Annual report of ATM S.A.
for the period from 1 January to 31 December 2019

Warsaw, April 2020

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KEY INFORMATION REGARDING THE ANNUAL REPORT

This annual report covers information drafted pursuant to § 70 item 1 of the Regulation of the Minister of Finance of 29 March 2018, and includes the financial statements of ATM S.A. prepared in accordance with the International Financial Reporting Standards, as approved by the European Union, for the period from 1 January to 31 December 2019.

Submission date: 24 April 2020.

This financial statement was approved for publication by the Management Board of ATM S.A. on 24 April 2020.

Key information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
Sector according to the Warsaw Stock Exchange classification: Information Technology
Postal code: 04-186
City: Warsaw
Street: Grochowska
Number: 21a
Telephone: (22) 51 56 100
Fax: (22) 51 56 600
e-mail: inwestor@atm.com.pl
www: www.atm.com.pl
NIP: 113-00-59-989
REGON: 012677986
Authorised auditor: Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k.
Name of parent company of ATM S.A.: AAW III Sp. z o.o.

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD TO THE SUPERVISORY BOARD, CURRENT SHAREHOLDERS AND PROSPECTIVE INVESTORS

Dear Sir/ Madam,

I would like to present to you the financial statement for year 2019. Before I present the facts contained in the report, I would like to state that it was a good year for us, which has been proven by good sales results. After many months of transformation, the Company has become a platform for organic growth with good perspectives for the future.

In the last 2 years, the Company has gone a long way to reach a point, in which its results have exceeded the original expectations, and the growth dynamics reflected by EBITDA have not only been record-breaking in comparison with the previous years, but also have distinguished us in our industry. After the phase of restructuring, improvement of processes, development of the commercial, operating and product-related infrastructure, the Company made good use of year 2019 and grabbed its opportunity to enter the path of dynamic growth.

Most of all, 2019 was a time of focus on our clients, the market, sales opportunities, and effective competition. An important role in our value building strategy was played by well-tailored cloud-based, server and colocation services. In the subsequent months of year 2019, the Company recorded its historic best sales results. We can also be glad of high regularity of these - in 8 out of 12 months of this year, the Company exceeded its sales plans, mainly thanks to services in the Data Center Services Segment. Focusing on clients also brought effects in terms of maintaining client loyalty - during 11 months of the year, our results in this regard were better than expected.

Our efforts on the commercial level were supported by operational activity in the background, which was aimed at making our services better than those of the competition and enhance their cost effectiveness.

As a result, in 2019, the Company achieved a 10% y/y growth of sales revenues and the highest value of EBITDA in its history, reaching PLN 59.7 million with growth dynamics exceeding 24%. Also, worth noting is the key role of the Data Center Services Segment in the growth dynamics of ATM. Business based on data centers increased by 21% y/y. The Company made good use of the growing demand, and the market confirmed that development of colocation, dedicated servers and cloud-based solutions was the right choice. Good results were also achieved in the field of maintaining and developing cooperation with clients using our telecommunication services, and maximum use was made of the potential of the municipal fibre-optic network. As a result, it was possible to reverse the downward trend in the Telecommunication Services Segment. Ultimately, the revenues in this segment improved by 1% in comparison with the previous year, and cost optimization, mainly with regard to costs of services, allowed the Telecommunication Services Segment to contribute to the Company's EBITDA growth.

The highly satisfactory financial results for the previous years were achieved thanks to specific lines of action.

Most of all, they are rooted in effective sales processes. In the high segments of the market, we made good use of most significant market opportunities, for which we competed against other entities in the industry. In the medium segments, we strengthened our Inside Sales team. This has allowed us to benefit more significantly from the potential of medium-sized clients and achieve higher effectiveness of our maintenance and cross-sell activity. We have also continued to develop the intermediate and integrator sales to reach a broader range of clients and spot sales opportunities more quickly. As we had declared, we intensified wholesale activity in terms of quotation of colocation services and access to Internet exchange points, particularly in the segment of international telecommunication operators, operators of large public clouds and content providers.

On the other hand, we implemented a number of technical and operational projects, which improve the value offered to clients, at the same time making it easier for us to conduct sales and to compete on the market. We were the first company in Europe to receive in 2019 the DCOS (Data Center Operations Standard) certificate. It is a global standard, recognised by clients, which encompasses all aspects of operational management of data centers, confirming the high level of its reliability and continuity of operation, as well as security. The colocation space used for sales purposes has been extended by 600 sq. m. We connected more than 100 new office buildings in the largest cities of Poland to the fibre-optic network, facilitating access to B2B clients. We developed the cloud platform resources to enable its scaling and availability to new clients. We introduced automated valuation of non-standard solutions to provide offers to our clients in a shorter time. We diversified the customer service plans for different segments to better match the needs of our clients.

The Company has reached year 2020 and yet another stage of development. We have entered the phase of infrastructural preparations for opportunities that will emerge on the developing market in the coming years. This year will bring even more big investments, particularly in the data center infrastructure, to satisfy the growing demand and meet the needs of large - often global - colocation clients. The Company has prepared development plans for both its colocation facilities in Warsaw and has secured the funds for this purpose. We will soon commence works on the investment, which in the next two years is to increase the potential of colocation services by another 3,000 sq. m of IT space for high power density solutions. We will also invest in cloud-based and server-based services, which constitute significant sources of our growth. We will develop our server platforms, as well as new cloud-based products, such as container solutions. Our development initiatives will also encompass the telecommunication infrastructure as a complementary component of IT solutions delivered to our clients. We plan to modernize the backbone network to get it ready for the coming years of growing demand. Preparations are also in progress to implement SD-WAN services to allow clients easier transmission-based access to resources, which are increasingly often being transferred to outsourced data centers.

The Company will pursue its development plans while facing the obvious challenges caused by the current pandemic-related events. Our priority during the COVID-19 epidemic is to maintain integrity and continuity of operation of all services rendered by ATM S.A., in particular, those supporting the infrastructure, which is of critical importance for functioning of the key public institutions and the most sensitive sectors of economy. We have redefined the infrastructure maintenance processes for the time of the epidemic, we have introduced new principles of access to our data centers, we have secured the stock of IT equipment to be able to render services on behalf of new clients. So far, we have not identified any threats to continuation of our business operations and services. Moreover, the Company generates more than 97.5% of its comprehensive revenues from subscription-based services, which makes it more resilient even to mid-term demand fluctuations. In addition, it provides ICT solutions, in which continuity of operations, accessibility and scalability of the IT infrastructure and data security are the key value, currently sought by companies that are redefining their activity, focusing on a strong share of online channels, remote work and the need to become independent of the internal competences and resources.

Summing up, the commercial and sales capability developed by the Company in the recent years can contribute to its further growth. The solid base of good sales, products, a well-functioning go-to-market, recognisability on the market, unique development opportunities with regard to colocation resources and three mutually complementary, effective legs, namely: data centers, server-based and cloud-based solutions and a dense metropolitan fibre-optic network constitute a good foundation for long-term healthy business activity. As a result of all of the above, our biggest shareholder has decided to close the process of review of the strategic options, which in practice means continuing with the subsequent phase of investments and willingness to take advantage of the growing value of the company in the future.

We are consistently building our competitive advantage based on better quality, greater flexibility, strong adaptation to needs, building of tailored solutions and a broad portfolio of infrastructural services, adapted to applications and data of our clients. We are continuously making efforts to deliver value to our clients under any circumstances and build a secure infrastructural business for our shareholders, characterised by stable growth and good long-term perspectives.

Daniel Szcześniewski

President of the Management Board of ATM S.A.

SELECTED FINANCIAL DATA

	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	in thousand PLN		in thousand EUR	
Total sales revenue	149,020	136,620	34,642	32,018
Sales revenue	106,886	80,653	24,847	18,902
Operating profit	25,563	7,475	5,943	1,752
Profit before tax	9,184	3,269	2,135	766
Net profit	6,014	2,019	1,398	473
Comprehensive income	7,159	1,416	1,664	332
Net cash from operating activities	69,490	42,008	16,154	9,845
Net cash from investing activities	(44,559)	(36,274)	(10,358)	(8,501)
Net cash from financing activities	(25,508)	2,358	(5,930)	553
Increase (decrease) in cash	(578)	8,092	(134)	1,896

	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Fixed assets	547,710	395,492	128,616	91,975
Current assets	40,145	36,173	9,427	8,412
Total assets	587,856	431,665	138,043	100,387
Long-term liabilities	345,709	227,806	81,181	52,978
Short-term liabilities	72,813	42,745	17,098	9,941
Equity	169,333	161,115	39,764	37,468
Share capital *	34,723	34,723	8,154	8,075
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	4.67	4.43	1.10	1.03

**) The share capital was restated in accordance with IAS 29*

The above financial data as at 31 December 2019 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.2585 as published by the National Bank of Poland on 31 December 2019;
- particular items of the profit and loss account and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetical mean of average rates set by the National Bank of Poland as at the last day of each month of the financial period (from 1 January to 31 December 2019) amounting to 4.3017.

The above financial data as at 31 December 2018 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.30 as published by the National Bank of Poland on 31 December 2018;
- particular items of the profit and loss account and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetical mean of average rates set by the National Bank of Poland as at the last day of each month of the financial period (from 1 January to 31 December 2018) amounting to 4.2669.

(all amounts are presented in PLN thousand, unless specified otherwise)

FINANCIAL STATEMENT OF ATM S.A. PREPARED AS OF 31 DECEMBER 2019

INCOME STATEMENT

	NOTE	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018***
Sales revenue	3	149,020	136,620
Costs of services	5	42,135	55,967
Sales revenue		**106,886**	**80,653**
Other operating revenue	6	948	66
Operating costs, including;	5	81,863	72,673
Depreciation and amortisation	5	48,485	34,264
Other operating expenses including:	7	408	571
Write-downs on receivables		241	404
Operating profit (loss)		**25,563**	**7,475**
Share in the profit or loss of equity-accounted entities*		4,075	(176)
Revenue from subsidies		1,554	1,554
Financial revenue	8	225	2,326
Financial costs**	9	22,234	7,910
Profit (loss) before tax		**9,184**	**3,269**
Income tax	10	3,171	1,250
Net profit (loss)		**6,014**	**2,019**
Profit (loss) per share			
Ordinary		0.17	0.06
Diluted		0.17	0.06

REMARKS

*) This item includes the Issuer's share in the financial result of an associate, Linx Telecommunications Holding B.V. ATM S.A.'s share in the remaining part of changes in equity of this company is recognised as "Share in other comprehensive income of associated entities" of the Statement of Comprehensive Income presented below.

**) This item in 2019 contains an impairment write-off for shares of affiliate Linx Telecommunications Holding B.V. in the amount of PLN 8,175 thousand.

***) Data for year 2018 have been converted in accordance with note 32.

(all amounts are presented in PLN thousand, unless specified otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Net profit (loss)	**6,014**	**2,019**
Other comprehensive income that may be reclassified to profit or loss	**1,145**	**(603)**
Exchange differences on translation of shares in affiliates	(300)	837
Share in other comprehensive income of affiliates	1,445	(1,440)
Total comprehensive income	**7,159**	**1,416**

(all amounts are presented in PLN thousand, unless specified otherwise)

STATEMENT OF FINANCIAL POSITION — ASSETS

	NOTE	Closing balance 31/12/2019	Closing balance 31/12/2018*	Opening balance 01/01/2018 *
Fixed assets		**547,710**	**395,492**	**398,595**
Intangible assets	12	14,563	11,622	8,708
Tangible fixed assets	13	480,065	327,516	335,168
Including: Assets due to the right to use	23	139,787	-	-
Investments in associates consolidated using the equity method	14	49,870	54,597	53,474
Other fixed assets**	15	3,213	1,757	1,244
Current assets		**40,145**	**36,173**	**25,660**
Loans granted		-	9	35
Trade and other receivables***	16	21,941	17,923	16,791
Income tax receivables****		57	143	168
Other current assets	17	3,567	2,939	1,599
Cash and cash equivalents	18	14,581	15,159	7,067
Total assets		**587,856**	**431,665**	**424,255**

*) Data for year 2018 have been converted in accordance with note 32.

**) Item Other fixed assets includes long-term receivables due to lease agreements (IFRS 16), which amounted to PLN 891 thousand as at 31.12.2019

***) Item Trade and other receivables includes short-term receivables due to lease agreements (IFRS 16), which as at 31.12.2019 amounted to PLN 1,114 thousand.

****) In 2019, this item included unsettled withholding tax (WHT) amounts.

(all amounts are presented in PLN thousand, unless specified otherwise)

STATEMENT OF FINANCIAL POSITION — EQUITY AND LIABILITIES

	NOTE	Closing balance 31/12/2019	Closing balance 31/12/2018*	Opening balance 01/01/2018 *
Equity		**169,333**	**161,115**	**245,252**
Stated capital	19	34,723	34,723	34,723
Supplementary capital from share premium		123,735	123,735	123,735
Reserve capital		2,458	440	61,144
Capital on the incentive scheme		4,176	3,740	-
Retained earnings	19	4,242	(1,523)	25,650
Long-term liabilities		**345,709**	**227,806**	**128,007**
Long-term loans and borrowings	20	205,757	204,600	101,979
Provision for deferred tax	10	7,578	7,612	7,277
Other liabilities	21	5,287	4,673	13,101
Subsidies received		5,807	7,320	-
Derivative instruments		614	736	337
Lease liabilities **	23	120,667	2,866	5,313
Short-term liabilities		**72,813**	**42,745**	**50,996**
Bank loans and borrowings	20	15,867	12,392	16,321
Income tax liabilities		281	-	-
Trade and other liabilities	22	35,297	26,006	30,012
Subsidies received		1,554	1,595	-
Lease liabilities ***	23	19,814	2,752	4,662
Total equity and liabilities		**587,856**	**431,665**	**424,255**

*) Data for year 2018 have been converted in accordance with note 32.

**) Item Long-term lease liabilities includes long-term liabilities due to lease agreements (IFRS 16), which amounted to PLN 119,160 thousand as at 31.12.2019

**) Item Short-term lease liabilities includes short-term liabilities due to lease agreements (IFRS 16), which amounted to PLN 18,393 thousand as at 31.12.2019.

(all amounts are presented in PLN thousand, unless specified otherwise)

STATEMENT OF CHANGES IN EQUITY

	Stated capital	Supplementary capital from share premium	Reserve capital	Capital on the incentive scheme	Retained earnings, including supplementary capital	Equity
As at 31 December 2018	**34,723**	**123,735**	**440**	**3,740**	**(1,523)**	**161,115**
						-
Impact of implementation of IFRS 16					623	623
As at 31 December 2019	**34,723**	**123,735**	**440**	**3,740**	**(900)**	**161,738**
Net profit					6,014	6,014
Other comprehensive income:					1,145	1,145
Exchange differences on translation of shares in affiliates	-	-	-	-	(300)	(300)
Share in other comprehensive income of affiliates					1,445	1,445
Profit distribution according to resolution	-	-	2,019	-	(2,019)	-
Transactions with owners						
Valuation of the incentive scheme	-	-	-	436		436
As at 31 December 2019	**34,723**	**123,735**	**2,458**	**4,176**	**4,242**	**169,333**

(all amounts are presented in PLN thousand, unless specified otherwise)

	Stated capital	Supplementary capital from share premium	Reserve capital	Capital on the incentive scheme	Retained earnings, including supplementary capital	Equity
As at 31 December 2017 [before adjustment]	**34,723**	**123,735**	**61,144**	**-**	**26,377**	**245,979**
Corrections of prior period errors					(727)	(727)
As at 31 December 2017 (before restatement)	**34,723**	**123,735**	**61,144**		**25,650**	**245,252**
Adjustment to retained earnings IFRS 15	-	-	-	-	(1,457)	(1,457)
Adjustment to retained earnings IFRS 9	-	-	-	-	1,568	1,568
As at 1 January 2018 [restated]	**34,723**	**123,735**	**61,144**	**-**	**25,761**	**245,363**
Net profit					2,019	2,019
Foreign exchange differences on translation of shares in affiliates	-	-	-	-	837	837
Share in other comprehensive income of affiliates					(1,440)	(1,440)
Profit distribution – increase of supplementary capital	-	-	-	-	27,997	27,997
Profit distribution to be allocated to equity	-	-	-	-	(27,997)	(27,997)
Transactions with owners						
Incentive scheme	-	-	-	3,740	-	3,740
Dividend pay-out			(60,704)		(28,701)	(89,405)
As at 31 December 2018*	**34,723**	**123,735**	**440**	**3,740**	**(1,523)**	**161,115**

*) Data for year 2018 have been converted according to note 32.

(all amounts are presented in PLN thousand, unless specified otherwise)

CASH FLOW STATEMENT

	NOTA	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Operating activities		**69,490**	**42,008**
Profit (loss) before tax		9,184	3,269
Adjustments by:		60,305	38,738
Share in the profit or loss of equity-accounted entities		(4,075)	176
Depreciation and amortisation	5	48,485	34,264
Foreign exchange differences			(417)
Interest expenses		13,566	5,376
(Gains) losses on investing activities		422	146
Change in receivables		(3,105)	(1,132)
Change in balance of liabilities, provisions and prepayments*		805	3,493
Change in other assets		(1,881)	(1,828)
Income tax paid		(2,923)	(941)
Other **		9,012	(399)
Investing activities		**(44,559)**	**(36,274)**
Expenditure on purchase of tangible fixed assets		(46,362)	(36,314)
Proceeds from sale of tangible fixed assets		20	15
Repayments of long-term borrowings granted		9	26
Dividends received	25	1,774	-
Financing activities		**(25,508)**	**2,358**
Proceeds from loans and borrowings	20	16,650	109,981
Repayment of term loans	20	(9,338)	(8,902)
Repayment of overdraft amounts	20	(3,283)	-
Repayment of lease liabilities	23	(2,770)	(4,357)
Repayment of lease liabilities based on IFRS 16	23	(13,859)	-
Dividends paid		-	(89,405)
Interest paid		(7,521)	(5,376)
Interest paid based on IFRS 16	23	(5,388)	-
Foreign exchange differences		-	417
Change in cash		**(578)**	**8,092**
Opening balance of cash		**15,159**	**7,067**
Closing balance of cash		**14,581**	**15,159**

* The item “Change in liabilities and provisions” does not comprise the change in liabilities in respect of investment purchases; repayment of these liabilities in the amount of PLN 7.5 million in 2019 is reported in the item “Expenses on tangible fixed assets purchases”.

** The item “Other” includes, most significantly, the change in balance of investments in affiliate due to revaluation (PLN 8,175 thousand).

ADDITIONAL EXPLANATORY NOTES

NOTA 1.
BASIC INFORMATION

1. Information about the Company

ATM S.A. is a joint-stock company. The Company launched its operation in 1994 as ATM Sp. z o.o.(limited liability company). On 10 July 1997, ATM Sp. z o.o. was transformed into a joint-stock company pursuant to a notarial deed drawn up at the Notarial Office in Raszyn on 16 May 1997 (Repertory No 3243/97).

The registered office of the Company is located in Warsaw at Grochowska 21a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting unit. The Company is registered at the District Court for the Capital City of Warsaw in Warsaw, 16th Commercial Division of the National Court Register. The Company is registered under the National Court Register (KRS) No 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange classification, the Company's core business falls within the sector "Information Technology". In the period covered by these financial statements, ATM S.A. provided data center and data transmission services for corporate clients.

As at 31 December 2019, the composition of the Management Board was as follows:

- Daniel Szcześniewski - President of the Management Board,
- Tomasz Galas — Vice-President of the Management Board.

As at 31 December 2019, the composition of the Supervisory Board was as follows:

- Piotr Sieluk — Chairman of the Supervisory Board,
- Mariusz Grendowicz — Deputy Chairman of the Supervisory Board,
- Tomasz Czechowicz — Member of the Supervisory Board,
- Przemysław Głębocki — Member of the Supervisory Board,
- Maciej Kowalski — Member of the Supervisory Board.
- Tomasz Jacygrad — Member of the Supervisory Board,
- Sebastian Millinder – Member of the Supervisory Board.

Changes in the composition of the Management Board and the Supervisory Board have been described in item 16 of "Other information" in the Management Board's report on the Issuer's activities.

2. Basis for preparation of the financial statements

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), as approved by the European Union, and in matters not regulated in the said standards, in accordance with the requirements of the Accounting Act of 29 September 1994 on accounting and secondary legislation issued pursuant to this Act, and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodical information submitted by issuers of securities and the conditions for recognition as equivalent of the information whose disclosure is required under the laws of a state which is not an EU Member State. These financial statements were prepared in accordance with the historical cost principle, except for derivative financial instruments, which are measured at fair value.

NOTA 2.
MATERIAL ACCOUNTING POLICIES

The financial year is the calendar year.

The financial data have been stated in thousands of PLN unless stated with greater accuracy in specific cases. The Polish zloty (PLN) is both the functional and the reporting currency.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. Both in the current period and in the reference period, the Company showed a negative balance of net working capital, which is typical for its business model (rendering of services), and - in the opinion of the Management Board - has no negative impact on assessment of financial condition of the Company. On the date of authorisation of these financial statements, the Management Board did not find - on the basis of financial projections for the period of the following 12 months - any circumstances that would pose a threat to continuation of activity of the Company as a going concern.

1. Declaration of compliance

The financial statements of ATM S.A. for the period ending 31 December 2019 and comparable data for the financial year ending 31 December 2018 have been prepared in accordance with International Financial Reporting Standards, as approved by the European Union. As at the date of approval of these statements for publication, considering the process of introduction of the IFRS in the European Union, the IFRS applicable to these financial statements do not differ from the EU IFRS.

2. Adoption of International Financial Reporting Standards

Early application of standards and interpretations

When preparing these separate financial statements, the Management Board of the Company decided that none of the Standards would be applied early.

New standards and changes to existing standards issued by the International Accounting Standards Board - published but not yet adopted.

- IFRS 14 Regulatory deferral accounts (published on 30 January 2014) - based on the decision of the European Commission, the process of approval of this standard in its preliminary version will not be initiated prior to publication of the final version of the standard - not approved by the EU until the date of approval of these financial statements - applicable to annual periods starting from 1 January 2016 or later;
- Changes to IFRS 10 and IAS 28 Sale or Contribution of Assets between an

  Investor and its Associate or Joint Venture (published on 11 September 2014) - works aimed at approval of these changes have been postponed by the EU indefinitely - the date of entry into force has been deferred by the IASB until further notice;
- IFRS 17 Insurance contracts (published on 18 May 2017) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods commencing on 1 January 2021 or later;
- Amendments to References to the Conceptual Framework in IFRS Standards (published on 29 March 2018) - applicable to annual periods commencing on 1 January 2020 or later;
- Amendments to IFRS 3 Business Combinations (published on 22 October 2018) - applicable to annual periods commencing on 1 January 2020 or later;
- Amendments to IAS 1 and IAS 8: Definition of materiality (published on 31 October 2018) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods commencing on 1 January 2020 or later;
- Amendments to IFRS 9, IAS 39 and IAS 7: Reform of benchmark interest rates (published on 26 September 2019) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods commencing on 1 January 2020 or later.

Dates of entry into force are dates based on standards announced by the International Financial Reporting Board. The standard application dates in the European Union may differ from the application dates based on the standards and are announced upon approval of their application by the European Union.

According to estimates of the Company, new standards and interpretation and amendments to existing standards that are awaiting approval by the EU will not exert material impact on the financial statement of the Company.

New standards and alterations to existing standards issued by the International Accounting Standards Board - published and applied for the first time.

IFRIC 23 “Uncertainty over income tax treatments”.

The interpretation was adopted by the European Union on 23 October 2018 and applies to annual reporting periods commencing on 1 January 2019 or later. Application of this interpretation has no significant impact on the financial statements of the Company.

First time application of IFRS 16 "Lease" ("IFRS 16")

Description of changes

IFRS 16 is effective for annual periods commencing on 1 January 2019 or after this date and has been adopted by the European Union. It is to replace the currently binding standard IAS 17 "Lease" ("IAS 17" and interpretations IFRIC 4, SIC 15 and SIC 27. The Company has applied IFRS 16 since 1 January 2019 ("first time application date").

The new standard presents the overall model for identification of leasing agreements and their settlement in financial statements of lessors and lessees. Substantial changes have been introduced in settlements on the part of the lessee, including withdrawal from differentiation between operating lease and financial lease.

The basic difference between definitions of leasing in IAS 17 and IFRS 16 is the requirement of exercising control of a specific asset being used, specified directly or implied in the agreement. Transfer of the right to use takes place when we are dealing with an identified asset, with regard to which the lessee has the right to virtually all economic benefits and controls use of the asset in a given period.

According to IFRS 16, an agreement is a leasing agreement, if the lessee, in exchange for a consideration, has the right to exercise control, including the right to economic benefits, over use of the identified asset for a defined period of time. This means that the following criteria must be met:

- fulfilment of the contractual conditions applies to a specific asset, which can be clearly or impliedly identified, and the lessor must not have a material right to a replacement,
- the agreement transfers "the right to control over use" of the asset in exchange for a consideration. This means that the lessor has the right of use and the right to receive virtually all economic benefits from use of this asset, considering the scope of the right to use the asset.

If the leasing definition is met, the right to use the asset is recognised along with the appropriate leasing liability established in the amount of discounted future payments throughout the leasing period.

Expenses associated with use of assets that are subject to leasing, previously recognised mostly in costs of third-party services, are now classified as costs of depreciation and interest rates.

Assets due to right of use are subject to straight-line depreciation for the estimated period of economic use, and liabilities due to lease agreements are settled by the effective interest rate.

The Company as a lessor

Agreements, in which ATM acts as the lessor are recognised in accordance with the new standard in the same manner as under IAS 17, with the exception of sublease agreements.

According to IFRS 16, the entity is obliged to assess the classification of sublease through reference of the asset due to the right of use based on the original lease, and not through reference to the underlying asset (for instance, a tangible fixed asset that constitutes the subject of lease). As of the transition date, the Company reclassified some of the agreements classified previously as operating lease under IAS 17 as financial lease according to IFRS 16. The total value of charges based on such agreements, which would have been recognised as revenues from sales under IAS 17, amounted to PLN 1,080 thousand in year 2019.

Sale and leaseback agreements

With reference to the agreement for sale and leaseback of the real estate property, which is the site of the registered office of the Company, the Issuer has singled out the perpetual usufruct right to land as lease. On this basis, the Company recognised the right to the asset and the leaseback liability in the same manner as the right to the asset and the lease liability.

Impact of the IFRS 16 on the financial statements

In the 4th quarter of year 2018, the Company commenced the IFRS 16 implementation project (the project), which was planned to be conducted in three stages:

- stage I - analysis of all agreements in the course of performance for purchase of services, regardless of their present qualification, aimed at selection of those agreements, on the basis of which the Company uses assets belonging to providers,
- stage II - assessment of agreements selected by the Company, which were recognised as representative for the most popular types of leasing and letting agreements concluded by the Company in the context of the classification,
- stage III - implementation of the IFRS 16 on the basis of the concept developed.

The subject of the analysis conducted were all financial lease, operational lease, letting and leasing agreements. Moreover, transactions of services purchased were analysed (costs of third-party services within the scope of operating activity) from the perspective of occurrence of use of identified assets.

The Company identified five main categories of lease agreements (which had not been previously recognised as financial lease):

- real estate property: leasing of the office building and perpetual usufruct of land;
- contracts for lease of optical fibres;
- contracts for lease of space on masts (towers/chimneys/roofs);
- contracts for lease of space in telecommunication nodes (technical space, colocation);
- contracts for lease of space in data processing centers.

In relation to the rights to underground parts of land used by the Company on the basis of contracts for lease of cable ducting, the Company has decided that these are not consistent with the definition of lease, as the entity is not authorised to virtually all economic benefits from use of these assets.

Within the framework of the project, the Company made the appropriate changes in its accounting policy and operating procedures. Methodologies have been developed for proper identification of contracts constituting lease and for gathering of data necessary for proper recognition of these transactions in the accounting books. In addition, the Company implemented the appropriate changes to its information technology systems to adapt them to gathering and processing of the appropriate data.

The Company made the decision to implement the standard as of 1 January 2019. In accordance with the provisional regulations contained in the IFRS 16, the new rules have been adapted retrospectively by referencing the cumulative initial effect of application of the new standard to equity as of 1 January 2019. As a result, comparative data for financial year 2018 has not been restated (a modified retrospective approach).

Described below are individual corrections resulting from implementation of IFRS 16.

Correction description

a) Recognition of lease liabilities

Upon adoption of IFRS 16, the Company recognises its lease liabilities in association with lease, which was previously classified as “operating lease” in accordance with provisions of IAS 17. These liabilities have been measured at current value of lease charges remaining to be paid as at the date of commencement of application of IFRS 16, discounted on the basis of the proper discount rate.

As of the initial recognition date, the lease charges included in valuation of the lease liability include the following types of charges for the right of use of the underlying asset throughout the lease period:

- fixed lease charges reduced by any applicable lease incentives,
- variable lease charges,
- amounts expected to be payable as the guaranteed final value of the subject of lease,
- the price for exercising of the purchase option, if it can be assumed with sufficient certainty that it will be exercised,
- financial penalties for a notice of termination of lease, if the lessee may exercise the contract termination option and it is assumed that the contract termination option will be exercised.

The Company has taken advantage of lease simplifications, in relation to which the underlying asset is of low value (below PLN 15,000), and for these agreements, it will not recognise financial liabilities and the respective assets due to the right to use. The associated lease charges will be recognised as costs using the straight-line method throughout the term of lease.

The Company does not take advantage of the acceptable simplification, which would consist of exclusion of lease agreements with the lease period shorter than 12 months from recognition.

b) Recognition of assets due to the right to use

Assets due to the right to use are valuated at their cost and presented in the statement of financial position together with assets owned by the Company, breaking down the additional information in explanatory notes.

The cost of an asset due to the right to use includes:

- the amount of initial valuation of the lease liability,
- any lease charges paid on or before the commencement date, reduced by any lease incentives received,
- initial direct costs incurred by the lessee in association with conclusion of the lease agreement,
- estimation of costs to be incurred by the lessee in association with the obligation to disassemble and remove the improvements in relation to the underlying asset or to conduct a renovation.

Application of estimates

Implementation of the IFRS 16 requires certain estimations and calculations, which influence valuation of financial lease liabilities and assets due to the right to use. These include among others:

- determination of the lease period,
- determination of the interest rate applied to discount future cash flows.

The lease period

According to IFRS 16, the Company established the lease period to be the irrevocable lease period along with:

- periods, in which there is an option for lease extension, if it can be assumed with sufficient certainty that ATM will exercise this option as a lessee,
- periods, in which there is an option for lease termination, if it can be assumed with sufficient certainty that ATM will not exercise this option as a lessee

Estimating the lease period and the length of the irrevocable lease period, the entity applies the definition of the agreement and specifies the period of enforceability of the agreement. Lease ceases to be enforceable when both the lessor and the lessee have the right to terminate the lease without the need to obtain the consent of the other party and without a significant penalty.

In relation to key groups of assets leased, the Company concludes contracts both for limited periods and for an indefinite period of time. In principle, contracts for limited periods of time are automatically extended for an indefinite period or for a limited period of time.

Estimation of the planned periods of use of the assets has been conducted by the Company for two key groups of assets leased.

(1) leasing of ATM’s strategic assets (the so-called “backbone”) - on the basis of the long-term horizon for use of a given technology, adapted by the Management Board of ATM (not shorter than the notice period of the lessor), according to asset type. These periods vary from 1.5 years to 20 years for buildings, structures and real estate and in accordance with the period of validity of decisions with regard to the rights of perpetual usufruct of land.

(2) The leased assets used directly for rendering of services on behalf of ATM's clients - on the basis of estimation of the average historic contract term with the Company's client. These periods are approximately 30 months long.

Assessing whether it can be assumed with sufficient certainty that ATM as the lessee will exercise the lease extension option or will not exercise the lease termination option, the Company took into account all of the relevant facts and circumstances, which constitute its economic incentive to exercise the lease extension option or to withdraw from exercising the lease termination option, materiality of the asset for operations of the lessor and the impact and nature of penalties associated with termination of the concluded lease contracts.

The Company has assessed that in principle, no contracts for an indefinite period of time exist, in which ATM would conclude that the penalty is not material. Taking into account the nature of assets in both groups and the substantial impact of penalties, which, in fact, lead to classification of these contracts as long-term contract, the Company did not identify any contracts for an indefinite period of time, which would be subject to exclusion as short-term lease.

The discount rate

For all types of contracts, the Company estimated the discount rate, which will impact the final result of valuation of these contracts.

Lease charges are discounted in the first place using the lease interest rate if such rate can be easily established. Otherwise, the Company applies the marginal interest rate of the lessee.

In order to determine the marginal interest rate of the lessee, the Company takes into account the type of the contract, the term of the Contract, its currency and the potential margin that would have to be incurred on behalf of external creditors.

The Company has determined the marginal interest rates considering the term of the lease agreements. The discount rates have been established for individual periods (for contracts concluded for 1-3 years, 4-5 years, 6-7 years and 8-9 years), and a single discount rate for contracts concluded for 10 years or more.

The process of determination of the current marginal interest rate involves the following steps:

- analysis of the current structure of financing of the lessee (e.g. which debt instruments are held by the lessee and the conditions attributable to these instruments);
- determination of the proper reference rate - on the basis of a specific currency, economic conditions and the term of the lease contract;
- analysis of other material lease conditions, including the nature of the underlying assets.

For the purpose of calculation of the discount rates for the purpose of IFRS 16, the Company assumes that the discount rate should reflect the cost of financing that would be incurred for purchase of an item subject to lease.

The Company estimates the discount rate for valuation of lease liabilities, taking into account the risk-free interest rate (e.g. interest rate for Polish treasury bonds denominated in PLN or EUR, for which the term is similar to the term of the lease contract) and the margin, similar to margins applied by banks to loans granted to the Company.

The Company estimates the discount rate for each currency, in which identified lease contracts have been concluded.

As of 31 December 2018, the discount rates calculated by the Company were within the following ranges (depending on the term of the contract):

- for contracts in PLN: from 2.90% to 4.84%
- for contracts in EUR: from 1.80% to 3.65%
- for contracts in USD: from 4.41% to 6.27%

Application of practical simplifications

Applying IFRS 16 for the first time, the Company took advantage of the following practical simplifications, accepted by the standard:

- application of a single discount rate to the portfolio of lease contracts with similar characteristics,
- exclusion of initial direct costs with regard to measurement of assets associated with the right to use on the date of first use, and
- applying of the perspective of time and knowledge acquired post factum in determination of the lease period if the contract provides for options of extension or termination of the lease contract.

Impact on the statement of financial position

Presented below is the impact of application of IFRS 16 on the statement of financial position of the Company as at 1 January 2019:

	As at 31 December 2016		
	Prior to application of IFRS 16	Impact of application of IFRS 16	After application of IFRS 16
ASSETS	**431,665**	**149,810**	**581,475**
Property, plant and equipment, including:	327,516	148,781	476,297
Fixed assets	327,516	(7,616)	319,900
Assets due to the right to use	-	156,397	156,397
Other fixed assets, including:	1,757	203	1,960
Long-term receivables due to lease contracts	-	203	203
Fixed assets	**395,492**	**148,983**	**544,475**
Trade and other receivables, including:	17,923	827	18,750
Short-term receivables due to lease contracts	-	827	827
Current assets	**36,173**	**827**	**37,000**
LIABILITIES	**431,665**	**149,810**	**581,475**
Retained earnings	(1,523)	624	(899)
Equity	**161,115**	**624**	**161,738**
Long-term trade and other liabilities	11,784	-	11,784
Long-term lease liabilities	2,866	130,195	133,061
Long-term liabilities	**226,861**	**130,195**	**357,055**
Lease liabilities *	2,752	18,990	21,742
Short-term liabilities	**43,690**	**18,990**	**62,680**

Impact on equity

Implementation of IFRS 16 will have no impact on retained earnings and equity as of 1 January 2019 due to recognition of assets due to the right to use and the total lease liabilities in the same amount. An exception here is a part of assets due to the right to use, for which the Company acts as a lease agent (sublease) - these contracts have been classified as financial lease, and the previously leased right to use the asset has been adjusted by a part of the asset sub-leased further, which was recognised as a lease receivable. As a result, the impact on retained earnings of the Company as at 1 January 2019 amounted to PLN 624 thousand.

Presented below is the reconciliation of the difference between the amounts of future minimum lease charges due to irrevocable operating lease, disclosed in accordance with IAS 17 at the end of year 2018, and leasing liabilities recognised on the date of first application of IFRS 16:

PLN thousand	**01.01.2019**
Future minimum operating lease liabilities as of 31 December 2018 (without discount)	40,227
(Plus): Perpetual usufruct rights for land	15,751
(Minus): lease contracts for low-value assets	-94

(all amounts are presented in PLN thousand, unless specified otherwise)

Plus: financial lease liability recognised as of 31 December 2018	5,618
Plus/(Minus): adjustment by the difference in recognition of the option for extension/ termination of the lease contract	144,967
Impact of discount upon application of marginal interest rate of the Company (3.52%)	-51,666
Financial liabilities due to lease as of 1 January 2019	**154,803**

Impact on the statement of financial position

In association with application of IFRS 16, cost classification has changed in the income statement of the Company - rents related to lease were replaced with amortisation and interest expenses. The time of recognition of expenses has also changed - recognition of lease expenses takes place faster due to recognition of interest expenses using the effective interest rate method, which had not been applied to contracts other than classified as financial lease in accordance with IAS 17.

Impact on financial ratios

Implementation of IFRS 16 by the Company influenced its balance sheet ratios, including debt to equity ratio. In addition, as a result of implementation of IFRS 16, the measures of profit have changed (including profit from operations, EBITDA), as well as presentation of cash flows due to lease contracts that were not recognised earlier as financial lease (from the section pertaining to operating activities, they have been moved to the section on financing activities). The Company has analysed the impact of these changes on fulfilment of covenants included in loan agreements, to which the Company is a party, and has found no risk of violation of these covenants.

3. Estimates and judgements of the Management Board

During the preparation of these financial statements, the Management Board relies on estimates based on certain assumptions and judgements. These estimates affect the adopted principles and the presented amounts of assets, liabilities, revenue and costs.

The estimates and the related underlying assumptions are based on historical experience and the analysis of diverse factors which are considered reasonable under given circumstances; their results form the basis for professional judgement regarding the value of individual items they concern.

With regard to certain significant issues, the Management Board relies on opinions voiced by independent experts.

Due to the nature of estimates and the adopted forward-looking assumptions, the accounting estimates arrived at in this manner may, by definition, differ from the actual results. The estimates and assumptions adopted are subject to ongoing verification. Any change in accounting estimates will be recognised in the period in which they have been changed, if they concern this period only, or also in subsequent periods.

The Company makes regular (at least annual — on the balance sheet date) estimates concerning the correct determination of the useful life of individual fixed assets, the potential residual value of individual assets, as well as receivable and inventory revaluation write-downs. These estimates are primarily based on historical experience and the analysis of various factors affecting the use of assets and the possibility of taking advantage of the related economic profits.

The Company makes material assumptions in estimation of lease liabilities and the associated assets due to the right of use in accordance with the assumptions specified in section First time application IFRS 16 “Lease” (“IFRS 16”).

Moreover, the Company — in accordance with IAS 28 and IAS 36 — conducts periodical verification whether there are any indications of possible impairment of the investment in shares of an associate. If such indications exist, the Company conducts an impairment test (the value in use of the Issuer’s shares in the associate is estimated).

In association with introduction of the incentive scheme at the Company on 31 October 2018, the Management Board made the necessary estimates for the purpose of valuation of the scheme. As a result of the analysis, some of the instruments, in the number equivalent to the number of derivative instruments acquired by the same authorised persons on the basis of the previous incentive scheme of 31 January 2018, were recognised as a modification without amendment of valuation of derivative instruments, while the remaining part of the instruments was recognised as a new incentive scheme and valuated as of the date of granting of the new rights. Upon valuation of the new equity instruments, estimates were made with regard to the expected variability and the expected average lifetime of the instruments. Detailed information concerning these estimates can be found in Note 31.

Uncertainty over tax treatments

Regulations concerning goods and services tax, corporate income tax and social insurance contributions are subject to frequent changes. These result in lack of proper benchmarks, inconsistent interpretations and too few established precedents, which could be applicable.

The legal provisions in force often lack clarity, which results in differences in opinions with regard to legal interpretation of tax provisions between the state authorities, as well as between the state authorities and enterprises.

Tax settlements and other fields of activity (e.g. the issues of customs charges or foreign currencies) may be subject to inspections by competent authorities, authorised to impose high penalties and fines, and any additional tax liabilities resulting from such inspections must be paid along with high interest rates. Under these conditions, tax risk in Poland is higher in comparison with countries characterized by more mature tax systems.

As a result, amounts presented and disclosed in financial statements may change in the future as a result of a final and binding decision of a tax inspection authority.

4. The accounting principles

Associates

Associates are all entities over which the Company has a material effect but not control, generally meaning the control of between 20% and 50% of the total voting rights in decision-making bodies. Material effect is the ability to participate in decisions made in terms of financial and operational policy related to business activity conducted; however, it does not mean independent or joint control of such policy.

Share in the profit or loss of affiliated entities is presented in item “Share in the financial result of entities valuated on the basis of equity method” in the Statement of Income, while the share of the Company in the remaining part of the change in equity of affiliates is recognised in item “Share in other comprehensive income of affiliates” in the Statement of Comprehensive Income.

Moreover, in line with IAS 28 and IAS 36, the Company conducts a periodic verification of impairment indicators for investments in affiliates, and if any such indicators emerge, the Company conducts impairment tests by determining the recoverable value of investments held in affiliated entities. The impact of recognition or reversal of impairment write-offs is booked as financial expenses or revenues, respectively.

Intangible assets

Intangible assets include assets that lack physical substance, are identifiable and can be reliably valued, and which will result in the flow of economic benefits to the entity in the future.

Intangible assets are initially recognised at acquisition price or cost of production.

Intangible assets created as a result of development works are recognised in the balance sheet after the following conditions are met:

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as to use and sell it;
- the asset will be fit for use or sale;
- the manner in which the asset will generate future economic benefits is known;
- technical and financial resources required to complete the development works and to use and sell the asset will be provided;
- it is possible to determine reliably the expenditure incurred during development works.

Expenditures incurred during research work and expenditures that do not meet the aforementioned conditions are recognised as cost in the profit and loss account on the date they are incurred, under general and administrative costs.

As at the balance sheet date, intangibles are valued at cost less amortisation charges and any impairment write-down.

Rates adopted for amortisation of intangible assets reflect their predicted useful life. Intangible assets with definite useful lives are amortised using the diminishing balance method. Useful lives for individual intangible assets are as follows:

software licenses	2-5 years

development work	3–5 years
trademarks	5 years
copyrights	5 years

The Company does not have intangible assets with indefinite useful life.

Intangible assets are tested for impairment where there are circumstances indicating impairment; for intangible assets in development the potential impairment is determined on every balance sheet date. The effects of impairment of intangible assets are charged to other operating expenses, and their amortisation - to operating costs.

Property, plant and equipment

Property, plant and equipment include fixed assets and expenditures for fixed assets under construction which the entity intends to use in its activities and for administrative purposes over a period longer than one year, and which will cause future economic benefits to flow to the entity. Fixed asset expenditure includes the incurred investment expenditure as well as expenditure incurred in relation to the future supplies of machinery, equipment and services related to the construction of fixed assets (advance payments).

Fixed assets also include important specialist replacement parts that function as elements of a fixed asset.

Property, plant and equipment are initially recognised at acquisition price or cost of production.

On the balance sheet date, fixed assets and fixed assets under construction are valued at cost less depreciation charges and any impairment write-down.

Production cost includes charges and, for specific assets, borrowing costs capitalised in accordance with the Company's accounting principles. Amortisation of these fixed assets starts as they become available for use.

Rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted useful life. The estimated useful life is verified on an annual basis. Fixed assets are depreciated using the diminishing balance method. Useful lives for individual fixed asset items are as follows:

buildings and structures	from 10 to 40 years
machinery and equipment	from 4 to 15 years
vehicles	from 5 to 7 years
other fixed assets	from 4 to 12 years

Own land is not subject to depreciation.

Fixed assets and fixed assets under construction are tested for impairment where there are circumstances indicating impairment; for fixed assets under construction in the development stage the potential impairment is determined on every balance sheet date. The effects of impairment of fixed assets and fixed assets under construction are recognised as other operating expenses.

Financial assets

The Company classifies financial assets as belonging to one of the following categories:

-assets measured at amortised cost - if financial assets are maintained in accordance with the business model, in which the purpose is to maintain financial assets to achieve cash flows based on the contract, and the contract provisions applicable to these financial assets result in emergence of cash flows that constitute only repayment of the principal amount and the interest;

- assets measured at fair value through comprehensive income- if financial assets are maintained in accordance with a business model, in which the purpose is both to maintain the financial assets to obtain cash flows based on the contract and to sell financial assets, and the provisions of the contract result in generating of cash flows that constitute only repayment of the principal amount and the interest;

- Financial assets measured at fair value through profit or loss - any other financial assets.

Revaluation write-downs for receivables and their reversals are charged to other operating expenses and operating revenue, respectively, and recognised separately in the statement of income as revaluation write-downs for receivables. Receivables in foreign currencies are recognised in accounting records and valued on the balance sheet date according to the principles described in the "Foreign Currency Transactions" section.

Receivables whose maturity exceeds 12 months are recognised in the statement of financial condition as "other fixed assets" in the statement of financial conditions.

Other current and fixed assets

The remaining current assets include prepayments. This category includes such expenses incurred, which constitute deferred costs. Prepayments are initially recognised in the amount of expenses incurred. On the balance sheet date, they are valued according to the prudence principle. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled during more than 12 months after the balance sheet date, part of the assets is recognised in the balance sheet as “other fixed assets” .

Other assets also include contract costs - the costs of acquiring the contract (commissions of the sales team) and costs of performance of the contract (the service installation costs) - recognised over time in accordance with IFRS 15.

Cash and cash equivalents

Cash includes cash in hand and cash in bank accounts, including cash held in bank deposits. Cash equivalents include short-term, highly liquid investments, easily convertible into known amounts of cash and subject to insignificant risks of changes in value, including interest due on bank deposits. Cash and cash equivalents are measured at face value. Cash and cash equivalents in foreign currencies are recognised in accounting records and valued on the balance sheet date according to principles described in the “Foreign Currency Transactions” section. For the purposes of cash flow statements, cash and cash equivalents are defined in the same manner as for the purposes of their recognition in the balance sheet.

Bank credits - financial liabilities measured at amortised cost

Bank loans and borrowings are recognised at amortised cost using the effective interest rate method. Authorised overdrafts for which no repayment schedules have been set are an exception. For such loans, the costs related to obtaining them and other fees are charged to financial expenses during the period when they are incurred. In other cases, financial expenses, including the fees due on repayment or redemption and the direct costs of credit contracting, are recognised in the profit and loss account using the effective interest rate method, and they increase the book value of the instrument, taking into account repayments made during the current period.

Trade and other liabilities - measured at amortised cost

Liabilities are commitments to provide services, resulting from past events, whose value has been determined in a fair manner and which will consume the Company’s already existing or future assets.

Liabilities are initially recognised at fair value. Where normal payment deadlines are applied, such as are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which liability is recognised. On the balance sheet date, liabilities are measured at amortised cost and recognised in the balance sheet as long- and short-term liabilities.

Other liabilities include prepayments and accruals, liabilities due to employee benefits and other. Such items include liabilities due for goods or services that have been received or provided, but have not been paid for, invoiced or formally agreed with the supplier, including the amounts due to employees, e.g. for outstanding leaves or bonuses. Despite the fact that in such cases the amount or date of payment for such liabilities has to be estimated, the degree of uncertainty is usually much lower than for provisions and therefore such items are classified as liabilities.

Liabilities in foreign currencies are recognised in books and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section.

As concerns employee benefits, the Company is not a party to any wage bargaining agreements or collective employment agreements. Moreover, the Company does not participate in any pension schemes managed directly by the Company or by external funds. Costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to the labour law provisions after their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods.

Provisions

Provisions are established where the Company is under a legal or constructive obligation resulting from past events and where it is probable that the settlement of this obligation will necessitate an outflow of resources constituting economic benefits and where the amount of this obligation can be reliably estimated, but the amount of this obligation or the date when it becomes due are not certain. Where the effect of the value of money in time is material, the amount of provision is determined through the discounting of forecast future cash flows to present value, with the use of a discount rate reflecting the current market evaluations of the value of money in time and the risks specific to the liability in question. Increases in provisions based on the discounting method over time are recognised as financial expenses.

If the Company expects that the costs included in the provision will be reimbursed in any manner, the reimbursement is recognised as a separate asset when, and only when, it is certain that the reimbursement will be received.

Provisions for specific risks are only established where the outflow of economic benefits from the entity is probable and the estimate may be conducted in a reliable manner.

Transactions in foreign currencies

Economic operations expressed in foreign currencies are recognised in financial statements as at the date on which they are conducted at the following exchange rates:

- the exchange rate actually applied on the given date, resulting from the nature of operations – for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the said currency by the National Bank of Poland for the date in question unless another exchange rate is specified in the customs declaration or another document which is binding for the entity – for other operations.

Assets and liabilities expressed in foreign currencies are valued as at the balance sheet date according to the average exchange rate for the given currency published by the National Bank of Poland. Foreign exchange differences arising from the settlement of transactions expressed in foreign currencies, as well as arising from the balance sheet valuation of assets and liabilities items expressed in foreign currencies are recognised as financial expenses and revenue. Foreign exchange gains and losses are offset before their presentation in the financial statements.

The average exchange rates used to value the foreign exchange positions held by the Company in the periods included in the present financial statements were as follows:

Currency	Average NBP rate as at 31.12.2019	Average NBP rate as at 31.12.2018
EUR	4.2585	4.3000
USD	3.7977	3.7597

Lease - the accounting policy applied until 31 December 2018

A lease is classified as a finance lease if agreement terms and conditions transfer substantially all potential risks and benefits resulting from the use of the lease object to the lessee. All other types of leases are classified as operating leases.

Assets used pursuant to finance lease agreements are treated as Company assets and are measured at fair value on acquisition, not higher, however, than the current value of minimum lease payments. The liability thus arising to the lessor is presented in the balance sheet under other financial liabilities. Lease payments are apportioned between the interest and the principal, so that the interest rate on outstanding liability remains fixed. Interest expenses are recognised as financial expenses in the profit and loss account.

Operating lease payments are recognised as an expense in the profit and loss account over the lease term on a straight-line basis. Received and outstanding benefits as an incentive to conclude an operating lease agreement are recognised in the profit and loss account over the lease term on a straight-line basis.

Lease - the accounting policy applied from 1 January 2019

Upon conclusion of a contract, the Company assesses whether the contract is or contains a lease contract. A contract is a lease or contains a lease, if it grants the right to control use of an identified asset for a given period in exchange for a consideration.

The Company applies a standardised approach to recognition and measurement of all leases, except for lease of low-value assets. On the date of commencement of lease, the Company recognises an asset due to the right to use and a lease liability.

Assets due to the right to use

The Company recognises assets due to the right to use on the date of commencement of lease (that is, the date when the underlying asset becomes available for use). Assets due to the right to use are measured at cost, decreased by total amortisation and impairment write-offs, adjusted by any revaluation of lease liabilities. The cost of assets due to the right to use includes the amount of lease liabilities recognised, initial direct expenses incurred, and any lease charges paid on the commencement date or earlier, decreased by any lease incentives received. If the Company does not have the sufficient certainty that it will acquire ownership of the object of lease at the end of the lease period, the assets due to the right to use recognised are amortised using the straight-line method for the shorter of the two periods: the estimated period of use or the lease period. Assets due to the right to use are subject to impairment tests.

Lease liabilities

On the lease commencement date, the Company measures its lease liabilities in the amount of the current value of current lease charges that remain due on this date. Lease charges include fixed charges (including, in principle, the fixed lease charges) decreased by any lease incentives to be received, variable charges that depend upon the index or rate and the amount, which are expected to be paid within the framework of the guaranteed end value. Lease charges also include the price of exercising of the purchase option, if it can be assumed with sufficient certainty that it will be exercised by the Company, and payment of cash penalties for giving a notice of termination of lease, if the lease terms and conditions provide for such notice being given by the Company. Variable lease charges, which are not index- or rate-dependent, are recognised as expenses in the period of event or condition causing the payment.

In calculation of current value of lease charges, the Company applies the margin interest rate of the lessee on the lease commencement date, if the lease interest rate cannot be easily determined. After the commencement date, the amount of lease liabilities is increased to reflect the interest rates and decreased by lease payments made. Moreover, the balance sheet value of lease liabilities is subject to revaluation in the case of a change in the lease period, in the generally fixed lease charges or a change in judgement with regard to purchase of underlying assets.

Lease of low-value assets

The Company applies the exemption from recognition of lease of low-value assets with regard to lease of low-value office equipment. Lease charges due to lease of low-value assets are recognised as expenses using the straight-line method throughout the lease period.

The Company as a lessor

Lease agreements, in which the Company retains, in general, all risks and benefits associated with holding of the subject of lease, are classified as operating lease agreements. The preliminary direct expenses incurred in the course of negotiation of operating lease contracts are added to the balance sheet value of the asset constituting the object of lease and recognised throughout the lease period on the same basis as revenues from lease of real estate. The Company recognises lease charges from operating lease as income using the straight-line method. Conditional lease charges are recognised as income in the period, in which they become payable.

Lease is classified as financial lease, if generally all risks and benefits resulting from ownership of the underlying asset are transferred.

On the commencement date, the Company recognises the following amounts in the case of each of its financial lease contracts:

a) revenues constituting fair value of the underlying asset or, if the amount is lower than fair value, the current value of lease charges assigned to the Company, discounted using the market interest rate,

b) cost of sale constituting the cost or the balance sheet value, if they are different, of the underlying asset decreased by current value of the non-guaranteed final value, and

c) profit or loss on sales (constituting a difference between revenues and costs from sales) in accordance with the policy of the Company concerning ordinary sale transactions, which are subject to IFRS 15.

Impairment

As at each balance sheet date, the Group reviews the balance sheet value of its assets to look for any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount is estimated in order to determine a potential write-down. Where an asset does not generate cash flows that are largely independent of cash flows from other assets, the analysis is conducted for the group of cash flow generating assets to which the asset in question belongs. The recoverable amount is determined as the higher of the following two values: the fair value less costs to sell or the value in use, which corresponds to the present value of estimated future cash flows discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset (if any).

Where the recoverable amount is lower than the net book value of an asset or a group of assets, the book value is reduced to match the recoverable amount. The resulting loss is charged to expenses in the period during which the impairment occurred.

Goodwill and intangibles in the development process are tested for impairment on an annual basis.

Where impairment is reversed, the net value of an asset is increased to match the newly estimated recoverable amount, which cannot be higher, however, than the net value of this asset which would have been determined if the impairment had not been recognised in previous periods. Impairment reversal is recognised as an adjustment to expenses in the period during which reasons for impairment ceased to exist.

Revenues

Sales revenue is recognised at fair value of consideration received or due and represents amounts due for products, goods and services provided under ordinary business activities after the deduction of rebates, VAT and other sales-related taxes.

Sales revenue is recognised at the time of fulfilment (or in the course of fulfilment) of the obligation to provide a benefit by transferring the promised good or service (that is, asset) to the customer. Transfer of the asset takes place as the client acquires control over this asset.

A decisive majority of services rendered by the Company are subscription-based (cyclical), and thus revenue is also recognised on the basis of the applicable settlement cycles (monthly). Commencement in such cases is usually determined on the basis of the date of signing of the service acceptance protocol by the client (launching of service). For single-time / installation services and fees (other than sale of assets) - revenues are recognised over time, simultaneously with revenues from cyclical services (associated with a given installation fee) - contract liabilities are recognised in the item “Trade and other liabilities” of the Statement of Financial Condition. For transactions of sale of equipment and other assets - revenue is recognised in the period, in which control was transferred to the client.

The time of recognition of revenue, invoicing and receipt of payment from the client determines emergence of receivables, assets and liabilities based on contracts with clients. The amount receivable is recognised in the amount specified in the invoice, after deduction of the allowance for doubtful receivables and in the period, in which the Company transferred the goods or rendered the services on behalf of its clients and when the right to payment is unconditional. Payment conditions differ depending on the contract type; however, in a decisive majority of cases, the maximum term of payment is 30 days. In cases, in which the time of recognition of revenue differs from the time of invoicing, the Company has concluded that contracts with clients do not contain a material financing component.

Assigning of the price on the basis of individual sale prices - due to requirements of the valuation and offering process in the CRM system, all products (goods/services) offered to clients are valuated autonomously, and allocation of potential discounts or rebates for individual products is real and is the final result of the valuation and offering process.

The Company warrants specific quality levels of services rendered, such as availability of services, in accordance with individual conditions of contracts with clients. If a specified level of quality of a given service is not achieved due to a failure of the infrastructure or a damage to the infrastructure of the client in the data centers of the Company, the Company decreases (adjusts) the amount of revenue from a given client in a given period. Historically, the amount of adjustments of this time has not been material (constituting less than 0.1% of total revenue of the Issuer).

Revenue from the provision of services is recognised based on the stage of completion. Where the result of the service cannot be determined reliably, the revenue arising from it is recognised only to the extent of the expenses incurred which the Company expects to recover. Where the sale price of the service in question includes the identifiable value of maintenance services that will be provided in the future, the amount corresponding to this part of revenue is deferred and recognised in the profit and loss account in the periods when the services in question are provided.

Interest income is recognised on a cumulative basis relating to the main amount due, using the effective interest rate method.

Dividend income is recognised when the shareholders’ right to receive payment is established.

Costs of services

The costs of services include costs of external services related to performance of services on behalf of clients, such as:

- costs of purchase of electricity,
- costs of data transmission.
- costs of purchase of Internet bandwidth,
- costs of lease of cable ducting,
- costs of servicing and maintenance of the data center and telecommunications infrastructure.

Borrowing costs

Borrowing costs directly related to the acquisition or production of assets which require more time in order to commission them for use are recognised as costs of production of such assets until the assets are basically ready for their intended use or sale.

Revenue from investments earned as a result of short-term investments of acquired external funds allocated directly to the financing of acquisition or production of assets reduces borrowing costs subject to capitalisation.

Government subsidies

Subsidies are not recognised until obtaining a reasonable assurance that the Company meets the necessary conditions and will receive such subsidies.

Subsidies, in which the principal prerequisite is acquisition or production of fixed assets by the Company, are charged to the statement of income systematically through the expected period of economic use of these assets as revenues from subsidies.

Other subsidies are systematically recognised in the revenue, in the period necessary to compensate the expenses which the subsidies were supposed to compensate. Subsidies due as a compensation of expenses or losses already incurred or as a form of direct financial support for the Company without incurring future expenses are recognised in the profit and loss account in the period in which they are due.

Rules applicable to the recognition of subsidies to fixed assets are also applied to transactions of free of charge receipt of fixed assets.

Costs of employee benefits

Short-term employee benefits, including contributions to particular pension schemes, are recognised in the period in which the Company receives the relevant services from an employee and, in the case of profit-sharing and bonus payments, provided the following conditions have been met:

- the Company has an existing legal or constructive obligation to make such payments as a result of past events, and
- a reliable estimate of such obligation can be made.

In the case of benefits for compensated absences, employee benefits are recognised within the scope of accumulating compensated absences upon the completion of work that increases entitlement to future compensated absences. Non-accumulating compensated absences are recognised when they occur.

Liabilities for employee benefits are recognised as an expense unless they constitute the cost of assets production.

Fair value of incentive schemes based on payment transactions in form of shares settled in equity instruments is recognised in the period of acquisition of rights as a cost in the income statement, and in the statement of financial position, as an increase in equity of the Company. The Company takes into account the conditions of acquisition of rights through adjustment of the number of equity instruments used in measurement of value of the entire transaction, so that the value of goods or services recognised in exchange for the equity instruments granted takes into account the number of instruments, to which rights will be acquired.

The Company bears expenses related to functioning of the Employee Capital Plans (Pracownicze Plany Kapitałowe - PPK) by making contributions to the investment fund. These constitute post-employment benefits in form of a defined benefit plan. The Company recognises the costs of contributions to PPK in the same cost item, in which it recognises the costs of salaries, from which they are deducted. Liabilities due to PPK are presented in “Trade and other liabilities”.

Taxation

Mandatory charges on the financial result include current tax (CIT) and deferred tax.

Current tax expense is calculated on the basis of taxable profit (tax base) for a given fiscal year. Tax profit (loss) differs from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to taxation. Tax expense is calculated based on the tax rates applicable to the financial year in question.

(all amounts are presented in PLN thousand, unless specified otherwise)

Deferred tax is calculated using the balance method as tax to be paid or returned in the future, based on differences between the carrying amount of assets and liabilities and the corresponding tax values used to calculate the tax base.

The deferred tax provision is established for all positive temporary differences subject to taxation, while a deferred tax asset is recognised to the extent that it is probable that the future taxable profit will be decreased by the recognised negative temporary differences and tax losses or tax credits that can be utilised by the Company. The deferred tax asset or deferred tax provisions are not recognised where the temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that does not affect either the taxable or the accounting profit.

The value of deferred tax assets is subject to analysis on every balance sheet date, and where the expected future taxable profit is not sufficient to realise the asset or a part thereof, it is written down.

Deferred tax is calculated using tax rates that will be applicable at the time when the asset is realised, or the liability becomes due. Deferred tax is recognised in the profit and loss account, except for cases where it is related to items recognised directly in equity. In the latter case, the deferred tax is also charged or credited directly to equity.

In the balance sheet, income tax assets and liabilities are offset to the extent the liability is payable to the same revenue office.

The Company offsets the deferred tax assets and provisions and presents the result of such offsets in assets or liabilities of the statement of financial position, respectively.

NOTA 3.
REVENUES FROM SALES

Revenues from sales upon recognition of revenues:

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Sales revenue	148,528	135,897
including revenues from sales due to operating lease	42,121	39,254
Revenue from sales of goods and materials	492	723
Total sales revenue	**149,020**	**136,620**
including:		
- to related entities	14	10

The total value of revenues from sales recognised on the basis of IFRS 15 in 2019 amounted to PLN 106,899 thousand, and in 2018 - PLN 97,366 thousand.

The Issuer recognises a great majority of revenue over time, that is, parallel to fulfilment of the commitment to provide a benefit on behalf of a client (subscription-based services settled in monthly cycles). These revenues are presented in the above table as “Revenues from sales”. Only for a small part of revenues - represented in the table above in the row “Revenues from sales of goods and materials” - recognition of revenues takes place upon provision of the benefit, that is, upon transferring to the client control of an asset (non-subscription-based revenues).

In the period of 2019:

- contractual liabilities (recognised in item “Trade and other liabilities” of the Statement of Financial Position) have increased - in comparison with the opening balance for year 2019 - by PLN 872 thousand and amounted to PLN 3,441 thousand at the end of year 2019 and will be recognised in the following amounts in the subsequent periods:

- up to 1 year - PLN 2,062 thousand
- from 1 to 2 years - PLN 1,196 thousand
- from 2 to 3 years - PLN 183 thousand

Revenues recognised by the Company in year 2019, which were included in the balance of contractual liabilities at the beginning of year 2019, amounted to PLN 1,624 thousand;

- assets due to performance of contracts (included in "Other current assets" of the Statement of Financial Position) increased - in comparison with the opening balance for year 2019 - by PLN 174 thousand, reaching PLN 688 thousand at the end of year 2019.

Revenue recognition

Sales revenue is recognised at the time of fulfilment (or in the course of fulfilment) of the obligation to provide a benefit by transferring the promised good or service (that is, asset) to the customer. Transfer of the asset takes place as the client acquires control over this asset. A decisive majority (around 98% of comprehensive income - by value) of services rendered by the Company are subscription-based (cyclical), and thus revenue is also recognised on the basis of the applicable settlement cycles (monthly). Commencement in such cases is usually determined on the basis of the date of signing of the service acceptance protocol by the client (launching of service). For one-off/ installation services and payments (other than sale of assets), revenue is recognised over time parallel to revenues from cyclical services (for which a given installation charge is paid). For transactions of sale of equipment and other assets - revenue is recognised in the period, in which control was transferred to the client.

Due to the fact that services rendered by ATM are subscription based (and due to the cyclical nature of settlements with the clients), any variable consideration components (such as charges for consumption of electricity, Web traffic) are charged on ongoing basis and in real values, and thus they do not require estimation.

The Company acts as a lessor for the following types of services rendered on behalf of the clients:

- colocation services - lease of dedicated server rooms and separated parts of server rooms;

- dedicated server lease services;

- dedicated back-up office services;

- optic fibre lease services.

In each of the cases listed above, the nature and contractual conditions of services rendered indicate that this is operating lease according to IAS 16. The only exception is a part of services constituting optic fibre lease, which are based on infrastructure leased by the Company from its suppliers, and thus constitute a sub-lease in accordance with IFRS 16. In such case, the Company is obliged to assess the classification of sublease through reference of the asset due to the right of use based on the original lease, and not through reference to the underlying asset (for instance, a tangible fixed asset that constitutes the subject of lease). As at the date of implementation of IFRS 16 - that is, 01.01.2019 - the Company reclassified its agreements of this kind, classified previously as operating lease under IAS 17, to financial lease according to IFRS 16. The total value of charges based on such agreements, which would have been recognised as revenues from sales under IAS 17, amounted to PLN 1,080 thousand in year 2019.

NOTA 4.
OPERATING SEGMENTS

Main products

Within the period covered by this Report, the Issuer provided services in 2 core operating segments: the Data Center Services Segment and the Telecommunications Services Segment. All services are offered in the B2B (business-to-business) model.

- As a part of the Data Center Services Segment, the Issuer renders services based on the in-built data center infrastructure.
    - **Colocation.** The Company owns properly equipped and protected rooms (data centers) where it provides colocation, i.e. rents out adequately fitted space for telecommunications hardware,

e.g. servers, together with uninterrupted power supply and telecommunications networks connection (data transmission and Internet access).

  - **Services based on the data center infrastructure (higher layer) — including dedicated servers, cloud computing, backup offices.** ATM S.A. offers the service of lease of dedicated servers (Atman EcoSerwer), which may be used for launching websites, business application and other Internet or intranet services (normally a service is launched within one hour of the receipt of an order). The offer also includes the cloud computing service — Atman Cloud, and backup office services.

- In the **Telecommunication Services Segment,** the Issuer provides the following services:
  - **Data transmission.** These are data transmission services provided in the entire territory of Poland, with very high transmission quality parameters. In Warsaw and other largest Polish agglomerations, broadband data transmission services are provided with no bandwidth limitations via the Company's own metropolitan fibre-optic networks. The Company maintains points of interconnection with networks belonging to major intercity and international data carriers.
  - **Internet access services.** This type of service consists in the configuration and supervision of broadband Internet lines for telecommunications providers, Internet and Application Service Providers (ISP/ASP), websites, media and corporate customers. The services offered ensure very high data transmission rates and reliability. Within the framework of Internet access services, traffic interchange between the providers and recipients of information and digital Web content takes place. The Company operates interconnect nodes in Warsaw and key European agglomerations, as well as its own, distributed system of wholesale traffic exchange (Thinx IX).
  - **Other, including telephone services (ISDN and VoIP).** The Issuer offers phone services, among others, in the ISDN technology, which is a complex telecommunication solution based on dedicated digital lines installed using the fibre-optic or radio communications technology. In addition, the Company offers a solution allowing for a smooth transition from traditional phone services to a network based fully on VoIP (Voice over IP) technology).

Adjusted revenues from sales [PLN thousand]*	2019	2018
Data Center Services Segment	**75,883**	**62,823**
including: Colocation and security services	50,494	44,567
including: Higher layer services and other services	25,389	18,256
Telecommunications Services Segment	**74,217**	**73,797**
including: Data transmission and voice and other services	50,002	49,878
including: Internet access	24,215	23,919
Total revenues from core operating segments	**150,100**	**136,620**

**data in the table above has been presented after eliminating the impact of IFRS 15 on revenues of the Issuer in accordance with the description concerning financial lease in the section Recognition of revenues in Note 3.*

Starting from the periodic report for the 1st quarter of 2018, the Issuer has presented in the Telecommunications Services Segment the revenues and margin achieved outside the core operating segments, including sales of administrative services. The revenue in this category makes only a small (and decreasing) contribution to the overall profit on sales and does not represent a significant burden on the Company's fixed costs. In the previous periodic reports, this stream of revenues and margins was presented separately in the "Other" column.

The above change in the mode of presentation of data was due to the need to enhance coherence between periodic reports and managerial reports used by the Management Board of the Company.

The allocation of fixed assets is based on identification of their actual use. For assets used by both segments, allocation is made based on indices (on the basis of proportions of sales revenues generated by both segments).

The value of the Issuer's shares in its associated company is shown in the column marked "Not allocated".

The costs of services and costs of remuneration of employees in the organisational units responsible for the performance of services are allocated to segments in accordance with their direct relationship.

Starting from the periodic report for the 1st quarter of year 2018, the Issuer has not allocated other operating revenues to segments on the basis of indices. Therefore, the so-called Segment Margin is calculated at the segment level, constituting a difference between Profit from sales for a given segment and its allocated costs of remuneration of employees working in departments responsible for performance of services.

The above change in the mode of presentation of data was also due to the need to enhance coherence between periodic reports and managerial reports used by the Management Board of the Company.

In order to maintain comparability of data for year 2019 with data for periods ended before 1 January 2019, as well as to ensure cohesion of data presented in periodic report with data contained in managerial reports used by the Management Board of the Company, data concerning operating segments below has been presented after elimination of the impact of IFRS 16 on revenues and expenses of the issuer. The appropriate adjustments in this regard to reconcile the Issuer's results with the values presented in the Income Statement have been presented in separate items in the table below.

(all amounts are presented in PLN thousand, unless specified otherwise)

Company's results broken down by operating segment in the period from 01.01.2019 to 31.12.2019:

	Data Center Services Segment	Telecommunications Services Segment	Not allocated	Adjustments due to implementation of IFRS 16	Total
Fixed assets	**241,499**	**256,341**	**49,870**		**547,710**
Sales revenue	75,883	74,217	-	(1,080)	149,020
Costs of services	24,168	35,053	-	(17,087)	42,135
Sales revenue	51,715	39,164	-	16,007	106,886
Costs of remuneration of employees working in departments responsible for performance of services	4,508	3,196	-		7,704
Segment results	**47,207**	**35,968**	**-**	**16,007**	**99,182**
Other operating expenses, including:				14,294	74,159
Depreciation and amortisation				16,454	48,485
Other net operating revenue and expenses				1,120	540
Operating profit (loss)				**2,833**	**25,563**
Revenue from subsidies					1,554
Net financial revenue and expenses*				(4,827)	(17,934)
Profit (loss) before tax				**(1,995)**	**9,183**
Income tax					3,171
Net profit (loss)					**6,014**

Company's results broken down by operating segment in the period from 01.01.2018 to 31.12.2018:

	Data Center Services Segment	Telecommunications Services Segment	Not allocated	Total
Fixed assets	**171,059**	**169,835**	**54,597**	**395,491**
Sales revenue	62,823	73,797	-	136,620
Costs of services	19,763	36,204	-	55,967
Sales revenue	43,060	37,593	-	80,653
Costs of remuneration of employees working in departments responsible for performance of services	4,357	3,355	-	7,712
Segment results	**38,703**	**34,238**	**-**	**72,940**
Other operating expenses, including:				64,961
Depreciation and amortisation				34,264
Other net operating revenue and expenses				(505)
Operating profit (loss)				**7,475**
Revenue from subsidies				1,554
Net financial revenue and expenses*				(5,760)
Profit (loss) before tax				**3,269**
Income tax				1,250
Net profit (loss)				**2,019**

*) Including share in the financial result of companies valuated using equity method.

(all amounts are presented in PLN thousand, unless specified otherwise)

Geographical segments as at 31 December 2019 and 2018

	For 01/01-31/12/2019	For 01/01-31/12/2018
Domestic customers	132,259	122,561
Foreign customers	16,761	14,059
Revenue on sales total	**149,020**	**136,620**

In the above table, the item "foreign customers" includes only sales to foreign-registered customers. This category does not include sales to foreign users for whom services are provided through a Polish-registered entity.

NOTA 5.
OPERATING COSTS

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Costs of services	42,135	55,967
Operating costs	81,863	72,673
Total costs related to core business	**123,997**	**128,640**
including:		
Depreciation and amortisation	48,485	34,264
Adjustment by received subsidies to fixed assets	-	-
Consumption of materials and energy	16,433	13,068
External services	31,227	49,747
Taxes and charges	1,294	1,568
Payroll	19,581	23,334
Employee benefits	4,903	4,329
Other	1,670	1,808
Value of goods and materials sold	404	522
	123,997	**128,640**

Payroll

Payroll costs include salaries payable according to the terms and conditions of employment contracts concluded with individual employees. Payroll costs also include bonuses, paid leave and share-based payment.

In 2019, the value of costs of payroll and other employee benefits, capitalised to property, plant and equipment and intangible assets, amounted to PLN 6,559 thousand, and in 2018 - PLN 5,721 thousand.

Employment at the end of respective period

	As at 31/12/2019	As at 31/12/2018
Management Board	2	2
Administration and finances	43	49
Sales and Marketing	60	62
Technical Division	97	98
Other	37	40
Total	**239**	**251**

(all amounts are presented in PLN thousand, unless specified otherwise)

Costs of research and development

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Costs included directly in costs related to core business	-	-
Amortisation costs related to deferred costs of development works	-	57
Total	**-**	**57**

Costs of development works are recognised as intangible assets upon fulfilling the conditions and principles described in Note 2. Amortisation of capitalised costs of development works is included in operating costs. In 2019, the Company did not incur expenditures for research and development works.

NOTA 6.
OTHER OPERATING REVENUE

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Profits from sale of property, plant and equipment and rights to use assets	849	-
Compensations received	3	21
Other	95	45
Total	**948**	**66**

Revenue and gains that are not directly related to the Company operations are classified as other operating revenue. This category includes subsidies received, gain on disposal of tangible fixed assets, compensation received as reimbursement of court fees, overpaid tax liabilities (except for corporate income tax), compensation received for losses regarding the Company's insured property and compensation received from customers due to early termination of the Company's services (contractual penalties).

Other operating revenue also includes reversals of revaluation write-downs on receivables and inventories, as well as write-downs related to tangible fixed assets impairment.

NOTA 7.
OTHER OPERATING EXPENSES

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Loss on disposal and liquidation of fixed assets	-	146
Revaluation write-offs for receivables	241	404
Donations given	12	7
Other	155	14
Total	**408**	**571**

Costs and losses related to the Company's operations, but not directly related to the core types of operating expenses, are classified as other operating expenses. This category includes losses on the disposal of tangible fixed assets, donations to other entities (both in cash and in kind) including public benefit entities, litigation expenses, and expenses related to revaluation write-offs for receivables and impairment write-offs, as well as costs of future credit losses in accordance with IFRS 9.

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTA 8. FINANCIAL REVENUES

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Exchange rate profit/loss	140	417
Interest on bank deposits	16	3
Interest on deferred and overdue payments	62	3
Interest on borrowings		1
Revaluation of shares in affiliates		1,902
Other	**8**	-
	225	**2,326**

NOTA 9.FINANCIAL COSTS

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Interest on bank loans	8,015	5,990
Interest on instalment purchases	-	176
Interest on overdue payments	46	16
Financial lease costs	5,551	297
Revaluation of financial assets and financial instruments	267	1,431
Revaluation of shares in affiliates	8,175	
Other	180	-
Total	**22,234**	**7,910**

The item “Revaluation of financial assets and financial instruments” includes the cost of revaluation of the IRS contract that hedges the risk of changes in interest rates on the investment loan incurred (PLN 267 thousand in 2019).

Borrowing costs, interest payable under financial lease agreements to which the Company is a party and FX losses are classified as financial expenses.

Terms and conditions pursuant to which the Company uses external sources of funding (bank loans) have been presented in Note 20.

Disclosures of income, expenses, gains or losses according to categories of financial instruments

For the period 01/01–31/12/2019	Financial assets measured at amortised cost	Financial liabilities measured at amortised costs	Total
Revaluation of financial assets and financial instruments		(267)	(267)
Interest revenues	78		78
Interest expenses		(13,566)	(13,566)

For the period 01/01–31/12/2018	Financial assets measured at amortised cost	Financial liabilities measured at amortised costs	Total

Revaluation of financial assets and financial instruments	410		410
Interest revenues	7		7
Interest expenses		(6,461)	(6,461)

NOTA 10.
INCOME TAX

The current tax expense is calculated on the basis of applicable tax regulations. Pursuant to these regulations, tax profit (loss) is distinguished from the accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to taxation. Tax expense is calculated based on the tax rates applicable to the financial year in question.

Both the tax and balance sheet years are identical with the calendar year.

Differences between the nominal and effective tax rates are as follows:

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Gross result before taxation	9,184	3,269
Statutory tax rate	19%	19%
Tax at the tax rate	**1,745**	**621**
Permanent differences including:	1,426	629
Revenues that are permanently excluded from the tax base	(774)	(213)
Costs of charge-off of affiliate other than tax deductions	1,553	-
Other bookkeeping costs permanently excluded from tax deductions	463	132
Costs of the incentive scheme	83	711
Other differences including OB adjustment through retained earnings	101	-
Tax at the effective rate	**3,171**	**1,250**

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Statutory tax rate	19%	19%
Current tax expense	3,204	941
Deferred income tax	(32)	309
Tax expense reported in the profit and loss account	**3,171**	**1,250**

Deferred tax is established due to temporary differences in value of assets and liabilities. Deferred income tax as at 31 December 2019 and 31 December 2018 results from the items shown in the table below.

	Closing balance 31/12/2019	Closing balance 31/12/2018	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018

Deferred tax provision				
SCN loan valuation adjustment	255	340	(84)	49
Difference between the carrying amount and tax value of property, plant and equipment	9,699	9,288	410	433
Difference between the carrying amount and tax value of receivables from lease contracts	380	-	380	-
Adjustment of costs due to installation charges - IFRS 15	131	98	33	12
Foreign exchange gains	-	46	(46)	(23)
Gross deferred tax provision	**10,464**	**9,772**	**692**	**471**
Asset due to deferred income tax				
Difference in value of assets due to the right to use and lease liabilities	131		(131)	
Adjustment of revenues due to installation charges - IFRS 15	654	488	(166)	(60)
Adjustment of revenues due to difference in electricity prices	34	-	(34)	-
Write-downs on receivables	403	358	(45)	(62)
Foreign exchange losses	89	-	(89)	105
Social insurance liabilities	105	106	1	(7)
Deferred income/expenses and accruals	1,353	1,068	(285)	(62)
Effects of IRS valuation	117	140	23	(76)
Gross deferred tax assets	**2,886**	**2,160**	**(724)**	**(162)**
Net tax assets (tax provision)	**(7,578)**	**(7,612)**		
Deferred income tax charge against profit			**(32)**	**309**

NOTA 11.
EARNINGS PER SHARE AND DIVIDENDS

	For the period 01/01–31/12/2019	**For the period 01/01–31/12/2018**
Weighted average number of shares	36,343,344	36,343,344
Net earnings for 12 months (in PLN thousand)	6,014	2,019
Net earnings per share (PLN)	0.17	0.06
Diluted net earnings per share (PLN)	0.17	0.06

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary Company shareholders by the weighted average number of ordinary shares issued that are outstanding during the financial year.

Shares in ATM S.A. are ordinary shares and no preference is attached to them concerning either voting rights or dividend pay-outs.

Dividends paid and declared

On 28 June 2019, the Ordinary General Meeting of the Company decided to appropriate the net profit of the Company for year 2018 in the amount of PLN 2,018,913 in full to reserve capital.

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTA 12.
INTANGIBLE ASSETS

Intangible assets concern primarily licenses for computer systems and software tools used in the Company's operations.

As at 31 December 2019, there were no impairment write-downs concerning intangibles. There were no intangible assets whose legal ownership is subject to restrictions or pledged as collateral.

There are no contractual obligations for the acquisition of intangible assets.

Changes in the net value of intangibles are presented in the following tables.

Changes in intangible assets in the period from 1 January to 31 December 2019

	Concessions and licenses
Gross value	
As at 31 December 2019	**20,689**
increases:	
- acquisition	6,265
decreases:	
- sales and liquidation	-
As at 31 December 2019	**26,954**
Depreciation	
As at 31 December 2019	**9,067**
increases:	
- amortisation/depreciation	3,323
decreases:	
- sales and liquidation	
As at 31 December 2019	**12,390**
Net as at 1 January 2019	**11,622**
Net as at 31 December 2019	**14,563**

Changes in intangible assets in the period from 1 January to 31 December 2018

	Costs of completed development works	Concessions and licenses	Total
Gross value			
As at 1 January 2018	**507**	**14,992**	**15,499**
increases:			
- acquisition	-	5,697	5,697
decreases:			
- sales and liquidation	-	-	-
As at 31 December 2018	**507**	**20,689**	**21,196**
Depreciation			
As at 1 January 2018	**450**	**6,340**	**6,790**
increases:			

- amortisation/depreciation	57	2,728	2,785
decreases:			
- sales and liquidation	-	-	-
As at 31 December 2018	**507**	**9,067**	**9,575**
Net as at 1 January 2018	**57**	**8,651**	**8,708**
Net as at 31 December 2018	**-**	**11,622**	**11,622**

NOTA 13.
TANGIBLE FIXED ASSETS

	Closing balance 31/12/2019	Closing balance 31/12/2018
Fixed assets	**458,282**	**321,464**
Land	45,055	40,934
Buildings and structures	338,660	209,838
Machines and equipment	71,066	66,320
Vehicles	3,080	3,755
Other	422	617
Fixed assets in progress	**17,647**	**5,953**
Advance payments for fixed assets in progress	**4,136**	**97**
Total	**480,065**	**327,516**

In 2019 and 2018, the amount of fee for the conversion of the right of perpetual usufruct into the ownership of land was recognised in the "Land" item.

The "Buildings and structures" item includes investments in data centers and fibre-optic networks.

As at 31 December 2019, there were no material impairment write-downs on fixed assets.

Property, plant and equipment whose legal ownership is subject to restrictions or which are covered by commitments include:

- a set of movables with the net booking value as at 31.12.2019 amounting to PLN 64.7 thousand, on which a registered pledge was established as a collateral for investment loans described in Note 20.

- land and buildings, on which mortgage collaterals for investment loans were established (listed in Note 20).
- of net booking value as at 31.12.2019 amounting to PLN 111.3 million.

There are no contractual obligations concerning a future acquisition of tangible fixed assets.

Changes in the value of fixed assets are presented in the following tables.

Changes in fixed assets from 1 January to 31 December 2019

	Land	Buildings and structures	Machines and equipment	Vehicles	Other	Total
Gross value						
As at 31 December 2018	**40,934**	**289,443**	**172,022**	**5,629**	**1,024**	**509,052**
Effect of application of IFRS 16	**4,173**	**144,608**				**148,781**
As at 31 December 2019	**45,107**	**434,050**	**172,022**	**5,629**	**1,024**	**657,833**
increases:						
- acquisition	-	18,129	22,977	-	53	41,159

(all amounts are presented in PLN thousand, unless specified otherwise)

- other	-	-	-	80	-	80
decreases:						
- sales and liquidation	-	7,621	8,501		-	16,122
As at 31 December 2019	**45,107**	**444,559**	**186,498**	**5,709**	**1,077**	**682,950**
Depreciation						
As at 1 January 2018	**-**	**79,605**	**105,702**	**1,874**	**407**	**187,588**
increases:						
- amortisation/depreciation	52	26,453	17,653	755	248	45,162
decreases:						
- sales and liquidation	-	159	7,923			8,082
As at 31 December 2019	**52**	**105,899**	**115,432**	**2,629**	**655**	**224,668**
Net as at 31 December 2019	**45,055**	**338,660**	**71,066**	**3,080**	**422**	**458,282**

Changes in fixed assets from 1 January to 31 December 2018

	Land	Buildings and structures	Machines and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2018	**40,934**	**279,597**	**163,371**	**5,381**	**603**	**489,886**
increases:						
- acquisition	-	9,845	17,062	-	421	27,328
- other (including financial lease)	-	-	-	248	-	248
decreases:						
- sales and liquidation	-	-	8,411	-	-	8,411
As at 31 December 2018	**40,934**	**289,443**	**172,022**	**5,629**	**1,024**	**509,052**
Depreciation						
As at 1 January 2018	**-**	**70,314**	**92,807**	**951**	**270**	**164,342**
increases:						
- amortisation/depreciation	-	9,291	21,129	923	137	31,480
decreases:						
- sales and liquidation	-	-	8,234			8,234
As at 31 December 2018	**-**	**79,605**	**105,702**	**1,874**	**407**	**187,588**
Net as at 31 December 2018	**40,934**	**209,838**	**66,320**	**3,755**	**617**	**321,464**

NOTA 14.
FINANCIAL ASSETS

OTHER FINANCIAL ASSETS

INVESTMENTS IN ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

	Closing balance 31/12/2019	Closing balance 31/12/2018
Shares in other undertakings	63,487	63,487
(-) impairment write-downs/write-downs due to revaluation using the equity method	(13,617)	(8,890)
Total	**49,870**	**54,597**

(all amounts are presented in PLN thousand, unless specified otherwise)

Name	Registered office	Scope of activity of the enterprise	Type of relationship	Consolidation method
Linx Telecommunications Holding B.V.	Hullenbergweg 375 1101 CR Amsterdam, the Netherlands	telecommunication services	affiliate	consolidation using the equity method

Takeover date	Value of shares at acquisition price	Carrying value of shares	Stake in share capital	Consolidation type indicator (other)	Share in the overall number of votes at the general meeting
8/21/2007	63,487	49,870	21.02%	-	21.02%

as at the end of year 2019	Linx Telecommunications Holding B.V. EUR	Linx Telecommunications Holding B.V. PLN
I. Entity equity, of which:	33,628	143,205
1. share capital	131	558
2. called up share capita	-	-
3. supplementary capital	32,546	138,597
4. other equity	951	4,050

	For the period 01/01–31/12/2019	For the period 01/01–31/12/2018
Exchange differences on translation of shares in affiliates, recognised in comprehensive income	(300)	837

In the opinion of the Management Board of ATM, in 2019, there were indicators of a change in value of shares in Linx in comparison with the valuation obtained at the end of year 2018, which, despite the positive contribution of the share of ATM in changes in equity of Linx (based on equity method) has resulted in a need to recognise an additional revaluation write-off. The Issuer took into account the information received from Linx, conducted a multiplier effect analysis of transactions on the European market involving assets comparable to the assets of Linx from the beginning of year 2015 and analysis of applicable discount to assets of Linx located in Russia to determine the recoverable investment value as fair value decreased by costs of sale. On the basis of the analysis conducted, the Issuer determined the recoverable value of investment in shares of Linx at the level of PLN 49.87 million as at 31 December 2019. The key parameters included in the calculation of the recoverable value specified above are as follows:

- Enterprise Value/EBITDA multiplier;
- the discount factor due to location of operating activity of Linx (Russia);
- EBITDA generated by the Russian company of the Linx Group;
- balance of cash in the Linx Group (decreased by debt value) as at 31.12.2019.
- forecast costs of sale.

NOTA 15.
OTHER FIXED ASSETS

	Closing balance 31/12/2019	Closing balance 31/12/2018
Guarantee deposits	704	668
Costs of acquiring contracts with clients	1,421	962

(all amounts are presented in PLN thousand, unless specified otherwise)

Prepayments for services	196	128
Receivables due to lease contracts	891	-
Total other fixed assets	**3,213**	**1,757**
including payable within:		
from 1 to 2 years	2,611	1,584
from 3 to 5 years	601	173

Guarantee deposits include amounts retained by clients in association with goods and services delivered - in most cases, such deposits are retained for periods ranging from 1 to 5 years. Guarantee deposits are not indexed.

NOTA 16.
TRADE AND OTHER RECEIVABLES

	Closing balance 31/12/2019	Closing balance 31/12/2018
Trade receivables	19,937	19,131
Tax and other receivables	2,304	305
Receivables due to lease contracts (IFRS 16)	1,114	-
Receivables under litigation	707	376
Gross total	**24,063**	**19,812**
Revaluation write-downs	(2,122)	(1,889)
Net total	**21,941**	**17,923**

A great majority of trade receivables originate from contracts with clients.

Other receivables are mainly deposits paid on contracts with business partners and VAT tax receivables.

Trade receivables do not bear interest and they are usually payable within 14 to 35 days.

In the opinion of the company, there is no credit risk concentration related to trade receivables thanks to the big and diversified client base. Maximum exposure of the Company to credit risk is reflected by balance sheet value of these receivables.

Changes in revaluation write-offs for receivables in 12-month periods ended on 31.12.2019 and 31.12.2018, respectively, have been presented below:

	Closing balance 31/12/2019	Closing balance 31/12/2018
Opening balance	1,890	1,508
Increases, of which:	241	513
Created	241	513
Decreases, of which:	9	131
Reversal	9	131
Closing balance	**2,122**	**1,889**

Exposure of the Company to credit risk on trade receivables as at 31 December 2019 is as follows:

	Not overdue	Overdue	Total

		<30	30-60	60-90	90-180	180-360	360-720	>720	
The rate of expected credit losses	0.39%	1.00%	5.00%	10.00%	25.00%	50.00%	100.00%	100.00%	
Gross total of trade receivables	13,410	3,264	953	770	294	227	342	677	**19,937**
Accumulated impairment write-off*	(52)	(33)	(48)	(76)	(73)	(114)	(342)	(677)	**(1,415)**
Total	**13,358**	**3,231**	**905**	**694**	**221**	**113**	**-**	**-**	**18,522**

* values provided in this item do not include the write-off for receivables under litigation in the amount of PLN 707 thousand.

Exposure of the Company to credit risk on trade receivables as at 31 December 2018 is as follows:

	Not overdue	Overdue							Total
		<30	30-60	60-90	90-180	180-360	360-720	>720	
The rate of expected credit losses	0.39%	1.00%	5.00%	10.00%	25.00%	50.00%	100.00%	100.00%	
Gross total trade receivables	12,758	2,856	1,228	582	342	264	536	565	**19,131**
Accumulated impairment write-off*	(50)	(29)	(61)	(57)	(85)	(131)	(536)	(565)	**(1,514)**
Total	**12,708**	**2,827**	**1,167**	**525**	**258**	**133**	**-**	**-**	**17,617**

* values provided in this item do not include the write-off for receivables under litigation in the amount of PLN 376 thousand.

NOTA 17.
OTHER CURRENT ASSETS

	Closing balance 31/12/2019	Closing balance 31/12/2018
Prepayments for services	801	875
Costs of installing services	691	516
Costs of acquiring contracts with clients	2,076	1,547
	3,567	**2,939**

Other current assets include expenses related to deferred costs. In particular, these include prepaid service fees. These assets are charged to the operating expenses on the time basis, the revenue basis or on the basis of the amount of service, depending on their nature. Other current assets include costs of installation of services, recognised over time in accordance with IFRS 15, and trade commissions related to acquisition of contracts, recognised over time in accordance with IFRS 15.

NOTA 18.
CASH AND CASH EQUIVALENTS

	Closing balance 31/12/2019	Closing balance 31/12/2018

(all amounts are presented in PLN thousand, unless specified otherwise)

Cash in hand	7	16
Cash in bank	11,714	12,564
Short-term deposits	2,859	2,578
Total	**14,581**	**15,159**

Cash at bank bears interest at floating interest rates which depend on the interest rate of overnight bank deposits. Short-term deposits have various maturities ranging from overnight to three months, depending on current demand for cash and bear interest according to the agreed interest rates.

The fair value of cash and cash equivalents equals their carrying amount.

The Company deposits cash in reliable and licensed banks, and thus it assesses the credit risk for this group of financial assets to be immaterial.

NOTA 19.
EQUITY

	Closing balance 31/12/2019	Closing balance 31/12/2018
Registered share capital	34,526	34,526
Hyperinflation adjustment	197	197
Total stated capital	**34,723**	**34,723**

Stated capital

Registered share capital includes:

Series	Number of shares	Face value [in PLN]	Registration date	Rights to dividend	Method of coverage	Type of shares
A	36,000,000	34,200,000.00	12/5/2007	*	Cash	Ordinary
B	343,344	326,176.80	9/9/2009	1/1/2009	Cash	Ordinary
Total	36,343,344	34,526,176.80				
Face value per share (PLN):				0.95		

**) all series A shares have equal rights to dividends*

Ownership structure

The ownership structure of ATM S.A.'s share capital as at 31 December 2019 was as follows:

Shareholder	Number of shares 31/12/2019	%	Number of shares 31/12/2018	%
MCI.PrivateVentures FIZ *	34,339,567	94.49%	34,339,567	94.49%
Other shareholders	2,003,777	5.51%	2,003,777	5.51%
	36,343,344	**100%**	**36,343,344**	**100%**

**) jointly with subsidiaries. The number of shares as at 28.09.2018 based on the notification*

(all amounts are presented in PLN thousand, unless specified otherwise)

Reserve capital

The Company establishes reserve capital pursuant to its articles of association. The Company's profit, which may be distributed in subsequent periods or allocated to exceptional losses or other expenses, may be allocated to the reserve capital.

Retained earnings

	Closing balance 31/12/2019	Closing balance 31/12/2018
Retained earnings from previous years	(1,523)	(2,212)
Profit distribution according to resolution	(2,019)	-
Total comprehensive income for the current period	7,159	1,416
Adjustment to retained earnings	623	(727)
Total	**4,242**	**(1,523)**

Retained earnings from previous years include the entire profit retained by the Company pursuant to the shareholders' decision as well as the effects of IFRS implementation.

Pursuant to Article 396 § 1 of the Code of Commercial Companies, supplementary capital should be established to cover losses. At least 8% of profit for the financial year is allocated to the supplementary capital until it reaches at least one third of the share capital.

NOTA 20.
BANK LOANS AND BORROWINGS

	Closing balance 31/12/2019	Closing balance 31/12/2018
Bank loans		
Total	**221,624**	**216,992**
including:		
Long-term portion		
Bank loans	205,757	204,600
Short-term portion		
Bank loans	15,867	12,392
Loans and borrowings due within:		
up to 1 year	15,867	12,392
from 1 to 2 years	17,491	14,161
from 2 to 5 years	188,266	190,438
above 5 years	-	-

Loans and borrowings by currency

	Closing balance 31/12/2019	Closing balance 31/12/2018
Loan amount in PLN thousand	221,624	216,992
Total	**221,624**	**216,992**

Average annual interest rate on bank loans taken out by an entity:

	Closing balance 31/12/2019	Closing balance 31/12/2018
Overdrafts	2.69%	2.74%
PLN bank loans	3.34%	3.44%

Detailed information on debt related to these loans is presented in tables below:

Specification of bank loan liabilities as at 31 December 2019

	Loan base value	Short-term portion	Long-term portion			
Lender	Loan amount in PLN thousand PLN	Loan amount in PLN thousand PLN	Loan amount in PLN thousand PLN	Interest rate	Maturity date	Collateral
mBank SA (overdraft)	15,000	-	-	WIBOR 1M plus bank margin		- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
mBank SA (investment loan)	42,500	2,367	37,956	WIBOR 1M plus bank margin	6/27/2023	same as above
mBank SA (investment loan)	60,000	3,341	52,927	WIBOR 1M plus bank margin	6/27/2023	same as above
mBank SA (investment loan)	14,900	2,225	11,997	WIBOR 1M plus bank margin	6/27/2025	same as above
ING Bank Śląski SA (overdraft)	15,000	-	-	WIBOR 1M plus bank margin		same as above

(all amounts are presented in PLN thousand, unless specified otherwise)

ING Bank Śląski SA (investment loan)	42,500	2,367	37,956	WIBOR 1M plus bank margin	6/27/2023	same as above
ING Bank Śląski SA (investment loan)	60,000	3,341	52,927	WIBOR 1M plus bank margin	6/27/2023	same as above
ING Bank Śląski SA (investment loan)	14,900	2,225	11,997	WIBOR 1M plus bank margin	6/27/2025	same as above
	264,800	**15,867**	**205,757**			

NOTA 21.
OTHER LONG-TERM LIABILITIES

	Closing balance 31/12/2019	Closing balance 31/12/2018
Liabilities due to provision for disassembly	3,908	3,728
Liabilities under contracts concluded	1,379	945
total	**5,287**	**4,673**
of which payable:		
from 1 to 2 years	1,196	848
from 3 to 5 years	4,091	3,825

NOTA 22.
SHORT-TERM TRADE AND OTHER LIABILITIES

	Closing balance 31/12/2019	Closing balance 31/12/2018
Trade liabilities to other entities	8,401	17,232
Liabilities arising from taxes and social insurance	873	534
Liabilities due to employee benefits	1,754	1,289
Liabilities arising from investment purchases	16,443	217
Liabilities related to non-invoiced expenses	4,941	4,392
Liabilities under contracts concluded	2,884	2,341
Total	**35,297**	**26,006**

Trade liabilities do not bear interest and they are usually payable within 7 to 90 days.

In 2019, as in previous years, the Company did not rely on a small group of suppliers. There were no cases of transactions with a single counterparty exceeding the threshold of 10% of total purchases (the only exception consists of electricity purchases, which constitute the key cost in the data center services segment).

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTA 23.
LEASE

Other financial liabilities include lease liabilities. Detailed information on these liabilities is presented below.

The Company as a Lessee - disclosures for period from 01.01.-31.12.2018 (according to IAS 17)

	Closing balance 31/12/2018
Liabilities due to financial leasing	5,618
Long-term lease liabilities	2,866
Short-term lease liabilities	2,752

	Closing balance 31/12/2018
Value of liabilities arising from finance leases due within:	**5,896**
- one year	2,912
- 2 to 5 years	2,984
- over 5 years	-
Future interest expenses (-)	**(278)**
Present value of future liabilities	**5,618**
including:	
Amounts due within the next 12 months (included in short-term liabilities)	2,752
- 2 to 5 years	2,866
Number of (lease) agreements	17

The Company as a Lessee - disclosures for period from 01.01.-31.12.2019 (according to IFRS 16)

	Closing balance 31/12/2019
Amortisation of assets due to the right to use	**18,346**
Buildings and structures	16,407
Land	52
Machines and equipment	1,137
Vehicles	750
Interest expenses (recognised in financial expenses)	5,551
Foreign exchange differences	(505)
Costs related to lease contracts for low-value assets, which are not short-term contracts (included in operating costs)	36
Income earned through sub-lease of assets due to the right to use	61
Total outflow of cash due to lease	22,180

(all amounts are presented in PLN thousand, unless specified otherwise)

Changes in balance of assets due to the right of use for the period from 1 January until 31 December 2019

For the year ended on 31 December 2019	Land and buildings	Buildings and structures	Machines and equipment	Vehicles	Total
Gross total assets due to the right to use as at 31.12.2018	**-**	**-**	**-**	**-**	**-**
Classified as assets due to the right to use of fixed assets subject to lease on the basis of financial lease until 31.12.2018	-	137	11,902	5,461	**17,500**
Recognition of assets due to the right of use as at 1 January 2019 - Note 2	4,173	144,608			**148,781**
Opening balance of gross total assets due to the right to use	**4,173**	**144,745**	**11,902**	**5,461**	**166,280**
Taking on lease	-	9,313	-	80	**9,393**
Discontinuation of recognition	-	(7,551)	-	-	**(7,551)**
Buyout of asset - transfer to fixed assets	-	-	(2,989)	-	**(2,989)**
Closing balance of gross total assets due to the right to use	**4,173**	**146,506**	**8,913**	**5,541**	**165,133**
Accumulated depreciation of fixed assets leased on the basis of financial lease until 31.12.2018	**-**	**31**	**8,117**	**1,736**	**9,883**
Depreciation for period	52	16,407	1,137	750	**18,346**
Discontinuation of recognition	-	(89)	(2,795)	-	**(2,884)**
Closing balance of accumulated amortisation (depreciation)	**52**	**16,348**	**6,459**	**2,486**	**25,346**
Opening balance of net carrying amount	**4,173**	**144,714**	**3,784**	**3,725**	**156,397**
Closing balance of net carrying amount	**4,121**	**130,158**	**2,454**	**3,055**	**139,787**

Lease liabilities within maturity period as at 31 December 2019

Financial liabilities	Contractual maturity periods until the end of reporting period			Total (excluding discount)	Balance sheet value
	up to 1 year inclusively	above 1 year to 5 years inclusively	above 5 years		
Lease liabilities	20,209	66,024	105,272	191,506	140,481

The Company as a Lessor (financial lease) - disclosures for period from 01.01.-31.12.2019 (according to IFRS 16)

	Closing balance 31/12/2019
Profit (loss) on sales	1,265
Net financial income from lease investment	61

Gross value of lease investment amounts and minimum lease charges payable as at 31 December 2019:

	Total of non-discounted lease charges	Discount effect
within 1 year	1,130	17
from 1 year to 2 years	438	18

(all amounts are presented in PLN thousand, unless specified otherwise)

from 2 to 3 years	209	16
from 3 to 4 years	198	22
from 4 to 5 years	61	6
above 5 years	59	11
Gross total	**2,094**	**89**

NOTA 24.
OPERATING LEASE AND CONTINGENT RECEIVABLES AND LIABILITIES

Operating lease receivables — ATM S.A. as a lessor

The Company acts as a lessor for the following types of services rendered on behalf of the clients:

- colocation services - lease of dedicated server rooms and separated parts of server rooms;

- dedicated server lease services;

- dedicated back-up office services;

- optic fibre lease services.

In each of the cases listed above, the nature and contractual conditions of services rendered indicate that this is operating lease according to IAS 16. The only exception is a part of services constituting optic fibre lease, which are based on infrastructure leased by the Company from its suppliers, and thus constitute a sub-lease in accordance with IFRS 16. In such case, the Company is obliged to assess the classification of sublease through reference of the asset due to the right of use based on the original lease, and not through reference to the underlying asset (for instance, a tangible fixed asset that constitutes the subject of lease). As at the date of implementation of IFRS 16 - that is, 01.01.2019 - the Company reclassified its agreements of this kind, classified previously as operating lease under IAS 17, to financial lease according to IFRS 16. The total value of charges based on such agreements, which would have been recognised as revenues from sales under IAS 17, amounted to PLN 1,080 thousand in year 2019.

The value of minimum lease charges due to operating lease for contracts, in which the Company is a lessor, was as follows:

	Closing balance 31/12/2019	Closing balance 31/12/2018
within 1 year	28,336	28,560
from 1 year to 2 years	12,154	17,242
from 2 year to 3 years	6,668	7,679
from 3 year to 4 years	3,710	5,022
from 4 year to 5 years	2,504	3,372
above 5 years	4,758	6,977
Total	**58,130**	**68,851**

These are both definite and indefinite term agreements. Such agreements usually contain a clause enabling each party to terminate it subject to a contractual period of notice not exceeding three months.

In 2019, income from operating lease amounted to PLN 42,121 thousand.

Changes in the balance of assets used by the Company to render service as an operating lessor for the period from 1 January to 31 December 2019

	Land and buildings	Machines and equipment	Total
Opening balance of gross value of tangible assets	**222,147**	**91,607**	**313,754**
Purchase	3,527	1,419	4,946
Liquidation and sale	-	(1,824)	(1,824)
Closing balance of gross value of tangible assets	**225,674**	**91,202**	**316,876**

(all amounts are presented in PLN thousand, unless specified otherwise)

Opening balance of accumulated amortisation (depreciation)	**45,315**	**51,043**	**96,358**
Depreciation for period	4,983	6,697	11,680
Closing balance of accumulated amortisation (depreciation)	**50,298**	**57,740**	**108,038**
Opening balance of net carrying amount	**176,832**	**40,564**	**217,396**
Closing balance of net carrying amount	**175,376**	**33,462**	**208,838**

Operating lease liabilities - ATM S.A. as a lessee (period until 31 December 2018 - prior to implementation of IFRS 16)

In year 2018, the Company identified five main categories of operating lease contracts, in which it acted as a lessee:

- real estate: lease of office building;
- contracts for lease of optical fibres;
- contracts for lease of space on masts (towers/chimneys/roofs);
- contracts for lease of space in telecommunication nodes (technical space, colocation);
- contracts for lease of space in data processing centers.

One of the key contracts among those listed above was the contract for lease of real estate property. Lease of real estate property concerns an office building located in Warsaw at ul. Grochowska 21a. Pursuant to the agreement concluded on 21 December 2005 and the annex to the agreement of 7 March 2006, ATM S.A. sold the property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska Sp. z o.o., and subsequently concluded a lease agreement concerning this property (as of the date of conclusion of the contract, exercising of the buyout option was not probable, which is why the Company classified this agreement as operating lease). Lease payments are denominated in EUR and divided into 180 monthly instalments (15 years) with the last instalment payable on 21 January 2021. The total amount of charges throughout the term of the agreement is EUR 9,872 thousand.

The fair value of the object of lease after the end of the agreement has been determined to amount to EUR 5,573 thousand, including the value of perpetual usufruct rights for land in the amount of EUR 1,613 thousand and the value of buildings amounting to EUR 3,961 thousand.

Pursuant to the agreement, after the expiry of the primary term of the lease agreement, the lessee or an entity indicated by the lessee may purchase the leased asset for the price equal to the aforementioned final fair value determined.
Where this option is not taken advantage of, the lessee will pay to the lessor a handling fee amounting to 7% of the original value of the leased asset, which original value was determined to be EUR 10,660 thousand.

Pursuant to the agreement, the lessee does not have the right to terminate it, except in circumstances where a change concerning lease instalments or changes in the lessee’s ownership structure cause the agreement to cease to be cost-effective. In such cases, the lessee will additionally have the right to demand that a purchase agreement be concluded concerning the lease asset, at a price equal to the sum of the portion of instalments outstanding until the end of the lease period and the final value.

As at 31.12.2018, the minimum lease payments for operating lease were as follows:

	Closing balance 31/12/2018
within 1 year	9,800
from 1 year to 5 years	17,260
above 5 years	13,166
Total	**40,227**

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent liabilities include charges based on contracts for lease of cable ducting - in 2019, these amounted to PLN 3,543 thousand, and in 2018 - PLN 3,775 thousand.

Contingent receivables, guarantees and sureties received

There were no contingent receivables and liabilities.

(all amounts are presented in PLN thousand, unless specified otherwise)

Guarantees, sureties and collaterals

	Closing balance 31/12/2019	Closing balance 31/12/2018
Bank warranties on behalf of other entities:		
Bank warranties issued by the bank as ordered by the Company (on behalf of business partners of the Company)	843	196
- performance bonds and tender bonds	843	196
Loan repayment collaterals for loans granted to the Company		
Collateral pledge	64,738	45,267
Promissory notes and mortgages:	111,334	110,408
- bank loan collaterals	111,334	110,408
Total	**176,915**	**155,871**

Accordingly with provisions of art. 393 clause 3 of the Code of Commercial Companies, the General Meeting of ATM S.A. gave on 28.08.2018 its consent for establishment on behalf of ING Bank Śląski, acting as the pledge administrator and the lender ("the Lien Holder") on the basis of the agreement for establishment of registered pledges on sets of assets of 28 June 2018 between the Lien Holder and ATM. S.A. ("the Pledge Agreement") of registered pledges of the highest priority of satisfaction on sets of all movables belonging to ATM S.A. located in Warsaw at 21 A Grochowska Street, 8 Jubilerska Street, 8a Jubilerska Street (set 1) and 5 Konstruktorska Street (set 2), used by ATM S.A. to render services in the Data Center Services Segment (that is, the operating segment of ATM S.A. encompassing colocation services and other services related to data center infrastructure (such as lease of dedicated servers, cloud computing and back-up office services)), provided that these sets constitute (each of them separately) single economic units of variable composition as defined in art. 7 section 2 clause 3 of the act on registered pledge and register of pledges of 6 December 1996 as amended, as a collateral for repayment of Secured Receivables (as defined in the Pledge Agreement) up to the maximum collateral amount of PLN 4440,000,000 (four hundred and forty million zlotys) in association with the credit and guarantee line agreement for the total amount of PLN 271,000,000 between mBank S.A., the Lien Holder and ATM S.A. of 28 June 2018.

NOTA 25.
INFORMATION ABOUT RELATED ENTITIES

Details of related entities

1. Entities related to the Company

Apart from the entities in which ATM S.A. holds an equity stake, the entities related to the Company include those related through the Members of the Management Board of the Issuer. In 2019 and 2018, these entities included:

- ABC Data S.A. – related due to equity stake of the major shareholder ATM S.A. (fund MCI.PrivateVentures FIZ and its related entities),

Moreover, entities related to ATM S.A. include (through direct and indirect ownership of the majority shareholding of ATM S.A.):

- MCI.PrivateVentures FIZ;
- AAW III Sp. z o.o.;
- MCI VENTURE PROJECTS Sp. z o.o. VI S.K.A.;
- AAW X Sp. z o.o.

Sales to and purchases from related entities are executed at regular market prices. Outstanding liabilities and receivables at the end of the financial year are not secured and are settled in cash. Receivables from related entities are not covered by any extended or received guarantees.

During the periods covered by this financial information, the scope of mutual transactions with related entities included:

- trade transactions including the purchase and sale of goods, materials and services.

(all amounts are presented in PLN thousand, unless specified otherwise)

The Company did not carry out any transactions on terms and conditions different from the market ones with related entities or other related persons in the financial year.

The amount and scope of trade transactions has been presented in the table below:

Related entity	Year	Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
ABC Data	2018	-	53	-	12
	2019	-	108	-	-
Linx Telecommunications Holding B.V.	2018	10		1	
	2019	14	-	5	-
Total	**2018**	**10**	**53**	**1**	**12**
	2019	**14**	**108**	**5**	**-**

In 2019, the Issuer received a dividend in the amount of PLN 1,774 thousand from Linx Telecommunications Holding B.V.

During the periods covered by the financial statements, transactions with related entities involved no write-downs concerning receivables from those entities and no receivables were written off.

Members of the managing and supervisory bodies and their close relatives

Other Company related entities include members of the managing and supervisory bodies (including the management staff) and persons who are their close relatives (i.e. partner and children, the partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent entity's Management Board perform management duties or are shareholders thereof.

Senior management remuneration

Management remuneration includes the remuneration of the Management Board, Supervisory Board and Directors of the Issuer. The remuneration paid to these persons, divided into main benefit types, is presented in the table below:

	01/01-31/12/2019	01/01-31/12/2018
Short-term employee benefits	8,067	9,145
Post-employment benefits	487	-
Benefits due to termination of the employment relationship	127	148
Remuneration based on the Incentive Scheme*	436	3,740
Total	**9,117**	**13,023**

* See Note 31.

Remuneration of the managerial staff listed above pertain to:

	01/01-31/12/2019	01/01-31/12/2018
Management Board	1,883	3,171

(all amounts are presented in PLN thousand, unless specified otherwise)

Supervisory Board	929	1,726
Directors	6,305	8,125
Total	**9,117**	**13,023**

No loans, guarantees or sureties were granted to the managers, members of the Management Board or Supervisory Board in the periods covered by the present financial statements.

NOTA 26.
PRESENTATION OF DISCONTINUED OPERATIONS

The Company did not discontinue any operations in 2019 and does not plan to do so in 2020.

NOTA 27.
OBJECTIVES AND POLICY OF FINANCIAL RISK MANAGEMENT

The Company manages its capital in order to ensure that it will be able to continue as a going concern, while at the same time maximising their profitability by optimising its debt-to-equity ratios. The Company regularly reviews its capital structure. Such reviews involve the analysis of cost of equity and the risk related to its individual categories. The most important factors subject to analysis are:

- bank loans — disclosed in note 20;
- trade and other liabilities disclosed in notes 21, 22, 23
- cash and cash equivalents — disclosed in note 18;
- equity, including shares issued, reserve capital and retained earnings — disclosed in notes 19 and 11.

The Company also monitors its net indebtedness balance (that is, the total of bank loans and lease liabilities decreased by the balance of cash and cash equivalents), in particular verifying its relation to the operating profit generated increased by amortisation. At the end of year 2019 and 2018, the ratio calculated in this manner amounted to: 3.52 and 4.31, respectively. In the opinion of the Management Board, the optimum level of this ratio in the Issuer's industry, allowing for optimisation of financial leverage while maintaining the safe level of risk of financial difficulties is around 3.0-4.0.

At present, as well as throughout the entire reporting period, the Company followed the principle of non-involvement in trade in financial instruments.

Principal financial instruments used by the Company include bank loans (note 20), finance lease agreements (note 23) as well as cash and deposits (note 18). The main purposes of these instruments include raising funds for the Company operations, liquidity risk management and short-term investment of surplus liquid funds. The Company also uses other financial instruments, including trade receivables and liabilities (notes 16, 21 and 22), which, however, are directly related to its operations.

The main risks arising from the Company's financial instruments include credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Management Board verifies and determines the principles of management of each of these types of risk, which have been discussed below.

1. Credit risk

The Company enters into transactions solely with reputable companies with good creditworthiness. All clients applying for trade credits are subjected to preliminary verification procedures. Moreover, since receivable amounts are monitored on an on-going basis, the Company's exposure to risks of receivables becoming irrecoverable is insignificant.

In relation to other financial assets of the Company, such as cash and cash equivalents, the credit risk of the Company arises due to inability of the other party to the contract to make payments, and the maximum exposure to this risk is equal to balance sheet value of these instruments.

(all amounts are presented in PLN thousand, unless specified otherwise)

There is no significant credit risk concentration in the Company.

The Company applies a simplified model for calculation of impairment write-offs on trade receivables (regardless of their maturity). The expected credit loss is calculated upon recognition of receivables in the statement of financial condition and is updated on each subsequent date ending the reporting period, depending on the number of days past due. For the purpose of estimation of the expected credit loss for receivables from recipients, the Company uses a matrix of provisions estimated on the basis of historic levels of repayments from its business partners. The Company recognises as default those liabilities, which have not been settled by the business partner within 90 days after their maturity date. The Company considers the information concerning the future in the parameters applied in the model for estimation of expected losses through adjustment of base insolvency probability coefficients.

The rates of expected credit losses did not change significantly between the date of first application of IFRS 9 (01.01.2018) and 31.12.2019.

Maximum exposure of the Company to credit exposure for trade receivables as at 31 December 2019 and 31 December 2018 is reflected by balance sheet values presented in note 16.

2. Currency risk

As far as the foreign exchange risk is concerned, the Company is exposed to it through sales or purchase transactions concluded in currencies other than the Company's functional currency.

The Company has not concluded any forward hedging transactions.

The carrying amount of the Company's assets and liabilities in foreign currencies as at the balance-sheet date concerns trade receivables and liabilities. These amounts are as follows:

	Trade liabilities	Trade receivables	Lease liabilities	Net currency position	Trade liabilities	Trade receivables	Net currency position
	12/31/2019	12/31/2019	12/31/2019	12/31/2019	12/31/2018	12/31/2018	12/31/2018
Currency – EUR	96	1,913	54,303	(52,486)	75	1,062	987
Currency – USD	21	603	444	139	993	1,173	180
Currency – PLN	8,285	19,424	85,735	(74,596)	16,165	15,688	(477)
Total	**8,401**	**21,940**	**140,481**	**(126,942)**	**17,232**	**17,923**	**690**

If the exchange rate, in relation to the exchange rate from the balance sheet valuation for EUR and USD had increased by 10%, with all other variables remaining at a constant level, the Company's gross result for the 12-month period ended 31 December 2019 would have been lower by PLN 5,235 thousand, and for the 12-month period ended 31 December 2018 would have been higher by PLN 117 thousand.

As a consequence, the decrease in exchange rates of the above-mentioned currencies by 10% would have caused a respective increase of net financial result by the amount mentioned above.

3. Liquidity risk

The Company has developed an appropriate liquidity risk management system for the purposes of managing short-, medium- and long-term funds of the Company and in order to satisfy the liquidity management requirements. The Company manages its liquidity risk by maintaining an appropriate amount of capital reserves, by taking advantage of banking services offered and by using reserve credit facilities, by monitoring projected and actual cash flows on an ongoing basis and by analysing the maturity profiles of its financial assets and liabilities.

Analysis of maturity of financial liabilities has been provided in notes 20, 23.

	up to 1 year	from 1 to 2 years	from 2 to 5 years	above 5 years	Total

Credits (in non-discounted values)	23,085	23,993	197,353	1,569	**246,000**
Derivative instruments	-	-	614	-	**614**
Trade liabilities	8,401	-	-	-	**8,401**
Other liabilities	26,896	1,196	183	3,908	**32,183**
Lease contract liabilities (in non-discounted values)	20,209	36,726	29,299	105,272	**191,506**
Total	**78,591**	**61,915**	**227,449**	**110,749**	**478,704**

4. Interest rate risk

The Company is exposed to the risk of cash flow fluctuations related to assets and liabilities with variable interest rates and to the risk of fair value fluctuations arising from assets and liabilities with fixed interest rates. The Company minimizes the interest rate risk by:

- properly shaping the structure of its assets and liabilities with fixed and variable interest rates,
- using derivative hedging instruments such as Interest Rate Swap (IRS).

At the end of the reporting period, the structure of interest-bearing financial instruments is as follows:

Fixed rate financial instruments

	2019	2018
Financial assets, including;	**22,832**	**17,932**
Receivables due to lease contracts	891	**-**
Trade receivables	21,941	17,923
Loans granted	-	9
Financial liabilities, including;	**41,198**	**31,415**
Trade and other liabilities	40,584	30,679
Derivative instruments	614	736

Variable rate financial instruments

	2019	2018
Financial assets, including;	14,581	15,159
Cash and cash equivalents	14,581	15,159
Financial liabilities, including;	362,105	222,610
Liabilities arising from loans	221,624	216,992
Lease liabilities	140,481	5,618

Variable rate financial instruments

The credit bears interest rate based on the current WIBOR rate plus margin. The Company pays interest rates on the current nominal value of the credit. In order to limit variability of interest rate costs incurred by the Company, the Company uses Interest Rate Swap (IRS) derivative transactions.

As a result of conclusion of IRS transactions, the Company receives payments from business partners in derivative transactions according to WIBOR rate, which would compensate payments due to the credit incurred in the part equivalent to the WIBOR variable rate index. As a result of this hedging, in each period subject to the hedge the Company pays a fixed interest rate, established in the IRS contract, and a margin based on the credit drawdown conditions for the credit hedge amount.

(all amounts are presented in PLN thousand, unless specified otherwise)

Sensitivity analysis

A change by 100 base points in the interest rate would increase (decrease) the loss after taxes by amounts listed below. The analysis presented below assumes that other variables, particularly exchange rates, will remain at a constant level.

	Financial profit/ loss for 01/01-31/12/2019		Financial profit/ loss for 01/01-31/12/2018	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
Variable rate financial instruments credits	(2,206)	2,206	(1,216)	1,216
Cash flow sensitivity	**(2,206)**	**2,206**	**(1,216)**	**1,216**

NOTA 28.
FINANCIAL INSTRUMENTS

The Company has the liability arising from its conclusion of an interest rate swap contract (IRS) measured at fair value. The Company does not use hedge accounting and during the period covered by the financial statements it neither granted any loans nor was a party to financial guarantee contracts.

During 2019 and 2018:
- reclassification between financial instrument categories was carried out as defined in IFRS 9 (applicable to 2018),
- the Company did not dispose of its financial assets in a manner that would prevent their derecognition despite their transfer to a third party;
- The Company received no financial or non-financial assets within the framework of enforcement proceedings concerning the collateral for its financial assets.

1. Material accounting policies

A detailed description of material accounting policies and methods used, including the criteria for recognition, basis for valuation and policies concerning the recognition of revenue and costs with regard to individual financial assets, financial liabilities and capital instrument categories has been presented in Note 2 to the financial statements.

2. Categories and classes of financial instruments

Financial assets and liabilities divided into categories are as follows:

	Closing balance 31/12/2019	Closing balance 31/12/2018
Trade receivables	21,941	17,923
Receivables due to lease contracts	891	
Financial assets held for trading — loans granted	-	9
Cash and cash equivalents	14,581	15,159
Total financial assets	**37,413**	**33,091**

(all amounts are presented in PLN thousand, unless specified otherwise)

	Closing balance 31/12/2019	Closing balance 31/12/2018
Liabilities arising from loans	221,624	216,992
Trade and other liabilities	40,584	30,678
Lease liabilities	140,481	5,618
Total financial liabilities	**402,689**	**253,288**

The fair value of individual financial instruments did not significantly differ from their book values recorded in the financial statements as at subsequent balance sheet dates. The above financial instruments were classified as belonging to Level 2 in the fair value hierarchy.

Disclosures of income, expenses, gains or losses according to categories of financial instruments have been presented in Note 9.

3. Financial instruments measured at fair value

As at 31 December 2019, the Company held financial instruments carried at fair value in its statement of financial position. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities,

Level 2 — other methods for which all inputs that have a significant effect on the recognised fair value are included, either directly or indirectly,

Level 3 — methods which use inputs that have a significant effect on the recognised fair value but are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of input data is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable input data that require significant adjustments based on unobservable inputs, such measurement is a Level 3 measurement. Assessing the significance of particular input data for the fair value measurement in its entirety requires judgement considering factors specific to the asset or liability.

FINANCIAL INSTRUMENTS	Closing balance 31/12/2019		Closing balance 31/12/2018	
	carrying amount	fair value	carrying amount	fair value
Financial liabilities at fair value through profit or loss	614	614	736	736

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	31/12/2019
Derivative financial instruments – IRS contract hedging the interest rate risk in respect of the loan	level 2	614

(all amounts are presented in PLN thousand, unless specified otherwise)

Total		614

Valuations of the IRS contract to hedge the interest rate risk (the Company pays interest based on fixed rates, and the bank pays interest based on variable rates) on the investment loan incurred were performed using the discounted cash flow model based on market parameters. The loan currency is Polish zloty, and its maturity date is 31.08.2021. The nominal value of transaction under the contract as at 31.12.2019 was PLN 59,946 thousand.

During the period ended 31 December 2019, no transfers took place between Level 1 and Level 2 of the fair value hierarchy and no instruments were transferred to/from Level 3 of the fair value hierarchy.

NOTA 29.
EVENTS AFTER THE BALANCE SHEET DATE

- On 06.02.2020, the Management Board of the Company informed the general public of the estimated financial results of ATM S.A. for year 2019.
- On 10.03.2020, the Management Board of the Company received from the majority shareholder of the Company, AAW III Sp. z o.o., information on completion of the process of review of the potential strategic options related to investment in the Company.
- On 10.04.2020, a contract was signed for refinancing of debt of the Company. The parties to this transaction are the Company (as the borrower) and the following banks: mBank S.A. as the facility agent and the primary lender and Santander Bank Polska S.A. as the collateral agent and the primary lender ("the Banks"). The objective of this transaction is to ensure long-term financial security of the Company by adjusting the size and structure of external financing to the Issuer's needs. One of the components of the transaction under concern is early repayment of the existing debt due to all loans granted to the Company by the following banks: mBank S.A. and ING Bank Śląski S.A. Financial debt due to lease was not subject to refinancing - the Company will settle its liabilities in this regard in accordance with the established schedules. The credit and guarantee line agreement ("the Facilities Agreement") includes:
    - a 5-year term loan in the maximum amount up to PLN 225,000,000,
    - a 5-year term investment loan in the maximum amount up to PLN 110,000,000,
    - a 3-year overdraft facility in the maximum amount up to PLN 20,000,000,
    - a guarantee line up to the maximum amount of PLN 10,000,000.

  In addition, the Facilities Agreement provides for hedging transactions against the interest rate risk. The purpose of the financing referred to above is:
    - repayment of all existing debts (with the exception of leases);
    - financing or refinancing up to 80% of investment expenditures;
    - financing of current operating activity of the Company;
    - issue of guarantees related to operating activity of the Company.

  The Company expects that the first money release should take place no later than by the end of June 2020. Due to execution of the transaction under concern, the Company will incur costs that are typical for contracts of this type, including single-time costs, as well as current debt management costs - the credit interest rates have been determined on the basis of WIBOR 1M plus bank margin. Due to early repayment of its former debt, the Company will pay commission costs on behalf of ING Bank Śląski S.A. Hedging of the refinancing transaction will encompass a standard scope for transactions of this type, including:
    - mortgage established on real estate of the Company;
    - registered pledge on movables of the Company;
    - registered and financial pledges on bank accounts of the Company;
    - a global transfer agreement for rights from commercial contracts.

  The agreement contains no contractual penalties or provisions that would depart from terms that are typical for contracts of this kind.
- The Issuer monitors on an ongoing basis the situation related to the coronavirus COVID-19 pandemic in the context of its direct and indirect impact on the current operating and financial activity and financial results of the Company. As at the date of publication of this annual report, the Issuer has found no significant negative impact of COVID-19 on continuity of operations and financial results generated, in particular:
    - services rendered by the Issuer on behalf of their clients have been performed without interruptions, among other things, thanks to implementation of proper safety measures at the ATM data centers, as well as launching of remote work for most of the Issuer's employees;
    - deliveries of equipment and services needed by the Issuer to render services on behalf of clients have been unhindered;
    - investment projects of the Issuer (development of the data center campus) have been implemented in accordance with their respective schedules;

(all amounts are presented in PLN thousand, unless specified otherwise)

- at present, the Issuer has not recorded a deterioration in revenues;
- the currently available data do not indicate a significant increase in the balance of overdue receivables.

Regardless of the above, the Issuer cannot exclude the negative impact of effects of COVID-19 on its activity in the future, including, in particular, in terms of performance of investment plans, liquidity and financial results. However, the Issuer points to the fact that around 98% of its revenues come from subscription-based services, including, in particular, the services of collecting, processing and transmission of data, which - in the context of the nature of limitations caused in operations of almost all business entities by the pandemic of COVID-19 and their growing demand for the services listed above - constitutes a natural risk mitigating factor for the Issuer.
As at the date of publication of this annual report, the Issuer is not planning to take advantage of the currently available aid packages based on the so-called “anti-crisis shield”.

NOTA 30.
REMUNERATION OF THE AUDIT COMPANY

	Closing balance 31/12/2019	Closing balance 31/12/2018
Audit of financial statement	140	90
Other attestation services	85	111
Other services - agreed procedures related to verification of bank covenants	5	4
Total	**230**	**205**

NOTA 31.
INCENTIVE SCHEME

Financial instruments acquired by persons of key significance for implementation of the Company strategy as at 31.01.2018

On 31 January 2018, persons of key significance for implementation of the Company strategy entered into agreements with two key shareholders of the Company to purchase derivative financial instruments related to shares of the Company owned by these shareholders. The purpose of these agreements was to ensure optimum conditions for long-term growth of value of the Company by motivating persons of key significance for implementation of the Company strategy to act in accordance with the best interests of the Company and its shareholders. These persons acquired rights to receive from these shareholders - under the condition of fulfilment of criteria specified in the agreements referred to above (the expected moment of sale of shares of the Unit by the controlling shareholder, the probability of the transaction at the expected exit time and remaining in the period of employment) - the amounts of money depending on the value of shares of the Company in the future.
The authorised persons received the rights in total to 3.9% of the share premium. 1,338,343 equity instruments were allocated within the framework of this scheme. The fair value of rights awarded as at 31 December 2018 amounted to PLN 3,667,052.

Incentive scheme adopted by the Supervisory Board of the Company on 14.12.2018

On 31 October 2018, the Extraordinary General Meeting of the Company passed a resolution on conditional increase in the share capital of the Company by the amount of PLN 1,657,256 through issue of 1,744,480 ordinary registered shares series C to enable execution of the right to acquire shares of the Company from subscription warrants series A. On 31 January 2019, the conditional increase in capital was registered by the District Court for the capital city of Warsaw.

(all amounts are presented in PLN thousand, unless specified otherwise)

On the basis of the authorisation contained in Resolution 3 of the Extraordinary General Meeting of the Company of 31 October 2018, on 14 December 2018, the Supervisory Board of the Company established the issue price for series C shares to amount to 11.00 PLN/share, provided that the issue price would be lowered by the amount equivalent to the total dividend or advances for dividend per share of the Company adopted by the General Meeting of the Company after 28 June 2018, while the issue price could not be lowered below the nominal value of shares of the Company. On the basis of the authorisation contained in Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 and in association with the incentive scheme adopted, the Supervisory Board established a list of persons authorised to receive subscription warrants on the basis and subject to terms and conditions of the incentive scheme, and defined the dates for allocation of individual warrant tranches (14 December 2018, 31 March 2019, 30 June 2019, 30 September 2019) and the number of warrants allocated in each tranche (in total: 1,217,064, 208,901, 200,398, 118,117, respectively).

As a result of establishment of the incentive scheme established, 1,228,340 warrants were recognised as a modification without a change in valuation of derivative instruments awarded on 31.01.2018, while 406,140 warrants were recognised as new equity instruments. The Company conducted a valuation of the new equity instruments using the Black - Scholes model. Total valuation of 406,140 new equity instruments as at the date of their establishment (that is, 14 December 2018) amounts to PLN 508.1 thousand, including PLN 448,3 thousand charged to remuneration expenses for year 2018, while in relation to 1,338,340 equity instruments awarded on 31.01.2018, the amount of PLN 3,291,6 thousand was charged to remuneration expenses for year 2018. - the services received by the Company cannot be recognised as assets.

The total valuation of incentive schemes at the end of year 2018 (and at the end of year 2019) amounted to PLN 4,176 thousand and has been fully recognised in the income statement in association with expiry of the period of granting rights and their awarding to the scheme beneficiaries.

Throughout year 2019, the income statement of the Company included the costs of the incentive scheme in the amount of PLN 435 thousand.

The key assumptions in the model for valuation of new equity instruments are as follows:

- Instrument awarding date: 14.12.2018
- Issue price upon awarding: PLN 8.6
- Expected variability: 32%
- Risk-free rate: 1.8%
- Expected average lifetime of instruments: 1.55 years from awarding date.

The expected variability was estimated considering the historic average variability of the price of shares of the Company.

The attained fair value of a single new equity instrument on the awarding date amounted to PLN 1.25.

In accordance with the definition of IFRS 2, the incentive scheme described above includes payment transactions in form of shares settled in equity instruments.

Changes in the number and average weighted price of execution of warrants in year 2019:

	Number of warrants	Average weighted execution price
Opening balance	1.217.064	8.54
Awarded in the period	527.416	8.54
Executed in the period	0	not applicable
Closing balance	1.744.480	8.54

The maximum remaining lifetime of warrants at the end of year 2019: 8.8 years.

NOTA 32.
CORRECTIONS OF PRIOR PERIOD ERRORS

The Company adjusted the value of the liability due to the Corporate Social Benefits Fund as at 1 January 2018 as follows:
- decreased the liability by PLN 1.6 million (recognised in item “short term trade and other liabilities”);

- released the deferred tax asset of value of PLN 0.3 million (recognised in item “provision for deferred tax”).

These changes resulted in increase in retained earnings by PLN 1.3 million as at 1 January 2018.

Moreover, the Company adjusted the opening balance for year 2018 by impact of provisions for costs of recovery to initial condition of the real estate property constituting the object of lease and used to render services in the data center segment as follows:

- increased the assets by PLN 1.3 million (recognised as “property, plant and equipment”);
- increased liabilities by PLN 3.7 million (recognised in item “long-term term trade and other liabilities”);
- increased the deferred tax asset by PLN 0.5 million (recognised in item “provision for deferred tax”).

These changes resulted in reduction of retained earnings by PLN 2 million as at 1 January 2018.

Moreover, the Company reclassified the amount of PLN 945 thousand of short-term contract liabilities (presented in the item “short-term trade and other liabilities”) to item “long-term trade and other liabilities”.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	**Position/function**	**Date**	**Signature**
Daniel Szcześniewski	President of the Management Board.		24.04.2020
Tomasz Galas	Vice-President of the Management Board	27 April 2018	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	24.04.2020	....

THE MANAGEMENT BOARD'S REPORT ON THE ISSUER'S OPERATIONS IN 2019

INFORMATION SPECIFIED IN THE ACCOUNTING REGULATIONS

1. Key effectiveness indicator - EBITDA

Staring from the Annual Report for Year 2017, the Issuer uses the definition of EBITDA (as the alternative measure of the result) adapted to the management reporting requirements introduced at ATM from the beginning of 2017 (enabled, among other things, by the implementation of a new ERP-class system). Moreover, from the beginning of year 2019, the Issuer has adjusted the EBITDA profit definition to eliminate the impact of implementation of IFRS 16 on the costs and revenues of the Issuer - thus retaining comparability of EBITDA profit of the Issuer in relation to periods ended before 01.01.2019. The details and reconciliation of EBITDA to the Income Statement item have been presented below. EBITDA indicator is not defined by IFRS and can be calculated differently by different entities.

The revenue and cost items that were excluded from the calculation of EBITDA are as follows (provided that such items were previously charged to the operating profit):

- costs of restructuring – costs related to the Issuer's restructuring carried out by the Management Board – presented in the table below under "restructuring costs";

- costs related to bank charges and commissions (of total value of PLN 86 thousand in 2019 and PLN 57 thousand in 2018) - due to their non-operational nature - presented in the table below in item "operating costs";

- real estate tax and other public levies of total value of PLN 843 thousand in 2019 and PLN 891 thousand in 2018 (including amounts paid on behalf of the Municipal Roads management) - due to the generally accepted definition of EBITDA profit (which is operating profit before deduction, among others, of taxes) - presented in the table below in item "operating costs";

- loss (gain) incurred in connection with the disposal/revaluation of fixed assets (due to the non-cash nature of such losses/gains) of total value of PLN 416 thousand in 2019 and PLN 146 thousand in 2018 – presented in the table below under "other operating expenses (income)".

- remuneration costs based on valuation of derivative instruments awarded to key employees of the Company within the framework of the incentive scheme, worth PLN 1,435 thousand in 2019 and PLN 3,740 thousand in 2018 - due to their non-cash nature - presented in the table below in item "operating costs";

- revaluation write-offs for trade receivables estimated in accordance with IFRS 9 (due to their non-cash value - provisions) of total value of PLN 241 thousand in 2019 and PLN 392 thousand in 2018 – presented in the table below under "other operating expenses (revenues)".

	For the period 01/01–31/12/2018 (according to the approved financial statements – before restatement)	For the period 01/01–31/12/2018 (restated)	Difference	For the period 01/01–31/12/2019 (before restatement)	For the period 01/01–31/12/2019 (restated)	Difference
Operating profit (loss)	**7,475**	**7,475**	**-**	**25,563**	**25,563**	**-**
Depreciation and amortisation	34,264	34,264	-	48,485	48,485	-
EBITDA	**41,739**			**74,049**		
Adjustments, of which:	**-**	**6,339**	**6,339**	-	**(14,376)**	**(14,376)**
Operating costs	-	4,688	4,688	-	2,363	2,363
Other operating expenses (income)	-	537	537	-	657	657
Restructuring costs	-	1,113	1,113	-	1,889	1,889
Elimination of effect of implementation of IFRS 16 - operating revenues (adjustment)	-	-	-	-	-185	-185

Elimination of effect of implementation of IFRS 16 - operating expenses (adjustment)	-	-	-	-	(2,647)	(2,647)
Elimination of effect of implementation of IFRS 16 - amortisation (adjustment)	-	-	-	-	(16,454)	(16,454)
standardised EBITDA	**41,739**	**48,078**	**6,339**	**74,049**	**59,672**	**(14,376)**

2. Events significantly affecting the entity's activity which occurred during the financial year and later — until the approval of the financial statements.

Discussion of results of the Issuer in this sub-chapter has been prepared with the assumption of elimination of impact of implementation of IFRS on the income statement of the Issuer. This made it possible to retain comparability of results of the Issuer in 2019 in relation to periods ended before 01.01.2019.

Operating and financial results

In 2019, the Company generated excellent financial results. This was mainly possible thanks to dynamically growing revenues from sales (+10% a/a), which was achieved thanks to a number of systematically implemented initiatives in the following fields:

- generating the so-called leads (including marketing automation);
- management of the sales funnel;
- client segmentation and introduction of new sales channels;
- client services and retention.

A common feature of all of the initiatives listed above is focus on the client, which became the driving force for a great majority of significant projects implemented by the Company. Measurable effects in terms of acquisition of new clients and contracts are visible mainly in the Data Center Service Segment, which is of key importance for further development of the Issuer, in which the revenue growth dynamics reached the impressive level of 21% a/a. Efforts of the Company brought a positive effect also in the second basic segment of activity - the Telecommunications Services Segment - in which the downward trend of revenues from sales was reversed already in the 1st quarter of year 2019. Ultimately, the results of the latter segment improved by 1% in comparison with the previous year, which should be interpreted as a good result in the broad context of the market that has experienced value deterioration for many years, mainly due to continuously dropping unit prices of services.

The effects of efforts made consistently for many quarters to achieve cost optimisation - particularly with regard of costs of services rendered by the Telecommunications Services Segment - should also be viewed as very fruitful. In the previous year, they contributed to improvement of sales profitability by 1.5 p.p. (from 59.0% to 60.5%), which was sufficient to generate sales profit higher by more than PLN 10 million in comparison with year 2018. The operating costs - as considered for calculation of EBITDA - were, on the other hand, reduced by 4.5% a/a, mainly thanks to continuously implemented initiatives aimed at enhancing effectiveness of the Company's key operating processes. As a result of this activity, ATM achieved the highest level of EBITDA in its history of 59.7 PLN million, recording the annual growth dynamics exceeding 24%.

It is worth noting here that the results achieved by the Company for many subsequent quarters have been based almost exclusively on a repeatable stream of revenues - more than 97.5% of total revenues of the Company in the previous year were based on subscriptions.

The ultimate net profit of the Issuer was also influenced significantly by:

- recognition at the level of operating costs of the Income Statement of costs related to the incentive scheme for the key managerial staff (PLN 1.44 million - non-cash item);
- the costs of restructuring of the Issuer in the amount of PLN 1.9 million (recognised as operating costs in the Income Statement);
- recognition of credit pricing according to adjusted purchase price in the amount of PLN 0.45 million (non-cash item - presented in financial costs in the Income Statement);
- impairment write-down on shares in the associate Linx Telecommunications Holding B.V. in the amount of PLN 8.2 million, recognised under "Financial costs" in the Issuer's Income Statement (non-cash item).

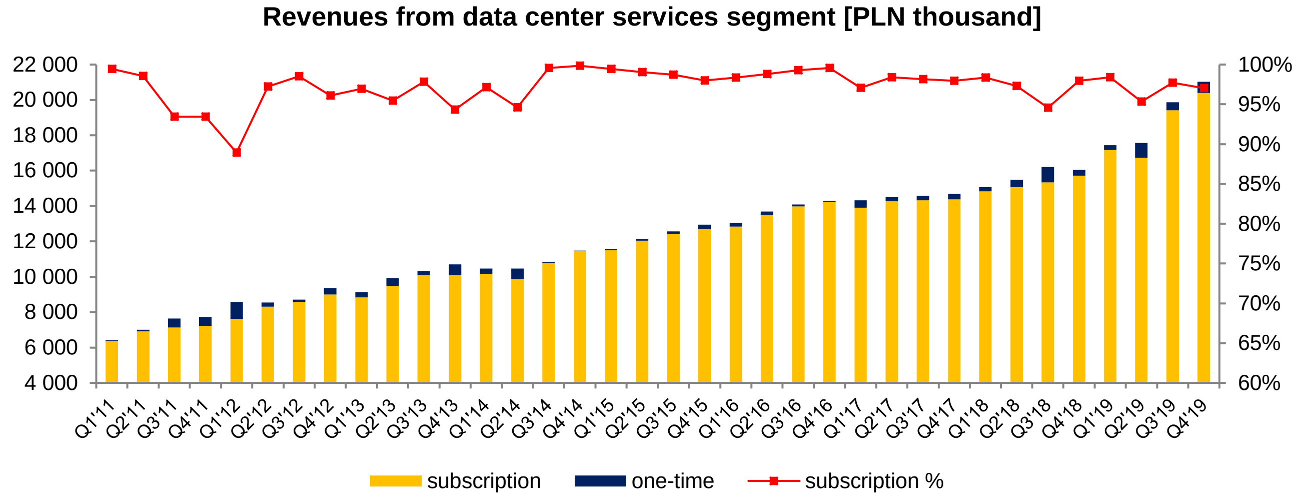
In 2019, the Issuer allocated about PLN 49 million to investment expenditures, in which more than one half was used to prepare for operational launching of the subsequent data center modules and purchase of the infrastructure necessary to render dedicated service lease and cloud computing services. The net debt of the

Issuer (upon deduction of the cash balance) at the end of 2019 increased by PLN 2.5 million in relation to the previous year.

A more detailed discussion of results in particular operating segments is presented further below.

Data Center Services Segment

data in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Revenues from the Data Center Services Segment	**14,324**	**14,501**	**14,586**	**14,673**	**15,073**	**15,486**	**16,213**	**16,051**	**17,444**	**17,558**	**19,861**	**21,020**
including subscription revenues	13,906	14,270	14,319	14,378	14,826	15,067	15,336	15,720	17,167	16,739	19,405	20,398



In 2019, revenues in the Data Center Services Segment increased by as much as 21% in relation to the previous year (+PLN 13 million - to PLN 75.9 million). The main driving forces behind such dynamic growth included:

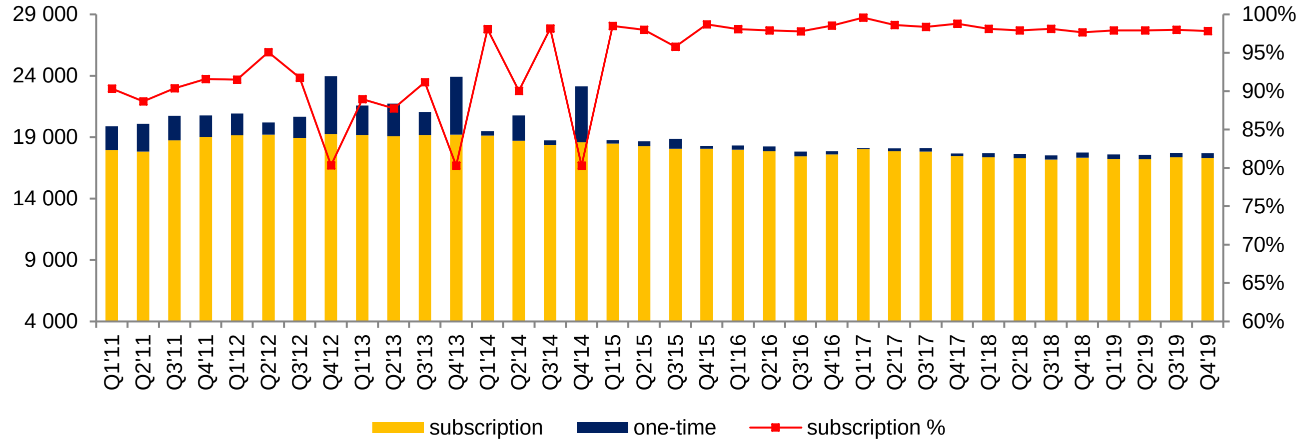
- dedicated server and cloud-based computing services - in this product area, the Company recorded a very high increase in sales, particularly in the first half of the previous year, which was due, among other things, to large contracts signed with new clients for complex and tailored solutions in cloud computing, dedicated servers and IT security. Ultimately, the revenue growth in this part of activity of the Company amounted to +43% a/a;
- colocation services (along with auxiliary services, such as lease of connectors in data centers, uninterrupted power supply services) - growth generated in this area by new and existing clients amounted to +13%a/a in 2019.

The costs of services in the segment amounted to PLN 24.2 million and were higher by PLN 4.4 million in comparison with 2018 (including more than 70% of increase in the costs of purchase of electricity due to market trends). As a result, the sales profitability in this segment was lower by 0.4 p.p. in comparison with 2018 (amounting to 68.2%), while the Segment Margin - including costs of employees involved directly in rendering services in the Data Center Services Segment - increased during the year by PLN 8.5 million (+22%).

Telecommunications Services Segment

data in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Total Revenues from the Telecommunications Services Segment	**18,854**	**18,757**	**18,813**	**18,477**	**18,398**	**18,388**	**18,359**	**18,652**	**18,495**	**18,495**	**18,612**	**18,615**
including subscription revenues	18,778	18,504	18,514	18,260	18,062	18,021	18,024	18,232	18,129	18,128	18,254	18,217

Revenues from telecommunications services segment [PLN thousand] *



** upon exclusion of revenues earned outside the basic operating segments (from sales of administrative services) - disclosed in periodic reports prior to year 2018 in the "Other" segment*

Revenues from sale of services in the Telecommunications Services Segment exceeded PLN 74.2 million in 2019, recording a growth by 0.5% a/a. Subscription-based services constituted 98% of the amount indicated above, and the sales results for the main product lines were as follows:
- revenues from Internet access services increased in 2019 by PLN 0.3 million a/a (+1.2% a/a);
- revenues from data transmission services (mainly in the wholesale part) and voice services decreased slightly by PLN 0.2 million a/a (-0.5% a/a);
- revenues not related directly to basic operating segments of the Issuer (pertaining to administrative services, which exert insignificant impact on the margin) increased by PLN 0.3 million a/a (+10% a/a).

The costs of services in the Telecommunications Services Segment were reduced by 3% a/a, mainly as a result of renegotiation and optimisation of costs associated with maintenance of network equipment and costs related to the so-called fibre-optic network backbone and its servicing.

As a result of the factors described above, the sales profitability of the segment increased by 1.8 p.p. a/a (to 52.8%), while profit from sales increased by more than 4% a/a and constituted about 43% of the Issuer's total sales profit. Dynamics in the Segment Margin were even greater (+5% a/a), thanks to the additional positive contribution of limiting of internal costs related directly to performance of services on behalf of clients.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

- On 05.02.2019, the Issuer received the decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, regarding registration on 13 January 2019 of amendments to the Company's Articles of Association, introduced under a Resolution of the Extraordinary General Meeting of the Company on 31 October 2018. The content of the amendments to the Articles of Association of ATM S.A. is attached to Current Report No 03/2019 of 05.02.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88).

- On 25.02.2019, the Extraordinary General Meeting of the Issuer adopted a resolution on amendment of the Articles of Association of ATM S.A. The content of the amendments to the Company's Articles of Association passed by the EGM is attached to Current Report No 04/2019 of 25.02.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88).
- On 19.03.2019, Mr. Sławomir Koszołko submitted his resignation from the position of the President of the Company's Management Board.
  Moreover, on 19.03.2019, the Supervisory Board of the Company adopted a resolution to appoint Mr. Daniel Szcześniewski as a President of the Management Board of the Company as of 19 March 2019.
- On 19.03.2019 - on the basis of authorisation contained in Resolution 3 of the Extraordinary General Meeting of the Company of 31 October 2018 on introduction of the incentive scheme at the Company and Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of subscription warrants series A and overall withdrawal of the rights of existing shareholders to receive subscription warrants series A, authorising to acquisition of series C shares and conditional raising of share capital through issue of series C shares and withdrawal of the rights of existing shareholders to receive series C shares and the associated amendments to the articles of association of the Company - and in association with resignation submitted by Mr. Sławomir Koszołko from the function of the President of the Management Board of the Company, the Supervisory Board reviewed the list of persons authorised to receive subscription warrants on the basis and on the terms and conditions specified in the incentive scheme and the number of warrants awarded to these persons in individual tranches. The tranche dates and the total number of warrants did not change.
- On 20.03.2019, the Supervisory Board of the Company, acting on the basis of par. 11 of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018, established the uniform text of the Articles of Association of the Company as stated in the appendix to the Current Report 09/2019 of 20.03.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88.
- On 01.04.2019 - on the basis of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of subscription warrants series A and overall withdrawal of the rights of existing shareholders to receive subscription warrants series A, authorising to acquisition of series C shares and conditional raising of share capital through issue of series C shares and withdrawal of the rights of existing shareholders to receive series C shares and the associated amendments to the articles of association of the Company and in association with the incentive scheme adopted by the resolution of the Supervisory Board of 14 December 2018 on introduction at the Company of the incentive scheme and resolution of the Supervisory Board of 14 December 2018 on determination of persons authorised on the basis of the incentive scheme and other arrangements, amended by resolution of the Supervisory Board of 19 March 2019 - the Supervisory Board of the Company awarded subscription warrants series A of the second tranche in the total number of 208,901 subscription warrants.
- On 04.04.2019, the Issuer received the decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, regarding registration on 28 March 2019 of amendments to the Company's Articles of Association, introduced under a Resolution of the Extraordinary General Meeting of the Company on 25 February 2019. The content of the amendments to the Articles of Association of ATM S.A. is attached to Current Report No 12/2019 of 05.02.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88).
- On 05.04.2019, the Company received from AAW III Sp. z o.o. (hereinafter: "the Shareholder") a notification of appointment as of 05.04.2019 of Mr. Tomasz Czechowicz as a Member of the Supervisory Board of the Company. The appointment, referred to above, took place on the basis of exercising of the personal right of the Shareholder based on par. 13 section 2 letter b) of the Articles of Association of the Company.
- On 18.04.2019, the Management Board of the Company informed of the decision of commencement by the Issuer of a review of strategic options related to further development of activity of the Issuer. During the review, the Management Board will consider various strategic options in relation to business areas of the Issuer, in particular, searching for acquisition targets, joint venture partners, strategic investors or other transactions, as well as analysis of the ways of using of potentially acquired assets or means, as well as withdrawal of the Issuer from activity with regard to the options listed above.
- On 18.04.2019, the Company was informed that the General Meeting of Linx Telecommunications Holding B.V. (hereinafter: "Linx") on 17.04.2019 passed a resolution on payment of dividend. The dividend value was set at EUR 0.15 per share. The Company holds 2,754,612 shares in Linx and the dividend attributable to the Company amounts to EUR 413,192. The date of dividend pay-out was set as one month from the date of adoption of the resolution by Linx's GM.
- On 20.05.2019, the Management Board of the Company published a forecast of financial results of the Company for year 2019. The forecast for the period from 1 January 2019 until 31 December 2019 included: revenues from sale by ATM S.A. at the level of PLN 148 million and EBITDA of PLN 58.5 million. The

above values were presented with the assumption of exclusion of the impact of IFRS 15 "Lease" on results of the Company, that is, to retain comparability with results published by the Company for periods ended prior to 1 January 2019.

- On 20.05.2019, the Company was informed by AAW III Sp. z o.o. ("AAW"), the majority shareholder of the Company, of commencement by AAW of a review of potential strategic options related to investment in the Company and the intent to contact the selected entities in association with this review. The potential strategic options considered include sale of all shares of the Company to a strategic or financial investor.
- On 10.06.2019, the Supervisory Board of the Company adopted a resolution concerning appointment of Mr. Daniel Szcześniewski in the Management Board of the Company for the subsequent term of office as a President of the Management Board. and a resolution on appointment of Mr. Tomasz Galas in the Management Board of the Company for the subsequent term of office as a Vice President of the Management Board.
- On 13.06.2019, the Supervisory Board of the Company, acting on the basis of par. 2 of Resolution 3 of the Extraordinary General Meeting of the Company of 25 February 2019, established the uniform text of the Articles of Association of the Company as stated in the appendix to the Current Report 22/2019 of 13.06.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88.
- On 13.06.2019, the Company and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. (hereinafter: „KPMG") signed an agreement on termination of the agreement for audit and review of financial statements (hereinafter: "the Agreement"). The Agreement under concern was signed on 31 July 2018 and encompassed performance of an attestation service consisting of examination of historic financial information contained in annual financial statements for financial years ending on 31 December 2018 and 31 December 2019, respectively, prepared in accordance with the IFRS of the EU and a review of interim financial statements for the periods from 1 January 2018 to 30 June 2018 and from 1 January 2019 to 30 June 2019, prepared in accordance with IAS 34 "Interim Financial Reporting". The reason for termination of the Agreement was failure of the Parties to reach consensus with regard to the increase in the consideration amount, expected by KPMG for a review of the financial statements of the Company for the year ending on 31 December 2019 and a review of the interim financial statements for the period from 1 January 2019 until 30 June 2019. The decision to terminate the Agreement was a mutual decision of the Parties to the Agreement. The body requesting replacement of the audit firm, on the part of the Company, was the Management Board, the body recommending replacement of the audit firm was the Audit Committee. of the Supervisory Board of the Company, and the body authorising replacement of the audit firm was the Supervisory Board of the Company.
- On 28.06.2019, the Ordinary General Meeting of the Company appointed the following persons as members of the Supervisory Board: Piotr Sieluk, Mariusz Grendowicz, Tomasz Czechowicz, Przemysław Głębocki, Tomasz Jacygrad, Maciej Kowalski and Sebastian Millinder. At the same time, the Ordinary General Meeting of the Company entrusted Mr. Piotr Sieluk with the function of the Chairman of the Supervisory Board, and Mr. Mariusz Grendowicz - with the function of the Deputy Chairman of the Supervisory Board.
- On 01.07.2019 - on the basis of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of subscription warrants series A and overall withdrawal of the rights of existing shareholders to receive subscription warrants series A, authorising to acquisition of series C shares and conditional raising of share capital through issue of series C shares and withdrawal of the rights of existing shareholders to receive series C shares and the associated amendments to the articles of association of the Company and in association with the incentive scheme adopted by the resolution of the Supervisory Board of 14 December 2018 on introduction at the Company of the incentive scheme and resolution of the Supervisory Board of 14 December 2018 on determination of persons authorised on the basis of the incentive scheme and other arrangements, amended by resolution of the Supervisory Board of 19 March 2019 - the Supervisory Board of the Company awarded subscription warrants series A of the third tranche in the total number of 200,398 subscription warrants.
- On 26.07.2019, acting on the basis of § 15 section 2 letter g) of the Articles of Association, the Supervisory Board selected the entity to conduct a review and audit of financial statements of ATM S.A. for year 2019 and 2020. The selected entity was Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. with a registered office in Warsaw, Rondo ONZ 1, entered on the list of entities authorised to audit financial statements of the Polish National Council of Certified Auditors under number 130. The agreement with the auditor was intended to be concluded for two years.
- On 30.09.2019 - on the basis of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of subscription warrants series A and overall withdrawal of the rights of existing shareholders to receive subscription warrants series A, authorising to acquisition of series C shares and conditional raising of share capital through issue of series C shares and withdrawal of the rights of existing shareholders to receive series C shares and the

associated amendments to the articles of association of the Company and in association with the incentive scheme adopted by the resolution of the Supervisory Board of 14 December 2018 on introduction at the Company of the incentive scheme and resolution of the Supervisory Board of 14 December 2018 on determination of persons authorised on the basis of the incentive scheme and other arrangements, amended by resolution of the Supervisory Board of 19 March 2019 - the Supervisory Board of the Company awarded subscription warrants series A of the fourth tranche in the total number of 118,117 subscription warrants.

3. Expected development of the entity

The results achieved by the Issuer in 2019 are nearly entirely based on the recurring stream of revenue, which means that they should be improved regularly in subsequent periods. The dynamics of this growth will substantially depend on 2 factors:

- the EBITDA growth rate in the Data Center Services Segment which, in turn, will be closely correlated with the rate of commercialisation of the colocation space and sales of products based on the data center infrastructure (e.g. dedicated servers, cloud, backup offices). The strategic objective of the Issuer is to strengthen its position of a leader in the data center market in Poland and to build a position of an important player in this segment in the European market. Thanks to consistent implementation of its investment plan, the Issuer has at its disposal the data center area of the highest quality which may be offered for colocation services, using global trends and a growing demand for this type of services.

- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue and profitability and maximise the utilisation of potential of the network infrastructure developed over the recent years. Investments in city and intercity optical networks completed in previous years — combined with a systematic increase in the number of served business locations — should contribute to the stabilisation of revenue from broadband data transmission and traffic exchange on the Internet, while at the same time acting as a catalyst for growth of colocation revenue (proper high quality lines increase the attractiveness of data center offers).

4. Major research and development achievements

In 2019, ATM S.A. did not conduct any significant, distinct research and development works.

Nevertheless, the Company is constantly conducting R&D works with the aim to develop and implement modern solutions and technologies relating to the construction of and provision of equipment to data centers, as well as the provision of colocation and high-level services based on the data center infrastructure. The effects of research and implementation works include, in particular, an optimal consumption of energy necessary to power the data centers and an advanced monitoring of ICT resources made available to customers.

5. Current and forecast financial position

The Company's financial position is stable and there are no known factors that could affect adversely its situation in the future.

6. Purchase of treasury shares

The Issuer did not purchase treasury shares in the reporting period.

7. Branches held by the entity

The Company has no branches conducting independent business activity.

8. Information on financial instruments applied

Details of operating leases have been described in note 24 of the financial statements.

Besides, the Company uses financial lease in order to purchase equipment for the expansion of its telecommunication infrastructure. The lease periods range from 3 to 5 years. The value of the leased asset is denominated in PLN (details are described in Note 23 to the financial statements).

ATM S.A. uses loans, which are described in detail in Note 20 to the financial statements. The Company concluded the interest rate swap transaction (IRS) described in Note 9 to the financial statements.

The information on financial instruments as regards the risks to which the Company is exposed, as well management of these risks are presented in Note 27.

REVIEW OF KEY ECONOMIC AND FINANCIAL PARAMETERS

The comparison of the results for 2019 to the previous year has been presented in the table below, while their analysis can be found in the part concerning the operating and financial results included in the previous chapter of this Report:

[selected financial data in PLN thousand]	2019	2018	change %
Sales revenue	149,020	136,620	9%
Sales revenue	106,886	80,653	33%
Operating profit	25,563	7,475	242%
Gross profit (loss)	9,184	3,269	181%
Net profit (loss)	6,014	2,019	198%

DESCRIPTION OF MATERIAL RISK FACTORS AND THREATS

Risk associated with the economic situation in Poland and globally

The Issuer's operation is not sensitive to changes in economic conditions.

Due to the current geopolitical environment, an additional risk factor for the following quarters in the context of the Issuer's total income (through the impact of the results and goodwill of the associated company — Linx Telecommunications Holding B.V. on it) will be the economic situation in Russia and its potential impact on functioning of Linx Telecommunications Holding B.V. on this market. Further devaluation of the rouble against the euro may have a particularly significant impact.

At the time of publication of this annual report, another risk factor is the epidemic situation related to coronavirus COVID-19, to which the Issuer has referred in note 29 above.

Risk associated with human resources

The Issuer's operations are successfully carried out by highly qualified staff. Another factor influencing the Company's success and competitiveness is its management team. The attrition of employees — experts and members of management staff alike — caused by a situation beyond the Issuer's control, may bring the risk of decreasing the quality of services and solutions offered and, for instance, delays in projects implemented for the customers. Possible illegal activities of employees (e.g. causing harm to third parties, disloyal behaviour exhibited in, among others, undertaking competitive activity or disclosure of business and professional secrets) could also have negative repercussions.

The Company's experiences so far show that the Issuer's situation concerning staff is stable, the employees and managers are involved in the development of the company.

Risk associated with forecasts and planning

Risk related to forecasts and planning entails the threat of forecasts underlying the investment decisions on the data center market failing to materialise as a result of changes in the economic or technological environment (e.g. the emergence of new technologies). Forecasts concerning the planned investments might be wrong, despite using legitimate assumptions in the forecasting process.

Risk associated with strong competition

In the ICT sector, the risk associated with the emergence of new competitors is high, mainly due to the attractiveness of the data center market in Poland and Europe (dynamic growth). The possible emergence of new major competitors (in particular international entities) may have a negative impact on the Company's financial results in the future. Possible consolidation processes in the domestic market may also result in the decline of growth of the Company's financial parameters — this applies equally to the possible consolidation of the supply and demand side of the market.

Other information

1. Information concerning core products

Within the period covered by this Report, the Issuer provided services in 2 core operating segments: the Data Center Services Segment and the Telecommunications Services Segment. Detailed information on products in the so-called operating segments have been presented in note 4 to the financial statements.

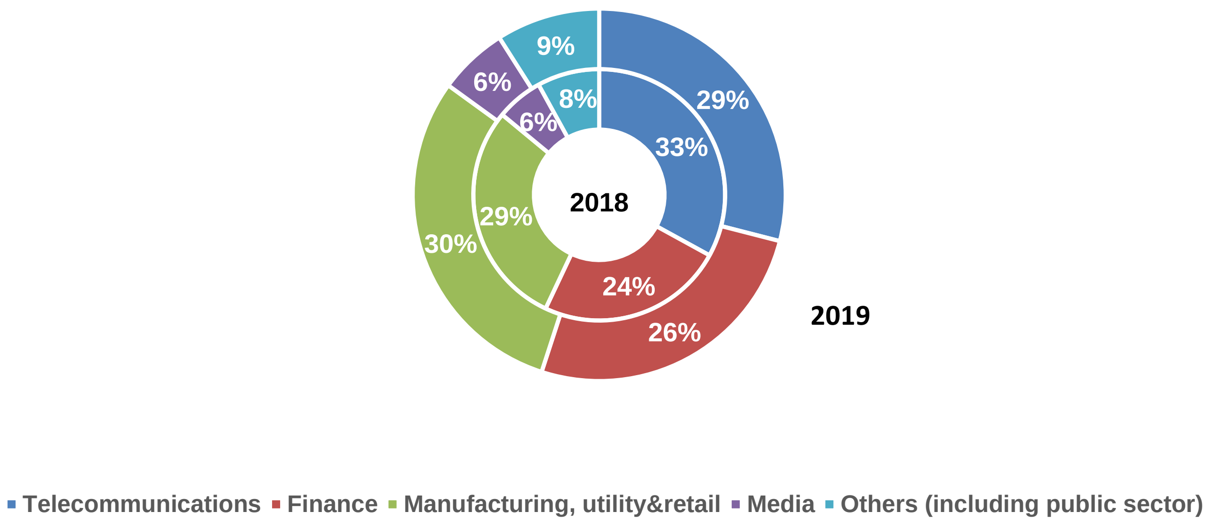
2. Information on sales markets and sources of supply

The main market for the products and services offered by ATM S.A. is Poland, and the company's customers come from all regions of the country. The Company's services become more and more popular among foreign customers (in particular the data center services sold in the Internet channel). ATM records a steady increase in the number of foreign requests for proposals, resulting, among others, from ATM's advantage over foreign competitors in terms of the service price/quality relation.

The most important customers of the Issuer originate from the following sectors:

- telecommunications (including operators),
- banking and finance (including insurance companies),
- industry, commerce and services (including power distribution undertakings),
- media and publishing houses (both traditional and electronic).

The Issuer's revenue structure in 2018-2019, broken-down by sectors*:



As in previous years, the Company has a highly diversified portfolio of customers, which materially protects the interests of the Issuer. In 2019, none of the customers exceeded the 10% share in total sales revenue from core operating segments.

The supply structure includes a group of products and services connected with the provision of telecommunications services, in which purchases are made from domestic and international telecommunications operators.

In 2019, as in previous years, the Company did not rely on a small group of suppliers. There were no cases of transactions with a single counterparty exceeding the threshold of 10% of total purchases (the only exception consists of electricity purchases, which constitute the key cost in the data center services segment).

3. Information concerning contracts important for the Issuer's activity

During the period covered by this report, the Issuer did not conclude any contracts of importance for its activity, other than those entered into in the ordinary course of commercial activity.

4. Information concerning organisational or capital relations with other entities and specification of main investments

On the day of publication of the annual report, the Issuer held shares representing 21.02% of the share capital of Linx Telecommunications Holding B.V. (investment made in 2007). The results of this entity, as an associate, are not consolidated at the operating level — the consolidation is carried out using the equity method.

5. Information concerning the conclusion by the Issuer or its subsidiary of one or more transactions with related undertakings if concluded under non-market conditions

During the reporting period, the Issuer did not conclude any transactions with related entities under non-market conditions.

6. Information concerning bank loan and other loan contracts concluded and terminated in the financial year, stating at least their amount, type, interest rate, currency and due date

Detailed information on the Issuer's bank loans and other loans contracted in the financial year has been provided in Note 20 to the financial statements.

7. Information concerning loans granted in the financial year, and in particular loans granted to the Issuer's related entities, stating at least their amount, type, interest rate, currency and due date.

In the period covered by this report, the Issuer did not grant any loans to related entities.

8. Information concerning guarantees and sureties granted and received in the financial year

	Closing balance 31/12/2019	Closing balance 31/12/2018
Bank warranties on behalf of other entities:		
Bank warranties granted by the Bank as ordered by the Company:	843	196
- performance bonds and tender bonds	843	196
Loan repayment collaterals		
Collateral pledge	64,738	45,267
Promissory notes and mortgages:	111,334	110,408
- bank loan collaterals	111,334	110,408
Total	**176,915**	**155,871**

The Issuer did not grant or receive any guarantees directly. However, at the request of the Issuer, banks issue bonds (guarantees) for the Issuer's customers. They are tender bonds and performance bonds.

As at 31 December 2019, tender bonds and performance bonds included guarantees granted by mBank S.A, amounting to PLN 843 thousand.

9. Description of the use of issue proceeds by the Issuer

In the reporting period, the Issuer did not issue securities that would be related to cash inflow for the Company.

10. Explanation of differences between financial results presented in the annual report and forecasts published

On 20.05.2019, the Management Board of the Company published a forecast of financial results of the Company for year 2019. The forecast for the period from 1 January 2019 until 31 December 2019 included: revenues from sale by ATM S.A. at the level of PLN 148 million and EBITDA of PLN 58.5 million. Values achieved by the Company in 2019 amounted to: PLN 150.1 million of revenues (1.5% above the forecast) and PLN 59.7 million of EBITDA profit (2.1% above the forecast), respectively. Exceeding of the forecast levels was possible mainly thanks to revenues being higher than expected (and profit from sales) in the Data Center Services Segment (including in particular: from lease of dedicated server and cloud computing services).

The above values were presented with the assumption of exclusion of the impact of IFRS 15 “Lease” on results of the Company, that is, to retain comparability with results published by the Company for periods ended prior to 1 January 2019.

11. Assessment of financial resource management

The Management Board of the Company considers the financial position of ATM S.A. as good. Liquidity indicators, asset turnover and debt ratios do not indicate any potential threats to the Company’s ability to fulfil its obligations.

12. Assessment of ability to fulfil investment plans

In recent years, one of the Issuer’s most important investment plans was the deployment of infrastructure necessary for the provision of services based on data centers. In this regard, the Issuer has most of all completed the development of the Atman Data Center at Grochowska street in Warsaw, which at the same time was the biggest investment project in history of activity of the Issuer (the ATM Innovation Center Project). This project was completed in 2015. Additionally, the Company expanded the Thinx Poland Data Center (at present: Atman Warszawa-2 Data Center) at Konstruktorska in Warsaw, by systematically equipping and commissioning new server room modules.

After the investment projects completed in 2015, the Company currently has over 8 thousand sq. m of net colocation space, 85% of which was utilised by customers at the end of year 2019. In addition, the Company can relatively quickly increase the supply of space with additional 1.6 thousand sq. m net, by expanding the DC localised at Konstruktorska street in Warsaw, as well as developing additional data center buildings at the campus at Grochowska street.

Over the next few years, the Company plans to continue to make capital expenditures related to the Data Center Services Segment — they will be earmarked primarily for finishing server rooms in line with specific needs of the customers, as well as for purchasing equipment necessary for further development of the dedicated server and Cloud services. The schedule of these expenditures will be contingent upon the demand for data center services and the pace of acquiring customers.

Within the scope of telecommunications activities, the Company primarily plans to modernise the networks in order to maintain/improve its quality parameters and — to a lesser extent — to extend the existing fibre-optic connections.

All of the Issuer’s investments will be financed from the Issuer’s own funds supported with a loan/leases. At the same time, the Issuer’s Management Board does not expect any threats to the completion of investment projects, while the possibility to divide the investments into stages and to adjust them to the current market demand provides security and comfort in conducting current activity.

The Issuer does not expect any material investments other than those discussed above in the near future.

13. Assessment of factors and unusual circumstances which materially affected financial results for 2019

Unusual circumstances affecting the Issuer’s financial statements for 2019 included:
- implementation from the beginning of year 2019 of the accounting principles contained in IFRS 16 “Lease”, which resulted in a material change in the value of assets and liabilities and the level of operating expenses of the Issuer and - as a consequences - of operating profit in relation to values recorded in the previous period (see the description and table in section “KEY EFFECTIVENESS INDICATOR - EBITDA” above);
- recognition of costs related to the incentive scheme for the key managerial staff (PLN 1.44 million - non-cash item);

- Issuer restructuring costs in the amount of PLN 1.9 million;
- an impairment write-down made in 2019 on shares in the associate Linx Telecommunications Holding B.V. in the amount of PLN 8.2 million, recognised under "Financial costs" in the Issuer's Income Statement (non-cash item);
- dividend received from the associate Linx Telecommunications Holding B.V. in the amount of PLN 1.8 million;
- recognition of credit pricing according to adjusted purchase price in the amount of PLN 0.45 million (non-cash item);

14. Description of external and internal factors important for the development of the Issuer's Company, the development strategy adopted by the Issuer and the associated tasks and development prospects until the end of 2020

One of the most important external factors which condition the development of the Issuer's Company is a constant growth of demand for transfer, processing and archiving of information which creates conditions for constant increase in demand for the services provided by the Issuer in the area of data transmission for companies and institutions, as well as data center (colocation) services.

The main factors that — in the opinion of the Issuer — should stimulate the demand for its services in the next few years include:

- digitalisation of companies — increasing demand for data computing power and storage space (also in relation to Big Data),
- advances in telecommunications — the new generation network (LTE), the dynamically growing number of mobile devices used to send increasing amounts of data (content delivery),
- increasing popularity of services generating large volumes of data: video transmission, social media, online games, e-commerce, the Internet of Things,
- tangible benefits of locating own equipment in close proximity of the equipment and connection lines of business partners and customers — such possibilities are offered only by data centers, concentrating wide range of stakeholders from different sectors,
- dynamic development of the market for financial services, in which e-commerce and the need to handle large volumes of transactions per unit of time are becoming increasingly important (including FinTech),
- progressive digitalisation of the public sector (e.g. health care),
- IT outsourcing — increased inclination to place own data processing equipment at the premises of specialised providers of data center services, rather than building own server facilities (cost — economies of scale, quality and reliability of services — know-how),
- cloud computing — transfer of a part of data processing to companies offering cloud computing which also operate based on the infrastructure offered by specialised data center providers.

In view of the above, the Issuer implements the adopted strategy by preparing further modules of the Atman Data Center for sale, including through the ATM Innovation Center Project finalised in 2015. The high pace of sales of the colocation space offered will strengthen ATM's leading position on the domestic data center market and will bring a tangible result in the increase of revenue and profits in the next financial periods.

15. Changes in the basic principles of managing the Issuer's Company

In 2019, there were no significant changes in the principles of managing the Issuer's Company, except for the changes in the composition of the Management Board and the Supervisory Board described in the item below.

16. Changes in the composition of managing and supervisory bodies of the Issuer in 2019

- On 19.03.2019, Mr. Sławomir Koszołko submitted his resignation from the position of the President of the Company's Management Board.
  Moreover, on 19.03.2019, the Supervisory Board of the Company adopted a resolution to appoint Mr. Daniel Szcześniewski as a President of the Management Board of the Company as of 19 March 2019.
- On 05.04.2019, the Company received from AAW III Sp. z o.o. (hereinafter: "the Shareholder") a notification of appointment as of 05.04.2019 of Mr. Tomasz Czechowicz as a Member of the Supervisory

Board of the Company. The appointment, referred to above, took place on the basis of exercising of the personal right of the Shareholder based on par. 13 section 2 letter b) of the Articles of Association of the Company.

- On 10.06.2019, the Supervisory Board of the Company adopted a resolution concerning appointment of Mr. Daniel Szcześniewski in the Management Board of the Company for the subsequent term of office as a President of the Management Board. and a resolution on appointment of Mr. Tomasz Galas in the Management Board of the Company for the subsequent term of office as a Vice President of the Management Board.
- On 28.06.2019, the Ordinary General Meeting of the Company appointed the following persons as members of the Supervisory Board: Piotr Sieluk, Mariusz Grendowicz, Tomasz Czechowicz, Przemysław Głębocki, Tomasz Jacygrad, Maciej Kowalski and Sebastian Millinder. At the same time, the Ordinary General Meeting of the Company entrusted Mr. Piotr Sieluk with the function of the Chairman of the Supervisory Board, and Mr. Mariusz Grendowicz - with the function of the Deputy Chairman of the Supervisory Board.

17. Agreements concluded by and between the Issuer and management staff which stipulate a compensation in the event of their resignation or dismissal from the position

The amount of severance pay due to Members of the Management Board and managing staff relates to the compensation for the non-competition clause after the end of the employment period and provides for severance pays amounting to 1–12 months' remuneration payable to a given employee.

18. The amount of remuneration, rewards and benefits, including those under incentive or bonus schemes based on the Issuer's capital, including schemes based on bonds with priority warrant, convertible bonds, subscription warrants (in money, in kind, or another form), paid, due or potentially due, separately to each member of the Issuer's managing and supervisory bodies in the Issuer's Company

In 2019, total remuneration paid to each member of the Issuer's managing and supervisory bodies was as follows (in PLN thousand):

Management Board of ATM S.A.	
Galas Tomasz*	499,747
Szcześniewski Daniel*	436,237
Koszołko Sławomir*	649,301
	1,585,286
Supervisory Board of ATM S.A.	
Czechowicz Tomasz (from 05.04.2019)	35,619
Głębocki Przemysław	48,000
Grendowicz Mariusz	84,000
Jacygard Tomasz	48,000
Kowalski Maciej	48,000
Millinder Sebastian	48,000
Sieluk Piotr*	552,000
	863,619

*these persons were included in the incentive scheme described in note 31 to the financial statements.

19. Information about any liabilities resulting from pensions and similar benefits for former managers, supervisors or former members of administration bodies, and about

liabilities incurred in relation to such pensions, with an indication of the total amount for each category of a body

As at 31 December 2019, there were no liabilities resulting from pensions and similar benefits for former managers, supervisors or former members of administration bodies.

20. The Issuer's remuneration policy

Remuneration policy of the Management Board and the Supervisory Board is subject to independent decisions of the Supervisory Board and the General Meeting, respectively. The Management Board of the Company has no influence on any regulations in this matter. The remuneration policy concerning key managers results from a long-standing practice of the Company (it has not been formally laid down in the form of internal regulations or procedures). This policy was not significantly modified in the past year. The effects of applying the said policy, from the Management Board's point of view, are satisfactory — the Company operates in a stable manner.

Information on conditions and amounts of remuneration of the Management Board members and managing staff

Remuneration of the Management Board Members and managing staff comprises fixed and variable components of remuneration. In accordance with provisions of the contracts, the variable part is settled in a transparent manner that ensures effective implementation of goals. The fixed to variable remuneration ratio has been determined in a manner that ensures pursuing a flexible remuneration policy, considering stable and prudent management of the Company.

The variable remuneration is determined based on the performance of managers, for a period of at least 1 year, financial result of a given organisational unit and the Company's financial results. The performance is assessed based on both financial and non-financial criteria. Financial criteria include in particular:

- reaching by the entity of a specified level of the EBITDA and/or sales and/or operating costs assumed in the financial plan for a given financial year approved by the Supervisory Board.

In turn, non-financial criteria include in particular:

- periodical employee performance appraisal;

- participation in projects of significant importance for the Company.

A summary of information for 2019 regarding remuneration of persons holding managerial positions and Management Board Members is presented in the following table:

General information	number of persons	Total remuneration [PLN thousand]			
		Fixed	variable	Cash	Financial instruments
Members of the Management Board	3	1,585	298	1,585	298
Other persons occupying managerial positions	39	4,798	1,507	6,233	72

Moreover, the key managerial staff of the Company was encompassed in 2018 by an incentive scheme, described in note 31 to the financial statements.

Non-financial components of remuneration due to Members of the Management Board and managing staff

Under an agreement between employees and the employer, as well as procedures introduced by the Company's management, additional benefits due to Management Board Members and managing staff include in particular:

- mobile phone,

- provision of a company car and coverage of the costs of using it,

- access to additional medical insurance,

- access to courses and trainings.

21. Specification of the total number and face value of all of the Issuer's shares held by members of the managing and supervisory bodies

Total number of the Issuer's shares amounts to 36,343,344, and their face value amounts to PLN 34,526,176.80.

Members of the Issuer's managing and supervisory bodies hold the following numbers of shares:

Surname and first name	Function	Number of shares	Face value
Daniel Szcześniewski	President of the Management Board.	-	-
Tomasz Galas	Vice President of the Management Board	-	-

22. Listing of shareholders who hold, directly or indirectly, at least 5% of the total number of votes at the Issuer's General Meeting

Shareholder	Number of shares	%
MCI.PrivateVentures FIZ *	34,339,567	94.49%

**) jointly with subsidiaries. The number of shares as at 28.092018 based on the notification*

23. Information concerning agreements known to the Issuer which may change the proportion of shares held in the future

The Issuer does not have any detailed information on agreements which may result in future changes in the proportions of shares held by the existing shareholders, with the exception of the incentive scheme for the managerial staff of the Issuer, of which the Company informed in its current reports 47/2018 of 31.10.2018 and 50/2018 of 14.12.2018.

24. Listing of all owners of securities which grant special rights of control in relation to the Issuer

No securities exist which would grant special control rights in relation to the Issuer.

25. Information on the system of control of the employee stock ownership scheme

As at the balance sheet date no employee stock ownership scheme is run in the Company with the exception of the incentive scheme for the managerial staff of the Issuer (referred to in clause 23 above).

26. Listing of any restrictions as to the transfer of ownership rights to the Issuer's securities and of any restrictions on the execution of voting rights carried by the Issuer's shares

The Issuer has no information on any limitations with regard to exercising of voting rights associated with shares of the issuers. The Issuer also has no information on any limitations with regard to transfer of ownership of securities of the Issuer, with the exception of limitations imposed upon disposal of subscription warrants issued on the basis of the incentive scheme, of which the Issuer has informed in current reports 47/2018 of 31.10.2018 and 50/2018 of 14.12.2018.

27. Information on pending proceedings before court, arbitration panel or public administration body

The Issuer is not a party to pending proceedings before courts, arbitration panels or public administration bodies.

28. Information concerning the entity authorised to audit the financial statements

On 12 August 2019, the Issuer concluded audit contracts with the entity authorised to audit financial statements — Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

Subject matter of the agreement:

- review of interim financial statements of the Issuer for periods from 1 January to 30 June 2019 and from 1 January to 30 June 2020;
- audit of annual financial statements of the Issuer for periods from 1 January to 31 December 2019 and from 1 January to 31 December 2020;
- a review of the agreed procedures with regard to compliance with terms and conditions of loan agreements concludes as at 31 December 2019 and 31 December 2020.

The remuneration amount based on the agreement for review of the interim financial statements for the period from 1 January until 30 June 2019 and audit of the annual financial statements for the period from 1 January until 31 December 2019 is net PLN 225,000.

The remuneration amount based on the agreement for review of the interim financial statements for the period from 1 January until 30 June 2020 and audit of the annual financial statements for the period from 1 January until 31 December 2020 is net PLN 225,000.

The remuneration amount based on the agreement for review of the agreed procedures with regard to compliance with terms and conditions of loan agreements concludes as at 31 December 2019 and 31 December 2020 amounts to net PLN 10,000.

The Issuer had not commissioned to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. services consisting of review and audit of financial statements.

The audit firm was selected on 26.07.2019 by the Supervisory Board of ATM S.A. in accordance with the legal provisions in force and professional standards, as well as upon completion by the Management Board of the Company of the procedure in accordance with the “Policy and procedure for selection of an audit firm to conduct audits of financial statements to be followed by ATM S.A.”. Selection made by the Supervisory Board was consistent with the recommendation of the Audit Committee of the BoS of ATM S.A.

In 2018, the remuneration for the previous entity reviewing and auditing financial statements of the Issuer amounted to;

- PLN 111,000 net for the review of the condensed separate financial statements for the period from 1 January to 30 June 2018;
- PLN 90,000 net for the audit of the separate financial statements for the period from 1 January to 31 December 2019.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	24.04.2020	....
Tomasz Galas	Vice-President of the Management Board	24.04.2020	....

STATEMENT AND INFORMATION OF THE MANAGEMENT BOARD

The Management Board of ATM S.A. declares that according to its best knowledge, the annual financial statements and comparable data have been drawn up in accordance with applicable accounting principles and they give a correct, true and fair view of the asset and financial situation of the Issuer and its financial performance and that the report on the activities of the Issuer gives a true picture of the development, achievements and standing of the Issuer, including most important risks and threats.

Warsaw, 24 April 2020

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	24.04.2020	....
Tomasz Galas	Vice-President of the Management Board	24.04.2020	....

The Management Board of ATM S.A. hereby informs, on the basis of the statement of the Supervisory Board of the Company, of selection of the audit company to conduct the audit of the annual financial statements of ATM S.A. in accordance with the legal provisions in force, including regulations concerning selection and procedure of selection of the audit company, informing in particular that:

a) the audit firm and members of the audit team fulfilled the conditions for preparation of an impartial and independent report on audit of the annual financial statements in accordance with the legal provisions in force, professional standards and principles of professional ethics,

b) the Company complies with the legislation on rotation of auditing firms and key statutory auditors and the obligatory withdrawal periods,

c) the Issuer has developed a policy for selection of the audit firm and a policy concerning additional services other than audit on behalf of the Issuer by the audit firm, any entity related to the audit firm or a member of its network, including services conditionally exempt from the prohibition of being rendered by the audit firm.

Warsaw, 24 April 2020

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	24.04.2020	....
Tomasz Galas	Vice-President of the Management Board	24.04.2020	....

STATEMENT OF THE SUPERVISORY BOARD

The Supervisory Board of ATM S.A. (the Company) hereby states that:

a) the Company complies with the legislation on appointment, composition and functioning of the audit committee, including fulfilment by its members of criteria of independence and requirements with regard to knowledge and skills concerning the segment of operation of the Company, as well as accounting or audit of financial statements,

b) the audit committee of the Company performed the tasks of the audit committee defined in the legal provisions in force.

Moreover, upon analysis of the report on activity of the Company and financial statements contained in this Annual Report and taking into account the auditor's report on audit of the annual financial statements of the Company, the Supervisory Board of the Company has assessed that the documents listed above are consistent with the books, documents and the factual circumstances.

Warsaw, 24 April 2020

Piotr Sieluk — Chairman of the Supervisory Board	……………………………..
Mariusz Grendowicz — Deputy Chairman of the Supervisory Board	……………………………..
Tomasz Czechowicz — Member of the Supervisory Board	……………………………..
Przemysław Głębocki — Member of the Supervisory Board	……………………………..
Maciej Kowalski — Member of the Supervisory Board	……………………………..
Tomasz Jacygrad — Member of the Supervisory Board	……………………………..
Sebastian Millinder – Member of the Supervisory Board	……………………………..

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2019

A) Listing of the corporate governance principles which the Issuer is required to follow

In 2019, ATM S.A. complied with corporate governance principles specified in the document "Best Practices of WSE Listed Companies 2016", introduced by way of Resolution No 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015. The content of these principles is available at: https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf

B) Extent to which the Issuer departed from application of the set of corporate governance principles, descriptions of these principles and explanations of the reasons for departure

The Management Board of the Company hereby represents that in 2019, the following corporate governance principles and recommendations were not applied/ were not fully applied/ did not apply to the Company (this concerns principles applicable in 2019):

Information policy and communication with investors

I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

This principle does not apply to the company.

The Company's comments: This recommendation does not apply to the Company.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The Company's comments concerning the manner of applying the above principle:

The Company ensures the availability of key content of its corporate website in English.

Internal systems and functions

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and a relevant report.

The Company's comments concerning the manner of applying the above principle:

The Company applies this principle, taking into consideration the adequacy thereof (applies to the level of formalization of reports submitted to the Supervisory Board).

General meeting and shareholder relations

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1) real-life broadcast of the general meeting;

2) two-way real-time communication which allows the shareholders to speak

during the general meeting while being present at a location other than the location of the meeting;

3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

This principle does not apply to the company.

The Company's comments: Due to the current shareholding structure of the Company - more than 90% of the shares in votes during the General Meeting are held by a single shareholder (along with related entities) - the Management Board has decided to withdraw from transmitting the General Meetings. The Company's Articles of Association and Rules of the General Meeting do not provide for an active participation of shareholders in the General Meeting using electronic communication means. In the opinion of the Company, the introduction of bilateral communication without the right to vote would result, under the currently applicable laws, in the occurrence of additional legal risk. As regards exercising the right to vote using electronic communication means, the Company will examine the possibility to adapt to the recommendations of good practice in this field, provided that solutions offered on the market will allow conducting the General Meeting in a safe and effective manner. Rules governing the shareholders' participation in the General Meeting of the Company ensure effective enforcement of the shareholders' rights and secure their interest, including interest of minority shareholders. The shareholder structure and shareholders' expectations that the Company is aware of do not indicate the need to apply the aforementioned solutions, however the Company does not exclude the possibility of their application in the future.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

This principle does not apply to the company.

The Company's comments: This principle does not apply to the Company. The Company's shares are traded in the domestic market only.

IV.Z.2. If justified by the structure of shareholders, the company provides a publicly accessible real-time broadcast of the general meeting.

The principle is not applied.

The Company's comments: Due to the current shareholding structure of the Company - more than 90% of the shares in votes during the General Meeting are held by a single shareholder (along with related entities) - the Management Board has decided to withdraw from broadcasting the General Meetings.

Conflict of interest and transactions with related parties

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The Company does not apply the above principle:

The Company is currently working to supplement internal regulations, so that they would fully address the proposals contained in the principle in question.

Payroll

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The principle is not applied.

The Company's comments: Remuneration policy of the Management Board and the Supervisory Board is subject to independent decisions of the Supervisory Board and the General Meeting, respectively. The Management Board of the Company has no influence on any regulations in this matter. The remuneration *policy concerning key managers results from a practice of the Company (it has not been formally laid down in the form of internal regulations or procedures).*

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, considering solutions necessary to avoid discrimination on whatever grounds.

The principle is applied.

The Company's comments: As regards an informal policy concerning key manager, the assumptions described in the above recommendation are applied.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

This principle does not apply to the company.

The Company's comments: The above recommendation does not apply to the Company (there is no remuneration committee within the Supervisory Board).

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is applied.

The Company's comments: On the basis of the valid Incentive Scheme of the Company (approved by resolution of the Supervisory Board of 14.12.2018, on the basis of authorisation contained in resolution of the EGM of 31.10.2018), the period for conversion of subscription warrants to shares of the Company has not been determined, however, the maximum conversion date has been specified as 31.10.2028.

VI.Z.3. Remuneration of members of the supervisory board should not depend upon options or other derivative instruments, or any other variable components, and it should not be dependent upon results of the company.

The principle is applied.

The Company's comments: On the basis of the valid Incentive Scheme of the Company (approved by resolution of the Supervisory Board of 14.12.2018, on the basis of authorisation contained in resolution of the EGM of 31.10.2018), by the decision of the EGM of the Company of 31.10.2018, subscription warrants were awarded to one of the Members of the Supervisory Board of ATM S.A. - Mr. Piotr Sieluk. The remaining Members of the Supervisory Board do not participate in the Incentive Scheme, referred to above.

C) Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.

The Management Board of the Company is responsible for internal control system and its efficiency with respect to the process of preparing financial statements and publishing interim reports. Financial statements are prepared by the Company in accordance with the applicable provisions of law and International Accounting Standards.

The scope and advancement of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements is predominantly influenced by: optimal, competency-based division of tasks in the process of preparing financial statements, ongoing assessment of the Company's activity and estimated results prepared based on the assessment as well as audit of the financial statements by an independent chartered auditor.

Following the procedure applied by the Company, in order to ensure the efficiency of the financial reporting process, the preparation of the financial statements in entrusted to competent employees of the Finance Division managed by the Financial Director and the Management Board, who are supported by persons responsible for the control of financial statements and matters related to the publication of reports.

D) Listing of shareholders who own, directly or indirectly, significant blocks of shares with specification of the number of shares owned by the said entities, their percentage ownership in the share capital, the number of votes arising from these shares and their percentage share in the overall number of votes.

Shareholder	Number of shares held	Percentage in share capital	Number of votes in the GM	Share in total number of votes
MCI.PrivateVentures FIZ *	34,339,567	94.49%	34,339,567	94.49%

**) jointly with subsidiaries. The number of shares as at 28.092018 based on the notification*

E) Listing of all owners of securities which grant special rights of control, with a description of these rights

No securities exist which grant special control rights.

F) Listing of all restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or number of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the company, equity rights related to securities are separate from the ownership of securities.

No restrictions exist as to the execution of voting rights attributable to shares of the Issuer.

G) Listing of all restrictions on the transfer of ownership rights to securities by the Issuer

The Issuer has no information on any limitations with regard to transfer of ownership of securities of the Issuer, with the exception of limitations imposed upon disposal of subscription warrants issued on the basis of the incentive scheme, of which the Issuer has informed in current reports 47/2018 of 31.10.2018 and 50/2018 of 14.12.2018.

H) Description of principles concerning the appointment and dismissal of managers and their entitlements, in particular their right to decide on issuance or redemption of shares

In 2019, the Management Board acted on the basis of the Company's Articles of Association, resolutions of the General Meeting, the Code of Commercial Companies, other applicable provisions of law as well as on the basis of the Regulations of the Management Board of ATM S.A. adopted with the resolution of the Supervisory Board of 17 February 2016. The Management Board operates on the basis of and is subject to the corporate governance principles. The Management Board consists of two members: The President of the Management Board and the Vice President of the Management Board. The Management Board is appointed and dismissed by the Supervisory Board, which also appoints the President of the Management Board. All matters related to managing the Company, not reserved by the Company's Articles of Association or the Code of Commercial Companies as the competence of the General Meeting of the Company's Shareholders or the Supervisory Board, lay within the scope of responsibility of the Management Board.

The Company's Management Board, acting jointly, has, in particular, the right and obligation to:

- define the strategy for the Company's development and present it to the Supervisory Board;
- apply and implement the Company's strategy;
- prepare the budget and financial plans of the Company;
- manage the Company's assets;
- assume financial obligations and conclude contracts;
- appoint and dismiss commercial proxies and attorneys;
- make resolutions on the organisational structure and internal regulations of the Company;
- define personnel and payroll policies, in particular appoint personnel to important management positions in the Company and its subsidiaries, define employment, salary and human resources policies;
- create an incentive scheme for employees,

- convene ordinary and extraordinary General Meetings of the Company;
- participate in General Meetings of the Company;
- submit motions at the General Meeting concerning the distribution of profits or coverage of losses.

The Members of the Management Board are appointed for a common term of office. The term served by the Members of the Management Board is 5 years. A Member of the Management Board should not resign from his/her duties in the course of the term of office. However, if a Management Board member is forced by circumstances to resign from the Management Board position, he/she must take into consideration the continuity of Company's operations and management, and try to minimise the negative effects of such a decision for the Company.

I) Description of principles concerning amendments to the Issuer's Articles of Association.

An amendment to the Company's Articles of Association requires a resolution of the General Meeting and registration, in accordance with the Code of Commercial Companies. Resolutions on the amendments to the Company's Articles of Association require a three-fourths majority of votes. The Management Board shall notify the registry court of every amendment to the Company's Articles of Association.

J) The manner of functioning of the General Meeting and its basic rights, and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from regulations of the General Shareholders' Meeting, if such regulations have been passed and do not result directly from the existing law

The General Meeting, which consists of all Company's shareholders who are entitled to participate in the General Meeting, is the Company's highest decision-making body. General Meetings are conducted in accordance with the applicable provisions of law and relevant provisions of the Company's Articles of Association or the Rules of the General Meeting available at the website of ATM S.A. The General Meeting shall be convened by the Company's Management Board. The Supervisory Board is entitled to convene an Ordinary General Meeting if the Management Board fails to convene it within six months after the end of each financial year and an Extraordinary General Meeting, should the Supervisory Board consider it expedient. A Shareholder or shareholders who own at least one twentieth of the share capital may request to convene an Extraordinary General Meeting as well as to add specific items to the agenda of the upcoming General Meeting. A request to add specific items to the agenda should be submitted to the Management Board in writing no later than fourteen days before the scheduled General Meeting. The General Meeting takes place on the Company's premises on the day specified in the announcement on convening the General Meeting included in the current report convening the General Meeting, in accordance with the applicable provisions of law. The announcement on convening a General Meeting should be made no later than twenty-six days before the date of the General Meeting. The announcement shall state the date, time and venue of the General Meeting and a detailed agenda. Draft resolutions included in the agenda of the General Meeting with grounds for adopting them as well as other available materials related to the specific General Meeting shall be presented to shareholders at a time and in a place which enable the shareholders to acquaint themselves with them and assess them. Moreover, issues which are to be subject matters of resolutions of the General Meeting shall be investigated and evaluated by the Supervisory Board.

Persons authorised to participate in an Ordinary General Meeting are those who have been the Company's shareholders 16 days prior to the date of the Ordinary General Meeting, i.e. on the day of registration of participation in the Ordinary General Meeting. Beneficial holders of registered shares and provisional certificates, likewise pledgees and usufructuaries who are entitled to vote, may take part in the Ordinary General Meeting, provided they have been entered in the register of shares on the registration date. Beneficial holders of dematerialised bearer shares of ATM S.A. shall request the entity who keeps their stock account to issue a personal certificate of the right to participate in the Ordinary General Meeting, no earlier than upon the announcement of the convening of the Ordinary General Meeting and no later than on the first business day following the registration of participation in the Ordinary General Meeting. Subject to the shareholder's choice, the certificate should state a part or all shares registered in his or her securities account.

Alongside the matters regulated by the provisions of the Code of Commercial Companies and the Company's Articles of Association, the powers of the General Meeting include:

a) recognition and reversal of capital reserves, special funds and specification of their purposes;
b) determination of the Supervisory Board Members' remuneration;
c) adoption of the Supervisory Board Rules;
d) adoption of the General Meeting Rules.

The agenda is determined by the body which convenes the General Meeting. To remove an item from the agenda or abandon it upon shareholders' motion, the General Meeting must pass a resolution upon prior consent of all requesting shareholders who are present, backed by 75% of votes of the General Meeting. In the event referred to in Article 397 of the Code of Commercial Companies, a resolution on the dissolution of the Company shall require the majority of 3/4 votes. The business objective of the Company may be changed without redeeming shares of those shareholders who do not consent to the change in the business objective, provided that the resolution changing the Company's business objective is passed by the majority of 2/3 of votes in the presence of shareholders who represent at least half of the share capital. The Chairman of the Supervisory Board or a person indicated by the Chairman shall open the General Meeting. Should the Chairman of the Supervisory Board be absent at the General Meeting or fail to indicate a person to open the General Meeting, the General Meeting shall be opened by a shareholder who holds the highest number of shares in the Company's share capital or his representative present at the General Meeting. The person who opens the General Meeting should choose immediately a Chairman from among the participants. The Chairman of the Meeting shall state the formal validity of convening the General Meeting and chair its proceedings in accordance with the adopted agenda, applicable provisions of law, the Company's Articles of Association, General Meeting Rules and corporate governance principles adopted by the Company. The Chairman of the General Meeting shall watch over the correct conduct of the proceedings as well as the respect for rights and interests of all shareholders. The Chairperson should prevent the abuse of rights by the participants of the General Meeting and, in particular, ensure the respect for minority shareholders' rights. Having checked and signed the attendance list, the Chairman shall conduct the voting on the agenda. The General Meeting may adopt the proposed agenda as it is, modify the sequence of items in the agenda or remove some matters from the agenda. A request on abandoning a matter included in the agenda shall be duly substantiated. The General Meeting may also add new items to the agenda, and discuss such items, however, without passing any resolutions concerning such items. If the General Meeting resolves to remove an item from the agenda, motions submitted in connection with the removed item are abandoned. The Chairman independently may not remove items from the announced agenda, change the order of individual items or proceed on matters of substance not included in the agenda. Following the presentation of each item included in the agenda, the Chairman shall open the discussion, inviting speakers according to the order of their enlisting. The decision on closing the discussion shall be made by the Chairman. Speakers may express their opinions only on items included in the agenda, referring to the currently discussed item. As regards formal matters, the Chairman may give the floor to speakers outside the established sequence. Discussion on formal motions should be conducted directly after their submission. Having closed the discussion on formal motions, the Chairman opens the General Meeting's voting on these items. Having exhausted the agenda, the Chairman closes the General Meeting. Following the closing of the General Meeting, it no longer operates as a body of the Company and the participants of the General Meeting may not pass valid resolutions. Detailed rules of participation and exercise of voting rights at the General Meeting as well as particular stages of the proceedings have been presented in the General Meeting Rules and the Company's Articles of Association, available at the Company's website.

K) The staff composition of the managing, supervisory and administrative bodies of the Issuer and any changes thereto during the previous financial year, along with a description of the activities and committees of the said bodies

- On 19.03.2019, Mr. Sławomir Koszołko submitted his resignation from the position of the President of the Company's Management Board.
  Moreover, on 19.03.2019, the Supervisory Board of the Company adopted a resolution to appoint Mr. Daniel Szcześniewski as a President of the Management Board of the Company as of 19 March 2019.
- On 10.06.2019, the Supervisory Board of the Company adopted a resolution concerning appointment of Mr. Daniel Szcześniewski in the Management Board of the Company for the subsequent term of office as a President of the Management Board. and a resolution on appointment of Mr. Tomasz Galas in the Management Board of the Company for the subsequent term of office as a Vice President of the Management Board.

As at the end of 2019 the Issuer's Management Board was composed of the following members:

- Daniel Szcześniewski - President of the Management Board,
- Tomasz Galas — Vice-President of the Management Board.

The Management Board holds meetings at least once a month. Meetings of the Management Board may be convened by either of the Management Board Members at any time. For a Meeting of the Management Board to be valid, both Members of the Management Board must be present. The meetings of the Management Board shall be chaired by the President of the Management Board and, in the case of his/her absence, by one of the Vice-Presidents. The meetings of the Management Board can be held without formal summoning if all the members of the Management Board give their consent. Should any disputes arise and, in particular, when adopting resolutions, the Management Board shall try to reach a consensus. In the event of conflict of interests, the Member of the Management Board whom such conflict concerns shall abstain from voting. Voting at Meetings of the Management Board is open. The Management Board may invite to the Meeting other persons whose participation may help in managing the Company.

- On 05.04.2019, the Company received from AAW III Sp. z o.o. (hereinafter: "the Shareholder") a notification of appointment as of 05.04.2019 of Mr. Tomasz Czechowicz as a Member of the Supervisory Board of the Company. The appointment, referred to above, took place on the basis of exercising of the personal right of the Shareholder based on par. 13 section 2 letter b) of the Articles of Association of the Company.
- On 28.06.2019, the Ordinary General Meeting of the Company appointed the following persons as members of the Supervisory Board: Piotr Sieluk, Mariusz Grendowicz, Tomasz Czechowicz, Przemysław Głębocki, Tomasz Jacygrad, Maciej Kowalski and Sebastian Millinder. At the same time, the Ordinary General Meeting of the Company entrusted Mr. Piotr Sieluk with the function of the Chairman of the Supervisory Board, and Mr. Mariusz Grendowicz - with the function of the Deputy Chairman of the Supervisory Board.

Consequently, as at the end of 2019 the Issuer's Supervisory Board was composed of the following members:

- Piotr Sieluk — Chairman of the Supervisory Board,
- Mariusz Grendowicz — Deputy Chairman of the Supervisory Board,
- Tomasz Czechowicz — Member of the Supervisory Board,
- Przemysław Głębocki — Member of the Supervisory Board,
- Maciej Kowalski — Member of the Supervisory Board.
- Tomasz Jacygrad — Member of the Supervisory Board,
- Sebastian Millinder – Member of the Supervisory Board.

The Supervisory Board acts on the basis of the Company's Articles of Association, resolutions of the General Meeting, applicable laws and the Supervisory Board Rules. The Supervisory Board operates on the basis of and is subject to the corporate governance principles. Members of the Supervisory Board shall be appointed for a joint term. The term of office for Members of the Supervisory Board is 5 years. The term of office of the Supervisory Board Members shall expire on the day on which the General Meeting is convened to approve the Company's financial statements for the financial year in which the period of 4 years from the day of appointing the Supervisory Board Members for a given term has lapsed. The term of a Supervisory Board Member assuming the position to substitute another Member whose term has been terminated, shall expire at the end of term of the entire Supervisory Board. Each Member of the Supervisory Board may resign from his/her function during his or her term, even without specifying his/her reasons. However, such resignation should respect the applicable corporate governance principles. The Supervisory Board holds its meetings at least once every quarter. At least 2 members of the Supervisory Board should be independent. A member of the Supervisory Board is considered to be independent, if they fulfil the criteria of independence provided for a member of the audit committee in art. 129 section 3 of the act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017 item 1089).

Meetings of the Supervisory Board are convened by the Chairman or Deputy Chairman of the Supervisory Board. Notwithstanding the foregoing, a Supervisory Board meeting should be convened by the Chairman of the Supervisory Board at the written request of a Supervisory Board Member or a Management Board member, to which a proposed agenda for the meeting is attached, within 14 days from the date of submission of such a request. If a Supervisory Board meeting is not convened as specified in the preceding sentence, the requesting member may convene the meeting by providing its date, place and proposed agenda.

The person convening the Supervisory Board meeting is required to notify the Management Board immediately.

Meetings of the Supervisory Board are chaired by the Chairman of the Supervisory Board. Meetings of the Supervisory Board may also be chaired by the Deputy Chairman in the event of the Chairman's absence or when the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board so decide. If the Chairman of the Supervisory Board and Deputy Chairman of the Supervisory Board are absent from a meeting, the meeting is chaired by a member of the Supervisory Board elected by the Supervisory Board.

The agenda of a Supervisory Board meeting may be suggested to the Chairman by other Board Members and by the Management Board, via e-mail, no later than 7 days before the date of the Board meeting.

The Supervisory Board adopts resolutions by absolute majority of votes of Members attending the meeting. In the event of equal split of votes, the Chairman's vote prevails. In the cases envisaged in the applicable corporate governance principles, a resolution should be passed only if it is supported by at least one independent Member of the Supervisory Board. Voting at the Supervisory Board meetings is open. Upon a justified request of at least one Supervisory Board Member or in the cases required by the applicable law, the voting is secret. The Supervisory Board meetings shall be accessible and open to the Members of the Management Board, except for matters directly related to the Management Board or its Members. The Supervisory Board may invite to its meeting other persons who can provide the Board with required information. The minutes of Supervisory Board meetings are taken by a recording secretary appointed by the Management Board and accepted by the Supervisory Board. The Supervisory Board may proceed without the recording secretary. In such an event, the minutes are kept by the person chairing the meeting. The minutes should be taken on an ongoing basis during the proceedings and signed by the recording secretary and all the attending Members immediately upon closing the meeting. In justified cases, Supervisory Board Members may sign the minutes at a later time. Pursuant to the Company's Articles of Association, the Supervisory Board may adopt resolutions in writing or by means of remote communication. A resolution is valid when all members of the Supervisory Board have been notified about its contents. Members of the Supervisory Board may participate in passing resolutions by casting their vote in writing with the assistance of another member of the Supervisory Board. Votes may not be cast in writing on matters introduced into the agenda during a meeting of the Supervisory Board.

The minutes of the Supervisory Board meeting shall be delivered immediately by the chairing person to the Minutes File kept by the Management Board of the Company.

The Supervisory Board may designate one or more Members to perform independently specific supervisory activities. The detailed rules and scope of such supervisory activities shall be determined on a case-to-case basis by a Supervisory Board resolution adopted with consultation of the Management Board. Such a resolution shall set forth the amount and method of payment of remuneration for the activities performed. The remuneration of the Chairman and other Members of the Supervisory Board shall be determined by the General Meeting.

As at the end of 2019 the Audit Committee of the Supervisory Board of ATM S.A. was composed of the following members:
- Mariusz Grendowicz (Chairman of the Audit Committee),
- Maciej Kowalski,
- Tomasz Jacygrad.

L) Other information concerning the Audit Committee

– Persons meeting the statutory criteria of independence:

- Mariusz Grendowicz - Chairman;
- Tomasz Jacygrad.

- Persons having the knowledge and skills in the field of accounting or auditing of financial statements, indicating how these skills have been acquired:

Mariusz Grendowicz - until September 2014, the first president of the Management Board. of Polskie Inwestycje Rozwojowe, a State Treasury company established on the basis of the Polish Investments governmental scheme. A banking specialist with 30 years of experience, he started his international career in banking in 1983 in Grindlays Bank in London, where he worked until l1991. In years 1991-1992, he worked for Citibank in London, and in years 1992-1997 - in ING Bank, where in years 1992-1995 he occupied managerial positions in Poland, and in years 1995-1997 he worked as a vice president of the management board of ING in Hungary. In years 1997-2000, he was a member of the management board of ABN AMRO Bank Polska; most recently, as the president of the management board and the head of the ABN AMRO Group for Poland. In years 2001-2006, he was a vice president of the management board of Bank BPH. From 2008 until August 2010, he was the president of the present mBank. A former member of the management Board of the Polish Bank Association, he was also the president of the Polish Confederation of Private Employers of Banks and Financial Institutions "Lewiatan". At present, he is an independent member of supervisory boards of the following entities: Aviva Polska, Getin Noble Bank, Private Equity Managers, Arctic Paper and Globe Trade Center, as well as a chairman of the WWF Polska Foundation Council. Mr. Grendowicz studied Economics of Transport at Gdańsk University. After leaving Poland, he graduated from banking studies in Great Britain and earned his diploma in International Banking at the Chartered Institute of Bankers in London.

Tomasz Jacygrad has more than 10 years of experience in the financial sector in the field of investments and investment banking, earned during his work for private equity banks and consulting companies. He started his career in 2007 at the financial consulting department of Deloitte, where he dealt with valuation and transaction consulting projects. Later on, he worked on M&A projects at the CAG consulting company. In years 2010-2015, he worked in the sector of private equity (Penta Investments and Innova Capital); during this period, he was a member of the team responsible for investments, among others, in Wirtualna Polska company. At present, he provides consulting services in the field of organic growth/ M&A, restructuring, financial optimisation. He graduated from the Faculty of Finances and Banking of Warsaw School of Economics.
Professional experience:

- 2012-2015 Associate Innova Capital
- 2010-2012 Investment Analyst Penta Investments
- 2009-2010 Senior Analyst CAG
- 2007-2009 Associate Deloitte Advisory

Education:

- 2002-2007 - Warsaw School of Economics - specialisation: Finances and Banking

Member of Supervisory Boards of:
Iglokrak Sp. z o.o., Wirtualna Polska S.A., HDOmedical Sp. z o.o.

Maciej Kowalski - an Investment Partner in Private Equity Managers SA, a former Vice President of ABC Data S.A., member of supervisory boards of Morele.net Sp. z o.o., UAB Pigu, Optizen Labs S.A. and Genomed S.A. He has more than 10 years of experience in investment management and investment banking, earned in the course of his cooperation with private equity funds, investment companies, consulting companies and international corporations. He has conducted several dozen transactions for sale, purchase and merger of companies in Poland, Central and Eastern Europe, Germany and the former CIS countries.

- Persons having the knowledge and skills in the sector of operation of the Issuer, indicating how these skills have been acquired:

Maciej Kowalski - has broad experience in the sector of telecommunications and new technologies. In years 2010-2011, he was a M&A Manager in Orange Polska, where he was responsible for coordination of M&A projects, including as a member of the team responsible for disposal of Emitel company (a leading radio-television-telecommunication infrastructure operator in Poland). He graduated from Warsaw School of Economics, Faculty of Finances and Banking, and doctoral studies at the College of Management and Finances of Warsaw School of Economics.

- Has the Issuer received non-prohibited services other than audit, rendered by the audit firm performing the audit of financial statements of the Issuer, and has the Issuer performed an assessment of independence of this audit firm in connection with the above and given consent for performance of these services:

Yes, confirmation of compliance with conditions of the loan agreements entered on the basis of analysis of financial information, originating from financial statements audited by the audit firm;

- The main assumptions of the policy for selection of the audit firm to conduct the audit and the policy of rendering of non-prohibited services other than audit by the audit firm conducting the audit, entities related to this audit firm or a member of the same audit network:

POLICY AND PROCEDURE FOR SELECTION OF AUDIT FIRM TO CONDUCT AUDITS OF FINANCIAL STATEMENTS, APPLICABLE TO ATM S.A. WITH A REGISTERED OFFICE IN WARSAW

1. This procedure and policy specify the principles to be followed by ATM S.A. with a registered office in Warsaw (‘the Company”) for selection of the audit firm to conduct audits of annual financial statements of the Company.
2. The Company is a public interest entity as defined in art. 2 clause 9 letter a) of the act of 11 May 2017 on statutory auditors, audit firms and public supervision.
3. Accordingly with provisions of § 15 section 2 letter g) of the articles of association of the Company in association with art. 66 section 4 of the act of 29 September 1994 on accounting, the audit firm to conduct an audit of financial statements of the Company is selected by the Supervisory Board of the Company.
4. Selection of the audit firm to conduct an audit of financial statements of the Company takes place on the basis of the recommendation issued by the audit committee appointed at the Company, referred to in art. 16 section 2 of the regulation of the European Parliament and of the Council (EU) 537/2014

of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Regulation 537/2014").

5. The audit committee submits to the Supervisory Board a recommendation, in which:
    a) it indicates the proposed audit firm to conduct audits of financial statements of the Company, based on the obligation stemming from provisions of the law;
    b) it declares that the recommendation is free from influence of third parties;
    c) it states that the Company has not entered into agreements containing clauses that would limit the choice of audit firms by the Supervisory Board, for the purpose of conducting audits of financial statements of the Company, based on the obligation stemming from provisions of the law, to specific categories or lists of audit firms.
6. If selection of the audit firm to conduct audits of financial statements of the Company, based on the obligation stemming from provisions of the law, does not apply to extension of an agreement for audit of financial statements, the recommendation of the audit committee:
    a) contains at least two possibilities of choice of the audit firm with a justification and an indication of justified preference of the audit committee for one of these;
    b) is prepared following the selection procedure organised by the Company, meeting the criteria specified in clauses 7-14 below.
7. The Company may invite any audit firms to place their offers for auditing financial statements of the Company based on the obligation stemming from provisions of the law, provided that:
    a) the above does not violate the provisions of art. 17 item 3 of regulation no. 537/2014 specifying the prohibition of auditing financial statements of the same public interest entity in the period of subsequent four years after the expiry of the maximum periods permitted by the law for auditing of financial statements of a given entity,
    b) organisation of a tender procedure does not exclude participation in the selection procedure of companies, which have earned less than 15% of their total remuneration due to audit from public interest companies in a given member state of the European Union in the previous calendar year, included on the list of audit firms referred to in art. 91 of the act of 11 May 2017 on statutory auditors, audit firms and public supervision.
8. The Company prepares a request for proposal for audit of financial statements of the Company and sends such request to selected audit firms by 30 June of the year, for which financial statements of the Company are to be audited, in accordance with the request for proposal. A request for proposal is not prepared, if in a given year the Company is bound by an agreement for audit of financial statements of the company for a given year. In the case of termination of the agreement concluded by the Company with an audit firm for audits of financial statements and inability to audit on this basis the financial statements of the Company for the period of time specified in such agreement, the request for proposals concerning audit of financial statements is to be prepared by the Company immediately.
9. In the case of commencement of the procedure for selection of the audit firm, the Company each time prepares and delivers to the audit firms, together with the request for proposal, a tender documentation, which:
    a) allow these companies to get familiar with activity of the Company;
    b) indicates the financial statements subject to audit;
    c) contains transparent and non-discriminating selection criteria, applied by the Company to assess bids made by audit firms
10. Audit firms place their bids within the deadline specified in the Company's request for proposals.
11. Subject to provisions of this policy and procedure, the Company can freely specify the criteria for selection of the audit firm and may, throughout the procedure of selection of the audit firm, engage in direct negotiations with the bidders interested, provided that significant aspects taken into account in selection of the audit firm include the level of competences and quality of services rendered, as well as independence and impartiality of audit firms and familiarity with the specific nature of the sector, in which the Company operates, as well as the proposed price.
12. The Company assesses bids made by audit firms according to selection criteria specified in the tender documentation and prepares a report containing conclusions on the selection procedure, approved by the audit committee, containing at least information on requests sent and all of the bids obtained.
13. The Audit Committee verifies correctness of the bidding process, in particular, assessing the bids on the basis of data gathered by the Company and application of criteria presented in clause 11.
14. If, in accordance with the legal provisions in force, the proper public supervision bodies require audit firms to comply with specific quality standards, these standards are taken into account in the tender documentation.
15. The Company, as well as the appointed audit committee, take into account all findings or conclusions contained in the annual report, referred to in art. 90 section 5 of the act of 11 May 2017 on statutory auditors, audit firms and public supervision, which may influence selection of the audit firm.

16. If the decision of the Supervisory Board of the Company with regard to selection of the audit firm departs from the recommendation of the audit committee appointed at the Company, the Supervisory Board justifies the reason for non-compliance with the recommendation of the audit committee and informs the general meeting of the Company of this justification.
17. The Supervisory Board decides upon selection of the audit firm within the time limit allowing the Management Board to enter into an agreement for audit of financial statements, so that the audit firm can participate in stock-taking of significant assets.
18. In the case of audit of a financial statements of the Company based on the obligation stemming from provisions of the law, the first agreement for audit of the financial statements is concluded with the audit firm for at least two years, with the possibility of extension of the agreement for subsequent periods of at least two years.
19. The maximum time of continuous statutory audits, set as mandatory by the legal provisions in force, conducted by the same audit firm or an audit form associated with this audit firm or any other member of the network operating in the EU member states, to which these audit firms belong, must not exceed 5 years.
20. The costs of auditing of the financial statement are borne by the Company.

POLICY FOR NON-PROHIBITED SERVICES OTHER THAN AUDIT, RENDERED BY THE AUDIT FIRM CONDUCTING AUDIT OF FINANCIAL STATEMENTS, BY ENTITIES ASSOCIATED WITH THIS AUDIT FIRM AND BY A MEMBER OF THE NETWORK OF THE AUDIT FIRM, APPLICABLE TO ATM S.A.

1. This policy specifies the rules to be complied with by ATM S.A. with a registered office in Warsaw (“the Company”) with regard to non-prohibited services other than audit to be rendered by the audit company auditing financial statements of the Company, entities related to this firm or members of the same network as the audit firm.
2. The Company is a public interest entity as defined in art. 2 clause 9 letter a) of the act of 11 May 2017 on statutory auditors, audit firms and public supervision.
3. The Company receives services from audit firms, consisting of audit of financial statements of the Company.
4. The audit firm conducting audits of financial statements of the Company based on the obligation stemming from provisions of the law, none of its related entities or members of the network of this audit firm, must not render directly or indirectly on behalf of the Company and entities under its control within the framework of the European Union, any prohibited services specified in art. 136 section 1 of the act of 11 May 2017 on statutory auditors, audit firms and public supervisions, other than audit of financial statements in the following periods:
   a) from commencement of the audit until issue of the audit report and
   b) in the trading year preceding directly the period referred to in letter a), in relation to legal services including provision of general legal advice, negotiating in the name of the Company and acting as a plenipotentiary under any litigation.
5. Non-prohibited services other than audit of financial statements of the Company, rendered by audit firms on behalf of the Company, are considered to be any services that are not prohibited in relation to the Company by mandatory rules of the law. The non-prohibited services, referred to in the previous sentence, which may be rendered on behalf of the Company, include:
   a) due diligence procedures with regard to the economic and financial position and issuing of comfort letters, performed in association with the prospectus of the Company, conducted in accordance with the national standard of related services and consisting of conducting of agreed procedures;
   b) attestation services with regard to pro forma financial information, forecasts of results or estimated results, placed in the prospectus of the Company;
   c) audit of historic financial information for the purpose of the prospectus, referred to in Commission regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
   d) verification of consolidation packages;
   e) confirmation of compliance with conditions of the loan agreements entered on the basis of analysis of financial information, originating from financial statements audited by a given audit firm;
   f) certification services with regard to reporting in the field of governance, risk management and social business responsibility;
   g) services consisting of assessment of compliance of information revealed by financial institutions and investment companies with requirements concerning disclosure of information with regard to capital adequacy and variable components of remuneration;

h) attestations concerning statements or other financial information to be submitted to the Supervisory Board of the Company or its owners, going beyond the scope of statutory audit, aimed at assisting these bodies in performance of their statutory obligations;

6. Rendering of services referred to in item 5 shall be possible only within the scope not related to the taxation policy of the Company after the committee appointed by the Company has conducted an audit of assessment of threats to independence and security measures implemented, referred to in art. 69-73 of the act of 11 May 2017 on statutory auditors, audit firms and public supervision.
7. In the case of services rendered by the audit firm as referred to in section 5, the audit committee appointed at the Company shall control and monitor the impartiality of the statutory auditor and the audit firm performing such services and should give consent for rendering of such services.
8. Rendering of services referred to in section 5 should take place in accordance with independence requirements, specified accordingly for such services in the professional ethics principles and standards for performance of such services.
9. Rendering of services other than audit in the manner, which is not compliant with this policy, by the audit firm performing audits of the financial statements, shall result in invalidity of the audit of financial statements by virtue of the law.

- Has the recommendation for selection of the audit firm to conduct the audit met the applicable requirements, and if selection of the audit firm did not concern extension of the agreement for audit of financial statements - whether this recommendation was prepared as a result of the selection procedure organised by the issue in accordance with the following criteria:

Yes.

Number of meetings of the audit committee held:

3 - including at least with regard to recommendation for selection of the entity authorised to audit and review financial statements.

- In the case of performance of obligations of the audit committee by the supervisory board or any other supervisory or
controlling body - which of the statutory requirements making it possible to take advantage of this option have been
met, quoting the appropriate data:

Not applicable.

Warsaw, 24 April 2020

Daniel Szcześniewski — President of the Management Board ………………………………………….

Tomasz Galas — Vice-President of the Management Board ………………………………………….