

Valoe Revises Its Financial Statements 31.12.2016 due to a Delay in Fulfilling the Revenue Recognition Requirements under IFRS for the Ethiopian Project

Valoe revises the accounting policies in its financial statements 31.12.2016. Valoe removes the revenue from the Ethiopian project from the company's financial statements as the development of the project has been slower than estimated and there has been a delay in fulfilling the revenue recognition requirements under IFRS. Thus, the financial statements to be disclosed by 30 April 2017 will differ significantly from the financial information in the Financial Statement Release disclosed on 31 March 2017. As the accounting policies were revised the figures in the Financial Statement Release disclosed on 31 March 2017 do not comply with IFRS.

The company views performance obligations, under IFRS, of Valoe's Ethiopian project have not yet been satisfied. According to the prudence principles the company has decided to remove the revenue from the Ethiopian project from the company's financial statements.

Valoe's pro-forma financial statements as per 31 December 2016, not under IFRS, comply with the Financial Statement Release disclosed 31 March 2017. The key figures in the pro-forma financial statement are as follows: revenue EUR 3.8 million, EBITDA EUR 6.0 million, operating profit EUR 4.7 million and profit for the period EUR 2.7 million. In its pro-forma financial statement as per 31 December 2016 Valoe has recognized about 20 percent of the revenue from the Ethiopian project based on the completion percentage of the project. The aforesaid revenue recognition takes into account a case Valoe finds very unlikely, where the customer cancels the order or refuses to accept the delivery. In such case Valoe would be able, in some other customer project, to utilize at least the part of the project that has already been recognized and secure at least part of the project's income. In the company's official financial statements in compliance with the IFRS, to be disclosed by 30 April 2017, the revenue decreases by EUR 3.3 million, the EBITDA by EUR 1.2 million, the operating profit by EUR 1.0 million and the profit for the period by EUR 1.0 million compared to the pro-forma financial statements disclosed on 31 March 2017.

The company will resume recognizing revenue according to the same principles as in the Financial Statement Release disclosed on 31 March 2017 as soon as the requirements under IFRS have been fulfilled. Valoe sees that one of the most important requirements is the opening of a EUR 9.5 million Irrevocable Letter of Credit in a bank approved by Valoe.

Valoe will disclose a separate release when the IFRS requirements for revenue recognition are satisfied. Until then Valoe will include also pro-forma figures in its financial reporting. The additional reporting is provided to give the market an understanding of the Ethiopian project's overall percentage of completion and its effect on the company's financials at the point when the revenue recognition requirements under IFRS are fulfilled.

CEO Iikka Savisalo's Status Report on the Ethiopian Project, 21 April 2017

During the summer 2015 Valoe signed with an Ethiopian manufacturing partner a ca. EUR 15.8 million manufacturing partnership agreement including e.g. a delivery of a manufacturing plant utilizing Valoe's own technology and related technology rights to Ethiopia. On 9 February 2016 the manufacturing partner signed a EUR 9.5 million financing agreement with the Development Bank of Ethiopia for the cash payment of the purchase price. In accordance with Valoe's partnership concept the rest of the sale price is paid in shares of the Ethiopian customer company resulting in Valoe having a 30 percent shareholding in its

manufacturing partner when its operation starts. Further, in pursuant to the agreement, Valoe's partner has to inject capital to the Ethiopian company. The Development Bank of Ethiopia has agreed to provide Valoe's partner with financing required for the capitalization.

In accordance with the agreement, Valoe's partner shall open an Irrevocable Letter of Credit for a sum equivalent to the cash payment in a reputable bank approved by Valoe. Valoe shall arrange a bank guarantee for any funds released against the Letter of Credit before delivery. The funds against the Letter of Credit will be released to Valoe when the delivery of the production line is accepted in Mikkeli and the equipment is ready for shipping to Ethiopia. The agreement also includes checkpoints and reporting typical of this kind of agreements.

Despite the close cooperation between the parties an Irrevocable Letter of Credit required by Valoe has not yet been opened on 21 April 2017. Valoe views that this is due to massive bureaucracy in the local administration. The parties continue striving to overcome the administrative challenges.

Ethiopia is one the world's fastest growing economies and a country with one of the world's biggest potential to utilize solar energy. However, Ethiopia is not very experienced in running high technology projects. Although Valoe has more than 20 years' experience in conducting business operations in demanding environment the company and its local partner have faced many new and local challenges typical of this geographical area. Already before the actual project started, the new Ethiopian company managed to tackle issues related to various licenses and permits. Valoe's partner obtained all licenses and permits required to establish the business and open the factory and acquired land for it.

Valoe's management has spent several months in Ethiopia participating financing negotiations, planning the execution of the project and commencing sales of the new company. Based on Valoe's experience and lessons learned Valoe is even more convinced that production of solar energy suits very well to the Ethiopian climate and that the local political leaders strongly support the increasing utilization of solar energy in general in Ethiopia and Valoe's project in particular. In addition, based on the close cooperation with Ethiopian stakeholders Valoe is convinced that there are several opportunities for the company also after the current project is completed.

In Mikkeli on 21 April 2017

Valoe Oyj

BOARD OF DIRECTORS

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Valoe Corporation specializes in the clean energy, especially in photovoltaic solutions. Valoe provides automated production technology for solar modules based on the company's own technology; production lines for modules; solar modules and special components for solar modules. Valoe's head office is located in Mikkeli, Finland.

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