger number of shares. When converting the Convertible Bond into the shares of the Company during the Conversion Period II the subscription price of one (1) share of the Company is the two-month volume weighted average stock trading price prior to 31 May 2024, less 15 percent.

Based on the subscriptions made pursuant to the loan shares, the Company shall issue a maximum amount of 24,285,712 new shares or treasury shares of the Company. However, if, as described in the previous paragraph, the subscription price of one (1) share of the Company is less than EUR 0.07 per share, the Company will increase the maximum number of new shares or treasury shares so that the entire loan amount can be converted into shares of the Company at the subscription price described in the previous paragraph. The loan period shall expire on 30 June 2024.

There was no outstanding options and no options were exercised during 2022 or 2021.

21. Provisions	2022	2021
Provisions at the beginning of the financial year	89	226
Additions to provisions	15	0
Provisions exercised	0	-123
Provisions cancelled	0	-14
Provisions at the end of the financial year	**104**	**89**

Warranty provisions		
Current provisions	104	89
Total	**104**	**89**

Revenue from the sales of goods is recognized when the significant risks and rewards of purchasing have been transferred to the buyer. A provision is made for estimated warranty expenses. On 31 Dec 2022, warranty provisions totalled EUR 104,000 (31 Dec 2021: EUR 89,000). Guarantee provision is based on previous years' experience on products that are faulty or required additional installations.

22. Financial liabilities Non-current financial liabilities at amortized cost	Balance sheet values 2022	Balance sheet values 2021
R&D loan	6 576	6 380
Loans from financial institutions	0	700
Convertible bond 1/2019	0	51
Convertible bond 2/2021	0	2 517
Convertible bond 2/2022	1 516	0
Lease liability (IFRS 16)	25	62
Total	**8 116**	**9 710**

Current financial liabilities at amortized cost	Balance sheet values 2022	Balance sheet values 2021
R&D loan	371	425
Convertible bond 1/2012	364	364
Convertible bond 2/2019	165	165
Convertible bond 2/2021	2 948	0
Loans from financial institutions	4 176	4 307
Other current liabilities	455	479
Lease liability (IFRS 16)	173	526
Total	**8 651**	**6 266**

The non-current financial liabilities include a EUR 1.7 million convertible subordinated loan 2/2022. The liability component (book value 31.12.2022: 21.5 million) is recognized at amortized cost and the equity share (0.2 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The current financial liabilities include a EUR 0,4 million convertible subordinated loan 1/2012.

The current financial liabilities include a EUR 0.1 million convertible subordinated loan 2/2019. The liability component (book value 31.12.2022: 0.2 million) is recognized at amortized cost and the equity share (0 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The current financial liabilities include a EUR 2.9 million convertible subordinated loan 2/2021. The liability component (book value 31.12.2022: 2.9 million) is recognized at amortized cost and the equity share (0.2 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond.

The terms of the convertible subordinated loans are described in more detailed in section 20. Share-based payments and convertible bonds.

Business Finland granted Valoe a loan, of ca. EUR 3 million, in 2012 to develop business and production model relating to the design and production of cost effective photovoltaic modules as well as to the development of components. The loan could amount maximum to 50 percent of the project's total costs which were estimated to be ca. EUR 6 million. The loan was withdrawn in the course of the years 2013 and 2017, as the duration of the project was extended. The loan period was extended and is now 18 years. The loan was fully withdrawn by 31.12.2017. The interest of the loan is 1 %. In accordance with IFRS 9 the grant component has been deducted and the amortized 8% interest expense added to the loan amount in consolidated accounts.

Business Finland granted Valoe a loan, of ca. EUR 4.1 million, in 2015 to further develop Valoe's solar modules and back contact based cells. The loan can amount maximum to 70 percent of the project's total costs which are estimated to be ca. EUR 5.8 million. The loan was withdrawn in the course of the years 2016 and 2020, as the as the duration of the project was extended. The loan period was extended and is now 13 years. The loan was fully withdrawn by 31.12.2020. The interest of the loan is 1 %. In accordance with IFRS 9 the grant component has been deducted and the amortized 8% interest expense added to the loan amount in consolidated accounts.

The convertible bond 2/2021 reported in non-current liabilities in 2021 was transferred into current liabilities in 2022. The remaining part of the convertible bond 1/2019 reported in non-current liabilities in 2021 was converted into a new convertible bond 2/2022 in October 2022. . The loans of EUR 0.7 million from financial institutions reported in non- current liabilities in 2021, was was transferred into current liabililies in 2022.

Maturity analysis of interest-bearing liabilities

31.12.2022	2023	2024	2025	2026	2027 and later
R&D loan	472	438	1 252	1 240	4 023
Convertible bonds	4 226	1 700	0	0	0
Other loans	2 775	0	0	0	0
Lease liability (IFRS 16)	173	25	0	0	0
Total interest-bearing liabilities	**7 645**	**2 163**	**1 252**	**1 240**	**4 023**

31.12.2021	2022	2023	2024	2025	2026 and later
R&D loan	533	1 512	1 498	1 483	2 330
Convertible bonds	796	3 422	0	0	0
Other loans	2 529	0	0	0	0
Lease liability (IFRS 16)	62	526	0	0	0
Total interest-bearing liabilities	**3 921**	**5 459**	**1 498**	**1 483**	**2 330**

23. Trade payables and other short-term non-interest-bearing liabilities	2022	2021
Trade payables	1 588	677
Accruals and deferred income	2 656	1 355
Advancec received	509	44
Other liabilities	101	79
Total	**4 854**	**2 154**

EUR 1.4 million out of trade payables of EUR 1.6 million above was overdue at the year end 2022. EUR 0.2 million out of other short-term non-interest bearing liabilities, accruals and deferred income (total EUR 3.3 million above) was overdue at the year end 2022. Significant items in accrued liabilities consist of personnel expenses, accrrued intrest and other accrued expenses.

24. Fair values of financial assets and liabilities

The carrying amount of the financial assets equals with the fair value of the financial assets in 2022 and 2021.

The financial assets available-for-sale are investments that belong to categorie 3.

The fair value of trade and other receivables is expected to correspond to the carrying amount due to their short maturity.

The carrying amount of financial liabilities equals with the fair value of the financial liabilities in 2022 and 2021.

The fair value of non-current liabilities is expected to correspond to the carrying amount as the loans were recognized to their fair value when recorded. There has been no significant change in genereal interest level since withdrawals.

At the year end, other short-term interest bearing liabilities included EUR 0.5 million of overdue liabilities.

The hierarchy level for fair values is 2.

Average interest rates on interest-bearing liabilities	2022	2021
Loans from financial institutions	4,66%	4,59%

The fair value of short-term liabilities is expected to correspond to the carrying amount due to their short maturity.

25. Non-cash transactions	2022	2021
Depreciation and impairment	1 710	1 593
Exchange rate differences	-2	-1
Other items	361	-680
Total	**2 069**	**912**

26. Leases	2022	2021
Minimum lease payments payable on the basis of other non-terminable leases:		
Within one year	65	93
Within 2 to 5 years	0	108

27. Other contingent liabilities	2022	2021
Assets pledged for the company		
Loans from financial institutions	4 176	5 007
Other liabilities	148	209
Promissory notes secured by pledge	2 060	2 060
Other securities provided	2 416	3 019

28. Related party transactions

Valoe complies with the Finnish Companies Act and International Financial Reporting Standards (IAS 24) obligations for monitoring of related party transactions. The Group's related parties include parent company Valoe Oyj and Group subsidiaries. Key members of the Board of Directors and Management Team, also CEO and the persons, who have a significant influence over the Group, are included with their families to the related parties. Also those communities which are controlled or influenced by, or is under common control or influence over the persons, who are included to the related parties, are included to the related parties. The Group's related parties also include those companies that have a significant control over the Group.

The relations and shares between the parent company and subsidiaries are as follows:

Company	Business area	Domicile	Group’s holding
Parent company Valoe Oyj	Development, manufacture and sales of clean energy solutions	Mikkeli, Finland	100,0 %
PMJ Testline Oy	Sale of industrial machinery	Lohja, Finland	100,0 %
Valo Clean Energy USA Inc	Development, manufacture and sales of clean energy solutions	Canton MI, USA	100,0 %
Valoe Cells UAB	Manufacture and sales of solar cells	Vilnius, Lithuania	100,0 %
UAB Valoe	Product development	Vilnius, Lithuania	100,0 %

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:

Sales of goods and services	2022	2021
Savcor Oy – production services	3	22
SCI Invest Oy	1	7
Total	**4**	**30**

Purchases of goods and services		
SCI Invest Oy – rent	48	48
J.Basso – marketing and administration services	119	119
SCI-Finance Oy - marketing and administration services	84	104
Savcor Technologies Oy - marketing and administration services	101	106
Savcor Oy – administration services	26	10
Others	52	52
Total	**430**	**440**

Interest expenses and other financial expenses		
SCI-Finance Oy	131	92
Savcor Technologies Oy	0	3
Savcor Oy	6	0
Others	5	10
Total	**142**	**105**

Non-current convertible subordinated loan from related pa	200	63
Other current liabilities to related parties	37	0
Current interest liabilities to related parties	8	3
Trade payables and other non-interest-bearing liabilities to related parties	239	43
Trade receivables from related parties	25	47

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.

Employment benefits of the management	2022	2021
Wages and other short-term employment benefits	390	405
Total	**390**	**405**

The management does not have defined-benefit pension plans.

Wages and remuneration		
Salaries of the CEO and his deputies (incl. in management wages)	168	168
Total	**168**	**168**

Board members and deputies:		
Parpola Ville	40	40
Honkamäki Tuomas	30	30
Savisalo Hannu	40	40
Total	**110**	**110**

The CEO has a six-month term of notice. The CEO's pension is determined in accordance with the Employees Pensions Act.

No options was granted to the management during the financial year 1.1.-31.12.2022. The company has no option scheme in force as per 31 December 2022.

29. Financial risk management

FINANCIAL RISKS

Valoe's normal business activities expose the company to financial risks: interest rate risks, credit risks, currency risks and funding risks. Risk management aims to minimize the adverse effects that changes in the financial market may have on the Group's financial performance and balance sheet. The Group's general risk management policy is approved by the Board of Directors, and its implementation is the joint responsibility of the Group's centralized finance department and the business groups. The finance department identifies, assesses and acquires the instruments needed to hedge the company against risks in close cooperation with the operational units. Hedging transactions are carried out in compliance with the risk management policy approved by Group management. The Group has not hedged itself against currency or interest rate risks. Risks and uncertainties realted to financing are discussed in the Board of Directors' report in the section "RISK MANAGEMENT, RISKS AND UNCERTAINTIES / risks related to financial position and financing needs".

CURRENCY RISKS

The Group's international operations expose it to transaction risks caused by foreign exchange positions and to risks arising from the translation of foreign-currency investments into the parent company's functional currency. Currency risks arise from purchases and sales carried out in currencies other than the Group's functional currency, from trade receivables and payables denominated in foreign currencies.

Valoe has no foreign currency investments in its subsidiaries.

INTEREST RATE RISKS

The Group's revenue and operational cash flows are mostly independent of interest rate fluctuations. During 2022, the Group was exposed to fair value interest rate risk (fixed-rate liabilities) and cash flow interest rate risk (floating-rate liabilities), mainly due to interest on liabilities. In compliance with the principles for risk management, at least 10% of the credit portfolio must be fixed-rate and the loan portfolio shall have an average duration of 3–6 years. Fixed-rate loans account for 90.8 % of the company's interest-bearing liabilities.

CREDIT RISKS

The company's business involves the normal cross-border trade-related credit risks to which the company aims to manage with advance payments and by monitoring the customers payment behavior and the credit information. The balance sheet values of the financial assets correspond best the maximum amount of the group's credit risk, excluding the fair value of the guarantees, in such a case where the parties in question cannot fullfil the obligations related to the financial instruments.

CAPITAL MANAGEMENT

Capital management aims at ensuring the continuity of the company's operations and the increase of shareholder value. Capital structure management is based on decisions concerning share issues, the use of equity-settled instruments and distribution of dividends. Capital structure indicators include equity ratio and net gearing.

Exposure to financial risks	2022	2021
Impact of fluctuation in short-term interest rate +/-2%	+/-21	+/-28

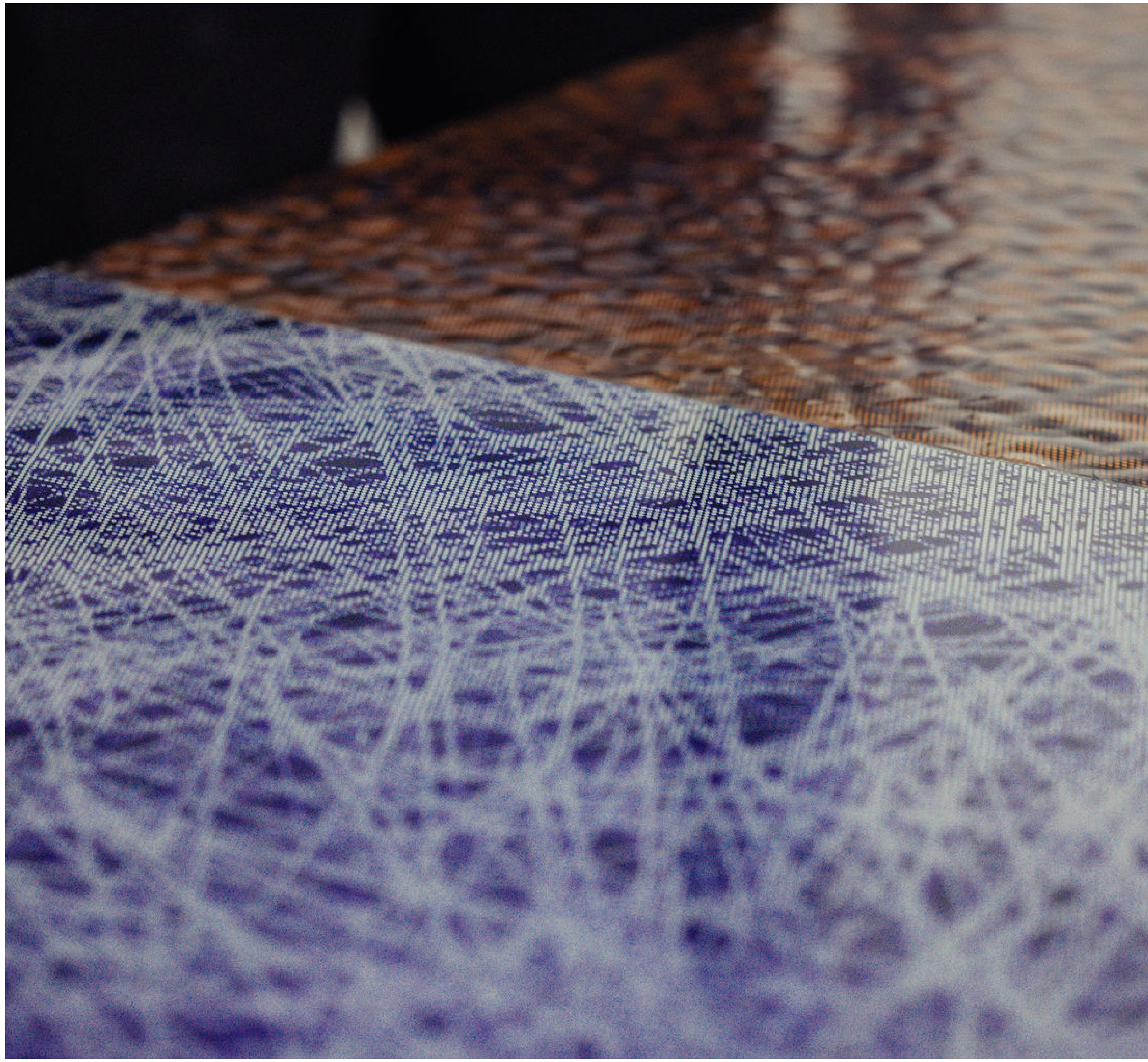
Exposure to currency risks

In 2022, the Group's minor currency risks consisted of ETB and USD denominated financial assets and liabilities. The following sensitivity analysis is based on existing financial assets and liabilities denominated in foreign currencies on 31 December 2022.

Financial assets denominated in foreign currency	2022	2021
USD	40	27
ETB	336	672
Financial liabilities denominated in foreign currency		
USD	21	0
Net	**355**	**699**
Impact on result		
EUR/USD +/-10%	+/2	+/2
EUR/ETB +/-10%	+/-27	+/-54

Parent Company Income Statement, FAS

EUR	Note	1 Jan – 31 Dec 2022		1 Jan – 31 Dec 2021	
Net sales	1-2	1 304 777,09	100 %	2 147 284,50	100 %
Cost of sales		-4 035 612,34	-309%	-3 451 510,39	-161%
Gross profit/loss		**-2 730 835,25**	**-209%**	**-1 304 225,89**	**-61%**
Sales and marketing costs		-545 703,24		-598 700,53	
Administrative expenses		-838 405,07		-782 501,79	
Other operating income	3	94 130,91		305 053,62	
Other operating expenses	9	-361 948,71		-435 385,10	
Operating loss		**-4 382 761,36**	**-336%**	**-2 815 759,69**	**-131%**
Financial expenses	11	2 027,15		1 692,09	
Financial expenses	11	-1 631 898,44		-1 402 001,00	
Profit/loss before appropriations and taxes		**-6 012 632,65**	-461%	**-4 216 068,60**	-196%
Profit/loss for the financial year		**-6 012 632,65**	-461%	**-4 216 068,60**	-196%



Back contact technology can be applied to produce unusual-looking decorative panels for building facades. Especially in the north, vertical surfaces generate electricity well because the sun shines low for a long time. The implementation of façade panels requires architects to become familiar with photovoltaic technology.

Parent Company Balance Sheet (FAS)

EUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	12	2 286 154,09	3 061 322,65
Tangible assets	13	6 135 790,35	6 083 897,21
Investments	14	5 131 604,60	3 131 604,60
Non-current receivables	15	2 211 921,14	3 517 266,28
		15 765 470,18	**15 794 090,74**
Changing Assets			
Inventories	16	117 791,94	134 811,94
Current receivables	17	1 226 220,54	2 285 122,19
Cash and cash equivalents		220 011,57	8 496,19
		1 564 024,05	**2 428 430,32**
TOTAL ASSETS		**17 329 494,23**	**18 222 521,06**

EUR	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	80 000,00	80 000,00
Distributable non-restricted equity fund	18	35 567 696,61	33 644 410,08
Profit/loss carried forward	18	-33 149 615,37	-28 933 546,77
Profit/loss for the financial year	18	-6 012 632,65	-4 216 068,60
		-3 514 551,41	**574 794,71**
Obligatory provisions			
Other obligatory provisions	19	104 325,00	88 920,00
Liabilities			
Non-current subordinated loans	20	1 700 000,00	2 939 185,11
Non-current liabilities	20	6 684 750,00	7 331 714,00
Current subordinated loans	21	3 645 342,54	507 670,14
Current liabilities	21	8 709 628,10	6 780 237,10
		20 739 720,64	**17 558 806,35**
TOTAL EQUITY AND LIABILITIES		**17 329 494,23**	**18 222 521,06**

Parent Company Cash Flow Statement

EUR 1 000		1-12/2022	1-12/2021
Cash flow from operating activities			
Income statement profit/loss before extraordinary items		-6 013	-4 216
Non-monetary items adjusted			
Depreciation and impairment	+	1 178	1 084
Unrealized exchange rate gains (-) and losses (+)	+/-	-2	-1
Other non-cash transactions	+/-	361	-269
Other adjustments	+/-	0	-177
Financial income and expenses	+	1 632	1 401
Total cash flow before change in working capital		-2 844	-2 178
Change in working capital			
Increase (-) / decrease (+) in inventories		-1	-13
Change in reserves		15	-137
Increase (-) / decrease (+) in short-term trade and other receivables		637	-871
Increase (+) / decrease (-) in short term trade and other payables		1 463	-337
Change in working capital		2 115	-1 358
Cash flow from business operations before financial items and taxes		-729	-3 536
Adjustment of financial items and taxes to cash-based accounting			
Interest paid and payments for other financial expenses	-	278	702
Financial items and taxes		-278	-702
NET CASH FLOW FROM BUSINESS OPERATIONS		**-1 007**	**-4 238**

EUR 1 000		1-12/2022	1-12/2021
Cash flow from investments			
Investments in tangible and intangible assets	-	626	1 007
Loans granted	-	1 265	1 550
Repayment of loan receivables	+	198	45
Grants received	+	578	0
NET CASH FLOW FROM INVESTMENTS		**-1 115**	**-2 512**
Cash flow from financing			
Financing arrangement with Winance/RiverFort	+	1 050	750
Increase in non-current loans	+	1 500	6 110
Repayment of non-current loans	-	0	100
Increase in current loans	+	155	188
Repayment of current loans	-	371	605
NET CASH FLOW FROM FINANCING ACTIVITIES		**2 334**	**6 342**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**212**	**-408**
Cash and cash equivalents at the beginning of the financial year		8	416
Cash and cash equivalents at the end of the financial year		220	8
		212	**-408**

Notes to the Parent Company Financial Statement

ACCOUNTING, MEASUREMENT AND ACCRUAL PRINCIPLES

Valoe Oyj's financial statements have been prepared in accordance with the Finnish Accounting Act in force and with other regulations and provisions concerning the preparation of financial statements. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as have the parent company's financial statements, where possible.

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

When preparing financial statements according to good accounting practice, the company management has to make estimates and assumptions that affect the amounts of the reported assets and liabilities on the balance sheet date and the amounts of income and expenses reported for the financial year. The estimates and assumptions have been made following the precautionary principle. The final figures may differ from these estimates.

MEASUREMENT OF NON-CURRENT ASSETS

Tangible and intangible assets have been recorded on the balance sheet at original cost of acquisition less planned depreciation. Planned depreciation has been calculated from the original cost of acquisition with amortization on a straight-line basis according to the estimated useful life. Depreciations of new property, plant and equipment have been calculated as of the month of commissioning. The depreciations have been booked by function.

The planned depreciation periods are:

Intangible rights	5-10 years
Developoment costs	5-10 years
Goodwill	5 years
Machinery and equipment	3-7 years

Gains and losses from the disposal of fixed assets are presented in the income statement.

MAINTENANCE AND REPAIRS

Maintenance and repair costs are recognized as expenses for the financial year. Significant basic improvement costs are included in the carrying amount of the tangible fixed assets and depreciated over the remaining useful life of the asset.

RESEARCH AND PRODUCT DEVELOPMENT COSTS

Research and product development have primarily been recognized as annual costs in the year in which they have been incurred. New development costs have not been capitalized during the financial year. The depreciation of development costs currently capitalized in the balance sheet is expected to end during the financial year 2026.

OTHER INTANGIBLE ASSETS

Acquisition costs for patents, trademarks and licences are capitalized and depreciated on a straight-line basis over the useful life, as a general rule over 10 years.

MEASUREMENT OF INVENTORIES

Inventories are presented in compliance with the principle of weighted average price at the lower of acquisition cost or replacement price or likely sales price.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

Receivables and liabilities denominated in foreign currencies have been translated into euros using the average rate quoted by the Bank of Finland on the balance sheet date.

REVENUE RECOGNITION PRINCIPLES

When calculating net sales, indirect taxes, discounts and exchange rate differences related to sales are deducted from the sales revenue. Income from the sale of goods and services are recognized as revenue when they have been carried out.

Long-term contract revenue has been recognized as revenue on the basis of the stage of completion. The company has defined as long-term contract work projects which have started and ended in different financial periods and where the recognition of income as revenue has a substantial impact on net sales and result. The stage of completion of long-term contracts has been determined as the proportion of costs incurred in relation to the estimated total contract costs and is dependent on the eventual total revenue and costs and a reliable way to measure the progress of the project. A loss for a project is recognized as soon as it is known and can be estimated.

PROVISIONS

A provision is recognized in the balance sheet when the company has a legal or constructive obligation that is likely to require the outflow of economic benefits or cause a financial loss and the amount of the obligation can be estimated in a reliable manner. The amount of the provision to be recognized corresponds to the best estimate of the company's management concerning the expenses required to settle the obligation on the balance sheet date. Provisions may relate to restructuring of operations, onerous contracts, legal cases or tax risks.
A warranty provision is recorded once a year on a project-by-project basis based on at the best information at the time.
A provision is recognized for an onerous contract if the expenses required to settle the obligations exceed the benefits from the contract.

NOTES TO THE INCOME STATEMENT

Unless otherwise indicated, the figures in the following notes are given in thousands of euros.

1. Distribution of net sales by market area	2022	2021
Europe	1 295	2 139
America	9	0
Asia	0	9
Total	**1 305**	**2 147**

2. Long-term contract revenues recognized on the basis of the percentage of completion	2022	2021
Proportion of net sales recognized under percentage of ccompletion -method of the financial year's total sales	51,4 %	3,7 %
Revenue recognized on percentage of completion basis during the financial year	671	80
Revenue recognized on percentage of completion basis during previous financial years	0	0
Amount not recognized as revenue based on the stage of completion	329	166

3. Other operating income	2022	2021
Negotiated discounts on payment agreements	0	148
Refund of Vat paid abroad	81	0
Other income	13	157
Total	**94**	**305**

4. Materials and services	2022	2021
Materials and supplies		
Purchases during the financial year	553	688
Change in inventories	13	-113
Total	**567**	**575**
Third-party services	218	78
Total	**785**	**653**

5. Number of personnel	2022	2021
During the financial period on average		
Procurement and production	20	15
Product development	13	12
Sales and Marketing	2	2
Administration	3	3
Total	**38**	**32**
At the end of the year		
Procurement and production	23	15
Product development	13	13
Sales and Marketing	1	3
Administration	3	3
Total	**39**	**33**

6. Personnel expenses	2022	2021
Wages and remuneration	1 907	1 772
Retirement expenses	322	279
Other indirect employee expenses	98	81
Total	**2 326**	**2 133**

7. Management's salaries and remuneration	2022	2021
CEO and his deputy	168	168
Board members	110	110
Total	**278**	**278**

8. Depreciation and impairment

8. Depreciation and impairment	2022	2021
Depreciation on cost of sales	212	116
Depreciation on development costs	946	831
Depreciation on sales and marketing	0	1
Impaiment on development costs	1	1
Impairment on inventory	18	135
Total	**1 178**	**1 084**

9. Operating expenses

9. Operating expenses	2022	2021
Write-down of receivables	361	25
Other expenses	1	410
Total	**362**	**435**

10. Auditors' fees

10. Auditors' fees	2022	2021
Auditus Tilintarkastus Oy		
Auditors' fees	64	61
Total	**64**	**61**

11. Financial income and expenses

11. Financial income and expenses	2022	2021
Interest income and other financial income		
Interest income	0	1
Exchange rate gains	2	1
Total financial income	**2**	**2**
Interest expenses and other financial expenses		
Interest expenses	992	1 057
Other financial expenses	633	336
Exchange rate losses	7	10
Total financial expenses	**1 632**	**1 402**
Total financial income and expenses	**-1 630**	**-1 400**

In fiscal year 2022, the company recorded all accrued interest on equity loans, a total of 0.6 million euros. EUR 0.3 million was from the financial year 2022 and EUR 0.3 million from previous financial years. In the financial year 2021, EUR 0,3 million of interest on equity loans was not recorded as an expense (for the financial year 2021 EUR 0.1 million and for previous financial years EUR 0.2 million).

NOTES TO THE BALANCE SHEET

12. Intangible assets

EUR 1 000	Development costs	Intangible rights	Other long-term expenses	Total
Acquisition cost, 1 Jan 2022	11 465	209	36	11 710
Additions	0	0	123	123
Acquisition cost, 31 Dec 2022	**11 465**	**209**	**159**	**11 833**
Accumulated depreciation and impairment, 1 Jan 2022	-8 482	-168	0	-8 649
Accumulated depreciations on disposals and transfers	0	0	0	0
Depreciation for the period	-872	-26	0	-898
Accumul. depr., 31 Dec. 2022	**-9 354**	**-193**	**0**	**-9 547**
Carrying amount, 1 Jan 2022	2 984	41	36	3 061
Carrying amount, 31 Dec 2022	**2 112**	**15**	**159**	**2 286**

EUR 1 000	Development costs	Intangible rights	Other long-term expenses	Total
Acquisition cost, 1 Jan 2021	11 152	299	0	11 451
Additions	0	4	36	41
Disposals	313	-94	0	219
Acquisition cost, 31 Dec 2021	**11 465**	**209**	**36**	**11 710**
Accumulated depreciation and impairment, 1 Jan 2021	-7 403	-238	0	-7 641
Accumulated depreciations on disposals and transfers	-313	94	0	-219
Depreciation for the period	-765	-23	0	-788
Accumul. depr., 31 Dec. 2021	**-8 482**	**-168**	**0**	**-8 649**
Carrying amount, 1 Jan 2021	3 749	60	0	3 809
Carrying amount, 31 Dec 2021	**2 984**	**41**	**36**	**3 061**

Should the company fail in its business plan implementation, it could generate a need for a write-off in intangible assets.

Specification of capitalized development costs by sub-projects	2022	2021
Technology transfer China	1 175	1 762
Pilot production line development	158	211
PV-module recipe for Chrystal and Chrystal Twin	62	92
MWT Cell development	433	541
Future PV-technology development	284	378
Total	**2 112**	**2 984**

Possible write-down risks related to project-specific capitalization of development costs are described in Note 12 to the consolidated notes, Intangible assets.

13. Tangible assets

EUR 1 000	Machinery and equipment	Total
Acquisition cost, 1 Jan 2022	6 401	6 401
Additions	314	314
Disposals and transfers between items	0	0
Acquisition cost, 31 Dec 2022	**6 715**	**6 715**
Accumulated depreciation and impairment, 1 Jan 2022	-317	-317
Depreciation for the period	-262	-262
Accumul. depr., 31 Dec. 2022	**-579**	**-579**
Carrying amount, 1 Jan 2022	6 084	6 084
Carrying amount, 31 Dec 2022	**6 136**	**6 136**

EUR 1 000	Machinery and equipment	Total
Acquisition cost, 1 Jan 2021	6 363	6 363
Additions	351	351
Transfers between items	-313	-313
Acquisition cost, 31 Dec 2021	**6 401**	**6 401**
Accumulated depreciation and impairment, 1 Jan 2021	-470	-470
Accumulated depreciations on disposals and transfers	313	313
Depreciation for the period	-161	-161
Accumul. depr., 31 Dec. 2021	**-317**	**-317**
Carrying amount, 1 Jan 2021	5 894	5 894
Carrying amount, 31 Dec 2021	**6 084**	**6 084**

14. Investments

Shares and equity interest in Group companies

	Domicile	Parent company's holding	Group's holding
PMJ testline Oy	Lohja,Finland	100,0 %	
Valo Clean Energy USA Inc.	Canton MI, USA	100,0 %	
UAB Valoe Cells	Vilnus, Lithuania	100,0 %	
UAB Valoe	Vilnus, Lithuania	100,0 %	

All Group companies have been consolidated in the parent company's consolidated financial statements.

Other shares and participations	2022	2021
Kiinteistö Oy Musko II one-week share	3	3
Helsinki Halli Oy B shares, 2 shares	6	6
Total	**9**	**9**

The fair value of Kiinteistö Oy Musko II shares is expected to correspond to the carrying amount.
Helsinki Halli Oy B-shares have had a write-down to fair value in 2012

15. Non-current receivables

	2022	2021
Receivabels from Group companies		
Loan receivables	1 876	2 808
Other receivables	0	37
Total	**1 876**	**2 845**
Receivables from others		
Loans receivable from Ethiopia	336	672
Total	**336**	**672**
Total non-current receivabls	**2 212**	**3 517**

The company has made an ivestment/receivable of EUR 0.7 million in a partner company in Ethiopia during the financial year 2016. The partner company has used the funds, e.g., for the land for the production facility and its preparation, and for preparations to establish the actual business operations. The commencement of operations has been delayed from the planned timeline, and the project's risk level has significantly increased. Based on the increased risk level, Valoe has written down 50% of the original investment. The partner company continues to take measures to start business operations, but it is difficult to estimate the timing or likelihood of success at the moment. If the business operations cannot be launched as planned, the partner company would seek to liquidate the land it manages and repatriate at least 50% of the value of the initial investment.

16. Inventories	2022	2021
Materials and supplies	118	133
Finished products/goods	0	1
Total	**118**	**135**

17. Current receivables	2022	2021
Receivables from Group companies		
Trade receivables	62	183
Total	**62**	**183**
Receivables from others		
Trade receivable	180	817
Adances paid	212	321
Other receivables	79	166
Accrued income	693	798
Total	**1 164**	**2 102**
Total current receivables	**1 226**	**2 285**
Relevant items of accrued income		
Rents in advance	50	50
Accrual of financial costs	152	586
Percentage of completion -receivables	293	80
Other accrued income	198	81
Total	**693**	**798**

18. Shareholders' equity	2022	2021
Share capital on 1 Jan	80	80
Share capital on 31 Dec	**80**	**80**
Total restricted equity	**80**	**80**
Distributable non-restricted equity fund on 1 Jan	33 644	27 803
Sale of own shares – Winance / Bracknor	750	1 224
Direct share issue by exch. loan shares	0	3 400
Share subscription - RiveFort Implem.fee	27	338
Share subscription by exch. loan shares	1 146	880
Distributable non-restricted equity fund on 31 Dec	**35 568**	**33 644**
Retained earnings on 1 Jan	-33 150	-28 934
Profit/loss for the financial year	-6 013	-4 216
Retained earnings on 31 Dec	**-39 162**	**-33 150**
Total non-restricted equity	**-3 595**	**495**
Total equity	**-3 515**	**575**
Subordinated loans	5 345	3 447
Total equity and subordinated loans	**1 831**	**4 022**

Calculation of distributable non-restricted equity	2022	2021
Retained earnings on 31 Dec.	-39 162	-33 150
Distributable non-restricted equity fund	35 568	33 644
Unbooked interests on subordinated loans	0	-273
Capitalized development costs	-2 112	-2 984
Total	**-5 706**	**-2 762**

Main terms of the capital loans

	Interest	Due date	Conversion price	2022	2021
Convertible bond 1/2012	8,0 %	n/a	n/a	364	364
Convertible bond 1/2019	8,0 %	31.5.2022	0,15	0	53
Convertible bond 2/2019	8,0 %	15.10.2021	Weighted av. 16.4.-15.10.21 - 15%	165	144
Convertible bond 1/2020	8,0 %	30.6.2021	0,073	0	0
Convertible bond 2/2021	8,0 %	15.10.2023	Weighted av. 6 mnths -20%	3 117	2 886
Convertible bond 2/2022	6,0 %	30/06/2024	Weighted av. 3 mnths -15% or 0.07 (lower)	1 700	0
				5 345	**3 447**

Capital lonas and their interest can be repaid only when the conditions of Chapter 12 of the Companies Act are met.

Valoe Oyj does not have interest on equity loans that have not been recorded as an expense at the time of closing the accounts on December 31, 2022.

The sufficiency of the shareholder's equity of Valoe Corporation may involve risks if the company's financial situation does not develop as estimated by the company's management.

19. Obligatory provisions

	2022	2021
Warranty provisions	104	89
Total	**104**	**89**

20. Non-current liabilities

	2022	2021
Liabilities maturing in one to five years		
Subordinated loans	1 700	2 939
Loans from financial institutions	3 937	6 483
Total	**5 637**	**9 422**
Liabilities maturing later than in five years		
Loans from financial institutions	2 748	849
Total	**2 748**	**849**
Total non-current liabilities	**8 385**	**10 271**

21. Current liabilities

	2022	2021
Liabilities to Group undertakings		
Loans from Group undertakings	2	2
Total	**2**	**2**
Liabilities to others		
Subordinated loans – convertible bonds	3 645	508
Loans from financial institutions	4 547	4 732
Other loans	455	479
Advances received	509	44
Trade payables	1 263	517
Other liabilities	101	79
Accrued expenses	1 833	928
Total	**12 353**	**7 286**
Total current liabilities	**12 355**	**7 288**

Material items of accrued expenses	2022	2021
Subsidies received from the EU for product development projects	440	0
Accrued interest	809	422
Accrued personnel expenses	422	382
Accrued remuneration to Board members	13	30
Other accrued expenses	56	0
Other accrued liabilities	92	94
Total	**1 833**	**928**

22. Notes concerning collateral and contingent liabilities

	2022	2021
Liabilities secured by mortgages		
Loans from financial institutions	4 176	5 007
Other liabilities	148	209
Business mortgages	2 060	2 060
Other securities provided	2 416	3 019
Rental liabilities		
Maturing the following year	325	748
Maturing later	34	344

23. Related party transactions

No borrowings were made to persons within related party and no guarantees or other securities were given for their debts.

Related party transaction are specified in the Group's Notes in Section 28.

24. Notes concerning an accountable entity belonging to the Group

Valoe Oyj is the parent company of Valoe Group.
The consolidated financial statements can be obtained from the following address:
Insinöörinkatu 8, 50150 Mikkeli or **www.valoe.com**

Signatures of the Financial Statements and the Report of the Board of Directors

In Mikkeli 27 April 2023

Hannu Savisalo
Chairman of the Board

Ville Parpola
Vice Chairman of the Board

Tuomas Honkamäki
Member of the Board

Iikka Savisalo
Member of the Board
CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

In Hämeenlinna 27 April 2023

Auditus Tilintarkastus Oy
Authorized Public Accountants

Mikko Riihenmäki
Authorised Public Accountant

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Valoe Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valoe Oyj (business identity code 0749606-1) for the financial year 1 January – 31 December 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. We have not performed any other services than auditing to the parent company or to any Group companies.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern basis

We would like to draw attention to the section *Accounting Principles for consolidated financial statements - The going concern assumption* where the company's management has presented the main issues to assess the risks related to the going concern assumption. The Group's profit for the period was EUR -7.7 million and the company's liquidity was weak. The above-mentioned events and conditions together with other matters disclosed in the notes, indicate a degree of material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion has not been qualified by the matters described above.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes a risk of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Going Concern	
During the financial year 2022, the parent company's and the Group's operating income has not developed as expected and the liquidity was still low at the end of the financial year. The consolidated cash flow from operating activities was negative in the financial years 2021 and 2022. Based on the assessment presented in the Financial Statements and Directors' Report, management of the company and the Board of Directors believe that the going concern basis is appropriate in preparing the financial statements. In the notes to the financial statements and in the Report of the Board of Directors, the management and the Board of Directors have highlighted facts and circumstances to assess the going concern risk.	Our audit procedures comprised evaluation of the company's cash flow forecast, order book and sufficiency of the financing. In addition, we evaluated with company representatives about the future development and outlook of the company's operations. The company's ability to continue as a going concern is dependent on the development of its operations and cash flows and on the company's ability to secure new funding. At the beginning of 2023, the company secured a financing facility that provides additional funding also for 2023. The company has also been negotiating new financing arrangements and commercial agreements during the spring of 2023. In the opinion of the company's management, these ensure the continuity of operations. Going concern is a risk of material misstatement under Article 10(2)(c) of EU Regulation 537/2014.
Capitalised development costs, EUR 1.8 million (refer to Accounting Principles for consolidated financial statements and notes 6 and 12) (refer to Accounting, measurement and accrual principles for the parent company financial statements and note 12)	
At the balance sheet date of 31 December 2022, the capitalised development costs were carried at EUR 1.8 million, which accounted for 12 per cent of the consolidated total assets. The capitalized development costs of the parent company totaled EUR 2.1 million, representing 12 per cent of the parent company's total assets. As part of the accounting for development costs, management is required to exercise judgment and make assumptions that affect carrying values and amortisation methods.	We assessed the composition of development costs and the capitalization criteria applied, original project plans and discussed the changes in plans with the company's management. Our audit procedures also included agreeing the non- current asset register to the general ledger, assessing the appropriateness of the amortisation methods and testing amortisation accounting.

Development costs have been tested for possible impairment. Valoe determines the recoverable amounts in impairment testing based on value in use. Value in use is calculated on discounted cash flow forecasts. Determination of key assumptions underlying the forecasts requires management's judgement. The consideration is related to, e.g., income expectations, the market interest rate used for discounting and the interest rate on borrowings. Due to management's judgment related to the used forecasts, uncertainty estimation, and the significance of balance sheet values, capitalized development costs are a key consideration in the audit.

In addition, we discussed with company representatives how development costs are monitored and accounted for, assessed amortization and its timing.

We analysed management estimates and assumptions, upon which future cash flow forecasts are based. The valuation of development costs is significantly affected by the discount rate used by management in its calculations and the future development of the business.

We performed audit procedures to examine the technical accuracy of the calculations.

Furthermore, we considered the appropriateness of the disclosures provided in respect of developments costs and impairment testing.

Valuation of development expenditure is a risk of material misstatement under Article 10(2)(c) of EU Regulation 537/2014.

The measurement of the assets relating to the Lithuanian factory, EUR 7.0 million (refer to the Notes 14 and 15 to the Parent Company Income Statement)

At the balance sheet date of 31 December 2022, the the parent company's balance sheet included EUR 5.1 investment in the shares of UAB Valoe Cells, the parent company's subsidiary. In addition, the parent company's balance sheet included a total of EUR 1.9 million receivables in the non-current and current receivables. Together, these assets represent 40% of the parent company's balance sheet.

The company has made financially and commercially significant investments to establish cell production at the Lithuanian plant. As the company's Board of Directors has pointed out in the item "Risks related to financial position and financing " of the Directors' report, general global economic uncertainty and international shortages of materials and components have delayed the start-up of the Lithuanian plant.

These risks related to the business environment and the general development of the global economy may continue to affect the production and profitability of the Lithuanian plant in the future.

We assessed the management's plans and forecasts relating to the Lithuanian plant. In addition, we have reviewed the processes, financial situation and controls related to the operations of the Lithuanian plant and subsidiary.

According to management's assessment, demand for solar cell production capacity is expected to remain high in the future, which will reduce the impairment risk on these balance sheet items.

The valuation of balance sheet items related to the Lithuanian factory is a risk of material misstatement under Article 10(2)(c) of EU Regulation 537/2014.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circum-stances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 17 February 2020, and our appointment represents a total period of uninterrupted engagement of three years.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In Hämeenlinna 27 April 2023

AUDITUS TILINTARKASTUS OY

Public Accountants

Mikko Riihenmäki
Authorised Public Accountant, KHT

Corporate Governance

INTRODUCTION

Valoe Corporation and its subsidiaries are governed in accordance with the law, the company's Articles of Association, and the Finnish Corporate Governance Code effective as of 1 January 2020. The company also complies with the applicable standards issued by the Financial Supervisory Authority, and the rules and regulations of Nasdaq Helsinki Ltd.

Valoe's Corporate Governance Statement has been prepared in accordance with Recommendations of the Finnish Corporate Governance Code approved by the Securities Market Association. An unofficial English translation of the Finnish Corporate Governance Code is available on the website of the Securities Market Association at www.cgfinland.fi.

Valoe's Corporate Governance Statement is presented as a report separate from the Report of the Board of Directors. The Board of Directors handled the Corporate Governance Statement in its meeting in April 2022.

Valoe abides by the Finnish Corporate Governance Code with the following exceptions:

• Recommendation 9 - The composition of Valoe's Board of Directors does not comply with the recommendation of having both genders represented at the Board of Directors. The 2022 annual general meeting did not elect any woman to the Board of Directors.

• Recommendation 10 – The composition of Valoe's Board of Directors does not comply with the recommendation concerning the independence of directors specified in the Finnish Corporate Governance Code, according to which the majority of the directors shall be independent of the company and, in addition, at least two of the directors representing this majority shall be independent of significant shareholders of the company. The annual general meeting held on 25 May 2022 elected four members to the Board out of whom two directors were independent of the company and significant shareholders. The non-compliance is justified by the fact that major part of Valoe's shares are owned by the Savisalo family or Companies owned by the Savisalo family. Therefore, the General Meeting of Valoe has deemed it appro- priate to ensure strong owner representation in its Board composition.

DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

GROUP STRUCTURE

Valoe's head office is located in Mikkeli. Responsibility for Valoe Group's corporate governance and operations is divided between the Board of Directors, which is appointed by the General Meeting, and the President and CEO.

GENERAL MEETING

The Annual General Meeting shall be held each year on a day decided by the Board of Directors, by the end of June. An Extraordinary General Meeting shall be held when deemed necessary by the Board of Directors or when legally required. The General Meeting shall be held at the Company's domicile, Mikkeli, or when the Board of Directors so decides, in Helsinki.

The invitation to the General Meeting shall be published, through a stock exchange release and on the Company's website, at the earliest three calendar months prior to the record date of the General Meeting and at the latest three weeks prior to the General Meeting, however, always at least nine days prior to the record date of the General Meeting. The Board of Directors may also decide to publish the invitation to the meeting in a national newspaper.

At the Annual General Meeting, the following shall be presented:
• Financial Statements
• Auditor's Report

At the Annual General Meeting, the following shall be decided upon:
• the approval and adoption of the Financial Statements
• the measures to be taken on the basis of the profit shown in the approved balance sheet,
• the discharge from liability of the members of the Board of Directors and the President and CEO
• the number of members on the Board of Directors
• the remuneration payable to the members of the Board of Directors and the principles for indemnifying travel expenses

At the Annual General Meeting, the following shall be elected:
• the members of the Board of Directors and, when necessary, deputy members
• the auditor and, when necessary, deputy auditor

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's governance and the appropriate organisation of the company's operations. The Board comprises at least three and up to seven members. The Board members areThe Board comprises at least three and up to seven members. The Board members are elected by the General Meeting for one year at a time. The Board elects a chairman from among its members. The Board of the parent company of Valoe Group determines the composition of the Boards of its subsidiaries.

The composition of the Board of Directors reflects the requirements set by the company's operations and development stage and the resulting basis for considering the diversity. The number of Directors and the composition of the Board of Directors shall be such that they enable the Board of Directors to see to its duties efficiently considering the company's development stage. Diversity of the Board of Directors supports the development of the compa¬ny's business operations. The diversity principles set for Valoe's Boad of Directors take into account, e.g., experience and diverse educational background, qualifications and representation of both genders.

MAIN TASKS OF THE BOARD

Under the Limited Liability Companies Act, the Board of Directors is responsible for the administration of the company and the appropriate organization of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company accounts and finances. The Board is responsible for controlling and supervising the company's management; appointing and dismissing the President and CEO; approving the company's strategic goals, budget, total investments and their allocation, and bonus schemes; deciding on long-term contracts and the principles of risk management; ensuring the operation of the management system; approving the company's vision, values and organization model; approving and publishing interim reports, stock exchange releases, annual report and financial statements; determining the company's dividend policy; and summoning the General Meeting. It is the Board's duty to promote the best interest of the company and all its shareholders.

The Board of Directors convened 44 times in 2022. The attendance rate of the Board members was 100 percent. The attendance rate of each Board member is mentioned below in the item Composition of the Board of Directors.

BOARD COMMITTEES

In 2008, the Company's Board of Directors decided to discontinue the nomination and remuneration committee, as the addressing of these issues does not require preparation of matters by a group smaller than the entire Board of Directors. The same procedure was followed in 2022.

The company's Board of Directors has not set up a separate audit committee because the scope of the company's business does not require matters related to financial reporting and supervision to be prepared by a group smaller than the entire Board of Directors. The Board of Directors handles the tasks of the audit committee.

EVALUATION OF THE INDEPENDENCE OF BOARD MEMBERS

The Board of Directors evaluates its members' independence of the company and major shareholders. Based on the evaluation of independence carried out in 2022, the composition of Valoe's Board of Directors does not comply with the recommendation concerning the independence of directors specified in the Finnish Corporate Governance Code.

• The Board members independent of the company and major shareholders were Ville Parpola and Tuomas Honkamäki.

• Iikka Savisalo and Hannu Savisalo exercise control in the Savcor companies and act in their governing bodies.

The non-compliance is justified by the fact that major part of Valoe's shares are owned by the Savisalo Family members or companies owned by the Savisalo family. Thus, the General Meeting of Valoe has deemed it appropriate to ensure strong owner representation in its Board composition.

PRESIDENT AND CEO

Under the Limited Liability Companies Act, the President and CEO shall attend to the company's day-to-day management in compliance with the instructions and orders given by the Board of Directors. The President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The President and CEO shall supply the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The President and CEO may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorized by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the company. In the latter case, the Board of Directors shall be notified of the measures as soon as possible. The President and CEO is responsible for the day-to- day operations, budget compliance, the performance of Valoe Group, and the performance of those reporting directly to the President and CEO.

MANAGEMENT TEAM

The Group's Management Team assists the President and CEO in the operative management of the company, prepares matters to be dealt with by the Board of Directors and the President and CEO and plans and oversees the operations of the business units. The Group's Management Team convenes when needed, however, at least twice a month. The Management Team is chaired by the President and CEO.

COMPOSITION OF THE BOARD OF DIRECTORS 31.12.2022

Board Member	Board Member since	Independence	Year of Birth	Ecucation	Shareholding 31.12.2022	Attendance Rate	Main Occupation
Hannu Savisalo	2009, Chairman		1946	DI	Owns directly 12,021,735 shares in Valoe and 37,204,789 shares in Valoe through Savcor Technologies Oy and SCI-	100%	Valoe Oyj, Chairman of the Board
Ville Parpola	2015, Vice Chairman	Independent Board Member	1972	OTM	Owns directly 244,160 shares in Valoe and 23,518 shares in Valoe through Oy Marville Ab.	100%	Oy Parpola Ab, lawyer
Tuomas Honkamäki	2020, Board Member	Independent Board Member	1972	KTT, KTH		100%	Aurinkolahden tilintarkastus, auditor; University of Eastern Finland, University Teacher
Iikka Savisalo	2009, Board Member		1972	BBA	Owns directly 17,811,158 shares in Valoe and 37,204,789 shares in Valoe through Savcor Technologies Oy and SCI-Finance Oy.	100%	Valoe Oyj, CEO

COMPOSITION OF THE MANAGEMENT TEAM 31.12.2022

	Main Responsibilities	Member since	Year of Birth	Education	Shareholding 31.12.2022
Iikka Savisalo	CEO, Management Team Member	2009	1972	BBA	Owns directly 17,811,158 shares in Valoe and 37,204,789 shares in Valoe through Savcor Technologies Oy and SCI-Finance Oy.
Seija Kurki	CFO, Management Team Member	2012	1963	BBA	Owns 66,666 shares in Valoe.
Sami Lindfors	Manufacturing partners, Management Team Member	2010	1975	MBA	Owns 88,888 shares in Valoe.
Jose Basso	Business operations of Valoe Cells in Lithuania, Management Team Member	2019	1965	MBA	

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

CONTROL ENVIRONMENT

DESCRIPTION OF CONTROL ENVIRONMENT

Valoe's business idea

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.

Environmental Policy

The company complies with the environmental legislation in force. The company aims to take environmental issues into consideration in management systems and decision-making.

Planning and monitoring processes

The Group's operations are planned and reviewed annually using a strategic planning process and a budgeting process. The implementation of plans and the development of the business environment are monitoring in connection with monthly reports, quarterly reports and financial statements. At Valoe Group, risk analysis and risk management are part of the annual strategic planning process and day-to-day operations. The purpose of internal control and risk management is to ensure the effective and profitable operations of the company, reliable information and compliance with the relevant regulations and operating principles.

Internal Control Activities

Authority and responsibility are assigned to persons responsible for budget compliance and to line organization supervisors, in accordance with their roles and duties. Compliance with laws and regulations is ensured using internal guidelines. The objectives of internal control include operational targets, financial reporting and compliance with laws and regulations.

BOARD OF DIRECTORS

- Defining the operating principles of internal control
- Monitoring the performance of internal control
- Approving the company's risk management principles
- Reviewing auditors' reports
- Determining the company's bonus scheme

PRESIDENT AND CEO

- Monitoring the existence and performance of internal control in practice
- Ensuring that operations are in compliance with the company's values
- Adjusting operating principles and policies
- Ensuring the appropriate and efficient use of resources
- Determining control mechanisms (approval processes, balancing and reporting)
- Determining risk management principles andmethods

CHIEF FINANCIAL OFFICER

- Management accounting: monitoring and analysis of performance
- Financial accounting andreporting
- Maintenance and development of planning processes
- Ensuring liquidity

AUDITOR

- Statutory audit
- Expanded audit at the Board's separate request
- Reporting to the Board

INTERNAL CONTROL AND RISK MANAGEMENT

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. Due to the small size of the company and the limited scope of its business operations, Valoe does not have an internal auditing organization or an audit committee. The Board aims to evaluate and continuously develop the company's risk management, internal control and management processes, also by using the interim audits and internal control reports prepared by external auditors in connection with interim reports.

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

REPORTING SYSTEM

VValoe prepares its consolidated financial statements and interim reports in compliance with the International Financial Reporting Standards (IFRS) adopted in the EU. The report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Accounting Act and the guidelines and published opinions of the Accounting Board.

In accordance with the reporting system, the CEO reports to the Board of Directors monthly on the operations, performance and deviations from the budget and adjusted forecasts (monthly report) of the Group and its business units; quarterly on the operating result based on the interim report/financial statements; and immediately on any significant changes in the business environment. The President and CEO reports to the Board of Directors regularly on the implementation of the company's strategy and long-term plans.

The CFO is responsible for Group reporting. Accounting for the Finnish Group companies and consolidated financial statements is carried out in the financial department of Valoe. Accounting and reporting for foreign subsidiaries are carried out using local, qualified accounting firms or other external experts.

The accuracy of reporting is ensured by using financial reporting guidelines, maintaining the professional skills of employees, ensuring the reliability of information systems, using normal internal control mechanisms and an expanded audit. Any deviations from the budget or plans detected in reports are investigated.

The CFO and external auditors are responsible for verifying the accuracy of the financial reporting.

COMMUNICATIONS

The Board of Directors and the President and CEO are together responsible for the Group's communications. The President and CEO is responsible for communications within the company.

MONITORING

The performance of internal control is evaluated regularly in connection with management and control measures, and separately upon the completion of audit reports. Monitoring measures carried out continuously include comparing the actual and targeted figures in financial reports, various balancing measures, and the monitoring of the regularity of operational reports. The Board's annual plan includes planning and monitoring meetings. Information systems are, for the most part, established, and their reliability is regularly assessed by an external expert.

OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

INTERNAL AUDIT

The purpose of the internal audit is to evaluate the appropriateness and success of the com¬pany's internal control system and risk management as well as the management and corporate governance pro¬cesses. The internal audit supports the development of the organisation and improves the efficient fulfilment of the supervision obligation of the Board of Directors.

The Board of Directors decides the main principles applied in the internal audit. Due to the small size of the company and the limited scope of its business operations, Valoe does not have an internal auditing organization or an audit committee. The internal audit is executed by the Board of Directors.

PRINCIPLES FOR RELATED PARTY TRANSACTIONS

Valoe complies with the Finnish Companies Act and International Financial Reporting Standards (IAS 24) obligations for monitoring of related party transactions. The Group's related parties include parent company Valoe Oyj and Group subsidiaries. Key members of the Board of Directors and Management Team, also CEO and the persons, who have a significant influence over the Group, are included with their families to the related parties. Also those communities which are controlled or influenced by, or is under common control or influence over the persons, who are included to the related parties, are included to the related parties. The Group's related parties also include those companies that have a significant control over the Group.

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.

Valoe reports its related party transactions in the notes to the consolidated financial statements. Additionally, the company evaluates and controls the related party transactions and takes care that possible conflicts of interest are taken into account.

INSIDERS AND INSIDER ADMINISTRATION

Valoe has in place insider rules complying with the guidelines for insiders approved by Nasdaq Helsinki Ltd. According to the insider rules, insiders, persons under their guardianship and corporations under their control are not permitted to trade in the Company's shares and options during a period of 30 days prior to the publication of its financial results (closed window period).

The Company's statutory insiders include the members of the Board of Directors, the President and CEO, the auditors and the accounting firm's auditor with principal responsibility. In addition, the Company's permanent insiders include, as specified insiders, the members of the Management team and specified persons from the Group's financial and other administration. Persons involved in corporate transactions or other projects that affect the value of the Company's shares are included in the Company's project-specific insiders and are subject to a temporary prohibition of trading.

AUDITING

The auditor is elected for one term at a time by the Annual General Meeting. The term ends at the end of the following Annual General Meeting. In the annual general meeting held on 25 May 2022 Auditus Tilintarkastus Oy was elected as the company's auditor and KHT auditor Mikko Riihenmäki as the responsible auditor. In 2022 the fees to the auditors totalled EUR 64.043,60.

Corporate Directory

VALOE OYJ

Business Identity Number 0749606-1
Corporated in Mikkeli, Finland
www.valoe.com

CONTACT

Insinöörinkatu 8 FI-50150 Mikkeli
Tel: +358 20 7747 788

BOARD OF DIRECTORS

Hannu Savisalo (Chairman)
Ville Parpola (Vice Chairman and Independent Board Member)
Tuomas Honkamäki (Independent Board Member)
Iikka Savisalo (Board Member)

CEO

Iikka Savisalo

SECURITIES EXCHANGE LISTING

Nasdaq Helsinki Oy
Listing Identity VALOE

AUDITOR

Auditus Tilintarkastus Oy
Hämeenkatu 10
FI-11100 RIIHIMÄKI
Tel: +358 010 328 4820