



Atende S.A. Group

Independent Auditor's Report

Financial Year ended

31 December 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Annual Consolidated Financial Statements

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

Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated 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 Parent Entity is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated 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 Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility for the audit of the consolidated financial statements

Our responsibility is to express an opinion on these consolidated 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;

- 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 consolidated 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 consolidated 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 Group or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Group.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation of the consolidated 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 Group'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 Parent Entity, as well as evaluating the overall presentation of the consolidated 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 consolidated 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

Sales revenues in 2017: PLN 290,617 thousand; Contracts assets – long-term as at 31 December 2017: PLN 1,321 thousand; Contracts assets – short-term as at 31 December 2017: PLN 11,410 thousand; Contracts liabilities – long-term as at 31 December 2017: PLN 22,368 thousand; Contracts liabilities – short-term as at 31 December 2017: PLN 24,175 thousand.

We refer to the consolidated financial statements:

Point 8 "Significant accounting principles applied, including measurement methods of assets, equity and liabilities, revenues and costs"; Point 9 „Significant values based on professional judgment and estimates”, Point 11 "Detailed notes and explanatory information": Note 1 "Revenue from contracts with customers, contract assets and liabilities".

Key Audit Matter

The Group'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.

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.

Revenue recognition is the key audit matter because of:

- multiple-component nature of the contracts signed by the Group entities with its customers;
- significant judgements required from the Group's management;
- the fact, that revenue is one of the key performance indicators of the Group entities,

Audit approach

Our audit procedures included, among others:

- evaluation whether the revenue recognition policy applied by the Group is in accordance with the relevant financial reporting framework;
- 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;
- comparing the actual revenues of selected Group entities in 2017 with the amount of revenues expected by us based on cash receipts from customers obtained in 2017;
- 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;
- 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;
- analysis of selected sales transactions recorded at the turn of the financial year with

<p>as well as a significant element of the bonus scheme applicable to the Management Board members, which increases the risk of manipulation of the financial statements.</p>	<p>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;</p> <ul style="list-style-type: none"> • 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, the Group's customer list in the current and prior financial year; evaluation of appropriateness of identified significant unusual transactions based on the underlying documentation/ external confirmations; • analysis of manual journal entries recorded on revenue accounts, in particular including revenue manual journal entries recorded in correspondence with accounts, on which the Group usually does not recognize revenue and reconciliation of selected postings to the underlying documentation; • 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; • assessment of appropriateness of disclosures in the consolidated financial statements with respect to significant accounting policies and significant judgements related to revenue recognition.
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2. Recoverable amount of goodwill

Net book value of goodwill as at 31 December 2017: PLN 11,921 thousand.

We refer to the consolidated financial statements:

Point 8 "Significant accounting principles applied, including measurement methods of assets, equity and liabilities, revenues and costs"; Point 9 „Significant values based on professional judgment and estimates”, Point 11 "Detailed notes and explanatory information": Note 13 "Goodwill".

Key Audit Matter

The Group recognizes goodwill arising on acquisition of 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. Each entity within the Group is a separate cash-generating unit. Goodwill recognized on acquisition of these entities was allocated to these separate cash-generating units and is monitored by the Group on this level.

Due to a strong dependence of results of some of these cash-generating units on public investments, whose level decreased significantly in the recent years, the Group observed a decline in the growth rate of the financial results of some of these cash-generating units in comparison to growth forecasts adopted in the prior financial year.

Furthermore, according to the relevant accounting standard the Group is required to perform an impairment test for goodwill on an annual basis.

The recoverable amount of goodwill was considered by us as a key audit matter due to:

- identified risk of impairment arising from strong dependence of results of certain cash-generating units on public investments which considerably decreased in the recent years;
- the fact that the impairment test requires from the Management Board to make significant estimates and subjective assumptions, in particular regarding future

Audit approach

Our audit procedures included, among others:

- assessment of compliance of the Group's accounting policy concerning impairment testing of goodwill with the relevant financial reporting framework;
- tests of design and implementation of internal controls over impairment testing of goodwill, including identification and assessment of key assumptions;
- 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;
- evaluating the key assumptions and estimates made by the Group by:
 - assessing completeness of key assumptions identified by the Management Board in the discounted cash flow model by independently performing sensitivity analysis;
 - evaluating reasonableness of key assumptions such as growth rate of profit from operating activities by comparing it with the historical financial data of the Group and also by analyzing actions taken by the Group until the date of our audit;
 - assessing appropriateness of the discount rate by comparing it to external data (with support of our valuation specialists);

<p>cash flows and applied discount rate. Future cash flows forecasts are exposed to significant variability due to changing market conditions.</p>	<ul style="list-style-type: none"> • evaluation of adequacy of disclosures in the consolidated financial statements with respect to key assumptions, results and sensitivity of the impairment tests.
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Opinion

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

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

Report on other legal and regulatory requirements

Report on the Group's activities

Our opinion on the consolidated 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 Parent 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 Parent 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 consolidated financial statements. Our responsibility was also to state, if based on our knowledge about the Group 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 consolidated 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 consolidated financial statements.

Furthermore, based on our knowledge about the Group 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 Parent Entity are responsible for preparation of the corporate governance statement in accordance with the applicable laws.

In connection with the audit of the consolidated 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 consolidated 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, 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 consolidated financial statements.

Independence and the appointment of the audit firm

Our opinion on the audit of consolidated 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 Group 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 consolidated 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 Parent Entity dated 11 May 2016. The consolidated 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 Parent Entity dated 25 April 2017.

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

On behalf of audit firm
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Signed on the Polish original

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Małgorzata Kochanowska
Key Certified Auditor
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27 March 2018