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THE AUDITORS'S REPORT OF VALOE

Valoe's auditor has today given the following report for the company's Financial Statements for 2016.

In Mikkeli 15 May 2017

Valoe Corporation

Board of Directors

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

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

Auditor's Report

To the Annual General Meeting of Valoe Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valoe Oyj (business identity code 0749606-1) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

Material uncertainty related to going concern basis

We would like to draw attention to the section *Application of the going concern assumption* in the Accounting Principles for consolidated financial statements and to chapters in Note 29 *Financial risk management*. As described in the above-mentioned sources, during the financial year 2016 and at the year-end the company's financial situation was very tight and its liquidity was low. Notes 23 and 24 state that the Group's overdue debts totaled EUR 5.0 million at balance sheet date. The consolidated cash flow from operating activities was negative in the financial years 2015 and 2016.

Based on the assessment made presented in the Directors' Report and the section *Application of the going concern assumption* in the notes, management of the company and the Board of Directors believe that the going concern basis is appropriate in preparing the financial statements. The assessment is based on the following: the company has been able to improve its financing situation by drawing new borrowings in 2017 and by agreeing the deferral of existing borrowings to fall due in 2018. 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 debt. Furthermore, the company has resolved it will not launch delivery projects in full until project funding pursuant to a delivery agreement is available to the company.

The financial statements have been prepared under the going concern assumption. The company's ability to continue as a going concern is dependent on the development of its operations and cash flows, as well as on the company's efforts to settle the borrowings and other liabilities fallen due with its creditors. In our opinion, the above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt upon Valoe Corporation's ability to continue as a going concern.

In addition, we would like to draw attention to the fact that the capitalized product development costs in the consolidated balance sheet total EUR 7.9 million. As described in the previous chapter, there could be material uncertainty related to the company's ability to continue as a going concern and thus the carrying value of the development costs may not be supported.

Our opinion has not been qualified by the matters described above.

Other matters

We were unable to express an opinion on the consolidated financial statements and on the information on the consolidated financial statements presented in the Directors' Report for the financial year ended 31 December 2015. No accounting records had been kept for the Beijing subsidiary for the financial year 2015 for reasons described in the 2015 Director's Report. As a result, we were not able to verify the correctness of receivables, bank account or debt of the Chinese subsidiary. We were not able to obtain sufficient appropriate audit evidence on which to base our audit opinion, and consequently we will not comment on the comparative information for the financial year 2015 in respect of the consolidated financial statements and the information on the consolidated financial statements presented in the Directors' Report.

The pro-forma financial statements referred to in the Directors' Report and note 30. *Events after the end of the reporting period* have not been subject to audit. Our opinion on the financial statements does not cover the pro-forma financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Net Sales – revenue recognition criteria in the Ethiopian project
(refer to Accounting Principles for consolidated financial statements)

The company has an order for a solar module manufacturing plant and back contact technology with a total sales price of EUR 15.8 million. The purpose is that EUR 9.5 million of the sales price will be paid in cash to Valoe and the rest in shares in the manufacturing partner company, resulting in the Group having a 30 percent shareholding in the said company.

During the financial year 2016 the delivery was accounted for as a long-term project, and the revenues were recognized based on completion of a physical proportion of the contract work. In the financial statements the accounting treatment was changed by reversing the project revenue recognized, as the sufficiently certain evidence required under IAS 11 *Construction Contracts* to support the expectation that future project revenues will flow to the company was absent. This uncertainty relates to ensuring the project funding, where the key items include opening of irrevocable letter of credit and arranging necessary counterguarantees.

In the consolidated financial statements the project costs incurred up to the balance sheet date, amounting to EUR 1.0 million, are included in the item Work in progress under Inventories.

Our audit procedures comprised a critical evaluation of both the report on revenue recognition criteria prepared by the company and the portion to be received in shares. We assessed the report by reference to the criteria set under IAS 11 Construction Contracts.

In order to consider the company's financial capability to deliver the project, we evaluated the sources of finance available to the company, level of certainty and sufficiency of project funding to deliver the project and obtained an understanding of the financing contract entered into by the manufacturing partner.

We assessed the budget for the project and the related margin analysis, as well as considered the principles followed in project cost accounting and when applying the percentage-of-completion method, and related accounting methods. Furthermore, we met with management and the project leader to discuss the project development, obtained an understanding of the project management tool used by the company and assessed the documentation prepared to evidence the physical proportion of the contract work.

Capitalised development costs, EUR 7.9 million
(refer to Accounting Principles for consolidated financial statements and notes 6 and 13)
(refer to Accounting, measurement and accrual principles for the parent company financial statements and note 15)

At the balance sheet date 31 December 2016 the capitalised development costs were carried at EUR 7.9 million, which accounted for 75 per cent of the consolidated total assets. The capitalized development costs of the parent company totaled EUR 8.9 million, representing 80 per cent of the parent company's total assets. Accounting for development costs requires management use judgement and make assumptions that affect carrying values and amortisation methods. The consolidated financial statements include development costs amounting to EUR 1.7 million for which the amortisation has not begun. Development costs have been tested for impairment. Valoe determines recoverable amounts based on value in use. Those calculations use discounted future cash flow forecasts in which management make judgments over certain key inputs, for example net sales growth rate, dis-count rate, long-term growth rate and inflation rates. Given the high level of management judgement related to the forecasts used, estimation uncertainty and the significant carrying amounts involved, capitalized development costs is considered a key audit matter.	We assessed the composition of development costs and the capitalization criteria applied, original project plans and discussed the changes in plans with the company representatives. Our audit procedures also included agreeing the non-current asset register to the general ledger, assessing the appropriateness of the amortisation methods and testing amortisation accounting. In addition, we discussed with company representatives how development costs are monitored and accounted for, assessed stages in a project and which criteria are used to consider project stages as being in progress or completed. These matters are critical for commencing amortisation. We analysed management estimates and assumptions, upon which future cash flow forecasts are based. We involved our own valuation specialists when assessing the appropriateness of the assumptions used, such as discount rates. We performed audit procedures to examine the technical accuracy of the calculations. Furthermore, we considered the appropriateness of the disclosures provided in respect of developments costs and impairment testing.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Other Information

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

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

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

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

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

Interim report for the period 1 January – 30 June 2016

We refer to the Securities Market Act, Chapter 7, section 8, subsection 2 and state that in preparing the 2016 financial statements the company decided to reverse the revenues recognised from the Ethiopian project, affecting net sales and related expenses respectively both in the consolidated and parent company's financial statements. This matter is to be considered when assessing the compliance of the consolidated interim report for the period 1 January - 30 June 2016 with the related rules and regulations.

Remark

The company's equity is negative in the financial statements. In our opinion, the Board of Directors of the company has not at once made a register notification on the loss of share capital to the Trade Register as required under the Limited Liability Companies Act (Chapter 20, section 23). Our opinion has not been qualified by this matter.

Helsinki, 15 May 2017

KPMG OY AB

[Signed]
Petri Kettunen
Authorised Public Accountant, KHT