

## RISK MANAGEMENT, RISKS AND UNCERTAINTIES

Restructuring proceedings were commenced at Valoe on 22 January 2024. The company's most significant risk is securing the necessary financing and its sufficiency. Restructuring proceedings were commenced at Valoe on 22 January 2024. The Administrator's preliminary report concludes that the company's business has potential that can be rehabilitated through the restructuring proceedings, however, the company's restructuring proceedings will require finding a financing solution for the duration of the proceedings. In addition, the company should find a financing or ownership solution to secure its operating conditions for a longer period of time. If the company fails to secure the necessary financing, the restructuring proceedings may have to be suspended and the company may be declared bankrupt.

### **Risks Related to Financial Situation and Financing**

Valoe's management estimates that, at the date of this review, the company's working capital is insufficient to cover its current needs for the next 12 months and that the company will require additional funding. In addition to revenues, the company expects to be able to withdraw funding from its existing financing agreements and from the EU projects with committed grants. The company is also seeking to raise additional funding through a convertible bond, which the company issued in July 2023. In addition, the Board of Directors of the company has decided to prepare a broader overall financing plan including a possible share issue to the public or key investors in the second half of 2024. If the company were unable to obtain the required additional financing, this could have a material adverse effect on the company's results of operations and/or financial position and its ability to continue as a going concern.

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.

### **Risks Related to the Strategy and Business Operations**

Valoe has several cooperation agreements that aim at large-scale customer collaboration. The full implementation of these agreements usually requires the achievement of mutually agreed quality and/or performance targets. The execution of the cooperation agreements is also dependent on the company's contractual partners, and the agreements may not be executed if, for example, there will be changes in customers' plans or their financial situation. In the event of a sudden change in the arrangements, financial situation or solvency of the company's contractual partners, or if Valoe were to fail to achieve the agreed objectives, the collaboration agreements would not be executed as originally planned, reducing the company's estimated revenue from the relevant agreements, which would have an adverse effect on the company's results of operations and/or financial situation and/or the value of the company's securities.

There are uncertainties and risks involved in assessing the profitability of products and services and in meeting quality standards for products and services. If the company fails to estimate the amount of work and/or costs required for the products and/or services, it may have a material impact on the profitability of the products, deliveries and services and the timeframe for achieving profitability and, consequently, on the company's business, results of operations and/or financial condition. The company also has several

products still in the product development stage. The company has no mass production experience of the products under development, and it is not certain if the company meets the agreed targets set for the products, including those relating to durability, appearance and/or performance. If the company were to fail to meet agreed quality standards, project schedules could be delayed, which could affect the company's overall profitability and, consequently, the company's results of operations and financial situation.

The energy market is currently undergoing a major change due to, among other things, unexpected rapid shift to green energy solutions produced domestically in Europe and the US, as a result of Russia's war of aggression against Ukraine. While Valoe believes that this trend will support the company's growth objectives, it is more difficult to predict the future competitive landscape. The competitive situation may change substantially in the future, for example with the arrival of a new competitor or technology. Increased competition may lower market prices and thus affect Valoe's ability to maintain the planned price levels for its products. There is no certainty that the company will be able to adjust its costs to the new price level and this may negatively affect the company's profitability.

### **Risks Related to 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 its 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.

Recent general economic uncertainty, and changes in energy prices may have negative effect on the company's business and profitability. In this situation, there are specific risks associated with supply chains, and the company cannot at this time assess the impact of the risks on the availability and pricing of materials and services, and therefore on the company's financial situation and operations. The critical raw materials Valoe uses include, e.g., special plastics, metals, glass and silicon wafers, spare parts and components for machines and equipment, and professional services related to operations. The availability of these raw materials and components is sensitive to global political developments and logistical disruptions in production chains. Valoe's solar panel production at the Juva plant and solar cell production in Lithuania are both energy-intensive activities, which means that unfavourable price developments in energy prices directly affect the company's profitability, and thus its operating results and financial position.

Rising raw material and energy prices have already had a negative impact on the company's production. Should the availability of critical components and raw materials continue to decline, or the prices continue to rise, this could further slowdown 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. In particular, 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.

## **Market Guidance and Strategy Related Risks**

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