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Auditor's Report

To the Annual General Meeting of Tecnotree Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tecnotree Corporation (business identity code 1651577-0) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement 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 accounting principles for the consolidated financial statements and parent company accounting principles where it is stated that because the liquidity of the company continues to be extremely tight, its financial situation and liquidity remain critical. The amount of overdue trade payables has continued to increase and, according to the estimated cash flow, will be negative in Q2 2017.

At the time of publication of the financial statements, there is no certainty about the 12-month sufficiency of long-term, short-term and working capital financing.

The company's management and the Board of Directors have considered the difficult financial situation and made an assessment of the company's ability to continue as a going concern. Based on their assessment, the management and Board of Directors consider it appropriate to prepare the financial statements on a going concern basis. The assessment is based on an ongoing debt structuring payment plan and the streamlining of operations. Furthermore, the company is negotiating with financiers on short term additional funding to secure liquidity and is aggressively collecting its receivables. It is also seeking long-term external financing, which could be implemented through company or restructuring arrangements.



The continuation of Tecnotree Corporation's operations depends on the successful execution of the above-described measures and the company's ability to continue complying with the payment program established in connection with the debt restructuring process. The continuation of the business thus involves material uncertainty. In our opinion, the completion of the abovementioned measures involves material uncertainty that may cast significant doubt upon Tecnotree Corporation and its subsidiaries to continue as a going concern.

Furthermore, we would like to draw attention to the fact that the goodwill balance in the consolidated balance sheet amounts to EUR 17.6 million. As described in the previous chapter there is uncertainty related to the Group's ability to continue as a going concern and thus the carrying value of goodwill may not be supported.

Our opinion has not been qualified by this matter.

Other matters

We were unable to express an opinion on the financial statements and the report of the Board of Directors for the financial year ended 31 December 2015, thus we will not comment on the comparative information regarding the year 2015.

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
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Valuation of goodwill, EUR 17.6 million (refer to the consolidated balance sheet and note 13)
Valuation of shares in subsidiaries, EUR 8.8 million (refer to the parent company's balance sheet and note 11)

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| — The consolidated balance sheet includes a significant amount of goodwill (EUR 17.6 million) resulting from business combinations made, and at the financial | — We considered the company's estimation process and analyzed the assumptions used in the impairment tests for 2015 by comparing to performance in 2016, |
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year-end the consolidated equity totaled EUR 10.7 million.

- The recoverable amounts for the cash-generating units (segments) are determined based on value in use. Those calculations use discounted future cash flow forecasts in which management makes judgments over certain key assumptions, for example net sales growth rate, discount rate, long-term growth rate and inflation rates.
 - Due to the high level of judgement related to the forecasts used, estimation uncertainty and the significant carrying amounts involved, valuation of goodwill and shares in subsidiaries is considered a key audit matter.
- especially in respect of net sales and profitability. In addition, we assessed the reasonableness of and grounds for the assumptions underlying the goodwill impairment tests, and the technical accuracy of the impairment model.
 - Furthermore, we considered the Group's notes in respect of goodwill and impairment testing.
 - We involved our own valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used to market and industry information.

**Revenue recognition principles, project accounting and valuation of receivables
(refer to Accounting principles for the consolidated financial statements and note 18)**

- The company's order book includes projects with deliveries of over a year, some deliveries even several years. Revenue recognition for fixed-price projects requires management to use judgement and make assumptions, especially in respect of future costs and work load estimates to complete a project.
 - The majority of the Group's net sales are generated from developing countries and many of these have political and economic challenges.
 - The two largest customers accounted for 76 per cent of net sales in 2016.
 - The Group's trade receivables and receivables from construction contracts comprise 45 per cent of the consolidated assets and receivables involve a valuation risk.
- We assessed controls over the sales process and the accuracy of invoicing practices. Our audit procedures focused on testing the key controls over sales.
 - In respect of most significant long-term projects accounted for using the percentage-of-completion method, we analysed the revenue recognition principles applied by comparing to IFRS standards, the company's accounting practices and terms of sale in the contracts. We assessed the Group's monitoring procedures in place for provision of client work and projects accounted using the percentage-of-completion method, and tested the key controls. Furthermore, we analyzed current projects and work load estimates
 - We evaluated monitoring routines for trade receivables and tested the effectiveness of the key controls, analyzed open trade receivables and assessed the payments

received after the financial year-end to identify any receivables potentially impaired.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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 scepticism 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 Chief Executive Officer'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 Chief Executive Officer 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. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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, 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 during the financial year ended Tecnotree Oyj reached a settlement of EUR 6.0 million EUR with a Latin American customer on a long-accrued overdue receivable, concerning the delivery of a USD 24 million convergent online charging



solution, announced in April 2012. The company created an impairment charge of approx. EUR 9.0 million for the remaining amount. 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.

Helsinki, 27 April 2017

KPMG OY AB

(signed)

Toni Aaltonen

Authorised Public Accountant, KHT