CLEVON

Unaudited interim consolidated report for the period ended 31 December 2022

CLEVON AS

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

Business name:	Clevon AS
Commercial register number:	16472103
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Telephone:	+372 5597 7090
E-mail address:	info@clevon.com
Website:	www.clevon.com
Start of the financial year:	01 January
End of the financial year:	31 December
Start of the interim report period:	01/04/2022
End of the interim report period:	31/12/2022
Legal form:	Public limited company
Auditor:	KPMG Baltics OÜ

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MANAGEMENT REPORT

Clevon AS was registered in the Estonian Commercial Register on 1 April 2022, when the division plan approved on 22 February 2022 entered into effect. The division took place by way of separation, where the company being divided, Cleveron AS, transferred the assets, liabilities and rights of the driverless vehicle technology development unit to the company being separated, Cleveron Mobility AS, which adopted the business name Clevon AS starting from 06/12/2022.

In June 2022, an initial public offering (IPO) of Clevon AS shares was completed and trading of the company's shares on the First North multilateral trading facility operated by Nasdaq Tallinn AS (First North) started on 28 June 2022. Despite the complicated circumstances, all the shares on offer were subscribed to, and a total of 5 million euros were raised through the IPO from over 6,700 retail investors, and 0.2 million euros from two qualified investors. The subscription price of the share was 1.87 euros; after the issue of new shares, the number of shares listed by the company was 29,575,771, and the value of the company was 55.3 million euros. As at the end of the reporting period on 31/12/2022, the share price was 1.588 euros and the market value of the company amounted to 47.0 million euros.

The capital raised gave impetus to the rapid development of the company. Upon separation in April 2022, the company had 47 employees, at the end of 2022 the group employed a staff of 90 employees, 3 of them in the subsidiary Clevon Corporation in Texas, USA. The largest growth has taken place in the development team and development activities have intensified with the aim of increasing the autonomy and reliability of autonomous robotic couriers.

Technology

At the beginning of 2022, the technical readiness of Clevon AS's driverless vehicles was at a level where the vehicles could be safely operated from the control centre. In the 1st quarter of 2022, the development of a new vehicle platform (CLEVON 1) was completed, the functionality of which was validated by the Transport Board, and we received permission to operate on the streets of Estonia, initially with an escort vehicle. CLEVON 1 is a completely new vehicle, which has been made on the basis of the requirements of the L6e category. The vehicle features a new exterior design, and we have received a lot of positive feedback about it. With regard to the mechanical part, a new solution has been developed for the suspension, brakes, drivetrain and steering system. The vehicle is also equipped with a wireless charger. An important achievement in development is the modular electronic control module for controlling actuators. Thanks to modularity, we are able to develop and productise vehicle electronics faster and more efficiently.

The focus of the software development was to further increase the reliability and security of teleoperation, and at the same time gain confidence in order to completely abandon the escort vehicle. This goal was indeed achieved. Our strategy is to gradually increase the autonomy of the vehicle and, through this, the ability to use our vehicles to provide a service in the earliest possible phase of the project, being fully supported by the presence of teleoperation. At the same time, the company has been working on the achievement of vehicle autonomy, i.e., analysing and developing the ADS (Automated Driving System), both at the research level and software implementations. We have achieved the readiness of the vehicles to operate in pre-mapped and defined areas without the driver having to perform the operational tasks of the vehicle (i.e., turning the steering wheel and setting the speed). However, it is necessary to monitor the vehicle and, where needed, perform tactical tasks and decisions.

In addition to the development of the ADS system, the focus has also been on the development of and interfaces to client applications, which also supports our strategy point to provide services as soon as possible. It comprises courier and end-client interfaces for various pilot projects (e.g., DPD, DHL, IKI/LastMile), overlay application interfaces (remote overlay application monitoring and control) and the design and developments for the Fleet Management System and Ride Management System.

We also developed actively the vehicle infrastructure, i.e., the ability to manage the vehicle fleet remotely. It includes the capability and process for automatic updating of the vehicle software, fleet monitoring and remote troubleshooting, data collection, management and analysis capabilities.

By the end of 2022, the prototype of the overlay application for the simultaneous transport of several separate parcels was completed. A new type of overlay application allows to deliver parcels to several clients with one trip, thereby increasing the number of parcels delivered in one unit of time and increasing efficiency. In 2023, the objective is further development of the prototype into a ready-to-use model and its productisation.

Marketing and pilot projects

Along with the development activities, the company was realising pilot projects in cooperation with potential clients with the aim of obtaining information about how driverless robotic couriers fit into the client's business model, the possibility of replacing internal combustion engine vans, and the suitability of this solution for meeting the clients' business and environmental sustainability goals. In May 2022, Clevon introduced the third-generation autonomous robotic courier CLEVON 1. The all-electric platform vehicle can effectively launch service provision in new areas thanks to its fast service area mapping, autopilot and remote control capabilities. The new unmanned robotic courier was the first in Europe to start offering service on public roads in cooperation with DPD Estonia. Moreover, Clevon also started cooperation with DHL Express Estonia in Tallinn. CLEVON 1 transported parcels of both logistics companies to business clients. Groceries were transported to private clients with the Colruyt Group in Belgium and with IKI grocery stores (REWE Group) in Lithuania.

In the autumn of 2022, Clevon expanded its business to North America, where it established the subsidiary Clevon Corporation and opened the US headquarters in the Dallas-Fort Worth metropolis, in the infrastructure innovation centre of the AllianceTexas Mobility Innovation Zone. The opening ceremony was attended by the President of the Republic of Estonia Alar Karis, Brandom Gengelbach, CEO and President of the Fort Worth Chamber of Commerce, as well as Ross Perot Jr., Chairman of the Perot Group and the real estate development company Hillwood. The CLEVON 1 vehicle also successfully made the first delivery in North America, more precisely, in the city of Fort Worth. However, in cooperation with the city of Arlington (Texas), a robotic courier delivered over 100 meals to a client in less than two hours. Furthermore, in the second half of 2022, Clevon introduced its product concept to one of the largest retailers in the United States, and proved the effectiveness of the robotic courier. Clevon is strengthening its presence in the USA ever more firmly, and the team is growing as well. Nathan Ray, who has 16 years of experience in various operations and strategy positions at companies such as Albertsons, HelloFresh, Amazon and Target, was brought in as the head of business development.

By the end of the reporting year, Clevon’s robotic couriers have already covered more than 20,000 kilometres on public roads making deliveries. Clevon’s vehicles have been tested on European public roads for over 2.5 years and have proven to be safe and reliable vehicles. The vehicle is environmentally friendly, generates zero emissions and reduces last mile labour costs by up to 90%.

By the end of the year, a total of 20 autonomous robotic couriers CLEVON 1 had been produced and are in active use. The vehicles are used both for testing at the company's closed test site and in pilot projects in Estonia, other European countries and at the subsidiary in the USA. On the test site, the vehicles perform predetermined tasks of varying degrees of difficulty simulating real-life situations on city streets in order to improve the performance of the vehicles and identify possible hazard situations.

In order to make new contacts and introduce unmanned robotic couriers, Clevon participated in several fairs, including the largest technology fairs in the world GITEX Dubai 2022 and CES 2023 in Las Vegas in early 2023.

Plans for the future

In 2023-2024, the focus will be on increasing vehicle autonomy, improving cyber security and scalability of external interfaces. The ADS set gets a hardware upgrade in the form of added sensors, a more powerful computer and a router, which allows us to keep our system modern and more efficient. We put more emphasis on the use of simulation in development and testing, which significantly speeds up and automates our work. We continue to work to ensure that our processes and systems support higher cybersecurity requirements. The plan is to achieve sufficient autonomy so that the vehicle fleet can be operated with a smaller number of operators, which requires the next generation MRM (Minimum Risk Manoeuvre) functionality. We intend to further develop an automated precision mapping and routing system that will quickly support entering new areas and increasing autonomy there. With the aim of achieving fast integration with new services, we are developing the Fleet Management System ecosystem to become more flexible and scalable.

As a result of the company's strategy, preparations began in 2022 to achieve the necessary quality standards used in the automotive industry for both the development and the production. In 2023, the mapping, creation and implementation of various processes will continue in order to meet the requirements of a company of the automotive sector, and the ultimate goal of these activities is to launch on the market a type-approved vehicle.

Leaving First North

In a stock exchange announcement of 16 January 2023, Clevon announced its plan to leave First North. The reasoning given for the departure from First North is the need to raise additional capital, which is necessary for the further development of Clévon’s main product – the CLEVON 1 vehicle and the technology contained in it – raising of which from public sources, both at present and in future fundraising rounds, is extremely unlikely. Therefore, Clevon is looking for potential investors outside First North, communication with whom has shown that in order to attract capital from them for further development, Clevon has to leave First North.

Additional information about the departure from First North will be announced as soon as possible.

Economic results

The group's sales revenue in 2022 was 98 thousand euros, and this revenue was earned mainly from the implementation of the pilot projects. The group's expenditure on goods, material and services amounted to 509.6 thousand euros, miscellaneous operating expenses 1,081 thousand euros, labour costs (including the cost of share-based payments) 2,677 euros and the cost of non-current assets 777 thousand euros.

The operating loss for 2022 amounted to 3,339 thousand euros, which is primarily due to the rapid growth of the company's operations and the number of employees. The EBITDA for 2022 was -2,573 thousand euros.

Investments in non-current assets amounted to 2,767 thousand euros, of which investments in property, plant and equipment amounted to 1,156 thousand euros and in intangible non-current assets amounted to 1,611 thousand euros (including capitalised expenses for manufacturing of non-current assets for own use in the amount of 1,598 thousand euros).

Objectives and their realisation

At the time of the public offering of Clevon AS shares, the company’s description stated the following goals for 2022:

	2022
Number of vehicles	~15
Driving hours per day per vehicle	3
Sales revenue per year	40,000 – 60,000
Operating costs including operator cost, maintenance cost and other operating costs	1,800,000 – 2,000,000
EBITDA per year (-)	(1,750,000 – 2,000,000)
Investments in production (including vehicle production cost) and product development	2,800,000

By the end of 2022, a total of 20 vehicles were produced (estimated ~15 vehicles), which allow parallel testing of vehicles in closed areas (including snowy conditions) and also in real conditions in pilot projects with various potential clients.

The sales revenue in 2022 exceeded the forecast by at least 38 thousand euros (98 thousand euros vs. 40 – 60 thousand euros), which became possible thanks to active marketing activities and several pilot projects.

Operating costs, including operator costs, maintenance costs and other operating costs stayed below the forecast (1,800 – 2,000 thousand euros) and amounted to 1,280 thousand euros thanks to the effective management of the company's processes. The EBITDA in 2022 fell short of the forecast by at least 573 thousand euros (-2,573 thousand euros vs -1,750 ... -2,000 thousand euros). This can be attributed to the rapid growth of the company's operations in the second half of 2022, including costs related to the establishment of a subsidiary in the US, as well as rapidly increasing labour costs due to the economic environment.

Arno Kütt

Chair of the Management Board of Clevon AS
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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euros)	Note	31/12/2022	01/04/2022
Current assets			
Cash and cash equivalents		1 767 398	0
Trade and other receivables	7	91 500	0
Prepayments	7	15 910	0
Inventories		334 053	496 115
Total current assets		**2 208 861**	**496 115**
Non-current assets			
Long-term financial investments		-	-
Long-term receivables		-	-
Prepayments	7	12 223	0
Property, plant and equipment	8	1 451 795	555 343
Intangible assets	9	4 508 756	3 415 254
Total non-current assets		**5 972 774**	**3 970 597**
TOTAL ASSETS		**8 181 635**	**4 466 712**
Current liabilities			
Financial lease liabilities		141 854	16 559
Trade payables		123 125	0
Employee related liabilities		248 756	35 474
Other liabilities		248 821	0
Total current liabilities		**762 556**	**52 033**
Non-current liabilities			
Loans	15	980 740	33 317
Total non-current liabilities		**980 740**	**33 317**
Total liabilites		**1 743 297**	**85 351**
EQUITY			
Share capital		2 957 577	2 679 500
Unregistered share capital		-	-
Share premium		6 508 708	1 701 862
Other reserves		381 903	0
Profit (loss) for the period		-3 409 850	0
Total equity attributable to owners of the parent		**6 438 338**	**4 381 362**

Total equity	**6 438 338**	**4 381 362**
TOTAL LIABILITIES AND EQUITY	**8 181 635**	**4 466 712**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(euros)	Note	01/04/2022 – 31/12/2022
Revenue		98 420
Other income		12 948
Goods, raw material, materials and services	10	-509 632
Operating expenses	11	-1 081 213
Personnel expenses	12	-2 676 874
Depreciation, amortisation and impairment		-776 787
Capitalised expenses for manufacturing of non-current assets for own use		1 598 356
Other expenses		-53 897
Operating profit (loss)		**-3 338 679**
Finance income		186
Finance costs		-58 869
Other finance income and costs		-12 488
Finance costs – net		**-71 171**
Profit (loss) before income tax		**-3 409 850**
Income tax expense		0
Profit (loss) for the period		**-3 409 850**
Attributable to owners of the parent		**-3 409 850**
Comprehensive income (loss) for the period		**-3 409 850**
Attributable to owners of the parent		**-3 409 850**
Basic earnings per share	6	**-0,11**

CONSOLIDATED STATEMENT OF CASH FLOW

(euros)	Note	01/04/2022 – 31/12/2022
CASH FLOWS FROM OPERATIING ACTIVITIES		
Profit (loss) for the period		**-3 409 850**
Adjustments:		
Depreciation, amortisation and impairment		776 787
Gain (loss) on sale of tangible and intangible fixed assets		-23
Finance costs		71 170
Income tax expense		0
Other adjustments		381 903
Change in operating receivables and prepayments		-119 634
Change in inventories		162 062
Change in operating accounts payable and prepayments		585 227
Income tax paid		0
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		**-1 552 355**
CASH FLOWS IN INVESTING ACTIVITIES		
Paid upon acquisition of property, plant, and equipment, and non-current intangible assets		-2 558 708
Received from sales of property, plant, and equipment, and intangible assets		1 600
Paid upon acquisition of subsidiaries		-1
Loans granted		0
Repayments of loans granted		0
Interests received		186
TOTAL CASH FLOWS IN INVESTING ACTIVITIES		**-2 556 922**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received		950 000
Repayments of loans received		-3 635
Repayment of lease liabilities		-103 705
Interests paid		-38 421
Dividends paid		0
Received from share issue less issuance costs		5 084 924
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		**5 889 163**
NET CASH FLOW		**1 779 885**

Cash and cash equivalents at beginning of period	0
Effect of movements in exchange rates on cash held	-12 488
Cash and cash equivalents at end of the period	**1 767 398**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(euros)	Equity attributable to owners of parent: Share capital	Share premium	Other reserves	Retained earnings (loss)	Total	Total equity
Equity at 01/04/2022	**2 679 500**	**1 701 862**	**-**	**-**	**4 381 362**	**4 381 362**
Profit (loss) for the period	0	**0**	0	-3 409 850	-3 409 850	-3 409 850
Other compehensive income for the period	0	0	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**0**	**-3 409 850**	**-3 409 850**	**-3 409 850**
Transactions with owners						
Dividends paid	0	0	0	0	0	0
Share capital issued	278 077	4 806 846	0	0	5 084 923	5 084 923
Formation of share option reserve	0	0	381 903	0	381 903	381 903
Other changes in equity	0	0	0	0	0	0
Total transactions with owners	278 077	4 806 846	381 903	0	5 466 826	5 466 826
Equity at 31/12/2022	**2 957 577**	**6 508 708**	**381 903**	**-3 409 850**	**6 438 338**	**6 438 338**

The share capital in the amount of 2,957,577 euros (01/04/2022: 2,679,500 euros) is divided into 29,575,771 shares (01/04/2022: 26,795,000 shares) with a nominal value of 0.10 euros (01/04/2022: 0.10 euros) per share. As a result of raising equity, the premium increased by 4,806,846 euros. Additional costs directly related to the issuance of shares in the amount of 115,119 euros were recognised as a reduction of the premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

Clevon AS (hereinafter also the parent company or company) is a company established in the Republic of Estonia on 01/04/2022. The registered address of the parent company is Reinu tee 48, 71020, city of Viljandi, Republic of Estonia. The consolidated annual financial statements of Clevon AS for the financial year ended 31/12/2022 include the parent company and its subsidiary (hereinafter the group). The main activity of the group is production of motor vehicles. The company produces a new generation of autonomous unmanned motor vehicles with the intention of making deliveries of goods to end consumers as efficient and environmentally friendly as possible.

NOTE 2. BASES OF PREPARING REPORT

The group's financial statements for the financial year ended on 31 December 2022 have been prepared in accordance with the international financial reporting standards (IFRS), as adopted by the European Union. This consolidated annual report is the group's first IFRS-based consolidated annual report. The financial statements for the financial year have been prepared for the period 01/04/2022 - 31/12/2022. Clevon AS was registered in the Estonian Commercial Register on 1 April 2022, when the division plan approved on 22/02/2022 entered into effect. The division took place by way of separation, where the company being divided, Cleveron AS, transferred the assets, liabilities and rights of the autonomous vehicle technology development unit to the company being separated Clevon AS (business name following the separation Cleveron Mobility AS).

The described accounting and reporting principles have been consistently applied to all periods presented in the report.

NOTE 3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated annual financial statements have been prepared in euros, which is the functional currency of the parent company.

NOTE 4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The following new standards, interpretations and amendments do not yet apply to the reporting period ended on 31 December 2022, and they have not been implemented in the preparation of these annual financial statements. The group intends to apply these standards, interpretations and amendments when it becomes mandatory.

Amendments to IAS 1 “Presentation of Financial Statements”

(Applicable to accounting periods beginning on or after January 1, 2023; applied retrospectively. Earlier application permitted.)

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to postpone settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional, but it must have substance. The classification is not affected by the management's intentions or expectations as to whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

According to the group's assessment, the amendments will have no significant impact on the group's financial statements upon their first implementation.

Amendments to the Standard IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements”

(Applicable to accounting periods beginning on or after January 1, 2023. Earlier application permitted.) The amendments to IAS 1 aim to help companies disclose more useful information about accounting policies by:

- requiring companies to disclose only material accounting policy information;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are also immaterial and therefore do not require disclosure, and
- explaining that not all accounting policies related to material transactions, other events or conditions are material from the point of view of the company's financial statements.

The International Accounting Standards Board also amended the IFRS Practice Statement 2, by adding guidance and two additional examples on the application of the concept of materiality in accounting policy disclosures.

The amendments are in line with the specified definition of “materiality”:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

According to the group's assessment, the amendments will have no significant impact on the group's financial statements upon their first implementation.

Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors”

(Applicable to accounting periods beginning on or after January 1, 2023 applied prospectively. Earlier application permitted.

The amendments introduce a new definition of the term “accounting estimates”: it is specified that these are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also explain the relationship between accounting policies and accounting estimates: specifying that an entity develops an accounting estimate to achieve the objective set out by the accounting policy.

The amendments are not expected to have a significant impact on the group, as they provide guidance on whether changes are to be regarded as changes in estimates, changes in accounting policies, or errors.

Amendments to IAS 12 “Income taxes”

Applies to accounting periods beginning on or after January 1, 2023. Earlier application permitted.

The amendments clarify the calculation of deferred income tax related to such transactions, where both an asset and a liability are recognised and the same taxation is applied to both. The amendments narrow the scope of the exception to initial recognition so that the exception in question does not apply to transactions that give rise to equal and offsetting temporary differences. Therefore, entities have to recognise deferred tax assets and liabilities for temporary differences from the initial recognition of leases and decommissioning obligations.

According to the group's assessment, the amendments will have no significant impact on the group's financial statements upon their first implementation.

Other amendments

The rest of the new standards, amendments to standards and interpretations that have not yet entered into force are not expected to have a significant impact on the group's financial statements.

NOTE 5. ACCOUNTING POLICIES

Below is a summary of the material accounting policies applied in the preparation of these consolidated annual financial statements. The described accounting policies have been applied consistently, unless otherwise stated in the following text.

Preparation of consolidated statements

These consolidated annual financial statements contain the financial indicators of Clevon AS and its subsidiary consolidated on a line-by-line basis.

Subsidiaries

Consolidation of a subsidiary starts from the moment the group acquires control over the subsidiary in question, and ends from the moment the group loses control over said subsidiary. All assets, liabilities, income and expenses acquired or sold by subsidiaries during the year are recognised in the consolidated statement of comprehensive income from the date control is obtained until the date the group loses control over the subsidiary. Where necessary, the financial indicators of subsidiaries are adjusted so that they are in line with the accounting policies of the group.

Loss of control

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, as well as the related non-controlling interest and other components of equity. The gain or loss resulting from the loss of control is recognised in the income statement. The retained interest in the former subsidiary is measured at fair value.

Transactions to be eliminated on consolidation

All intra-group assets and liabilities, equity, income, expenses and cash flows related to transactions between members of the group are completely eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks, other short-term liquid investments with an initial maturity of up to three months and an insignificant risk of change in value.

Foreign currency

The functional currency of each consolidated unit of the group is the currency of the basic economic environment in which the given entity conducts its business. The presentation currency of the group is the euro, which is the official currency of the Republic of Estonia. The functional currency of the parent company is the euro, the functional currency of the US subsidiary is the dollar.

Foreign currency translations

Transactions in foreign currency are translated into the functional currencies of the group's companies at the exchange rate effective on the date of the transaction. A transaction in a foreign currency is translated into euros applying the exchange rate of the European Central Bank effective on the day of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency applying to the exchange rate of the functional currency effective on the reporting date. The gain or loss arising from exchange rate differences related to monetary assets or liabilities is the difference between the adjusted cost fixed in the functional currency at the beginning of the reporting period and the adjusted cost fixed in the foreign currency translated applying the exchange rate in effect at the end of the period.

Non-monetary assets and liabilities denominated in a foreign currency, which are carried at cost, are translated into the functional currency applying the exchange rate of the functional currency effective on the transaction date. Non-monetary assets and liabilities measured at fair value denominated in a foreign currency are translated into the functional currency at the exchange rate on the date the fair value was determined. The official exchange rate of the European Central Bank for the respective currency is used for translation. Exchange rate differences arising from translation are recognised as gains or loss.

Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign entities, including goodwill and fair value adjustments arising on the acquisition, are translated into euros applying exchange rates of the reporting date. The income and expenses of foreign entities are translated into euros based on the exchange rates effective on the day of the transaction.

Exchange rate differences are recognised in other comprehensive income and presented as a reserve for exchange rate differences in equity. In the case of a disposal of a foreign entity resulting in the loss of control or significant influence, the cumulative amount associated with the foreign entity in question shall be recognised as profit or loss carried from the rate difference reserve as part of the profit or loss from the disposal. If the group disposes of only part of its interest in a subsidiary that comprises a foreign entity and retains control, the respective pro rate share of the cumulative amount is attributed back to the non-controlling interest.

Financial assets and liabilities

Recognition and initial measurement

Accounts receivable are recognised when they emerge. All other financial assets and liabilities are recognised when the group becomes a counterparty to the instrument. Upon initial recognition, the group measures a financial asset or liability at its fair value plus or minus transaction costs that are directly connected with the acquisition of the financial asset or the issuance of the financial liability. Receivables from buyers that are not related to a significant financing component are recognised at the transaction price on initial recognition.

Classification, subsequent measurement and gains and losses

Financial assets

In the future, the group will recognise financial assets at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

Financial assets are not reclassified after their initial recognition, unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets are measured at amortised cost if both of the following conditions are satisfied:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group classifies cash and cash equivalents, trade receivables, loans and other receivables as financial assets measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as an asset recognised at fair value through profit or loss:

- the instruments are held within a business model whose objective is both to collect the contractual cash flows and to sell the financial asset; and
- the contractual terms guarantee cash flows on specific dates, which are solely the principal and the

interest calculated on the unpaid principal.

All financial assets that are not classified as being measured at amortised cost or at fair value through other comprehensive income, as described above, are measured at fair value through profit and loss.

Upon initial recognition, the group may also identify financial assets as measurable at fair value through profit or loss, if they meet the conditions for their recognition either at amortised cost or at fair value through other comprehensive income, if doing so would significantly eliminate or reduce a measurement or recognition inconsistency which would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.

The following table provides an overview of the group's financial assets and their measurement and recognition of gains and losses.

Amortised cost	These assets are carried at amortised cost applying the effective interest rate model. The amortised cost is reduced by the impairment loss. Interest revenue, gains and losses on exchange rate differences and depreciation are recognised in the income statement. The gains or losses on derecognition is recognised in the income statement.

Financial liabilities

Financial liabilities are classified as measured either at amortised cost or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss, if it is held for trading, is a derivative financial instrument or is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are carried at amortised cost applying the effective interest rate model. Interest expenses and gains or losses from exchange rate changes are recognised in profit or loss. The gains or losses on derecognition are recognised through net gains.

Derecognition

Financial assets

The group derecognises a financial asset if and only if the contractual right to the cash flows of the asset no longer exists or if the group transfers the financial asset and the transfer meets the derecognition criteria. The group transfers the contractual rights related to receiving the cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are transferred, or where the group does not transfer the risks and rewards of ownership of the financial asset during the transfer, but the group does not retain control over the financial asset.

In the case of transactions where the group transfers the assets recognised in its financial statements, but retains all or the main risks and rewards relating to the transferred assets, the group does not derecognise the transferred assets.

Financial liabilities

The group removes a financial liability from its statement of financial position if and only if it has been extinguished. Namely, when a liability specified in the contract has been fulfilled, cancelled or expired. The group stops recognising a financial liability if the terms of the financial liability are amended in such a way that the cash flows of the liability are significantly different from the original liability. In this case, the new financial liability based on the amended terms is recognised at fair value.

The difference between the carrying amount of a financial liability (or a part thereof) extinguished or transferred to another party and the consideration paid, including all transferred non-monetary assets or assumed liabilities, is recognised through net profit.

Balancing

Financial assets and liabilities are offset and recognised as a net amount in the financial statement if and only if the group has a legally enforceable right to set-off the amounts at that moment and the group knowingly intends either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Upon recognising impairment, the group applies the expected credit loss model to financial assets carried at amortised cost.

The group measures the impairment in an amount equal to the expected credit losses over the lifetime, except for financial assets, the impairment of which is measured in an amount equal to the expected credit losses over 12 months:

- other requirements;
- cash and cash equivalents, where there has been no significant increase in credit risk since initial recognition.

The group applies the simplified approach provided in IFRS 9 for the recognition of expected credit losses on all trade receivables, which allows to recognise a loss allowance for lifetime expected credit losses.

The group always recognises the allowance for expected credit losses of trade receivables in the amount equal to the lifetime expected credit losses. The expected credit loss of said assets are estimated by applying a provision matrix which is based on the group's historical credit loss experience, which is adjusted by factors related to specific debtors, general state of the economy and, where necessary, the time value of money. Expected credit losses are probability-weighted estimated credit losses. Credit loss is the difference between contractual cash flows and cash flows expected by the group, which is discounted at the financial assets original effective interest rate.

At each reporting date, the group assesses whether or not the credit quality of financial assets carried at amortised cost has deteriorated. The credit quality of a financial asset has deteriorated if one or more events have occurred that have a negative impact on the expected future cash flows of this financial asset. Circumstances that give an indication that the credit quality of a financial asset has deteriorated are the following:

- significant financial difficulties of the debtor;
- breach of contract (failure to perform an obligation or failure to pay by the maturity date);
- restructuring of the loan or prepayment on terms and conditions that the group would not otherwise have accepted;
- it is likely that the debtor will run into payment difficulties.

The book value of the assets is reduced by the decrease in the value of the financial assets carried at amortised cost.

Inventories

Inventories are carried at cost that includes purchasing expenses, production costs and other direct expenses necessary to deliver inventories to their current location and condition.

The group applies the FIFO model to recognise inventories.

Inventories are carried at the lower of cost or net realisable value. Inventory write-down to net realisable value is recognised as an expense of the accounting period in the cost of goods sold in the write-down period. If the previously written down net realisable value increases again in a later period, the earlier write-down has to be reversed.

Where inventories are measured at net realisable value, the costs from the write-down are recognised in the write-down period in the consolidated statement of comprehensive income in the line item “Goods, raw material, materials and services”.

Deficits or surpluses identified in the course of physical stocktaking are recognised in the consolidated statement of comprehensive income as other operating revenue or -expenses.

Property, Plant and Equipment

Initial accounting and recognition

Property, plant and equipment are carried at cost, less accumulated depreciation and possible impairment losses.

If different parts of property, plant and equipment have useful lives of different length, then they are initially accounted as individual items of property, plant and equipment (significant components). The depreciation rate for each component is determined separately, based on the expected useful life of the component.

Profits and losses arising from derecognition of property, plant and equipment are recognised in the income statement.

Subsequent costs

Subsequent cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity. Other maintenance and repair costs shall be recognised as cost at the moment they are incurred.

Depreciation

Depreciation is calculated by dividing the cost by the estimated useful life of the asset up to the carrying amount using the straight-line model and is recognised in profit or loss. The useful life of property, plant and equipment is reviewed at least at each financial year-end, and if new estimates differ from the previous ones, the changes are recognised as changes in accounting estimates, i.e., prospectively. Depreciation of an asset starts from the moment it is ready for use (moved to the location and working condition specified by the management).

Useful lives of property, plant and equipment by groups of non-current assets (in years):

–	Construction works and civil engineering works	20 – 33 years
–	Production equipment	10 – 12 years
–	Other machinery and equipment	5 – 10 years
–	Other property and IT equipment	3 – 5 years

The evaluation of assets for impairment is described in more detail in the accounting policy “Impairment of assets”.

Non-current intangible assets

Non-current assets are recognised in the statement of the financial position when the asset is controlled by the group, if future economic benefits are expected to flow from it to the group, and if the cost of the asset can be reliably measured. An acquired non-current intangible asset is initially carried at cost, which consists of the purchasing price and other expenses directly linked with the acquisition. After initial recognition, non-current intangible assets are carried at cost, less the accrued amortisation and possible write-downs caused by impairments. Intangible assets are divided into assets with finite and indefinite useful lives.

Intangible assets with indefinite useful life are not amortised, but in order to verify their value they are impairment tested at every balance sheet date, and if the recoverable amount of the asset falls short of the carrying amount, the respective asset item shall be written down to the recoverable amount.

Intangible assets with a finite useful life are amortised applying the straight-line model based on the estimated useful life of the asset.

Research and development expenditure

Development expenditure is expenditure incurred to implement research results in the development of new products and services. Expenditures related to studies and research carried out for the purpose of obtaining new scientific or technical knowledge are recognised as an expense in profit or loss at the moment they are incurred.

Development costs may be capitalised only if:

a) if it is technically possible to make the item of intangible asset available for use or sale;
b) if the group has sufficient financial resources for this purpose;
c) if the group can use or sell the intangible assets;
d) if the group can reliably measure the development costs of the intangible asset.

Capitalised costs include various expenditures made to create intangible assets, i.e., material cost, labour costs, expenses related to business trips, depreciation cost of non-current assets. Other development expenses and research expenses, incl. marketing and advertising costs, general administration costs and training costs are recognised as expense in the income statement in the period in which they are incurred. Capitalised development costs are carried at cost, less accumulated depreciation and losses resulting from the decrease in asset value.

Subsequent costs

Subsequent costs are capitalised only if they increase future economic benefits embodied in the asset to which they are related. All other expenses, including expenses on internally generated goodwill and trademarks, are recognised in the profit or loss for the period in which they arise.

Amortisation

Amortisation is calculated using the straight-line method, allocating the cost to the terminal value over the estimated useful life of the asset, and is generally recognised in the income statement.

Useful lives of non-current intangible assets by groups of non-current assets (in years):

– Development costs	goodwill 5 years
– Software, patents, licences, trademarks	3 – 5 years
– Other intangible non-current assets	3 – 5 years

Amortisation methods, annual amortisation rates and carrying amounts are reviewed at each reporting date and adjusted as necessary.

The evaluation of assets for impairment is described in more detail under the accounting policy “Impairment of assets”.

Impairment of assets

Impairment of non-financial assets

The book value of assets other than inventories is reviewed at least annually at the end of the reporting period. The purpose of the review is to identify whether there are any indicators that require the asset to be impaired.

If there is reason to assume that the recoverable amount of a certain non-current asset may have fallen short of its book value, they are impairment tested and, if necessary, the asset is impaired.

The recoverable amount of an asset is the higher of the asset’s fair value less costs to sell and its value in use. When evaluating the value in use, the estimated future cash flows are discounted with applying a discount rate that expresses current market value trends and specific risks associated with the asset. For asset impairment testing, assets are grouped into the smallest possible group of assets whose cash flows can be distinguished from their continuous use and which are largely independent of cash flows from other assets or asset groups (cash-generating units). For the purpose of impairment testing, goodwill arising from a business combination is allocated to those cash-generating units of the entity that should benefit economically from the synergies arising from a particular business combination.

Impairment of an asset is recognised as a loss if the book value of the asset or its cash-generating unit exceeds its estimated recoverable amount. Losses arising from the decline in value of the asset are recognised in the expenses of the period. An impairment loss on a cash-generating unit is recognised first to reduce the carrying amount of the goodwill attributed to the unit and then proportionally to the carrying amount of the unit's other assets.

If the reason for the decrease in value disappears, the previously recognised write-down is reversed. Changes in the circumstances of the write-down are analysed at least once a year at the end of the reporting period. Write-downs are reversed and the value of the asset is increased to the maximum book value that the asset would have had if the write-down had not been applied, while taking into account its depreciation in the meantime. Reversal of an asset write-down is recognised in profit or loss for the period under the same line item as the previous write-down.

Impairment of financial assets

The assessment of financial asset impairment is described in more detail in the accounting policies applied to financial assets and liabilities.

Lease accounting

When entering into a contract, the group assesses whether the contract is a lease or whether the contract contains a lease. A contract is a lease contract (or contains a lease) if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To evaluate whether the contract gives the right to control and use the asset, the group applies the definition of lease given in IFRS 16.

The group as the lessee

When concluding or amending a contract containing a lease component, the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

The group recognises the right-of-use asset and lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which consists of the initial amount of the lease liability. The initial amount of the lease liability is adjusted by any amounts prepaid, by the direct expenses made and by the restoration costs (resulting from the dismantling and restoration of the asset). Any received rental incentives are subtracted from the result.

The right-of-use asset is depreciated using the straight-line model from the commencement date of the lease up to the end of the lease term, unless the lease contract transfers the ownership of the underlying asset to the group at the end of the lease term, or if the residual value of the right-of-use asset indicates that the group plans to exercise the asset's purchase option. In this case, the right-of-use asset is depreciated over the entire useful life of the underlying asset, which is determined on the same basis as for the corresponding property, plant and equipment owned by the group. Furthermore, the right of use is reduced in the event of losses arising from impairment of the asset. The right-of-use asset is also adjusted for certain revaluations of lease liabilities.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid by the lease inception date using the lease's effective interest rate or, if that rate cannot be determined, the lessee's incremental borrowing rate. In general, the group uses the lessee's incremental borrowing rate as the discount rate.

The group determines the lessee's incremental borrowing rate using different sources of financing. The resulting inputs are adjusted taking into account the lease terms and the type of leased asset to arrive at the lessee's incremental borrowing rate appropriate for the leased asset.

The rental payments included in the rental liability include the following components:

– fixed payments (including in-substance fixed payments);
– payments of penalties for terminating the lease (if the termination is reasonably certain);
– the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option);
– guaranteed residual value (expected value of the amount payable);
– lease payments that depend on an index or a rate.

The lease liability is measured at adjusted cost. It is recalculated in the event of changes in future lease payments resulting from an index or rate, if the estimate of the amount of the guaranteed residual value changes, or when the Group changes its estimate of whether it wishes to exercise options to purchase the asset, extend the lease or terminate the lease. The lease liability is also remeasured as fixed payments change (including in-substance fixed lease payments).

If the lease liability is revalued for the reasons listed above, a respective adjustment is made to the carrying amount of the right-of-use asset. The effect of a change in the lease liability is recognised in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

The group has decided not to recognise right-of-use assets and lease liabilities in the case of low-value asset leases and short-term leases. The Group recognises the lease payments related to these leases as an expense on a straight-line basis over the lease term.

Employee benefits

Short-term employee benefits

Short-term employee benefits include wages and social security contributions, benefits related to the temporary suspension of the employment contract (holiday pay or other similar benefits), if it is assumed that the temporary suspension of the employment contract will take place within 12 months after the end of the period in which the employee performed the work, and other benefits that are to be paid within 12 months after the end of the period in which the employee performed the work.

Termination benefits

Termination benefits are recognised at the earliest of the following dates: when the group can no longer withdraw the offer of these benefits and when the group recognises restructuring costs. If benefits are not planned to be fully paid out within 12 months from the end of the reporting period, they are discounted to the present value.

Share options

The fair value of equity-settled share-based payments is estimated as of the date of transfer applying the Black-Scholes model. The cost of share-based payments settled with equity instruments is recognised in the consolidated statement of comprehensive income during the period of their entry into effect, applying graded vesting, the counterparty of the entry are the reserves within equity.

Inputs for measurement of fair value include the share price at the date of measurement, the strike price of the instrument, the expected volatility, the exercise date of the option, the risk-free interest rate and expected dividends.

Provisions

Provisions are recognised if the group has a legal or constructive obligation to make payments as a result of past events, the settlement of the obligation involves giving up resources and the amount can be reliably measured. Provisions are recognised in the present value of the expenditure required to settle the obligation, applying an interest rate that reflects the market's assessment of the current value of money and the risks characteristic of the obligation. The increase in the provision amount due to the passage of time is recognised as a finance cost.

Possible obligations, the realisation of which is unlikely or the amount of the associated expenses cannot be estimated with sufficient reliability, but which under certain conditions may become liabilities in the future, are disclosed as contingent liabilities in the notes to the financial statements.

Income tax

Income tax consists of current income tax and deferred income tax. Income tax is recognised in the income statement, except for the portion related to business combinations or items that are recognised directly in equity or other comprehensive income.

Current income tax

Current income tax consists of the income tax expected to be paid or recovered from the taxable profit or loss of the financial year and the adjustment of income tax liabilities or claims from previous periods. The amount of the current income tax liability or claim is the best estimate of the amount of tax expected to be paid or recovered, which also reflects the potential uncertainty related to income tax.

Current income tax assets and liabilities are offset only if certain criteria are satisfied.

Corporate income tax in Estonia

According to the effective Income Tax Act of Estonia, the profit of the reporting year is not subject to income tax in Estonia. Income tax is charged on dividends, fringe benefits, gifts, donations, costs of entertaining guests, payments not related to enterprise, and transfer price adjustments.

Dividends that have been paid out of retained profits are generally taxed at the income tax rate of 20/80 on the distribution of dividends (equals 20% of the gross profit to be distributed). Regularly payable dividends are taxed at a rate of 14/86 of the net amount of the dividend. Dividend payments are considered regular if the amount of distributed profit does not exceed the company's average distributed profit of the last three years, on which income tax has been paid in Estonia. Thus, the income tax rates applied to dividends paid by the entity may be the rate of 14/86 and 20/80.

Corporate income tax in other countries

Clevon Corporation, a subsidiary of the group, is registered in the United States, Texas, where the effective corporate income tax rate is 21%. Net losses incurred in 2018 and the following years can be offset to the extent of 80% of the taxable income of each year. Therefore, Clevon Corporation can offset the deferred tax asset if the business of the company becomes profitable and thereby reduce the income tax liability.

Deferred income tax

Deferred income tax is recognised for temporary differences that arise between the carrying amounts of the group's assets and liabilities and the amounts used for corporate income tax purposes. (the so-called tax base).

According to the laws of the Republic of Estonia, the entity's profit of the reporting year is not taxed in Estonia. The entity's obligation to pay corporate income tax arises when the profit is distributed, and it is recognised in the profit or loss of the period as an expense when dividends are announced.

The group's deferred income tax liability arises from the group's investment in Estonian subsidiaries, associates, and interests in joint ventures and branches, unless the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future. Examples of the reversal of temporary differences are the payment of dividends, the sale or liquidation of an investment and other transactions.

As the group controls the dividend policy of a subsidiary or branch, it can also check the timing of the temporary differences related to the investment in question. Therefore, if the parent has decided not to distribute such profits in the foreseeable future, it will not recognise the deferred income tax liability. If the parent has decided that dividends will be paid out in the foreseeable future, the deferred income tax obligation shall be recognised up to the amount of these payments in accordance with IAS 12.40.

As the group generally does not control the dividend policy of an associate and a joint venture, it does not control the timing of the reversal of temporary differences. Therefore, the group recognises the deferred income tax liability from investments in affiliates and joint ventures.

The amount of deferred income tax liability shall be measured at the tax rate applicable to temporary differences during the period in which they are expected to be reversed, based on the tax rates applicable at the balance sheet date.

Related parties

The group deems parties to be related, if one party either controls the other party, or has a material impact on business decisions taken by the other party. The related parties of the group are:

- the parent company and its owners;
- other companies in the same consolidation group;
- members of Management Board;
- Close relatives of the persons listed above, and entities connected with them.

Segment reporting

Operating segments are components of an entity that engage in business activities from which they may earn revenues and incur expenses, and for which financial information is available. The group's management regularly reviews the results of the operating segment in order to assess the effectiveness of the segment and to allocate resources to it.

The group has one business and the group operates in one reporting segment.

Events after the reporting period

The consolidated annual accounts reflect significant events affecting the valuation of assets and liabilities that occurred between the end of the reporting period and the date on which the financial statements were prepared but are related to transactions in the reporting period or earlier periods.

Events at the end of the reporting period that are not taken into account in the valuation of assets and liabilities but that significantly affect the result of the following financial year shall be disclosed in the notes to the consolidated accounts.

LISA 6. EARNINGS PER SHARE

To calculate the net profit per share, the net profit of the financial year attributed to the holders of ordinary shares or the loss is divided by the weighted average number of ordinary shares outstanding during the financial year.

(euros)	**31/12/2022**	**01/04/2022**
Shares issued	29 575 771	26 795 000
Treasury stocks	0	0
Shares of outstanding	**29 575 771**	**26 795 000**

(euros)	**31/12/2022**	**01/04/2022**
Weigted average number of shares outstanding	28 532 982	0
Attributable profit (loss) to owners of the parent	-3 409 850	0
Basic earnings per share	-0,11	0
Diluted earnings per share	-0,11	0

LISA 7. PREPAYMENTS

(euros)	**31/12/2022**	**01/04/2022**
Prepayments for inventories	10 130	0
Prepaid taxes	64 355	0
Other prepayments	5 780	0
Prepayments for fixed assets	12 223	0
Total	**92 488**	**0**
Non-current	12 223	0
Current	80 265	0
Total	**92 488**	**0**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

(euros)	**Land and buildings**	**Machinery and equipment**	**Other items of property, plant and equipment**	**Total**
Cost at 01/04/2022	499 578	15 572	158 881	674 032
Accumulated depreciation at 01/04/2022	-28 052	-519	-90 118	-118 689

Carrying amount at 01/04/2022	**471 527**	**15 053**	**68 763**	**555 343**
Acquisition and reconstruction	209 611	83 130	862 995	1 155 736
Reclassification	0	0	0	0
Depreciation charge	-109 600	-12 926	-103 263	-224 604
Sales and impairments	0	0	-33 495	-34 680
Cost at 31/12/2022	709 189	98 702	988 382	1 796 273
Accumulated depreciation at 31/12/2022	**-137 652**	**-13 445**	**-193 381**	**-344 478**
Carrying amount at 31/12/2022	**571 537**	**85 257**	**795 000**	**1 451 795**

NOTE 9. INTANGIBLE NON-CURRENT ASSETS

(euros)	Development expenses	Patents and licenses	Total
Cost at 01/04/2022	4 104	8 490	4 113 380
Accumulated depreciation at 01/04/2022	-697 659	-467	-698 126
Carrying amount at 01/04/2022	**3 407 231**	**8 023**	**3 415 254**
Acquisition	1 598 356	13 040	1 611 396
Depreciation charge	-515 410	-2 484	-517 894
Reclassification	0	0	0
Cost at 31/12/2022	5 703 246	21 530	5 724 776
Accumulated depreciation 31/12/2022	**-1 213 069**	**-2 951**	**-1 216 020**
Cost at 31/12/2022	**4 490 177**	**18 579**	**4 508 756**

NOTE 10. GOODS, RAW MATERIAL, MATERIALS AND SERVICES

(euros)	01/04/2022 - 31/12/2022
Development expenses	383 938
Goods transport expenses	62 082
Material for production	18 273
Production equipment lease expenses	2730
Services purchased	42 609
Total	**509 632**

NOTE 11. OPERATING COSTS

(euros)	01/04/2022 – 31/12/2022
Lease and management of premises	119 612
Office expenses	308 346
Vehicle expenses	53 418
Marketing expenses	133 372
Outsourced services	101 886
Employee related expenses	47 011
Business travel expenses	139 362
Other operatiing costs	178 207
Total	**1 081 213**

NOTE 12. PERSONNEL EXPENSES

(euros)	Note	01/04/2022 – 31/12/2022
Salary expenses		1 730 379
Social security charges		564 591
Share option expense	13	381 903
Total		**2 676 874**

Average number of employees expressed in full-time equivalents	
Average number of employees by types of employment	
Persons employed under employment contracts	87
Persons providing a service pursuant to contracts under the law of obligations, other than sole proprietors	-
Member of the management of controlling body of the legal person	3

NOTE 13. SHARE-BASED PAYMENTS

The group applies a share-based benefits scheme, where the company receives services from the group's employees, in return for which Clevon AS offers equity instruments (options). The fair value of the employee's services received for the grant of options is recognised as a labour cost of the group and an increase in equity (other reserves) during the share-based payment scheme. The total expensed amount is determined based on the fair value at the time the options are granted. At the end of each reporting period, the group reviews its estimates of the number of options expected to vest based on vesting conditions (other than market conditions). The effect of changes in initial estimates, if any, is recognised in the income statement with the corresponding equity adjustment.

The group has concluded two types of share option contracts with the employees of the group:

- contracts with a vesting period of 3 years without objectives, and
- contracts with a vesting period of 5 years, the exercise of which depends on the attainment of the objectives set by the group. At the end of the vesting period, contracts may be awarded if at least one of the following objectives is attained:
  - the sales revenue (only sales of products and services) in one financial year starting from the financial year 2025 is at least 100 million euros;
  - the value of the company is at least 1 billion euros;
  - more than 2,000 vehicles produced by the company are in revenue-generating use.

Unvested options:

Unvested options (number of options)	01/04/22 - 31/12/2022
Remaining at 1 April	0
Waived over the period	0

Exercised within a year	0
Transferred within a year	4 293 758
Remaining as at 31 December	**4 293 758**

The exercise price of the options is 0.10 euros per share, the nominal value of which is 0.10 euros.

Options generally take effect (vest) within 3 years. Goal-linked option contracts enter into effect within 3-5 years, with a maximum period of 5 years, but if at least one of the set objectives is attained earlier, the options will be exercisable in the year the objective is attained, but no earlier than three years after the option was granted.

As of December 31, 2022, 180 option contracts (90 without goals and 90 with goals) had been entered into with 90 employees of the group, which were effective as at the end of the financial year.

Option contracts have not been settled in cash and there is no intention to settle in cash any share-based payments intended to be settled in equity instruments.

Fair value of granted options

The fair value on the date of granting is determined based on the share price on the date of granting in First North, a multilateral trading system organised by Nasdaq Tallinn AS, where the shares of Clevon AS are listed.

Labour cost, which was reported in 2022 in share-based payments is 381,903 euros. The cost of share-based payments settled with equity instruments (Note 13) amounts to 381,903 euros.

The reserve for share-based payments settled with equity instruments is recognised in the statement of financial position in the line item “Other reserves”.

NOTE 14. INVESTMENTS IN SUBSIDIARIES

Holdings of the parent company of the group in subsidiaries as of the end of the reporting period:

List of subsidiaries	Main area of activity	Country of location	Holding %: 31/12/2022	Holding %: 01/04/2022
Clevon Corporation	-	USA	100%	n/a

The voting rights of the group shall be equal to a percentage of the holding in the subsidiary.

NOTE 15. RELATED PARTIES

The group deems parties to be related, if one party either controls the other party, or has a material impact on business decisions taken by the other party. Transactions with related parties shall mean transactions with shareholders, executive and senior management, their close relatives and companies under the control or dominant influence of all the aforementioned persons.

Liabilities

(euros)	**31/12/2022**	**01/04/2022**
Loans received		
* Entities controlled by shareholders with a controlling interest	950 000	0
Trade payables and other liabilities		
Entities controlled by shareholders with a controlling interest	208	0

Receivables

(euros)	**31/12/2022**	**01/04/2022**
Trade and other receivables		
Entities controlled by shareholders with a controlling interest	1 954	0

Sales

(euros)	**01/04/2022 – 31/12/2022**
Services	
Entities controlled by shareholders with a controlling interest	2 329
Non-current assets	
Entities controlled by shareholders with a controlling interest	1 600

Purcahes

(euros)	**01/04/2022 – 31/12/2022**
Goods	
Entities controlled by shareholders with a controlling interest	25 853
Services	
Entities controlled by shareholders with a controlling interest	116 624
Non-current assets	
Entities controlled by shareholders with a controlling interest	106 319

Interest expenses

(euros)	**01/04/2022 – 31/12/2022**
** Entities controlled by shareholders with a controlling interest	37 838

Remuneration and other benefits calculated for the members of the executive and top management

(euros)	**01/04/2022 - 31/12/2022**
Calculated remunerations	108 000
Compensation for the use of a personal car	2 470
Total remuneration and other significant benefits	**110 470**

* A loan in the amount of 950 thousand euros has been received from the related party Cleveron AS

** Interest expense calculated on the loan received from Cleveron AS