Annual report of ATM S.A. for the period from 1 January to 31 December 2017

Warsaw, April 2018

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KEY INFORMATION REGARDING THE ANNUAL REPORT

This annual report covers information drafted pursuant to § 91 item 1 of the Regulation of the Minister of Finance of 19 February 2009, 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 2017.

Submission date: 27 April 2018

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
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NIP (Tax ID No): 113-00-59-989
REGON (Statistical ID No): 012677986
Authorised auditor: Polska Grupa Audytorska Sp. z o.o. sp. k.

LETTER FROM THE PRESIDENT OF THE MANAGEMENT

BOARD TO THE SUPERVISORY BOARD, CURRENT SHAREHOLDERS AND PROSPECTIVE INVESTORS

Dear Sir/Madam,

2017 was undeniably a year of numerous organisational and operational changes taking place at the Company. A new management team, the reconstruction of and major investments in our sales and marketing functions — these changes were aimed at shifting the entire organisation's focus towards commercialisation, increasing sales and retaining our customers. All these measures had as their objective the implementation of our growth strategy. A significant improvement in sales performance in the second half of the year, together with better customer retention, provides evidence that these actions are yielding results that will be visible in the coming years.

In such circumstances, a significant improvement in profitability was definitely a major achievement. The growth of EBITDA by 10% and improvement of the EBITDA margin by 3 percentage points is an irrefutable proof of that. Our successes also include halting the decrease in revenue from the telecommunications services segment, which had been draining the Company for several years. On the other hand, the growth of the data center services segment was below expectations. This is due, among other things, to the market situation in the past year and to fewer large collocation projects carried out in the Polish market than in previous years. Contracts which are currently being negotiated show that this was a transitional situation and that it is already changing in 2018. As a leader of the Polish data center services market, ATM is very well prepared to meet this demand.

Despite many organisational changes, the Company's strategy and its main directions of development have remained unchanged for a long time. In keeping with the slogan accompanying the Atman logo, "non-stop data", ATM has focused and will continue to focus on meeting the needs of business customers (large and medium-sized enterprises) and wholesale customers (operators, system integrators, etc.) in the area of data storage and transmission, by developing its portfolio of services and being fanatically focused on continuously improving customers' experience of working with us. Every organisation should have a strategy and clear development directions. However, this is only a prerequisite for, but not a guarantee of, market success and recognition from customers. The key is to effectively execute and implement the strategy in day-to-day sales and operational activities. To make this happen, an appropriate team of people is required, who will work together and look at the daily tasks from the customer's perspective. I am convinced that the group of managers and employees we have recruited at ATM is exactly that sort of a team. Also, when looking at the Company's ability to implement its strategy, I believe that we have the skills and the people to make it a reality.

In day-to-day work, I try to constantly see our company through our customers' eyes. After all, it is because of them and for them that we operate. I am making every effort to ensure that this way of thinking becomes embedded in the Atman DNA and underpins every business decision. Therefore, we are investing and growing with our customers in mind. Changes in customer service to improve its level, new IT systems that streamline and simplify operations, certified processes that ensure a high quality and security of our data center services. This is what our customers expect and this is the course we want to pursue by constantly changing and improving our organisation. A significant improvement in the number of customers willing to recommend our services (NPS – Net Promoter Score) is a proof of that.

In addition, the Company's stable financial position, the ability to generate cash and the possibility of obtaining debt financing ensure a comfortable situation in the area of financing the necessary investments. ATM operates in the infrastructure business, which requires certain investment outlays to generate growth. We continue to invest in upgrading and expanding telecommunications and collocation infrastructure. We are also investing in the dynamically growing IaaS (Infrastructure as a Service) segment to meet the demand for our services and introduce new products. As a market leader in the data center segment providing services to the largest companies, where the quality and security of the services rendered are the cornerstone for building confidence among our customers, we cannot afford any compromise. An important thing, however, is that the scale of operations allows us to reasonably plan the timing of investments, in correlation with surges in the number of orders from customers. This enables us to maintain an optimal level of investment outlays in relation to the revenue and cash flows generated.

My outlook on the future is highly optimistic, based not only on my subjective feeling, but also on a number of facts that provide a solid foundation for continued growth of the Company's value. A healthy balance sheet and level of indebtedness allow us to focus on commercial activities and comfortably plan the financing of growth, investments and expansion. The prospects for the development of the Polish data center market, the growth pace of which is estimated to exceed 10% of the CAGR, and the Company's position on that market, combined with our server space resources ready for commercialisation, offer huge growth potential with a reasonable level of investment. The very rapid development of the IaaS market, which the Company has tapped into very effectively (25% share in the data center segment, 20% growth year-on-year) will be strengthened by the launch, in December 2017, of the new Atman Cloud platform, the successful commercialisation of which has already began. By stabilising revenue and profitability in the telecommunications segment, which the Company managed to achieve in 2017, we reduced a significant amount of negative pressure on performance. Viewing all this in the context of Poland's economic growth, which stimulates companies to spend more on telecommunications and IT, new companies that enter out market and invest in Poland, and the growing trend among customers to outsource data center services and to catch up with the developed markets in this area, I am convinced that the sum of the Company's potential and the market's potential, harnessed by our competence and executive skills, will translate into a steady, long-term increase of ATM's value for its shareholders.

Sławomir Koszołko

President of Management Board of ATM S.A.

SELECTED FINANCIAL DATA

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	in PLN thousand		in EUR thousand	
Total sales revenue	132,985	132,050	31,330	30,178
Revenue from core operating segments	130,080	127,335	30,645	29,100
Sales margin	75,759	71,062	17,848	16,240
EBITDA *	45,071	41,111	10,618	9,395
Operating profit	14,531	7,350	3,423	1,680
Profit before tax	33,292	(10,917)	7,843	(2,495)
Net profit on continued operations	27,997	(9,791)	6,596	(2,238)
Comprehensive income	23,634	(7,129)	5,568	(1,629)
Net cash from operating activities	36,893	33,901	8,692	7,747
Net cash from investing activities	(17,200)	(25,265)	(4,052)	(5,774)
Net cash from financing activities	(14,398)	(8,679)	(3,392)	(1,983)
Increase (decrease) in cash	5,293	(44)	1,247	(10)

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Fixed assets	395,516	381,148	94,827	86,155
Current assets	26,659	18,469	6,392	4,175
Total assets	422,175	399,617	101,219	90,329
Long-term liabilities	125,230	122,065	30,025	27,592
Short-term liabilities	48,642	52,881	11,662	11,953
Equity	248,304	224,670	59,532	50,784
Share capital **	34,723	34,723	8,325	7,849
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	6.83	6.18	1.64	1.40

**) Staring from this periodic report, the Issuer uses the definition of EBITDA 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). Comparative data for 2016 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided in Note 33.*

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

The above financial data as at 31 December 2017 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 4.1709 as published by the National Bank of Poland on 31 December 2017;
- 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 2017) amounting to 4.2447.

The above financial figures as at 31 December 2016 were converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.4240 as published by the National Bank of Poland on 31 December 2016;
- 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 2016) amounting to 4.3757.

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

ATM S.A. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

INCOME STATEMENT

	NOTE	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Continued operations			
Sales revenue	3	132,985	132,050
of which: Revenue from core operating segments		130,080	127,335
Cost of sales (variable)	4	57,226	60,988
Sales margin*		**75,759**	**71,062**
Other operating revenue	5	432	65
General and administrative expenses **	4	60,354	59,211
Other operating expenses	6	1,305	4,565
Operating profit (loss)		**14,531**	**7,350**
Share in the profit or loss of equity-accounted entities ***		8,284	1,986
Revenue from subsidies		1,554	1,554
Financial revenue ****	7	15,112	150
Financial expenses	8	6,189	21,957
Profit (loss) before tax		**33,292**	**(10,917)**
Income tax	9	5,294	(1,126)
Net profit (loss) on continued operations		**27,997**	**(9,791)**
Net profit (loss)		27,997	(9,791)
Profit (loss) per share			
On continued operations:			
Ordinary		0.77	(0.27)
Diluted		0.77	(0.27)
On continued and discontinued operations:			
Ordinary		0.77	(0.27)
Diluted		0.77	(0.27)
EBITDA **		**45,071**	**41,111**

NOTES:

*) The Issuer additionally discloses, in relation to the IFRS requirements, the "Sales margin" category which represents the difference between sales revenue and own variable costs of sales, i.e. those that are directly related to the value of the revenue (cost of goods sold, costs of subcontractors in the implementation of services, materials and energy consumption). This category — according to the Issuer's Management Board — is important for the analysis of the Company's finances as it is correlated with the value of sales and determines a break-even point for fixed costs, i.e. a point at which Company's activities are operationally profitable.

**) Staring from this periodic report, the Issuer uses the definition of EBITDA 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). Comparative data for 2016 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided in Note 33. Moreover, starting from the periodical report for the first quarter of 2017, the Issuer presents all expenses of a fixed or relatively fixed nature (so-called overheads, i.e. expenses not related directly to the amount of revenue) under a single item: "General and administrative expenses". In previous periodical reports, a portion of these expenses was disclosed under a separate item: “Cost of sales (fixed)”. The change also results from the need to adapt the structure of periodical reports to the current structure of management reports applicable at the Company. Comparative data for 2016 were restated accordingly.

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

***) 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.

****) For 2017, this item includes income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. (2 tranches in total: PLN 4.7 million in the first quarter of 2017 and PLN 3 million in the third quarter of 2017). In addition, for 2017, this item includes the reversal of a PLN 7,201 thousand impairment write-down on shares in an associate, Linx Telecommunications Holding B.V., recognised in the fourth quarter of 2017.

STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Net profit (loss)	**27,997**	**(9,791)**
Other comprehensive income that will not be reclassified to profit or loss	**(4,363)**	**2,662**
Effects of revaluation of fixed assets	-	-
Actuarial gains or losses	-	-
Share in other comprehensive income of associated entities *	(4,363)	2,662
Income tax related to items that will not be reclassified	-	-
Other comprehensive income that may be reclassified to profit or loss	**-**	**-**
Revaluation of tangible fixed assets	-	-
Exchange differences on translation of foreign operations	-	-
Results of valuation of financial assets available for sale	-	-
Hedge accounting	-	-
Income tax related to other comprehensive income items	-	-
Total comprehensive income	**23,634**	**(7,129)**

*) ATM’s share in the change of consolidated equity of the Linx Group, which results mainly from the fact that the subsidiaries of Linx prepare their balance sheets *inter alia* in RUB, whereas the consolidated balance sheet of the parent company is prepared in EUR.

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

STATEMENT OF FINANCIAL POSITION — ASSETS

	NOTE	End of period 31/12/2017	End of period 31/12/2016
Fixed assets		**395,516**	**381,148**
Goodwill		-	-
Intangible assets	11	8,329	7,250
Tangible fixed assets	12	334,747	332,522
Investments in associates consolidated using the equity method	13	52,194	41,073
Investments in subsidiaries	13	-	-
Deferred income tax assets	9	-	-
Other fixed assets	14	245	303
Current assets		**26,659**	**18,469**
Inventories	15	-	816
Financial assets held for trading	13	35	50
Trade and other receivables	16	17,291	14,309
Income tax receivables		168	57
Other current assets	17	2,098	1,463
Other financial receivables	17	-	-
Cash and cash equivalents	18	7,067	1,774
Total assets		**422,175**	**399,617**

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

STATEMENT OF FINANCIAL POSITION — EQUITY AND LIABILITIES

	NOTE	End of period 31/12/2017	End of period 31/12/2016
Equity		**248,304**	**224,670**
Share capital	19	34,723	34,723
Supplementary capital from share premium		123,735	123,735
Revaluation reserve		-	-
Treasury shares		-	-
Reserve capital		61,144	61,144
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	19	28,702	5,068
Long-term liabilities		**125,230**	**122,065**
Long-term loans and borrowings	20	101,375	101,034
Provision for deferred tax	9	5,441	1,312
Provisions for liabilities		-	-
Long-term trade and other liabilities	22	13,101	15,126
Other financial liabilities	24	5,313	4,593
Short-term liabilities		**48,641**	**52,881**
Bank loans and borrowings	20	16,321	20,727
Provisions for liabilities		-	-
Income tax liabilities		-	424
Trade and other liabilities	23	27,658	26,404
Other financial liabilities	24	4,662	5,327
of which: dividends payable		-	-
Total equity and liabilities		**422,175**	**399,617**

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2017	**34,723**	**123,735**	**-**	**61,144**	**5,068**	**224,670**
Increases:						
Current period result	-	-	-	-	27,997	27,997
Share in other comprehensive income of associated entities	-	-	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	-	-
Share in other comprehensive income of associated entities	-	-	-	-	4,363	4,363
Dividend pay-out	-	-	-	-	-	-
As at 31 December 2017	**34,723**	**123,735**	-	**61,144**	**28,702**	**248,304**

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

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2016	**34,723**	**123,735**	**-**	**55,504**	**17,837**	**231,799**
Increases:						
Current period result	-	-	-	-	(9,791)	(9,791)
Share in other comprehensive income of associated entities	-	-	-	-	2,662	2,662
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the supplementary capital	-	-	-	5,640	-	5,640
Decreases:						
Profit distribution to be allocated to supplementary capital	-	-	-	-	5,640	5,640
Dividend pay-out	-	-	-	-	-	-
As at 31 December 2016	**34,723**	**123,735**	**-**	**61,144**	**5,068**	**224,670**

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

CASH FLOW STATEMENT

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Operating activities	**36,893**	**33,901**
Profit (loss) before tax	33,292	(10,917)
Adjustments by:	3,601	44,818
Share in the profit or loss of equity-accounted entities	(8,284)	(1,986)
Depreciation and amortisation	26,245	23,949
Foreign exchange differences	205	(125)
Interest received	-	(1)
Interest paid	4,970	4,412
Dividends received	(7,641)	-
(Gains) losses on investing activities	718	1,447
Change in inventories	816	236
Change in receivables	(2,982)	(857)
Change in liabilities and provisions *	(969)	4,090
Change in other assets	(7,777)	13,444
Income tax paid	(1,700)	(1,077)
Other	-	1,286
Investing activities	**(17,200)**	**(25,265)**
Expenditure on purchase of tangible fixed assets	(26,269)	(25,405)
Expenditure on purchase of financial assets	-	-
Proceeds from sale of tangible fixed assets	1,413	134
Repayments of long-term borrowings granted	15	17
Borrowings granted	-	-
Proceeds from sales of financial assets	-	-
Interest received	-	-
Dividends received	7,641	-
Foreign exchange differences	-	(12)
Other	-	-
Financing activities	**(14,398)**	**(8,679)**
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	-	120
Proceeds from loans and borrowings	3,837	16,338
Repayments of loans and borrowings	(7,902)	(14,770)
Purchase of treasury shares	-	-
Payment of liabilities arising from finance leases	(5,158)	(6,092)
Dividends paid	-	-
Interest received	-	-
Interest paid	(4,970)	(4,412)
Other profit-sharing	-	-
Foreign exchange differences	(205)	137
Other (division adjustment)	-	-
Change in cash	**5,293**	**(44)**
Opening balance of cash	**1,774**	**1,817**
Closing balance of cash	**7,067**	**1,774**

* The item “Change in liabilities and provisions” does not comprise the change in liabilities in respect of investment purchases; the change in such liabilities is reported in the item “Expenses on tangible fixed assets purchases”.

ADDITIONAL EXPLANATORY NOTES

NOTE 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, 13th 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 2017, the composition of the Management Board was as follows:

- Sławomir Koszołko — President of the Management Board,
- Tomasz Galas — Vice-President of the Management Board.

As at 31 December 2017, the composition of the Supervisory Board was as follows:

- Tadeusz Czichon — Chairman of the Supervisory Board,
- Piotr Sieluk — Deputy Chairman of the Supervisory Board,
- Przemysław Głębocki — Member of the Supervisory Board,
- Mariusz Grendowicz — Member of the Supervisory Board,
- Tomasz Jacygrad — Member of the Supervisory Board,
- Maciej Kowalski — Member of the Supervisory Board.

The changes in the Management Board and the Supervisory Board are 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 (Journal of Laws of 2018, item 395) and secondary legislation issued pursuant to this Act, and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of 19 February 2009 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 (Journal of Laws of 2014, item 133, as amended).

NOTE 2.
SIGNIFICANT 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. As at the date on which the financial statements were prepared, there were no circumstances indicating any threat to the Company continuing as a going concern.

1. Declaration of compliance

The financial statements of ATM S.A. for the period ending 31 December 2017 and comparable data for the financial year ending 31 December 2016 have been prepared in accordance with International Financial Reporting Standards, as approved by the European Union.

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, but not yet approved for application in the European Union.

IFRS as approved by the EU are, at present, not substantially different from regulations issued by the International Accounting Standards Board (IASB), with the exception of the new following standards, amendments and a new interpretation, which had not yet been approved for use within the EU as at the date of publication of the financial statements (the effective dates mentioned below are related to full versions of standards):

IFRS 14 “Regulatory Deferral Account” (effective for annual periods beginning on or after 1 January 2016) — the European Commission has decided not to initiate the process of approving this provisional standard for use within the EU until the final version of IFRS 14 is issued,

IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),

Amendments to IFRS 2 “Share-based Payment” — Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)

Amendments to IFRS 9 “Financial Instruments” — Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019),

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has been postponed until the research project on the equity method has been concluded),

Amendments to IAS 28 “Investments in Associates and Joint Ventures” — Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

Amendments to IAS 40 “Investment Property” — Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

Amendments to various standards “Annual Improvements to IFRSs (2014-2016 Cycle)”— changes introduced as part of the annual improvements to the IFRSs (IFRS 1, IFRS 12 and IAS 28), aimed mainly at eliminating incompatibilities and clarifying terminology (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018),

Amendments to various standards “Annual Improvements to IFRSs (2015-2017 Cycle)”— changes introduced as part of the annual improvements to the IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23), aimed mainly at eliminating incompatibilities and clarifying terminology (effective for annual periods beginning on or after 1 January 2019),

IFRIC interpretation 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),

IFRIC interpretation 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

According to the estimates of the Company, the above-mentioned standards, amendments to existing standards and interpretations would not have a significant impact on the financial statements if they were applied by the Company as at the balance sheet date.

Certain new standards, amendments to standards and interpretations that are not yet effective for reporting periods ending 31 December 2017 were not taken into account in the preparation of these financial statements.

The Company expects that some of them, *inter alia* IFRS 9, IFRS 15 and IFRS 16, will or may affect the financial statements:

New IFRS 9 Financial Instruments will have an impact on the classification and measurement of financial assets, which depends on the features of cash flows and the business model associated with particular assets. The new standard also introduces a uniform impairment model for all financial instruments. The new standard requires entities to recognise expected credit losses when the financial instruments are reported for the very first time and to account for all expected losses in the entire life of the instruments earlier than before. In addition, the standard introduces a new hedge accounting model, requiring expansion of risk management disclosures. The Company has analysed the impact of IFRS 9 on the financial statements and, in view of the current model for calculating the impairment of trade receivables and their short maturity periods of less than 12 months, the Company's financial performance will not be materially affected on this account.

The new IFRS 15 "Revenue from Contracts with Customers" is intended to unify the principles of revenue recognition (except for specific revenues regulated by other IFRS/IAS) and indicate disclosure requirements. Due to the nature of the Company's operations, the specific features of the products and services sold and the terms and conditions of agreements with customers, the impact of IFRS 15 on the Company's financial statements is mainly related to the moment of recognising revenue associated with one-off, non-recurring payments (mainly installation/activation fees for subscription services). In accordance with IFRS 15, within the framework of its accounting policy for 2018, the Company has adopted the assumption to identify one-off transactions with revenue spread over time based on the materiality threshold and to recognise the revenue from such transactions over time based on the average duration of subscription contracts. In parallel to revenue, the corresponding costs such as costs related to installation fees, etc., are also recognised over time.

Analysis of the impact of IFRS 15 on the Company's financial statements, based on historical data and budget assumptions for 2018, has shown that the total amount of revenues which, according to existing standards (effective before 1 January 2018) would be recognised on a one-off basis as revenue for 2018 and, under IFRS 15, will be recognised over the following reporting periods, is approx. PLN 100 thousand. The value of the corresponding costs to be distributed over time in a similar manner is estimated by the Company to be approx. PLN 20 thousand (for 2018). In subsequent years, the impact of application of IFRS 15 both on the Issuer's revenue and costs should not exceed the value stated above.

The new IFRS 16 "Leases" changes the principles for the recognition of contracts which meet the criteria of a lease. The main change is to eliminate the classification of leases as either operating leases or finance leases. All contracts that comply with the definition of lease will be recognised, in principle, as finance lease. The Company took advantage of the provisions of section C1 of IFRS 16 and decided to apply the standard to reporting periods beginning on 1 January 2018 (as a rule, issuers are required to use this standard from 1 January 2019). Moreover, the Issuer decided to use the practical solution described in section C3 of IFRS 16, i.e. not to apply the standard to contracts that had not been identified as a contract containing a lease in accordance with IAS 17 and IFRIC 4. Therefore, the impact of the application of the standard on the Company's financial statements in 2018 will be as follows:

- in the statement of financial position: increase in non-financial fixed assets and financial liabilities by approx. PLN 5.8 million (as at 1 January 2018);
- in the statement of comprehensive income: decrease in operating expenses (other than depreciation/amortisation) by approx. PLN 1.9 on an annual basis, increase in depreciation/amortisation costs by approx. PLN 1.9 million on an annual basis, and increase in financial expenses by PLN 0.3 million on an annual basis.

Amendments to other standards and interpretations of the IFRS that entered into force in the period from 1 January 2017 to the date of approval of these financial statements for publication did not have a significant impact on these financial statements.

The Company intends to adopt the above-mentioned new standards, amendments to standards and interpretations of the IFRS published by the International Accounting Standards Board but not yet effective as at the reporting date, when they become effective, apart from the early adoption of IFRS 16 Leases, effective for annual periods beginning on or after 1 January 2019. The Company intends to early adopt IFRS

16 for the annual period beginning on 1 January 2018.

3. Estimates 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.

Moreover, the Company — in accordance with IAS 28, 36 and 39 — conducts periodical verification whether there are any indications of possible impairment of the investment in shares of an associate. If such indications exists, the Company conducts an impairment test (the value in use of the Issuer's shares in the associate is estimated).

4. Accounting principles

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally coupled with the control of more than one half of the overall voting rights in their decision-making bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Associates

Associates are all entities over which the Company has significant influence but not control, generally meaning the control of between 20% and 50% of the total voting rights in decision-making bodies.

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.

The expenditure incurred during research work and expenditure that does not meet the aforementioned conditions is recognised as cost in the profit and loss account on the date it is incurred, under general and administrative costs.

Expenditure incurred in order to obtain perpetual land usufruct rights is also included in intangible assets. Perpetual usufruct of land is treated as operating lease, therefore the subject of usufruct is not included in the assets. However, expenses incurred in order to obtain such rights in the secondary market (from other undertakings), and expenses related to granting such rights by competent state authorities, are recognised as intangible assets and are amortised over the contractual period during which the entity can use such rights.

Rates adopted for amortisation of intangible assets reflect their predicted useful life. The Company does not have intangible assets with indefinite useful life. Intangible assets with definite useful lives are amortised using the diminishing balance method. Useful lives for individual intangible assets are as follows:

obtained perpetual usufruct rights	100 years
software licenses	2–3 years
development work	3–5 years
trademarks	5 years
copyrights	5 years

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 intangible impairment and amortisation are recognised as costs related to core business.

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

Tangible fixed assets

Tangible fixed assets include fixed assets and expenditure 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 and fixed assets under construction are initially recognised at acquisition price or production cost.

Fixed assets include important specialist replacement parts that function as elements of a fixed asset. Significant components, including intangible ones, are also recognised as separate fixed asset items.

Fixed assets under construction for production, rental or administrative purposes, as well as for purposes not yet specified are recognised in the financial statements at cost of production less impairment write-downs. Production cost includes charges and, for specific assets, borrowing costs capitalised in accordance with the Company’s accounting principles. Depreciation of these fixed assets begins when they are used for the first time, in accordance with the principles concerning other fixed assets.

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 10 years
vehicles	from 5 to 7 years
other fixed assets	from 4 to 10 years

Own land is not subject to depreciation. The Company treats perpetual land usufruct rights granted as operating lease. Where such rights are purchased in the secondary market, they are recognised as intangible assets and depreciated over their predicted useful life.

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.

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

Financial assets

The Company classifies financial assets to one of the following categories: financial assets measured at fair value through profit or loss, loans granted and own receivables, financial assets held to maturity and financial assets available for sale. The classification of an individual financial asset depends on the purpose of the financial asset, intentions of the Management Board and on whether the financial asset in question is quoted in the market. The Management Board determines the aforementioned classification on the initial recognition of a given asset and, in justified cases, performs an appropriate reclassification in subsequent periods, except for the reclassification of financial assets measured at fair value through profit and loss. Reclassification in and out of financial assets measured at fair value through profit and loss is prohibited.

a) Financial assets measured at fair value through profit and loss account

This category includes financial assets held for trading and financial assets designated on initial recognition to be measured at fair value. Financial assets are classified in this category if they are intended for sale in the short term. Derivatives (except for hedging instruments) are also classified as financial assets held for trading.

Financial assets measured at fair value through profit and loss account are initially recognised at fair value, while transaction costs are recognised directly in the profit and loss account. Gains and losses resulting from changes the in fair value are recognised in the profit and loss account in the period in which they occurred.

b) Loans granted and own receivables

Loans granted and own receivables comprise financial assets which are not financial instruments, with fixed or determinable payments, not quoted and not acquired in order to be sold.

Loans granted and own receivables are initially measured at fair value together with transaction costs, unless these are immaterial. As at the balance sheet date, this category is measured at amortised cost with the effective interest rate method.

Receivables are initially recognised at fair value. Where such normal payment deadlines are applied 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 the revenue is recognised.

As at the balance sheet date, trade receivables are measured at their amortised cost using the effective interest rate method, according to the prudence principle. The value of receivables is adjusted with a view to the likelihood of their repayment by making revaluation write-downs, for receivables:

- from debtors in liquidation or bankruptcy – up to the amount of receivables not hedged;
- from debtors where a bankruptcy petition has been dismissed – 100% of the amount of receivables;
- disputed receivables or receivables that are overdue and their payment is not probable – to the amount of receivables not hedged;
- equivalent to amounts increasing receivables – up to these amounts;
- receivables that are overdue or not overdue but for which it is highly probable that they will not be collected – 100% of the amount of receivables.

Revaluation write-downs for receivables and their reversals are charged to other operating expenses and operating revenue, respectively. 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 as “other fixed assets” in the balance sheet.

c) Financial assets held to maturity

Financial assets held to maturity include financial assets with fixed or determinable payments or fixed maturity, which the Company intends and is able to hold to maturity, except for loans granted and own receivables.

Financial assets held to maturity are initially measured at fair value together with transaction costs, unless these are immaterial. As at the balance sheet date, this category is measured at amortised cost with the effective interest rate method.

d) Financial assets available for sale

Among financial assets available for sale, the Company includes all financial assets that are not: loans granted and own receivables, financial assets held to maturity and financial assets held for trading. Assets available for sale include in particular shares in other undertakings that are not subordinated entities, which the Company does not intend to sell in the short term.

Financial assets available for sale are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at fair value.

Interest income related to financial assets available for sale is recognised in the profit and loss account using the effective interest rate method. Dividends related to financial assets available for sale are recognised in the profit and loss account on the date when the Company's rights to receive payment are established. All other fair value movements are recognised in equity. On the sale or expiry of these assets, the valuation effects included in equity are recognised in the profit and loss account.

All financial assets are derecognised when the rights to receive benefits from a given asset expire or have been transferred and the Company has transferred virtually all benefits and risks related to the asset.

Financial assets are recognised as current assets unless their maturity exceeds 12 months from the balance sheet date; in this case, they are recognised as fixed assets.

Financial instruments and hedges

Financial instruments are recognised and measured at fair value on the balance sheet date. Methods for recognising gains and losses related to these instruments depend on whether the instrument in question was designated as a hedge and on the nature of this hedge. A given instrument may be designated as a fair value hedge, cash flow hedge or a foreign investment hedge.

The Company did not apply hedge accounting in the periods covered by the financial statements.

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and production in progress.

Materials and goods are initially measured at acquisition price. On the balance sheet date, materials and goods are valued according to the prudence principle, i.e. these categories are valued at the lower of the purchase price or realisable sales price.

Finished products and production in progress are initially valued at their actual cost of production. On the balance sheet date, finished products and production in progress are valued according to the prudence principle.

Inventories of goods, materials and finished products are subject to revaluation write-downs according to the following principles:

- goods inventories:
    - goods remaining in warehouse from 6 months to 1 year 5%
    - goods remaining in warehouse from 1 year to 2 years10%
    - goods remaining in warehouse from 2 to 3 years 30%
    - goods remaining in warehouse from 3 to 4 years 50%
    - goods remaining in warehouse for more than 5 years100%
- materials inventories:
    - the value of materials is recognised in the costs of goods sold over 5 years on a straight line

basis.

Inventory expenditure is based on detailed identification for items allocated to specific projects or, according to the FIFO method, for remaining inventories; costs are recognised in the cost of goods sold. Revaluation write-downs concerning inventories resulting from prudent valuation as well as revaluation write-downs for slow-moving goods and their reversals are recognised in the cost of goods sold.

Other current and fixed assets

Other 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" .

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 loans and borrowings

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

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 accruals. 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.

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 borrowing costs.

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.

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. Due to the intangible nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, provisions for retirement benefits have not been recognised in the financial statements.

Foreign currency transactions

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 and concerning the Company's core (operating) activity 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 December 2017	Average NBP rate as at 31 December 2016
EUR	4.1709	4.4240
USD	3.4813	4.1793

Leases

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.

Impairment

As at each balance sheet date, the Group reviews the balance sheet value of fixed 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. Impairment write-downs for goodwill cannot be reversed.

Revenue

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.

Revenue from sales with deferred payment is recognised after discount deduction.

Sales of products and goods are recognised when goods have been delivered and significant delivery-related risk has been transferred to the receiver.

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.

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 conditioned by the purchase or manufacture of fixed assets by the Company are recognised in the statement of financial position as financial liabilities and systematically recognised in the profit and loss account during the expected useful lives of these assets.

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.

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.

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 tax office.

The Company offsets the deferred tax assets and provisions and presents the result of such offsets in the balance sheet assets or liabilities, respectively.

Discontinued operations

Discontinued operations constitute a component of the Company's operations which represents a separate major line of business or geographical area of operations that has been disposed of or assigned to be sold or handed over, or it is a subsidiary acquired exclusively with a view to resell. Classification as discontinued operations is performed as a result of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the comparative data for the total income statement are restated as if the operation was discontinued at the beginning of the comparative period.

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

NOTE 3.
SALES REVENUE

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Revenue from sales of products	132,882	131,791
Revenue from sales of goods and materials	103	260
Total sales revenue	**132,985**	**132,050**
of which:		
- to related entities	78	146

Main products

For detailed description of products and revenue earned from such products, see item 1 of "Other information" in the Management Board's report on the Issuer's activities.

Operating segments

The operations of the Issuer are divided into two operating segments, which group together the basic categories of services provided by the Issuer:

- the Data Center Services Segment, including collocation services and other services relating to data center infrastructure (such as the leasing of dedicated servers, cloud computing services and backup office services);
- the Telecommunications Services Segment, including broadband data transmission services, telecommunications connection leasing services, Internet access services and voice services (ISDN and VoIP).

The column marked "Other" shows revenue obtained outside the core operating segments, including from the sale of services of an administrative nature. 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.

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. The value of the Issuer's shares in its associated company is shown in the column marked "Other".

Variable costs of sales, costs of depreciation and amortisation, as well as remuneration of employees in the organisational units responsible for the performance of services are allocated to segments in accordance with their direct relationship. Other operating costs are allocated to the appropriate segments proportionally to revenue or to costs of remuneration.

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

Company's results broken down by operating segment in the period from 1 January 2017 to 31 December 2017:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,980**	**169,213**	**57,323**	**395,516**
Sales revenue	58,084	71,996	2,905	132,985
Cost of sales (variable)	18,070	36,388	2,768	57,226
Sales margin	40,014	35,608	137	75,759
General and administrative expenses	31,753	28,601	-	60,354
of which: depreciation and amortisation	15,584	10,661	-	26,245
Other net operating revenue and expenses	(583)	(291)	-	(874)
Operating profit (loss)	**7,678**	**6,717**	**137**	**14,531**
EBITDA *	**25,180**	**19,755**	**137**	**45,071**
Revenue from subsidies	1,554	**-**	**-**	**1,554**
Net financial revenue and expenses				17,206
Profit (loss) before tax				**33,292**
Income tax				5,294
Net profit (loss)				**27,997**

Company's results broken down by operating segment in the period from 1 January 2016 to 31 December 2016:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**170,131**	**163,136**	**47,881**	**381,148**
Sales revenue	55,098	72,238	4,715	132,050
Cost of sales (variable)	16,058	40,276	4,654	60,988
Sales margin	39,039	31,961	61	71,062
General and administrative expenses	29,109	30,102	-	59,211
of which: depreciation and amortisation	13,520	10,429	-	23,949
Other net operating revenue and expenses	(1,621)	(2,880)	-	(4,501)
Operating profit (loss)	**8,309**	**(1,021)**	**61**	**7,350**
EBITDA *	**25,643**	**15,407**	**61**	**41,111**
Revenue from subsidies	1,554	-	-	1,554
Net financial revenue and expenses				(19,822)
Profit (loss) before tax				**(10,917)**
Income tax				(1,126)
Net profit (loss)				**(9,791)**

*) Staring from this periodic report, the Issuer uses the definition of EBITDA 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). Comparative data for 2016 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided in Note 33.

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

Geographical segments as at 31 December 2017 and 2016

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Domestic customers	119,790	120,416
Foreign customers	13,195	11,634
Total sales revenue	**132,985**	**132,050**

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. In addition, from the beginning of 2017 (following the implementation of a new ERP system), the Company improved the customer classification mechanism, particularly in relation to the Issuer’s customers who operate as Polish-registered branches of foreign entities and to customers whose legal status was changed to a domestic entity. Comparative data for 2016 were restated accordingly.

NOTE 4.
OPERATING COSTS

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Cost of sales (variable)	57,226	60,988
Cost of sales	-	-
General and administrative expenses	60,354	59,211
Total costs related to core business	**117,580**	**120,199**
of which:		
Depreciation and amortisation	26,245	23,949
Adjustment by received subsidies to fixed assets	-	-
Materials and energy consumption	11,827	12,682
External services	56,725	57,123
Taxes and fees	2,116	1,974
Payroll	15,212	16,867
Employee benefits	3,819	5,580
Other	1,595	1,961
Value of goods and materials sold	41	63
	117,580	**120,199**
Change in products	-	-
	117,580	**120,199**

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

The depreciation of tangible fixed assets is based on the principles described in Note 2. Write-downs on inventories are determined based on the principles described in Note 2. Inventory write-downs are reversed when inventories to which the given write-down relates are sold or the circumstances due to which the write-down was made no longer exist. Costs of inventory write-downs as well as their reversal are recognised in the profit and loss account as part of the cost of goods sold.

Payroll

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

Employee benefits

Social security costs for the Issuer include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (Fundusz Gwarantowanych Świadczeń) and Labour Fund (Fundusz Pracy). In 2017 and 2016, those contributions amounted to 19.48% and 19.48%, respectively, of the contribution calculation base determined pursuant to applicable laws.

Pension benefit costs include retirement severance paid to employees pursuant to the labour law. Due to the intangible nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, provisions for retirement benefits have not been recognised in the financial statements.

ATM S.A. is obliged to establish the Company Social Benefit Fund (ZFŚS). Contributions to this fund are recognised as the Company's operating expenses and cash allocated to this fund has to be blocked in a separate bank account. In the financial statements, the fund's assets and liabilities are presented in net amounts. Due to the nature of the fund operations, its assets and liabilities are equal. As at 31 December 2017 and 31 December 2016, the Company Social Benefit Fund amounted to PLN 0 thousand and PLN 16 thousand, respectively.

Other employee benefits include training in order to improve employee skills, health care and other benefits stipulated in the labour law.

Costs of research and development

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Costs included directly in costs related to core business	-	-
Amortisation costs related to deferred costs of development works	14	17
Total	**14**	**17**

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 general and administrative expenses. Costs incurred in the research work stage and expenditure that does not meet the conditions required in order to be recognised as assets are directly charged to Company operating expenses as general and administrative costs.

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

NOTE 5.
OTHER OPERATING REVENUE

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Gain on disposal of fixed assets	-	-
Reversal of receivables revaluation write-downs	72	9
Compensations received	332	20
Subsidies received (not related to fixed assets)	-	-
Other	28	36
Total	**432**	**65**

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.

NOTE 6.
OTHER OPERATING EXPENSES

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Loss on disposal and liquidation of fixed assets	719	1,223
Revaluation write-downs on receivables	481	320
Revaluation write-downs on fixed assets	-	213
Donations given	7	8
Fines and penalties paid	-	-
Litigation expenses	18	-
Valuation of the incentive scheme	-	-
Other	80	2,802
Total	**1,305**	**4,566**

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 receivables revaluation write-downs and impairment write-downs.

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

NOTE 7.
FINANCIAL REVENUE

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Dividends received and other revenue from shares in profits of legal persons	7,641	-
Interest on bank deposits	11	5
Interest on deferred and overdue payments	44	44
Interest on borrowings	1	1
Revaluation of financial assets	7,201	-
Other	214	100
	15,112	**150**

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. Financial activity includes also foreign exchange gains. The effects of reversal of impairment write-downs on the Company's shares in the associate are also presented as financial revenue.

NOTE 8.
FINANCIAL EXPENSES

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Interest and fees on bank loans	4,441	3,931
Interest on instalment purchases	-	-
Interest on overdue payments	41	21
FX losses	434	125
Finance lease costs	488	478
Loss on the sale of financial assets	-	-
Revaluation of financial assets	-	16,921
Valuation of financial instruments	431	441
Other	354	41
Total	**6,189**	**21,957**

The "Valuation of financial instruments" item is the cost of the revaluation of the IRS contract hedging the interest rate risk in respect of the investment loan.

Borrowing costs, interest payable under finance 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.

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

The revaluation of financial assets in 2016 relates to the write-down for the impairment of the Issuer's shares in an associated entity – this issue has been discussed in detail in Note 13.

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

For the period 01/01–31/12/2017	Financial assets measured through profit or loss	Financial assets measured at fair value through profit or loss (determined upon initial recognition)	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Income/expenses due to fair value measurement	-	7,201	-	-	-	(431)	-	6,770
Income/expenses due to fair value measurement transferred from equity	-	-	-	-	-	-	-	-
Interest income/expenses	-	-	-	-	56	-	(4,482)	(4,426)
Interest income concerning impaired assets	-	-	-	-	-	-	-	-
Reversal of revaluation write-downs	-	-	-	-	-	-	-	-
FX gains/losses	-	-	-	-	-	-	(434)	(434)
Revaluation of financial assets	-	-	-	-	-	-	-	-
Costs of derivatives execution	-	-	-	-	-	-	-	-
Other: including finance lease costs	-	7,641	-	-	214	-	(842)	7,013
Total gain/loss	**-**	**14,842**	**-**	**-**	**270**	**(431)**	**(5,758)**	**8,923**

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

For the period 01/01–31/12/2016	Financial assets measured through profit or loss	Financial assets measured at fair value through profit or loss (determined upon initial recognition)	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Income/expenses due to fair value measurement	-	-	-	-	-	(441)	-	(441)
Income/expenses due to fair value measurement transferred from equity	-	-	-	-	-	-	-	-
Interest income/expenses	-	-	-	-	50	-	(3,951)	(3,901)
Interest income concerning impaired assets	-	-	-	-	-	-	-	-
Reversal of revaluation write-downs	-	-	-	-	-	-	-	-
FX gains/losses	-	-	-	-	-	-	(3)	(3)
Revaluation of financial assets	-	-	-	-	-	-	-	-
Costs of derivatives execution	-	-	-	-	-	-	-	-
Other: including finance lease costs	-	-	-	-	100	-	(641)	(541)
Total gain/loss	**-**	**-**	**-**	**-**	**150**	**(441)**	**(4,595)**	**(4,887)**

NOTE 9.
INCOME TAX

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Statutory tax rate	19%	19%
Current income tax	**1,165**	**1,234**
Current tax expense	1,165	1,234
Adjustments concerning previous years	-	-
Deferred income tax	**4,129**	**(2,361)**
Relating to the occurrence and reversal of temporary differences	4,129	(2,361)
Relating to change in the tax rate	-	**-**
Tax expense reported in the profit and loss account	**5,294**	**(1,126)**

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.

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

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 01/01–31/12/2017	For the period 01/01–31/12/2016
Gross result before taxation	33,292	(10,917)
Statutory tax rate	19%	19%
Tax at the tax rate	**6,325**	**(2,074)**
Dividend received	(1,452)	
Permanent differences (including: State Fund for the Rehabilitation of the Disabled, representation costs)	174	948
Other differences (including share in the financial result of entities valued using the equity method)	247	-
Tax at the effective rate	**5,294**	**(1,126)**

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. Deferred income tax as at 31 December 2017 and 31 December 2016 results from the items shown in the table below.

	Statement of financial position		Statement of comprehensive income	
	End of period 31/12/2017	End of period 31/12/2016	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Deferred tax provision				
Difference between the carrying amount and tax value of tangible fixed assets	9,320	7,677	1,644	1,035
Recognised service revenue	-	-	-	(12)
Receivable compensation	-	-	-	-
Accrued interest	-	6	(6)	-
Valuation of financial instruments	-	-	-	-
Subsidies received – settlement	-	-	-	-
Foreign exchange gains	69	-	69	-
Provision for deferred tax acquired as a result of a business combination	-	-	-	-
Gross deferred tax provision	**9,389**	**7,683**	**1,706**	**1,023**
Deferred tax assets				
Valuation of financial instruments	-	-	-	-
Difference between the carrying amount and tax value of tangible fixed assets	-	-	-	-
Deferred payment revenue	-	-	-	-
Revenue settled over time	-	-	-	-
Write-downs on inventories	-	469	468	18
Write-downs on receivables	259	280	21	(55)
Write-downs on financial assets	2,146	4,259	2,113	(2,332)
Provisions for service expenses	-	-	-	-
Provisions for employee benefits	-	-		-
Foreign exchange losses	105	-	(105)	-
Liabilities to the Social Insurance Institution (ZUS)	99	-	(99)	-
Liabilities to employees	-	-	-	-

Deferred income/expenses and accruals	1,275	1,276	(0)	(1,076)
Subsidies received	-	-	-	-
Effects of IRS valuation	64	88	25	60
Recognised interest	-	-	-	-
Deductible tax losses	-	-	-	-
Deferred tax assets acquired through mergers	-	-	-	-
Gross deferred tax assets	**3,948**	**6,371**	**2,423**	**(3,384)**
Net tax assets (tax provision)	**(5,441)**	**(1,312)**		
Deferred income tax charge against profit			**4,129**	**(2,361)**

NOTE 10.
EARNINGS PER SHARE AND DIVIDENDS

	For the period 01/01–31/12/2017	For the period 01/01–31/12/2016
Weighted average number of shares	36,343,344	36,343,344
Net earnings for 12 months (in PLN thousand)	27,997	(9,791)
Net earnings per share (PLN)	0.77	(0.27)
Diluted net earnings per share (PLN)	0.77	(0.27)

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 31 May 2017, the Ordinary Shareholders' Meeting adopted resolution on covering the Company's net loss for 2016, amounting to PLN 9,790,946.16, with the Company's profits earned in future years.

NOTE 11.
INTANGIBLE ASSETS

	End of period 31/12/2017	End of period 31/12/2016
Goodwill	-	-
Costs of completed development works	57	71
Concessions and licenses	8,273	7,179
Perpetual usufruct rights	-	-
Other intangible assets	-	-
Total	**8,330**	**7,250**

Development works are recognised as assets and amortised based on the principles described in Note 2.

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

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

As at 31 December 2017, 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 amount of intangibles are presented in the following tables.

Changes in the amount of intangible assets during the period from 1 January to 31 December 2017

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 1 January 2017	**7,499**	**15,296**	**-**	**-**	**22,795**
Increases:					
- acquisition	-	3,303	-	-	3,303
Decreases:					
- sales	6,992	-	-	-	6,992
- liquidation	-	3,986	-	-	3,986
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2017	**507**	**14,613**	**-**	**-**	**15,120**
Accumulated amortisation/depreciation					
As at 1 January 2017	**7,428**	**8,117**	**-**	**-**	**15,545**
Increases:					
- amortisation/depreciation	14	2,166	-	-	2,180
- acquired in a business combination	-	-	-	-	-
Decreases:					
- sales and liquidation	6,992	3,943	-	-	10,935
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2017	**450**	**6,340**	**-**	**-**	**6,790**
Net as at 1 January 2017	**71**	**7,179**	**-**	**-**	**7,250**
Net as at 31 December 2017	**57**	**8,273**	**-**	**-**	**8,330**

Changes in intangible assets in the period from 1 January to 31 December 2016

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 1 January 2016	**7,499**	**10,191**	**-**	**-**	**17,690**
Increases:					

- acquisition	-	5,513	-	-	5,513
Decreases:					
- sales	-	-	-	-	-
- liquidation	-	408	-	-	408
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2016	**7,499**	**15,296**	**-**	**-**	**22,795**
Accumulated amortisation/depreciation					
As at 1 January 2016	**7,411**	**7,340**	**-**	**-**	**14,751**
Increases:					
- amortisation/depreciation	17	1,180	-	-	1,197
- acquired in a business combination	-	-	-	-	-
Decreases:					
- sales and liquidation	-	403	-	-	403
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2016	**7,428**	**8,117**	**-**	**-**	**15,545**
Net as at 1 January 2016	**88**	**2,851**	**-**	**-**	**2,939**
Net as at 31 December 2016	**71**	**7,179**	**-**	**-**	**7,250**

NOTE 12.
FIXED ASSETS

	End of period 31/12/2017	End of period 31/12/2016
Fixed assets	**324,744**	**326,809**
Land	40,934	40,934
Buildings and structures	208,454	211,886
Machinery and equipment	70,590	72,302
Vehicles	4,433	1,369
Other	333	318
Fixed assets under construction	**9,793**	**5,503**
Advances for fixed assets under construction	**210**	**210**
	334,747	**332,522**

In 2017, the amount of fee for the conversion of the right of perpetual usufruct into the ownership of land covered by de minimis aid was recognised in the “Land” item.

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

The Company uses a part of fixed assets under finance lease agreements.

Finance lease liabilities are recognised in the balance sheet as other financial liabilities and divided into short- and long-term portion. Detailed information on material finance lease agreements has been included in Note 24.

In 2005, the Issuer sold an office property situated at Grochowska 21a to Fortis Lease Sp. z o.o. under a sale-and-lease-back agreement. This lease agreement was classified as operating lease. Detailed information on operating leases has been disclosed in Note 25.

As at 31 December 2017, there were no material impairment write-downs on fixed assets.

Tangible fixed assets whose legal ownership is subject to restrictions or which are covered by commitments include:

- a set of movables with the value of PLN 91,420 thousand – according to a valuation as at 31 December 2017, on which a registered pledge was established as a collateral for investment loans described in Note 20.

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

- land and buildings, on which mortgage collaterals for investment loans were established (listed in Note 20).

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

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

Changes in fixed assets from 1 January to 31 December 2017

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2017	**40,934**	**271,683**	**153,870**	**4,106**	**530**	**471,123**
Increases:						
- acquisition	-	5,533	13,124	-	83	18,740
- other (including finance lease)	-	-	-	5,213	-	5,213
Decreases:						
- sales	-	-	-	3,938	-	3,938
- liquidation	-	55	3,623	-	10	3,688
As at 31 December 2017	**40,934**	**277,161**	**163,371**	**5,381**	**603**	**487,450**
Accumulated amortisation/depreciation						
As at 1 January 2017	**-**	**59,797**	**81,568**	**2,737**	**212**	**144,314**
Increases:						
- amortisation/depreciation	-	8,925	14,219	856	65	24,065
- revaluation write-down	-	-	-	-	-	-
Decreases:						
- sales and liquidation	-	15	3,006	2,645	7	5,673
As at 31 December 2017	**-**	**68,707**	**92,781**	**948**	**270**	**162,706**
Net as at 31 December 2017	**40,934**	**208,454**	**70,590**	**4,433**	**333**	**324,744**

Changes in fixed assets from 1 January to 31 December 2016

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2016	**40,934**	**261,969**	**150,228**	**4,575**	**495**	**458,201**
Increases:						
- acquisition	-	9,759	13,528	-	39	23,326
- other (including finance lease)	-	-	-	-	-	-
Decreases:						
- sales	-	20	249	469	-	738
- liquidation	-	25	9,637	-	4	9,666
As at 31 December 2016	**40,934**	**271,683**	**153,870**	**4,106**	**530**	**471,123**

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

Accumulated amortisation/depreciation						
As at 1 January 2016	**-**	**51,366**	**76,232**	**2,617**	**149**	**130,364**
Increases:						
- amortisation/depreciation	-	8,508	14,000	274	66	22,848
- revaluation write-down	-	-	-	186	-	186
Decreases:						
- sales and liquidation	-	77	8,664	340	3	9,084
As at 31 December 2016	**-**	**59,797**	**81,568**	**2,737**	**212**	**144,314**
Net as at 31 December 2016	**40,934**	**211,886**	**72,302**	**1,369**	**318**	**326,809**

NOTE 13.
FINANCIAL ASSETS

INVESTMENTS IN SUBORDINATED ENTITIES

The Company holds no shares or interest in subordinated entities.

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

OTHER FINANCIAL ASSETS

INVESTMENTS IN ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

	End of period 31/12/2017	End of period 31/12/2016
Shares in other undertakings	63,487	63,487
(-) impairment write-downs/write-downs due to revaluation using the equity method	(11,293)	(22,414)
Total	**52,194**	**41,073**

No	Name	Registered office	Scope of activity of the enterprise	Type of relationship	Consolidation 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
1.	Linx Telecommunications Holding B.V.	Hullenbergweg 375 1101 CR Amsterdam, the Netherlands	telecommunications services	Associate	equity method	21.08.2007	63,487	52,194	21.02%	-	21.02%

as at the end of 2017	Linx Telecommunications Holding B.V.
I. Entity equity, of which:	**137,139**
1. share capital	546
2. called up share capital	-
3. supplementary capital	99,342
4. other equity	37,250

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

At the end of 2014, the Issuer concluded that there were grounds specified in IAS 39 indicating the possibility of impairment of investments in shares of the associate Linx Telecommunications Holding B.V. (hereinafter: “Linx”). Therefore, the impairment test was carried out in accordance with IAS 36. Based on an analysis of the results forecast for subsequent periods, the value in use of the Issuer’s shares in Linx was estimated at PLN 53.7 million (PLN 10.5 million less than at the end of 2013).

Due to the continued uncertainty and increased political and economic risk in Russia, which resulted in, among others, fluctuation of the EUR/RUB exchange rate throughout 2015, as well as taking into account the update of financial projections (budget) completed by Linx at the end of 2015, the Issuer carried out another test for the impairment of shares in Linx (in accordance with IAS 36) — this time as at 31 December 2015. The analysis did not indicate any material difference between the value in use of the Issuer’s shares in Linx and their carrying amount.

Another test was conducted as at 31 December 2016 based on a forecast of Linx results for 2017-2018, prepared by the Management Board of Linx. Based on the aforementioned test, the value in use of the Issuer’s share in Linx as at 31 December 2016 was estimated at PLN 41.1 million (i.e. PLN 12.2 million less than as at the end of 2015).

After receiving from the Management Board of Linx another update on the company’s budget – this time for the 2018-2019 time horizon – the Issuer decided to conduct a test for the impairment of shares in Linx as at 31 December 2017.

Key assumptions made by the Management Board of ATM during the aforementioned impairment test for shares in Linx are presented below:

- The valuation model is based on discounted cash flows for equity owners (FCFE).
- The results forecast of Linx is based on the budget for the years 2018-2019, prepared by the Management Board of Linx, and on forecasts for the company for the years 2020-2022 that assume, in particular (for the most probable, baseline scenario):
  - Average annual revenue growth of 8% for 2018-2022
  - Maintaining the return on sales throughout the forecast period (at approx. 65%)
  - Average annual growth of general and administrative costs and selling costs of 6% for 2018-2022
  - Average annual EBITDA growth of 7% for 2018-2022
- The valuation was prepared as at 31 December 2017 using the average EUR/PLN exchange rate at that date, i.e. 4.1709.
- The valuation was prepared on the basis of a detailed 5-year forecast.
- The growth rate in the residual period was determined at 1.5%.
- The cost of capital (discount rate) was determined using the capital asset pricing model (CAPM) assuming, as the risk-free interest rate, the yield on 30-year eurozone bonds as at 31 December 2017 (projected profits denominated in EUR) and the risk premium for the Russian market (where the main data centers of the Linx Group are located). The value of the beta parameter was determined at the level of an average observed among operators of data centers listed on global stock markets. Finally, the cost of capital for shareholders was determined at the level of 7.1%.

Based on the aforementioned test, the value in use of the Issuer’s shares in Linx as at 31 December 2017 was estimated at PLN 52.2 million (i.e. PLN 11.1 million more than as at the end of 2016).

The estimated value in use of the Issuer’s shares in Linx may change depending upon the situation in Russia and its possible impact on the internal economic situation and the activities of foreign companies in Russia. It may also change due to events related to Linx itself.

FINANCIAL ASSETS HELD FOR TRADING

	End of period 31/12/2017	End of period 31/12/2016
Loans granted to related entities	-	-
Loans granted to other entities	35	50
Total	**35**	**50**

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

The Company granted interest-bearing loans at rates comparable to average interest rates of commercial loans.

NOTE 14.
OTHER FIXED ASSETS

	End of period 31/12/2017	End of period 31/12/2016
Guarantee deposits	245	303
Trade receivables	-	-
Prepaid maintenance costs	-	-
Unearned financial income from instalment sales	-	-
Total other fixed assets	**245**	**303**
including payable within:		
from 1 to 2 years	245	303
from 3 to 5 years	-	-
over 5 years	-	-

Guarantee deposits include amounts retained by the customers in relation to the services and goods delivered. In most cases, such deposits are retained for periods ranging from 1 to 5 years. Guarantee deposits are not indexed. Trade receivables include the part of trade receivables which the Company will receive at a date later than 12 months from the balance sheet date.

NOTE 15.
INVENTORIES

	End of period 31/12/2017	End of period 31/12/2016
Materials	-	3,416
Production in progress	-	-
Finished products	-	-
Goods	-	2
Revaluation write-downs	-	(2,602)
Total inventories	**-**	**816**

Inventories are valued based on the principles described in Note 2. The effects of establishing and reversing write-downs are charged to the cost of goods sold as the cost of materials that have been used up.

NOTE 16.
TRADE AND OTHER RECEIVABLES

	End of period 31/12/2017	End of period 31/12/2016
Trade receivables from related entities	2	22
Trade receivables from other entities	17,162	13,718
Tax receivables	629	906
Advances transferred	-	-
Other receivables	-	207
Receivables under litigation	907	944
Unearned financial income from instalment sales	-	-
Revaluation write-downs	(1,409)	(1,487)
Total	**17,291**	**14,309**

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

Trade terms applicable to related undertakings have been presented in Note 26. Trade receivables do not bear interest and they are usually payable within 14 to 35 days. The Company establishes revaluation write-downs in full value of receivables overdue by over 360 days and disputed receivables, including receivables under litigation.

The fair value of trade and other receivables does not differ significantly from their book values recorded in the balance sheet.

Analysis of the ageing structure of trade receivables

	End of period 31/12/2017	End of period 31/12/2016
current, of which:	**15,348**	**12,263**
from related entities	2	22
from related entities	15,346	12,241
overdue, of which:	**1,816**	**1,476**
from related entities	-	-
up to 180 days	-	-
180–360 days	-	-
over 360 days	-	-
from related entities	1,816	1,476
up to 180 days	840	977
180–360 days	495	100
over 360 days	481	399
	17,164	**13,740**

Analysis of changes in write-downs on receivables

	End of period 31/12/2017	End of period 31/12/2016
Opening balance	1,487	1,186
Increases, of which:	520	332
- Recognition	520	332
Decreases, of which:	598	30
- Reversal	72	9
- Utilisation	526	22
Closing balance	**1,409**	**1,487**

Analysis of the ageing structure of receivables under litigation

	End of period 31/12/2017	End of period 31/12/2016
from related entities		
under 360 days	426	674
over 360 days	147	241
over 720 days	334	29
Total	**907**	**944**

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

NOTE 17.
OTHER CURRENT ASSETS

	End of period 31/12/2017	End of period 31/12/2016
Financial lease interest	-	-
Prepaid maintenance costs	182	218
Unrealised FX differences on lease agreements	-	-
Prepaid subscriptions, rent, insurance, etc.	72	248
Services of subcontractors related to future revenue	895	997
Commissions related to future revenue	949	-
VAT deductions under bad debt relief	-	-
	2,098	**1,463**

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.

NOTE 18.
CASH AND CASH EQUIVALENTS

	End of period 31/12/2017	End of period 31/12/2016
Cash in hand	7	4
Cash at bank	1,701	1,637
Short-term deposits	5,359	133
Total	**7,067**	**1,774**

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.

NOTE 19.
EQUITY

	End of period 31/12/2017	End of period 31/12/2016
Registered share capital	34,526	34,526
Unsubscribed treasury shares under management option scheme	-	-
Hyperinflationary adjustment	197	197
Total	**34,723**	**34,723**

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

Share capital

Registered share capital includes:

Series	Number of shares	Face value	Registration date	Rights to dividend	Method of coverage	Type of shares
A	36,000,000	34,200,000.00	5.12.2007	*	Cash	Ordinary
B	343,344	326,176.80	9.09.2009	1.01.2009	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 2017 was as follows:

Shareholder	Number of shares 31/12/2017	%	Number of shares 31/12/2016	%
MCI.PrivateVentures FIZ *	24,939,079	68.62%	11,070,470	30.46%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%
Nationale-Nederlanden	-	-	7,160,120	19.70%
PKO BP Bankowy PTE	-	-	1,914,556	5.27%
Other shareholders	2,285,225	6.29%	7,079,158	19.48%
	36,343,344	**100%**	**36,343,344**	**100%**

**) jointly with subsidiaries. The number of shares as at 23 November 2017 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairman of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*

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

	End of period 31/12/2017	End of period 31/12/2016
Retained earnings from previous years, of which:		
Statutory supplementary capital	5,068	12,197
From profit distribution (over the statutory amount)	-	-
IFRS implementation profits (losses)	-	-
Management option scheme profits (losses)	-	-
Total comprehensive income for the current period	23,634	(7,129)
Total	**28,702**	**5,068**

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. This portion of the supplementary capital (retained earnings) cannot be distributed among Shareholders.

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

NOTE 20.
BANK LOANS AND BORROWINGS

	End of period 31/12/2017	End of period 31/12/2016
Bank loans	117,696	121,762
Borrowings	-	-
Total	**117,696**	**121,762**
of which:		
Long-term portion		
Bank loans	101,375	101,034
Loans from shareholders	-	-
Short-term portion		
Bank loans	16,321	20,727
Loans from shareholders	-	-
Loans and borrowings due within:	**117,696**	**121,762**
up to 1 year	16,321	20,727
from 1 to 2 years	12,144	11,000
from 3 to 5 years	89,231	90,034
over 5 years	-	-

Loans and borrowings by currency

	End of period 31/12/2017	End of period 31/12/2016
Loans in PLN	117,696	121,762
Loans in EUR	-	-
Total	**117,696**	**121,762**

Average interest rates on loans and borrowings

	End of period 31/12/2017	End of period 31/12/2016
Interest rate on bank loans taken out by an entity:		
Bank overdrafts	2.69%	2.17%
Bank loans in PLN	3.22%	2.97%
EUR bank loans	-	-

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

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

Specification of liabilities arising from bank loans as at 31 December 2017

	Base loan value	Short-term portion	Long-term portion			
Lender	Loan amount in PLN thousand	Loan amount in PLN thousand	Loan amount in PLN thousand	Interest rate	Due date	Collateral
mBank SA (overdraft facility)	10,000	2,305	-	WIBOR 1M plus bank margin	23.09.2018	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
mBank SA (refinancing loan)	54,725	5,405	45,113	WIBOR 1M plus bank margin	23.09.2021	as above
mBank SA (investment loan)	5,000	375	4,583	WIBOR 1M plus bank margin	23.09.2022	as above
mBank SA (investment loan)	1,000	8	992	WIBOR 1M plus bank margin	23.09.2023	as above
mBank SA (investment loan – available limit)	4,000	-	-	WIBOR 1M plus bank margin	23.09.2023	as above
Bank Zachodni WBK S.A. (overdraft facility)	10,000	2,440	-	WIBOR 1M plus bank margin	23.09.2018	as above
Bank Zachodni WBK SA (refinancing loan)	54,725	5,405	45,113	WIBOR 1M plus bank margin	23.09.2021	as above
Bank Zachodni WBK SA (investment loan)	5,000	375	4,583	WIBOR 1M plus bank margin	23.09.2022	as above
Bank Zachodni WBK SA (investment loan)	1,000	8	992	WIBOR 1M plus bank margin	23.09.2023	as above
Bank Zachodni WBK SA (investment loan – available limit)	4,000	-	-	WIBOR 1M plus bank margin	23.09.2023	as above
	149,450	**16,321**	**101,376**			

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

NOTE 21.PROVISIONS FOR LIABILITIES

As at 31 December 2017 and 31 December 2016, the Company does not have any provisions for liabilities.

NOTE 22.
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period 31/12/2017	End of period 31/12/2016
Trade liabilities to related entities	-	-
Trade liabilities to other entities	4,229	4,699
Deferred payment sales interest	-	-
Prepaid unperformed services and maintenance costs	-	-
Subsidies received for fixed asset financing	8,872	10,426
Other	-	1
total	**13,101**	**15,126**
of which payable:		
from 1 to 2 years	1,979	1,979
from 3 to 5 years	11,122	11,843
over 5 years	-	1,304

The subsidies received for fixed asset financing concern the extension and upgrade of telecommunications infrastructure and the Collocation Center in Warsaw.

NOTE 23.
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period 31/12/2017	End of period 31/12/2016
Trade liabilities to related entities	-	3
Trade liabilities to other entities	15,855	12,766
Liabilities arising from taxes and social insurance	836	683
Advances received	-	-
Payroll liabilities	4	2
Other liabilities and accruals, including:		
liabilities arising from investment purchases	2,504	2,846
settlements arising from bonuses	143	284
settlements arising from outstanding leaves	600	650
settlements related to non-invoiced expenses	3,097	4,791
subsidies	1,596	1,596
deferred income	606	587
other liabilities	2,417	2,196
- of which on account of IRS instrument valuation	337	462
Total	**27,658**	**26,404**

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

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

In 2017, 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.

NOTE 24.
OTHER FINANCIAL LIABILITIES

Other financial liabilities include liabilities arising from finance lease agreements and agreements for financing receivables. Detailed information on these liabilities is presented below.

	End of period 31/12/2017	End of period 31/12/2016
Liabilities arising from dividend pay-outs	-	-
Liabilities arising from finance leases	5,313	4,580
Liabilities arising from financing of receivables	-	13
Total long-term liabilities	**5,313**	**4,593**
Short-term lease liabilities	4,662	5,327
Short-term liabilities arising from financing of receivables	-	-
Total short-term liabilities	**4,662**	**5,327**
Forward contract liabilities	-	-
Other	-	-
Total financial liabilities	**9,975**	**9,919**

	End of period 31/12/2017	End of period 31/12/2016
Value of liabilities arising from finance leases due within:	**10,674**	**10,561**
- one year	5,016	5,722
- 2 to 5 years	5,658	4,840
- over 5 years	-	-
Future interest expenses (-)	**(699)**	**(655)**
		-
Present value of future liabilities	**9,975**	**9,906**
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	4,662	5,327
Amounts due after more than 12 months within:		
- 2 to 5 years	5,313	4,580
- over 5 years	-	-
Number of lease agreements	25	44

Finance lease agreements concern machinery and equipment as well as vehicles. As at 31 December 2017, the Company was party to 25 agreements, under which it leased fixed assets with a total net value of PLN 11,923 thousand as at that date.

As at 31 December 2016, the Issuer was party to 44 agreements, under which it leased fixed assets with a total net value of PLN 13,687 thousand as at that date.

The agreements provide neither for contingent rents nor any subleases. Most agreements include a clause concerning the purchase option at a contractual price, lower than the fair value of the leased asset. The agreements do not involve any constraints for the lessee apart from the payment of liabilities arising from lease instalments and the general terms and conditions concerning the proper use of the leased assets.

NOTE 25.

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

OPERATING LEASE AND CONTINGENT RECEIVABLES AND LIABILITIES

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

With regard to operating leases, the Company is not a party to any material agreements as a lessor. Lease agreements include mainly agreements concerning the lease of office space to other entities.

These are both definite and indefinite term agreements. Each agreement includes a clause enabling each party to terminate it subject to a contractual period of notice not exceeding three months. The Company does not include any clauses concerning contingent rents or the possibility of concluding sublease agreements in such agreements. The agreements concluded by the Company do not include any obligation to conclude a new agreement for a similar period and an equivalent asset where the original agreement is terminated. In some cases, the agreements provide for the lessee's obligation to submit a deposit, but these payments are treated as returnable deposits and are not subject to indexation.

Due to the nature of the agreements concluded, the Company — insofar as it is the lessor with regards to operating lease — is not a party to any irrevocable agreements.

Operating lease liabilities — ATM S.A. as a lessee

In the period covered by the financial statements, the Company as a lessee was party to operating lease agreements concerning property leases.

Due to the nature of the concluded agreement, the Company — insofar as it is the lessee with regard to the operating lease — is not a party to any irrevocable agreements apart from the lease agreement described below, which is revocable under specific terms and conditions.

Property leases include office buildings situated in Warsaw at 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 an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly instalments (15 years). The last instalment will be payable on 21 January 2021. Total amount of payments during the term of the agreement will be EUR 9,872 thousand.

Fair value of the leased asset after the expiry of the agreement has been determined at EUR 5,573 thousand, of which perpetual usufruct of land amounts to EUR 1,613 thousand and the value of buildings is 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.

Expenses related to the minimum lease payments for property leases during individual periods amounted to, respectively:

	End of period 31/12/2017	End of period 31/12/2016
Costs of property operating leases	1,935	1,994
Total	**1,935**	**1,994**

Minimum lease payments for property lease were as follows:

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

	End of period 31/12/2017	End of period 31/12/2016
up to 1 year	1,997	1,997
from 1 to 5 years	4,095	6,092
over 5 years	-	-
Total	**6,092**	**8,089**

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables, guarantees and sureties received

There were no contingent receivables.

Contingent liabilities, guarantees and sureties granted

	End of period 31/12/2017	End of period 31/12/2016
To related entities:	**-**	**-**
To other entities:		
1. Bank guarantees received:	309	295
- performance bonds and tender bonds	309	295
2. Collateral pledge	91,420	79,420
3. Promissory notes and mortgages:	93,272	89,207
- endorsements concerning agreements related to EU project financing	-	-
- bank loan collaterals	93,272	89,207
Total	**185,001**	**168,922**

NOTE 26.
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 2017 and 2016, these entities included:

- ATM PP Sp. z o.o. — related through Mr Tadeusz Czichon, who, to the Issuer's best knowledge, was the Vice-President of the Management Board of this entity,
- ATP-Investments Sp. z o.o. — related through Mr Tadeusz Czichon, who, to the Issuer's best knowledge, held 50% of shares in this company, and at the same time was its commercial proxy.

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
ATM PP Sp. z o.o.	2,016	28	-	1	-
	2,017	35	-	1	-
Linx Telecommunication B.V.	2,016	118	-	21	-
	2,017	43	-	1	-
ATP-Investments Sp. z o.o.	2,016	-	200	-	-
	2,017	-	-	-	-
Total	**2,016**	**146**	**200**	**22**	**-**
	2,017	**78**	**-**	**2**	**-**

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.

2. 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:

	End of period 31/12/2017	End of period 31/12/2016
Short-term employee benefits	7,853	4,641
Post-employment benefits	-	-
Benefits due to termination of the employment relationship	210	-
Total	**8,063**	**4,641**

The short-term employee benefits referred to above concern:

	End of period 31/12/2017	End of period 31/12/2016
Management Board	1,726	1,718
Supervisory Board	576	242
Directors and managers	5,760	2,681
Total	**8,063**	**4,641**

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.

NOTE 27.
PRESENTATION OF DISCONTINUED OPERATIONS

The Company did not discontinue any operations in 2017 and does not plan to do so in 2018.

NOTE 28.
FINANCIAL INSTRUMENTS

1. Capital 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 22, 23 and 24;
- cash and cash equivalents — disclosed in Note 18;
- equity, including shares issued, reserve capital and retained earnings — disclosed in Notes 19 and 10.

The Company also monitors balance of equity using the leverage (gearing) ratio, which is calculated as the ratio of net debt to total equity plus net debt. Net debt includes interest-bearing loans and borrowings, trade liabilities and other liabilities less cash and cash equivalents. Equity includes equity attributable to shareholders of the parent entity less reserve capital concerning unrealised net gains.

The gearing ratio as at 31 December 2017 amounted to 41% and, respectively, as at 31 December 2016 — 43%

2. Objectives of financial risk management

Principal financial instruments used by the Company include bank loans (Note 20), finance lease agreements (Note 24) 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 14, 16, 22 and 23), which, however, are directly related to its operations.

The main risks arising from the Company's financial instruments include credit risk and liquidity risk as well as interest rate risk and foreign exchange risk. Exposure to these risks and their causes have been presented in the items below.

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 2017 and 2016:

- no financial instruments were reclassified between categories within the meaning of IAS 39;
- 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.

3. 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.

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

4. Categories and classes of financial instruments

Financial assets and liabilities divided into categories (as per IAS 39) are as follows:

	End of period 31/12/2017	End of period 31/12/2016
Financial assets		
Measured at fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	24,266	15,564
Financial assets available for sale	-	-
Financial liabilities		
Measured at fair value through profit or loss	337	462
Derivatives in hedging relationships	-	-
Financial liabilities	168,093	172,749
Financial guarantee contracts	-	-

Taking into account the nature and specific features of the financial instrument categories presented above, the following classes of instruments have been distinguished within individual groups:

With regard to the own receivables category

	End of period 31/12/2017	End of period 31/12/2016
Receivables from related entities	2	22
Short-term receivables from other entities	17,162	13,718
Long-term receivables from other entities	-	-
Financial assets held for trading — loans granted	35	50
Cash and cash equivalents	7,067	1,774
Total	**24,266**	**15,564**

With regard to financial liabilities

	End of period 31/12/2017	End of period 31/12/2016
Long-term liabilities	13,101	15,126
Liabilities arising from loans	117,696	121,762
Liabilities to related entities	-	3
Short-term liabilities to other entities	27,658	26,401
Liabilities arising from finance leases	9,975	9,906
Other financial liabilities	-	13
Total	**168,430**	**173,211**

5. Fair value of financial instruments

According to the estimates of the Management Board, the values of individual financial instrument classes listed above do not differ significantly from their fair values.

6. Credit risk

Credit risk is the risk of a counterparty defaulting on its obligations, thus exposing the Company to financial losses. The Company applies a policy of concluding transactions exclusively with counterparties whose creditworthiness has been verified; when required, appropriate guarantee is obtained in order to mitigate the risk of financial losses caused by a breach of contractual terms. The Company's exposure to risks related to the counterparties' credit ratings is subject to ongoing monitoring and the aggregated value of transactions concluded is split among approved counterparties. Credit risk control is enabled by limits, which are verified and approved annually by the Management Board.

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

The Company is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties.

The Company mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are conducted. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to risks of receivables becoming uncollectible is insignificant.

As concerns the Company's financial assets including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other contractual party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

As at 31 December 2017, impairment write-downs on financial asset came to PLN 1,409 thousand (PLN 1,487 thousand as at 31 December 2016). As at 31 December 2017 and 31 December 2016, no financial assets whose repayment terms had been renegotiated were present.

7. Foreign exchange 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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Currency – EUR	280	174	1,368	938
Currency – USD	203	618	574	345
Currency – JPY	-	-	-	-
Currency – PLN	15,372	11,977	15,222	12,457
Total	**15,855**	**12,769**	**17,164**	**13,740**

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, ATM S.A.'s gross result for the 12-month period ended 31 December 2017 would have been higher by PLN 146 thousand (including PLN 109 thousand due to financial assets and liabilities denominated in EUR and PLN 37 thousand due to financial assets and liabilities denominated in USD).

The above estimation of the impact of foreign exchange risk on the financial result was calculated on the basis of the symmetrical method which assumes that increase and decrease in foreign exchange rates results in identical closing amounts. As a consequence, the decrease in exchange rates of the above-mentioned currencies by 10% would have caused a respective decrease of net financial result by the amount mentioned above.

8. 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.

The Company mitigates its credit risk by concluding transactions only with creditworthy entities. Before cooperation is initiated, internal preliminary verification procedures are conducted. Moreover, since receivable amounts are monitored on an on-going basis, the Company's exposure to risks of receivables becoming irrecoverable is insignificant. As concerns other financial assets of the Company, including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

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

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.

9. 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 mitigates the interest rate risk through:

- the appropriate structure of assets and liabilities with a variable and fixed interest rate,
- the application of derivative hedging instruments like swap.

NOTE 29.
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 December 2017, 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	31/12/2017		31/12/2016	
	carrying amount	fair value	carrying amount	fair value
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets held to maturity	-	-	-	-
Financial assets available for sale (at fair value)	-	-	-	-
Loans granted and own receivables	-	-	-	-
Financial liabilities at fair value through profit or loss	337	337	461	461
Other financial liabilities	-	-	-	-

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	31/12/2017

Derivative financial instruments – IRS contract hedging the interest rate risk in respect of the loan	level 2	337
Total		337

The valuation of the IRS contract hedging the interest rate risk in respect of the investment loan was made based on information obtained from mBank (prepared using parameters that were considered optimal by the Bank).

The valuation of the IRS contract hedging the interest rate risk in respect of the investment loan was made based on information obtained from Bank Zachodni WBK S.A. (prepared using parameters that were considered optimal by the Bank).

During the period ended 31 December 2017, 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.

NOTE 30.
SIGNIFICANT EVENTS IN THE REPORTING PERIOD

- On 11 January 2017, the Extraordinary General Meeting of the Company dismissed Cezary Smorszczewski from the Supervisory Board. On the same day, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at five and appointed Tomasz Czechowicz to the Company's Supervisory Board.
- On 6 February 2017, Robert Zaklika tendered his resignation from the position of the Vice-President and Member of the Company's Management Board.
- On 24 March 2017, the Issuer's Management Board was notified that the General Meeting of Linx Telecommunications Holding B.V. ("Linx") adopted a resolution on dividend pay-out. The dividend value was set at EUR 0.40 per share which, for the total number of all shares amounting to 13,105,671, means that the total dividend amounts to EUR 5,242,269. The Company holds 2,754,612 shares in Linx (21.02% of the share capital), which means that the dividend attributable to the Issuer amounts to EUR 1,101,845. The date of dividend pay-out was set at 21 April 2017. The dividend was an interim dividend due to the fact that the annual financial statements of Linx for 2016 had not yet been approved at the time by the entity's General Meeting. The dividend was related to the fact that Linx had had closed the sale of the telecommunications part of its business to CITIC Telecom International CPC Limited with its registered office in Hong Kong, which the Issuer reported in its periodic reports for the first quarter and for the first half of 2016.
- On 31 May 2017, the Ordinary General Meeting of the Company set the number of Supervisory Board members at five to six and appointed Piotr Sieluk to the Company's Supervisory Board.
- On 31 May 2017, the Supervisory Board of the Company appointed an Audit Committee composed of: Maciej Kowalski (Chairman of the Audit Committee), Tadeusz Czichon and Jacek Osowski. The tasks of the Audit Committee were previously performed by the Supervisory Board of ATM S.A.
- On 31 May 2017, the Company's Supervisory Board adopted the following resolutions on:
  - dismissing Sylwester Biernacki from the position of President and Member of the Company's Management Board as of 31 May 2017;
  - assigning a Member of the Supervisory Board, Piotr Sieluk, to act as President and Member of the Company's Management Board as of 31 May 2017 (until 31 August 2017).
- On 4 July 2017, the Company's Supervisory Board adopted the following resolutions on:
  - appointing Mr Sławomir Koszołko to the position of President of the Company's Management Board as of 4 July 2017;
  - shortening the term of assignment of Mr Piotr Sieluk to act as the President of the Management Board of the Company — the said delegation expired upon the adoption of the resolution in question.
- On 4 July 2017, the Supervisory Board of the Company adopted a resolution on appointing Piotr Sieluk to the position of Vice-Chairman of the Company's Supervisory Board.
- On 12 September 2017, the General Meeting of Linx Telecommunications Holding B.V. ("Linx") adopted a resolution on dividend pay-out. The dividend value was set at EUR 0.25 per share. The Company holds 2,754,612 shares in Linx and the dividend attributable to the Company amounts to EUR 688,703. The date of dividend pay-out was set as one month from the date of adoption of the resolution by Linx's GM. The said dividend was the second interim dividend in 2017 approved by Linx's GM, related to the

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

sale of the telecommunications part of the company, which the Issuer reported in periodic reports for the first quarter and first half of 2016.

- On 17 October 2017, the Company received a letter of resignation from the Audit Committee and from the position of the Chairman of the Audit Committee of the Issuer's Supervisory Board submitted by Mr Maciej Kowalski. The resignation was submitted with effect from 16 October 2017.
- On 17 October 2017, the Company received information on the following resolutions of the Supervisory Board of ATM S.A.:
  - on appointing Mr Łukasz Wierdak as a Member of the Audit Committee;
  - on appointing Mr Jacek Osowski as Chairman of the Audit Committee.
  Both aforementioned resolutions were adopted with the effective date of 16 October 2017.
- On 27 November 2017, the Issuer received information about Mr Jacek Osowski's resignation from the Company's Supervisory Board as of the day of the next General Meeting.
- On 29 November 2017, the Issuer received information about Mr Łukasz Wierdak's resignation from the Company's Supervisory Board with immediate effect.
- On 19 December 2017, the Issuer received information about Mr Tomasz Czechowicz's resignation from the Company's Supervisory Board effective as of 19 December 2017.
- On 21 December 2017, the Extraordinary General Meeting of the Issuer adopted a resolution on amending 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 52/2017 of 21 December 2017 (available at: https://www.atm.com.pl/raporty_view.php?id=raporty&more=1&nid=3770).
- On 21 December 2017, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at six and appointed Mr Mariusz Grendowicz, Mr Przemysław Głębocki and Mr Tomasz Jacygrad to the Company's Supervisory Board.
- On 21 December 2017, the Supervisory Board of the Company appointed Mr Mariusz Grendowicz and Mr Tomasz Jacygrad to the Audit Committee. Mr Mariusz Grendowicz was appointed as Chairman of the Audit Committee.

NOTE 31.
EVENTS AFTER THE BALANCE SHEET DATE

- On 19 March 2018, 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 14 February 2018 of amendments to the Company's Articles of Association, introduced under a Resolution of the Extraordinary General Meeting of the Company on 21 December 2017. The content of the amendments to the Articles of Association of ATM S.A. is attached to Current Report No 4/2018 of 19 March 2018 (available at: https://www.atm.com.pl/raporty_view.php?id=raporty&more=1&nid=3778).

NOTE 32.
REMUNERATION OF STATUTORY AUDITORS

	End of period 31/12/2017	End of period 31/12/2016
Audit of the financial statements	24	22
Other certification services	18	12
Other services	-	-
Total	**42**	**34**

NOTE 33.
COMPARATIVE DATA – EBITDA

Staring from this periodic report, the Issuer uses the definition of EBITDA 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). Comparative data for 2016 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided below.

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

The cost items that were excluded from the calculation of EBITDA according to the methodology adopted from this periodic report onwards 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 (due to the non-recurring nature of such costs) – presented in the table below under "restructuring costs";

- costs related to bank fees and commissions – due to their non-operating nature – presented in the table below under "general and administrative expenses";

- real property tax and fees related to perpetual usufruct, paid to the Municipal Roads Authority – in view of the generally accepted definition of EBITDA (i.e. operating profit before, *inter alia*, taxes) – presented in the table below under "general and administrative costs" and "cost of sales (variable)" (for 2016);

- loss (gain) incurred in connection with the disposal/revaluation of fixed assets (due to the non-cash nature of such losses/gains) – presented in the table below under "other operating expenses (income)".

	For the period 01/01–31/12/2016 (according to the approved financial statements – before restatement)	For the period 01/01–31/12/2016 (restated)	Difference	For the period 01/01–31/12/2017 (before restatement)	For the period 01/01–31/12/2017 (restated)	Difference
Operating profit (loss)	**7,350**	**7,350**	**-**	**14,531**	**14,531**	**-**
Depreciation and amortisation	23,949	23,949	-	26,245	26,245	-
EBITDA	**31,299**	**31,299**	**-**	**40,777**	**40,777**	**-**
Adjustments, of which:	**-**	**9,812**	**9,812**	**-**	**4,295**	**4,295**
Cost of sales (variable)	-	93	93	-	-	-
General and administrative expenses	-	761	761	-	761	761
Other operating expenses (income)	-	129	129	-	794	794
Restructuring costs	-	8,829	8,829	-	2,740	2,740
EBITDA after adjustments	**31,299**	**41,111**	**9,812**	**40,777**	**45,071**	**4,295**
Data Center Services Segment						
EBITDA	**21,829**	**21,829**	**-**	**23,262**	**23,262**	**-**
Adjustments, of which:	**-**	**3,814**	**3,814**	**-**	**1,918**	**1,918**
Cost of sales (variable)	-	-	-	-	-	-
General and administrative expenses	-	335	335	-	340	340
Other operating expenses (income)	-	57	57	-	354	354
Restructuring costs	-	3,422	3,422	-	1,223	1,223
EBITDA after adjustments	**21,829**	**25,643**	**3,814**	**23,262**	**25,180**	**1,918**

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

Telecommunications Services Segment

EBITDA	**9,407**	**9,407**	**-**	**17,378**	**17,378**	**-**
Adjustments, of which:	**-**	**5,999**	**5,999**	**-**	**2,377**	**2,377**
Cost of sales (variable)	-	93	93	-	-	-
General and administrative expenses	-	426	426	-	421	421
Other operating expenses (income)	-	72	72	-	439	439
Restructuring costs	-	5,407	5,407	-	1,517	1,517
EBITDA after adjustments	**9,407**	**15,406**	**5,999**	**17,378**	**19,755**	**2,377**

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sławomir Koszołko	President of the Management Board	27 April 2018	....
Tomasz Galas	Vice-President of the Management Board	27 April 2018	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	27 April 2018	....

THE MANAGEMENT BOARD'S REPORT ON THE ISSUER'S OPERATIONS IN 2017

INFORMATION SPECIFIED IN THE ACCOUNTING REGULATIONS

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

Operating and financial results

In 2017, the Issuer's Management Board continued the restructuring activities initiated in 2016. Consequently, this was a period devoted largely to building/improving commercial and operational competences, which will enable the organic growth of ATM in subsequent accounting periods (provided that cost discipline maintained). The above-mentioned activities affected mainly the sales, product and marketing areas, but not only those – they also extended to issues such as further improvement of the quality of data center service processes. As a result, sales revenue did not change materially as compared to the previous year (+2% year-on-year in the core operating segments).
The situation looks different when return on sales is taken into account – here, the consistent actions taken by the Issuer in the last few quarters (increasing procurement effectiveness, economy and improvement projects), contributed to improving the profitability of the core operating segments by more than 2 percentage points year-on-year.
Fixed (general and administrative) expenses increased by 2% y/y, mainly due to an increase in amortisation/depreciation costs, while the balance of other operating revenue/expenses increased by approx. PLN 3.6 million y/y, due to significant one-off restructuring expenses included in this item in 2016.
As a result of the above-mentioned factors, in 2017 the Issuer recorded a nearly 100% increase in operating profit (to PLN 14.5 million) and a 10% increase in EBITDA (after taking into account adjustments, see Note 33 above).

When analysing the Issuer's performance in 2017, the following developments should be noted:

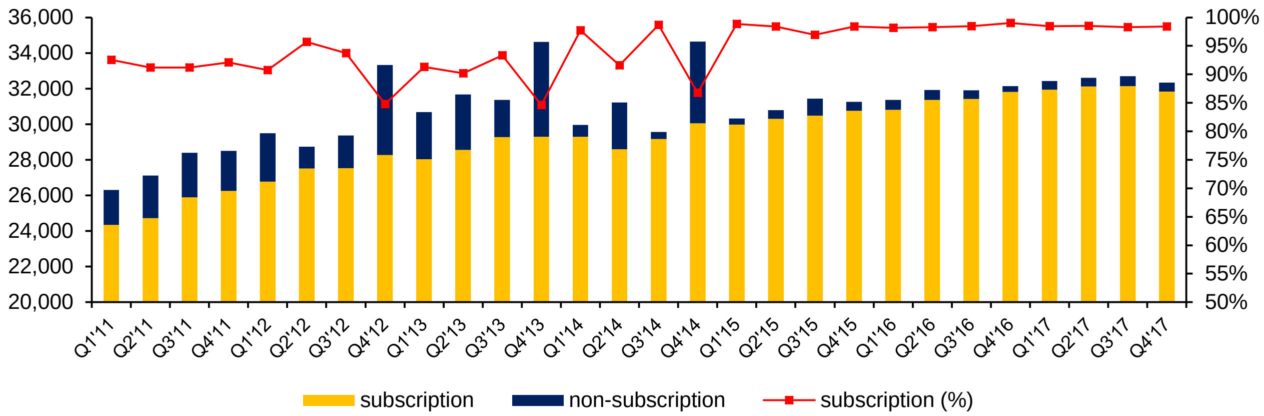
- as in the previous periods of the Company's operations, nearly 100% of total revenue was of a recurring and subscription-based nature;
- continuously growing revenue from the data center services segment (+5.5% y/y) and the revenue from the telecommunications services segment, which has remained at the same level since the beginning of 2016;
- a decrease in cost of sales (-6% y/y), where major savings were made by the Company in the telecommunications services segment (-10% y/y, which means approx. PLN 3.9 million in costs of sales less than in 2016).

In addition, the final level of the Company's net profit was also materially affected by:
- income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. in the first quarter of 2017 in the amount of PLN 4.7 million (1st tranche) and in the third quarter of 2017 in the amount of PLN 3.0 million (2nd tranche) – presented under "Financial revenue" in the Income Statement;
- reversal, in the fourth quarter of 2017, of a PLN 7,201 thousand impairment write-down on shares in the associate Linx Telecommunications Holding B.V., recognised under "Financial revenue" in the Issuer's Income Statement.

In the past year, the Issuer incurred total investment expenditures of approx. PLN 32 million, thus executing 95% of the investment budget planned for that year. The Company continued its investment policy in the telecommunications and data center segments, as well as the upgrade of internal IT systems initiated in 2016. In addition, a project was launched to modernise the main ATM campus at ul. Grochowska in Warsaw. The Issuer also reduced its net debt balance (PLN -9.5 million vs. the balance as at the end of 2016).

Presented below are the quarterly revenue levels for the last 7 years:

Sales revenue from core operating segments [PLN thousand]

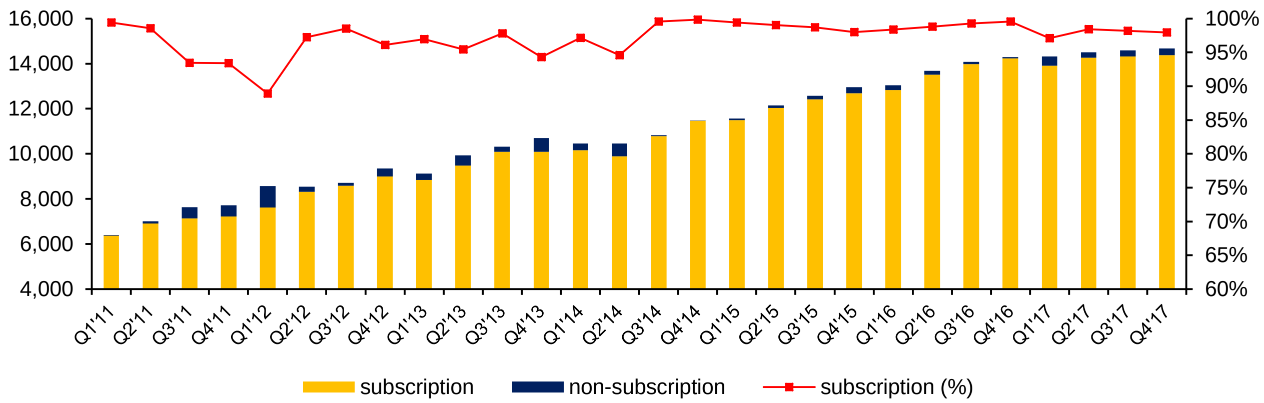


A more detailed discussion of results in particular operating segments is presented further below.

Data Center Services Segment

figures in PLN thousand	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Revenue from the Data Center Services Segment	**11,567**	**12,147**	**12,574**	**12,951**	**13,044**	**13,681**	**14,083**	**14,290**	**14,324**	**14,501**	**14,586**	**14,673**
of which: subscription revenue	11,502	12,033	12,413	12,693	12,830	13,516	13,983	14,230	13,906	14,270	14,319	14,378

Revenue from the Data Center Services Segment [PLN thousand]



In 2017, revenue from the data center services segment increased to PLN 58.1 million (+5.5% y/y), mainly as a result of:

- maintaining a high growth rate of revenue from the ATMAN EcoSerwer services — the Company recorded here a 20% increase on a year-on-year basis (to PLN 14.7 million in 2017);

- consistent expansion of cooperation with the existing customers and attracting new middle-sized customers (in reference to services such as lease of space in collocation cabinets, or boxes) — this part of revenue increased in 2017 by 7% y/y.

In 2017, costs of sales in the segment in question amounted to PLN 18.1 million, which represents an increase by 12.5% y/y. As a consequence, the return on sales in this segment decreased slightly — from 70.9% in 2016 to nearly 69% in 2017. The above change results primarily from 2 factors:

- as a result of improving the process of allocation of direct costs between core segments (owing to, among other factors, the implementation of a new ERP system at the beginning of 2017), a portion of costs allocated previously to the telecommunications services segment has been allocated to the data center services segment as of the beginning of 2017.

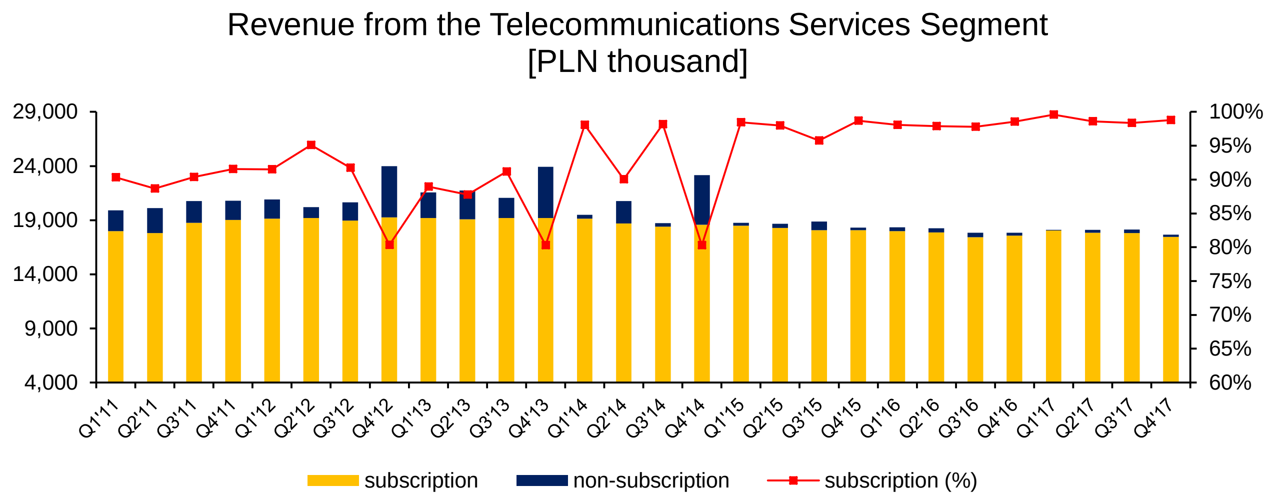
- in the first, third and fourth quarter of the current year, the Company incurred one-off costs related to the operation of data centers, such as refuelling of power generators or cleaning fuel tanks.

EBITDA generated by the Data Center Services Segment amounted to PLN 25.2 million (-2% y/y) and accounted for 56% of total EBITDA generated by ATM in the past year.

Net collocation space occupied by the customers amounted to approx. 4,500 m^2 as at the end of the fourth quarter of 2017.

Telecommunications Services Segment

figures in PLN thousand	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Revenue from the Telecommunications Services Segment	**18,762**	**18,650**	**18,860**	**18,302**	**18,330**	**18,237**	**17,826**	**17,844**	**18,105**	**18,099**	**18,118**	**17,674**
of which: subscription revenue	18,476	18,274	18,064	18,061	17,981	17,855	17,433	17,584	18,029	17,846	17,819	17,457



In the period in question, the telecommunications services segment maintained the trends observed in preceding periods. The following issues are of key importance for the assessment of the segment's performance:

- total revenue of the segment is maintained at a relatively stable level – approx. PLN 72 million per year;
- a downward trend is observed for the revenue from transmission services (accounting for nearly 65% of the segment's sales), which decreased by 1.3% y/y in 2017. It should be recalled, however, that in previous years the downward trend in this area was more pronounced (quarterly declines of approx. 1-2% from the beginning of 2014 to the third quarter of 2016);
- revenue from Internet access services is slowly growing/is maintained on a stable level — between the beginning of 2015 and the end of 2016, the Issuer recorded, on average, 1% quarterly increases in revenue (in 2017, a horizontal trend could be observed — revenue from Internet access services amounted to PLN 24 million, as in the preceding year);
- lack of significant revenue from sources other than subscription services (the Issuer explained the nature of this situation in detail in previous periodical reports).

At the same time – mainly due to increased efficiency on the purchasing side, but also owing to the improvement of the inter-segment cost allocation mechanism mentioned in the previous section – the profitability of the telecommunications services segment increased noticeably (by 5 percentage points y/y to 49.5%).

As a result, the margin on sales in the telecommunications services segment increased in 2017 by 11.5% y/y (to PLN 35.6 million), while the segment's EBITDA increased by 28% y/y in the same period and accounted for approx. 44% of the Issuer's total EBITDA.

2. Expected development of the entity

The results achieved by the Issuer in 2017 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 collocation 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 collocation 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 collocation revenue (proper high quality lines increase the attractiveness of data center offers).

3. Major research and development achievements

In 2017, ATM S.A. did not conduct any significant, distinct research and development works. The development works including the projects developed in-house have been described in Note 11 to the financial statements.

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 collocation 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.

4. 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.

5. Purchase of treasury shares

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

6. Branches held by the entity

The Company has no branches conducting independent business activity.

7. Information on used financial instruments

Property leases include office buildings situated in Warsaw at 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 an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly instalments (15 years). The last instalment will be payable on 21 January 2021. The total amount of payments during the term of the agreement will be EUR 9,872 thousand (details have been described in Note 25 to the financial statements).

Besides, the Company uses finance 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 24 to the financial statements).

ATM S.A. uses loans, which are described in details in Note 20 to the financial statements. The Company concluded the interest rate swap transaction (IRS) described in Note 8 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 28.

REVIEW OF KEY ECONOMIC AND FINANCIAL PARAMETERS

The comparison of the results for 2017 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]	2017	2016	change %
Sales revenue	132,985	132,050	1%
- of which: from core operating segments	130,080	127,335	2%
Sales margin	75,759	71,062	7%
Operating profit	14,531	7,350	98%
EBITDA	45,071	41,111	10%
Gross profit (loss)	33,292	(10,917)	-
Net profit (loss)	27,997	(9,791)	-

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.

Risk associated with the implementation of R&D works and investments

The Issuer conducts R&D works insofar as they translate directly into greater competitiveness of its products and services it offers. The risk associated with incurring capital expenditure on such works practically does not exist.

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. All services are offered in the B2B (business-to-business) model.

- In the **Data Center Services Segment**, the Issuer provides services based on the constructed data center infrastructure:
  - **Collocation.** The Company owns properly equipped and protected rooms (data centers) where it provides collocation, 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 includes also 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 the 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, Frankfurt, Kiev, Moscow, Prague and Vienna as well as its own, distributed system of wholesale traffic exchange (Thinx IX).
  - **Other, including telephone services (ISDN and VoIP).** The Issuer offers, among others, ISDN technology-based telephony, which is a comprehensive telecommunications solution based on dedicated digital connections compiled using fibre-optic or radio technology. Additionally, the company offers a solution that ensures a seamless transition from traditional phone services towards an entirely VoIP-based network.

Sales revenue (PLN thousand)	2017	2016
Data Center Services Segment	**58,084**	**55,098**
of which: Collocation	43,423	42,849
of which: Higher layer services	14,661	12,249
Telecommunications Services Segment	**71,996**	**72,238**

of which: Data transmission and voice services	47,954	48,136
of which: Internet access	24,042	24,102
Revenue from core operating segments	**130,080**	**127,335**

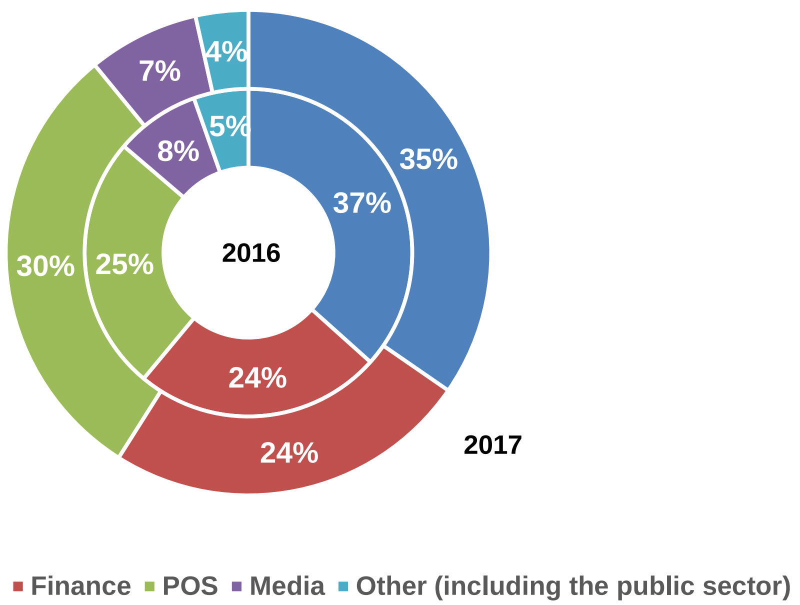
2. Information on sales markets and sources of supply

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 (both traditional and electronic).

The Issuer's revenue structure in 2016-2017, broken-down by sectors*:



**) includes revenue from core operating segments*

As in previous years, the Company has a highly diversified portfolio of customers, which materially protects the interests of the Issuer. In 2017, none of the customers has exceed 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 2017, 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.

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

	End of period 31/12/2017	End of period 31/12/2016
To related entities:	**-**	**-**
To other entities:		
1. Bank guarantees received:	309	295
- performance bonds and tender bonds	309	295
2. Collateral pledge	91,420	79,420
3. Promissory notes and mortgages:	93,272	89,207
- endorsements concerning agreements related to EU project financing	-	-
- bank loan collaterals	93,272	89,207
Total	**185,001**	**168,922**

The Issuer did not grant or receive directly any guarantees. 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 2017, tender bonds and performance bonds included guarantees granted by mBank S.A. — amounting to PLN 228 thousand and by Bank BZ WBK S.A. — amounting to PLN 81 thousand.

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

In the reporting period, the Issuer did not issue securities.

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

and forecasts published

The Issuer did not publish any forecast of 2017 financial results.

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 area, the Issuer's main achievement was the expansion of the ATMAN Data Center at Grochowska in Warsaw which, at the same time, was the most extensive project in the history of the Issuer's operations (ATM's 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 m^2 of net collocation space, 57% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m^2 net, by expanding the DC localised at Konstruktorska in Warsaw.

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 EcoSerwer and Cloud services. The schedule 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 — extend the existing fibre-optic connections.

All 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 expected 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 2017

Unusual circumstances affecting the Issuer's results for 2017 included:

- costs related to the restructuring of the Issuer, carried out by the Management Board (presented in Note 33);
- income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. in the first quarter of 2017 in the amount of PLN 4.7 million (1st tranche) and in the third quarter of 2017 in the amount of PLN 3.0 million (2nd tranche) – presented under "Financial revenue" in the Income Statement;
- reversal, in the fourth quarter of 2017, of a PLN 7,201 thousand impairment write-down on shares in the associate Linx Telecommunications Holding B.V., recognised under "Financial revenue" in the Issuer's Income Statement.

14. Description of external and internal factors important for the development of the Issuer's Company and development prospects until the end of 2018

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 (collocation) services.

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

- digitisation 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 collocation 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 2017, 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 2017

- On 11 January 2017, the Extraordinary General Meeting of the Company dismissed Cezary Smorszczewski from the Supervisory Board. On the same day, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at five and appointed Tomasz Czechowicz to the Company's Supervisory Board.
- On 6 February 2017, Robert Zaklika tendered his resignation from the position of the Vice-President and Member of the Company's Management Board.
- On 31 May 2017, the Ordinary General Meeting of the Company set the number of Supervisory Board members at five to six and appointed Piotr Sieluk to the Company's Supervisory Board.
- On 31 May 2017, the Supervisory Board of the Company appointed an Audit Committee composed of: Maciej Kowalski (Chairman of the Audit Committee), Tadeusz Czichon and Jacek Osowski. The tasks of the Audit Committee were previously performed by the Supervisory Board of ATM S.A.
- On 31 May 2017, the Company's Supervisory Board adopted the following resolutions on:
  - dismissing Sylwester Biernacki from the position of President and Member of the Company's Management Board as of 31 May 2017;
  - assigning a Member of the Supervisory Board, Piotr Sieluk, to act as President and Member of the Company's Management Board as of 31 May 2017 (until 31 August 2017).
- On 4 July 2017, the Company's Supervisory Board adopted the following resolutions on:
  - appointing Mr Sławomir Koszołko to the position of President of the Company's Management Board as of 4 July 2017;
  - shortening the term of assignment of Mr Piotr Sieluk to act as the President of the Management Board of the Company — the said delegation expired upon the adoption of the resolution in question.
- On 4 July 2017, the Supervisory Board of the Company adopted a resolution on appointing Piotr Sieluk to the position of Vice-Chairman of the Company's Supervisory Board.

- On 17 October 2017, the Company received a letter of resignation from the Audit Committee and from the position of the Chairman of the Audit Committee of the Issuer's Supervisory Board submitted by Mr Maciej Kowalski. The resignation was submitted with effect from 16 October 2017.
- On 17 October 2017, the Company received information on the following resolutions of the Supervisory Board of ATM S.A.:
  - on appointing Mr Łukasz Wierdak as a Member of the Audit Committee;
  - on appointing Mr Jacek Osowski as Chairman of the Audit Committee.
  Both aforementioned resolutions were adopted with the effective date of 16 October 2017.
- On 27 November 2017, the Issuer received information about Mr Jacek Osowski's resignation from the Company's Supervisory Board as of the day of the next General Meeting.
- On 29 November 2017, the Issuer received information about Mr Łukasz Wierdak's resignation from the Company's Supervisory Board with immediate effect.
- On 19 December 2017, the Issuer received information about Mr Tomasz Czechowicz's resignation from the Company's Supervisory Board effective as of 19 December 2017.
- On 21 December 2017, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at six and appointed Mr Mariusz Grendowicz, Mr Przemysław Głębocki and Mr Tomasz Jacygrad to the Company's Supervisory Board.
- On 21 December 2017, the Supervisory Board of the Company appointed Mr Mariusz Grendowicz and Mr Tomasz Jacygrad to the Audit Committee. Mr Mariusz Grendowicz was appointed as Chairman of the Audit Committee.

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 1–6 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 2017, 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.	
Biernacki Sylwester (until 31.05.2017)	761,400
Galas Tomasz	444,000
Koszołko Sławomir (from 04.07.2017)	357,142
Zaklika Robert (until 06.02.2017)	163,866
	1,726,408
Supervisory Board of ATM S.A.	
Czichon Tadeusz	72,000
Czechowicz Tomasz (until 19.12.2017)	45,031
Głębocki Przemysław (from 21.12.2017)	1,419
Grendowicz Mariusz (from 21.12.2017)	1,419
Jacygrad Tomasz (from 21.12.2017)	1,419
Kowalski Maciej	48,000
Osowski Jacek (until 21.12.2017)	46,709

Sieluk Piotr (from 31.05.2017)	315,000
Smorszczewski Cezary (until 11.01.2017)	1,420
Wierdak Łukasz (until 29.11.2017)	44,000
	576,419

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 2017, 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, taking into account 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 2017 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	4	1,726	-	1,726	-
Persons holding managerial positions	45	4,413	1,347	5,760	-

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:

Name and surname	Position	Number of shares	Face value
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych *	Supervisory Board Member	9,119,040	8,663,088
Sławomir Koszołko	President of the Management Board	-	-
Tomasz Galas	Vice-President of the Management Board	-	-

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairman of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*

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 *	25,220,527	69.40%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%

**) jointly with subsidiaries. The number of shares as at 5 April 2018 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairman of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*

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.

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.

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 knowledge of any restrictions on the transfer of ownership rights in the Issuer's securities.

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

The Issuer is not a party to any court, arbitration or administrative proceedings of an individual or total value constituting at least 10% of the Company's equity.

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

On 20 June 2017, the Issuer concluded audit contracts with the entity authorised to audit financial statements — Polska Grupa Audytorska Sp. z o.o. sp.k.

Subject matter of the agreement:

- review of the separate condensed interim financial statements of the Issuer for the period from 1 January to 30 June 2017 (due date of the service is 30 September 2017);
- audit of the separate annual financial statements of the Issuer for the period from 1 January to 31 December 2017 (due date of the service is 19 March 2018).

The remuneration under the contract for a review of the condensed separate financial statements for the period from 1 January to 30 June 2017 amounted to PLN 13,000 net.

The remuneration under the contract for the audit of separate financial statements for the period from 1 January to 31 December 2017 amounted to PLN 24,000 net.

The amount of remuneration payable to Polska Grupa Audytorska Sp. z o.o. sp. k. for the Certificate of Conformity assurance service (as required by the Issuer's financing institution) regarding information from separate financial statements for the period from 1 January to 31 December 2017 amounts to PLN 4,500.

In 2016, the remuneration amounted to:

- PLN 12,000 net for the review of the condensed separate financial statements for the period from 1 January to 30 June 2016;
- PLN 22,000 net for the audit of the separate financial statements for the period from 1 January to 31 December 2016.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature

Sławomir Koszołko	President of the Management Board	27 April 2018	....
Tomasz Galas	Vice-President of the Management Board	27 April 2018	....

STATEMENT 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, 27 April 2018

Name and surname	Position/function	Date	Signature
Sławomir Koszołko	President of the Management Board	27 April 2018	....
Tomasz Galas	Vice-President of the Management Board	27 April 2018	....

The Management Board of ATM S.A. declares that according to its best knowledge, the entity authorised to audit the financial statements, which audited the annual financial statements, was selected pursuant to applicable laws, and that this entity as well as the statutory auditors who audited these statements fulfilled the conditions for expressing an impartial and independent opinion about the audited annual financial statements pursuant to applicable professional regulations and standards.

Warsaw, 27 April 2018

Name and surname	Position/function	Date	Signature
Sławomir Koszołko	President of the Management Board	27 April 2018	....
Tomasz Galas	Vice-President of the Management Board	27 April 2018	....

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2017

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

In 2017, 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 text of these principles is available at the following address: 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 2017, 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 2017):

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.1.10. financial projections — if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

Not applicable.

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, as a participant of the sWIG80 index, 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 table 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: the Company ensures a real-time online broadcast of the General Meeting, thereby enabling the shareholders to follow the proceedings without physically attending the General Meeting. 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.

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.

Remuneration

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, taking into account 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.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

Not applicable.

At present, this recommendation does not apply to the Company.

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.

Not applicable.

At present, this recommendation does not apply to the Company.

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	Interest in share capital	Number of votes at the General Meeting	Share in the overall number of votes
MCI.PrivateVentures FIZ *	25,220,527	69.40%	25,220,527	69.40%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%

**) jointly with subsidiaries. The number of shares as at 5 April 2018 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairman of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*

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 knowledge of any restrictions on the transfer of ownership rights in the Issuer's securities.

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 2017, 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 is composed of two members: the President and 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 organizational 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 6 February 2017, Robert Zaklika tendered his resignation from the position of the Vice-President and Member of the Company’s Management Board.
- On 31 May 2017, the Company’s Supervisory Board adopted the following resolutions on:
  - dismissing Sylwester Biernacki from the position of President and Member of the Company’s Management Board as of 31 May 2017;
  - assigning a Member of the Supervisory Board, Piotr Sieluk, to act as President and Member of the Company’s Management Board as of 31 May 2017 (until 31 August 2017).
- On 4 July 2017, the Company’s Supervisory Board adopted the following resolutions on:
  - appointing Mr Sławomir Koszołko to the position of President of the Company’s Management Board as of 4 July 2017;
  - shortening the term of assignment of Mr Piotr Sieluk to act as the President of the Management Board of the Company — the said delegation expired upon the adoption of the resolution in question.

Consequently, as at the end of 2017 the Issuer’s Management Board was composed of the following members:

- Sławomir Koszołko — 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 11 January 2017, the Extraordinary General Meeting of the Company dismissed Cezary Smorszczewski from the Supervisory Board. On the same day, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at five and appointed Tomasz Czechowicz to the Company's Supervisory Board.
- On 31 May 2017, the Ordinary General Meeting of the Company set the number of Supervisory Board members at five to six and appointed Piotr Sieluk to the Company's Supervisory Board.
- On 31 May 2017, the Supervisory Board of the Company appointed an Audit Committee composed of: Maciej Kowalski (Chairman of the Audit Committee), Tadeusz Czichon and Jacek Osowski. The tasks of the Audit Committee were previously performed by the Supervisory Board of ATM S.A.
- On 4 July 2017, the Supervisory Board of the Company adopted a resolution on appointing Piotr Sieluk to the position of Vice-Chairman of the Company's Supervisory Board.
- On 17 October 2017, the Company received a letter of resignation from the Audit Committee and from the position of the Chairman of the Audit Committee of the Issuer's Supervisory Board submitted by Mr Maciej Kowalski. The resignation was submitted with effect from 16 October 2017.
- On 17 October 2017, the Company received information on the following resolutions of the Supervisory Board of ATM S.A.:
  - on appointing Mr Łukasz Wierdak as a Member of the Audit Committee;
  - on appointing Mr Jacek Osowski as Chairman of the Audit Committee.
  Both aforementioned resolutions were adopted with the effective date of 16 October 2017.
- On 27 November 2017, the Issuer received information about Mr Jacek Osowski's resignation from the Company's Supervisory Board as of the day of the next General Meeting.
- On 29 November 2017, the Issuer received information about Mr Łukasz Wierdak's resignation from the Company's Supervisory Board with immediate effect.
- On 19 December 2017, the Issuer received information about Mr Tomasz Czechowicz's resignation from the Company's Supervisory Board effective as of 19 December 2017.
- On 21 December 2017, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at six and appointed Mr Mariusz Grendowicz, Mr Przemysław Głębocki and Mr Tomasz Jacygrad to the Company's Supervisory Board.
- On 21 December 2017, the Supervisory Board of the Company appointed Mr Mariusz Grendowicz and Mr Tomasz Jacygrad to the Audit Committee. Mr Mariusz Grendowicz was appointed as Chairman of the Audit Committee.

Consequently, as at the end of 2017 the Issuer's Supervisory Board was composed of the following members:

- Tadeusz Czichon — Chairman of the Supervisory Board,
- Piotr Sieluk — Deputy Chairman of the Supervisory Board,
- Przemysław Głębocki — Member of the Supervisory Board,
- Mariusz Grendowicz — Member of the Supervisory Board,
- Tomasz Jacygrad — Member of the Supervisory Board,
- Maciej Kowalski — 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 Supervisory Board Member is deemed to be independent if he/she fulfils the independence criteria for audit committee members laid down in Article 129(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 minutes secretary appointed by the Management Board and accepted by the Supervisory Board. The Supervisory Board may proceed without the minutes 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 minutes 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 Board of Supervisors. 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.

On 21 December 2017, the Supervisory Board of the Company appointed Mr Mariusz Grendowicz and Mr Tomasz Jacygrad to the Audit Committee. Mr Mariusz Grendowicz was appointed as Chairman of the Audit Committee. Consequently, as at the end of 2017 the Audit Committee of the Supervisory Board of ATM S.A. was composed of the following members:
- Mariusz Grendowicz (Chairman of the Audit Committee),
- Tadeusz Czichon,
- Tomasz Jacygrad.

Warsaw, 27 April 2018

Sławomir Koszołko – President of the Management Board, ……………………………

Tomasz Galas – Vice-President of the Management Board. ……….……………………..

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.

ATM S.A.

Independent Statutory Auditor's Audit Report

Financial year ended 31 December 2017

The report contains 9 pages
Independent Statutory Auditor's Report

on the audit of financial statements

for the financial year ended

31 December 2017

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.

INDEPENDENT STATUTORY AUDITOR'S REPORT
ON THE AUDIT OF ANNUAL FINANCIAL STATEMENTS

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

Report on the audit of the financial statements

We have audited the accompanying annual financial statements of ATM S.A with its registered office in Warsaw, ul. Grochowska 21 ("Company"), which comprise: the profit and loss account for the financial year from 1 January 2017 to 31 December 2017, the statement of comprehensive income for the financial year from 1 January 2017 to 31 December 2017, the cash flow statement for the financial year from 1 January 2017 to 31 December 2017, the statement of financial position as at 31 December 2017, the statement of changes in equity for the financial year from 1 January 2017 to 31 December 2017 and a description of material accounting principles (policy), as well as additional notes and explanations ("*financial statements*").

Responsibility of the entity's manager and supervisory board for the financial statements

The entity's manager is responsible for the preparation, on the basis of properly maintained accounting records, of the financial statements and for their fair presentation pursuant to the International Accounting Standards, International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with other applicable laws, as well as the entity's articles of association. The entity's manager is also responsible for such internal control as the manager deems to be necessary for the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In accordance with the provisions of the Accounting Act, the entity's manager and members of the entity's supervisory board are required to ensure that the financial statements meet the requirements set out in the Accounting Act.

Responsibility of the statutory auditor

Our responsibility was to express an opinion on whether the financial statements provide a true and fair view of the assets, financial situation and results of the Company in accordance with the applicable International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with the adopted accounting principles (policy).

We conducted our audit in accordance with:

- the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089) ("Statutory Auditors Act"),
- the National Standards of Auditing in the wording of the International Standards of Auditing adopted by resolution No 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended, in conjunction with resolution No 2041/37a/2018 of 5 March 2018 on national professional standards,

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- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.05.2014, p. 77 and OJ L 170, 11.06.2014, p. 66) (*"Regulation 537/2014"*).

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements.

The purpose of the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the aforementioned standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may affect every area of law and regulation, not just the ones with direct impact on the financial statements.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the registered auditor considers internal control relevant to the Company's preparation and presentation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the entity's manager, as well as evaluating overall presentation of the financial statements.

The scope of the audit does not include assurance on the future profitability of the audited Company or the effectiveness of conducting business matters by the Company's manager, either at present or in the future.

We believe that the audit evidence obtained by us provides a sufficient and appropriate basis for our audit opinion. The opinion is consistent with the additional report to the Audit Committee issued on 18 April 2018.

Independence

While conducting the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the regulations of the Statutory Auditors Act, Regulation 537/2014 and the principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

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Based on our best knowledge and belief, we declare that we have not provided non-audit services, as prohibited under Article 136 of the Statutory Auditors Act and Article 5(1) of Regulation 537/2014, to the Company.

Appointment of the audit firm

We were appointed to audit the entity's financial statements based on its Supervisory Board's Resolution No 1 of 20 June 2017.

Most significant assessed risks

In the course of our audit we identified the below described most significant risks of material misstatement, including due to fraud, and we designed appropriate audit procedures in response to those risks. Where we considered it to be relevant to gaining an understanding of the nature of the identified risk and to the audit procedures performed, we also included key observations arising with respect to those risks.

Description of the nature of the risk of material misstatement	**Audit procedures in response to the identified risk**
Impairment of tangible fixed assets In the statement of financial position as at 31 December 2017, the Company reported fixed assets amounting to PLN 334,747 thousand, which accounted for 79% of total assets. According to IAS 38 *Impairment of assets*, the Company's Management Board is required to assess, as at the balance sheet date or in the course of the year if special events occur, whether there is any indication of the risk of impairment of fixed assets or expenditure incurred for fixed assets under construction. If there are such indications, the Management Board will calculate, at least as at the balance-sheet date, the recoverable amount of the cash generating units in respect of which the risk has been identified. The determination of the recoverable amount involves adopting a series of significant assumptions and making judgements for each of the cash generating unit being tested, in particular in respect of the Company's strategy, as well as	**Procedures applied** – We assessed the Company's judgements concerning external and internal indications of impairment of fixed assets. – We analysed the profitability of the segments and cash generating units, as presented and analysed by the Company; – We discussed with the Company the results of the inventory of fixed assets and intangible assets conducted in 2017 (inter alia, in terms of identifying fixed assets that are useless or not used by the Company), we verified whether the inventory was correctly accounted for in the accounting records; – We assessed the completeness of disclosures regarding fixed assets. Based on the procedures carried out, we found the principles applied by the Management Board for the measurement of fixed assets to be correct and supported by the documentation obtained by us, and concluded that the disclosures in the financial statements complied with applicable requirements.

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macroeconomic and market assumptions and predictions concerning the legal framework. Bearing in mind the inherent risk of uncertainty related to the significant estimates made by the Management Board and the fact that fixed assets are the main category of assets from which the Company derives its future monetary benefits, we considered this a key audit issue.	
Investments in equity-accounted associates Investments in associates consolidated using the equity method – i.e. Linx – totalling PLN 52.2 million, i.e. 12.3% of the balance-sheet total as at 31.12.2017, are a significant balance sheet item. Due to new forecasts obtained from Linx, the Company updated its impairment tests; due to higher forecasts as compared with the results assumed in the previous years, the tests revealed lower impairment values than as at 31.12.2016; The assumptions for conducting the tests were consistent with previous years (e.g. the method of discount calculation).	**Procedures applied** – We assessed the Company's judgements in the area of indications of impairment of investments in associates based on the impairment tests performed, to which the FFCE (free cash flow to equity) methods were applied. – We analysed the forecasts prepared by Linx for 2018-2019 and the key assumptions for the impairment tests, including the discount rate, revenue growth rate, EBITDA changes, residual growth rate. We checked the arithmetic correctness of the discounted cash flow model, addressing questions about the implementation status of adopted assumptions, including the relevance of key estimates, to the employees of the financial department and the Company's Management Board; – We analysed potential risks related to the implementation of the assumptions by referring to public information or professional knowledge; – We reconciled source data serving as a basis for impairment models and assessed impairment indications against the Company's current financial forecasts and budget execution.
Financial liabilities The Company finances its operations with external capital, which as at the balance-	**Procedures applied** As part of the audit:

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sheet date represents 41% of total financing. 28% of the Company's liabilities are classified as short-term liabilities, maturing within 12 months from the balance-sheet date. Financial liabilities include: – loans and advances of PLN 117,696 thousand – other financial liabilities of PLN 9,975 thousand As a whole, financial liabilities account for 30% of total assets (loans and advances: 28%). Loan agreements include requirements to satisfy financial ratios depending on the financial information disclosed in the financial statements.	– We assessed the accounting principles (policy) and procedures used by the Company's Management Board to measure its liabilities; – We carried out substantive tests, which included: – procedures designed to assess the completeness of liabilities reported in the financial statements as at 31 December 2017, – discussing financial plans with the management of the Company, – assessment of adequacy of disclosures related to liabilities in the financial statements as compared with the actual status and source documents; – analysis of loans agreements, annexes, letters received directly from banks, including covenants concerning financial ratios, and assessment of the correctness of the reported balances, their completeness and presentation in the financial statements; – verification of the calculation of financial ratios prepared by the Management Board for mathematical correctness and assessment of the Management Board's analysis regarding the achievement of required financial ratios; – assessment of the presentation of long-term and short-term liabilities; – reasonableness checks of lease liabilities; – accuracy assessment of the valuation of significant liabilities measured at amortised cost; – reasonableness assessment of hedging instruments measured at fair value. Based on the procedures carried out, we found the principles applied by the Management Board for the measurement and presentation of

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	loan liabilities to be correct and supported by the documentation obtained by us, and concluded that the disclosures in the financial statements complied with applicable requirements.
Identification of sales revenue The Company's revenue is mostly of a recurrent nature, based on subscriptions. The Company is experiencing an increase in revenue from data center services and continues to maintain a steady level of revenue from the telecommunications services segment. Sales revenue in the audited period amounted to PLN 132,985. Some services of a permanent nature entail outlays associated with their launching. The Company identifies the related revenue, liabilities and decomposition of trade contracts in order to correctly present and identify its revenue.	**Procedures applied** We documented the functioning of identified processes and assessed the key controls used by the Company to identify sales revenue. For selected controls, we conducted compliance tests; – We addressed queries to the management regarding significant and one-off transactions, as well as events after the balance-sheet date; – We analysed long-term services and assessed their presentation for compliance with IFRS requirements (including the new IFRS 15); – We assessed whether sales revenue was recognised correctly in the relevant reporting period, – We analysed the adjustments issued after the reporting date; – We conducted analytical procedures, analysed selected accounting journal reports and assessed whether revenue was recognised in a timely manner and at correct values; – We analysed sales by segment, we discussed sales trends and results with the Company's Management Board; – We confirmed the balances of receivables from selected counterparties; – We analysed selected trade agreements; – We assessed disclosures regarding the adopted sales revenue recognition and presentation policies.

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Opinion

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the entity's asset and financial position as at 31 December 2017 and its financial result for the financial year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with the adopted accounting principles (policy);
- have been prepared on the basis of accounting records maintained properly pursuant to the provisions of Chapter 2 of Accounting Act;
- are compliant in form and content with the provisions of law applicable to the Company as well as its Articles of Association.
- are compliant with the requirements of the Regulation of the Minister of Finance of 19 February 2009 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 (Journal of Laws of 2014, item 133, as amended).

Report on other legal and regulatory requirements

Opinion on the report on operations

Our opinion on the audit of the financial statements does not cover the report on operations.

The entity's manager and members of the supervisory board are responsible for preparation of the report on operations in accordance with the provisions of law.

Our responsibility in accordance with the requirements of the Statutory Auditors Act was to issue an opinion on whether the report on operations was prepared in accordance with relevant laws and whether it is consistent with the information contained in the annual financial statements. Our responsibility was also to make a representation, based on our knowledge of the Company and its environment acquired during the audit of the financial statements, whether we had found any material misstatements in the Directors' Report and to indicate the nature of any such material misstatement.

In our opinion, the report on operations was prepared in accordance with the relevant regulations and is consistent with the information presented in the annual financial statements. Moreover, we represent that in the light of our knowledge about the Company and its environment acquired during our audit of the financial statements we did not identify any material misstatements in the report on operations.

Opinion on the declaration on the application of corporate governance

The entity's manager and members of the supervisory board are responsible for preparation of a declaration on the application of corporate governance in accordance with the provisions of law.

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In connection with the conducted audit of the financial statements, our responsibility under the Statutory Auditors Act was to issue an opinion on whether the issuer, obliged to present a declaration on the application of corporate governance as a separate part of the report on operations, included in said declaration information required by applicable laws and whether the related information complies with applicable provisions of law and is consistent with the information disclosed in the annual financial statements.

In our opinion, in the declaration on the application of corporate governance, the Company included the information stipulated in paragraph 91(5)(4) items a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 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 (Journal of Laws of 2014, item 133, as amended) (*"Regulation"*). Information stipulated in paragraph 91(5)(4) items c-f, h and i of the Regulation included in the declaration on the application of corporate governance is in accordance with applicable laws and consistent with the information included in the financial statements.

On behalf of Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
Registration No 3887
Jana III Sobieskiego 104, apt. 49
00-764 Warsaw

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Maciej Kozysa
Key Statutory Auditor
Registration No 12005
General Partner's Management Board Member

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Kamil Walczuk
General Partner's Management Board Member

27 April 2018

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