KPMG

# Atende S.A.

**Independent Auditor's Report**

**Financial Year ended**

**31 December 2017**

© 2018 KPMG Audyt Sp. z o.o., a Polish limited liability company and a member firm of the KPMG network
of independent member firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity. All rights reserved.

KPMG Audyt Sp. z o.o.
ul. Inflancka 4A
00-189 Warszawa, Polska
Tel. +48 (22) 528 11 00
Faks +48 (22) 528 10 09
kpmg@kpmg.pl

*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

# INDEPENDENT AUDITOR'S REPORT

*To the General Shareholders' Meeting of Atende S.A.*

## *Report on the Audit of the Annual Separate Financial Statements*

We have audited the accompanying annual separate financial statements of Atende S.A., with its registered office in Warsaw, ul. Ostrobramska 86 (the "Entity"), which comprise the separate statement of financial position as at 31 December 2017, the separate statement of comprehensive income, the separate statement of cash flows and the separate statement of changes in equity for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information (the "separate financial statements").

### *Responsibility of the Management Board and Supervisory Board of the Entity for the separate financial statements*

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU"), other applicable laws and adopted accounting policy. The Management Board of the Entity is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

According to the accounting act dated 29 September 1994 (Official Journal from 2018, item 395 with amendments) (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Entity are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act.

### *Auditor's Responsibility for the audit of the separate financial statements*

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with:

- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089) (the „Act on certified auditors");
- International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance;



KPMG Audyt Sp. z o.o., jest polską spółką z ograniczoną odpowiedzialnością i członkiem sieci KPMG składającej się z niezależnych spółek członkowskich stowarzyszonych z KPMG International Cooperative ("KPMG International"), podmiotem prawa szwajcarskiego. Wszelkie prawa zastrzeżone. Wydrukowano w Polsce.

KPMG Audyt Sp. z o.o., a Polish limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Poland.

Spółka zarejestrowana w Sądzie Rejonowym dla m. st. Warszawy, XII Wydział Gospodarczy Krajowego Rejestru Sądowego.

KRS 0000104753
Kapitał zakładowy: 125 000 PLN
NIP 526-10-24-841
REGON 010939471

- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-listed entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27.05.2014, page 77 and Official Journal of the European Union L 170 from 11.06.2014, page 66) (the "EU Regulation"); and
- other applicable laws.

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations mentioned above 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 these separate financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, deliberate omission, intentional misrepresentations or override of internal controls.

The scope of audit does not include assurance on the future viability of the Entity or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Entity.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the separate financial statements that give a true and fair view 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Entity, as well as evaluating the overall presentation of the separate financial statements.

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

*The most significant assessed risks of material misstatements*

During our audit we identified the most significant assessed risks of material misstatements (the "key audit matters"), including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **1. Revenue recognition**<br><br>Sales revenues in 2017: PLN 233,724 thousand; Contract assets – long-term as at 31 December 2017: PLN 1,321 thousand; Contract assets – short-term as at 31 December 2017: PLN 7,998 thousand; Contract liabilities – long-term as at 31 December 2017: PLN 22,135 thousand; Contract liabilities – short-term as at 31 December 2017: PLN 22,664 thousand;<br><br>We refer to the separate financial statements:<br>Point 7 *"Significant accounting principles applied, including measurement methods of assets, equity and liabilities, revenues and costs";* Point 8 *„Significant values based on professional judgment and estimates",* Point 10 *Detailed notes and explanatory information":* Note 1 *"Revenue from contracts with customers, contract assets and liabilities".* | |
|---|---|
| ***Key Audit Matter***<br><br>The Entity's revenue is derived from several sources, which include, among others, supply of hardware, implementation services (integration and others), service and maintenance activities and other professional services. A substantial amount of the contracts with customers are multiple-component contracts, which may contain components of some or all of the revenue sources mentioned above.<br><br>Recognition of revenue from multiple-component contracts is a complex activity, requiring significant judgement used in the identification of separate performance obligations, allocation of consideration for each separate obligation as well as identification of the exact time when a performance obligation has been met, i.e. the proper timing of revenue recognition. In particular, customer contracts may contain an obligation to provide service and maintenance services which will be rendered over the period of two or more financial years. Supply of hardware and implementation services are usually performed and settled during one financial year.<br><br>Revenue recognition is the key audit matter because of:<br>- multiple-component nature of the contracts signed by the Entity with its customers;<br>- significant judgements required from the Entity's management;<br>- the fact, that revenue is one of the key performance indicators of the Entity, as well | ***Audit approach***<br><br>Our audit procedures included, among others:<br><br>• evaluation whether the revenue recognition policy applied by the Entity is in accordance with the relevant financial reporting framework;<br><br>• tests of design and implementation of internal controls related to the separation of individual components within customer contracts, allocation of total consideration to individual components, timing of revenue recognition and segregation of duties in revenue recognition process as implemented by the Management Board in order to reduce the risk of manipulation of the financial statements;<br><br>• comparing the actual 2017 revenues of the Entity with the amount of revenues expected by us based on cash receipts from customers obtained in 2017;<br><br>• reconciliation of a sample of sales transactions to the underlying documentation, which consisted of customer contracts, project budgets, issued sales invoices and/or documentation confirming transfer of goods or services;<br><br>• analysis of significant credit notes issued after the end of the audited year in order to evaluate the appropriateness of the revenue recognition in the audited year; |

| | |
|---|---|
| as a significant element of the bonus scheme applicable to the Management Board members, which increases the risk of manipulation of the financial statements. | • analysis of selected sales transactions recorded at the turn of the financial year with respect to the allocation of revenue to the appropriate period by comparing to underlying documentation such as sales invoices and documentation confirming transfer of goods or services;<br><br>• analysis of sales transactions in the current financial year to identify significant unusual transactions or unexpected sales trends, by comparing current year revenues to prior year results, and Entity's customer list in the current and prior financial year; reconciliation of identified significant unusual transactions to underlying documentation/ external confirmations;<br><br>• analysis of manual journal entries recorded on revenue accounts including, in particular, revenue manual journal entries recorded in correspondence with accounts, on which the Entity usually does not recognize revenue and reconciliation of selected postings to the underlying documentation;<br><br>• obtaining confirmations for a sample of third party sales invoices unpaid as at 31 December 2017 and for all significant related party balances unpaid as at 31 December 2017;<br><br>• assessment of appropriateness of disclosures in the separate financial statements with respect to significant accounting policies and significant judgements related to revenue recognition. |

**2. Recoverable amount of investments in subsidiaries**

The carrying amount of investments in subsidiaries as at 31 December 2017: PLN 22,095 thousand.

We refer to the separate financial statements:
Point 7 *"Significant accounting principles applied, including measurement methods of assets, equity and liabilities, revenues and costs"*; Point 8 *„Significant values based on professional judgment and estimates"*, Point 10 *"Detailed notes and explanatory information"*: Note 12 *Investments in subsidiaries.*

| ***Key Audit Matter*** | ***Audit approach*** |
|---|---|
| The Entity holds shares in subsidiaries engaged in the integration of ICT systems based mainly on proprietary software and delivery of goods and services in other areas of the IT market, including public sector (local government administration, hospitals) and State-controlled energy sector. Due to a strong dependence of results of some of Atende's subsidiaries on public investments, whose level decreased significantly in the recent years, the Entity observed a decline in the growth rate of the financial results of some of its subsidiaries in comparison to growth forecasts adopted at the acquisition date of these companies. Therefore, as at 31 December 2017 the Entity performed impairment tests for investments in subsidiaries, for which impairment indicators were identified.<br><br>The estimate of recoverable amount of investments in subsidiaries is the key audit matter, because the impairment test requires from the Management Board to make significant estimates and subjective assumptions, in particular regarding future cash flows and applied discount rate. Future cash flows forecasts are exposed to significant variability due to changing market conditions. | Our audit procedures included, among others:<br><br>• assessment of compliance of the Entity's accounting policy concerning impairment testing of investments in subsidiaries with the relevant financial reporting framework;<br><br>• tests of design and implementation of internal controls over identification of impairment indicators and preparation of an impairment test for investments in subsidiaries, including identification and assessment of key assumptions;<br><br>• evaluation of completeness of investments in subsidiaries that should be tested for impairment by the Management Board, by comparing actual financial performance for 2017 with budgeted performance of the subsidiaries for this year and evaluation of appropriateness of identification by the Management Board of other internal and external indicators for impairment;<br><br>• involving our own valuation specialists who assisted us in assessing appropriateness and internal methodological coherence of the discounted cash flows model, and also in comparing the impairment model with commonly used impairment models;<br><br>• evaluating the key assumptions and estimates made by the Entity by:<br>o assessing completeness of key assumptions identified by the Management Board in the discounted cash flow model by |

| | |
|---|---|
| | independently performing sensitivity analysis;<br>o evaluating reasonableness of key assumptions adopted by the Management Board such as the growth rate of profit from operating activities by comparing it with the historical financial data of the Entity and also by analyzing actions taken by the Management Board until the date of our audit;<br>o assessing appropriateness of the discount rate by comparing it to external data (with support of our valuation specialists);<br><br>• evaluation of adequacy of disclosures in the separate financial statements with respect to key assumptions, results and sensitivity of the impairment tests. |

*Opinion*

In our opinion, the accompanying separate financial statements of Atende S.A.:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2017 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS EU and the adopted accounting policy;
- have been prepared, in all material respects, on the basis of properly maintained accounting records; and
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association.

**Report on other legal and regulatory requirements**

*Report on the Entity's activities*

Our opinion on the separate financial statements does not cover the report on the Atende Group's and Atende S.A.'s activities in 2017 (the "report on activities").

The Management Board of the Entity is responsible for the preparation of the report on activities in accordance with the requirements of the Accounting Act and other applicable laws. Furthermore, the Management Board and members of the Supervisory Board of the Entity are also required to ensure that the report on activities is in compliance with the requirements set forth in the Accounting Act.

In accordance with the Act on certified auditors our responsibility was to determine if the report on activities was prepared in accordance with applicable laws and the information given in the report on activities is consistent with the separate financial statements. Our responsibility was also to state, if based on our knowledge about the Entity and its environment obtained in the audit, we have identified material misstatements in the report on the activities and describe the nature of each material misstatement.

Based on the work undertaken in the course of our audit of the separate financial statements, in our opinion, the accompanying report on activities in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the separate financial statements.

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit, we have not identified material misstatements in the report on activities.

*Opinion on corporate governance statement*

The Management Board and members of the Supervisory Board of the Entity are responsible for preparation of the corporate governance statement in accordance with the applicable laws.

In connection with the audit of the separate financial statements, our responsibility in accordance with the requirements of the Act on certified auditors was to report whether the issuer of securities obliged to prepare a corporate governance statement, constituting a separate part of the report on activities, included information required by the applicable laws, and in relation to specific information indicated in these laws, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements.

In our opinion the corporate governance statement, which is a separate part of the report on the activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, g, j, k and letter l of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "decree").

Furthermore, in our opinion the information identified in paragraph 91 subparagraph 5 point 4 letter c-f, h and letter i of the decree included in the corporate governance statement, in all material respects:

- has been prepared in accordance with the applicable laws; and
- is consistent with the separate financial statements.

*Independence and the appointment of the audit firm*

Our opinion on the audit of separate financial statements is consistent with our report to the Audit Committee.

During our audit the key certified auditors and the audit firm remained independent of the Entity in accordance with requirements of the Act on certified auditors, the EU Regulation and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' (IFAC) as adopted by the resolutions of National Council of Certified Auditors.

We declare that, to the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 including transitional provisions in art. 285 of the act on certified auditors.

The separate financial statements for the year ended 31 December 2016 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. based on the resolution of the Supervisory Board of the Entity dated 11 May 2016. The separate financial statements for the year ended 31 December 2017 were audited by KPMG Audyt Sp. z o.o. based on the resolution of the Supervisory Board of the Entity dated 25 April 2017.

The total uninterrupted period of engagement of KPMG network firms in audit of the Entity's financial statements is 2 years, covering the periods ending 31 December 2016 and 31 December 2017.

On behalf of audit firm
KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Inflancka 4A
00-189 Warsaw

*Signed on the Polish original*

.......................................................
Małgorzata Kochanowska
Key Certified Auditor
Registration No. 11777

27 March 2018