



Quarterly report of ATM S.A. for the first quarter of 2017

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KEY INFORMATION REGARDING QUARTERLY REPORT

This quarterly report covers information prepared pursuant to § 86 item 1 and § 87 item 1 of the Regulation of the Minister of Finance of 19 February 2009, and includes financial statements of ATM S.A. prepared according to the International Financial Reporting Standards, as approved by the European Union.

Submission date: 30 May 2017

Information on the Issuer:

Full name of the Issuer: ATM S.A.

Abbreviated name of the Issuer: ATM

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SELECTED FINANCIAL DATA

	<u>31/03/2017</u>	<u>31/03/2016</u>	<u>31/03/2017</u>	<u>31/03/2016</u>
	<u>in PLN thousand</u>		<u>in EUR thousand</u>	
Total sales revenue	33,177	32,718	7,735	7,511
Revenue from core operating segments	32,429	31,375	7,561	7,203
Sales margin	18,201	17,400	4,244	3,995
EBITDA *	10,334	8,857	2,409	2,033
Operating profit *	4,281	3,278	998	753
Profit before tax **	12,214	3,363	2,848	772
Net profit on continuing operations **	10,835	2,886	2,526	663
Comprehensive income **	6,527	3,323	1,522	763
Net cash from operating activities	3,885	3,518	906	808
Net cash from investing activities	(1,376)	(7,463)	(321)	(1,713)
Net cash from financing activities	(2,037)	3,251	(475)	746
Increase (decrease) in cash	471	(694)	110	(159)
	<u>31/03/2017</u>	<u>31/12/2016</u>	<u>31/03/2017</u>	<u>31/12/2016</u>
Fixed assets	381,410	381,148	90,386	86,155
Current assets	24,623	18,469	5,835	4,175
Total assets	406,033	399,617	96,221	90,329
Long-term liabilities	126,268	122,065	29,923	27,592
Short-term liabilities	48,568	52,881	11,510	11,953
Equity	231,197	224,670	54,789	50,784
Share capital ***	34,723	34,723	8,229	7,849
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	6.36	6.18	1.51	1.40

*) Starting from the Annual Report for 2016, the Issuer presents a portion of subsidy received to finance fixed assets (ATM Innovation Centre Project) attributable to a given financial period below the operating profit (and, consequently, below EBITDA). As a result of the aforementioned change, revenue from the subsidy is not credited to the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Comparative data for the first quarter of 2016 were restated accordingly.

**) Income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. (PLN 4.7 million) had a significant impact on the value of this item in the first quarter of 2017.

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

The above financial figures for the first quarter of 2017 and 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 4.2198 as published by the National Bank of Poland on 31 March 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 March 2017 amounting to 4.2891, and from 1 January to 31 March 2016, amounting to 4.3559.

The financial figures for 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.



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

A. CONDENSED FINANCIAL STATEMENTS OF ATM S.A. FOR THE FIRST QUARTER OF 2017

1. CONDENSED INTERIM INCOME STATEMENT

	For the period 01/01– 31/03/2017	For the period 01/01– 31/03/2016
Continuing operations		
Sales revenue	33,177	32,718
of which: revenue from core operating segments	32,429	31,375
Cost of sales (variable)	14,976	15,318
Sales margin*	18,201	17,400
Other operating revenue	24	58
General and administrative expenses **	13,631	14,140
Other operating expenses	313	40
Operating profit (loss) **	4,281	3,278
Share in the financial result of entities valued using the equity method ***	13,870	800
Revenue from subsidies **	389	389
Financial revenue ****	5,094	12
Financial expenses *****	11,419	1,117
Profit (loss) before tax *****	12,214	3,363
Income tax	1,379	476
Net profit (loss) on continuing operations *****	10,835	2,886
Net profit (loss)	10,835	2,886
Profit (loss) per share	0.30	0.08
On continuing operations:		
Ordinary	0.30	0.08
Diluted	0.30	0.08
On continuing and discontinued operations:		
Ordinary	0.30	0.08
Diluted	0.30	0.08
EBITDA **	10,334	8,857

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.

**) Starting from the Annual Report for 2016, the Issuer presents a portion of subsidy received to finance fixed assets (ATM Innovation Centre Project) attributable to a given financial period below the operating profit (and, consequently, below EBITDA). As a result of the aforementioned change, revenue from the subsidy is not credited to the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Comparative data for the first quarter of 2016 were restated accordingly. Moreover, starting from this periodical report, 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 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 the first quarter of 2016 were restated accordingly.

***) 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 Condensed Interim Statement of Comprehensive Income presented below.

****) For the first quarter of 2017, this item includes income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. (PLN 4.7 million).



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

*****) This item includes costs of PLN 9.6 million associated with the revaluation of shares in associated entity Linx Telecommunications Holding B.V. to the value disclosed in the Issuer's books of account as at the end of 2016.

*****) Income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. (PLN 4.7 million) had a significant impact on the value of this item in the first quarter of 2017.

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/03/2017	For the period 01/01–31/03/2016
Net profit (loss) *	10,835	2,886
Other comprehensive income that will not be reclassified to profit or loss	(4,308)	437
Effects of revaluation of fixed assets	-	-
Actuarial gains or losses	-	-
Share in other comprehensive income of associated entities	(4,308)	437
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 *	6,527	3,323

*) Income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. (PLN 4.7 million) had a significant impact on the value of this item in the first quarter of 2017.

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	End of period 31/03/2017	End of period 31/03/2016	End of period 31/12/2016
Fixed assets	381,410	389,992	381,148
Goodwill	-	-	-
Intangible assets	6,861	2,964	7,250
Tangible fixed assets	333,173	332,175	332,522
Investments in associates consolidated using the equity method	41,073	54,583	41,073
Investments in subsidiaries	-	-	-
Deferred income tax assets	-	-	-
Other fixed assets	303	270	303
Current assets	24,623	20,954	18,469
Inventories	751	1,430	816
Financial assets held for trading	50	63	50
Trade and other receivables	18,655	15,102	14,309
Income tax receivables	57	57	57
Other current assets	2,865	3,180	1,463
Other financial receivables	-	-	-
Cash and cash equivalents	2,245	1,123	1,774
Total assets	406,033	410,947	399,617



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

4. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	End of period 31/03/2017	End of period 31/03/2016	End of period 31/12/2016
Equity	231,197	235,122	224,670
Share capital	34,723	34,723	34,723
Supplementary capital from share premium	123,735	123,735	123,735
Revaluation reserve	-	-	-
Treasury shares	-	-	-
Reserve capital	61,144	55,504	61,144
Hedge valuation reserve and FX gains/losses due to consolidation	-	-	-
Retained earnings	11,595	21,160	5,068
Long-term liabilities	126,268	106,974	122,065
Long-term loans and borrowings	101,034	76,067	101,034
Provision for deferred tax	1,812	4,022	1,312
Provisions for liabilities	-	-	-
Long-term trade and other liabilities	15,125	17,116	15,126
Other financial liabilities	8,297	9,769	4,593
Short-term liabilities	48,568	68,851	52,881
Bank loans and borrowings	22,654	51,168	20,727
Provisions for liabilities	-	-	-
Income tax liability	880	-	424
Trade and other liabilities	20,467	13,283	26,404
Other financial liabilities	4,567	4,400	5,327
of which: dividends payable	-	-	-
Total equity and liabilities	406,033	410,947	399,617

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

5. CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Reserve capital</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 1 January 2017	34,723	123,735	-	61,144	5,068	224,670
Increases:						
Current period result	-	-	-	-	10,835	10,835
Share in other comprehensive income of associated entities	-	-	-	-	(4,308)	(4,308)
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	-	-
Dividend payout	-	-	-	-	-	-
As at 31 March 2017	34,723	123,735	-	61,144	11,595	231,197



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

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Reserve capital</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
As at 1 January 2016	34,723	123,735	-	55,504	17,837	231,799
Increases:						
Current period result	-	-	-	-	2,886	2,886
Share in other comprehensive income of associated entities					437	437
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the supplementary capital	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	-	-
Dividend payout	-	-	-	-	-	-
As at 31 March 2016	34,723	123,735	-	55,504	21,160	235,122



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

	<u>Share capital</u>	<u>Supplementary capital from share premium</u>	<u>Treasury shares</u>	<u>Reserve capital</u>	<u>Retained earnings, including supplementary capital</u>	<u>Equity</u>
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 associates	-	-	-	-	2,662	2,662
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	5,640	-	5,640
Decreases:						
Profit distribution to be allocated to reserve capital	-	-	-	-	5,640	5,640
Dividend payout	-	-	-	-	-	-
As at 31 December 2016	34,723	123,735	-	61,144	5,068	224,670

6. CONDENSED INTERIM CASH FLOW STATEMENT

	For the period 01/01– 31/03/2017	For the period 01/01– 31/03/2016
Operating activities	3,885	3,518
Profit (loss) before tax	12,214	3,363
Adjustments by:	(8,329)	156
Share in the profit or loss of equity-accounted entities	(13,870)	(800)
Depreciation and amortisation	6,053	5,580
Foreign exchange differences	(15)	6
Interest received	-	-
Interest paid	1,192	1,027
Dividends received	-	-
(Gains) losses on investing activities	260	39
Change in inventories	(65)	(378)
Change in receivables	(4,346)	(1,650)
Change in liabilities and provisions *	2,494	(3,008)
Change in other assets	(1,402)	(546)
Income tax paid	(424)	(394)
Other	1,794	280
Investing activities	(1,376)	(7,463)
Expenditure on purchase of tangible fixed assets	(2,796)	(7,482)
Expenditure on purchase of financial assets	-	-
Proceeds from sale of tangible fixed assets	1,420	7
Repayments of long-term borrowings granted	-	5
Borrowings granted	-	-
Proceeds from sales of financial assets	-	-
Interest received	-	-
Dividends received	-	-
Foreign exchange differences	-	9
Other	-	-
Financing activities	(2,037)	3,251
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	-	-
Proceeds from loans and borrowings	1,927	10,689
Repayments of loans and borrowings	(1,099)	(4,555)
Purchase of treasury shares	-	-
Payment of liabilities arising from finance leases	(1,688)	(1,841)
Dividends paid	-	-
Interest received	-	-
Interest paid	(1,192)	(1,027)
Other profit-sharing	-	-
Foreign exchange differences	15	(15)
Other (division adjustment)	-	-
Change in cash	471	(694)
Opening balance of cash	1,774	1,817
Closing balance of cash	2,245	1,123

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



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

ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (POLICY)

The interim condensed financial statements for the first quarter ended 31 March 2017 were prepared in accordance with IAS 34 *Interim Financial Reporting in a condensed form* and in compliance with the relevant International Financial Reporting Standards (IFRS) applicable to interim financial reporting, approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), as approved by the European Union and applicable as at 31 March 2017.

Accounting principles (policies) used for preparing the interim condensed financial statements are consistent with those used for preparing the annual financial statements of the Company for the previous year, except for the changes to standards and new standards and interpretations approved by the European Union applicable for reporting periods beginning on or after 1 January 2017.

In 2017, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretation Committee and approved for use in the EU, applicable in the activities conducted by the Company and binding during the reporting periods starting from 1 January 2017. Adopting the standards and interpretations listed above did not lead to significant changes in the Company's accounting policy nor in the presentation of data in financial statements.

Interim condensed financial statements do not include all the information and disclosures required in annual financial statements, and they should be read jointly with the Company's annual financial statements for 2016, including notes for the 12 months ended 31 December 2016, prepared according to IFRS, as approved by the EU.

These condensed interim financial statements have not been audited by an independent statutory auditor. The financial statements for 2016 were the last financial statements audited by an independent statutory auditor.

These interim condensed 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 of authorisation of these interim condensed financial statements, no circumstances are found indicating a threat to the continued operations by the Company.

The duration of the Company is indefinite.

These interim condensed financial statements, except for the cash flow statement, were prepared on an accrual basis.

In these foregoing interim condensed financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in Note 2 in the Financial Statements for the year 2016.

Polish zloty is the functional currency of the Issuer and presentation currency of these interim condensed financial statements. The data in the financial statements are rounded up to PLN thousand, unless stated differently.

The interim condensed financial statements present the financial position of ATM S.A. as at 31 March 2017 and as at 31 March 2016 and 31 December 2016, as well as the results of its operations in the period of 3 months ended 31 March 2017 and 31 March 2016.



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

2. 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 first quarter of 2017:

	<u>Data Center Services Segment</u>	<u>Telecommunications Services Segment</u>	<u>Other</u>	<u>Total</u>
Fixed assets	165,810	169,368	46,233	381,410
Sales revenue	14,324	18,105	749	33,177
Cost of sales (variable)	4,864	9,380	732	14,976
Sales margin	9,460	8,725	16	18,201
Fixed costs	6,964	6,667	-	13,631
of which: depreciation and amortisation	3,572	2,482	-	6,053
Other net operating revenue and costs	(128)	(161)	-	(289)
Operating profit (loss)	2,368	1,897	16	4,281
EBITDA	5,939	4,378	16	10,334
Revenue from subsidies	389	-	-	389
Net financial revenue and expenses				7,545
Profit (loss) before tax				12,214
Income tax				1,379
Net profit (loss)				10,835

Company's results broken down by operating segment in the first quarter of 2016:

	<u>Data Center Services Segment</u>	<u>Telecommunications Services Segment</u>	<u>Other</u>	<u>Total</u>
Fixed assets	168,476	165,220	56,296	389,992
Sales revenue	13,044	18,330	1,344	32,718
Cost of sales (variable)	3,803	10,197	1,318	15,318
Sales margin	9,241	8,133	26	17,400
Fixed costs	6,821	7,319	-	14,140
of which: depreciation and amortisation	3,128	2,452	-	5,580
Other net operating revenue and costs	7	10	-	18
Operating profit (loss)	2,427	825	26	3,278
EBITDA	5,555	3,276	26	8,857
Revenue from subsidies	389	-	-	389
Net financial revenue and expenses				(305)
Profit (loss) before tax				3,363
Income tax				476
Net profit (loss)				2,886

The geographical breakdown of sales revenue is as follows:

<u>Sales revenue</u>	<u>For the period 01/01–31/03/2017</u>	<u>For the period 01/01–31/03/2016</u>
Domestic customers	30,306	29,723
Foreign customers	2,871	2,996
Total sales revenue	33,177	32,718

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 the first quarter of 2016 were restated accordingly.

3. INVENTORIES REVALUATION WRITE-DOWNS REDUCING THE VALUE TO NET REALISABLE VALUE

By 31 March 2017, the Company did not recognise any revaluation write-downs on inventories.

4. REVALUATION WRITE-DOWNS ON FIXED ASSETS

The Company did not make any revaluation write-downs on fixed assets in the period from 1 January 2017 to 31 March 2017.

5. RECOGNITION, INCREASE, UTILISATION AND REVERSAL OF PROVISIONS

In the reported period, the Company did not recognise any provisions.

6. DEFERRED INCOME TAX ASSETS AND PROVISIONS

	<u>Statement of financial position</u>		<u>Statement of comprehensive income</u>	
	<u>End of period 31/03/2017</u>	<u>End of period 31/12/2016</u>	<u>For the period 01/01– 31/03/2017</u>	<u>For the period 01/01– 31/03/2016</u>
Deferred tax provision				
Difference between the carrying amount and tax value of tangible fixed assets	8,837	7,677	1,159	192
Recognised service revenue	-	-	-	(12)
Receivable compensation	-	-	-	-
Accrued interest	6	6	-	-
Valuation of financial instruments	-	-	-	-
Subsidies received – settlement	-	-	-	-
Foreign exchange gains	42	-	42	-
Provision for deferred tax acquired as a result of a business combination	-	-	-	-

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

Gross deferred tax provision	8,885	7,683	1,200	180
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	469	-	16
Write-downs on receivables	287	280	(7)	2
Write-downs on financial assets	4,259	4,259	-	88
Provisions for service expenses	-	-		-
Provisions for employee benefits	-	-		-
Foreign exchange losses	32	-	(32)	-
Liabilities to the Social Insurance Institution (ZUS)	-	-		-
Liabilities to employees	-	-		-
Deferred income/expenses and accruals	1,948	1,276	(672)	44
Subsidies received	-	-		-
Effects of IRS valuation	77	88	11	21
Recognised interest	-	-		-
Deductible tax losses	-	-		-
Deferred tax assets acquired through mergers	-	-		-
Gross deferred tax assets	7,072	6,371	(701)	171
Net tax assets (tax provision)	(1,812)	(1,312)		
Deferred income tax charge against profit			499	351

7. SIGNIFICANT TANGIBLE FIXED ASSET SALES AND ACQUISITIONS

In the reporting period, the Company acquired fixed assets in the amount of PLN 7.7 million, including financed under finance lease agreements in the amount of PLN 4.9 million. The aforementioned amount concerns expenditure construed as an increase in the value of fixed assets.

8. SIGNIFICANT LIABILITIES ON ACCOUNT OF THE PURCHASE OF TANGIBLE FIXED ASSETS

There were no significant liabilities on account of the purchase of tangible fixed assets, apart from the aforementioned lease liabilities of PLN 4.9 million.

9. SIGNIFICANT SETTLEMENTS ARISING FROM COURT CASES

There were no significant settlements arising from court cases.

10. ADJUSTMENT OF ERRORS FROM PREVIOUS PERIODS

The entity did not make any adjustments of errors from previous periods.

11. CHANGES IN ECONOMIC SITUATION AND BUSINESS CONDITIONS HAVING SIGNIFICANT IMPACT ON THE FAIR VALUE OF THE ENTITY'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES

There were no changes in economic situation that would have material impact on the fair value of the entity's financial assets and liabilities.

12. BANK LOANS AND BORROWINGS, AND LEASE LIABILITIES

Bank loans include:

1. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 53.82 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
2. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 53.82 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
3. overdraft facility, which revolves bi-annually, with a total limit of up to PLN 20 million, used as at the balance-sheet date up to the amount of PLN 16.05 million.

Other financial liabilities include finance lease agreements of the net total value of liabilities amounting to PLN 12.86 million as at the balance sheet date. The lease agreements are concluded primarily in order to refinance investment expenditures, and they are usually entered into for the period of 5 years.

13. DEFAULT ON A LOAN OR BORROWING

There was no breach of bank loan or borrowing contract, and there was no failure to pay off any loan or borrowing.

14. FINANCIAL ASSETS AT FAIR VALUE

As at 31 March 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	31/03/2017		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)	-	-	-	-



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

Loans granted and own receivables	-	-	-	-
Financial liabilities at fair value through profit or loss	405	405	461	461
Other financial liabilities	-	-	-	-

FAIR VALUE HIERARCHY

<u>Financial liabilities at fair value through profit or loss</u>	<u>Fair value hierarchy level</u>	<u>31/03/2017</u>
Derivative financial instruments – IRS contract hedging the interest rate risk in respect of the loan	level 2	405
Total		405

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

During the period ended 31 March 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.

15. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS DUE TO A CHANGE OF THEIR PURPOSE OR USE

During the reporting period, the Company did not change the classification of assets.

16. SEASONALITY OF OPERATIONS

Revenue from sales is stable, recurrent and relatively resistant to the business cycle, owing to the predominant subscription nature of the contracts. This revenue is not seasonal. A periodic rise in revenues may be due to a greater share of revenue from sources other than subscription services relating to providing the clients with telecommunications lines and collocation space. Such an increase in revenue occurred in the last quarters of the years 2012–2014. In 2015 and 2016, this phenomenon did not occur.

17. ISSUE, REDEMPTION AND REPAYMENT OF NON-SHARE EQUITY SECURITIES

The Company did not carry out any of the aforementioned transactions.

18. DIVIDENDS PAID AND DECLARED

On 5 May 2017, the Management Board of ATM S.A. adopted resolution on recommending to the Ordinary Shareholders' Meeting that no dividend be paid due to the Company's net loss for 2016, amounting to PLN 9,790,946.16, and that this loss be covered from the Company's profits earned in future years.



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

19. VALUE OF COLLATERAL AND SECURITY GIVEN, CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

<u>Off-balance sheet items</u>	<u>End of period 31/03/2017</u>	<u>End of period 31/12/2016</u>
1. Contingent receivables	-	-
1.1 from other entities	-	-
2. Contingent liabilities	168,922	168,922
2.1 to other entities, of which:	168,922	168,922
- guarantees and sureties received	295	295
- mortgage collateral	89,207	89,207
- collateral pledge	79,420	79,420
Total	168,922	168,922

Since the end of the financial year 2016, there were no changes in the amount of collateral.

20. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

There were no significant events after the end of the quarter.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board	30 May 2017	
Tomasz Galas	Vice-President of the Management Board	30 May 2017	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	30 May 2017
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B. OTHER INFORMATION REGARDING THE QUARTERLY REPORT

(REQUIRED BY THE REGULATION OF THE MINISTER OF FINANCE ON THE CURRENT AND PERIODIC INFORMATION SUBMITTED BY ISSUERS OF SECURITIES)

1. INFORMATION ON THE ISSUER

INFORMATION ON THE ISSUER:

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.

The Company is managed by the Management Board composed as follows:

- Sylwester Biernacki – President of the Management Board,
- Tomasz Galas – Vice-President of the Management 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.

Currently, the Company is supervised by a Supervisory Board comprising the following five members:

- Tadeusz Czichon — Chairperson of the Supervisory Board,
- Tomasz Czechowicz — Member of the Supervisory Board,
- Maciej Kowalski — Deputy Chairperson of the Supervisory Board,
- Łukasz Wierdak — Member of the Supervisory Board,
- Jacek Osowski — Member of the Supervisory Board.

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.

DESCRIPTION OF CHANGES IN THE ORGANISATION OF THE ISSUER'S CAPITAL GROUP, INCLUDING CHANGES RESULTING FROM BUSINESS COMBINATIONS, OBTAINING OR LOSING CONTROL OF SUBSIDIARIES AND LONG-TERM INVESTMENTS, AS WELL AS DIVISION, RESTRUCTURING OR DISCONTINUATION OF OPERATIONS; INDICATION OF CONSOLIDATED ENTITIES AND, IN THE CASE OF AN ISSUER WHICH IS A DOMINANT ENTITY AND, UNDER APPLICABLE REGULATIONS, IS NOT REQUIRED OR MAY OPT NOT TO DRAW UP CONSOLIDATED FINANCIAL STATEMENTS – ALSO THE REASON AND LEGAL BASIS FOR THE LACK OF CONSOLIDATION

Currently, ATM S.A. does not have any subsidiaries – and thus it does not form a capital group. On the day of publication of this report, the Issuer held shares representing 21.02% of the share capital of Linx Telecommunications Holding B.V. The results of this entity, as an associated company, are not consolidated at the operating level – they are accounted for according to the equity method. The Company recognises the

share in the results of the associated entity in its results, while other comprehensive income of the associated entity is recognised in the Company's other comprehensive income. The amount of acquisition costs is adjusted by the change in share of the Company in net assets of the associated entity, after the acquisition date.

INFORMATION ON SHAREHOLDERS HAVING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE ISSUER'S GENERAL MEETING AS OF THE DATE OF SUBMISSION OF THE QUARTERLY REPORT AND INDICATION OF CHANGES IN THE OWNERSHIP STRUCTURE OF LARGE BLOCKS OF SHARES OF THE ISSUER IN THE PERIOD FROM THE SUBMISSION OF THE PREVIOUS QUARTERLY REPORT

<u>Shareholder</u>	<u>Number of shares held</u>	<u>Interest in share capital</u>	<u>Number of votes at the General Meeting</u>	<u>Share in the overall number of votes</u>
MCI.PrivateVentures FIZ *	11,070,470	30.46%	11,070,470	30.46%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%
Nationale-Nederlanden PTE ***	7,160,120	19.70%	7,160,120	19.70%
PKO BP Bankowy OFE ****	1,914,556	5.27%	1,914,556	5.27%

<u>Shareholder</u>	<u>Number of shares in accordance with the previous quarterly report</u>	<u>Number of shares in accordance with the current quarterly report</u>	<u>Change in the number of shares and number of votes</u>
MCI.PrivateVentures FIZ	11,070,470	11,070,470	0
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	9,119,040	9,119,040	0
Nationale-Nederlanden PTE	7,160,120	7,160,120	0
PKO BP Bankowy OFE	1,914,556	1,914,556	0

*) jointly with subsidiaries. The number of shares as at 5 May 2016 based on the notification

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson 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)

***) the number of shares as at 31 December 2014 based on the "Annual asset structure"

****) the number of shares as at 7 May 2015 based on the notification

The number of shares is equal to the number of votes at the General Meeting.

SUMMARY OF CHANGES IN THE NUMBER OF ISSUER'S SHARES OR STOCK OPTIONS HELD BY THE ISSUER'S MANAGERS AND SUPERVISORS, IN ACCORDANCE WITH THE INFORMATION AVAILABLE TO THE ISSUER, SINCE THE SUBMISSION OF THE PREVIOUS QUARTERLY REPORT

<u>Name and surname</u>	<u>As at 10 November 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>As at 30 May 2017</u>
Sylwester Biernacki *	742,843	-	-	742,843
Tomasz Galas	-	-	-	-
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	-	-	9,119,040

*) jointly with subsidiaries

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson 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)

PURCHASE OF TREASURY SHARES

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

2. DESCRIPTION OF THE ISSUER'S ACHIEVEMENTS AND DEVELOPMENT PROSPECTS

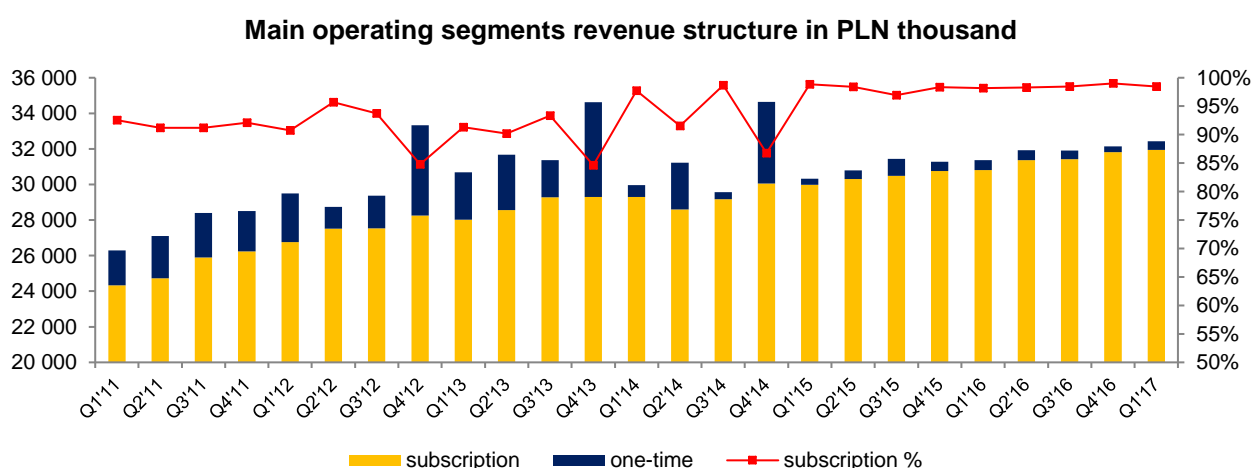
DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS OR FAILURES DURING THE REPORTING PERIOD

Operating and financial results

In the first quarter of 2017, the Company recorded a slight increase in revenue and sales margin as compared to the previous period. The above resulted from a slight increase in sales margin in core operating segments of the Issuer (from 55.8% to 56.1% q/q), maintaining the level of revenue from the previous quarter in the Data Center Services Segment and an increase in sales revenue in the Telecommunications Services Segment (+1% q/q). Total costs of sales declined slightly (-1% q/q), as a result of which sales margin increased by 1% q/q and by 5% y/y. The above developments, combined with a noticeable decrease in overheads, translated into an increase in both operating profit and EBITDA. The final level of the Company's net profit was also materially affected by the following factors:

- income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. in the amount of PLN 4.7 million;
- share in the profit earned by Linx, amounting to nearly PLN 13.9 million (the profit earned by Linx in the first quarter of 2017 resulted primarily from proceeds from the sale of the telecommunications business, of which the Company notified in previous periodic reports). However, at the level of financial expenses reported in the Issuer's Income Statement, this income was offset by a revaluation write-down on shares in Linx, amounting to PLN 9.6 million, to the value disclosed in ATM's books of accounts as at the end of 2016.

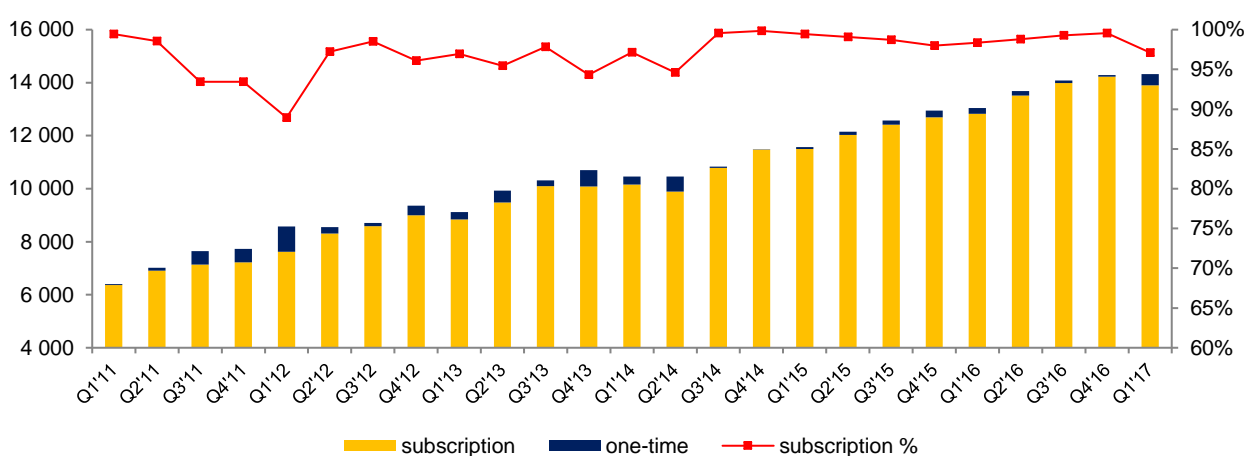
Quarterly sales results of the Issuer over the last few years are presented below:



Data Center Services Segment

figures in PLN thousand	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
Revenue from the Data Center Services Segment	10,459	10,458	10,834	11,487	11,567	12,147	12,574	12,951	13,044	13,681	14,083	14,290	14,324
of which: subscription revenue	10,159	9,893	10,787	11,470	11,502	12,033	12,413	12,693	12,830	13,516	13,983	14,230	13,906

Revenues from data center services segment [PLN thousand]



Revenue of the Data Center Services Segment was maintained at a level similar to the one recorded in the previous quarter. However, the level of this revenue was significantly affected by non-recurring revenue which was higher than in previous periods (more than PLN 400 thousand). 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 addition, in the first 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. As a result of the above, the profitability of the Data Center Services Segment decreased by 4 p.p. as compared with the previous quarter (to 66%). In future periods, a consistent growth of profitability of this segment should be expected, primarily a result of the economies of scale described in previous periodical reports. At the same time, following, among other things, the aforementioned improvement in the cost allocation mechanism, the profitability of the Telecommunications Services Segment has improved (by 3.5 p.p. q/q, to 48%). It is worth noting the continuously high dynamics of revenue from the ATMAN EcoServer services — the Company recorded here an increase by 36% on a year-on-year basis.

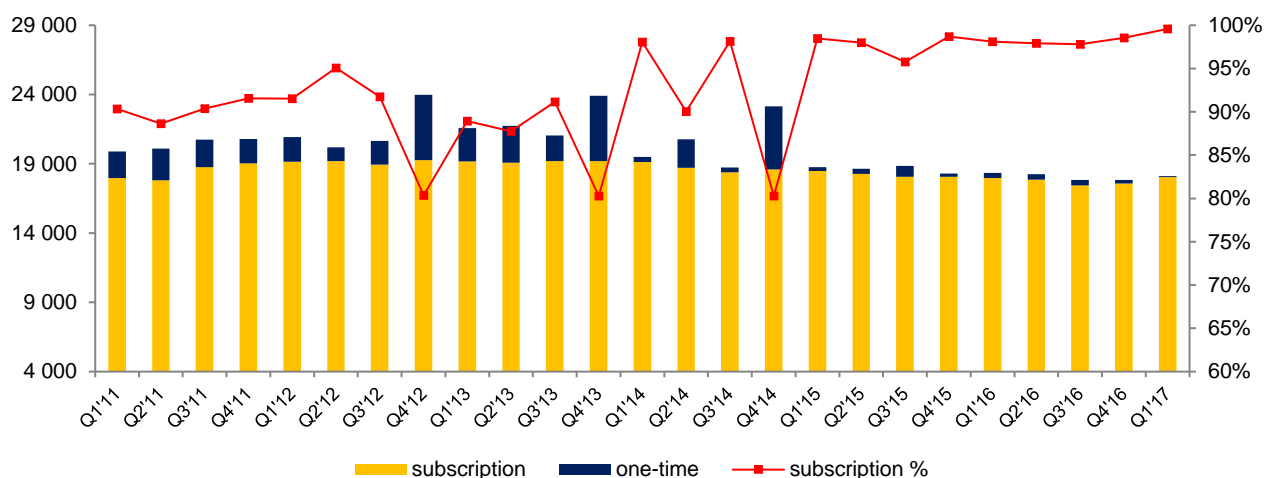
EBITDA generated by the Data Center Services Segment increased to PLN 5.9 million (by 7% y/y) and accounted for 57% of total EBITDA of ATM in the past quarter.

Net collocation space occupied by the customers amounted to more than 4,500 m² as at the end of the quarter, which represents an increase by 15% y/y.

Telecommunications Services Segment

figures in PLN thousand	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
Total Revenue from the Telecommunications Services Segment	19,505	20,772	18,734	23,148	18,762	18,650	18,860	18,302	18,330	18,237	17,826	17,844	18,105
of which: subscription revenue	19,131	18,704	18,388	18,584	18,476	18,274	18,064	18,061	17,981	17,855	17,433	17,584	18,029

Revenues from telecommunications services segment
[PLN thousand]



In the Telecommunications Services Segment, the Company generated an increase in revenue by 1% q/q, which results from a slight increase in revenue in the area of data transmission and maintaining the level of revenue from Internet access. The increase in sales of transmission services was generated, among other factors, by fees for additional IP addresses or revenue from the lease of telecommunications equipment. The increased precision in the allocation of costs to segments, described in the section concerning the Data Center Services Segment, resulted in an increase in the margin earned in the Telecommunications Services Segment by 10% q/q (7% y/y).

Following the above and as a result of the reduction in overheads allocated to this segment, EBITDA generated by the segment in the first quarter of 2017 increased by 34% on a year-on-year basis, and accounted for 42% of total EBITDA of the Issuer.

The number of customers invoiced in the first quarter of 2017 increased by 5% q/q.

AMOUNTS AND TYPES OF ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET FINANCIAL RESULT OR CASH FLOWS WHICH ARE ATYPICAL DUE TO THEIR TYPE, SIZE OR FREQUENCY. DESCRIPTION OF ATYPICAL FACTORS AND EVENTS WHICH MATERIALLY AFFECT THE CONDENSED FINANCIAL STATEMENTS

No atypical factors or events occurred which might materially affect the financial results achieved by the Company, apart from those listed in the previous section:

- income from a dividend received pursuant to a resolution of shareholders of Linx Telecommunications Holding B.V. in the amount of PLN 4.7 million;
- share in the profit earned by Linx, amounting to nearly PLN 13.9 million which, at the level of financial expenses reported in the Issuer's Income Statement, was offset by a revaluation write-down on shares in Lynx, amounting to PLN 9.6 million, to the value disclosed in ATM's books of accounts as at the end of 2016.

INFORMATION ON FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT ITS PERFORMANCE DURING AT LEAST THE NEXT QUARTER

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 the so-called “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 more and more important,
- 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.

After the investment projects completed in 2015, the Company currently has over 8 thousand m² of net collocation space, 58% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m² net, by expanding the DC localised at Konstruktorska in Warsaw.

The results achieved by the Issuer in the first quarter of 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. The dynamics of this process depends strongly on market developments and growth in the demand for collocation services in Poland and abroad;
- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue, improve its 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).



Risk associated with the level of demand for the Issuer's services is the main factor which might have a negative impact on its future results. All circumstances known to the Company — including those mentioned above — indicate that the Polish data center market still has not reached its expected growth phase. An argument for this view is provided by a comparison of the scale and degree of development of the data center markets in Western Europe and the USA with that of Poland. The significant gaps here should rapidly close in the coming years.

Due to the geopolitical environment, the impact of any potential worsening of the business conditions in Russia — including the devaluation of the ruble against the euro — will be an additional risk factor for the following quarters in the context of the Issuer's total income (through the impact on the results of the associated company — Linx Telecommunications Holding B.V.).

POSITION OF THE MANAGEMENT BOARD REGARDING THE VIABILITY OF ACHIEVING PREVIOUSLY PUBLISHED FORECAST RESULTS FOR A PARTICULAR YEAR, TAKING INTO ACCOUNT THE RESULTS PRESENTED IN THE QUARTERLY REPORT VERSUS PROJECTED RESULTS

The Company did not publish any forecasts for 2017.

3. OTHER INFORMATION

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.

INFORMATION ON PENDING PROCEEDINGS BEFORE COURT, ARBITRATION PANEL OR PUBLIC ADMINISTRATION BODY

There are no proceedings before court, arbitration body or public administration body concerning liabilities or receivables of the Issuer the value of which would constitute at least 10% of the Issuer's equity.

INFORMATION ON GRANTING BY THE ISSUER OR ISSUER'S SUBSIDIARY OF A LOAN OR BORROWING SURETY OR A GUARANTEE, IF THE TOTAL VALUE OF THE EXISTING SURETIES OR GUARANTEES IS EQUAL TO AT LEAST 10% OF THE ISSUER'S SHAREHOLDERS' EQUITY

During the reporting period, no loan or borrowing sureties or guarantees that would in total exceed 10% of the Issuer's equity were extended by the Issuer.

OTHER INFORMATION CONSIDERED BY THE ISSUER AS IMPORTANT IN THE ASSESSMENT OF THE ISSUER'S PERSONNEL, ASSET AND FINANCIAL STANDING, FINANCIAL RESULT AND CHANGES TO SUCH ITEMS; INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S ABILITY TO FULFIL OBLIGATIONS

The Company has a stable personnel, asset and financial position. There are no known factors that could adversely affect the Issuer's ability to meet its obligations.



SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board	30 May 2017	
Tomasz Galas	Vice-President of the Management Board	30 May 2017	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	30 May 2017
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