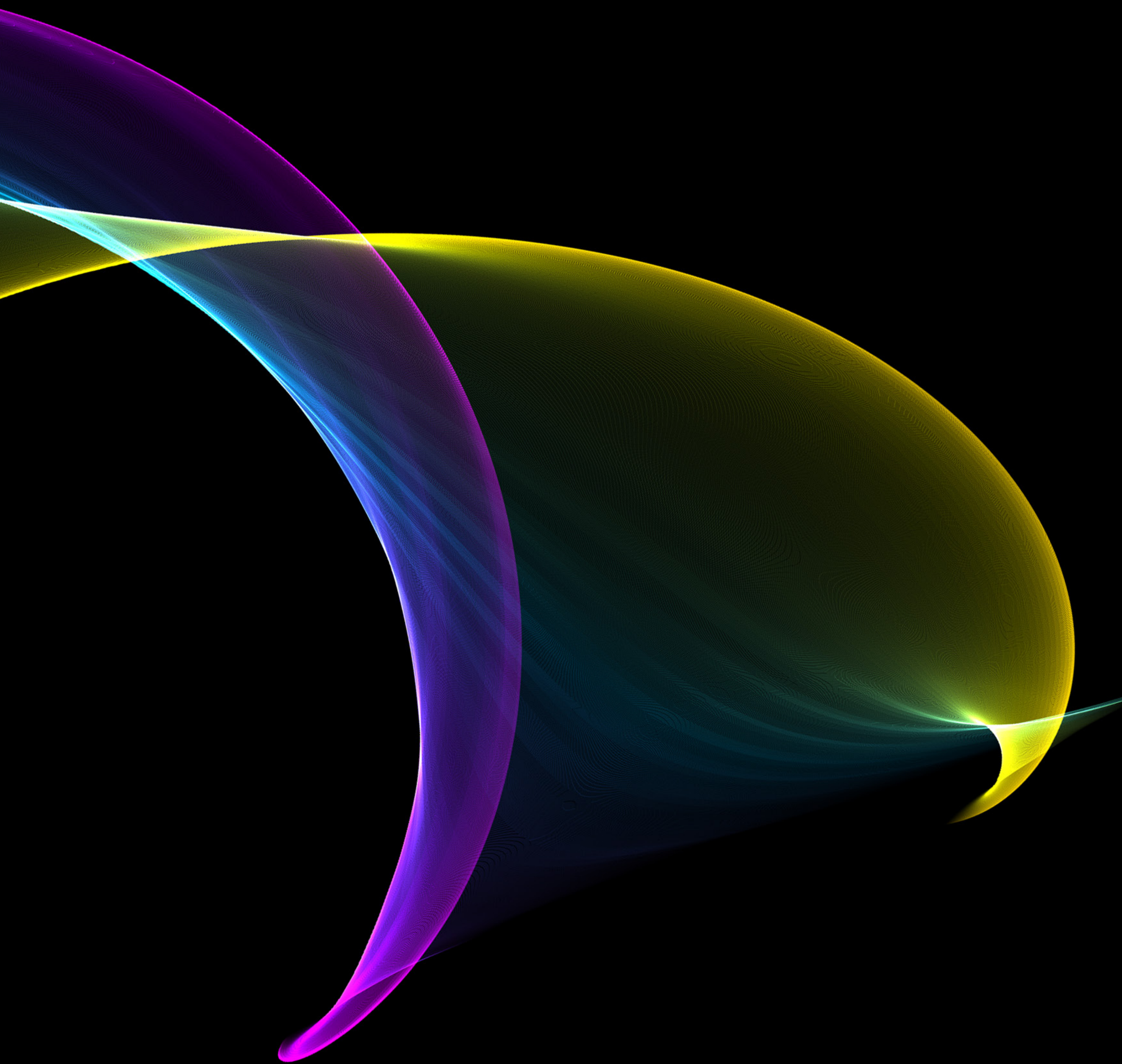
VALOe



ANNUAL REPORT 2016

UNAUDITED

VALOE

VALOE IN BRIEF

- Valoe is an innovative technology company based in Finland that specialises in efficient utilisation of solar energy.
- Valoe develops and sells Finnish solar energy technology to global markets.
- Valoe's most important products and services include automated solar module manufacturing plants and production lines that are based on Conductive Back Sheet developed by Valoe as well as other parts for production lines.
- Further, Valoe's portfolio includes special components out of which the most important for the moment is Conductive Back Sheet (CBS) developed by the company.
- Valoe also sells next generation back contact modules it has manufactured in Finland and delivers solar power plants designed by the company.
- Valoe's strategy is based on strong partnership network. Valoe's manufacturing partners use the company's module technology, production lines and manufacturing recipe.
- Valoe operates globally. The company's clean energy customers are providing their products and services locally or worldwide.
- Valoe's head office is in Mikkeli, Finland.
- Valoe's shares are listed on the NASDAQ OMX Helsinki Ltd.

YEAR 2016 IN BRIEF

- In February 2016 Valoe received a ca. EUR 15.8 million order for a solar module manufacturing plant from Ethiopia. The project's percentage of completion was about 20 % at the end of 2016. Valoe has started to recognise revenue from the project based on the percentage of completion. The Board of Directors has re-evaluated the revenue recognition of the Ethiopian project based on the International Accounting Standard IAS 11b II and noted that the outcome of the project cannot yet be estimated reliably to recognise revenue. According to the prudence principles the revenue and costs associated with the project have been removed from the Income Statement
- Valoe's Asian customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. Valoe will enter the order in its order book only after the customer has secured financing for the factory project.
- Valoe started selling the company's solar power plants and modules in Finland after having built and trained a network of sales representatives and having established cooperation with companies interested in Valoe's technology.
- During the financial year Valoe sold its subsidiaries in China. Due to the transaction the related debts and liabilities, excluding the guarantee on lease liability, were deleted. Afterwards Valoe and the lessor have made an agreement on the guarantee. Valoe Group's consolidated result was approximately 1.3 million including ca. EUR 7.1 million from the sale of the Chinese subsidiaries. Valoe Group's net debts decreased approximately by EUR 3.9 million. In March 2017, after the end of the financial year Valoe settled the dispute relating to the security provided for the Chinese factory's lease liability, which improved the consolidated result for 2016 by ca. EUR 0.5 million. After the end of the financial year, in February 2017 Valoe issued a EUR 1.5 million convertible bond that was fully subscribed.
- In April 2017 Valoe agreed on an EUR 3,000,000 equity based financial arrangement with Brcknor Investment and decided to start preparations for combination of company's shares (reverse split).
- Valoe Group's net sales decreased by 20.9 percent to EUR 0.6 million (EUR 0.7 million in 2015). The operating profit was EUR 3.7 million (EUR -3.5 million) and profit before taxes was EUR 1.4 million (EUR -4.7 million). The earnings per share were EUR 0.0016 (EUR -0.005) and the diluted earnings per share were EUR 0.0012 (EUR -0.005). Valoe Corporation's equity ratio at the end of 2016 was -92.0 percent and Valoe Group's equity ratio was -91.8 percent (-235.7 percent).
- Valoe will not disclose any financial guidance for the year 2017.
- All of Valoe's stock exchange releases and other releases can be found on the company's website www.valoe.com.

MANAGING DIRECTOR`S REPORT
IIKKA SAVISALO

Dear Shareholders

Valoe has closely followed the chosen strategy. The company has focused its major sales efforts on building partnerships in the developing economies: Africa, Asia and South America. We have achieved positive results but also learned that the dynamics of business operations in these market areas differ significantly from ours.

Valoe's Ethiopian manufacturing partner agreed with the Development Bank of Ethiopia on financing facility for the delivery of a module manufacturing plant already in February 2016 and Valoe kicked off the project. Unfortunately, as I write this Report, Valoe has not yet received any payment for this project due to heavy and slow local bureaucracy. However, I am convinced the project fully financed by the state of Ethiopia will eventually be completed successfully. We have learnt that the perception of time is very different in Africa compared to Europe.

We are confident that the chosen strategy is still correct. During 2017 we continue operating according to the principles and in the market areas defined in the strategy, even though the company's other sales projects targeted to other developing countries may also face bureaucratic inertia. We trust that as we give our manufacturing partners strong support from the beginning we secure continuous development of our own market and competitiveness.

Research and development has focused on further developing the manufacturing recipe of Valoe's modules. The development project aiming to optimize cells for back contact modules, funded by the Finnish Funding Agency for Technology and Innovation ("Tekes"), continues during 2017 after being partially on hold last year. Another ambitious R&D objective is to extend the lifespan of Valoe's solar module for more than 100 years. Today we expect our modules to operate 40 years which is significantly longer than the lifespan of the modules of most of our competitors. We at Valoe think that in field of green energy production extending products' economic life cycle should be one of the most important objectives of development.

The energy produced by Valoe's solar modules shall be the greenest as well as the cheapest energy in the market.

During 2016 the world market prices of solar modules decreased and reduction seems to continue this year too. However, our Valoe Crome modules remained competitive in terms of overall economy. Decreased raw material costs benefited also us. During 2016 no new technology threatening Valoe's competitiveness was introduced in the market, which also gives Valoe a technological edge in the future.

Solar energy will live up to all expectations as it can be used day and night, summer and winter, no matter where you are. Valoe has an active role in projects aiming at the above-mentioned objective. Valoe has already introduced its 24-7-365 solar energy concept to some of its partners. The company will start to test the concept this year and is looking for a suitable pilot customer.

In 2016 the sufficiency of financing was our biggest challenge. Successful completion of the Ethiopian project; the arrangements for improving Valoe's financing situation taken place at the beginning of 2017; and the company's plans for strengthening the balance sheet, will improve Valoe's operating conditions significantly, if realized.

Thanks for the year 2016 to our most loyal and committed partners, our shareholders and above all to our fantastic and dedicated employees! Once again, thank you. We could not have overcome the difficulties during 2016 without your support. Let's continue this encouraging year together!

Iikka Savisalo
CEO

VALOE´S STRATEGY

OUR VISION

The future of energy is in Solar.

OUR MISSION

We will enable the use of solar energy in the form of electricity everywhere, at any time 24 -7 - 365. We will accomplish this together with our manufacturing, technology and distribution partners.

OUR STRATEGY

We believe that the use of photovoltaic energy will grow strongly. The use of abundant and free solar power will expand, especially in areas that do not currently have a reliable electric grid. Local production of electricity is efficient and cost effective. Once energy storage and conversion to other storable forms mature solar energy can cover all global electricity demands.

Valoe will do its share to tear down the obstacles preventing wide scale utilization of solar energy. We invest in the research and development together with our world renowned technology partners. We monitor the technological advances that will benefit further implementation of solar energy and adopt the most promising ones to our use. We thrive to grow quickly and profitably.

Valoe’s business comprises four product and service concepts:

1. Sales and supply of photovoltaic modules and systems

Sales of modules and small photovoltaic systems are probably Valoe’s most visible but in terms of revenue potential the smallest product group. All Valoe’s PV modules are manufactured at the company’s factory in Mikkeli for the time being. They are mainly delivered to the company’s distributors and future manufacturing partners. Further, the company provides solar power plants and systems to its customers in Finland and abroad. Valoe enhances the sale of its modules and solar systems in Finland by building sales channels for its products systematically.

Current capacity of the company’s Mikkeli factory is designed to annually produce PV modules worth max EUR 6 – 8 million at the current market prices. Thus, the module sales do not form a major part of the sales of the company.

Valoe’s modules have passed the demanding test programs of the German Fraunhofer ISE, which enables Valoe’s modules to be certified in all market areas the company is targeting.

2. Development and sales of production lines and related components

Manufacturers operating in the developing markets like China are typical investors for new module manufacturing production lines. These Valoe’s potential customers are now manufacturers of traditional H-patterns modules. Valoe knows that many of the manufacturers are going to start manufacturing next generation back contact modules. In most cases these customers have use their own module manufacturing recipe and need only single equipment or production lines. Valoe estimates that typical price of a production line for back contact modules is EUR 4 – 8 million.

3. Manufacturing partner network

Cornerstones of Valoe’s strategy are manufacturing partnership agreements with manufacturing partners who as newcomers on the market would commit themselves to both Valoe’s production technology and module manufacturing recipe. Valoe provides a partner with a turnkey delivery project and commits to minority shareholding in a manufacturing company. Manufacturing partners operate mainly on developing markets and produce solar energy modules for local and nearby markets. Value of a typical turnkey plant delivery is more than ten million euros. Valoe is aiming to sign at least 10 manufacturing partnership contracts in the next five years.

4. Module components sales mainly to manufacturing partners

Special components, mainly for Valoe’s manufacturing partners, are the most important part in Valoe’s strategy and most remarkable in terms of net sales potential. Valoe’s first component is Conductive Back Sheet (CBS) that has been developed by Valoe and is one of the most important components in a module. One normal size module production plant using back contact technology needs approximately 300,000 – 500,000 conductive back sheets in a year when operating at full capacity. Based on current estimation, considering price level in the near future, each production line will annually require back sheets worth approximately 5 – 11 million Euros.

Valoe plans it will in the future provide its manufacturing partners also with other special components such as smart components, components for storing energy and special cell technologies based on conductive back sheet.

VALOE'S FINANCIAL STATEMENTS HAVE NOT BEEN AUDITED

Valoe's Financial Statements have not been audited. The auditing has not yet been completed but will be finished without delays. Valoe will disclose a separate release on the Auditors Report as soon as the Report is available. The auditing has not been completed because of the recent changes the company made in the Financial Statements.

Directors' Report

In April 2017, based on the International Accounting Standard IAS 11, Valoe disclosed that the performance obligations for recognising revenue from the Ethiopian project have not been satisfied and the company resolved to revise its financial statements per 31 December 2017 retrospectively. In terms of operations, the project will be continued and the company will resume recognising revenue based on percentage of completion when the performance obligations have been satisfied.

Due to the revisions, the company's equity turned negative, which the company had to remedy as well. Valoe has taken actions to strengthen the company's equity and to remedy its financial position. Valoe will convene a General Meeting to consider the measures to remedy the financial position of the company. The Board of Directors had already taken corrective actions. It signed an EUR 3 million equity based financing facility agreement with Bracknor Investment, which strengthened the company's balance sheet and improved the cash situation. Further, the company's financing situation improves as Valoe has agreed on extending the loan due in 2017 until 30 April 2018, excluding an EUR 0.7 million loan from Danske Bank due in 30 September 2017.

OPERATING ENVIRONMENT

Valoe operates in industries applying clean energy technology. Valoe's operating environment is global. The company's customers are companies that provide products and services locally or worldwide. Valoe's key products and services have been designed for the photovoltaic market.

Global solar energy investments have increased more than estimated. Many solar module manufacturers with solid market position are recovering after losing streak and have started to plan to invest in capacity, partly to increase the amount of their production capacity and partly to replace production capacity for old H-pattern solar modules.

Valoe has previously announced that according to the company's view the focus of its future business will be in the developing countries. The order from Ethiopia received in February 2016 further strengthens this view. Many of the mega trends such as national climate protection objectives; increasing industrialisation in the developing countries and increasing energy self-sufficiency, favour local manufacturing of solar modules. For the moment, major part of the world's solar module manufacturing is concentrated in China. Modules are manufactured in large labour-intensive units and are delivered from there to the world market to be installed.

In the developed countries, solar electricity is mainly produced in large solar power plants located in open landscape feeding electricity to main grid. In this kind of power plants logistics costs, among others, can be optimized and such parameters as module's capacity per square meter have not had major importance. In the developing countries logistics costs, in particular, are significant and demand is focused on so called mini grid systems where solar power plants have been decentralized and new local grid is built around them. Grids are connected to each other and to new small power plants as electricity consumption, distribution and production increases steadily. Electricity production is decentralized and electricity is distributed through a new type of grid infrastructure. Small power plants are often so-called hybrids where solar power plants are operated combining diesel, water and wind power plants in the same grid and where various energy storages can be integrated.

In an environment described above a local producer has much better possibilities to control logistics costs. Many of the partners Valoe is negotiating with have noticed that local production costs are clearly lower than prices of modules imported from China. When modules are produced locally possibilities to control the quality increase, too. In Valoe's view CBS based modules have typically solid quality which improves average module capacity in most of the cases.

VALOE'S FINANCIAL DEVELOPMENT IN 2016

In February 2016 Valoe received an approximately EUR 15.8 million order for a solar module manufacturing plant and back contact technology. About EUR 9.5 million of the sales price will be paid in cash to Valoe and the rest of the sales price in shares of the customer company resulting in Valoe having a 30 percent shareholding in its Ethiopian manufacturing partner. The Development Bank of Ethiopia has granted Valoe's customer full financing for the order.

On 21 April 2017 Valoe disclosed that it has changed the recording of the Ethiopian project after the Financial Statement Release was disclosed on 31 March 2017, due to which the financial information in this Annual Report differ significantly from the financial information in the Financial Statement Release. The company's management views the performance obligations, under the IAS 11, for recognising revenue from the Ethiopian project have not yet been satisfied. According to the prudence principal the company resolved to remove the revenue and the costs related to the Ethiopian project from the Financial Statements for 2016.

The net sales of Valoe Group's continuing operations in 2016 were EUR 0.6 million, the EBITDA EUR 4.8 million and the profit EUR 1.7 million.

On 31 March 2017 Valoe disclosed a pro-forma financial statement as per 31 December 2016 which do not comply with IFRS after the recording of the Ethiopian project in the financial statements were revised. In its pro-forma financial statement as per 31 December 2016 Valoe has recognised 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 recognised and secure at least part of the project's income.

Valoe will also include pro-forma figures in its financial reporting until the IFRS requirements for revenue recognition are satisfied. 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.

The company will resume recognising revenue according to the same recording principles as in the Financial Statement Release disclosed on 31 March 2017 as soon as the performance obligations under IAS have been satisfied. 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 sold its shares in the company's subsidiaries in Hong Kong and China to Savcor Tempo Oy, a related company belonging to Savisalo family. The transaction included all related debts and liabilities, however, excluding the guarantee on lease liability. The arrangement increased Valoe Group's consolidated result approximately by EUR 7.1 million and on the reporting period decreased Valoe Group's net debts approximately by EUR 3.9 million. In March 2017, after the end of the financial year Valoe settled the dispute relating to the security provided for the Chinese factory's lease liability, which improved the consolidated result for 2016 by ca. EUR 0.5 million.

The option scheme 2015 generated an EUR 0.9 million calculated salary cost, pursuant to the IAS standard Share-based Payment, to be allocated to the transitional period, booked for 2016, which decreased Valoe's result for 2016. The additional entry was made in the salary costs but it did not affect the company's cash situation. The entry affects neither the company's equity nor the balance sheet. The cost was not acknowledged in the profit warning the company disclosed on 24 March 2017.

Valoe's Ethiopian manufacturing partner negotiates continuously with the bank to draw down funds for the Ethiopia project. On 9 February 2016 Valoe's 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, Valoe is committed to provide the joint-venture with a capital injection and pursuant to the agreement Valoe has given the joint-venture an EUR 0.7 loan for capitalisation. Valoe's partner must 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 30 April 2017. Valoe views that this is due to massive bureaucracy in the local administration. The parties continue striving to overcome the administrative challenges.

Valoe's Asian customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. Valoe will enter the order in its order book only after the customer has secured financing for the factory project. However, the financing negotiations are ongoing and the outcome is not yet known. Further, Valoe has ongoing sales negotiations for several other production plants.

The progress of Valoe's research and development projects has been slow during 2016. At the end of the year and during 2017, as the company's financing situation has improved, the research and development will be boosted. Valoe is interested in cells and other special components for solar modules, in particular, but it monitors closely the projects of its technology partners aiming to developing technologies increasing utilization of solar energy.

The following financials include Valoe Group's continuing operations. The figures in brackets are comparison figures for the corresponding period in 2015, unless stated otherwise.

NET SALES AND RESULT

In the company's official financial statements that have been drawn up according to the IFRS the net sales of Valoe Group's continuing operations in 2016 were EUR 0.6 million (EUR 0.7 million). The order book at the end of December stood at ca. EUR 15.9 million (EUR 0.05 million). EBITDA was EUR 4.8 million (EUR -2.8 million). Operating profit was EUR 3.7 million (EUR -3.5 million). Profit before taxes was EUR 1.4 million (EUR-4.7 million). Profit for the period was EUR 1.4 million (EUR -4.7 million). The sale of the Chinese subsidiaries improved Valoe Group's profit by EUR 7.1 million. Earnings per share were EUR 0.0016 (EUR -0.005) and diluted earnings per share were EUR 0.0012 (EUR -0.005). The equity ratio at the end of December was -91.8 per cent (-235.7 %). The equity ratio including capital loans was -20.8 per cent (-128.9 %). The mother company's, Valoe Corporation's equity ratio was -92.0 percent and -10.9 percent including capital loans.

In Valoe's pro-forma financial information where about 20 percent of the revenue from the Ethiopian project has been recognised the company's net sales were EUR 3.8 million, EBITDA EUR 6.0 million, operating profit EUR 4.7 million and profit for the period EUR 2.7 million.

FINANCING

Cash flow from business operations before investments in January – December was EUR -2.2 million (EUR -3.1 million). Trade receivables at the end of the reporting period were EUR 0.03 million (EUR 0.1 million). Net financial items amounted to EUR 2.3 million (EUR 1.2 million).

At the end of December, the equity ratio of Valoe Group was -91.8 percent (-235.7 %) and equity per share was EUR -0.011 (EUR -0.015). The equity ratio including capital loans was -20.8 percent (-128.9 %). At the end of the reporting period, the Group's liquid assets totaled EUR 0.003 million.

At the end of the financial year Valoe's other overdue debts amounted to ca. EUR 4.6 million. The company has paid the entire export credit limit at Danske Bank. The overdraft facility of EUR 0.7 million at Danske Bank has been extended until 30 September 2017. Further, Valoe has agreed on extending the payment schedules of all other debts that are due during 2017 until 30 April 2018.

The EUR 1.5 million convertible bond I/2017 issued in February 2017 was fully subscribed. During the subscription period of the Convertible Bond new investments of EUR 1.05 million was paid in cash and a total of EUR 0.45 million was paid by setting the subscription price off against the subscribers' receivables from the company.

Valoe has entered into a convertible note facility agreement with Bracknor Investment ("Bracknor") concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes (the "Convertible Notes") that will be accompanied by share subscription warrants (the "Warrants"). Under the Arrangement, Valoe issues Convertible Notes to Bracknor. The Convertible Notes may be drawn down in maximum of 12 sequential tranches of EUR 250,000 each (the "Tranche") during a period of 18 months as of the date hereof provided that the preconditions for each Tranche are met. Bracknor has the right to convert each Tranche into the Company's newly issued or treasury shares. In addition, Bracknor will receive Warrants stripped from the Convertible Notes at the drawdown of each Tranche, in place of interest rate. The Warrants entitle Bracknor to subscribe to additional shares of the Company with a subscription price described in the agreement. The Company has an obligation to draw down a minimum of two Tranches of the Convertible Notes, i.e. a total minimum of EUR 500,000. The remainder of the Convertible Notes, a total of 10 Tranches i.e. EUR 2,500,000, may be drawn down by the Company at its discretion. The terms of the Agreement have been disclosed in the stock exchange release on 19 April 2017.

Thanks to the above-mentioned financing arrangement taken place since the beginning of the year 2017, Valoe's financing situation has improved significantly and the financing available to Valoe according to the company's current information is sufficient for the next 12 months. If Valoe can extend the overdraft facility that is due on 30 September 2017 at Danske Bank, or if Valoe can repay the overdraft facility with some other funding, the continuity of the company's operation is secured for more than next twelve months.

Valoe takes project related actions only when sufficient and contact-based financing, to be allocated to the project, is available to the company. The financing history and the current situation of the Ethiopian project included in Valoe's order book is described in the above item "Valoe's Financial Development in 2016".

Valoe's Asian customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. However, negotiations on this deal are ongoing and it is not yet sure if the project will realize.

Despite Valoe's financing facility agreement with Bracknor Investment, Valoe continues its other negotiations for arranging long-term financing and pursues its own development processes further to improve the company's balance sheet.

Valoe's financial and other risks have been handled in the item "Risk management, Risks and Uncertainties" of this Annual Report.

RESEARCH AND DEVELOPMENT

The knowledge and competence Valoe has gained so far and technological success of the company's products have based on significant investments in the research and development. The module developed by Valoe and its production technology have already proven to be well functional. Also in the future, commercial success will highly depend on how well the research and development succeeds.

The ca. EUR 4 million loan granted by Tekes in December 2015 enables Valoe to continue systematic research and development and to invest in development areas that fastest improve the company's market position. During 2016 the development of the Conductive Back Sheet funded by Tekes proceeded slowly as due to lack of own contribution. The development project continues this year and it is expected to improve the competitiveness and technological edge of Valoe modules over traditional H-pattern modules.

The objective of Valoe's research and development is to develop cell and module technology that further improves the competitiveness of Valoe's products and services. The company continues making significant investments in research and development and will utilize both national and European research funding to finance that also in the future.

The Group's research and development costs during the January – December period amounted to EUR 1.6 million (EUR 1.1 million) or 289.2 (132.8) percent of net sales.

INVESTMENTS

Gross investments in the continuing operations during January - December period amounted to EUR 0.5 million (EUR 0.4 million). The investments on the reporting period as well as on the corresponding period were mainly in development costs.

PERSONNEL

At the end of December the Group employed 18 (20) people, out of which 17 persons worked in Finland and 1 person in the USA. During 2016 the Group's salaries and fees totaled EUR 1.2 million (EUR 1.6 million). Additionally, the option scheme 2015 generated a calculated salary cost of EUR 0.9 million, pursuant to IFRS 2.

Mr Henrikki Pantsar, Valoe Corporation's CTO and a member of the management group, has resigned and will join Trumpf Inc., an U.S.-based subsidiary of Trumpf Group, as of 17 April 2017. Trumpf is one of the world's leading developers and manufacturers of industrial lasers and laser systems. Henrikki Pantsar has worked for Valoe about six years and has lived in the USA since 2013. Valoe and Mr Pantsar have signed a consultancy agreement to ensure cooperation also in the future.

SHARES AND SHAREHOLDERS

Valoe's share capital amounted to EUR 80,000.00 at the end of the reporting period. The number of shares was 862,472,136. The company has one series of shares, which confer equal rights in the company. Valoe did not own any of its own shares at the end of the reporting period.

The company had a total of 7,248 shareholders at the end of December 2016, and 18.5 percent of the shares were owned by foreigners. The ten largest shareholders held 69.8 percent of the company's shares and voting rights on 31 December 2016.

The largest shareholders on 31 December 2016

		shares	percent
1	SAVCOR GROUP OY	270 255 619	31,33
2	SAVCOR COMMUNICATIONS LTD PTY	133 333 333	15,46
3	GASELLI CAPITAL OY	86 300 000	10,00
4	KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ETERA	63 673 860	7,38
5	SAVCOR INVEST B.V.	21 874 995	2,54
6	SCI INVEST OY	6 870 645	0,8
7	FRATELLI OY	6 622 650	0,77
8	NORDEA PANKKI SUOMI OYJ	5 125 344	0,6
9	SALMELA VEIJO	4 020 042	0,47
10	VUORENMAA ANTERO	3 894 360	0,45
	OTHERS	260 501 288	30,2
	TOTAL	862 472 136	100,00

The list of the largest shareholders does not include e.g. the changes in ownership that would realize if subscriptions of the Convertible Bond I/2015 approved on 9 October 2015 were converted to shares at a price of EUR 0.01 in the future. Subscriptions for a total of EUR 7,700,000 were made which equals to max. 770,000,000 new shares in Valoe.

The members of the Board of Directors and the President and CEO, either directly or through companies under their control, held a total of 142,702,737 shares in the company on 31 December 2016, representing about 16.5 percent of the company's shares and voting rights. Additionally, the members of the Board of Directors and the President and CEO held a total of 75,500,000 options connected to the stock option scheme 2015. At the end of the period Iikka Savisalo, Valoe's Managing Director, either directly or through companies under his control, held a total of 140,203,978 shares in the company and 26.500.000 options connected to the stock option scheme 2015.

The price of Valoe's share varied between EUR 0.009 and 0.049 during the January – December period. The average price was EUR 0.020 and the closing price at the end of December EUR 0.013. A total of 320.5 million Valoe shares were traded at a value of EUR 6.3 million during the January – December period. The company's market capitalization at the end of December stood at EUR 11.2 million.

During 2015 the Board of Directors of Valoe resolved the terms and conditions of a stock option scheme. The maximum total number of stock options issued is 130,000,000 and they entitle their owners to subscribe for a maximum total of 130,000,000 new shares in the company. The stock options will be issued for free. Of the stock options, 50,000,000 are marked with the symbol 2015A, 40,000,000 are marked with the symbol 2015B and 40,000,000 are marked with the symbol 2015C. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group.

SHARE ISSUE AUTHORIZATIONS IN FORCE

The Annual General Meeting 2016 resolved to authorize the Board of Directors to decide on a share issue with and/or without payment, either in one or in several occasions, 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, would equal to the total maximum amount of 1,000,000,000 shares. The authorization is in force until 30 June 2017.

THE MAJOR EVENTS DURING THE FINANCIAL YEAR 2016 IN ACCORDANCE TO THE COMPANY'S STOCK EXCHANGE RELASES

10 February 2016: VALOE RECEIVED A CA. EUR 15.8 MILLION ORDER FOR A SOLAR MODULE MANUFACTURING PLANT FROM ETHIOPIA

On 29 June 2015 Valoe Corporation announced that it had concluded the business negotiations for the first manufacturing partnership agreement with a foreign customer, but that the sale of a module manufacturing plant was subject to local project financing that has now been secured. The main financer of the project is The Development Bank of Ethiopia.

The order for a solar module manufacturing plant relating to a manufacturing partnership agreement totals to ca. EUR 15.8 million. The plant will be delivered to Ethiopia during the year 2016. About EUR 9.5 million of the sales price will be paid in cash to Valoe and the rest of the sales price in shares of the customer company resulting in Valoe having a 30 percent shareholding in its Ethiopian manufacturing partner. The customer will secure the payment of the delivery with an irrevocable letter of credit from a solvent European bank.

Valoe has to arrange advance payment guarantee that is typical of export business and financing of ca. EUR

2.0 – 4.0 million for building period from its suppliers and financers.

The order from Ethiopia is the first order consistent with Valoe's long-term strategy. During the negotiations Valoe has become more convinced that the strategic decisions it has made were right. Valoe has new and advanced technology. With the material Valoe has provided the company has convinced its customers and their financers of Valoe's advanced technology as well as technical and commercial

competence to support Valoe's manufacturing partners also in the future.

Iikka Savisalo, CEO, comments on the deal: "The order Valoe received proves that new Finnish knowhow is valued. Valoe trusts the order will improve the company's possibilities to meet its targets in the future and speed up the expansion of the company's operations in the world."

The module manufacturing plant order involves business, financial and country risks that are typical of international equipment sales.

31 March 2016: VALOE CORPORATION HAS AGREED ON THE FINANCING FACILITIES WITH THE SAVCOR COMPANIES. NEGOTIATIONS WITH DANSKE BANK CONTINUE.

Valoe Corporation has agreed with Savcor Group Oy on extending the loan period of the convertible bond of ca. EUR 0.36 million until 31 March 2017 and with Savcor Invest B.V. on extending the loan period of the loan of ca. EUR 0.32 million until 31

March 2017.

Valoe negotiates with Danske Bank for an extension of the overdraft facility of EUR 0.95 million available to the company until 31 March 2017. Further Valoe negotiates with Danske Bank for extending the repayment schedule of the export credit limit of EUR 0.45 million that is due on 31 March 2016. The company discloses a separate release on the result of the negotiations when the negotiations have been finished.

5 April 2016: VALOE HAS RECEIVED AN ANNOUCEMENT OF A TRANSFER OF RECEIVABLES FROM SAVCOR COMMUNICATIONS

Savcor Communications Pty. Ltd has notified Valoe that it has agreed with EMEFCY Group Ltd (former Savcor Group Ltd.), an Australian company, on a transfer of receivables. A loan of ca. EUR 0.8 million with interests granted by EMEFCY Group (former Savcor Group Ltd) to Valoe has been transferred to Savcor Communications on 5 April 2016.The loan between Valoe and Savcor Communications shall fall due on 31 December 2016 unless the parties agree otherwise. The interest rate of the loan is 10.75%. There is no guarantee provided for the loan.

18 April 2016: VALOE HAS RECEIVED A NOTIFICATION OF AN AWARD OF THE ARBITRAL TRIBUNAL IN THE CASE CONCERNING THE SHARES IN CENCORP AUTOMATION

In its award of today the arbitral tribunal has confirmed that the 30 percent ownership in Cencorp Automation Oy has been transferred from Valoe to FTTK Company Limited on 21 January 2015.

29 April 2016: VALOE HAS RECEIVED LOAN COMMITMENTS OF EUR 1.3 MILLION. VALOE MAKES A WRITE-DOWN IN THE MOTHER COMPANY'S FINANCIAL STATEMENTS FOR 2015 AND UPDATES THE SITUATION OF ITS FINANCING NEGOTIATIONS

Valoe has resolved to write down a revenue of EUR 0.7 million recognised on the first quarter of 2015 based on a claim against Australian Savcor Group Ltd Creditors Trust (former Savcor Group Ltd), in the financial statements for 2015. The claim was based on the share and asset sale agreement, signed in 2009, regarding the factories in China between Savcor Group Ltd and Cencorp Corporation (now Valoe Corporation). Valoe claimed Savcor Group Ltd Creditors Trust to pay taxes provided for in China that were recognised during Savcor Group Ltd's ownership. According to the information Valoe has received it has become clear that Savcor Group Ltd Creditors Trust which is under Australian liquidation process does, in Valoe's opinion, no longer have enough assets or income to pay the compensation even if the claim would be successful. In the last quarter of 2015 Valoe recognised a tax cost of EUR 0.7 million related to the above mentioned claim. This one-off cost related to the Beijing factory was based on afterwards changed taxation of equipment imported in 2018.

Since the end of the financial year the company's financing situation has declined. Valoe has to arrange an advance payment guarantee that is typical of export business and financing of ca. EUR 2.0 – 4.0 million for building period for the Ethiopian order from its suppliers and financers. By the disclosure of this release Valoe has received loan commitments of ca. EUR 1.3 million for building period financing for the EUR 15.8 million order from Ethiopia from the company's shareholders and promissory note holders. Valoe views that this financing will enable the company to continue with the delivery with maximum effort and provides time to arrange additional funding and guarantees. Negotiations for additional funding and advance payment guarantee are ongoing but not yet finished.

On 5 April 2016 Valoe announced that Savcor Communications Pty Ltd has notified Valoe that it has agreed with EMEFCY Group Ltd (former Savcor Group Ltd.), an Australian company, that Valoe's loan of ca. EUR 0.8 million with interests has been transferred from the Australian company, former Savcor Group Ltd to Savcor Communications on 5 April 2016.The loan shall fall due on 31 December 2016 unless the parties agree otherwise. The interest rate of the loan is 10.75%. There is no guarantee provided for the loan. Valoe has started negotiations with Savcor Communications Pty Ltd for new loan terms. Valoe's object is to agree with Savcor Communications Pty Ltd on converting the loan to a subordinated loan.

For the moment Valoe negotiates with debtors connected to the Beijing factory and with the related company of the Savisalo family. Should the negotiations have positive outcome Valoe would be released of all or at least major part of the liabilities related to the operations of the Beijing factory, which would improve Valoe Group's result and balance sheet.

Until above mentioned financing arrangements, guarantees and other arrangements have been secured Valoe's financing situation continues to be tight and until then the sufficiency of the company's financing and working capital for the next twelve months involve very significant risks. If the company does not succeed to secure sufficient financing for the building period of the order from Ethiopia, the continuity of the company's operation may be jeopardized. If the above mentioned financing and guarantee for the order from Ethiopia would be delayed or if the market situation gets worse it may take longer time to turn orders into revenue. This would affect significantly the schedule in which cash flow before investments would turn positive. In such a case the company's financing situation would further tighten.

Valoe will disclose the company's Annual Report for 2015 including the financial statements, the Directors's Report and the Corporate Governance Statement latest on 30 April 2016.

10 May 2016: VALOE SOLD ITS CHINEASE SUBSIDIARY AND RELATED LIABILITIES TO SAVCOR TEMPO OY

Valoe Corporation has concluded its negotiations with a Savisalo family related company for selling Valoe's subsidiary in Beijing, China. In the arrangement Valoe sold 100 percent of the shares in Savcor Pacific Ltd, a Hong Kong subsidiary of Valoe, to Savcor Tempo Oy. Savcor Pacific owns 100 percent of the shares in the Chinese subsidiary, Savcor Face (Beijing) Co., Ltd. Both companies as well as the debts and liabilities related to their operations were transferred to Savcor Tempo Oy. Valoe pays Savcor Tempo Oy a total of EUR 0.3 million by the end June 2017 for taking over the debts and liabilities of the Chinese subsidiary. An annual interest rate of 12 percent will be paid on the debt.

Only a guarantee on lease liability given by Valoe on behalf of the Chinese factory was excluded from the transaction. The guarantee amounts to EUR 0.65 million at the most if realized. A provision equivalent to the guarantee was booked in Valoe's Financial Statements for 2014 where it has been recognised as an additional expense and the mother company's liability as announced earlier. Valoe has contested the guarantee.

Valoe has written down the value of the shares of its subsidiary, Savcor Pacific Ltd, in the Financial Statements for 2014.

Valoe estimates that the aforesaid arrangement improves its consolidated result by ca. EUR 7 million. The aforementioned figures are at this point only estimations. Valoe will report the final result of the arrangement in its Interim Report for the second quarter that will be released on 3 August 2016.

24 May 2016: DECISIONS AT VALOE'S ANNUAL GENERAL MEETING AND ORGANIZING OF THE BOARD OF DIRECTORS

Valoe Corporation's Annual General Meeting was held on 24 May 2016 in Mikkeli, Finland. The AGM approved the 2015 financial statements and discharged the members of the Board and the President and CEO from liability for the financial year 2015. According to the Board' proposal, it was decided that no dividend for the financial year 2015 will be distributed. It was also decided that the loss for the financial period that ended on 31 December 2015 will be entered in retained earnings.

It was decided that the Board of Directors will have three members. Industrial counsellor Hannu Savisalo, Ville Parpola and Iikka Savisalo continue as old Board members in the Board of Directors.

At its organizing meeting following the Annual General Meeting, Valoe's Board of Directors elected Hannu Savisalo as the Chairman and Ville Parpola as the Vice Chairman of the Board. The Board of Directors decided, due to the scope of the company's business, that it is not necessary to establish any separate Board committees.

The Annual General Meeting resolved that an annual remuneration of EUR 40,000 will be paid to the Chairman and to the Vice Chairman of the Board, and EUR 30,000 to the members of the Board of Directors. Further, the Annual General Meeting resolved that 29,500,000 option rights pursuant to Valoe's option scheme 2015 will be issued to Hannu Savisalo, Chairman of the Board; 19,500,000 option rights to Ville Parpola, Vice Chairman of the Board; and 10,000,000 option rights to Iikka Savisalo, Member of the Board. Further, travel costs will be paid to the Board members pursuant to the company's travel policy.

KPMG Oy Ab, Authorized Public Accounting Firm, continues as the company's auditor and Petri Kettunen, APA, as the responsible auditor.

The Annual General Meeting resolved to authorize the Board of Directors 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, would equal to the total maximum amount of 1,000,000,000 shares which equals to approximately 36.2 percent, at the most, of all shares in the company including shares issued based on the authorization and/or shares to be issued based on option rights and other special rights entitling to shares pursuant to the Chapter 10, Section 1 of the Finnish Companies Act. 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, or 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 2017.

2 August 2016: PROFIT WARNING: VALOE'S EBITDA FOR 2016 IS APPROXIMATELY EUR 8.6 – 9.4 MILLION. THE INCREASE IN THE PROFIT IS DUE TO A ONE-OFF ITEM

As previously disclosed Valoe sold its shares in the company's subsidiaries in Hong Kong and China to Savcor Tempo Oy, a related company belonging to Savisalo family, on the second quarter of 2016. The transaction included all related debts and liabilities, however, excluding the guarantee on lease liability of max. EUR 0.65 million. The arrangement increased Valoe Group's EBITDA by approximately EUR 7.1 million and decreased Valoe Group's net debts by approximately EUR 3.9 million.

Due to the above mentioned one-off item and increase in the Group's calculated financing expenses in accordance with IFRS and in the other financing expenses Valoe changes its financial guidance for 2016 as follows:" Valoe estimates that the net sales of Valoe Group will be ca. EUR 11 – 13 million in 2016, the EBITDA ca. EUR 8.6 – 9.4 million and the profit for the financial year 2016 ca. EUR 5.3 – 6.1 million, provided that the Ethiopian project is executed as planned."

Valoe's previous guidance was as follows: "Valoe estimates that the net sales of Valoe Group will be ca. EUR 11 – 13 million in

2016 and the EBITDA ca. EUR 1.5 – 2.0 million. The financial year 2016 is estimated to be profitable. All comparison figures concern the continuing operations. The financial guidance is subject to the Ethiopian project being executed as planned."

Valoe's financial guidance is targeting the future and is based on the management's current views. The guidance involves risks and uncertainties and is exposed to changes in the general economic or business situations.

Valoe discloses its Interim Report for the second quarter on 3 August 2016.

31 October 2016: VALOE ESTIMATES ITS NET SALES AND PROFITABILITY TO BE LOWER THAN PREVIOUSLY DISCLOSED. THE COMPANY REVISES ITS NET SALES AND PROFITABILITY DUE TO POSTPONEMENT OF THE ETHIOPIAN PROJECT DELIVERY. THE COMPANY'S FINANCING SITUATION IS VERY TIGHT.

In February 2016 Valoe received a ca. EUR 15.8 million order for a solar module manufacturing plant and back contact technology. About EUR 9.5 million of the sales price will be paid in cash to Valoe and the rest of the sales price in shares of the customer company resulting in Valoe having a 30 percent shareholding in its Ethiopian manufacturing partner. Valoe's customer will receive financing for the deal from The Development Bank of Ethiopia (DBE).

Valoe's financing situation is very tight. Valoe's planned financing for the building period was mainly based on an advance payment of EUR 2.8 million for which Valoe shall arrange a bank guarantee. Securing an advance payment guarantee has been delayed. Negotiations for a guarantee and bridging financing are ongoing and Valoe trusts it will close the negotiations within the next few weeks.

The delivery has been postponed due to insufficient financing. Valoe and its manufacturing partner have revised the schedule for completing the Ethiopian project. According to the re-evaluation the machinery and equipment for the plant will be delivered in Ethiopia during the first half of the year 2017. According to the previous estimation the delivery was expected to take place during the year 2016.

Due to the delay in the Ethiopian project delivery Valoe estimates that the net sales of Valoe Group will be ca. EUR 5.5 – 6.0 million in 2016 (in 2015: EUR 0.7 million) and the EBITDA ca. EUR 6.5 – 7.0 million (in 2015: EUR -2.8 million). The financial year 2016 is estimated to be profitable with profit for the financial year 2016 of ca. EUR 3.2 – 3.7 million (in 2015: EUR -4.7 million). All figures for the comparison year concern the continuing operations.

Previously Valoe has estimated that the net sales of Valoe Group will be ca. EUR 11 – 13 million in 2016 (in 2015: EUR 0.7 million) and the EBITDA ca. EUR 8.6 – 9.4 million (in 2015: EUR -2.8 million). The financial year 2016 is estimated to be profitable with profit for the financial year 2016 of ca. EUR 5.3 – 6.1 million (in 2015: EUR -4.7 million). The financial guidance was subject to the Ethiopian project being executed as planned.

Until the above-mentioned bridging financing and an advance payment guarantee have been secured Valoe's financing situation continues to be very tight and until then the sufficiency of the company's financing and working capital for the next twelve months involve very significant risks. If the above- mentioned financing and guarantee for the order from Ethiopia would not be fully arranged, the company's financing situation would further tighten and the continuity of the company's operation may be jeopardized.

Valoe will disclose its interim report for the third quarter on 2 November 2016.

THE MAIN EVENTS SINCE THE END OF THE FINANCIAL YEAR 2016

The main events since the end of the financial year 2016 have been handled in this Annual Report's items: Financial Result, Financing, and Shares and Shareholders. The main events since the end of the financial year 2016 have been listed in the item Notes to the Consolidated Financial on the page 54 of this Annual Report.

RISK MANAGEMENT, RISKS AND UNCERTAINTIES

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.

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.

Valoe's objective is to achieve a strong market position as a provider of, in various geographical areas, locally produced high-quality photovoltaic modules. Achievement of the objectives involves risks. Even though Valoe's strategy and objectives are based on market knowledge and technical surveys, the risks are significant and it is not certain if the company reaches all or part of the targets set for it. Valoe's future outlook will be highly dependent on the company's ability to reach the targeted market position in the global photovoltaic module market as well as on the company's financing.

Valoe's customer has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. The realization of the project involves risks. The financing negotiations are ongoing and the outcome is not yet known.

The financial negotiations with Danske Bank involve risks. If Valoe were not able to extend the overdraft facility due on 30 September 2017 at Danske Bank, or to repay the overdraft facility with some other funding, the company's financing situation would further tighten.

Valoe has resolved to minimise financing risks in delivery projects by drawing special attention to the financing terms of project contracts. Valoe shall not commit to major project costs until project financing is available to the company. Valoe has stopped all parts of the Ethiopian project delivery requiring remarkable funding to be continued. As to the other parts, the project is going on and will be run at full speed as soon as the customer has opened the Letter of Credit and the funding is available to Valoe.

The module manufacturing plant order from Ethiopia involves business, financial, schedule and country risks that are typical of international equipment sales. The country risks include also slow decision process for financing arrangements. The payments relating to the project have not yet begun despite the binding financing agreements. The company follows very closely how the situation develops in Ethiopia and tries to support the customer in its negotiations by being present as often as possible.

The revenue recognition and the recognition principles of the Ethiopian project are described below.

The Ethiopian project of 15.8 million euros awarded to Valoe in February 2016 and its outcome are significant when evaluating the company's performance in the near future. The customer will pay 9.5 million euros in cash and 6.3 million euros in shares of the customer company resulting in Valoe having a 30 percent shareholding. Valoe assesses its shareholding annually.

The company views that performance obligations of Valoe's Ethiopian project, under the IAS Standard 11, have not yet been satisfied. According to the prudence principles, the company decided the Ethiopian project is not considered in the company's income statement for 2016. On 31 March 2017 Valoe's disclosed the pro-forma financial statements as per 31 December 2016, not been drawn up according to the IFRS, where the project's percentage of completion was ca. 20 percent and the recognised revenue amounted to ca. EUR 3.3 million.

The developing markets can be unpredictable and operation in the markets involves many risks. When assessing the company, one shall be aware of the fact that the company is partly operating in high-risk environment and consider carefully the effects of the risks on the investor's own investment strategy.

The certain statements in this Annual Report and especially the non-binding estimations in Valoe's strategy are targeted to the future and based on the management's current estimations. They involve risks and uncertainty by their nature and may be affected by changes in general financial situation or business environment.

MARKET OUTLOOK

Valoe will not disclose financial guidance for the financial year 2017.

CORPORATE GOVERNANCE STATEMENT

Valoe applies the Finnish Corporate Governance Code approved by the Securities Market Association effective as of 1 October 2010. Valoe's Corporate Governance Statement drawn in accordance with Recommendation 51 will be released on 30 April 2017 as a separate report.

THE BOARD OF DIRECTORS' PROPOSAL CONCERNING THE DISTRIBUTION OF PROFIT

The Board of Directors proposes to the Annual General Meeting that no dividend from the financial year 2016 will be paid.

	2016	2015	2014
EUR 1 000	**12 months**	**12 months**	**12 months**
Continuing operations			
Net sales	553	699	841
Operating profit	3 661	-3 540	-10 885
% of net sales	661,5 %	-506,4 %	-1294,2 %
Result before taxes	1 384	-4 731	-11 689
% of net sales	250,0 %	-676,8 %	-1 389,8 %
Return on equity, %	n/a	n/a	n/a
Return on capital employed, %	n/a	n/a	n/a
Equity ratio, %	-91,8	-235,7	-130,9
Net gearing, %	neg.	neg.	neg.
Non-interest-bearing liabilities	5 716	7 493	6 693
Interest-bearing liabilities	14 354	10 354	8 928
Gross investments	481	395	377
% of net sales	86,9 %	56,5 %	44,9 %
Research and development costs	1 601	1 078	1 109
% of net sales	289,2 %	154,2 %	131,8 %
Order book, EUR million	15,9	0,05	0,3
Personnel on average	21	22	74
Personnel at the end of the period	18	20	26
Share key indicators			
Earnings per share (basic)	0,0015	-0,006	-0,015
Earnings per share (diluted)	0,0011	-0,006	-0,015
Earnings per share (basic) -continuing operations	0,0016	-0,005	-0,014
Earnings per share (diluted) - continuing operations	0,0012	-0,005	-0,014
Equity / share, EUR	-0,011	-0,015	-0,011
Dividend / share, EUR	0,00	0,00	0,00
Dividend / profit, %	0,00	0,00	0,00
Effective dividend yield, %	0,00	0,00	0,00
P/E ratio (basic)	8,7	-3,4	-0,6
P/E ratio (diluted)	11,8	-3,4	-0,6
Share price at the end of the period	0,013	0,019	0,009
Market capitalization of shares at the end of the period, MEUR	11,2	16,4	7,8
Share trading adjusted for share issue	320 475 608	105 004 021	161 180 397
Portion of weighted average of shares, %	37,2 %	12,2 %	19,7 %
Weighted average number of shares adjusted for share issue over the financial year	862 472 136	862 472 136	819 064 263
Number of shares adjusted for share issue at the end of the financial year	862 472 136	862 472 136	862 472 136
Average number of shares diluted by share option and adjusted for share issue over the financial year	1 739 558 970	875 047 478	849 064 263

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

Return on equity (ROE), %:

$$\frac{\text{Profit/loss for the period - taxes x 100}}{\text{Total equity}}$$

Return on investment (ROI), %:

$$\frac{\text{Profit/loss + financial expenses x 100}}{\text{Shareholders' equity + interest-bearing financial liabilities}}$$

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:

$$\frac{\text{Price on the balance sheet date}}{\text{Earnings per share}}$$

EUR 1 000	Liite	1 Jan – 31 Dec 2016		1 Jan – 31 Dec 2015	
Continuing operations					
Net sales	1	553	100 %	699	100 %
Cost of sales		-994	-180 %	-937	-134 %
Gross profit		**-441**	-80 %	**-237**	-34 %
Other operating income	3	7 682		150	
Product development expenses		-1 601		-1 078	
Sales and marketing expenses		-758		-686	
Administrative expenses		-1 143		-982	
Other operating expenses	4	-79		-705	
Operating profit / loss		**3 661**	**662 %**	**-3 540**	**-506 %**
Financial income	7	8		306	
Financial expenses	8	-2 285		-1 497	
Profit/loss before taxes from continuing operations		1 384	250 %	-4 731	-677 %
Income taxes	9	18		0	
Profit/loss for the period continuing operations		**1 402**	253 %	**-4 731**	-677 %
Discontinued operations	10				
Profit/loss after tax for the period from discontinued operations		-92		-91	
Profit/loss for the financial year		**1 310**	**237 %**	**-4 822**	**-690 %**
Profit/loss attributable to:					
Shareholders of the parent company		1 310		-4 822	
Earnings/share (basic), EUR	11	0,0015		-0,006	
Earnings/share (diluted), EUR	11	0,0011		-0,006	
Continuing operations					
Earnings/share (basic), EUR	11	0,0016		-0,005	
Earnings/share (diluted), EUR	11	0,0012		-0,005	
Profit/loss for the financial year		**1 310**		**-4 822**	
Other comprehensive income					
Translation difference		750		-468	
Other comprehensive income for the period, which shall subsequently be transferred to profit or loss		750		-468	
Total comprehensive income for the financial year		**2 059**	**372 %**	**-5 291**	**-757 %**
Total comprehensive income attributable to:					
shareholders of the parent company		**2 059**		-5 291	

EUR 1 000	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Property, plant and equipment	12	13	64
Consolidated goodwill	13	441	441
Other intangible assets	13	8 039	3 737
Available-for-sale investments	14	9	9
Deferred tax assets	15	0	0
Total non-current assets		**8 502**	**4 251**
Current assets			
Inventories	16	1122	254
Trade and other non-interest-bearing receivables	17	860	799
Cash and cash equivalents	18	3	31
Total current assets		**1 985**	**1 084**
Assets classified as held for sale	10	0	0
Current assets		**10 487**	**5 336**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	19	80	80
Other reserves	19	0	0
Translation difference	19	0	-750
Retained earnings	19	-9 708	-11 910
		-9 628	-12 579
Non-controlling interests		0	9
Total equity		**-9 628**	**-12 570**
Non-current liabilities			
Non-current loans	22	12 423	7 222
Deferred tax liabilities	15	0	0
Total non-current liabilities		**12 423**	**7 222**
Current liabilities			
Current interest-bearing liabilities	22	1 931	3 131
Trade and other payables	23	5 228	7 030
Current provisions	21	40	0
Total current liabilities		**7 199**	**10 162**
Liabilities directly associated with assets classified as held for sale	10	493	522
Total liabilities		**20 115**	**17 906**
Equity and liabilities total		**10 487**	**5 336**

EUR 1 000		Jan-Dec 2016	Jan-Dec 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Income statement profit/loss before taxes for continuing operations		1 384	-4 731
Income statement profit/loss before taxes for discontinuing operations		-92	-91
Income statement profit/loss before taxes		1 291	-4 822
Non-monetary items adjusted on income statement			
Depreciation and impairment	+	1 111	696
Gains/losses on disposals of non-current assets	+/-	-7 082	0
Unrealized exchange rate gains (-) and losses (+)	+/-	4	-311
Other non-cash transactions	+/-	398	684
Change in provision	+/-	-13	-86
Financial income and expenses	+/-	2 274	1 502
Total cash flow before change in working capital		**-2 018**	**-2 337**
Change in working capital			
Increase (-) / decrease (+) in inventories		-868	-159
Increase (-) / decrease (+) in trade and other receivables		17	1 076
Increase (+) / decrease (-) in trade and other payables		1 484	-1 358
Change in working capital		**634**	**-441**
Adjustment of financial items and taxes to cash-based accounting			
Interest paid	-	92	294
Interest received	+	0	1
Taxes paid	-	-18	68
Other financial items	-	25	3
Financial items and taxes		**-99**	**-364**
NET CASH FLOW FROM BUSINESS OPERATIONS		**-1 484**	**-3 142**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-	418	396
Proceeds on disposal of tangible and intangible assets	+	8	34
Loans granted	-	672	260
Repayment of loan receivables	+	0	363
Disposals of subsidiaries and other business units	+	-23	640
NET CASH FLOW FROM INVESTMENTS		**-1 105**	**381**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	+	0	0
Increase in non-current loans	+	807	3 381
Repayment of non-current loans	-	0	8
Increase in current loans	+	2 049	265
Repayment of current loans	-	286	1 004
NET CASH FLOW FROM FINANCING ACTIVITIES		**2 569**	**2 634**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**-19**	**-127**
Cash and cash equivalents at the beginning of the financial year		31	161
Translation adjustment to cash and cash equivalents		-9	-3
Cash and cash equivalents at the end of the financial year		3	31
		-19	**-127**

Statement of Changes in Equity, 1 Jan – 31 Dec 2016

EUR 1 000	Share capital	Other reserves	Trans- lation difference	Distributable non- restricted equity fund	Retained earnings	Total	Non- controlling interests	Total
31 Dec 2015	**80**	**0**	**-750**	**0**	**-11 910**	**-12 579**	**9**	**-12 570**
Profit/loss for the financial period					1 310	**1 310**		**1 310**
Translation difference, comprehensive income			750		750	**750**	**-9**	**750**
Transactions with owners:								
Stock options to be executed and paid in shares					892	**892**		**892**
31 Dec 2016	**80**	**0**	**0**	**0**	**-9 708**	**-9 628**	**0**	**-9 628**

Statement of Changes in Equity, 1 Jan – 31 Dec 2015

EUR 1 000	Share capital	Other reserves	Trans- lation difference	Distributable non- restricted equity fund	Retained earnings	Total	Non- controlling interests	Total
31 Dec 2014	**3 425**	**4 908**	**-281**	**44 552**	**-62 501**	**-9 897**	**8**	**-9 889**
Profit/loss for the financial period					**-4 822**	**-4 822**		**-4 822**
Translation difference, comprehensive income			-468			**-468**		**-468**
Transactions with owners:								
Own equity component of the convertible bond					2 608	**2 608**		**2 608**
Transfer between items				-520	520	**0**		**0**
Reduction of share capital	-3 345	-4 908		-44 032	52 285	**0**		**0**
31 Dec 2015	**80**	**0**	**-750**	**0**	**-11 910**	**-12 579**	**9**	**-12 570**

The presentation of the own equity component of the convertible bond is defined during Q3 2015, they are transfered from distributable non-restricted fund to retained earnings. After the transfer the value of the distributable non-restricted equity fund is zero also in consolidated accounts.

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 5, 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 30 April 2017. 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 2016. 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.

Application of the going concern assumption

The financial statements have been prepared under the going concern assumption. At the end of 2016 Valoe's financial situation was very tight and its liquity was low. Valoe's overdue debts totalled ca. EUR 4.6 milloin at the end of the financial year. Because a Letter of Credit for the Ethiopian project, that was assumed to improve the situation, was not opened as expected Valoe begin financing negotiatons with its key financers and shareholders right at the beginning of 2017. The negoations were run in good faith and generated positive outcome after the end of the financial year. Besides the main shareholders also other key investors were interesed in investing in the company.

Valoe's financing situation improved remarkably as the company's EUR 1.5 million Convertible Bond I/2017 issued after the end of the financial year 2016 was fully subscribed.

The company signed an EUR 3 million equity based financing facility agreement with Bracknor Investment that alone covers the company's running costs. Additionally, Valoe was able to extend most of its debts due in 2017, including the interest, until 30 April 2018. Accordig to the company's current information the company has secured sufficient financing for its operations for more than 12 months.

The company's liquity involves still risks. If the EUR 0.7 million overdraft facility at the Danske Bank due on 30 September 2017 cannot be repaid with the company's cash flow from operations or with other funding the company trusts it can reduce the amount of the debt enabling the extension of the bebt.

As the company has resolved it will not launch a delivery project in full until project funding pursuant to a delivery agreement is available to the company, projects shall not threaten the company's going concern.

Valoe Group has applied as from 1 January 2016 the following new and amended standards that have come into effect:

Amendment to IAS 1 *Presentation of Financial Statements*: *Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement

Annual Improvements to IFRSs (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.

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 and product development costs. In 2015, the Beijing factory assets were evaluated using the managment discreation and in 2016 the recognisition of the revenue from the Ethiopian project was based on the management consideration.

Uncertainties relating to financing and continuity of the company's business operations have been described above in the accounting principles as well as the arguments for going concern assumption. According to the company's view the performance obligations of Valoe's Ethiopian project, under the IFRS, have not yet been satisfied. According to the prudence principles the company resolved to remove the revenue and the costs associated with the Ethiopian project from the Income Statement, due to which the financial information in the Annual Report differ significantly from the financial information in the Financial Statement Release disclosed on 31 March 2017.

The company has not recorded a EUR 0.5 million calculated tax liability nor EUR 0.01 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 13.). 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 sales and sales margins. 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.

Translation differences generated before 1 January 2004, the date at which the Group adopted IFRS, have been recognized under retained earnings in conjunction with the transition to IFRSs, in accordance with the exemptions permitted under IFRS 1, and will not be later recognized in the income statement in conjunction with the disposal of subsidiaries. As of the transition date, translation differences arising in the preparation of consolidated financial statements have been presented as a separate item under equity. Valoe Group adopted this practice retroactively in 2008, and the necessary adjustments were made to the comparative figures given for the previous ye

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:

Buildings	25 years
Modernization of leased facilities	5 years
Machinery and equipment	3-7 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 previous financial years, the Group has received product development subsidies that involve both of the recognition methods explained above.

According to IAS 20 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 IAS 39. 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 IAS 39 and the proceeds received. The benefit is accounted for in accordance with this Standard.

Investment property

Investment property includes real estate that the Group holds to earn rental income or appreciation in property value. Investment property is measured at fair value. The fair value is determined regularly based on an estimate prepared by an impartial real estate assessor and corresponds to the market value of active markets. Changes in the fair value of investment property are included in other operating income or expenses in the income statement. The Group had no investment property in 2016.

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 13).

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 3 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

Group as lessee

In accordance with IAS 17, leases are classified as finance leases or operating leases. Leases on tangible assets, which transfer substantially the risks and rewards of ownership to the Group, are classified as finance leases in accordance with IAS 17 Leases. Assets acquired on finance leases are recognized in the balance sheet at the beginning of the lease period at the fair value of the leased asset or, if lower, at the present value of minimum lease payments. An asset acquired on a finance lease is depreciated over the shorter of the asset's useful life or lease period. Lease payments are divided into a finance charge and a reduction of the outstanding liability over the lease period so that a constant periodic rate of interest is achieved on the outstanding liability. Lease obligations are included in interest-bearing liabilities. The Group has no assets leased by financial leasing during the financial year 2016 and 2015.

Leases where the lessor retains the risks and rewards of ownership are classified as operating leases. Other leases are recognized as rental expenses under other operating expenses. Payments made under operating leases are expensed in the income statement on a straight-line basis over the lease period. Received incentives are deducted from the paid leases in accordance with the duration of the benefit.

Impairment 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. – 31.12.2016 the company gave options to the management. The company has an option scheme in force as per 31 December 2016.

The options given to Valoe Group's key employees are appreciated at their fair value as per the time of the transaction and recorded as an expense on a straight-line-basis over the issuance period. The expense of the granted options equivalent to the fair value is recorded in the personal expenses and the corresponding booking is made in the equity. The fair value is defined using the Black–Scholes-model where the market terms affecting the pricing of the options are considered. Further, the final amount and the period of validity are evaluated when the options are granted. The amount recorded as an expense will later be adjusted to equal the final amount of the options. When the option rights are used the payments, adjusted by possible transaction costs, will be recorded in the equity and the distributable non-restricted equity fund.

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

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.

A warranty provision is recognized when the delivery of a product including a warranty clause has been approved. The amount of the warranty provision is based on experience about the realization of warranty expenses.

A restructuring provision is recognized when the Group has drawn up a detailed restructuring plan, initiated implementation of the plan or made the plan known. A restructuring plan includes at least the following information: the business targeted by restructuring; the main sites affected by the plan; the location, duties and estimated number of employees who will be compensated for termination of employment; the resulting expenses and the time of implementation of the plan. No provision is recognized for expenses related to the Group's ongoing operations.

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

A provision is recognized for obligations related to decommissioning and restoration if the Group has an obligation that is based on environmental legislation and the Group's environmental responsibility principles and that concerns the decommissioning of a production plant, repair of environmental damage or the transfer of equipment from one place to another.

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. Deferred tax liabilities are not recognized for an initially recognized asset or liability in a transaction other than a business combination if the recognition of the asset or liability does not affect accounting or the taxable income at the time of transaction. The largest temporary differences arise from measurement at fair value in connection with acquisitions.

Deferred tax is recognized in the case of investment in subsidiaries, except if the Group is able to determine the time the temporary difference was eliminated and the extent to which the difference will probably not be eliminated during the foreseeable future.

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.

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.

Interest and dividend

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

Non-current assets classified as held for sale and discontinued operations

Non-current assets (or disposal group) and assets and liabilities related to discontinued operations are classified as held for sale if the amount of their book value will be recovered through the sale of them instead of continuous use. Conditions for classification as held for sale are fulfilled when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition on customary terms and conditions, and when the management is committed to the sale and the sale is expected to occur within one year of the classification.

From the moment of the classification as held for sale (or disposal group) the assets are valued at book value or fair value less costs to sell, depending on whichever is lower. Depreciation of these assets is discontinued at the time of classification.

A discontinued operation is a component of the Group, which has been disposed or is classified as held for sale and which meets one of the following conditions;

1. It represents a separate major business unit or geographical area
2. It is part of a coordinated plan to dispose a separate major business unit or geographical area
3. It is a subsidiary acquired exclusively with a view to resale

The profit or loss of discontinued operations is presented separately in the consolidated statement of comprehensive income. Assets held for sale, disposal groups, items recognized in other comprehensive income related to assets held for sale and liabilities included in the disposal group are presented in the balance sheet separately from other items.

Valoe has reported the electronics automation business sold to FTTK as discontinued operations during the financial years 2016 and 2015.

Financial assets and liabilities

Financial assets

The Group's financial assets are categorized into the following groups according to IAS 39 Financial Instruments, Recognition and Measurement: 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 The Group has no financial assets recognized at fair value through profit or loss during the financial years 2016 and 2015.

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.

The Group had no derivative contracts during the financial years 2016 and 2015.

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 also 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.

Shareholder's 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.

On 29 May 2015 Valoe Corporation issued a Convertible Bond of EUR 5000,000 at the most, but due to over subscription resolved to amend the maximum amount to EUR 7,700,000. The Convertible Loan is a capital loan and is booked in the Company's balance sheet as non-current capital loan. One loan share of EUR 0.01 pursuant to the Promissory Note entitles the Promissory Note Holder to subscribe for one new share. Based on the subscriptions made pursuant to the loan shares Valoe shall issue a maximum amount of 770,000,000 new Valoe shares. The loan period and the conversion period expire on 1 August 2018.

As of the date of withdrawal an annual interest of eight (8) percent shall be paid to the capital of the Convertible Bond. The interest shall be added in the loan capital annually once a year on 30 July. An interest shall not be paid to capitalized interest. The interest shall be paid in shares at the end of the loan period so that an interest amount of EUR 0.01 shall be converted to one new share of the Company. The last interest period shall end on 30 July 2018. During the financial year, the intersts on the Convertibe Bond accurred until 31 December 2015 totalling EUR 0.2 million, were added in the capital i.e. non-current financial liabilities.

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 IFRSs and interpretations

Valoe has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2016.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The Group is currently assessing the impact of IFRS 15 and will adopt the standard from 1.1.2018..

Amendments to IFRS 15 - *Clarifications to IFRS 15 Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The Group is currently assessing the impact of amendment.

IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently assessing the impact of IFRS 9.

IFRS 16 *Leases* (*effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group is currently assessing the impact of IFRS 16.

Amendments to IAS 7 *Statement of Cash Flows- Disclosure Initiative** (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group is currently assessing the impact of IFRS 16.

Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses *(*effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not assessed to have a significant impact on Valoe's consolidated financial statements

Amendments to IFRS 2 *Sharebased payments - Clarification and Measurement of Sharebased Payment Transactions* * (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments are not assessed to have a significant impact on Valoe's consolidated financial statements.

IFRIC 22 Interpretation *Foreign Currency Transactions and Advance Consideration** (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date The interpretaion is not assessed to have a significant impact on Valoe's consolidated financial statements.

Annual Improvements to IFRSs (2014-2016 cycle)* (effective for financial years beginning on or after 1 January 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

Presentation of Figures

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

1. Segment Information

Valoe sold the electronics automation business to FTTK Company during the secong half of the year 2014. In consequence of the sale of the shares Valoe reports the financial figures relating to the electronics automation business, i.e. LAS and LCM segments, as discontinued operations from Q3/2014 and segment information is divided into continuing and discontinued operations. Segment information is not available after operating profit in profit and loss statement. Financial income and expenses or balance sheet items are not booked to segments. Valoe's new segment information is based on the management's internal reporting and on the organisation structure. During the year 2015 the discontinued operations include the finishing up of few remaining projects of the electronics automation business sold to FTTK and finalising the sale of the shares. During the year 2016 most of the expenses in the discontinued operations associated with the attorneys expenses in the litigation process between Valoe and FTTK.
Information regarding discontinued operations is given in attachment 10. Discontinued operations.

The Group does not have common operations which could not have been allocated to the segments..

The Group has four customers whose revenues exceeded 10 percent of the Group's net sales, totalling 0.3 million euros.

Business segments in 2016	**Clean Energy Solutions (=continuing)**	**Discontinued operations**	**Eliminations**	**Total**
Net sales	553	0	0	553
EBITDA	4 772	-92	0	4 680
Operation profit	3 661	-92	0	3 569
Assets	10 487	0	0	10 487
Liabilities	19 622	493	0	20 115
Investments	481	0	0	481
Depreciation	1 111	0	0	1 111
Impairment	0	0	0	0

Business segments in 2015	**Clean Energy Solutions (=continuing)**	**Discontinued operations**	**Eliminations**	**Total**
Net sales	699	113	0	812
EBITDA	-2 844	-91	0	-2 935
Operation profit	-3 540	-91	0	-3 631
Assets	5 336	0	0	5 336
Liabilities	17 384	522	0	17 906
Investments	395	0	0	395
Depreciation	696	0	0	696
Impairment	0	0	0	0

Geographical information

Finland, 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

Continuing operations

	Finland	Other European countries	America	Asia	Africa	Group
2016						
External net sales	529	10	11	4	0	**553**
Non-current assets	8 502	0	0	0	0	**8 502**
2015						
External net sales	656	26	17	0	0	**699**
Non-current assets	4 200	0	0	0	51	**4 251**

Distribution of net sales **Continuing operations**	**2016**	**2015**
Revenues from services	56	111
Revenues from the sale of goods	497	588
Total	**553**	**699**

2. Long-term contract revenues recognized on the basis of the percentage of completion

	2016	**2015**
Cumulative net sales	0	31
Recognized as revenue for the financial period	0	31
Amount not recognized as revenue	0	34
Advance payments received	0	0
Receivables from percentage-of-completion contracts	0	31

The above long-term contract revenues recognized on the basis of the percentage of completion are related to the continuing operations.

3. Other operating income

	2016	**2015**
Continuing operations		
Proceeds from sale of property, plant and equipment	8	1
Subsidies received	25	30
Sale of used products	0	36
Partial reversal of rental security given on behalf of a subsidiary	494	0
Disposal of subsidiaries	7 139	0
Other income items	15	83
Total	**7 682**	**150**

4. Other operating expenses

Continuing operations	2016	2015
Disposal of subsidiaries	65	0
Changed tax treatment of importation in China	0	682
Other expense items	14	24
Total	**79**	**705**

Auditors' fees

Authorized Public Accountants KPMG Oy Ab		
Auditors' fees	54	30
Taxation advice	0	2
Other sevices	7	0
Total	**62**	**33**

Authorized Public Accountants Ernst & Young Oy		
Auditors' fees	0	57
Other services	0	0
Total	**0**	**57**

The EY's auditors' fees during 2015 were related to the audit of 2014.

Unlike other specifications, the auditors' fees are reported here in full, not only for continuing operations.

Rental expenses - continuing operations	2016	2015
Rental expenses	217	228

5. Employee benefits

	2016	2015
Salaries	1 217	1 595
Retirement expenses – defined contribution plans	164	210
Other indirect employee expenses	257	35
Stock option scheme 2015 (IFRS2)	892	0
Yhteensä	**2 530**	**1 840**

Employee benefits above include both continuing and discontinued operations, because the split between those two categories is not reliably available. The amount of discontinued operations is very minor.

Employee benefits total		
Continued operations	2 529	1 829

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

Employees by function were

During the financial period on average		
Procurement and production	9	7
Product development	6	6
Sales and marketing	2	3
Administration	4	6
Total	**21**	**22**

At the end of the year	2016	2015
Procurement and production	7	8
Product development	6	5
Sales and marketing	2	3
Administration	3	4
Total	**18**	**20**

6. Depreciation and impairment

	2016	2015
Depreciation by asset group continuing operations		
Intangible assets		
Development cost	1 064	646
Patents	14	10
Intangible rights	5	10
Other INTANGIBLE ASSETS	22	22
Total	**1 105**	**688**
Property, plant and equipment		
Machinery and equipment	6	8
Other tangible assets	0	0
Total	**6**	**8**

No impaiments were booked during the financial year or the comparison year.

Income statement items are divided into continuing and discontinued operations to the operating profit. Financial income and expenses, or profit taxes are not shared, but they are shown in the figures of the entire Group.

7. Financial income

Interest gains	0	1
Exchange rate gains	8	304
Total	**8**	**306**

The items above the operating profit include a total of EUR 4,000 in ecxhange rate losses (2015: EUR 7,000 in exchange rate losses).

8. Financial expenses

Interest expenses	1 867	1 274
Exchange rate losses	20	-13
Other financial expenses	87	77
Impairment of receivables	0	158
Total	**1 974**	**1 497**

9. Income taxes

	2016	2015
Tax based on the taxable income for the financial year	0	0
Taxes carried forward	-18	0
Deferred tax	0	0
Total	**-18**	**0**

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:

	2016	2015
Profit before taxes	1 291	-4 822
Taxes at the parent entity's statutory income tax rate of 20 % (2015: 20 %)	258	-964
Different tax rates of subsidiaries	8	-33
Tax-free revenue / non-deductible expenses	102	2
Change in deferred taxes	0	0
Loss to be confirmed in taxation not recognized as deferred tax assets	-369	996
Other	0	0
Taxes carried forward	18	0
Taxes in the income statement	**18**	**0**

10. Discontinued operations

17 September Valoe announced that it has transfered the company's electronics automation business into Cencorp Automation Oy, a fully-owned subsidiary of Valoe. Further, in accordance to the agreement signed earlier, FTTK Company Limited has purchased 70 percent of the shares in Cencorp Automation Oy. Further FTTK has used its option to purchase the remaining 30 percent of the shares in Cencorp Automation Oy and the parties have signed an agreement on exercising the option in December 2014. In consequence of the sale of the shares Valoe reports the financial figures relating to the electronics automation business as discontinued operations from Q3/2014.

During the year 2015 the discontinued operations include the finishing up of few remaining projects of the electronics automation business sold to FTTK and finalising the sale of the shares. During the year 2016 most of the expenses in the discontinued operations associated with the attorneys expenses in the litigation process between Valoe and FTTK.

The results and major classes of assets and liabilities of electronics automation business, are as follows:

EUR 1 000	**Jan – Dec 2016**	**Jan – Dec 2015**
Revenue	0	113
Expenses	-92	-204
Other operating expenses	0	0
Profit/loss from discontinued operation	-92	-91
Assets		
Assets classified as held for sale	0	0
Liabilities		
Trande and other payables	487	463
Reserves	5	59
Liabilities directly associated with assets classified as held for sale	493	522
Net assets directly associated with disposal group	**-493**	**-522**

Net cash flow of electronic automation business:

EUR 1 000	Jan – Dec 2016	Jan – Dec 2015
Operating cash flow	-122	-536
Investing cash flow	0	96
Earnings/share (basic), from discontinued operations	-0,0000001	-0,0001
Earnings/share (diluted) from discontinued operations	-0,0000001	-0,0001

11. Earnings per share

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

Loss attributable to shareholders of the parent (EUR 1,000)	Jan – Dec 2016	Jan – Dec 2015
for continuing operations	1 402	-4 731
Loss attributable to shareholders of the parent (EUR 1,000)		
for discontinued operations	-92	-91
Loss attributable to shareholders of the parent (EUR 1,000)	**1 310**	**-4 822**
Weighted average number of shares during the period (1,000)	862 472	862 472
Basic earnings per share (EUR/share)	0,0015	-0,006
Diluted earnings per share (EUR/share)	0,0011	-0,006
Basic earnings per share (EUR/share) continuing operations	0,0016	-0,005
Diluted earnings per share (EUR/share) continuing operations	0,0012	-0,005

The dilutive potential of ordinary shares has not been taken into account in 2015 as required by IAS 33, paragraph 41, because it would reduce the loss per share.

12. Property, plant and equipment

2016	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost, 1 Jan 2016	16 971	503	51	17 525
Exchange rate difference	-870	-24	-4	-897
Additions	6	0	0	6
Disposals and transfers	-15 965	-479	-47	-16 492
Acquisition cost, 31 Dec 2016	142	0	0	142
Accumulated depreciation and impairment, 1 Jan 2016	-16 958	-503	0	-17 461
Exchange rate difference	870	24	0	894
Accumulated depreciation of disposals and transfers - continued operations		479	0	16 445
Depreciation for the period	-6	0	0	-6
Accumulated depreciation and impairment, 31 Dec 2016	-129	0	0	-129
Carrying amount, 1 Jan 2016	13	0	51	64
Carrying amount, 31 Dec 2016	**13**	**0**	**0**	**13**

2015	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost, 1 Jan 2015	15 712	472	0	16 183
Exchange rate difference	1 154	32	0	1 186
Additions	11	0	51	62
Disposals and transfers	94	0	0	94
Acquisition cost, 31 Dec 2015	16 971	503	51	17 525
Accumulated depreciation and impairment, 1 Jan 2015	-15 668	-472	0	-16 140
Exchange rate difference	-1 154	-32	0	-1 186
Accumulated depreciation of disposals and transfers - continued operations		0	0	-128
Depreciation for the period	-8	0	0	-8
Accumulated depreciation and impairment, 31 Dec 2015	-16 958	-503	0	-17 461
Carrying amount, 1 Jan 2015	44	0	0	44
Carrying amount, 31 Dec 2015	**13**	**0**	**51**	**64**

Rahoitusleasingsopimukset

Property, plant and equipment did not include any property obtained on finance lease agreements in 2016 or 2015.

13. Intangible assets

2016	Consolidated goodwill	Development costs	Patents	Other intangible assets	Total
Acquisition cost, 1 Jan 2016	743	4 803	114	1 304	6 964
Exchange rate difference	0	0	0	-50	-50
Additions	0	5 848	14	0	5 862
Disposals	0	0	0	-999	-999
Acquisition cost, 31 Dec 2016	743	10 651	128	255	11 778
Accumulated depreciation and impairment, 1 Jan 2016	-302	-1 264	-22	-1 199	-2 787
Exchange rate difference	0	0	0	50	50
Accumulated depreciations of disposals and transfers - continuing operations	0	-456	0	999	543
Depreciation for the period	0	-1 064	-14	-27	-1 105
Accumulated depreciation and impairment, 31 Dec 2016	-302	-2 784	-35	-178	-3 298
Carrying amount, 1 Jan 2016	441	3 539	93	105	4 178
Carrying amount, 31 Dec 2016	**441**	**7 868**	**93**	**78**	**8 480**

2015	Consolidated goodwill	Development costs	Patents	Other intangible assets	Total
Acquisition cost, 1 Jan 2015	743	4 690	94	1 387	6 914
Exchange rate difference	0	0	0	66	66
Additions	0	312	21	0	332
Disposals	0	-199	0	-149	-348
Acquisition cost, 31 Dec 2015	743	4 803	114	1 304	6 964
Accumulated depreciation and impairment, 1 Jan 2015	-302	-817	-11	-1 250	-2 380
Exchange rate difference	0	0	0	-66	-66
Accumulated depreciation of disposals and transfers - continued operations	0	199	0	149	348
Depreciation for the period	0	-646	-10	-32	-688
Accumulated depreciation and impairment, 31 Dec 2015	-302	-1 264	-22	-1 199	-2 787
Carrying amount, 1 Jan 2015	441	3 873	82	137	4 533
Carrying amount, 31 Dec 2015	**441**	**3 539**	**93**	**105**	**4 178**

INTANGIBLE ASSETS AND GOODWILL

Valoe's other intangible assets include capitalized development costs for EUR 7.9 million, of which EUR 2.0 million is related to R & D projects, where amortizations will be started in 2017. The useful lifetime of the capitalized development expenditure is 10 years, during which capitalized costs are recognized on straight-line basis as an expense during the financial year. During the financial year Valoe has revised the capitalization period of the photovoltaic modules CBS-component

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 2015. In the acquisition of Face (Telecom) business carried out on 30.11.2010 the entities controlled by the same party were merged. Valoe uses book values in the consolidation of the acquired and merged businesses. The difference between the acquired assets and the liabilities of the acquired entities, at the time of the acquisition, were booked in the retained earnings. No goodwill was booked in the transaction.

The impairment testing included the cash flow generated by the Group's continuing operations. The impairment was tested on goodwill and other intangible assets. The consolidated goodwill of EUR 0.4 million and other intangible assets of EUR 8.,0 million were entirely allocated to continuing operations in the impairment testing.

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, the recoverable amount has been determined on the basis of the value in use, compared to the consolidated balance sheet of 31 December 2016. The estimated recoverable cash flows are based on projections approved by the management, which cover a period of three years. The discount interest rate is 14.8 % after taxes (16.6 % in 2015).

Estimates are based on the net sales amounting to EUR 10.5 million which is expected to increase to EUR 14.3 million during the planning period, after which growth expectation is zero. The planning period is 4 years, and the net sales projected for 2017 are based on the budget. The sales margin projected for the planning period corresponds to the budgeted sales margin of 2017. The sales margin is expected to improve from the actual for 2016 when the net sales are increasing. Fixed costs have been estimated in accordance with the cost level of 2016 and known changes. The Group's significant unrecognized deferred tax assets based on deductible losses have not been taken into account in the planning period or thereafter. The amount of working capital tied up in operations is estimated at 20 % of net sales growth. Investments have been adjusted in accordance with the net sales projected for the planning perio

The terminal value calculated after the planning period plays a key role in the testing, because the significant resources focused on developing are about to start generating profit. However, a business development involves naturally considerable risks. Should the company fail in its business plan implementation, it could generate a need for a write-off in goodwill and other intangible assets.

14. Available-for-sale financial assets

	Level 1	Level 2	Level 3
Financial assets available for sale, 31 Dec 2016			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 2016.

15. Deferred tax assets and liabilities

The parent company has confirmed deductible losses, totalling EUR 31.3 million, out of which 11.9 million is due within the next three years. The group has not recognized deferred tax assets based on its deductible losses as their utilization is uncertain.

16. Inventories

	2016	2015
Materials and supplies	80	247
Work in progress	1 021	0
Finished products	21	7
Total	**1 122**	**254**

17. Trade and other non-interest-bearing receivables

	2016	2015
Trade receivables	31	142
Receivables from percentage-of-completion contracts	0	31
Loan receivable form Ethiopia	672	0
Prepayments and accrued income	81	51
Other receivables	76	574
Total continuing operations	**860**	**799**

Age distribution of trade receivables and recognized impairment losses	2016	2015
Undue	13	5
Due 0–30 days	0	16
Due 30–60 days	0	3
Due 61–90 days	4	3
Due over 90 days	15	116
Total	**31**	**142**

18. Cash and cash equivalents

	2016	2015
Cash on hand and deposits - continuing operations	3	31
Total	**3**	**31**

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

19. Notes to shareholders' equity

	Number of shares (1,000)	Share capital	Premium fund	Reserve fund	Distributable non-restricted equity fund
31.12.2010	**314 394**	**3 425**	**4 695**	**213**	**35 104**
Share issue	27 767	0	0	0	3 332
31.12.2011	**342 161**	**3 425**	**4 695**	**213**	**38 436**
Share options of convertible bond	0	0	0	0	347
31.12.2012	**342 161**	**3 425**	**4 695**	**213**	**38 783**
Share options of convertible bond	0	0	0	0	432
Direct share issue	4 000	0	0	0	480
Decrease from share issue	0	0	0	0	-34
31.12.2013	**346 161**	**3 425**	**4 695**	**213**	**39 661**
Share issue	508 151	0	0	0	4 912
Direct share issue	8 160	0	0	0	204
Decrease from share issue	0	0	0	0	-194
Value of the options of convertible bond acknowledge	0	0	0	0	-30
31.12.2014	**862 472**	**3 425**	**4 695**	**213**	**44 552**
The share capital reduction to cover losses	0	-3 345	-4 695	-213	-44 032
Transfer to retained earnings	0	0	0	0	-520
31.12.2015	**862 472**	**80**	**0**	**0**	**0**
31.12.2016	**862 472**	**80**	**0**	**0**	**0**

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

Premium fund

The items indicated in the old Companies Act (1978/734), Chapter 12, Section 3, are recognized in the share premium account. General meeting of Valoe Oyj decided on 28th of May 2015 to reduce the entire premium fund to cover accumulated losses.

Reserve fund

The provisions concerning the reserve fund were laid down in Chapter 12, Section 3 of the old Companies Act. The reserve fund is treated as restricted capital. General meeting of Valoe Oyj decided on 28th of May 2015 to reduce the entire reserve fund to cover accumulated losses.

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. During the year the general meeting of Valoe Oyj decided on 28th of May 2015 to reduce the entire distributable non-restricted equity fund to cover accumulated losses. Furthermore, the presenting of the equity component of the convertible bond was clarified. It will be presented in the retained earnings, not in distributable non-restricted equity fund. This way the distributable non-restricted equity fund reset also in the corporation level.

20. Share-based payments and convertible bonds

During the financial year, the Group had in place options related to bond I/2015 (nominal value EUR 7.7 million and book value on 31.12.2016 EUR 6,2 million).

The Board of Directors of Valoe Corporation resolved the terms and conditions of an stock option scheme during 2015. The maximum total number of stock options issued is 130,000,000 and they entitle their owners to subscribe for a maximum total of 130,000,000 new shares in the Company. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group. Of the stock options, 50,000,000 are marked with the symbol 2015A, 40,000,000 are marked with the symbol 2015B and 40,000,000 are marked with the symbol 2015C. All options have been given during the financial year 2016.

In order to strengthen Valoe's capital structure the company decided to issue Convertible Bond of EUR 5,000,000 at the most. The maximum amount of the Convertible Bond was increased to EUR 7,000,000 as it was over subscribed. The Convertible Bond was fully subcribed and the Board of Directors of Valoe approved all subsciptions on 9 October 2015. One loan share of EUR 0.01 pursuant to the Promissory Note entitles the Promissory Note Holder to subscribe for one new share. Based on the subscriptions made pursuant to the loan shares Valoe shall issue a maximum amount of 770,000,000 new Valoe shares. The loan period and the conversion period expire on 1 August 2018.

Outstanding optios		**2016**		**2015**	
	Option scheme	**Weighted average exercise price EUR/share**	**Number of options (1,000)**	**Weighted average exercise price EUR/share**	**Number of options (1,000)**
At the beginning of the financial year	VVK I/2013		0	0,07	30 000
New share options granted	Options 2015A	0,012	49 920		-
	Options 2015B	0,019	40 040		
	Options 2015C	n/a	40 040		

Expired options	VVK I/2013		0,07	30 000
At the end of the financial year	Optiot 2015A-C	130 000		0
Exercisable share options at the end of the financial year		0		

No options were exercised during 2016 or 2015..

Exercise price fluctuation and weighted average vesting period for share options outstanding at year-end.

	Exercise price	**Vesting period (years)**	**Number of shares**
2016	n/a	2,9	130 000
2015	-	-	0

21. Provisions

	2016	**2015**
Provisions at the beginning of the financial year	59	145
Additions to provisions	40	15
Provisions exercised	0	-39
Reversals of provisions	-53	-63
Provisions at the end of the financial year	**45**	**59**
Long-term provisions	0	0
Current provisions	45	59
Total	**45**	**59**

In the end of the period, 31.12.2016, EUR 5,000 of the provisions are related to the discontinued operations (31.12.2015 all the provisions are related to the discontinued provisions).

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 2016, warranty provisions totalled EUR 45,000 (31 Dec 2015: EUR 59,000). Guarantee provision is based on previous years' experience on products that are faulty or required additional installations. As Valoe Crome module is a new product the company will review its guarantee provision practice during 2017. During the financial year the company made a gurantee provision of EUR 40,000 that is higher than average due to lack of experience in the field of operations.

22. Financial liabilities

	Balance sheet values	**Balance sheet values**
Non-current financial liabilities at amortized cost	**2016**	**2015**
R&D loan	2 861	1 886
Convertible bond 1/2012	364	0
Convertible bond 1/2015	6 335	5 336
Subordinated loans	750	0
Other non-current liabilities	2 113	0
Total	**12 423**	**7 222**

Current financial liabilities at amortized cost	2016	2015
Loans from financial institutions	1 373	1 398
Convertible bond 1/2012	0	364
Other current liabilities	558	1 370
Total	**1 931**	**3 131**

The non-current financial liabilities include a EUR 7.7 million convertible subordinated loan. The liability component (book value 31.12.2016: 6.2 million) is recognized at amortized cost and the equity share (2.6 million) is recognized under equity. The equity share is measured at fair value on the issue date of the convertible bond. The key assumptions in the calculation were: Share price EUR 0.015; option's subscription price in conversion EUR 0.01; safe interest: 3 years Swap rate, per 30.6.2015 (0,32 %) and subscription period and due date for based on the main terms of the convertible bond. During the financial year, the intersts on the Convertibe Bond accurred until 31 December 2015 totalling EUR 0.2 million, were added in the capital i.e. non-current financial liabilities.

The current financial liabilities include a EUR 0.4 million convertible subordinated loan. The liability component (book value 31.12.2015: 0.4 million) is recognized at amortized cost and the equity share (0.3 million, which is booked based on the original amount of the convertible bond, EUR 1.5 million) is recognized under equity. The equity share is measured at fair value using the Black-Scholes pricing model on the issue date of the convertible bond. The key assumptions in the model were: Share price EUR 0.07; option's subscription price in conversion EUR 0.07; safe interest: Yield on Finland's government bond, 10 years, per 30.11.2012 (1.63 %), volatility: chosen benchmark companies (42 %) and subscription period and due date for based on the main terms of the convertible bond.

.

The Finnish Funding Agency for Technology and Innovation - Tekes gives Valoe (former Cencorp) a loan, of ca. EUR 3 million, 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 can amount maximum to 50 percent of the project's total costs which are estimated to be ca. EUR 6 million. The loan will be withdrawn in the course of the years 2013 and 2017, as the duration of the project was extended. The loan period is ten years. The nominal value of the withdrawn amount till December 31, 2016 is EUR 2.7 million. The interest of the loan is 1 %. In accordance with IAS 39 the grant component has been deducted and the amortized 8% interest expense added to the loan amount in consolidated accounts.

.

The Finnish Funding Agency for Technology and Innovation - Tekes gives Valoe a loan, of ca. EUR 4.1 million, 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 will be withdrawn in the course of the years 2016 and 2019 and the loan period is seven years. The nominal value of the withdrawn amount till December 31, 2016 is EUR 0.8 million. The interest of the loan is 1 %. In accordance with IAS 39 the grant component has been deducted and the amortized 8% interest expense added to the loan amount in consolidated accounts.

Maturity analysis of interest-bearing liabilities

31.12.2016	2017	2018	2019	2020	2021 and later
R&D loan	60	629	623	1 437	903
Other liabilities	1 963	4 006	0	0	0
Total interest-bearing liabilities	**2 023**	**4 635**	**623**	**1 437**	**903**

31.12.2015	2016	2017	2018	2019	2020 and later
R&D loan	52	27	621	615	1 512
Other liabilities	2 551	1 149	0	0	0
Total interest-bearing liabilities	**2 603**	**1 176**	**621**	**615**	**1 512**

23. Trade payables and other short-term non-interest-bearing liabilities

	2016	2015
Trade payables	2 259	2 747
Accruals and deferred income	2 621	1 548
Other liabilities	348	2 736
Total for continued operations	**5 228**	**7 030**
Trade payables	5	329
Accruals and deferred income	40	80
Other liabilities	443	54
Total for discontinued operations	**487**	**463**

EUR 2.2 million out of trade payables of EUR 2.3 million above (including both continuing and discontinued operations) was overdue at the year end 2016. EUR 1.5 million out of other short-term liabilities, accruals and deferred income as well as tax liabilities (total EUR 4.0 million above) was overdue at the year end 2016. 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 2016 and 2015.

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 2016 and 2015.

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 loans included an export credit limit of EUR 0.4 million and overdraft of 0.7 million to Danske Bank and EUR 0.2 million of other loans, which were overdue.

The hierarchy level for fair values is 2.

Average interest rates on interest-bearing liabilities	**2016**	**2015**
Loans from financial institutions	6,96 %	6,34 %

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

25. Non-cash transactions

	2016	2015
Depreciation	1 111	696
Exchange rate differences	4	-311
Gains on disposals of non-current assets	-7 082	0
Stock option scheme 2015	892	0
Partial reversal of rental security given on behalf of a subsidiary	-494	0
Other items	0	2
Total	**-5 570**	**383**

26. Leases

Minimum lease payments payable on the basis of other non-terminable leases:

Within one year	61	61

27. Other contingent liabilities

Assets pledged for the company

Promissory notes secured by pledge	721	950
Promissory notes secured by pledge	12 691	12 691
Export credit limit	352	448
Collaterals given from other short-term loans		
Deposits	0	509

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 %

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:

Continuing operations		
Sales of goods and services	**2016**	**2015**
Savcor Group Oy (and subsidiaries) - financial management and production services	19	40
Savcor Oy - financial management and production services	28	49
Savcor Face Ltd - solar modules / production services	-2	36
Others	1	3
Total	**46**	**128**
Purchases of goods and services		
Savcor Group Oy (and subsidiaries) - financial management,legal services, rent	34	138
Savcor Oy - financial management and IT services	71	89
Savcor Face Ltd – marketing services	34	51
SCI-Finance Oy - marketing and administration services	59	98
Savcor Technologies Oy - marketing and administration services	39	0
Oy Marville Ab – legal services	72	30
Total	**308**	**405**
Loss on disposal of non-current assets		
Savcor Tempo Oy	300	0
Interest income		
Savcor Oy	0	1
Interest expenses and other financial expenses		
Savcor Group Oy with subsidiaries	155	161
Savcor Oy	1	1
SCI Invest Oy	68	57
SCI-Finance Oy	67	4
Savcor Technologies Oy	87	5
Savcor Communications Pty Ltd	65	0
Savcor Tempo Oy	23	0
Other	71	49
Total	**537**	**277**

The interest paid to related parties has been between 8 – 15 % depending on the nature of the liability

Discontinued operations		
Purchase of goods and services		
Savcor Group Oy - legal services	0	7
SCI-Finance Oy – administration services	3	9
Oy Marville Ab – legal services	2	1
Total	**5**	**18**
Non-current convertible subordinated loan from related parties	3 894	1 882
Other non-current liabilities from related parties	2 113	0
Current convertible subordinated loan from related parties	0	364
Other current liabilities to related parties	79	705

Current interest liabilities to related parties	444	156
Trade payables and other non-interest-bearing liabilities to related parties	881	197
Trade receivables from related parties	31	25

From the beginnin of 2015 Savcor Group Limited in Australia is no longer part of Savcor Group, and liabilities to the company are not included in related party transactions.

Since August 2016 Savcor Group Oy and its subsidiary Savcor Invest B.V. are no longer companies under control of Iikka Savisalo, Valoe's CEO and Hannu Savisalo, Valoe's Chairman of the Board, but are still reported as related party transactions.

Savcor Oy, Savcor Face Ltd, Savcor Technologies Oy, Savcor Communications Pty Ltd, Dunsit Oy (subsidiary of Savcor Group Oy) and Savcor Tempo 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.

SCI-Finance Oy is a company under control of Hannu Savisalo, Valoe's Chairman of the Board.

Oy Marville Ab is a company under control of Ville Parpola, Valoe’s Vice Chairman of the Board.

Employment benefits of the management	**2016**	**2015**
Wages and other short-term employment benefits	672	764
Stock option scheme 2015 (IFRS 2)	524	0
Total	**1 196**	**764**

The management does not have defined-benefit pension plans.

Wages and remuneration	**2016**	**2015**
Salaries of the CEO and his deputies (incl. in management wages)	169	231
Stock option scheme 2015 (IFRS 2)	194	0
Total	**362**	**231**
Board members and deputies		
Karttunen Marjukka - remuneration	0	17
Kiuru Sauli - remuneration	0	13
Parpola Ville - remuneration	40	23
Parpola Ville – stock option scheme 2015	71	0
Savisalo Hannu - remunerations	40	40
Savisalo Hannu - stock option scheme 2015	107	0
Total	**257**	**92**

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

During the financial year 1.1. – 31.12.2016 the company gave options to the management. The company has an option scheme in force as per 31 December 2016. More information on the option scheme in Section 20 ”Share-based Payments and Convertible Bonds on the page 43.

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.

Valoe’s objective is to achieve a strong market position as a provider of, in various geographical areas, locally produced high-quality photovoltaic modules. Achievement of the objectives involves risks. Even though Valoe's strategy and objectives are based on market knowledge and technical surveys, the risks are significant and it is not certain if the company reaches all or part of the targets set for it. Valoe's future outlook will be highly dependent on the company's ability to reach the targeted market position in the global photovoltaic module market as well as on the company's financing.

Liquidity risks

The financial statements have been prepared under the going concern assumption. At the end of 2016 Valoe’s financial situation was very tight and its liquity was low. Valoe’s overdue debts totalled ca. EUR 4.6 milloin at the end of the financial year. Because a Letter of Credit for the Ethiopian project, that was assumed to improve the situation, was not opened as expected Valoe begin financing negotiatons with its key financers and shareholders right at the beginning of 2017. The negoations were run in good faith and generated positive outcome after the end of the financial year. Besides the main shareholders also other key investors were interesed in investing in the company.

Valoe’s financing situation improved remarkably as the company’s EUR 1.5 million Convertible Bond I/2017 issued after the end of the financial year 2016 was fully subscribed.

The company signed an EUR 3 million equity based financing facility agreement with Bracknor Investment that alone covers the company’s running costs. Additionally, Valoe was able to extend most of its debts due in 2017, including the interest, until 30 April 2018. Accordig to the company’s current information the company has secured sufficient financing for its operations for more than 12 months.

The company’s liquity involves still risks. If the EUR 0.7 million overdraft facility at the Danske Bank due on 30 September 2017 cannot be repaid with the company’s cash flow from operations or with other funding the company trusts it can reduce the amount of the debt enabling the extension of the bebt.

As the company has resolved it will not launch a delivery project in full until project funding pursuant to a delivery agreement is available to the company, projects shall not threaten the company’s going concern.

The Group continuously assesses and monitors the financing needed for business in cooperation with the management of different business functions to ensure that it has enough liquid assets at its disposal to finance operations and repay loans falling due. The Group's financing policy determines the optimum size of the liquidity reserve. The maturity and amortization of loans are planned so as to optimize liquidity. The availability and flexibility of financing are ensured through sufficient credit limits.

At year end 2015 Valoe Corporation has unpaid interests in the amount of EUR 0.1 million relating to a bond issued in 2012. The interest can only be repaid annually to the extent that the amount of Valoe Corporation’s unrestricted equity and all subordinated loans exceeds the amount of loss confirmed for the most recently ended financial year or included in the balance sheet of more recent financial statements. 8% interest is calculated on the bonds issued in 2012 and 2015. Regarding the bond issued in 2015 the interst shall be added in the loan capital annually once a year on 30 July and paid in shares at the end of the loan period so that an interest amount of EUR 0.01 shall be converted to one new share of the company. An interest shall not be paid to capitalized interest. The company has no non-restricted equity at the end of the financial year. At the end of the financial year 2016 EUR 0,7 million of equity based loan interests were not booked as an expense in Valoe Oyj’s books. The Group has booked the interest expense according to IFRS.

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

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. The most significant currencies for the Group are USD and CNY. 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, as well as from net investments in foreign subsidiaries.

Valoe has no foreign investments in its subsidiaries after the sale of Savcor Pacific's shares, and therefor the risks arising from the translation of its investments denominated in foreign currencies in its foreign subsidiaries into Valoe Group's parent company's functional currency, the euro, is minor. The company has not hedged its foreign exchange position or net debts in foreign subsidiaries.

Interest rate risk

The Group's revenue and operational cash flows are mostly independent of interest rate fluctuations. During 2015, 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 93,6 % of the company's interest-bearing liabilities.

Credit risk

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	**2016**	**2015**
Impact of fluctuation in short-term interest rate +/-2%	+/-17	+/-18
The Group has overdue credit limits at 31 Dec 2016 consisting of the following:		
Check account limit	0,7 milj. eur	0,95 milj. eur
Export credit limit	0,4 milj. eur	0,45 milj. eur

The company has paid Danke Bank's share of the export credit limit of EUR 0,4 million in April 2017 and negotiates with Finnvera of the payment schedule of the expired EUR 0,3 million guarantee liability. The overdraft facility of EUR 0.7 million at Danske Bank has been extended until 30 September 2017.

Exposure to currency risks

In 2016, 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 2016.

Financial assets denominated in foreign currency	**2016**	**2015**
USD	2	25
ETB	672	n/a
Financial liabilities denominated in foreign currency		
USD	149	179
CNY	n/a	1 032
Net	**-146**	**-1 186**

Impact on result	**2016**	**2015**
EUR/USD +/-10%	+/-10	+/-14
EUR/ETB +/-10%	+/-54	n/a
EUR/CNY +/-10%	n/a	+/-103

Materials management risks

The most significant risks related to material prices and availability are those related to the copper and silicon and the general price risk related to components. The objective is to pass the price increases on to the sales prices and to improve price competitiveness through product development.

30. Events after the end of the reporting period

7 February 2017: VALOE ISSUES A CONVERTIBLE BOND AND RELATED WARRANTIES

In order to strengthen Valoe Corporation's capital structure the company issues a convertible bond of MEUR 1.5 at the most. The convertible bond can be converted to max. 150,000,000 new shares of the company. The subscription price is EUR 0.01 per share.

The convertible bond is issued in deviation from the shareholders' pre-emptive subscription rights to the parties separately approved by the Board of Directors. The convertible bond can also be subscribed against a loan receivable of min. EUR 50,000.00 from Valoe, undisputed during the subscription period, by converting the loan's capital and/or interest into convertible bond pursuant to the terms of the convertible bond.

The minimum amount of subscription of the convertible note shall be EUR 50,000.00 entitling the convertible note holder to subscribe for 5,000,000 new shares of the company.

The loan period shall commence on the payment date and expire on 1 February 2019 on which date the convertible bond shall expire to be repayable in its entirety in accordance with the terms of the loan. The subscription period of the shares under the convertible notes shall begin from the subscription of the convertible notes and expire on 1 February 2019.

A lender shall be entitled to participate in potential future share issues arranged by the company in which the subscription period shall terminate at the latest on 1 February 2019 by subscribing the shares at the subscription price that is 20 per cent lower compared to the subscription price offered in the respective share issues.

The subscription period of the convertible bond shall expire on 10 March 2017 at 6:00 p.m. The board of directors of the company has the right to approve the subscriptions at any time during the subscription period. In the event the convertible bond shall be oversubscribed, the board of directors of the company shall resolve on the allocation between the subscribers. The board of directors of the company has the right to discontinue the subscription period of the convertible bond at any time. The board of directors shall also have the right to decide on extending the subscription period.

When subscribing the convertible bond, the lender of the convertible bond is entitled to subscribe also warranties according to which the lender shall have later a right to subscribe new shares in the company with the amount equal to the capital of the convertible bond. Each convertible bond loan amount valued at EUR 0.01 shall entitle the lender to subscribe one (1) warrant. Each warrant entitles the lender to subscribe one (1) new share of the company. The maximum amount of share subscriptions that are based on the warrants shall be in total 150,000,000 new shares of the company. The subscription period for the shares subscribed based on the warrants shall begin on 1 July 2017 and expire on 1 February 2019.

The shareholders' pre-emptive subscription rights are deviated from in connection with the issue of convertible bond and warrants to secure financing required to strengthen the capital structure of the company cost effectively and considering the size of the financing. Thus, there is from the company's point of view a weighty financial reason to issue the special rights.

The company has one (1) class of shares.

The terms of the convertible bond are attached to the release as Attachment 1.

14 February 2017: VALOE CORPORATION POSTPONES THE RELEASE OF ITS FINANCIAL STATEMENT RELEASE AND FINANCIAL STATEMENTS FOR 2016 AND ITS GENERAL MEETING

Valoe postpones the release of its Financial Statement Release and Financial Statements as well as the date of an annual general meeting. The company’s financing situation continues to be very tight and the actions taken to arrange additional financing are ongoing. The subscription period of the convertible bond released on 7 February 2017 shall continue until 10 March 2017 and the other financing negotiations are at their final stage. The impact of new potential financing on the Financial Statements cannot yet be assessed.

The Financial Statement Release for 2016 will be disclosed on 31 March 2017. The Annual Report for 2016 including the Financial Statements and the Report of the Board of Directors will be released on 30 April 2017 at the latest.

Valoe’s annual general meeting will be postponed until later date, instead of the date that was earlier announced. Valoe’s Board of Directors will give a separate notice to a general meeting later on.

On 23 December 2016 Valoe announced on its release regarding the financial information in 2017 that it will release a Financial Statement Release for 2016 on 22 February 2017 and an Annual Report including the Financial Statements and the Report of the Board of Directors on the week 13. Initially an annual general meeting was planned to be held on 25 April 2017.

9 March 2017: VALOE CORPORATION HAS SETTLED THE DISPUTE RELATING TO THE SECURITY PROVIDED FOR CHINESE FACTORY'S LEASE LIABILITY

On 10 May 2016 Valoe disclosed that it has contested the security provided for the Chinese factory's lease liability which could have amounted to EUR 0.65 million at the most if realized. A provision equivalent to the security has been booked in Valoe's Financial Statements for 2014 where it has been recognized as the mother company's liability. Valoe has now settled the dispute out of court. Valoe has paid ca. EUR 0.15 million out of the security and the parties have terminated all legal proceedings relating to the matter.

The decrease in the amount of the security will improve the result by ca. EUR 0.5 million. Valoe's Financial Statement Release for 2016 will be disclosed on 31 March 2017. The Annual

Report for 2016 including the Financial Statements and the Report of the Board of Directors will be released on 30 April 2017 at the latest.

13 March 2017: THE RESULT OF THE CONVERTIBLE BOND I /2017 OF VALOE CORPORATION

Valoe Corporation has received subscriptions of EUR 1.50 million for the Convertible Bond I/2017. During the subscription period of the Convertible Bond new investments of EUR 1.05 million was paid in cash. Out of the subscriptions, a total of EUR 0.45 million was paid by setting the subscription price off against the subscribers' receivables from the company.

The Board of Directors of Valoe has approved all subscriptions for the Convertible Bond.

One loan share of EUR 0.01 pursuant to the Promissory Note entitles the Promissory Note Holder to subscribe for one new share. Based on the subscriptions made pursuant to the loan shares Valoe shall issue a maximum amount of 150,000,000 new Valoe shares. The loan period and the conversion period expire on 1 February 2019.

When subscribing the convertible bond, the lender of the convertible bond was entitled to subscribe also warranties according to which the lender shall have later a right to subscribe new shares in the company with the amount equal to the capital of the convertible bond. Each convertible bond loan amount valued at EUR 0.01 shall entitle the lender to subscribe one (1) warrant. Each warrant entitles the lender to subscribe one (1) new share of the company. The maximum amount of share subscriptions that are based on the warrants shall be in total 150,000,000 new shares of the company. The subscription period for the shares subscribed based on the warrants shall begin on 1 July 2017 and expire on 1 February 2019.

The terms of the convertible bond, without technical attachments, are attached to the release as Attachment 1.

14 March 2017: VALOE CORPORATION'S CTO AND A MEMBER OF THE MANAGEMENT TEAM, HENRIKKI PANTSAR, MOVES ON TO A NEW JOB. HE CONTINUES AS A TECHNICAL ADVISOR FOR VALOE IN ADDITION TO HIS OTHER DUTIES.

Mr Henrikki Pantsar, Valoe Corporation's CTO and a member of the management team, has resigned and will join Trumpf Inc., an U.S.-based subsidiary of Trumpf Group, as of 17 April 2017. Trumpf is one of the world's leading developers and manufacturers of industrial lasers and laser systems.

Henrikki Pantsar has worked for Valoe about six years and has lived in the USA since 2013. Valoe and Mr Pantsar have signed a consultancy agreement to ensure cooperation also in the future.

Iikka Savisalo, CEO; Sami Lindfors, Senior Vice President, and Seija Kurki, CFO, continue in the management group.

24 March 2017: VALOE ESTIMATES ITS NET SALES AND PROFITABILITY FOR 2016 TO BE LOWER THAN PREVIOUSLY DISCLOSED. THE COMPANY'S FINANCING SITUATION CONTINUES TO BE VERY TIGHT.

In February 2016 Valoe received a ca. EUR 15.8 million order for a solar module manufacturing plant and back contact technology. About EUR 9.5 million of the sales price will be paid in cash to Valoe and the rest of the sales price in shares of the customer company resulting in Valoe having a 30 percent shareholding in its Ethiopian manufacturing partner. Valoe's customer will receive financing for the deal from The Development Bank of Ethiopia (DBE).

Valoe's financing situation continues to be very tight even though the convertible bond I/2017 of EUR 1.5 million issued in February 2017 was fully subscribed. Valoe's planned financing for the building period of the Ethiopian project was mainly based on an advance payment of EUR 2.8 million for which Valoe shall arrange a bank guarantee. Securing an advance payment guarantee has been delayed. Valoe has had frequent negotiations for a guarantee and they made significant progress in March. Valoe trusts it will close the negotiations by mid-April.

The delivery of the Ethiopian project has been postponed due to insufficient financing. Valoe and its manufacturing partner have revised the schedule for completing the Ethiopian project. According to the re-evaluation the machinery and equipment for the plant will be delivered in Ethiopia by the end of 2017. According to the previous estimation, the delivery was expected to take place during the first half of the year 2017.

Valoe has ongoing negotiations on arranging financing for a factory delivery in Asia worth EUR 26.5 million. If realized, the orders would include a delivery of a solar module factory to Valoe's manufacturing partner in Asia and solar modules with capacity of more than four megawatts, worth EUR ca. 2.5 million, to the same customer. However, the negotiations are ongoing and the orders are not yet secured.
Valoe estimates that the net sales of Valoe Group will be ca. EUR 3.8 million in 2016 (in 2015: EUR 0.7 million) and the EBITDA ca. EUR 6.9 million (in 2015: EUR -2.8 million). The financial year 2016 is estimated to be profitable with profit for the financial year 2016 of ca. EUR 3.5 million (in 2015: EUR -4.7 million). All figures concern the continuing operations. The audit has not yet been finished.
Previously Valoe has estimated that the net sales of Valoe Group will be ca. EUR 5.5 – 6.0 million in 2016 and the EBITDA ca. EUR 6.5 – 7.0 million. The financial year 2016 was estimated to be profitable with profit for the financial year 2016 of ca. EUR 3.2 – 3.7 million.
Until the above-mentioned advance payment guarantee for the Ethiopian project has been secured or the financing negotiations for the Asian project have been successfully concluded, Valoe's financing situation continues to be very tight and until then the sufficiency of the company's financing and working capital for the next twelve months involve very significant risks. If the above-mentioned guarantee for the order from Ethiopia was not fully arranged or the negotiations for the Asian project did not have a positive outcome, the company's financing situation would further tighten and the continuity of the company's operation may be jeopardized.

Valoe's Financial Statement Release for 2016 will be disclosed on 31 March 2017. The Annual Report for 2016 including the Financial Statements and the Report of the Board of Directors will be released on 30 April 2017 at the latest.

19 April 2017: VALOE HAS AGREED ON AN EUR 3.000.000 EQUITY BASED FINANCIAL ARRANGEMENT WITH BRACKNOR INVESTMENT AND DECIDED TO START PREPARATIONS FOR COMBINATION OF COMPANY'S SHARES (REVERSE SPLIT)

Background of Financial Arrangement

Valoe Oyj ("Valoe" or the "Company") has today entered into a convertible note facility agreement with Bracknor Investment ("Bracknor") concerning a funding arrangement of up to EUR 3,000,000 in convertible loan notes (the "Convertible Notes") that will be accompanied by share subscription warrants (the "Warrants") (the agreement, the Convertible Notes and the Warrants hereinafter referred to collectively as the "Arrangement").
Under the Arrangement, Valoe issues Convertible Notes to Bracknor. The Convertible Notes may be drawn down in maximum of 12 sequential tranches of EUR 250,000 each (the "Tranche") during a period of 18 months as of the date hereof provided that the preconditions for each Tranche are met. Bracknor has the right to convert each Tranche into the Company's newly issued or treasury shares. In addition, Bracknor will receive Warrants stripped from the Convertible Notes at the drawdown of each Tranche, in place of interest rate. The Warrants entitle Bracknor to subscribe to additional shares of the Company with a subscription price described below in this release.
The Company has an obligation to draw down a minimum of two (2) Tranches of the Convertible Notes, i.e. a total minimum of EUR 500,000. The remainder of the Convertible Notes, a total of 10 Tranches i.e. EUR 2,500,000, may be drawn down by the Company at its discretion.

Purpose of Arrangement

The purpose of the Arrangement is to strengthen the Company's working capital situation during the term of the Arrangement assuming that the Arrangement will be implemented as planned.
Iikka Savisalo, CEO of Valoe, commented: "We in Valoe are pleased to start working with a global investor like Bracknor. Bracknor has identified Valoe as a growth company with its competitive edge in one of the quickest growing businesses in the world: electricity generation with solar power. This is another high level acceptance for the Valoe PV-module manufacturing technology."
Pierre Vannineuse, CEO & Founder of Bracknor, declared: "Bracknor is very enthusiastic to announce this long term cooperation agreement with Valoe. We are fully confident in the Company's strategy and the management's ability to generate growth drivers for the longterm while increasingly participating in the Finnish Renewable Portfolio Standard requirements. Finally, we consider the Company to be extremely undervalued while being at an inflexion point given current valuation of energy production assets across the globe."

Commercial Terms of Arrangement

Pursuant to the Arrangement Bracknor may be given in the maximum of 3,000 convertible loan notes against subscription price of EUR 1,000 per each convertible loan note. The Convertible Notes entitle their holder to subscribe to maximum of 300,000,000 shares of the Company in the aggregate.
A Tranche may be drawn down by the Company provided that all previously issued Convertible Notes within the Arrangement have been converted into the shares of the Company or that a cool-down period the length of which is calculated as per the terms and conditions of the

Convertible Notes has lapsed. Bracknor has agreed to subscribe for the Convertible Notes issued by the Company with a conversion ratio calculated at the time the respective conversion is requested so that the conversion ratio is equal to 90 % of the lowest closing bid price observed over a period of fifteen (15) consecutive trading days prior to such conversion request.

The Convertible Notes bear a zero interest rate and have a maturity of 12 months from the issuance of each Tranche. Each Tranche must be converted into the Company's shares upon maturity at the latest.

In connection with the drawdown of each Tranche, Bracknor will receive Warrants free of charge. Bracknor has the right, but no obligation, to subscribe for the Company's shares based on the Warrants. In connection with the Arrangement, Bracknor may be given maximum of 300,000,000 Warrants in the aggregate which entitle their holder to subscribe to maximum of 300,000,000 shares of the Company in the aggregate. The number of Warrants that shall be attached to the Convertible Notes of a Tranche shall be determined as follows: the nominal value of the Convertible Notes of a Tranche divided by the Exercise Price of Warrants, the resulting number of Warrants being rounded down to the nearest whole number. For the purposes of the aforesaid, the "Exercise Price of Warrants" shall be 115% of the lowest closing volume weighted average price in the 5 trading days immediately preceding the request to issue a new Tranche, except for the Warrants issued in connection with the first Tranche in respect of which the Exercise Price of the Warrants shall be 115% of the lowest of (i) the lowest closing volume weighted average price in the 5 trading days immediately preceding the date of signing the agreement on the Arrangement and (ii) the lowest closing volume weighted average price in the 5 trading days immediately preceding the request to issue the first Tranche.

The subscription period of the Company's shares pursuant to the Warrants is five (5) years from the issuance of each Warrant.

The exact number of the Company's shares to be issued based on the conversion of the Convertible Notes and the exercise of the Warrants depends, in the manner described above, on the conversion ratio applied to the Convertible Notes and Warrants and is thus not yet known. Depending on the exact number of the Company's shares to be issued based on the conversion of the Convertible Notes and the exercise of the Warrants, it may be necessary for the Board of Directors of the Company to apply for additional authorisations from the general meeting of shareholders in order to implement the entire Arrangement.

There is a weighty financial reason for the Company to issue the Convertible Notes and Warrants to Bracknor as the purpose of the Arrangement is to strengthen the tight working capital situation of the Company. The subscription price of the Convertible Notes and Warrants as well as the shares of the Company to be subscribed based on the Convertible Notes and Warrants is based on the agreement between the Company and Bracknor.

The drawdown of each Tranche requires that certain representations and warranties given by the Company and other customary conditions relating to financing arrangements of this nature are met.

Bracknor has the right to terminate the Arrangement if the Company's operations become subject to a material adverse effect, there has been a change of control in the Company or in the event of default which, if curable, is not cured within 30 business days.

Valoe will pay Bracknor on the Arrangement a commitment fee equal to EUR 120,000 in Convertible Notes.

For the purpose of implementing the Arrangement in accordance with its terms and conditions, the Company will arrange separately a share issue to the Company itself as well as apply for the listing of shares directed to itself in the share issue.

The terms and conditions of the Convertible Notes and of the Warrants (without schedules) are included in full in the Appendices 1 and 2 of this release.

Combination of the Company's Shares

In connection with entering into the Arrangement, the Company has decided to start the preparations for the combination of the Company's shares (reverse split) with at least 1:100 adjustment in 2017. The Board of Directors of the Company shall make a separate proposal to the Company's annual general meeting or the extraordinary general meeting on the combination of the shares.

21 April 2017: 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 climatel 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.

25 April 2017: ISSUE OF NEW SHARES IN VALOE CORPORATION WITHOUT CONSIDERATION TO THE COMPANY ITSELF

The Board of Directors of Valoe Corporation (the "Company") has, on the basis of the authorization granted by the Annual General Meeting of Shareholders on 24 May 2016, resolved on the issuance of 86,000,000 new shares to the Company itself without consideration in accordance with Chapter 9, Section 20 of the Companies Act. The 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.

After the registration of the new shares in the trade register, the total number of the shares in the Company is 948,472,136 of which 86,000,000 shares are held by the Company.

The new shares are estimated to be registered in the trade register on 27 April 2017, after which the Company will without delay apply for the admission of the shares to public trading on the stock exchange list of Nasdaq Helsinki Ltd.

The purpose of the issue of shares to the Company itself is to implement part of the financing arrangement between the Company and Bracknor Investment approved on 19 April 2017 in accordance with the terms and conditions of such financing arrangement.

30 April 2017: DUE TO THE CHANGES IN VALOE'S FINANCIAL STATEMENT IN APRIL 2017 THE COMPANY'S EQYITY WAS NEGATIVE AS PER 31 DECEMBER 2016. THE MEASURES TAKEN BY THE BOARD OF DIRECTORS TURNED THE EQUITY POSITIVE. THE BOARD OF DIRECTORS CONTINUE THE MEASURES TO STRENGHTEN THE COMPANY'S EQUITY AND TO REMEDY ITS FINANCIAL POSITION.

Because the performance obligations, in accordance with the International Accounting Standard IAS 11, were not satisfied Valoe resolved, in April 2017, to remove the revenue and the costs related to the Ethiopian project from the company's income statement. Thus, Valoe's equity turned negative as per 31 December 2016. In terms of operations, the project will be continued and the company will resume recognising revenue based on percentage of completion when the performance obligations have been satisfied.

The Board of Directors took immediate actions and agreed on converting loans from the related parties to capital loans. Valoe's equity turned again positive after some of the loans from the related parties were converted to capital loans.

Valoe will convene a General Meeting to consider the measures to strengthen the company's equity and to remedy the financial position of the company.

Besides the above-mentioned actions affected the year-end equity situation the Board of Directors has already started implementing other corrective actions to strengthen the company's financial situation and to secure going concern.

On 19 April 2017 Valoe signed an EUR 3 million equity-based financing facility agreement with Bracknor Investment.

Further, Valoe's cash situation improves in 2017 as Valoe has agreed on extending the loans due during 2017 until 30 April 2018, excluding an EUR 0.7 million loan from Danske Bank due in 30 September 2017.

Further, the company's related parties have committed to convert their loan receivables from Valoe to capital loans, if required.

Valoe discloses its Financial Statements for 2016 on 30 April 2017.

30 April 2017: VALOE DISCLOSES UNAUDITED FINANCIAL STATEMENTS FOR 2016

Valoe's Financial Statements for 2016 to be disclosed on 30 April 2017 have not been audited. The auditing has not yet been completed but will be finished without delays. Valoe will disclose a separate release on the Auditors Report as soon as the Report is available. The auditing has not been completed because of the recent changes the company made in the Financial Statements.

In April 2017, based on the International Accounting Standard IAS 11, Valoe disclosed that the performance obligations for recognising revenue from the Ethiopian project have not been satisfied and the company resolved to revise its financial statements per 31 December 2016 retrospectively.

Due to the revisions, the company's equity turned negative as per 31 December 2016 which the company had to remedy as well.

In terms of operations, the project will be continued and the company will resume recognising revenue based on percentage of completion when the performance obligations have been satisfied.

EUR	Note	1 Jan – 31 Dec 2016		1 Jan – 31 Dec 2015	
Net sales	1-3	553 484,06	100 %	811 860,00	100 %
Cost of sales		-2 406 717,48	-435 %	-2 684 413,52	-331 %
Gross profit/loss		**-1 853 233,42**	**-335 %**	**-1 872 553,52**	**-231 %**
Sales and marketing costs		-666 677,96		-675 931,89	
Administrative expenses		-677 490,05		-1 038 252,68	
Other operating income	4	542 360,92		149 535,79	
Other operating expenses	10	-541 301,86		-24 685,26	
Operating loss		**-3 196 342,37**	**-577 %**	**-3 461 887,56**	**-426 %**
Financial expenses	12	7 861,75		1 515,76	
Financial expenses	12	-595 095,46		-937 098,18	
Profit/loss before extraordinary items		**-3 783 576,08**	**-684 %**	**-4 397 469,98**	**-542 %**
Profit/loss before appropriations and taxes		**-3 783 576,08**		**-4 397 469,98**	
Appropriations	13	0,00		0,00	
Income taxes	14	0,00		0,00	
Profit/loss for the financial year		**-3 783 576,08**	**-684 %**	**-4 397 469,98**	**-542 %**

EUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	15	9 082 867,07	9 904 994,72
Tangible assets	16	13 263,67	13 363,91
Investments	17	13 004,60	132 981,99
		9 109 135,34	**10 051 340,62**
Vaihtuvat vastaavat			
Inventories	18	1 122 015,55	254 032,88
Short-term receivables	19	859 622,12	215 953,39
Cash and cash equivalents		1 019,99	1 737,52
		1 982 657,66	**471 723,79**
TOTAL ASSETS		**11 091 793,00**	**10 523 064,41**
LIABILITIES			
Shareholders' equity			
Share capital	20	80 000,00	80 000,00
Profit/loss carried forward	20	-6 497 801,50	-2 100 331,52
Profit/loss for the financial year	20	-3 783 576,08	-4 397 469,98
		-10 201 377,58	**-6 417 801,50**
Accumulated appropriations			
Depreciation difference		0,00	0,00
Obligatory provisions			
Other obligatory provisions	21	45 312,22	58 690,50
Liabilities			
Non-current liabilities	22	14 602 821,97	10 373 000,00
Current liabilities	23	6 645 036,39	6 509 175,41
		21 247 858,36	**16 882 175,41**
TOTAL LIASBILITIES		**11 091 793,00**	**10 523 064,41**

EUR 1 000		1-12/2016	1-12/2015
Cash flow from operating activities			
Income statement profit/loss before extraordinary items		-3 784	-4 397
Non-monetary items adjusted on income statement			
Depreciation and impairment	+	1 316	1 364
Gains/losses on disposals of non-current assets	+/-	412	0
Unrealized exchange rate gains (-) and losses (+)	+/-	4	3
Other non-cash transactions	+/-	-494	0
Financial income and expenses	+	583	932
Other adjustments	+/-	0	0
Total cash flow before change in working capital		-1 962	-2 098
Change in working capital			
Increase (-) / decrease (+) in inventories		-868	-159
Change in reserves		-13	-86
Increase (-) / decrease (+) in short-term trade and other receivables		29	1 066
Increase (+) / decrease (-) in short term trade and other payables		1 443	-1 434
Change in working capital		590	-612
Cash flow from business operations before financial items and taxes		-1 372	-2 710
Adjustment of financial items and taxes to cash-based accounting			
Interest paid and payments for other financial expenses	-	-116	-364
Interest received	+	0	1
Taxes paid	-	0	0
Financial items and taxes		-116	-362
NET CASH FLOW FROM BUSINESS OPERATIONS		**-1 488**	**-3 072**
Cash flow from investments			
Investments in tangible and intangible assets	-	430	493
Proceeds on disposal of tangible and intangible assets	+	8	34
Granted loans	-	672	272
Repayment of loan receivables	+	0	375
Disposal of subsidiaries and other business units	+	0	640
NET CASH FLOW FROM INVESTMENTS		**-1 095**	**284**
Cash flow from financing			
Increase in non-current loans	+	8 20	3 530
Repayment of non-current loans	-	0	8
Increase in current loans	+	2 049	267
Repayment of current loans	-	286	-1 004
NET CASH FLOW FROM FINANCING ACTIVITIES		**2 582**	**2 784**
INCREASE (+) OR DECREASE (-) IN CASH FLOW		**-1**	**-5**
Cash and cash equivalents at the beginning of the financial year		2	6
Cash and cash equivalents at the end of the financial year		1	2
		-1	**-5**

Valoe Oyj
Insinöörinkatu 8, FI-50100 Mikkeli
+358 20 7747 788
www.valoe.com

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
Development costs	3-10 years
Goodwill	5 years
Other expenses with long-term effects	5-10 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.

Other long-term expenses and goodwill

In 2010, the merger of Savcor Alfa Oy on 31 December 2010 gave rise to merger assets. It is presented in goodwill, which was fully amortised during the year 2015.

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. Development costs that accrue revenues for three or more years have been capitalized and are depreciated over 3 to 10 years.

The development cost of Conductive Back Sheet production for solar modules which was transferred from Beijing to the Mikkeli factory is depreciated over 10 years which is in line with the expected useful life.

Development costs in the balance sheet include EUR 2.0 million capitalized costs where the depreciations are estimated to start during the financial year 2017. Research and development is proceeding simultaneously with the Ethiopian project. As Valoe’s Ethiopian customer has not been able to open a Letter of Credit, pursuant to the agreement, securing the payment to Valoe the company had to postpone its research and development projects as well. Thus, the company has not been able to create commercially exploitable results and has not started depreciations. The depreciation of development costs currently capitalized in the balance sheet is expected to end during the financial year 2024.

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. Acquisition costs for software licences are included in intangible rights and depreciated over 5 years.

Investments in non-current assets

The subsidiary Cencorp AB in Sweden was closed during 2016.

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.

The Ethiopian factory project has been divided into sub-projects. Their percentage of completion is estimated on monthly basis. A project manager is responsible for the estimation. Typically, status reports from subcontractors are used for the estimation. Further, a project manager reviews status reports from each section and compares the results with pre-determined checklists/checkpoints. The company has not recognized the revenue from the project as the performance oblications are not yet satisfied.

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 recognized when the delivery of a product including a warranty clause has been approved. The amount of the warranty provision is based on experience concerning the realization of warranty expenses.

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

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

NOTES TO THE INCOME STATEMENT

1. Distribution of net sales by market area

	2016	2015
Europe	539	731
Americas	11	42
Asia and Australia	4	39
Total	**553**	**812**

2. Distribution of net sales by business segment

Laser - ja automaatiosolutions	0	113
Clean Energy	553	699
Total	**553**	**812**

3. Long-term contract revenues recognized on the basis of the percentage of completion

Proportion of net sales recognized under the percentage-of-completion method of the financial year's total net sales	0,0 %	3,9 %
Revenue recognised on percentage of comletion basis during the financial year	0	31
Revenue recognised on percentage of comletion basis during previous financial years	0	0
Amount not recognized as revenue based on the stage of completion	0	34

4. Other operating income

Subsidies received	25	30
Partial reversal of rental security given on behalf of a subsidiary	494	0
Sale of used goods	0	36
Capital gains on disposal of fixed assets	8	1
Other income	15	83
Total	**542**	**150**

5. Materials and services

Materials and supplies		
Purchases during the financial year	1 436	612
Change in inventories	-1 052	-187
	383	**425**
Third-party services	33	220
Total	**416**	**645**

6. Number of personnel

	2016	2015
During the financial period on average		
Procurement and production	9	7
Product development	5	5
Sales and Marketing	2	3
Administration	4	5
Total	**20**	**20**
At the end of the year		
Procurement and production	7	8
Product development	5	4
Sales and Marketing	2	3
Administration	3	4
Total	**17**	**19**

7. Personnel expenses

Wages and remuneration	1 156	1 261
Retirement expenses	164	207
Other indirect employee expenses	76	22
Total	**1 396**	**1 490**

8. Management's salaries and remuneration

CEO and his deputy	169	231
Board members	80	92
Total	**249**	**323**

9. Depreciation and impairment

Depreciation on cost of sales	4	0
Depreciation on development costs	1 311	1 260
Depreciation on sales and marketing	1	0
Depreciation on administration	1	104
Total	**1 316**	**1 364**

10. Operating expenses

Expenses paid on behalf of subsidiaries	7	14
Attorneys expenses in the litigation process with FTTK	108	0
Sale of shares of LSCorp Clean Energy PLC - loss	120	0
Sale of shares of Savcor Pacific Ltd -loss	300	0
Other operating expenses	7	11
Total	**541**	**24**

11. Auditors' fees

KPMG Oy		
Auditors' fees	54	29
Taxation advice	0	2
Other services	7	0
Total	**62**	**32**
Ernst & Young Oy		
Auditors' fees	0	56
Other services	0	1
Total	**0**	**57**

The Ernst & Young's fees during 2015 were related to the audit of 2014.

12. Financial income and expenses

	2016	**2015**
Other interest and financial income		
Interest income	0	1
Exchange rate gains	8	0
Total financial income	**8**	**2**
Interest expenses and other financial expenses		
Interest expenses	489	856
Other financial expenses	87	77
Exchange rate losses	19	4
Total financial expenses	**595**	**937**
Total financial income and expenses	**-587**	**-936**

At the end of the financial year 2016 EUR 0,7 million of equity based loan interests were not booked as an expense.

13. Appropriations

Increase/decrease in depreciation in excess of plan	0	0

14. Income taxes

	0	0

NOTES TO THE BALANCE SHEET

15. Intangible assets

EUR 1 000	Development costs	Intangible rights	Goodwill	Other long-term expenses	Total
Acquisition cost, 1 Jan 2016	11 221	261	891	108	12 482
Additions	474	14	0	0	488
Disposals	0	0	-891	0	-891
Transfers between items	0	0	0	0	0
Acquisition cost, 31 Dec 2016	**11 695**	**276**	**0**	**108**	**12 079**
Accumulated depreciation and impairment, 1 Jan 2016	-1 514	-128	-891	-44	-2 577
Accumulated depreciations of disposals and transfers	0	0	891	0	891
Depreciation for the period	-1 270	-19	0	-22	-1 310
Impairment	0	0	0	0	0
Accumul. depr., 31 Dec. 2016	**-2 784**	**-147**	**0**	**-66**	**-2 996**
Carrying amount, 1 Jan 2016	9 707	134	0	64	9 905
Carrying amount, 31 Dec 2016	**8 912**	**129**	**0**	**42**	**9 083**

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

16. Tangible assets

EUR 1 000	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2016	0	0	136	0	136
Additions	0	0	6	0	6
Disposals	0	0	0	0	0
Transfers between items	0	0	0	0	0
Acquisition cost, 31 Dec 2016	**0**	**0**	**142**	**0**	**142**
Accumulated depreciation and impairment, 1 Jan 2016	0	0	-123	0	-123
Accumulated depreciations of disposals and transfers	0	0	0	0	0
Depreciation for the period	0	0	-6	0	-6
Impairment	0	0	0	0	0
Accumul. depr., 31 Dec. 2016	**0**	**0**	**-129**	**0**	**-129**
Carrying amount, 1 Jan 2016	0	0	13	0	13
Carrying amount, 31 Dec 2016	**0**	**0**	**13**	**0**	**13**

17. 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 %	

The consolidated financial statements include the parent company Valoe Corporation and all of its subsidiaries.

Investments in Group companies	**2 016**	**2 015**
PMJ Testline Oy, investment in Distributable non-restricted equity fund	1	1
Other shares and participations		
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 were written-off at fair value in 2012.

18. Inventories

Materials and supplies	80	247
Work in progress	1 021	0
Finished products/goods	21	7
Total	**1 122**	**254**

19. Short-term receivables

From group undertakings		
Other receivables	0	11
Total	**0**	**11**
Receivables from others		
Trade receivables	31	57
Loan receivable Ethiopia	672	0
Other receivables	76	65
Accrued income	81	83
Total	**860**	**205**
Total short-term receivables	**860**	**216**
Relevant items of accrued income		
Instalment plan receivables	18	11
Accrual of indirect employee costs	61	0
Receivables from percentage-of-completion contracts	0	31
Other accrued income	2	40
Total	**81**	**83**

20. Shareholders' equity

Share capital on 1 Jan	80	3 425
Decrease in share capital to cover the losses	0	-3 345
Share capital on 31 Dec	**80**	**80**
Premium fund on 1 Jan	0	4 696
Premium fund used to cover the losses	0	-4 696
Premium fund on 31 Dec	**0**	**0**
Reserve fund used to cover the losses	0	211
Reserve fund on 31 Dec	0	-211
Reserve fund used to cover the losses	**0**	**0**
Total restricted equity	**80**	**80**
Distributable non-restricted equity fund on 1 Jan	0	44 032
Distributable non-restricted equity fund used to cover the losses	0	-44 032
Distributable non-restricted equity fund on 31 Dec	**0**	**0**
Retained earnings on 1 Jan	-6 498	-54 384
Losses covered with Funds	0	52 284
Profit/loss for the financial year	-3 784	-4 397
Retained earnings on 31 Dec	**-10 281**	**-6 498**
Total non-restricted equity	**-10 281**	**-6 498**
Total equity	**-10 201**	**-6 418**
Subordinated loans	8 995	8 064
Total equity and subordinated loans	**-1 206**	**1 646**

Calculation of distributable non-restricted equity on 31 Dec 2016		
Retained earnings on 31 Dec.	-10 281	-6 498
Unbooked interests on subordinated loans	-670	0
Total	**-10 951**	**-6 498**

21. Obligatory provisions

Warranty provisions	45	59
Total	**45**	**59**

22. Non-current liabilities

	2 016	2 015
Liabilities maturing in one to five years		
Subordinated loans	8 995	7 700
Loans from financial institutions	3 196	1 604
Loans from Group undertakings	2	
Other non-current loans	2 113	
Total	**14 306**	**9 304**
Liabilities maturing in more than five years		
Loans from financial institutions	297	1 069
Total	**297**	**1 069**
Total non-current liabilities	**14 603**	**10 373**

23. Current liabilities

Liabilities to Group undertakings		
Loans from Group undertakings	0	2
Trade payables	88	17
Total	**88**	**19**
Liabilities to others		
Subordinated loans	0	364
Loans from financial institutions	1 373	1 398
Other loans	308	0
Trade payables	2 263	1 303
Other liabilities	1 041	1 603
Accrued expenses	1 572	1 823
Total	**6 557**	**6 490**
Total current liabilities	**6 645**	**6 509**
Material items of accrued expenses		
Subsidies received from the EU for product development projects	67	67
Accrued interest	590	661
Accrued personnel expenses	425	274
Guarantee on lease liability given on behalf of subsidiary	156	650
Provisions for commissions	0	44
Accrued remuneration to Board members	47	13
Other accrued expenses	176	0
Other accrued liabilities	112	114
Total	**1 572**	**1 823**

24. Notes concerning collateral and contingent liabilities

	2 016	2 015
Liabilities secured by mortgages		
Loans from financial institutions	721	950
Business mortgages	12 691	12 691
Export credit limit used	352	448
Business mortgages	12 691	12 691
Rental liabilities		
Maturing the following year	61	61
Maturing later	0	0

25. Related party transactions

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

26.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 5, 50150 Mikkeli or **www.valoe.com**

SIGNATURES OF FINANCIAL STATEMENTS AND DIRECTORS´ REPORT

Mikkeli, 30 April 2017

Hannu Savisalo
Chairman of the Board of Directors

Ville Parpola
Vice Chairman of the Board of Directors

Iikka Savisalo
Member of the Board of Directors

Auditors’ note

A report has been issued today on the audit that has been conducted.

Helsinki, __ ________ 2017

KPMG Oy

Authorized Public Accountants

Petri Kettunen

Authorized Public Accountant

LIST OF ACCOUNTING BOOKS AND VOUCHER TYPES

Tasekirja		sidottuna
Tase-erittelyt		sidottuna
Päivä- ja pääkirja		atk-tallenteina
Tuloslaskelma		atk-tulosteina
Tase		atk-tulosteina
Reskontraerittelyt		atk-tulosteina
Ostoreskontran maksut	tositelaji 000 000	atk-tulosteina
Myyntilaskujen suoritukset	tositelaji 100 000	atk-tallenteina
Tilisiirrot	tositelaji 200 000	atk-tulosteina
Pankkitositteet	tositelaji 400 000	atk-tulosteina
Osatuloutustositteet	tositelaji 320 000	atk-tulosteina
Jaksotustositteet	tositelaji 330 000	atk-tulosteina
Palkkakirjanpito	tositelaji 500 000	atk-tulosteina
Käyttöomaisuuden poistotositteet	tositelaji 600 000	atk-tulosteina
Varastotapahtumat	tositelaji 700 000	atk-tallenteina
Tuntikirjaukset	tositelaji 750 000	atk-tallenteina
Muistiotositteet	tositelaji 800 000	atk-tulosteina
Myyntilaskut		paperitositteina
Ostolaskut		paperitositteina

CORPORATE GOVERNANCE STATEMENT

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 2010. The company also complies with the applicable standards issued by the Financial Supervisory Authority, and the rules and regulations of NASDAQ OMX Helsinki Ltd.

Valoe's Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code approved by the Securities Market Association and Chapter 2, Section 6, Subsection 3 of the Securities Markets Act. 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 2017.

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 2016 annual general meeting did not elect any woman to the Board of Directors.
- Recommendation 14 – 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. In 2016, one of Valoe's three directors was 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 Savcor 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.
- Recommendation 24 – 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.

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 six 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 deter- mines the composition of the Boards of its subsidiaries.

MAIN TASKS OF THE BOARD OF DIRECTORS

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 30 times in 2016. The attendance rate of the Board members was ca. 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 2016.

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.

COMPOSITION OF THE BOARD OF DIRECTORS

The Annual General Meeting held in 2016 elected four members to the Board of Directors.

Hannu Savisalo

- Chairman of the Board since 2009
- b. 1946, M.Sc. (Eng.), Industrial Counsellor (a Finnish honorary title)
- Chairman of the Board of Savcor Group Oy and Savcor Tempo Oy
- 270,255,619 shares in Valoe Corporation on 31 December 2016 through Savcor Group Oy, and 21,874,995 shares in Valoe Corporation through Savcor Invest BV.
- 26.500.000 options connected to the stock option scheme 2015.
- The attendance rate at the Board meetings in 2016 was 100 percent.

Iikka Savisalo

- member of the Board since 2009
- b. 1972, BBA (Accounting)
- CEO of Valoe Corporation
- 270,255,619 shares in Valoe Corporation on 31 December 2016 through Savcor Group Oy, 21,874,995 shares in Valoe Corporation through Savcor Invest BV., 6,870,645 shares in Valoe Corporation through SCI Invest Oy
- 26.500.000 options connected to the stock option scheme 2015.
- The attendance rate at the Board meetings in 2016 was 100 percent.

Ville Parpola

- Independent member of the Board since 2015
- b. 1972, LL.M.
- Chairman of Board of Directors of Tonfisk Design Oy, Oy Marville Ab and Lumonator Oy
- Parpola is an entrepreneur and works as a lawyer in his own law firm. He has a long experience in Valoe Corporation. He has worked as Vice President, Legal Affairs, also in Valoe's predecessors in PMJ Automec Oy and Cencorp Corporation in 1999 – 2010.
- Parpola owns 2,498,759 shares in Valoe Corporation and 19.500.000 options connected to the stock option scheme 2015.
- The attendance rate at the Board meetings in 2016 was 100 percent.

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 2016, 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 member independent of the company and major shareholders was Ville Parpola.
- Iikka Savisalo and Hannu Savisalo exercise control in the Savcor companies and act in the governing bodies of Savcor Group Oy and its affiliated companies and other Savcor Companies.

The non-compliance is justified by the fact that major part of Valoe's shares are owned by the Savcor 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 MANAGEMENT TEAM

Iikka Savisalo

- CEO of Valoe Corporation since 2012
- member of the Board since 2009
- b. 1972, BBA (Accounting)
- 270,255,619 shares in Valoe Corporation on 31 December 2016 through Savcor Group Oy, 21,874,995 shares in Valoe Corporation through Savcor Invest BV., 6,870,645 shares in Valoe Corporation through SCI Invest Oy
- 26.500.000 options connected to the stock option scheme 2015.

Sami Lindfors

- CCEO, Valoe Clean Energy, member of the Management Team since 2010
- b. 1975, MBA
- Sami Lindfors joined the Savcor Group in 1996. In 2001, he transferred to Guangzhou, China, as President of Chinese operations and, since 2004, has served as President of Savcor Face China.
- In 2013 he was nominated as CEO of Valoe Clean Energy.
- 11.500.000 options connected to the stock option scheme 2015.

Henrikki Pantsar

- Vice President, Product Development, member of the Management Team since 2010, until April 2017
- s. 1974, Doctor of Technology
- Henrikki Pantsar has long-term experience in the development of industrial laser processes and engineering related to production and research equipment and applications of laser technology to meet the needs of the new energy industry. He has recently worked at Fraunhofer USA Inc's Center for Laser Technology.
- 1,184,200 shares in Valoe Corporation.
- 4.416.000 options connected to the stock option scheme 2015. The termination of Henrikki Pansar's employment has been considered.
- Henrikki Pantsar has resigned and will join Trumpf Inc., an U.S.-based subsidiary of Trumpf Group, as of 17 April 2017.

Seija Kurki

- Chief Financial Officer, member of the Management Team since 2012
- s. 1963, BBA (Accounting)
- Seija Kurki has held different financial management positions at Savcor Group Oy since 1984.
- 300,000 shares in Valoe Corporation
- 11.500.000 options connected to the stock option scheme 2015.

REMUNERATION

The General Meeting decides on the remuneration of the Board members and auditors. The Board of Directors decides on and approves the President and CEO's terms of employment with a written contract. The Board of Directors decides on the principles of remuneration for senior management. The Board of Directors annually approves, if appropriate, an incentive system for the Company's employees.

The Board of Directors has decided not to set up separate committees since the scope of the Company's business and the size of the Board of Directors do not require matters to be prepared by a group smaller than the Board of Directors. Therefore, the task of preparing the remuneration of the Board of Directors has not been assigned to the nomination committee and the task of preparing the remuneration of other executives has not been assigned to the remuneration committee.

RENUMERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting held in spring 2016 decided that an annual remuneration of EUR 40,000 be paid to both the Chairman and the Vice Chairman of the Board of Directors and an annual remuneration of EUR 30,000 be paid to the Board members. In addition, travel expenses are indemnified in accordance with Valoe Corporation's travel policy. The Board members do not have fringe benefits or other benefits outside their remuneration.

REMUNERATION OF THE PRESIDENT AND CEO AND OTHER MANAGEMENT TEAM MEMBERS

The Company's President and CEO is Iikka Savisalo. The period of notice on the President and CEO agreement is six months, both for the Company and for Iikka Savisalo. Should Iikka Savisalo terminate the President and CEO agreement for a reason not attributable to the Company, the Company shall not be liable to pay Iikka Savisalo any other compensation than the notice period pay. If the Company cancels the President and CEO agreement, the Company shall not be liable to pay Iikka Savisalo the above-mentioned severance pay or any other compensation.

The Board of Directors decides on the principles of remuneration of the members of the Management Team. The remuneration system consists of a monthly salary, options and an annual bonus.

The salaries, fees and fringe benefits paid to President and CEO Iikka Savisalo in 2016 totaled EUR 168,559.20. In 2016, a total of EUR 471,944.61 was paid to the Management Team members as salaries, fees and fringe benefits. No remuneration was paid to the members of the Management Team under the bonus scheme in 2016.

BONUS SCHEMES FOR EMPLOYEES

Valoe has in place a salary-based bonus scheme for management and other employees based in Finland. The Board of Directors decides on the application of the bonus scheme annually. Depending on the job, the maximum amount payable under the bonus scheme 2017 can vary between 8 and 12 percent of the person's regular annual salary. The amount payable to the President and CEO and other executives under the bonus scheme can be up to 15 percent of their regular annual salary.

The payment of the amount under the bonus scheme is linked to the realization of the company's business targets and those set for the person's field of responsibility. In addition, indicators related to processes, personal goals and projects are used.

In 2015 the Board of Directors of Valoe resolved the terms and conditions of a stock option scheme. The maximum total number of stock options issued is 130,000,000 and they entitle their owners to subscribe for a maximum total of 130,000,000 new shares in the company. The stock options will be issued for free. The Board of Directors shall annually decide upon the distribution of the stock options to the key employees of the Group. Of the stock options, 50,000,000 are marked with the symbol 2015A, 40,000,000 are marked with the symbol 2015B and 40,000,000 are marked with the symbol 2015C.

INSIDERS AND INSIDER ADMINISTRATION

Valoe has in place insider rules complying with the guidelines for insiders approved by NASDAQ OMX 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 14 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.

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

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 and methods

Chief Financial Officer

- Management accounting: monitoring and analysis of performance
    - Financial accounting and reporting
    - 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

Valoe 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 reliabil- ity is regularly assessed by an external expert

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. Authorized Public Accountants KMPG Oy Ab, with Petri Kettunen, Authorized Public Accountant, acted as the company's audito in 2016. In 2016 the fees to the auditors totaled EUR 61,841.34.

VALOE OYJ

Corporate Identity Number 0749606-1
Incorporated in Mikkeli, Finland
www.valoe.com

CONTACT

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

DIRECTORS

Hannu Savisalo (Chairman)
Ville Parpola (Independent Board Member)
Iikka Savisalo (Board Member)

CEO

Iikka Savisalo

SECURITIES EXCHANGE LISTING

NASDAQ OMX Helsinki Oy
Listing Identity VALOE

AUDITOR

KPMG Oy Ab
Töölönlahdenkatu 3 A
PL1037
FI-00101 Helsinki
Tel: +358 20 760 3000

VALOe