Annual report of ATM S.A.
for the period from 1 January to 31 December 2018

Warsaw, April 2019

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KEY INFORMATION REGARDING THE ANNUAL REPORT

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

Submission date: 30 April 2019

This financial statement was approved for publication by the Management Board of ATM S.A. on 30 April 2019.

Key information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
Sector according to the Warsaw Stock Exchange classification: Information Technology
Postal code: 04-186
City: Warsaw
Street: Grochowska
Number: 21a
Telephone: (22) 51 56 100
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e-mail: inwestor@atm.com.pl
www: www.atm.com.pl
NIP (Tax ID No): 113-00-59-989
REGON (Statistical ID No): 012677986
Authorised auditor: KPMG Audyt Sp. z o.o. sp. k.
Name of parent company of ATM S.A.: AAW III Sp. z o.o.

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

Dear Sir/Madam,

I hereby present the financial statement for year 2018, which ended a significant phase in reorganisation of the Company, steering it towards the path of growth. We have been through a period of improvement of our processes, building of our capability and effective integration of commercial and operating efforts with our clients in mind. The effects of changes introduced are visible in our sales results. We see them as a foundation for further commercial development. However, right now we are facing yet another phase in life of our Company - focused on strengthening of the growth trend and building of our position as an integrated provider of information technology solutions for IT applications and projects of our clients.

Since March 2019, I have been the President of the Management Board, but for almost two previous years I was responsible for the corporate strategy and marketing, together with the rest of the managerial team - day after day, we focused on the perspective of our clients in everything we did to present offers that would gain their approval. We transformed our company, wanting it to become the first-choice provider for our clients and even a better workplace for our employee.

Year 2018 was the time to capitalise on these efforts. We improved our sales and the client retention rate. We obtained some valuable client projects. We were happy to receive recognition from our clients, which has been expressed by their willingness to enter into contracts for the offered cloud-based solutions. In all target client segments, we have extended our sales funnel, at the same time improving on its quality. We have built a stable team, which is strongly focused on sales and clients in terms of management as well as expert knowledge, in commercial, as well as operational and technical teams. As a result, we recorded good financial results for year 2018, proven by a 6% y/y growth at EBITDA level. We are particularly glad of the fact that this has been accompanied by organic 3% y/y growth in revenues, which, as it has been based on subscription contracts acquired over the year, makes it already known today that our revenues will automatically grow in the following financing year 2019. It is also worth noting that the positive result in terms of revenues consists of an 8% y/y growth of revenues in our primary Data Center Services Segment and limitation of decrease in revenues in the Telecommunication Services Segment to -1.5%, accompanied by improved profitability of this segment through reduction of internal costs by as much as 8% y/y, mainly resulting from renegotiation of costs associated with maintenance of network equipment and costs related to the so-called backbone of the fibre-optic network and its maintenance.

These results stem from specific projects that the Company implemented in the previous year. In January of 2018, we introduced client segmentation, which allowed us to design even better offers, focused on value for clients, to adapt our sales channels and improve customer experience in the field of customer services. In order to make even better use of the potential of our existing database of clients, we appointed the Inside Sales team, which is responsible for maintenance processes and additional sales on behalf of more than a half of our clients. As a result, we were able to improve our retention rate, strengthen our relationships with our clients and obtain a platform for fast marketing of new products. We also commenced development of an indirect sales channel, based on cooperation with integrators and partners to become even more effective in acquisition of new clients for data center services from segments, to which the Company used to have limited access. We have also significantly developed our back-end technical support for sales (the so-called presales) to properly address the needs of our clients in the process of selection and development of infrastructural solutions adapted to their IT projects.

Last year, we also launched a portfolio of our own cloud-based services, including cloud computing, storage as service, backup as service and the so-called managed services. In addition, we also launched certain products, which make it possible to link these services with public clouds of AWS, Google Cloud or Azure class. A portfolio structured in this manner, supported by our existing product line of dedicated servers, colocation and optic fibre network services, has become a platform for implementation of valuable private/hybrid cloud and multicloud projects, including customization on behalf of clients from our main target segment: large and medium-sized companies.

In order to place new products effectively on the market and reach our clients with these through our sales channels, in 2018, we redefined the marketing functions, shifting the emphasis from marketing promotion to lead generating functions. We implemented and combined the benefits of marketing automation, social selling and content marketing. As a result, we are able to reach our target groups more quickly with valuable offers, to run an automated lead nurturing process, to better recognise our clients and their best purchase times and to shorten the sales cycle.

We have also completed the process of modernisation of the data center campus at Grochowska street in Warsaw. We have improved physical security through full separation of human and cargo traffic between the Data Center facilities and the auxiliary infrastructure, and we have introduced numerous amenities for our clients at the Data Center site. We have also concluded the process of preparation for certification of our operating processes in accordance with the respected industry standard DCOS. The actions taken fit into the program of developing Atman's position as the first choice provider.

Our Company is now facing the next phase. It will be focused on taking full advantage of the existing assets and our growth potential. In the coming months, the Company will continue to follow the directions that strengthen its commercial capacity. We believe that further development of such sales channels as Inside Sales or the indirect sales channel, our continued focus on improvement of retention of existing clients, additional sales of new products and acquisition of new clients thanks to the full portfolio of infrastructural services customized for specific IT projects will bring further improvement in the sales results of our Company. We are consistent in building our position as perhaps the only provider on the Polish market, able to satisfy all needs of the client on such a big scale with regard to operator-neutral colocation, servers, clouds, a wide area fibre optic network, one of the biggest Internet Exchange Points in Poland and management services. We also attach importance to wholesale activity, which has been focused strongly on telecommunication services so far, but developing strongly in Western Europe and being born in the CEE region, also from the perspective of colocation services and access to Internet exchange points, in particular, in the segment of international telecommunication operators, operators of large public clouds and content providers.

Our Company has at its disposal a huge potential and a growing portfolio of products developed around servers, clouds and colocation; we have been recognised by our clients, and the market conditions are favourable to let us keep growing and delivering value to our clients and shareholders.

Daniel Szcześniewski

President of Management Board of ATM S.A.

SELECTED FINANCIAL DATA

	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	in thousand PLN		in thousand EUR	
Total sales revenue	136,620	132,985	32,018	31,330
Sales revenue	80,653	75,759	18,902	17,848
Operating profit	7,475	13,512	1,752	3,183
Profit before tax	3,269	12,793	766	3,014
Net profit	2,019	9,777	473	2,303
Comprehensive income	1,416	11,073	332	2,609
Net cash from operating activities	42,008	35,682	9,845	8,406
Net cash from investing activities	(36,274)	(16,957)	(8,501)	(3,995)
Net cash from financing activities	2,358	(13,432)	553	(3,164)
Increase (decrease) in cash	8,092	5,293	1,896	1,247

	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Fixed assets	394,210	397,312	91,677	95,258
Current assets	36,173	25,660	8,412	6,152
Total assets	430,383	422,972	100,089	101,410
Long-term liabilities	223,278	128,152	51,925	30,725
Short-term liabilities	45,263	48,842	10,526	11,710
Equity	161,841	245,979	37,638	58,975
Share capital *	34,723	34,723	8,075	8,325
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	4.45	6.77	1.04	1.62

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

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

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

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.

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

FINANCIAL STATEMENT OF ATM S.A. PREPARED AS AT 31 DECEMBER 2018

INCOME STATEMENT

	NOTE	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017***
Sales revenue	3	136,620	132,985
Cost of sales	4	55,967	57,226
Sales revenue		**80,653**	**75,759**
Other operating revenue	5	66	432
General and administrative expenses	4	72,673	61,373
Other operating expenses including:	6	571	1,305
Write-downs on receivables		404	481
Operating profit (loss)		**7,475**	**13,512**
Share in the profit or loss of equity-accounted entities*		(176)	8,605
Revenue from subsidies		1,554	1,554
Financial revenue ****	7	2,326	271
Financial expenses including:	8	7,910	11,148
Credit pricing according to corrected purchase price		893	604
Profit (loss) before tax		**3,269**	**12,793**
Income tax	9	1,250	3,016
Net profit (loss)		**2,019**	**9,777**
Profit (loss) per share	10		
Ordinary		0.06	0.27
Diluted		0.06	0.27

NOTES:

*) 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 2018, this item includes the reversal of a PLN 1,902 thousand impairment write-down on shares in an associate, Linx Telecommunications Holding B.V., recognised in the fourth quarter of 2018.

***) Data for year 2017 has been restated according to note 33.

STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Net profit (loss)	**2,019**	**9,777**
Other comprehensive income that may be reclassified to profit or loss	**(603)**	**1,296**
Exchange differences on translation of shares in affiliates	837	(1,466)
Share in other comprehensive income of affiliates	(1,440)	2,761
Total comprehensive income	**1,416**	**11,073**

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

STATEMENT OF FINANCIAL POSITION — ASSETS

	NOTE	State as at 31/12/2018	State as at 31/12/2017*	State as at 01/01/2017*
Fixed assets		**394,210**	**397,312**	**395,644**
Intangible assets	11	11,622	8,708	7,250
Tangible fixed assets	12	326,234	333,886	332,522
Investments in associates consolidated using the equity method	13	54,597	53,474	55,569
Other fixed assets	14	1,757	1,244	303
Current assets		**36,173**	**25,660**	**18,469**
Inventories	15	-	-	816
Loans granted	13	9	35	50
Trade and other receivables	16	17,923	16,791	14,309
Income tax receivables		143	168	57
Other current assets	17	2,939	1,599	1,463
Cash and cash equivalents	18	15,159	7,067	1,774
Total assets		**430,383**	**422,972**	**414,113**

* Data for 01.01.2017 and 31.12.2017 has been restated according to note 33.

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

STATEMENT OF FINANCIAL POSITION — EQUITY AND LIABILITIES

	NOTE	State as of 31/12/2018	State as at 31/12/2017*	State as at 01/01/2017*
Equity		**161,841**	**245,979**	**234,907**
Share capital	19	34,723	34,723	34,723
Supplementary capital from share premium		123,735	123,735	123,735
Reserve capital		440	61,144	61,144
Capital on the incentive scheme	32	3,740	-	-
Retained earnings	19	(796)	26,377	15,305
Long-term liabilities		**223,278**	**128,152**	**126,324**
Long-term loans and borrowings	20	204,600	101,979	101,034
Provision for deferred tax	9	7,757	7,422	5,571
Long-term trade and other liabilities including:	22	8,056	13,438	15,126
Valuation of derivative instruments (IRS contracts)		736	337	462
Other financial liabilities	24	2,866	5,313	4,593
Short-term liabilities		**45,263**	**48,842**	**52,882**
Bank loans and borrowings	20	12,392	16,321	20,727
Income tax liabilities	23	-	-	424
Trade and other liabilities	24	30,119	27,858	26,404
Other financial liabilities	24	2,752	4,662	5,327
Total equity and liabilities		**430,383**	**422,972**	**414,113**

* Data for 01.01.2017 and 31.12.2017 has been restated according to note 33.

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

STATEMENT OF CHANGES IN EQUITY

	Stated capital	Supplementary capital from share premium	Reserve capital	Capital on the incentive scheme	Retained earnings, including supplementary capital	Equity
As at 31 December 2017 (before restatement)	**34,723**	**123,735**	**61,144**		**26,377**	**245,979**
Adjustment to retained earnings IFRS 15	-	-	-	-	(1,457)	(1,457)
Adjustment to retained earnings IFRS 9	-	-	-	-	1,568	1,568
As at 1 January 2018 [restated]	**34,723**	**123,735**	**61,144**	**-**	**26,488**	**246,090**
Net profit					2,019	2,019
Exchange differences on translation of shares in affiliates	-	-	-	-	837	837
Share in other comprehensive income of affiliates					(1,440)	(1,440)
Profit distribution – increase of supplementary capital	-	-	-	-	27,997	27,997
Profit distribution to be allocated to equity	-	-	-	-	(27,997)	(27,997)
Transactions with owners						
Incentive scheme	-	-	-	3,740	-	3,740
Dividend pay-out			60,704		28,701	89,405
As at 31 December 2018	**34,723**	**123,735**	**440**	**3,740**	**(796)**	**161,841**

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

	Stated capital	Supplementary capital from share premium	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2017 [before adjustment]	**34,723**	**123,735**	**61,144**	**5,068**	**224,670**
Corrections of prior period errors	-	-	-	10,237	10,237
As at 1 January 2017 [after adjustment]	**34,723**	**123,735**	**61,144**	**15,305**	**234,907**
Net profit	-	-	-	9,777	9,777
Other comprehensive income	-	-	-	1,295	1,295
As at 31 December 2017 [after adjustment]	**34,723**	**123,735**	**61,144**	**26,377**	**245,979**

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

CASH FLOW STATEMENT

	For the period 01/01–31/12/2018	For the period 01/01-31/12/2017**
Operating activities	**42,008**	**35,682**
Profit before tax	3,269	12,793
Adjustments by:	38,738	22,889
Share in the profit or loss of equity-accounted entities	176	(8,605)
Depreciation and amortisation	34,264	26,727
Foreign exchange differences	(417)	205
Interest paid	5,376	4,970
(Gains) losses on investing activities	146	718
Change in inventories	-	816
Change in receivables	(1,132)	(2,482)
Change in liabilities and provisions *	3,493	(477)
Change in other assets	(1,828)	(1,052)
Income tax paid	(941)	(1,700)
Other ***	(399)	3,768
Investing activities	**(36,274)**	**(16,957)**
Expenditure on purchase of tangible fixed assets	(36,314)	(26,026)
Proceeds from sale of tangible fixed assets	15	1,413
Repayments of long-term borrowings granted	26	15
Dividends received	-	7,641
Financing activities	**2,358**	**(13,432)**
Proceeds from loans and borrowings	109,981	5,045
Repayments of loans and borrowings	(8,902)	(7,902)
Payment of liabilities arising from financial lease	(4,357)	(5,400)
Dividends paid	(89,405)	-
Interest paid	(5,376)	(4,970)
Foreign exchange differences	417	(205)
Change in cash	**8,092**	**5,293**
Opening balance of cash	**7,067**	**1,774**
Closing balance of cash	**15,159**	**7,067**

* 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”.

** Data for year 2017 has been restated as a result of changes described in note 33.

*** The item “Other” includes first of all changes in capital balances resulting mainly from adjustments and restatements due to implementation of IFRS 9 and IFRS 15

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 2018, 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 2018, the composition of the Supervisory Board was as follows:

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

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

2. Basis for preparation of the financial statements

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), as approved by the European Union, and in matters not regulated in the said standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351) 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 2018 regarding current and periodical information submitted by issuers of securities and the conditions for recognition as equivalent of the information whose disclosure is required under the laws of a state which is not an EU Member State (Journal of Laws of 2014, item 133, as amended).

NOTE 2.
MATERIAL ACCOUNTING POLICIES

The financial year is the calendar year.

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

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. 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.

3. Declaration of compliance

The financial statements of ATM S.A. for the period ending 31 December 2018 and comparable data for the financial year ending 31 December 2017 have been prepared in accordance with International Financial Reporting Standards, as approved by the European Union.

4. Adoption of International Financial Reporting Standards

Early application of standards and interpretations

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

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

IFRS 16 Lease was published on 13 January 2016 and adopted by the EU on 31 October 2017.

First time application of IFRS 16

Description of changes

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

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

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

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

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

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

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

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

The Company as a lessor

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

According to IFRS 16, the entity is obliged to assess the classification of sublease through reference of the asset due to the right of use based on the original lease, and not through reference to the underlying asset (for instance, a tangible fixed asset that constitutes the subject of lease). As at the transition date, the Company reclassified some of the agreements classified previously as operating lease under IAS 17 as financial lease according to IFRS 16.

Sale and leaseback agreements

The Company reassessed the agreement for sale and leaseback of the real estate property, which is the site of the registered office of the Company, and singled out the perpetual usufruct right to land as financial lease.

On this basis, the Company recognised the right to the asset and the leaseback liability in the same manner as the right to the asset and the lease liability.

Impact of the IFRS 16 on the financial statements

As at the date of preparation of this Financial Statement, the Company had completed most of the works associated with implementation of the new IFRS 16 standard. In the 4th quarter of year 2018, the Company commenced the IFRS 16 implementation project (the project), which was planned to be conducted in three stages:

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

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

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

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

In relation to the analysed contracts for lease of cable ducting, the Company has decided that these are not consistent with the definition of lease, as the entity is not authorised to virtually all economic benefits from use of these assets.

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

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

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

Correction description

a) Recognition of lease liabilities

Upon adoption of IFRS 16, the Company will recognise its lease liabilities in association with lease, which was previously classified as "operating lease" in accordance with provisions of IAS 17 Lease. These liabilities will be valuated according to current value of lease payments remaining on the date of introduction of IFRS 16, discounted at the lease interest rate as at 1 January 2019, if this rate can be easily established. Otherwise, the marginal interest rate of the Company will be used.

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

- fixed lease charges reduced by any applicable lease incentives,
- variable lease charges,
- amounts expected to be payable as the guaranteed final value of the subject of lease,

- the price for exercising of the purchase option, if it can be assumed with sufficient certainty that it will be exercised,
- financial penalties for a notice of termination of lease, if the lessee may exercise the contract termination option.

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

The Company has not identified agreements, for which the lease period would be below 12 months, subject to exclusion as short-term lease.

b) <u>Recognition of assets due to the right to use</u>

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

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

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

<u>Application of estimates</u>

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

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

<u>The lease period</u>

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

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

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

If only the lessee has the right to terminate lease, this right is considered to be the lease termination option granted to the lessee, which the entity takes into account in estimation of the lease period. If only the lessor has the right to terminate lease, the irrevocable lease period includes the period subject to the lease termination option.

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

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

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

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

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

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

The discount rate

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

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

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

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

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

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

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

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

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

As at 31 December 2018, the discount rates calculated by the Company were within the following ranges (depending on the term of the contract):
- for contracts in PLN: from 2.90% to 4.84%
- for contracts in EUR: from 1.80% to 3.65%
- for contracts in USD: from 4.41% to 6.27%

Application of practical simplifications

Applying IFRS 16 for the first time, the Company will take advantage of the following practical simplifications, accepted by the standard:
- application of a single discount rate to the portfolio of lease contracts with similar characteristics,
- exclusion of initial direct costs with regard to measurement of assets associated with the right to use on the date of first use, and

- applying of the perspective of time and knowledge acquired later in determination of the lease period, if the contract provides for options of extension or termination of the lease contract.

Impact on the statement of financial position

The estimated impact of implementation of IFRS 16 on recognition of additional financial liabilities and related assets due to the right of use has been presented in the tables below:

	Estimated impact as at 1 January 2019 in PLN thousand
Lease receivables	1,029
Assets due to the right to use	
Buildings and structures	148,336
Land	4,173
Total	**153,538**

* recognised in the item Other debt receivables in the short- and long-term part, respectively.

Leasing liabilities *	Estimated impact as at 1 January 2019 in PLN thousand
Applicable to buildings and structures	145,013
Applicable to land	4,173
Total	**149,185**

* recognised in the item Other debt liabilities in the short- and long-term part, respectively.

Value of assets due to the right to use is not identical with the value of lease liabilities because of provisions for costs of disassembly, in relation to lease contracts containing the clause on the obligation to restore the original condition of the leased asset on the part of the Company after expiry of the lease contract. Costs arising from the obligation to remove fixed assets from service are activated in the asset due to the right to use and depreciated for the estimated period of economic use. The fair value of costs arising from the obligation to remove fixed assets from service is estimated in relation to the contract for rental of space for server rooms, and it includes in the first place the estimated costs of restoration of the building space, uninstalling and transport of equipment and migration of clients. The current value of estimated provisions for restoration of the original condition as at 1.01.2019 is PLN 3,728 thousand and it will be presented after this date in the statement of financial position in the row Long-term trade and other liabilities.

In addition, as a result of analysis of sub-lease contracts, in which ATM acts as the lease agent (sub-lease), the Company has classified some of the contracts as financial lease, and adjusted the previously leased right to use the asset by the part of the asset sub-leased further, which has been recognised as a lease receivable.

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

PLN thousand	**01.01.2019**
Operating lease liabilities as at 31 December 2018 (without discount)	40,227
(Plus): Perpetual usufruct rights for land	15,751
(Minus): short-term lease contracts	-
(Minus): lease contracts for low-value assets	-94
Impact of discount upon application of marginal interest rate of the Company	-51,666
Plus: financial lease liability recognised as at 31 December 2018	5,618

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

Plus/(Minus): adjustment by the difference in recognition of the option for extension/ termination of the lease contract	144,967
Financial liabilities due to lease as at 1 January 2019	**154,803**

The estimated annual cost due to contracts for lease of low-value assets will amount to PLN 31 thousand.

Impact on equity

Implementation of IFRS 16 will have no impact on retained earnings and equity as at 1 January 2019 due to recognition of assets due to the right to use and the total lease liabilities and provisions for disassembly costs in the same amount. An exception here is a part of assets due to the right to use, for which the Company has adjusted the previously leased right to use the asset by a part of the asset further sub-leased, which was recognised as a lease receivable.

Impact on the statement of financial position

In the statement of income of the Company, starting from year 2019, a change in the classification of costs will emerge (lease rents will be replaced with depreciation and interest rate charges) and in the time of their recognition (recognition of costs related to lease will be faster due to recognition of the interest rate cost using the effective interest rate method, which was previously used exclusively for contracts classified as financial lease according to IAS 17).

Impact on financial ratios

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

Standards, changes in the applicable standards and interpretations awaiting approval by the EU:

Standard	Description	Date of coming into force
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates)	The amendments clarify that in the case of a transaction executed with an associate or a joint venture, the scope of recognition of profit or loss resulting from the transaction depends on whether the assets sold or contributed constituted an undertaking.	The European Commission has resolved to postpone approval of these changes for an indefinite period of time.
IFRS 17 Insurance Contracts	IFRS 17 replaces the provisional standard IFRS 4 Insurance Contracts, which was introduced in 2004. IFRS 4 provided entities with the option of continuing to recognise insurance contracts in accordance with accounting principles specified in the national standards, which in practice meant application of many different solutions.	1 January 2021 The Standard has not been yet approved by the EU
Amendments to International Financial Reporting Standards 2015-2017	Annual improvements to IFRS 2015-2017 contain four amendments to the standards. The main changes: • clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business, according to IFRS 3 Business Combinations; • clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business in accordance with IFRS 11 Joint Arrangements; • clarify that the entity should always recognise the income tax consequences of cash flows due to dividends in profit or loss, other	1 January 2019 The alteration has not been yet approved by the EU.

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

	comprehensive income or equity depending on where the transactions or events that generated distributable profits are recognized; and • clarify that the entity should exclude from borrowings without a specified purpose any funds borrowed specifically to finance acquisition of the asset being adapted until the time when generally all activities necessary to prepare the asset being adapted for its intended use or sale have been concluded; specific borrowings for the purpose of financing of acquisition of the asset being adapted do not constitute specific borrowings for financing of acquisition of the asset being adapted after the asset being adapted has become ready for its intended use or sale.	
Amendments to IAS 19 Employee Benefits (Plan Amendment, Curtailment or Settlement)	Alterations to IAS 19 clarify how entities recognise costs in the case of amendment of a specific benefit plan.	1 January 2019 The alteration has not been yet approved by the EU
Alterations to IFRS 3 Business Combinations	The alterations narrow and clarify the definition of a business. They also make it possible to conduct a simplified assessment of whether a set of assets and activities constitutes a group of assets and not a business.	1 January 2020 The alteration has not been yet approved by the EU
Amendments to IAS 1 Classification of Liabilities and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	The alterations standardize and clarify the definition of "Materiality" and contain guidelines to improve coherence of application of this concept in the international financial reporting standards.	1 January 2020 The alteration has not been yet approved by the EU

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

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

IFRS 9 Financial instruments

The new standard was published on 24 July 2014 and applies to annual period commencing on 1 January 2018 or later. Starting from 01.01.2018, the Company applied for the first time the IFRS 9 standard "Financial Instruments". The above standard replaced the IAS 39. The Company decided to implement the standard without adjusting comparative data (exercised the release provided for in IFRS 9).

Change in classification of financial assets

IFRS 9 defines three categories of financial assets - depending on the business model with regard to management of financial assets and characteristics of cash flows based on the contract:

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

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

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

As a result of implementation of IFRS 9, classification of financial assets of the Company changed as at 1 January 2018 according to the table below:

Class of financial instruments	Classification according to IAS 39	Classification according to IFRS 9	Value according to IAS 39 as at 31.12.2017	Value according to IFRS 9 as at 01.01.2018
Trade receivables	Loans and receivables	financial assets measured at amortised cost	16,162	15,965

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

Loans granted	Loans and receivables	financial assets measured at amortised cost	35	35
Cash and cash equivalents	Loans and receivables	financial assets measured at amortised cost	7,067	7,067
Total financial assets			**23,264**	**23,067**

IFRS 9 does not change classification of the Company's financial liabilities.

IFRS has changed the mode of recognition of credit risk from the model of losses incurred to the model of expected credit losses. The Company recognises a write-down for expected credit losses in the amount equal to the expected credit losses throughout the life cycle of trade receivables, introduces a new model for determination of revaluation write-downs - the model of expected credit losses. The allowance for bad debt has been presented in note 16.

As the Company does not apply hedge accounting, the IFRS 9 standard does not apply in this regard.

The impact of application of the above standard on the financial statement of the Company has been presented below:

a) Determination of revaluation write-downs using the expected losses method - trade receivables:

IFRS 9 requires estimation of the expected loss, regardless of whether grounds for establishment of such write-down have emerged or not. The standard provides for a 3-stage classification of non-financial assets with regard to their impairment:

(1) Stage 1 - balances, for which no material credit risk increase has occurred from the time of initial recognition, and for which the expected loss is determined on the basis of probability of bad debt in the period of 12 months,

(2) Stage 2 - balances, for which the credit risk has increased substantially since their initial recognition, for which the expected loss is determined on the basis of bad debt probability throughout the entire term of crediting,

(3) Stage 3 - balances with confirmed impairment. With regard to trade receivables that do not include a material financing component, the standard requires application of a simplified approach and valuation of the write-down on the basis of expected credit losses throughout the entire life cycle of the instrument.

For trade receivables (except those, which are analysed individually as non-repaid), a portfolio analysis has been conducted and a simplified matrix of write-downs has been applied according to individual age intervals on the basis of the expected credit losses throughout the life cycle of the receivables. The analysis was conducted on the basis of the expected default indicators, determined on the basis of historical data.

According to estimates of the Management Board, the adjustment due to estimation of the expected loss as at 1.1.2018 amounted to PLN 197 thousand, and thus the Company adjusted the retained earnings as at 1 January 2018 in this regard.

b) Determination of revaluation write-downs using the expected losses method - cash

The Company conducted an estimation of write-downs to cash on the basis of probability of default n the contractual period shorter than 3 months, determined on the basis of external ratings of banks, in which funds are held, and generally available information of rating agencies on probability of default. The Company withdrew from establishment of a revaluation write-down due to non-materiality.

First time application of IFRS 15

Starting from the financial statement for the 1st quarter of year 2018, the Company applied for the first time the IFRS 15 standard “Contracts with Customers” and clarifications to IFRS 15 "Revenues from Contracts with Customers”. The above standard replaced IAS 18 “Revenues” and IAS 11 “Construction Contracts”. The fundamental principle of the new standard is recognition of revenues to reflect transfer of promised goods or services on behalf of the customer in the amount that reflects the remuneration, to which - in accordance with the Issuer’s expectations - they will be entitled in exchange for these goods or services. All commodities or services sold in packages, which can be singled out in the package, should be recognised separately; moreover, all discounts and rebates on the transaction price are, in principle, to be allocated to individual package components. If the amount of revenue is variable, according to the new standard, the variable amounts are recognised as revenues, if there is high probability that the revenue item will not be reversed in the future as a result of revaluation. Moreover, according to IFRS 15, costs incurred in order to acquire and secure a contract with a customer should be activated and settled over time throughout the period of consumption of benefits from the contract.

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

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.

After a repeated analysis of the factual circumstances, conducted for the purpose of the semi-annual statement for the first six months of year 2018, the Issuer decided to withdraw from application of the materiality threshold in identification of one-off transactions with revenue spread over time. As a result, all transactions, regardless of their unit value, are subject to this procedure. This resulted in adjustment of value of assets, liabilities and retained earning as at 01.01.2018 (opening balance) in relation to those presented in the statement for the 1st quarter of year 2018. The table below presents values of adjustments in individual items:

	According to FS published for Q1 2018	Adjustment	Restated
Contractual liabilities as at 01.01.2018	1,337	915	2,252
Contractual assets as at 01.01.2018	267	183	450
Adjustment of retained earnings (before tax) as at 01.01.2018	(1,070)	(732)	(1,802)

as at 31.12.2018, the impact of application of IFRS 15 on individual items of the financial statement of the Company was as follows (in comparison with the standards applicable before 01.01.2018):

- contractual liabilities (recognised in item "Trade and other liabilities" of the Statement of Financial Position) have increased - in comparison with the opening balance for year 2018 - by PLN 316 thousand. Deferred income recognised in this item will be recognised fully during the following 3 months; Income recognised by the Company in 2018, included in the balance of contractual liabilities at the beginning of year 2018 amounted to PLN 1,455 thousand;

- contractual assets (recognised in item "Other current assets" of the Statement of financial position) have increased - in comparison with the opening balance for year 2018 - by PLN 63 thousand;

- in the period between 01.01.2018 and 31.12.2018, sales revenue decreased by PLN 316 thousand, and the corresponding costs - by PLN 63 thousand. As a result, the profit of the Company (before tax) was reduced by PLN 253 thousand.

Revenue recognition

Sales revenue is recognised at the time of fulfilment (or in the course of fulfilment) of the obligation to provide a benefit by transferring the promised good or service (that is, asset) to the customer. Transfer of the asset takes place as the client acquires control over this asset. A decisive majority (around 99% of comprehensive income - by value) of services rendered by the Company are subscription-based (cyclical), and thus revenue is also recognised on the basis of the applicable settlement cycles (monthly). Commencement in such cases is usually determined on the basis of the date of signing of the service acceptance protocol by the client (launching of service). For one-off/ installation services and payments (other than sale of assets), revenue is recognised over time in accordance with IFRS 15, parallel to revenues from cyclical services (for which a given installation charge is paid) - thus the charges are treated as advance payments. For transactions of sale of equipment and other assets - revenue is recognised in the period, in which control was transferred to the client.

Overall impact of IFRS implementation on the Issuer's revenues from sale, based on recognition of revenues from one-off transactions over time on the basis of average term of subscription agreements, amounted in 2018 to PLN 316 thousand (amount, by which total revenues of the Issuer would have been higher had IFRS 15 not been implemented).

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

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

The Company warrants specific quality levels of services rendered, such as availability of services, in accordance with individual conditions of contracts with clients. If a specified level of quality of a given service is not achieved due to a failure of the infrastructure or a damage to the infrastructure of the client in the data centers of the Company, the Company decreases (adjusts) the amount of revenue from a given client in a given period. Historically, the amount of adjustments of this time has not been material (constituting less than 0.5% of total revenue of the Issuer).

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

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

- dedicated server lease services;

- dedicated back-up office services;

- optic fibre lease services.

In each of the cases listed above, the nature and contractual conditions of services rendered indicate that this is operating lease according to IAS 17. Due to the above, sales revenue of the Company includes revenue from operating lease.

Recognition of contracts with clients in the statement of financial position

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

The Company applied the IFRS 15 standard retrospectively with the overall effect of its first application recognised on the date of the first application in accordance with IFRS 15.

5. 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, IAS 36 and IFRS 9 — 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).

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

In association with the agreement for refinancing of the Issuer's debt signed on 28 June 2018, the Management Board conducted the "10 percent test" in accordance with IFRS 9 to estimate whether modification of the contractual conditions has been material. The test result was negative, that is, the discounted current value of cash flows based on the new credit agreement differed by less than 10% from the discounted current value of other cash flows due to the original financial liability.

In association with introduction of the incentive scheme at the Company on 31 October 2018, the Management Board made the necessary estimates for the purpose of valuation of the scheme. As a result of the analysis, some of the instruments, in the number equivalent to the number of derivative instruments acquired by the same authorized persons on the basis of the previous incentive scheme of 31 January 2018, were recognised as a modification without amendment of valuation of derivative instruments, while the remaining part of the instruments was recognised as a new incentive scheme and valuated as at the date of granting of the new rights. Upon valuation of the new equity instruments, estimates were made with regard to the expected variability and the expected average lifetime of the instruments. Detailed information concerning these estimates can be found in Note 32.

6. Accounting principles

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.

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 15 years
vehicles	from 5 to 7 years
other fixed assets	from 4 to 12 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 as belonging to one of the following categories:

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

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

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

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

Receivables whose maturity exceeds 12 months are recognised as "other fixed assets" in the balance sheet.

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 year5%
  - 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.

At the end of the period included in the financial statement, the Company had no inventories.

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 credits - financial liabilities measured at amortised cost

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

Trade and other liabilities - measured at amortised cost

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

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

Other liabilities include 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.

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 31.12.2018	Average NBP rate as at 31.12.2017
EUR	4.3000	4,1709
USD	3,7597	3.4813

Leases

A lease is classified as a financial 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 financial lease contracts 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 contract 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.

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.

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

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.

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

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

Costs of employee benefits

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

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

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

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

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

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.

NOTE 3.
SALES REVENUE

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017

Revenue from sales of products	135,897	132,882
Revenue from sales of goods and materials	723	103
Total sales revenue	**136,620**	**132,985**
including:		
- to related entities	43	78

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

Main products

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

- In the Data Center Services Segment, the Issuer provides services based on the constructed data center infrastructure:
    - **Colocation.** The Company owns properly equipped and protected rooms (data centers) where it provides colocation, i.e. rents out adequately fitted space for telecommunications hardware, e.g. servers, together with uninterrupted power supply and telecommunications networks connection (data transmission and Internet access).
    - **Services based on the data center infrastructure (higher layer) — including dedicated servers, cloud computing, backup offices.** ATM S.A. offers the service of lease of dedicated servers (Atman EcoSerwer), which may be used for launching websites, business application and other Internet or intranet services (normally a service is launched within one hour of the receipt of an order). The offer 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 and in key European agglomerations, as well as its own, distributed system of wholesale traffic exchange (Thinx IX).
    - **Other, including telephone services (ISDN and VoIP).** The Issuer offers, 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)	2018	2017
Data Center Services Segment	**62,823**	**58,084**
of which: Colocation	44,567	42,149
including: Higher layer services	18,256	15,935
Telecommunications Services Segment	**73,797**	**74,901**
of which: Data transmission and voice services	49,878	51,350

including: Internet access	23,919	23,551
Total revenue from core operating segments	**136,620**	**132,985**

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 colocation services and other services relating to data center infrastructure (such as the lease of dedicated servers, cloud computing services and backup office services, as well as services associated with data security and the so-called Business Continuity Management, e.g. AntyDDoS);

- the Telecommunications Services Segment, including broadband data transmission services, telecommunications connection lease services, Internet access services and voice services (ISDN and VoIP).

Starting from the periodic report for Q1 2018, the Issuer also includes in the Telecommunication Services Segment the revenues and margin earned outside the basic segments of activity, including sale of administrative services. The revenue in this category makes only a small (and decreasing) contribution to the overall profit on sales and does not represent a significant burden on the Company's fixed costs. In the previous periodic reports, this stream of revenues and margin was presented separately in the column "Other".

The change in the data presentation mode, referred to above, was motivated by the need to make periodic reports coherent with managerial reports used by the Management Board of the Company. Data in the comparative period has been appropriately transformed.

The allocation of fixed assets is based on identification of their actual use. For assets used by both segments, allocation is made based on indices (on the basis of proportion of revenues from sale in both segments).

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

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

Starting from the periodic report for Q1 2018, the Issuer has withdrawn from allocation of other operating costs in segments on the basis of indices. Therefore, at the segment level, the so-called Segment Margin is calculated, constituting the difference between Margin from sale in a given segment and the allocated costs of remuneration of employees in the organisational units responsible for the performance of services.

This change in the mode of data presentation was also motivated by the need to make the periodic reports coherent with managerial reports used by the Management Board of the Company. Data in the comparative period has been appropriately transformed.

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

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

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**169,777**	**169,835**	**54,597**	**394,210**
Sales revenue	62,823	73,797	-	136,620
Cost of sales	19,763	36,204	-	55,967
Sales revenue	43,060	37,593	-	80,653
Costs of remuneration of employees in the organisational units responsible for the performance of services	4,357	3,355	-	7,712
Segment Margin	**38,703**	**34,238**	**-**	**72,940**
Other general and administrative expenses, including:				64,961
Depreciation and amortisation				34,264
Other net operating revenues and expenses				(505)
Operating profit (loss)				**7,475**
Revenue from subsidies				1,554
Net financial revenues and expenses*				(5,760)
Profit (loss) before tax				**3,269**
Income tax				1,250
Net profit (loss)				**2,019**

Company's results broken down by operating segment in the period from 01.01.2017 to31.12.2017:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,980**	**174,858**	**53,474**	**397,312**
Sales revenue	58,084	74,901	-	132,985
Cost of sales	18,070	39,156	-	57,226
Sales revenue	40,014	35,745	-	75,759
Costs of remuneration of employees in the organisational units responsible for the performance of services	3,951	4,013	-	7,964
Segment Margin	**36,063**	**31,732**	**-**	**67,795**
Other general and administrative expenses, including:				53,409
Depreciation and amortisation				26,727
Other net operating revenues and expenses				(874)
Operating profit (loss)				**13,512**
Revenue from subsidies				1,554
Net financial revenues and expenses*				(2,273)
Profit (loss) before tax				**12,793**
Income tax				3,016
Net profit (loss)				**9,777**

*) Including share in the financial result of entities valued using the equity method.

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

Geographical segments as at 31 December 2018 and 2017

	For period 01/01-31/12/2018	For period 01/01-31/12/2017
Domestic clients	122,561	119,790
Foreign clients	14,059	13,195
Total revenues from sales	**136,620**	**132,985**

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.

NOTE 4.
OPERATING COSTS

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Cost of sales (variable)	55,967	57,226
Cost of sales	-	-
General and administrative expenses	72,673	61,373
Total costs related to core business	**128,640**	**118,599**
including:		
Depreciation and amortisation	34,264	26,727
Adjustment by received subsidies to fixed assets	-	-
Consumption of materials and energy	13,068	11,827
Third party services	49,747	54,028
Taxes and charges	1,568	2,116
Payroll	23,334	18,174
Employee benefits	4,329	3,819
Other	1,808	1,867
Value of goods and materials sold	522	41
	128,640	**118,599**
Change in products	-	-
	128,640	**118,599**

Depreciation of tangible fixed assets takes place in the manner described in Note 2. Write-downs on inventories are determined based on the principles described in Note 2. Reversal of inventory write-downs takes place upon sale of inventories subject to write-down or cessation of circumstances that served as a basis for a write-down. 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

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

(Fundusz Pracy). In years 2018 and 2017, the premiums amounted to 19.48% and 19.48%, respectively, of the contribution assessment basis determined in accordance with mandatory law.

Pension benefit costs include retirement severance paid to employees pursuant to the labour law.

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 01/01–31/12/2018	For the period 01/01–31/12/2017
Amortisation costs of previously activated costs of development works	57	14
Total	**57**	**14**

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.

NOTE 5.
OTHER OPERATING REVENUE

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Reversal of receivables revaluation write-downs	-	72
Compensations received	21	332
Other	45	28
Total	**66**	**432**

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 01/01–31/12/2018	For the period 01/01–31/12/2017
Loss on sale and liquidation of fixed assets	146	719
Write-downs on receivables	404	481
Donations given	7	7
Litigation expenses	-	18
Other	14	80

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

Total	**571**	**1,305**

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, as well as costs of future credit losses according to IFRS 9.

NOTE 7.
FINANCIAL REVENUE

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Exchange gains or losses	417	-
Interest on bank deposits	3	11
Interest on deferred and overdue payments	3	44
Interest on borrowings	1	1
Revaluation of financial assets	1,902	-
Other	-	214
	2,326	**271**

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 01/01–31/12/2018	For the period 01/01–31/12/2017*
Interest on bank credits	5,097	4,441
Interest on instalment purchases	176	-
Interest on overdue payments	16	41
FX losses	-	434
Financial lease costs	297	488
Revaluation of financial assets	-	4,355
Valuation of financial instruments	1,431	431
Other	-	354
Credit pricing according to corrected purchase price	893	604
Total	**7,910**	**11,148**

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 financial lease contracts 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.

Revaluation of financial assets in 2018 pertains to measurement of value of shares of the Issuer in an affiliate - this issue has been discussed in detail in Note 13 - and measurement of credit liabilities at the adjusted purchase price.

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

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

For the period 01/01–31/12/2018	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
Net gain/(loss)	410	(893)	(483)
Revenue from interest	7		7
Interest expenses		(5,568)	(5,568)

For the period 01/01–31/12/2017	Financial assets measured at amortised cost	Loans granted and own receivables	Financial liabilities measured at amortised cost	Other financial liabilities	Total
Net gain/(loss)	(419)		(870)	(354)	(1,643)
Revenue from interest	-	56			56
Interest expenses	-		(4,439)		(4,439)

NOTE 9.
INCOME TAX

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

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

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

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Gross profit/loss before tax	3,269	12,793
Statutory tax rate	19%	19%
Tax on the basis of tax rate	**621**	**2,431**
Permanent differences	629	585
Tax on the basis of effective rate	**1,250**	**3,016**

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Statutory tax rate	19%	19%
Current tax liability	**941**	**1,165**
Deferred income tax	309	1,851
Tax liability stated in profit and loss account	**1,250**	**3,016**

In association with provisional differences between value of assets and liabilities, deferred tax is established. Deferred income tax as at 31 December 2018 and 31 December 2017 results from the items shown in the table below.

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

	Statement of financial position		Income statement	
	End of period 31/12/2018	End of period 31/12/2017	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Deferred tax provision				
Adjustment SCN credit valuation	340	(114)	49	(114)
Difference between the carrying amount and tax value of tangible fixed assets	9,753	9,320	433	1,644
Adjustment of costs due to installation charges - IFRS 15	98	-	12	-
Foreign exchange gains	46	69	(23)	69
Interest charged		-		(6)
Gross deferred tax provision	**10,238**	**9,275**	**472**	**1,593**
Deferred tax assets				
Adjustment of revenue from installation charges - IFRS 15	488	-	(60)	-
Write-downs on inventories	-	-	-	468
Write-downs on receivables, including adjustment for implementation of IFRS 9	359	259	(62)	21
Foreign exchange losses	-	105	105	(105)
Liabilities to the Social Insurance Institution (ZUS)	106	99	(7)	(99)
Prepayments/ accruals	1,388	1,326	(62)	(52)
Effects of IRS valuation	140	64	(76)	25
Gross deferred tax assets	**2,480**	**1,853**	**(162)**	**258**
Net tax assets (tax provision)	**7,757**	**7,422**		
Deferred income tax charge against profit			**309**	**1,851**

*) Impact on result for period 01.01.2018-31.12.2018 is not equal to change in balance. The difference is due to initial application of IFRS 9 and IFRS 15, which was recognised through retained earnings and amounts to PLN 27 thousand.

NOTE 10.
EARNINGS PER SHARE AND DIVIDENDS

	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
Average weighted number of shares	36,343,344	36,343,344
Net earnings for 12 months (PLN thousand)	2,019	9,777
Net earnings per share (PLN)	0.06	0.27
Diluted net earnings per share (PLN)	0.06	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 29.06.2018, the Ordinary General Meeting of the Company passed the resolution on allocation of the amount of PLN 89,404,626.24 for dividend pay-out (which is equivalent to PLN 2.46 per share). The number of shares subject to divided amounted to 36,343,344 shares. At the same time, the General Meeting resolved the dividend date would be 10.08.2018 and the dividend pay-out deadline would be 17.08.2018. Dividend pay-out on behalf of shareholders of the Issuer was completed within this time limit.

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

NOTE 11.
INTANGIBLE ASSETS

	End of period 31/12/2018	End of period 31/12/2017
Costs of completed development works	-	57
Concessions and licenses	11,622	8,652
Total	**11,622**	**8,708**

Development works are recognised as assets and amortised based on the principles described in Note 2. No expenditures for development works were recorded in year 2018.

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

As at 31 December 2018, 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 intangible assets in the period from 1 January to 31 December 2018

	Costs of completed development works	Concessions and licenses	Total
Gross value			
As at 1 January 2018	**507**	**14,992**	**15,499**
Increases:			
- acquisition	-	5,697	5,697
Decreases:			
- sale and liquidation	-	-	-
As at 31 December 2018	**507**	**20,689**	**21,196**
Accumulated amortisation/depreciation			
As at 1 January 2018	**450**	**6,340**	**6,790**
Increases:			
-depreciation and amortisation	57	2,728	2,785
Decreases:			
- sale and liquidation	-	-	-
As at 31 December 2018	**507**	**9,067**	**9,575**
Net amount as at 1 January 2018	**57**	**8,651**	**8,708**
Net amount as at 31 December 2018	**-**	**11,622**	**11,622**

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	Total
Gross value			
As at 1 January 2017	**7,499**	**15,296**	**22,795**
Increases:			
- acquisition	-	3,682	3,682
Decreases:			
- sales	6,992	-	6,992
- liquidation	-	3,986	3,986
As at 31 December 2017	**507**	**14,992**	**15,499**

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

Accumulated amortisation/depreciation			
As at 1 January 2017	**7,428**	**8,117**	**15,545**
Increases:			
-depreciation and amortisation	14	2,166	2,180
Decreases:			
- sale and liquidation	6,992	3,943	10,935
As at 31 December 2017	**450**	**6,340**	**6,790**
Net amount as at 1 January 2017	**71**	**7,179**	**7,250**
Net amount as at 31 December 2017	**57**	**8,651**	**8,708**

NOTE 12.
FIXED ASSETS

	End of period 31/12/2018	End of period 31/12/2017
Fixed assets	**320,182**	**324,262**
Land	40,934	40,934
Buildings and structures	208,556	208,001
Machinery and equipment	66,320	70,564
Vehicles	3,755	4,430
Other	617	333
Fixed assets under construction	**5,953**	**9,414**
Advances for fixed assets under construction	**97**	**210**
	326,234	**333,886**

In 2018 and in 2017, the amount of fee for the conversion of the right of perpetual usufruct into the ownership of land was recognised in the “Land” item.

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

The Company uses a part of fixed assets under financial lease contracts.

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

As at 31 December 2018, 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 book value of PLN 45.3 million– according to a valuation as at 31 December 2018, on which a registered pledge was established as a collateral for investment loans described in Note 20.

- land and buildings, on which mortgage collaterals for investment loans were established (listed in Note 20). – of net book value of PLN 110.4 million as at 31.12.2018.

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 2018

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2018	**40,934**	**277,161**	**163,371**	**5,381**	**603**	**487,450**
Increases:						
- acquisition	-	9,845	17,062	-	421	27,328
- other (including financial lease)	-	-	-	248	-	248
Decreases:						
- sale and liquidation	-	-	8,411	-	-	8,411
As at 31 December 2018	**40,934**	**287,006**	**172,022**	**5,629**	**1,024**	**506,616**

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

Accumulated amortisation/depreciation						
As at 1 January 2018	**-**	**69,160**	**92,807**	**951**	**270**	**163,188**
Increases:						
-depreciation and amortisation	-	9,291	21,129	923	137	31,480
Decreases:						
- sale and liquidation	-	-	8,234			8,234
As at 31 December 2018	**-**	**78,451**	**105,702**	**1,874**	**407**	**186,434**
Net amount as at 31 December 2018	**40,934**	**208,556**	**66,320**	**3,755**	**617**	**320,182**

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 financial 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:						
-depreciation and amortisation	-	9,378	14,245	859	65	24,547
- revaluation write-down	-	-	-	-	-	-
Decreases:						
- sale and liquidation	-	15	3,006	2,645	7	5,673
As at 31 December 2017	**-**	**69,160**	**92,807**	**951**	**270**	**163,188**
Net amount as at 31 December 2017	**40,934**	**208,001**	**70,564**	**4,430**	**333**	**324,262**

NOTE 13.
FINANCIAL ASSETS

INVESTMENTS IN SUBORDINATED ENTITIES

The Company holds no shares or interest in subordinated entities.

OTHER FINANCIAL ASSETS

INVESTMENTS IN ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

	End of period 31/12/2018	End of period 31/12/2017
Shares in other undertakings	63,487	63,487
(-) Write-downs on impairment / valuation by equity method	(8,890)	(10,013)
Total	**54,597**	**53,474**

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

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

Takeover date	Value of shares at acquisition price	Carrying value of shares	Stake in share capital	Consolidation type indicator (other)	Share in the overall number of votes at the general meeting
21.08.2007	63,487	54,597	21.02%	-	21.02%

as at the end of 2018	Linx Telecommunications Holding B.V.
I. Entity equity, of which:	**126,803**
1. share capital	563
2. called up share capital -	-
3. supplementary capital	139,948
4. other equity	(13,708)

Exchange differences on translation of shares in affiliates recognised in total income	For the period 01/01–31/12/2018	For the period 01/01–31/12/2017
State as at 1 January	(1,466)	805
Change	2,303	(2,271)
State as at 31 December	837	(1,466)

In the opinion of the Management Board of ATM, in Q4 2018, there grounds for a change in value of shares in Linx in relation to valuation obtained at the end of Q3 2018. In particular, through recognition of the most recent information available on market transactions, average multipliers used for valuation by comparative method have changed. The Issuer, like at the end of O3 of 2018, conducted analysis of transactions on the European market in the last 3 years of assets comparable to Linx's assets, using the multiples method, and an analysis of discount applicable to assets of Linx held in Russia, in order to determine the recoverable value of the investment as fair value reduced by costs of sale. As a result, the Issuer determined the recoverable value of investment in shares of Linx at the level of PLN 54.6 million as at 31 December 2018. This value was recognised in the Issuer’s books as at 31.12.2018.

Linx renders Data Center services in the territory of Russia and is of no strategic significance for the Company; in particular, Linx exerts no impact on its operating results and EBITDA level.

NOTE 14. OTHER FIXED ASSETS

	End of period 31/12/2018	End of period 31/12/2017
Guarantee deposits	668	245

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

Costs of commissions for long-term contracts	962	460
Prepaid maintenance costs	128	539
Other fixed assets total	**1,757**	**1,244**
including payable within:		
from 1 to 2 years	1,584	1,224
from 3 to 5 years	173	20

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.

NOTE 15. INVENTORIES

As at 31.12.2018 and as at 31.12.2017, the Company had no inventories.

NOTE 16. TRADE AND OTHER RECEIVABLES

	End of period 31/12/2018	End of period 31/12/2017
Trade receivables	19,131	17,122
Tax and other receivables	305	629
Receivables under litigation	376	351
Revaluation write-downs	(1,889)	(1,311)
Total	**17,923**	**16,791**

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

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

In the opinion of the Company, with regard to trade receivables, there is no concentration of credit risk thanks to a big and diversified client base. The maximum exposure of the Company to credit risk is reflected by the balance sheet value of these receivables.

As at 1 January 2018, the Company applied IFRS 9 and changed the mode of recognition of credit risk from the incurred losses model to the expected losses model, which resulted in establishment of an impairment write-down for trade receivables not yet mature. The difference between the original balance sheet value according to IAS 39 and the new balance sheet value according to IFRS 9 as at 1 January 2018 amounted to PLN 197 thousand (see Note 2).

Changes in revaluation write-downs on receivables in 12-month periods ended on 31.12.2018 and 31.12.2017 have been presented below:

	End of period 31/12/2018	End of period 31/12/2017
Opening balance	1,508	1,487
Increases, of which:	513	619
Establishment (including impact of application of IFRS 9)	513	619
Decreases, of which:	131	598
Release	131	72
Use	-	526
Closing balance	**1,889**	**1,508**

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

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

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

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

The rates of expected credit losses did not undergo significant changes between the date of first application of IFRS 9 (01.01.2018) and 31.12.2018.

The remaining receivables consist mainly of deposits paid for contracts with business partners and VAT tax receivables.

The age structure of trade receivables is as follows:

	End of period 31/12/2018	End of period 31/12/2017
current, of which:	**12,560**	**15,306**
from related entities	1	2
from other entities	12,559	15,304
overdue, of which:	**6,571**	**1,816**
from other entities	6,571	1,816
up to 180	5,233	840
180 – 360	221	495
over 360	1,117	481
	19,131	**17,122**

NOTE 17.
OTHER CURRENT ASSETS

	End of period 31/12/2018	End of period 31/12/2017
Subscriptions, rents, insurances etc. paid in advance Services of subcontractors related to future revenue	875	754
Assets from contracts	516	356
Commissions related to contract acquisition	1,547	489
	2,939	**1,599**

Other current assets include expenses related to deferred costs. In particular, these include prepaid service fees. These assets are charged to the operating expenses on the time basis, the revenue basis or on the basis of the amount of service, depending on their nature. Other current assets also include assets from contracts (costs of installation charges recognised over time according to IFRS 15) and trade commissions related to contract acquisition (recognised over time as required by IFRS 15). A detailed description of application of IFRS 15 can be found in Note 2.

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

NOTE 18.
CASH AND CASH EQUIVALENTS

	End of period 31/12/2018	End of period 31/12/2017
Cash in hand	16	7
Cash at bank	12,564	1,701
Short-term deposits	2,578	5,359
Total	**15,159**	**7,067**

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

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

The Company deposits funds in renowned and licensed banks; therefore, the Company assesses the credit risk for this group of financial assets as immaterial.

NOTE 19.
EQUITY

	End of period 31/12/2018	End of period 31/12/2017
Registered share capital	34,526	34,526
Hyperinflation adjustment	197	197
Total	**34,723**	**34,723**

Stated capital

Registered share capital includes:

Series	Number of shares	Nominal value [PLN]	Registration date	Right to dividend	Mode of coverage	Share type
A	36,000,000	34,200,000	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 2018 was as follows:

Shareholder	Number of shares 31/12/2018	%	Number of shares 31/12/2017	%
MCI.PrivateVentures FIZ *	34,339,567	94.49%	24,939,079	68.62%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	-	-	9,119,040	25.09%
Other shareholders	2 003 777	5.51%	2,285,225	6.29%
	36,343,344	**100%**	**36,343,344**	**100%**

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

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

Reserve capital

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

Retained earnings

	End of period 31/12/2018	End of period 31/12/2017
Retained earnings from previous years, of which:		
Statutory supplementary capital	(2,212)	5,068
Total comprehensive income for current period	1,416	21,309
Total	**(796)**	**26,377**

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.

According to art. 396 §1of the Code of Commercial Companies, supplementary capital is to be established to cover the loss and transfer at least 8% of profit for a given financial year to supplementary capital until it reaches the value of at least one third of the share capital.

NOTE 20. BANK LOANS AND BORROWINGS

	End of period 31/12/2018	End of period 31/12/2017
Bank credits	216,992	118,300
Total	**216,992**	**118,300**
of which:		
Long-term portion		
Bank credits	204,600	101,979
Short-term portion		
Bank credits	12,392	16,321
Loans and borrowings due within:		
one year	12,392	16,321
from 1 to 2 years	14,161	12,144
from 3 to 5 years	190,438	89,835
over 5 years	-	-

Loans and borrowings by currency

	End of period 31/12/2018	End of period 31/12/2017
Loans in PLN	216,992	118,300
Total	**216,992**	**118,300**

Average interest rates on loans and borrowings

	End of period 31/12/2018	End of period 31/12/2017

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

Interest rate on bank loans taken out by an entity:

Bank overdrafts	2.74%	2.69%
PLN bank loans	3.44%	3.22%

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

Specification of bank loan liabilities as at 31 December 2018

	Short-term portion	Long-term portion			
Creditor	**Loan amount in PLN thousand**	**Loan amount in PLN thousand**	**Interest rate**	**Repayment date**	**Security**
mBank SA (bank overdraft)	3,283	-	WIBOR 1M plus bank margin		- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
mBank SA (investment credit)	1,616	39,746	WIBOR 1M plus bank margin	2023-06-27	same as above
mBank SA (investment credit)	2,281	56,692	WIBOR 1M plus bank margin	2023-06-27	same as above
mBank SA (investment credit)	657	5,861	WIBOR 1M plus bank margin	6/27/2024	same as above
ING Bank Śląski SA (bank overdraft)		-	WIBOR 1M plus bank margin		same as above
ING Bank Śląski SA (investment credit)	1,616	39,746	WIBOR 1M plus bank margin	2023-06-27	same as above
ING Bank Śląski SA (investment credit)	2,281	56,692	WIBOR 1M plus bank margin	2023-06-27	same as above
ING Bank Śląski SA (investment credit)	657	5,861	WIBOR 1M plus bank margin	6/27/2024	same as above
	12,392	**204,600**			

In the first half of this year, the Issuer successfully completed the project for refinancing of their entire debt due to bank loans, of which they informed in RB no. 19/2018 of 28.06.2018. The loan and guarantee facility ("Credit Agreement") includes:

- a 5-year business term loan up to the amount of PLN 120,000,000;
- a 5-year investment term loan up to the amount of PLN 30,000,000;
- a 3-year bank overdraft up to the amount of PLN 30,000,000;
- a 5-year business term loan up to the amount of PLN 85,000,000;
- guarantee facilities up to the amount of PLN 6,000,000.

The purpose of this financing has been:

- repayment of all previous debts (except leases);
- financing or refinancing of up to 100% of investment outlays;
- financing of current operating activity of the Company;
- partial financing of dividend pay-out by the Company;
- issue of warranties related to operating activity of the Company.

In association with the transaction under concern, the Company incurred standard costs related to agreements of this type, including one-off costs, and it has incurred the current debt service costs - the loan interest charges have been determined on the basis of WIBOR 1M plus bank margin. Due to early repayment of its former debt, the Company incurred commission costs paid to Bank Zachodni WBK S.A.

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

Security of refinancing transactions includes the standard components of transactions of this type, such as:

- establishment of mortgages on real estate property of the Company;
- establishment of registered pledge on movables of the Company;
- establishment of registered and financial pledges on bank accounts of the Company;
- agreement for global transfer of rights from trade contracts.

The basic objective of the transaction was to ensure long-term financial security of the Company by adjusting the size and structure of financing with external capital to the Issuer's needs and enabling financing of dividend pay-out by the Company. Money release on the basis of the Loans Agreement, referred to above, and repayment of former loans took place on 31.07.2018.

NOTE 21. PROVISIONS FOR LIABILITIES

As at 31 December 2018 and 31 December 2017, the Company did not have any provisions for liabilities.

NOTE 22. LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period 31/12/2018	End of period 31/12/2017
Trade liabilities - to other entities	-	4,229
Subsidies received for financing of fixed assets	7,320	8,872
Other	736	337
total	**8,056**	**13,438**
of which payable:		
from 1 to 2 years	1,595	1,979
from 3 to 5 years	6,461	11,459

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

NOTE 23. SHORT-TERM TRADE AND OTHER LIABILITIES

	End of period 31/12/2018	End of period 31/12/2017
Trade liabilities	17,232	15,855
Liabilities arising from taxes and social insurance	534	836
Payroll liabilities	-	4
Other liabilities and accruals, including:		
Liabilities arising from investment purchases	217	2,504
Bonus settlements	364	143
Settlements arising from outstanding leaves	925	865
Settlements related to non-invoiced expenses	3,658	3,369
Subsidies	1,595	1,596
Deferred income	3,286	606
Other liabilities	2,308	2,080

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

Total	**30,119**	**27,857**

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

In 2018, as in previous years, the Company did not rely on a small group of suppliers. In no case did transactions with a single counterparty exceed the threshold of 10% of total purchases (the only exception are energy purchases, constituting the key cost for activity in the data center services segment).

NOTE 24.
OTHER FINANCIAL LIABILITIES

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

	End of period 31/12/2018	End of period 31/12/2017
Financial lease liabilities	**5,618**	**9,975**
Long-term lease liabilities	2,866	5,313
Short-term lease liabilities	2,752	4,662
Total financial liabilities	**5,618**	**9,975**

	End of period 31/12/2018	End of period 31/12/2017
Value of liabilities arising from financial leases due within:	**5,896**	**10,674**
- one year	2,912	5,016
- two to five years	2,984	5,658
- future costs of interest (-)	**(278)**	**(699)**
Current value of future liabilities	**5,618**	**9,975**
of which:		
Amounts payable within the next 12 months (recognised in short-term liabilities)	2,752	4,662
- two to five years	2,866	5,313
Number of lease contracts	17	25

Financial lease contracts concern machinery and equipment as well as vehicles. As at 31 December 2018, the Company was a party to 17 agreements, as a part of which it leased fixed assets of total net value as at this date of PLN 7,616 thousand.

As at 31 December 2017, the Issuer was a party to 25 agreements, which served as a basis for lease of fixed assets of total net value as at this date of PLN 11,923 thousand.
Lease contract liabilities recognised in item “Other financial liabilities - short- and long-term” amounted to PLN 5,618 thousand. Lease contracts are concluded mainly for the purpose of refinancing of investment purchases, and they are usually concluded for 5 years.

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.

OPERATING LEASE AND CONTINGENT RECEIVABLES AND LIABILITIES

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

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

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

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

- dedicated server lease services;

- dedicated back-up office services;

- optic fibre lease services.

In each of the cases listed above, the nature and contractual conditions of services rendered indicate that this is operating lease according to IAS 17. Due to the above, sales revenue of the Company includes revenue from operating lease.

Values of minimum lease charges due to operating lease for agreements, in which the Company acts as the lessor, were as follows:

	End of period 31/12/2018
up to 1 year	28,287
from 1 to 5 years	33,588
over 5 years	6,977
Total	**68,851**

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

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

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

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

One of the key agreements among those listed above was the agreement for lease of real estate property. The subject of property lease is the office building located in Warsaw at Grochowska 21a. According to the agreement concluded on 21 December 2005 and the annex to the agreement of 7 March 2006, ATM S.A. sold the real estate property, including the perpetual usufruct rights for land and buildings located therein to Fortis Lease Polska Sp. z o.o., and then entered into an agreement for operating lease of the real estate property. Lease payments are denominated in EUR and divided into 180 monthly instalments (15 years), with the last instalment payable on 21 January 2021. The total amount of payments throughout the term of the agreement is EUR 9,872 thousand.

Fair value of the subject of lease upon termination of the agreement has been determined to be EUR 5,573 thousand, including the right of perpetual usufruct for land - EUR 1,613 thousand and value of buildings - EUR 3,961 thousand.

According to the agreement, the user or any entity recommended by them may, after the end of the primary term of the agreement, purchase the subject of lease for the price equal to the final fair value of this subject of lease.
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, for which original value was determined to be EUR 10,660 thousand.

According to the agreement, the user is not entitled to its termination except for a situation, in which a potential modification of lease instalments or a change in the ownership structure of the lessee result in continuation of the agreement becoming no longer profitable. 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.

Minimum lease payments for property lease were as follows:

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

	End of period 31/12/2018
up to 1 year	9,800
from 1 to 5 years	17,260
over 5 years	13,166
Total	**40,227**

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables, guarantees and sureties received

There were no contingent receivables.

Guarantees and sureties granted

	End of period 31/12/2018	End of period 31/12/2017
Bank guarantees on behalf of other entities:		
Bank guarantees granted by the bank on the order of the Company:	196	309
- performance bonds and tender bonds	196	309
Credit repayment securities		
Security by pledge	45,267	41,796
Promissory notes and mortgages:	110,408	110,857
- bank loan securities	110,408	110,857
Total	**155,871**	**152,962**

In accordance with provisions of art. 393 clause 3 of the Code of Commercial Companies, on 28.08.2018, the General Meeting of ATM S.A. gave its consent for establishment on behalf of ING Bank Śląski, acting as the pledge administrator and the creditor ("the Pledgee") on the basis of the agreement for establishment of registered pledges on sets of movables of 28 June 2018 between the Pledgee and ATM S.A. ("The Pledges Agreement"), of registered pledges with the highest priority of satisfaction from sets of all movables belonging to ATM S.A. located in Warsaw at Grochowska 21A, Jubilerska 8, Jubilerska 8a (set 1) and Konstruktorska 5 (set 2) used by ATM S.A. for rendering of services in the Data Center Services Segment (that is, the segment of activity of ATM S.A. including colocation services and other services associated with data center infrastructure (such as e.g. lease of dedicated servers, cloud computing services and back-up office services)), which constitute (each of them individually) a single economic unit of variable composition as defined in art. 7 section 2 clause 3 of the act on registered pledge and register of pledges of 6 December 1996 as amended, to secure repayment of Secured Receivables (as defined in the Pledges Agreement) up to the maximum security amount of PLN 440,000,000 (four hundred and forty million zlotys), in association with the loan and guarantee agreement for the total amount up to PLN 271,000,00 with mBank S.A., the Pledgee and ATM S.A. of 28 June 2018.

NOTE 26.
INFORMATION ABOUT RELATED ENTITIES

Details of related entities

7. 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 2018 and 2017, these entities included:

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

- ATM PP Sp. z o.o. - related through Mr. Tadeusz Czichon, who, according to the Issuer's best knowledge, was the Vice President of the Management Board in this entity in year 2017, being at the same time a Member of the Supervisory Board in ATM S.A.;
- ABC Data S.A. - related due to equity commitment of the major shareholder of ATM S.A. (MCI.PrivateVentures FIZ Fund and its related entities).

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

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

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

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

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

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	Sale to related entities	Purchase from related entities	Receivables from related entities	Liabilities to related entities
ABC Data S.A.	2017		410		72
	2018		53		12
ATM PP Sp. z o.o.	2017	35	-	1	-
	2018	33	-	1	-
Linx Telecommunications Holding B.V.	2017	43	-	1	-
	2018	10		1	
Total	**2017**	**78**	**410**	**2**	**72**
	2018	**43**	**53**	**2**	**12**

On 29.06.2018, the ordinary General Meeting of the Company passed a resolution to designate the amount of PLN 89,404,626.24 for dividend pay-out (thus the dividend amount per share was PLN 2.46). The number of shares subject to dividends amounted to 36,343,344. At the same time, the General Meeting established the dividend date on 10.08.2018 and the dividend pay-out deadline on 17.08. 2018.Thus the dividend was paid also to entities related to funds of MCI group.

In 2017, the Issuer received from Linx Telecommunications Holding B.V. a dividend (divided into tranches) for the total amount of PLN 7,641 thousand.

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

Members of the managing and supervisory bodies and their close relatives

Other related entities of the Company are members of its management and supervision authorities (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.

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

Senior management remuneration

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

	01/01-31/12/2018	01/01-31/12/2017
Short-term employee benefits	9,145	7,853
Post-employment benefits	-	-
Benefits due to termination of the employment relationship	148	210
Consideration from the incentive scheme*	3,740	-
Total	**13,023**	**8,063**

Considerations of the managerial staff, presented above, apply to:

	01/01-31/12/2018	01/01-31/12/2017
The Management Board	3,171	1,726
The Supervisory Board	1,726	576
Directors	8,125	5,760
Total	**13,023**	**8,063**

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.

*On 31 January 2018, persons being of key importance for implementation of the Company strategy entered into agreements with two key shareholders of the Company to acquire derivative financial instruments, related to shares of the Company held by these shareholders. On 31 October 2018, the General Meeting of the Company passed a resolution on introduction of an incentive scheme of the Company. On the basis of the power of attorney contained in Resolution 3 of the EGM of the Company of 31 October 2018, on 14 December 2018, the Supervisory Board of the Company approved the incentive scheme and established its key parameters. As a result of establishment of the incentive scheme described above, 1,338,340 warrants were recognised as a modification without a change in valuation of derivative instruments acquired by persons of key significance for implementation of the Company strategy on 31 January 2018, and 406,140 warrants were recognised as new equity instruments. Total valuation of 406,140 new equity instruments on the date of their establishment (that is, 14 December 2018) is PLN 508.1 thousand, including the amount of PLN 448.3 thousand charged against payroll costs for 2018, and in relation to 1,338,340 equity instruments disclosed in the semi-annual report of the Company for the first half of year 2018, the amount of PLN 3,291.6 thousand was charged against the payroll costs for 2018.

NOTE 27. PRESENTATION OF DISCONTINUED OPERATIONS

The Company did not discontinue any operations in 2018 and does not plan to do so in 2019.

NOTE 28. OBJECTIVES OF FINANCIAL RISK MANAGEMENT

8. Objectives of equity and financial risk management

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

- bank loans — disclosed in Note 20;
- trade and other liabilities disclosed in Notes 22, 23, 24

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

- 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 its net debt status (that is, the total of bank loans and lease liabilities reduced by balance of cash and cash equivalents), in particular verifying its relation to the level of generated EBITDA profit. At the end of year 2018 and 2017, the level of the ratio calculated in this manner amounted to 4.31 and 2.66, respectively. The optimum range for this ratio in the Issuer's industry, allowing for optimisation of financial leverage while maintaining a safe risk level for financial difficulties is around 3.0 - 4.0.

The Company is exposed to financial risks associated with financial instruments held within the framework of its financial and operating activity. These risks can be classified as market risks (currency risk, interest rate risk), liquidity risk and credit risk. The Company manages the financial risk to limit the negative effect of exchange rate and interest rate fluctuations and to stabilize cash flows and ensure the proper level of liquidity and financial flexibility.

The principal financial instruments used by the Company include bank loans (Note 20), financial lease contracts (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.

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 year 2018 and 2017:

- financial instruments were reclassified between categories within the meaning of IAS 9;
- 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.

9. 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.

10. Categories and classes of financial instruments

Financial assets and liabilities divided into categories are as follows:

	End of period 31/12/2018	End of period 31/12/2017
Trade receivables	17,923	16,791
Loans granted	9	35
Cash and cash equivalents	15,159	7,067
Total financial assets	**33,091**	**23,893**

	End of period 31/12/2018	End of period 31/12/2017
Credit liabilities	216,992	118,300
Trade and other liabilities	24,151	28,373
Financial lease liabilities	5,618	9,975
Total financial liabilities	**246,761**	**156,648**

(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 (bank loans were refinanced in June 2018, in the opinion of the Management Board, the market interest rates did not significantly change between the refinancing date and the balance sheet date). The above financial instruments have been classified as belonging to level 2 of the fair value hierarchy.

11. 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.

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

Credit risk is mitigated by the Company by entering into transactions exclusively with entities of good creditability. Before cooperation is initiated, internal preliminary verification procedures are conducted. 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.

The Company's counterparties are mainly entities of the telecommunication industry, financial institutions and companies representing the broadly understood IT industry. In order to limit the credit risk, the Company monitors its overdues from counterparties on an ongoing basis, and in the case of a delay in payment exceeding 2 months, the Company ceases to render services.

As concerns the Company's other 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.

The level of write-downs and other information concerning credit risk have been presented in Note 6 and 2.

12. 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	Net FX position	Trade liabilities	Trade receivables	Net FX position
	12/31/2018	12/31/2018	12/31/2018	12/31/2017	12/31/2017	12/31/2017
Currency - EUR	75	1,062	987	340	1,368	1,028
Currency – USD	993	1,173	180	203	574	371
Currency – PLN	16,165	15,688	-477	15,312	14,849	-463
Total	**17,232**	**17,923**	**690**	**15,855**	**16,791**	**936**

Should the exchange rate in relation to the exchange rate from balance sheet valuation for EUR and USD increase by 10% against all other variables remaining at the same level, the gross result of the Company for the period of 12 months ending on 31 December 2018 would be higher by PLN 117 thousand, and for the period of 12 months ending on 31 December 2017 would be higher by PLN 146 thousand.

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

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.

13. Liquidity risk

The Company has developed an appropriate system for liquidity risk management for the purpose of management of short-, medium- and long-term funds and satisfaction of 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.

An analysis of maturity of financial liabilities has been presented in Notes 20, 22 and 23.

Credits according to maturity dates (non-discounted values)	
one year	16,438
from 1 to 2 years	20,635
from 3 to 5 years	203,676
over 5 years	1,331
	242,079

The nominal value of derivative financial liabilities as of 31.12.2018 amounted to PLN 61.1 million.

7. 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,
- use of swap type derivative instruments.

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

Fixed rate financial instruments

	2018	2017
Financial assets including:	**17,932**	**16,826**
Trade receivables	17,923	16,791
Loans granted	9	35
Financial liabilities including:	**31,471**	**37,245**
Trade and other liabilities	31,471	37,245

Variable rate financial instruments

	2018	2017
Financial assets including:	15,159	7,067
Cash and cash equivalents	15,159	7,067
Financial liabilities including:	222,610	128,275
Credit liabilities	216,992	118,300
Financial lease liabilities	5,618	9,975

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

Variable rate financial instruments

The loan bears interest on the basis of the current WIBOR rate plus margin. The Company pays interest on the nominal value of the loan valid at a given time. In order to limit variability of interest costs incurred by the Company, the Company uses Interest Rate Swap (IRS) derivative transactions.
As a result of entering into IRS transactions, the Company receives payments from counterparties in the derivative transaction according to WIBOR rate that would compensate payments due to the loan incurred in the part equivalent to the variable WIBOR rate index. As a result of employment of this security measure, in each period subject to security the Company pays a fixed interest rate, established in the IRS contract, and the margin based on the loan drawdown conditions for the loan security value.

Sensitivity analysis

A change by 100 base points in the interest rate would increase (decrease) the loss after taxation by amounts presented below. The analysis provided below is based on the assumption that other variables, in particular, the exchange rates, remain unchanged.

	Financial result for 01/01-31.12.2018		Financial result for 01/01-31.12.2017	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
Variable rate financial instruments - loans	(1,216)	1,216	(966)	966
Cash flow sensitivity	**(1,216)**	**1,216**	**(966)**	**966**

NOTE 29. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 December 2018, 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	End of period 31/12/2018		End of period 31/12/2017	
	balance-sheet value	fair value	balance-sheet value	fair value
Financial assets at fair value through profit or loss	736	736	337	337

FAIR VALUE HIERARCHY

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

Financial assets at fair value through profit or loss	Fair value hierarchy level	31/12/2018
Derivative financial instruments – IRS contract hedging the interest rate risk in respect of the loan	level 2	736
Total		736

The valuation of the IRS contract hedging the interest rate risk in respect of the investment loan was made using the discounted cash flow model based on market parameters.

During the period ended 31 December 2018, 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. EVENTS AFTER THE BALANCE SHEET DATE

- On 05.02.2019, the Issuer received a decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, concerning registration on 31 January 2019 of the amendments to the Articles of Association of the Company, introduced by a resolution of the Extraordinary General Meeting of the Company on 31 October 2018. The content of amendments to the Articles of Association of ATM S.A. has been attached to the Current Report 02/2019 of 05.02.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88).
- On 25.02.2019, the Extraordinary General Meeting of the Issuer passed a resolution to amend the Articles of Association of ATM S.A. The content of amendments to the Articles of Association passed by the EGM was attached to the Current Report no. 04/2019 of 25.02.2019 (available at: https://www.atm.com.pl/raporty_view.php?id=raporty&more=1&nid=3850).
- On 19.03.2019, Mr. Sławomir Koszołko submitted his resignation from function of the President and the Member of the Management Board of the Company. Moreover, on 19.03.2019, the Supervisory Board of the Company passed a resolution to appoint Mr. Daniel Szcześniewski as the President of the Management Board of the Company as at 19 March 2019.
- On 19.03.2019, acting on the basis of the power of attorney contained in Resolution 3 of the Extraordinary General Meeting of the Company of 31 October 2018, concerning introduction of the incentive scheme at the Company, and Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of series A subscription warrants and for full withdrawal from the existing shareholders of the right to receive series A subscription warrants, entitling their holders to acquire series C shares, and conditional raising of the share capital through issue of series C shares and full withdrawal from the existing shareholders of the right to receive series C shares, and the associated amendment to the Articles of Association of the Company, and in association with resignation of Mr. Sławomir Koszołko on 19 March 2019 from the function of the President of the Management Board of the Company, the Supervisory Board verified the list of persons authorized to receive the subscription warrants on the basis and in accordance with the incentive scheme regulations, and verified the number of warrants awarded to these persons in subsequent tranches. The tranche dates and the total number of warrants in tranches have not changed.
- On 20.03.2019, the Supervisory Board of the Company, acting on the basis of section 11 of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018, agreed upon the uniform text of the Company's Articles of Association.
- On 01.04.2019, acting on the basis of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of series A subscription warrants and for full withdrawal from the existing shareholders of the right to receive series A subscription warrants, entitling their holders to acquire series C shares, and conditional raising of the share capital through issue of series C shares and full withdrawal from the existing shareholders of the right to receive series C shares, and the associated amendment to the Articles of Association of the Company, and in association with the incentive scheme approved by resolution of the Supervisory Board of 14 December 2018, concerning introduction in the Company of an incentive scheme and resolution of the Supervisory Board of 14 December 2018 on appointment of persons authorized on the basis of the incentive scheme and other arrangements, amended by resolution of the Supervisory Board of 19 March

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

2019, the Supervisory Board of the Company allocated the series A subscription warrants of the second tranche in the total number of 208,901 subscription warrants.

- On 04.04.2019, the Issuer received the decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, concerning registration on 28 March 2019 of amendments to the Articles of Association of the Company through the resolution of the Extraordinary General Meeting of the Company on 25 February 2019. The content of amendments to the Articles of Association of ATM S.A. has been attached to the Current Report no. 12/2019 of 04.04.2019 (available at: https://www.atm.com.pl/index.php?id=raporty&eid=88).
- On 05.04.2019, the Issuer received from AAW III Sp. z o.o. (hereinafter: "the Shareholder") a notification of appointment as at 05.04.2019 of Mr. Tomasz Czechowicz as a Member of the Supervisory Board of the Company. The appointment referred to above took place in exercise of the personal authorization of the Shareholder on the basis of section 13 clause 2 letter b) of the Articles of Association of the Company.
- On 18.04.2019, the Management Board of the Issuer informed of its decision of review by the Issuer of strategic options associated with further development of activity of the Issuer. The review will involve consideration by the Management Board of various strategic options in relation to business areas of the Issuer, in particular, searching for acquisition targets, joint venture partners, strategic investors or entering into transactions of a different structure and analysis of ways of employing the potentially acquired assets or measures, as well as lack of activity of the Issuer in association with the options listed above. No decisions associated with selection of a specific strategic option by the Management Board have been made so far, and it is not certain whether and when such decision will be made in the future.
- On 18.04.2019, the Issuer was notified that the General Meeting of Linx Telecommunications Holding B.V. (hereinafter: "Linx") on 17.04.2019 passed a resolution on dividend pay-out. The dividend value was established to be EUR 0.15 per share. The Company holds 2,754,612 shares in Linx and the dividend attributable to the Company amounts to EUR 413,192. The date of dividend pay-out was set as one month from the date of adoption of the resolution by Linx's GM.

NOTE 31. REMUNERATION OF STATUTORY AUDITORS

	End of period 31/12/2018	End of period 31/12/2017
Audit of the financial statements	90	24
Other certification services	111	18
Other services - the agreed procedures associated with verification of bank covenants	4	-
Total	**205**	**42**

NOTE 32. THE INCENTIVE SCHEME

Financial instruments acquired by persons of key importance for implementation of the strategy of the Company on 31.01.2018

On 31 January 2018, persons of key significance for implementation of the Company strategy entered into agreements with two key shareholders of the Company, on the basis of which they acquired derivative financial instruments, related to shares of the Company held by these shareholders. The purpose of conclusion of these agreements was to ensure optimum conditions for long-term increase in value of the Company by motivating the persons of key importance for implementation of the Company strategy to act in the best interest of the Company and its shareholders. These persons acquired rights to receive from these shareholders - under the condition of fulfilment of criteria specified in the agreements (the expected time of sale of shares of the Entity by the controlling shareholders, probability of the transaction at the expected time of exit and remaining in the period of employment) - money in the amount depending on value of Company shares in the future.

The authorized persons were awarded rights in total to 3.9% of increase in the share price above the transaction price. Within the framework of the scheme, 1,338,343 equity instruments were awarded. Valuation of the scheme as of 31 December 2018 resulted in the amount of PLN 3,667,052.

The incentive scheme approved by the Supervisory Board of the Company on 14.12.2018

On 31 October 2018, the EGM of the Company passed a resolution on conditional raising of share capital of the Company by the amount of PLN 1,657,256 through issue of 1,744,480 ordinary series C shares to enable exercising of the rights to acquire shares of the Company from series A subscription warrants. On 31 January 2019, a conditional raising of share capital was recorded by the District Court for the Capital City of Warsaw.

On the basis of the authorization contained in Resolution 3 of the Extraordinary General Meeting of the Company of 31 October 2018, on 14 December 2018, the Supervisory Board of the Company established the issue price for series C shares to amount to PLN 11.00 per share, provided that the issue price would be reduced by an amount equivalent to the total dividend or advances towards dividend per share of the Company, passed by the General Meeting of the Company after 28 June 2018, and in any case, the issue price cannot be reduced below the nominal value of shares of the Company. On the basis of the authorization contained in Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 and in association with the approved incentive scheme, the Supervisory Board established a list of persons authorised to receive subscription warrants on the basis and under conditions specified in the incentive schemes, and specify the dates of allocation of individual tranches of these warrants (14 December 2018, 30 June 2019, 30 September 2019) and the number of warrants allocated in a given tranche (in total: 1,217,064, 208,901, 200,398 and 118,119, respectively).

As a result of establishment of the incentive scheme, referred to above, 1,338,340 warrants were recognised as a modification without a change in the valuation price of derivative instruments awarded on 31.01.2018, while 406,140 warrants were recognised as new equity instruments. The Company valuated the new equity instruments using the Black-Scholes model. Total valuation of 406,140 new equity instruments on the date of their establishment (that is, on 14 December 2018) amounted to PLN 508,1 thousand, including PLN 448,3 thousand charged against payroll costs in 2018, and in relation to 1,338,340 equity instruments awarded on 31.01.2018, the amount of PLN 3,291.6 thousand was charged against payroll costs in 2018. - the services received by the Company do not qualify to be recognised as assets.

Total valuation of incentive schemes at the end of year 2018 amounted to PLN 4,175 thousand.

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

- Date of awarding of instruments: 14.12.2018
- Share price on the awarding date: PLN 8.6
- Expected variability: 32%
- Risk free interest rate: 1.8%
- Expected average lifetime of instruments: 1.55 years after granting date.

The expected variability was estimated taking into account the historical average variability of share prices of the Company.

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

According to the definition provided in IFRS 2, the incentive scheme includes payment transactions in form of shares, settled in equity instruments.

NOTE 33.
CORRECTIONS OF PRIOR PERIOD ERRORS

Corrections of prior period errors: 1.01.2017 and 31.12.2017 – pertaining to book value of investment in Linx related entity

In the previous periods, the financial results of Linx Telecommunications Holding B.V. (hereinafter: „Linx") departed significantly from the financial results budgeted by the management board of Linx, which has been considered by the Issuer as emergence of symptoms indicating loss of value of investment in Linx shares. The

Issuer estimated recoverable value on the dates ending the previous reporting periods on the basis of estimation of discounted, forecast cash flows from operating activity of Linx, constituting usable value of the investment. On the basis of the above estimate, the Issuer made a write-down of the book value included in the statement of financial position up to the estimated recoverable value.

After publication of their financial statement for year 2017, the Issuer obtained from Linx company information on the intention to sell all operating assets held and to change presentation of these assets in the financial statement of Linx to discontinued activity, which resulted in the necessity to change the method for estimation of recoverable value of Linx shares.

According to requirements of IAS 36 Impairment of assets, the recoverable value of assets constitutes the higher of the two: usable value and fair value reduced by costs of sale. In 2018, the Management Board conducted a valuation of investment in Linx to fair value, reduced by costs of sale as at 30 June 2018 and as at dates ending the previous comparative periods. The fair values determined, reduced by costs of sale, turned out to be higher than usable value, previously recognised as the recoverable value; in particular, the Issuer determined the recoverable value of investment in Linx's shares as at 30 June 2018 at the level of PLN 53.5 million (that is, 1.3 PLN more in comparison with the original valuation at the end of year 2017). In association with the above, the Issuer adjusted the book value of investment in Linx at the end of individual reporting periods to the established fair value, reduced by costs of sale as the appropriate recoverable value of shares in Linx.

In addition, after obtaining current information from Linx, due to low probability of realisation of the asset based on deferred tax recognised in association with the recognised impairment of investment in Linx, the Issuer decided to adjust the book value of the asset based on deferred income tax and recognise the effects of this change in the proper period, in which deferred tax assets were recognised.

Adjustments pertaining to shares in Linx affiliate have been marked in tables below in headings of appropriate columns with number (1).

Other corrections of prior period errors: 1.01.2017 and 31.12.2017

Notwithstanding the corrections described above with regard to the book value of Linx, the Issuer has included in this statement the following corrections of prior period errors:

- changes in presentation of selected balance sheet items (reclassification between short- and long-term assets/ liabilities and between fixed tangible assets and intangible assets) - marked in headings of appropriate columns of tables presented below with number (2);

- adjustment of value of depreciation incorrectly calculated for increase of tangible fixed assets - the error was caused by ERP system failure to operate in accordance with the assumptions made - marked in headings of appropriate columns of tables presented below with number (3);

- transfer of costs of payment on behalf of Orange S.A. with regard to amenities for the disabled - originally recognised in year 2018, while it should have been charged against the costs for year 2017 - marked in headings of appropriate columns of tables presented below with number (4);

- adjustment of the provision for leave (5);

- adjustment of deferred task as a result of recognition of other adjustments (6);

- adjustment of the credit pricing according to corrected purchase price (7).

All corrections described above along with their values have been presented in detail in the tables below (divided into appropriate periods).

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

Statement of financial position as at 01.01.2017	**Closing balance 01/01/2017 (before corrections)**	**Adjustment of Link equity (1)**	**Adjustment of Linx valuation as at 01.01.2018 (1)**	**Adjustment of deferred income tax asset (1)**	**Adjustment of ATM equity - comprehensive income**	**Adjustment of ATM equity - net profit (loss)**	**Clo bala 01/0 (a corre**
Fixed assets	**381,148**	**742**	**13,754**	**-**	**-**	**-**	
Investments in associates valuated using the equity method	41,073	742	13,754				
Total assets	**399,617**	**742**	**13,754**				
Equity	**224,670**				**827**	**9,410**	
Retained earnings	5,068				827	9,410	
Long-term liabilities	**122,065**			**4,259**			
Provision for deferred tax	1,312			4,259			
Total equity and liabilities	**399,617**			**4,259**	**827**	**9,410**	

Income statement and Statement of comprehensive income for year 2016	**For the period 01/01-31/12/2016 (prior to corrections)**	**Adjustment of Link equity (1)**	**Adjustment of Linx valuation as at 01.01.2018 (1)**	**Adjustment of deferred income tax asset (1)**			**For period 31/1 (a corre**
Share in the profit or loss of equity-accounted entities	1,986	(85)					
Financial expenses	21,957		(13,754)				
Profit (loss) before tax	**(10,916)**	**(85)**	**13,754**	**-**	**-**	**-**	
Income tax	(1,126)			4,259			
Net profit (loss) on continued operations	**(9,790)**	**(85)**	**13,754**	**(4,259)**	**-**	**-**	
Net profit (loss)	(9,790)	(85)	13,754	(4,259)	-	-	
Net profit (loss)	**(9,790)**	**(85)**	**13,754**	**(4,259)**	**-**	**-**	
Other comprehensive income that may be reclassified to profit or loss	**2,662**	**827**	**-**	**-**	**-**	**-**	
Share in other comprehensive income of affiliates	2,662	827					
Total comprehensive income	**(7,128)**	**742**	**13,754**	**(4,259)**	**-**	**-**	

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

Statement of financial position as of 31.12.2017	End of period 31/12/2017 (before corrections)	Adjustment as of 01/01/2017 (see above)	Changes in presentation of assets and liabilities (except for Linx) (2)	Adjustment of value of depreciation on increase of tangible fixed assets (3)	Recognition of additional payments for Orange S.A. (UKE) for years 2009-2010 on the turn of 2017-2018 (4)	Adjustments applicable to Linx (1)	Adjustment of ATM equity - comprehensive income	Adjustment of ATM equity - net profit (loss)	Adjustment of provision for leaves (5)	Deferred tax adjustment (6)	Loan valuation according to SCN (7)	En pe 31/1 (a corre
Fixed assets	**395,516**	**14,496**	**999**	**(482)**	**-**	**(13,216)**	**-**	**-**	**-**	**-**	**-**	**3**
Intangible assets	8,329	-	379	-	-	-	-	-	-	-	-	
Tangible fixed assets	334,747	-	(379)	(482)	-	-	-	-	-	-	-	3
Investments in associates consolidated using the equity method	52,194	14,496	-	-	-	(13,216)	-	-	-	-	-	
Other fixed assets	245	-	999	-	-	-	-	-	-	-	-	
Current assets	**26,659**	**-**	**(999)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Financial assets held for trading	35	-	-	-	-	-	-	-	-	-	-	
Trade and other receivables	17,291	-	(500)	-	-	-	-	-	-	-	-	
Income tax receivables	168	-	-	-	-	-	-	-	-	-	-	
Other current assets	2,098	-	(499)	-	-	-	-	-	-	-	-	
Cash and cash equivalents	7,067	-	-	-	-	-	-	-	-	-	-	
Total assets	**422,175**	**14,496**	**-**	**(482)**	**-**	**(13,216)**	**-**	**-**	**-**	**-**	**-**	**4**
Equity	**248,304**	**10,237**	**-**	**-**	**-**	**-**	**5,659**	**(18,220)**	**-**	**-**	**-**	**2**
Share capital	34,723	-	-	-	-	-	-	-	-	-	-	
Supplementary capital from share premium	123,735	-	-	-	-	-	-	-	-	-	-	1
Reserve capital	61,144	-	-	-	-	-	-	-	-	-	-	
Retained earnings	28,702	10,237	-	-	-	-	5,659	(18,220)	-	-	-	
Long-term liabilities	**125,230**	**4,259**	**337**	**-**	**-**	**(2,113)**	**-**	**-**	**-**	**(165)**	**604**	**1**
Long-term loans and borrowings	101,375	-	-	-	-	-	-	-	-	-	604	1
Provision for deferred tax	5,441	4,259	-	-	-	(2,113)	-	-	-	(165)	-	

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

Long-term trade and other liabilities	13,101	-	337	-	-	-	-	-	-	-	-	
Other financial liabilities	5,313	-	-	-	-	-	-	-	-	-	-	
Short-term liabilities	**48,642**	**-**	**(337)**	**-**	**272**	**-**	**-**	**-**	**265**	**-**	**-**	
Bank loans and borrowings	16,321	-	-	-	-	-	-	-	-	-	-	
Trade and other liabilities	27,658	-	(337)	-	272	-	-	-	265	-	-	
	4,662	-	-	-	-	-	-	-	-	-	-	
Total equity and liabilities	**422,175**	**14,496**	**-**	**-**	**272**	**(2,113)**	**5,659**	**(18,220)**	**265**	**(165)**	**604**	
Income statement and statement of comprehensive income for year 2017	**For the period 01/01–31/12/2017 (before corrections)**			**Adjustment of value of depreciation on increase of tangible fixed assets (3)**	**Recognition of additional payments for Orange S.A. (UKE) for years 2009-2010 on the turn of 2017-2018 (4)**	**Linx equity adjustment (1)**			**Adjustment of provision for leaves (5)**	**Deferred tax adjustment (6)**	**Loan valuation according to SCN (7)**	**Fo pe 01 31/1 (a corre**
Sales revenue	**132,985**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cost of sales (variable)	57,226	-	-	-	-	-	-	-	-	-	-	
Sales revenue	**75,759**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Other operating revenue	432	-	-	-	-	-	-	-	-	-	-	
General and administrative expenses	60,354	-	-	482	272	-	-	-	265	-	-	
Other operating expenses	1,305	-	-	-	-	-	-	-	-	-	-	
Operating profit (loss)	**14,531**	**-**	**-**	**(482)**	**(272)**	**-**	**-**	**-**	**(265)**	**-**	**-**	
Share in the profit or loss of equity-accounted entities	8,284	-	-	-	-	321	-	-	-	-	-	
Revenue from subsidies	1,554	-	-	-	-	-	-	-	-	-	-	
Financial revenue	15,112	-	-	-	-	(14,841)	-	-	-	-	-	
Financial expenses	6,189	-	-	-	-	4,355	-	-	-	-	604	
Profit (loss) before tax	**33,292**	**-**	**-**	**(482)**	**(272)**	**(18,875)**	**-**	**-**	**(265)**	**-**	**(604)**	

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

Income tax	5,294	-	-	-	-	(2,113)	-	-	-	(165)	-
Net profit (loss) on continued operations	**27,997**	**-**	**-**	**(482)**	**(272)**	**(16,762)**	**-**	**-**	**(265)**	**165**	**(604)**
Net profit (loss)	27,997	-	-	(482)	(272)	(16,762)	-	-	(265)	165	(604)
Net profit (loss)	**27,997**	**-**	**-**	**(482)**	**(272)**	**(16,762)**	**-**	**-**	**(265)**	**165**	**(604)**
Other comprehensive income that will not be reclassified to profit or loss	**(4,363)**	**-**	**-**	**-**	**-**	**5,659**	**-**	**-**	**-**	**-**	**-**
Share in other comprehensive income of affiliates	(4,363)	-	-	-	-	5,659	-	-	-	-	-
Total comprehensive income	**23,634**	**-**	**-**	**(482)**	**(272)**	**(11,103)**	**-**	**-**	**(265)**	**165**	**(604)**

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board		30.04.2019
	....		
Tomasz Galas Vice-President of the Management Board		30.04.2019	

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	30.04.2019	

THE MANAGEMENT BOARD'S REPORT ON THE ISSUER'S OPERATIONS IN 2018

INFORMATION SPECIFIED IN THE ACCOUNTING REGULATIONS

1. Key Performance Indicator - profit EBITDA

Staring from the Annual Report for Year 2017, the Issuer uses the definition of EBITDA (as the alternative measure of the result) adapted to the management reporting requirements introduced at ATM from the beginning of 2017 (enabled, among other things, by the implementation of a new ERP-class system). The details and reconciliation of EBITDA to the items from the Income Statement have been presented below. EBITDA is not defined by IFRS and can be calculated differently by different entities.

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

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

- costs related to bank fees and commissions (of total value of PLN 57 thousand in 2018 and PLN 35 thousand in 2017)– due to their non-operating nature – presented in the table below under "general and administrative expenses";

- real property tax and other government levies of total value of PLN 891 thousand in 2018 and PLN 725 thousand in 2017 (including amounts 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";

- loss (gain) incurred in connection with the disposal/revaluation of fixed assets (due to the non-cash nature of such losses/gains) of total value of PLN 146 thousand in 2018 and PLN 794 thousand in 2017 – presented in the table below under "other operating expenses (income)".

- payroll costs based on valuation of derivative instruments awarded to key employees of the Company within the framework of the incentive scheme (see next note) of value of PLN 3 740 thousand in 2018 - due to their non-cash nature - presented in the table below under "general and administrative costs";

- valuation write-downs on trade receivables estimated according to IFRS 9 (due to their non-cash nature - provisions) of total value o PLN 392 thousand in 2018 and PLN 481 thousand in 2017 - presented in the table below under "other operating expenses (revenues)".

	For the period 01/01–31/12/2017 (according to approved FS - before restatement)	For the period 01/01–31/12/2017 (restated)	Difference	For the period 01/01–31/12/2018 (before restatement)	For the period 01/01–31/12/2018 (restated)	Difference
Operating profit (loss)	**13,512**	**13,512**	**-**	**7,475**	**7,475**	**-**
Depreciation and amortisation	26,727	26,727	-	34,264	34,264	-
EBITDA	**40,239**			**41,740**		
Adjustments, of which:	**-**	**5,312**	**5,312**	**-**	**6,339**	**6,339**
General and administrative expenses	-	761	761	-	4,688	4,688
Other operating expenses (income)	-	1,275	1,275	-	537	537
Restructuring costs	-	3,277	3,277	-	1,113	1,113
EBITDA after adjustment	**40,239**	**45,551**	**5,312**	**41,740**	**48,078**	**6,339**

2. 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 2018, growth of revenues from ATM sales increased to around 3% y/y, which - like in the previous periods - can be attributed to the Data Center Services Segment (more details in the section on results of individual segments - see below). Thanks to consistent efforts towards increasing cost efficiency, profitability of the Issuer’s sales in the previous year increased by approximately 2.1 p.p. – (to 59%), which in combination with increase in revenues translated to increased profit from sales by 6.5% y/y (growth by around PLN 5 million during year 2018).

General and administrative expenses excluding amortisation and depreciation (as a non-cash item) increased by about 11% y/y. (by about PLN million 3.8), which is mainly due to:

- increase in employee costs, consisting of basic salaries, charges, bonuses and other costs associated with maintenance of a highly qualified staff - year to year, these increased by around 10% (+PLN 2.3 million y/y), which was caused mainly by the need to develop competences in the key areas of operating activity of the Company;

- recognition in 2018 of valuation costs of derivative instruments associated with the incentive scheme for the managerial staff (non-cash item) in the amount of PLN 3.7 million (no such costs were recorded in year 2017).

The final amount of profit EBITDA of ATM in 2018 reached PLN 48.1 million (+6% y/y), and traditionally it was based almost entirely on a repeatable stream of revenues - more than 97.5% of total revenues of the Company in the previous year constituted of subscription-based revenues.

The final value of net profit of the Issuer was also influenced by reversal of the impairment write-down made in Q4 2018 for shares of the affiliate Linx Telecommunications Holding B.V. in the amount of PLN 1 902 thousand, recognised at the level of financial revenues in the Income Statement of the Issuer.

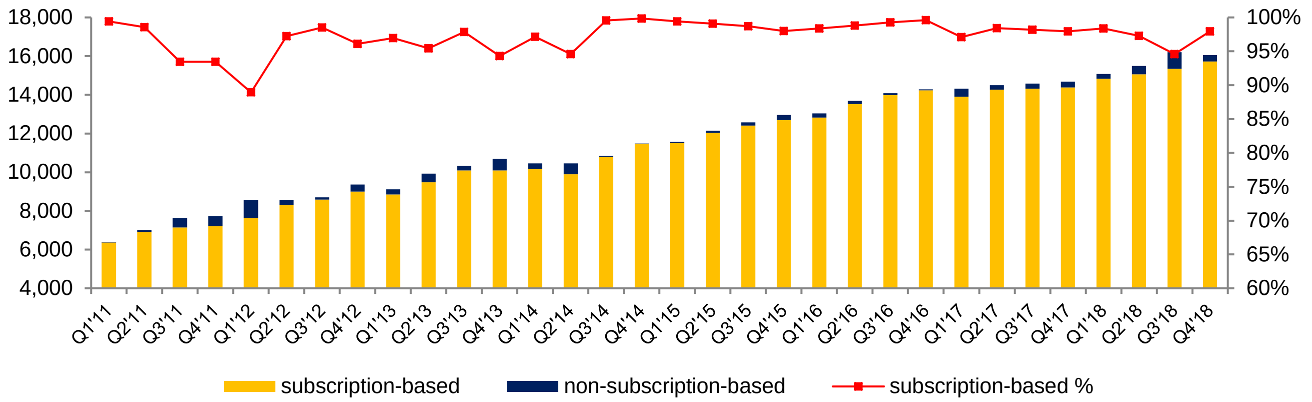
In the past year, the Issuer incurred total investment expenditures of approx. PLN 29 million, thus slightly exceeding the investment budget planned for that year. The Company continued its investment policy in the data center and telecommunication services segments (based on fibre optic network infrastructure) and continued to implement the projects commenced in 2016, aimed at modernization of internal IT systems. In addition, the project of modernisation of the main ATM campus at ul. Grochowska street in Warsaw was completed. Net debt of the issuer (upon deduction of the cash balance) at the end of year 2018 increased by around PLN 86 million in comparison with the previous year, which was mainly caused by dividend pay-out in year 2018 on behalf of shareholders of the Company (PLN 89.4 million). Despite such substantial dividend, the financial position and liquidity of ATM are stable and secure, among other things, thanks to the successfully completed project of refinancing of its entire indebtedness in bank loans, of which the Issuer informed in RB no. 19/2018 of 28.06.2018.

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

Data Center Services Segment

data in PLN thousand	Q1’17	Q2’17	Q3’17	Q4’17	Q1’18	Q2’18	Q3’18	Q4’18
Revenues from the Data Center Services Segment	**14,324**	**14,501**	**14,586**	**14,673**	**15,073**	**15,486**	**16,213**	**16,051**
including subscription-based revenues	13,906	14,270	14,319	14,378	14,826	15,067	15,336	15,720

Revenues from the Data Center Services Segment [PLN thousand[



In 2018, revenues in the Data Center Services Segment increased by 8% in relation to the previous year (+ PLN 4.7 million - to PLN 62.8 million), which resulted mainly from:

- maintaining of a quick pace of growth in sales of dedicated server services (around 14% y/y), supported by very dynamic development of cloud-based services (Atman Cloud - growth by almost 40% y/y);

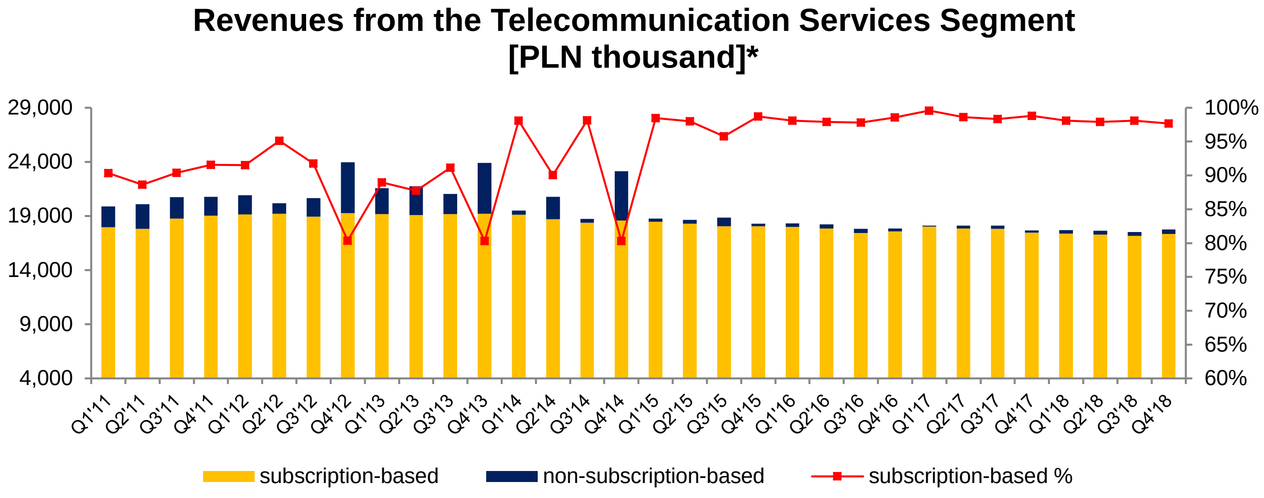
- increase in subscription-based revenues associated with the so-called basic colocation services (Rack, Box, Data Room) by around 6% y/y;

- a big contract for sale of telecommunication equipment, which was linked to a substantial broadening of cooperation with one of the key accounts for data center services (which, in combination with other non-subscription-based revenues generated around PLN 650 thousand of increase in sales y/y).

Maintaining of discipline in the area of direct costs of maintenance of data centers, increase in energy consumption costs by ATM server rooms proportional to increase in revenues, as well as one-off costs of purchase of equipment within the framework of the transaction for sale of equipment, referred to above - all of these factors led to a decrease in profitability of sales in the segment (by 0.3 p.p. y/y to 68.5%), while the Segment Margin increased by almost 7.5% y/y, reaching PLN 38.7 million.

Telecommunications Services Segment

data in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Total revenues from the Telecommunications Services Segment	**18,854**	**18,757**	**18,813**	**18,477**	**18,398**	**18,388**	**18,359**	**18,652**
including subscription-based revenues	18,778	18,504	18,514	18,260	18,062	18,021	18,024	18,232



**after exclusion of revenues generated outside the basic segments of operation (from sale of administrative services) - recognised in periodic reports before year 2018 in the segment "Other"*

In the entire year 2018, revenues from sale in the Telecommunication Services Segment amounted to PLN 73.8 million and dropped in comparison with year 2017 by PLN 1.1 million (-1.5% y/y). Subscription-based revenues, on the other hand, dropped by PLN 1.7 million (-2.3% y/y), which was mainly due to:

- a decrease in revenues from transmission services by about PLN 1.6 million (-3.4% y/y), mainly in the wholesale (operator) part;
- a decrease in revenues from voice services by about PLN 0.22 million (-14% y/y);
- increase in revenues from Internet access services by around PLN 0.17 million (+0.7% y/y).

Decrease in the area of subscription-based revenues was largely offset by one-off revenues, which amounted to PLN 1.5 million in year 2018 (+PLN 0.6 million y/y - it should be kept in mind that from the beginning of year 2018, accordingly with IFRS 15, installation/ activation revenues associated with subscription-based services are recognised over time according to average term of contracts with the clients).

Costs of sales of the Telecommunication Services Segment were reduced by as much as 8% y/y, mainly due to renegotiation of costs associated with maintenance of the network equipment and costs associated with the so-called fibre optic network backbone and its servicing.

As a result of the circumstances described above, profitability of sales in the segment exceeded the threshold of 50% (+3,2 p.p. y/y), and the sales margin increased by more than 5% y/y and constituted around 47% of the total margin from sales of the Issuer. The Segment Margin showed even greater dynamics (+8% y/y), thanks to the additional positive contribution of limitation of internal costs associated directly with performance of services for clients.

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

- On 19.03.2018, the Issuer received a decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, concerning registration on 14 February 2018 of amendments to the Articles of Association of the Company, introduced by a resolution of the Extraordinary General Meeting of the Company on 21 December 2017. The content of amendments to the Articles of Association of ATM S.A. has been attached to the current report no. 04/2018 of 19.03.2018 (available at: https://www.atm.com.pl/raporty_view.php?id=raporty&more=1&nid=3778).
- On 02.05.2018, the Management Board of the Company received information that Mr. Tadeusz Czichon, the Chairman of the Supervisory Board of ATM S.A., had died on 1 May 2018.
- On 09.05.2018, the Management Board of the Company received from Saturn TFI S.A., acting in the name and on behalf of ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter: "the Fund") a notification of appointment on 09.05.2018 of Mr. Przemysław Czichon as a Member of the Supervisory Board of the Company and as the Chairman of the Supervisory Board. The appointment, referred to above, constituted exercise of personal entitlements of the Fund based on art. 13 section 2 clause a) of the Articles of Association of the Company.
- On 06.06.2018, the Company received information on appointment by the Supervisory Board of ATM S.A. of Mr. Maciej Kowalski as a member of the Audit Committee.
- On 11.06.2018, the Supervisory Board of the Company, acting on the basis of § 15 section 2 letter g) of the Articles of Association, selected the entity to perform a review and audit of financial statements of ATM S.A. for year 2018 and 2019. The selected entity was KPMG Audyt Spółka z ograniczoną

odpowiedzialnością sp.k. with a registered office in Warsaw, ul. Inflancka 4A, entered on the list of entities authorized to audit financial statements, announced by the National Council of Statutory Auditors, under the number 3546. The contract with the auditing company was concluded for two years.

- On 28.06.2018, documentation was signed in association with refinancing of debt of the Company. The parties to the transaction were the Company (as the borrower) and the following banks: mBank S.A. as the credit agent and the original creditor and ING Bank Śląski S.A. as the agent for securities and the original creditor ("the Banks"). The objective of this transaction was to ensure long-term financial security of the Company by adapting the size and structure of financing with external capital to the needs of the Issuer and to enable financing of dividend pay-out by the Company (provided that the decision to pay divided is made by the General Meeting of the Company). One of the components of the transaction under concern was early repayment of existing debt due to all loans granted to the Company by the following banks: mBank S.A. and Bank Zachodni WBK S.A.
- On 29.06.2018, the Ordinary General Meeting of the Company passed a resolution on allocation of the amount of PLN 89,404,626.24 to dividend pay-out (equivalent to PLN 2.46 per share). The number of shares subject to dividends amounted to 36,343,344. At the same time, the General Meeting established 10.08.2018 as the dividend date and 17.08.2018 as the dividend pay-out deadline.
- On 03.10.2018, the Management Board of ATM received from Mr. Przemysław Czichon his resignation from the function of a Chairman of the Supervisory Board of the Company, effective on the date of the nearest General Meeting of the Company.
- On 31.10.2018, the Extraordinary General Meeting of the Issuer passed a resolution on amendment of the Articles of Association of ATM S.A. Amendments to the Articles of Association of the Company passed by the EGM was attached to the Current Report no. 45/2018 of 31.10.2018 (available at: https://www.atm.com.pl/raporty_view.php?id=raporty&more=1&nid=3838).
- On 31.10.2018, the Extraordinary General Meeting of the Company dismissed Mr. Przemysław Czichon from the Supervisory Board of the Company, appointed Mr. Sebastian Millinder as a Member of the Supervisory Board and appointed Mr. Mariusz Grendowicz as the Chairman of the Supervisory Board of the Company.
- On 14.12.2018, acting on the basis of the power of attorney provided in Resolution 3 of the Extraordinary General Meeting of the Company of 31 October 2018 on introduction of an incentive scheme in the Company and on the basis of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of series A subscription warrants and for full withdrawal from the existing shareholders of the right to receive series A subscription warrants, entitling their holders to acquire series C shares, and conditional raising of the share capital through issue of series C shares and full withdrawal from the existing shareholders of the right to receive series C shares, and the associated amendments to the Articles of Association of the Company, the Supervisory Board approved the incentive scheme. Acting on the basis of Resolution 4 of the EGM, referred to above, the Supervisory Board established the issue price of the new shares at PLN 11.00 per share (in words: eleven zlotys), provided that the issue price would be reduced by the amount equivalent to the total dividend or advances towards the dividend per share of the Company, passed by the General Meeting of the Company after 28 June 2018, and that the issue price must not under any circumstances be reduced below the nominal value of shares of the Company. On the basis of Resolution 4 of the EGM of the Company, referred to above, and in association with the approved incentive scheme, the Supervisory Board prepared a list of persons entitled to receive subscription warrants on the basis and under the conditions specified in the incentive scheme, and specified the dates of allocation of individual warrant tranches (14 December 2018, 31 March 2019, 30 June 2019, 30 September 2019) and the number of warrants allocated in each tranche (in total: 1,217,064, 208,901, 200,398 and 118,119, respectively). on the basis of Resolution 4 of the Extraordinary General Meeting of the Company of 31 October 2018 on issue, for the purpose of implementation of the incentive scheme, of series A subscription warrants and for full withdrawal from the existing shareholders of the right to receive series A subscription warrants, entitling their holders to acquire series C shares, and conditional raising of the share capital through issue of series C shares and full withdrawal from the existing shareholders of the right to receive series C shares, and the associated amendments to the Articles of Association of the Company and in association with the incentive scheme approved by the resolution of the Supervisory Board of 14 December 2018 concerning introduction of an incentive scheme at the Company and through resolution of the Supervisory Board of 14 December 2018 on determination of persons entitled on the basis of the incentive schemes and other arrangements, on 14.12.2018 the Supervisory Board of the Company allocated series A subscription warrants of the first tranche in the total number of 1,217,064 subscription warrants.

3. Expected development of the entity

The results achieved by the Issuer in 2018 are nearly entirely based on the recurring stream of revenue, which means that they should be improved regularly in subsequent periods. The dynamics of this growth will substantially depend on 2 factors:

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

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

4. Major research and development achievements

In 2018, ATM S.A. did not conduct any significant, distinct research and development works.

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

5. Current and forecast financial position

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

6. Purchase of treasury shares

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

7. Branches held by the entity

The Company has no branches conducting independent business activity.

8. Information on used financial instruments

Details of operating lease contracts have been provided in Note 25 to the financial statement.

Besides, the Company uses financial lease in order to purchase equipment for the expansion of its telecommunication infrastructure. The lease periods range from 3 to 5 years. The value of the leased asset is denominated in PLN (details are described in Note 24 to the financial statements).

ATM S.A. uses loans, which are described in detail in Note 20 to the financial statements. The Company concluded the interest rate swap transaction (IRS) described in Note 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 2018 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]	2018	2017	change %
Sales revenue	136,620	132,985	3%
Sales margin	80,653	75,759	6%
Operating profit	7,475	13,512	-45%
EBITDA	48,078	45,552	6%
Gross profit (loss)	3,269	12,793	-74%
Net profit (loss)	2,019	9,777	-79%

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 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 experience so far shows that the Issuer's situation concerning staff is stable, the employees and managers are involved in the development of the company.

Risk associated with forecasts and planning

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

Risk associated with strong competition

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

OTHER INFORMATION

1. Information concerning core products

Within the period covered by this Report, the Issuer provided services in 2 core operating segments: the Data Center Services Segment and the Telecommunications Services Segment. Detailed information concerning products in the operating segments listed above has been presented in Note 3 to the financial statement.

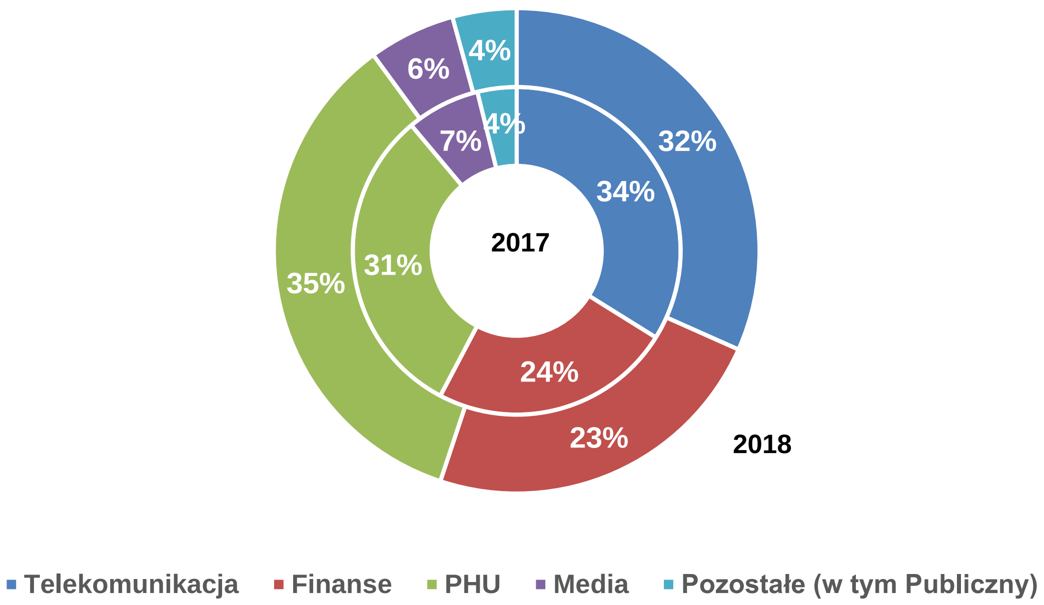
2. Information on sales markets and sources of supply

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

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

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

The structure of revenues of the Issuer in years 2017-2018 according to sector:



As in previous years, the Company has a highly diversified portfolio of customers, which materially protects the interests of the Issuer. In 2018, 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 2018, as in previous years, the Company did not rely on a small group of suppliers. In no case did transactions with a single counterparty exceed the threshold of 10% of total purchases (the only exception are energy purchases, constituting the key cost for activity in the data center services segment).

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

On 28.06.2018, contracts were concluded for refinancing of debt of the Company (detailed information can be found in Note 30 to the Financial Statement above and in the current report no. 19/2018 of 28.06.2018).

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

As at the date of publication of the annual report, the Issuer held shares constituting 21.02% of the share capital of Linx Telecommunications Holding B.V. (investment of year 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.

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

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

	End of period 31/12/2018	End of period 31/12/2017
Bank guarantees on behalf of other entities:		
Bank guarantees granted by the bank on the order of the Company:	196	309
- performance bonds and tender bonds	196	309
Credit repayment securities		
Security by pledge	45,267	41,796
Promissory notes and mortgages:	110,408	110,857
- bank loan securities	110,408	110,857
Total	**155,871**	**152,962**

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 2018, tender bonds and performance bonds included guarantees granted by mBank S.A. amounting to PLN 196 thousand.

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

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

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

The Issuer did not publish any forecast of 2018 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. The most important activity of the Issuer in this regard was development of the Atman Data Center at Grochowska Street in Warsaw, which was the biggest investment project in history of activity of the Issuer (ATM Innovation Center Project). This project was completed in 2015. In addition, the Company simultaneously developed the Thinx Poland Data Center (at present: Atman Data Center Warsaw-2) at Konstruktorska Street in Warsaw, by systematically equipping and commissioning new server room modules.

After the investment projects implemented in year 2015, the Company presently has at its disposal nearly 8 thousand square meters of colocation space, which is occupied by clients in about 65%. In addition, it is possible to increase the supply of space quickly by another net 1.5 thousand m^2 thanks to development of the Data Center located at Konstruktorska Street 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 dedicated server 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 2018

Unusual circumstances affecting the Issuer's results for 2018 included:

- costs associated with restructuring of the Issuer in the amount of PLN 1,113 thousand;
- reversal of the impairment write-down of shares in associate Linx Telecommunications Holding B.V. in the amount of PLN 1,902 thousand, which took place in the 4th quarter of year 2018 and was recognised at the level of financial revenues of the Issuer's Income Statement;
- recognition of costs of valuation of derivative instruments associated with the incentive scheme for the key managerial staff (PLN 3,740 thousand - non-cash item).

14. Description of external and internal factors important for the development of the Issuer's Company, the approved development strategy of the Issuer, the steps made towards its implementation 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 (colocation) services.

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

- 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 colocation space offered will strengthen ATM's leading position on the domestic data center market and will bring a tangible result in the increase of revenue and profits in the next financial periods.

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

In 2018, 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 2018

- On 02.05.2018, the Management Board of the Company received information that Mr. Tadeusz Czichon, the Chairman of the Supervisory Board of ATM S.A., had died on 1 May 2018.
- On 09.05.2018, the Management Board of the Company received from Saturn TFI S.A., acting in the name and on behalf of ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter: "the Fund") a notification of appointment on 09.05.2018 of Mr. Przemysław Czichon as a Member of the Supervisory Board of the Company and as the Chairman of the Supervisory Board. The appointment, referred to above, constituted exercise of personal entitlements of the Fund based on art. 13 section 2 clause a) of the Articles of Association of the Company.
- On 06.06.2018, the Company received information on appointment by the Supervisory Board of ATM S.A. of Mr. Maciej Kowalski as a member of the Audit Committee.
- On 03.10.2018, the Management Board of ATM received from Mr. Przemysław Czichon his resignation from the function of a Chairman of the Supervisory Board of the Company, effective on the date of the nearest General Meeting of the Company.
- On 31.10.2018, the Extraordinary General Meeting of the Company dismissed Mr. Przemysław Czichon from the Supervisory Board of the Company, appointed Mr. Sebastian Millinder as a Member of the Supervisory Board and appointed Mr. Mariusz Grendowicz as the Chairman of the Supervisory Board of the Company.

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 2018, total remuneration paid to each member of the Issuer's managing and supervisory bodies was as follows (in PLN thousand):

Management Board of ATM S.A.	
Galas Tomasz*	498,284
Koszołko Sławomir*	726,878
	1,225,162
Supervisory Board of ATM S.A.	
Czichon Przemysław (since 09.05.2018)	34,800
Czichon Tadeusz (until 01.05.2018)	24,000
Głębocki Przemysław	48,000
Grendowicz Mariusz	76,000
Jacygrad Tomasz	48,000
Kowalski Maciej	48,000
Millinder Sebastian (since 01.11.2018)	8,000
Sieluk Piotr*	540,000
	826,800

*these persons were included in the incentive scheme described in Note 32 to the financial statements The value of equity instruments awarded to these persons according to the assumed share price of the Company as at 31.12.2018 amounted to 0 PLN.

Total valuation of 406,140 new equity instruments on the date of their establishment (that is, 14 December 2018) is PLN 508.1 thousand, including the amount of PLN 448.3 thousand charged against payroll costs for 2018, and in relation to 1,338,340 equity instruments disclosed in the semi-annual report of the Company for the first half of year 2018, the amount of PLN 3291.6 thousand was charged against the payroll costs for 2018.

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 2018, 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.

Summary information for year 2018 on remuneration for persons occupying managerial positions and Members of the Management Board has been presented in the table below:

General information	number of persons	Total remuneration [PLN thousand]			
		Fixed	Variable	Cash	Financial instruments
Members of the Management Board	2	1,225	1,946	1,225	1,946
Other persons holding managerial positions	39	5,465	2,660	7,231	894

Moreover, in 2018, the key managerial staff of the Company was included in the incentive scheme, described in detail in Note 34 to the financial statements.

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

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

- mobile phone,

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

- access to additional medical insurance,

- access to courses and trainings.

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

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

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

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

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

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

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

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

The Issuer does not have any detailed information on agreements which may result in future changes in the proportions of shares held by the existing shareholders except the incentive scheme for the managerial staff of the Issuer, of which the Company informed in its current reports no. 47/2018 of 31.10.2018 and 50/2018 and 51/2018 of 14.12.2018.

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

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

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

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

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

The Issuer has no knowledge of any restrictions on the execution of voting rights carried by the Issuer's shares. The Issuer also has no knowledge of any restrictions on the transfer of ownership rights in the Issuer's securities, with the exception of restrictions on sale of subscription warrants issued within the framework of the incentive scheme, of which the Issuer informed in the current reports no. 47/2018 of 31.10.2018 and 50/2018 and 51/2018 of 14.12.2018.

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

The Issuer is not a party to any court, arbitration or administrative proceedings.

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

On 31 July 2018, the Issuer concluded audit contracts with the entity authorised to audit financial statements — KPMG Audyt Sp. z o.o. sp. k.

Subject matter of the agreement:

- review of interim financial statements of the Issuer for the period from 1 January to 30 June 2018 and 1 January to 31 December 2019 (due date of the service has been specified as 10 September 2018 and 10 September 2019, respectively);

  audit of annual financial statements of the Issuer for the periods from 1 January until 31 December 2018 and from 1 January until 31 December 2019 (due date of the service has been specified as 20 April 2019 and 30 April 2020, respectively);

The remuneration under the contract for a review of the interim financial statements for the period from 1 January to 30 June 2018 and audit of the annual financial statements for the period from 1 January to 31 December 2018 amounted to net PLN 120,000.

The remuneration under the contract for a review of the interim financial statements for the period from 1 January to 30 June 2019 and audit of the annual financial statements for the period from 1 January to 31 December 2019 amounted to net PLN 120,000.

The Issuer had not previously used services of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with regard to review and audit of financial statements.

The audit company was selected on 11.06.2018 by the Supervisory Board of ATM S.A. in accordance with the legal provisions and professional standards in force, as well as after completion by the Management Board of the Company of the procedure based on the "Policy and procedure for selection of audit firm to audit financial statements of ATM S.A.". Selection of the Supervisory Board was consistent with the recommendation of the Audit Committee of the Supervisory Board of ATM S.A.

In year 2017, the consideration for the previous entity reviewing and auditing the financial statements of the Issuer amounted to:

- net PLN 13,000 for the review of the condensed separate financial statements for the period from 1 January to 30 June 2017;
- net PLN 24,000 for the audit of the separate financial statements for the period from 1 January to 31 December 2017.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

First and last name	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	30.04.2019	....
Tomasz Galas	Vice-President of the Management Board	30.04.2019	....

STATEMENT AND INFORMATION OF THE MANAGEMENT BOARD

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

Warsaw, 30 April 2019

First and last name	**Position/function**	**Date**	**Signature**
Daniel Szcześniewski	President of the Management Board	30.04.2019	....
Tomasz Galas	Vice-President of the Management Board	30.04.2019	....

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

a) the audit firm and members of the team performing the audit fulfilled the conditions for expressing an impartial and independent opinion about the audited annual financial statements pursuant to applicable professional regulations and standards, as well as principles of professional ethics,

b) the mandatory laws on rotation of audit firms and the key auditor and the mandatory periods of grace have been followed,

c) the Issuer has developed a policy for selection of an audit firm and a policy of rendering on behalf of the Issuer by the audit firm, affiliate of the audit firm or a member of its network of additional services other than audit, including services conditionally released from the prohibition to be rendered by the audit firm.

Warsaw, 30 April 2019

First and last name	**Position/function**	**Date**	**Signature**
Daniel Szcześniewski	President of the Management Board	30.04.2019	....
Tomasz Galas	Vice-President of the Management Board	30.04.2019	....

STATEMENT OF THE SUPERVISORY BOARD

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

a) the Company follows the legal provisions on appointment, composition and functioning of the audit committee, including fulfilment by its members of the criteria of independence and requirements with regard to knowledge and skills in the trade of operation of the Company, as well as accounting or auditing of financial statements,

b) the Audit Committee of the Company performed the tasks of an audit committee as specified in the legal provisions in force.

Moreover, on the basis of analysis of the report on operations of the Company and the financial statements contained in this Annual Report, and taking into account the reports of the auditor on audit of the annual financial statements of the Company, the Supervisory Board of the Company has assessed that the documents referred to above are consistent with the accounts, documents and the factual circumstances.

Warsaw, 30 April 2019

Mariusz Grendowicz — Chairman of the Supervisory Board……………………………..

Piotr Sieluk — Deputy Chairman of the Supervisory Board……………………………..

Przemysław Głębocki — Member of the Supervisory Board……………………………..

Maciej Kowalski — Member of the Supervisory Board.

Tomasz Jacygrad — Member of the Supervisory Board……………………………..

Sebastian Millinder – Member of the Supervisory Board……………………………..

Tomasz Czechowicz — Member of the Supervisory Board……………………………..

STATEMENT OF THE MANAGEMENT BOARD AND OPINION OF THE SUPERVISORY BOARD ON THE OPINION EXPRESSED BY THE AUDIT FIRM IN THE AUDIT REPORT WITH A RESERVATION

ATM S.A. ("the Company") has had shares in an affiliate - Linx Telecommunications Holding B.V. (formerly: Linx Telecommunications B.V.) since year 2007. From the beginning of the investment, the Company held approximately 22% shares in Linx, at present (as at 31.12.2018), it is 21.02%. The results of this entity, as an associate, are not consolidated at the operating level — the consolidation is carried out using the equity method. In association with the shareholder structure of Linx (the majority block of shares in the company is held by several natural persons), the Company is not and has never been able to exert decisive impact on such activity of Linx as establishment of the schedule for auditing of the financial statements of Linx by the company's auditors. The reservation expressed by the auditor of the Company in the opinion to the audit of these financial statements was due to the fact that on the date of issue of this opinion by the Company's auditor, the audit of the annual financial statements of Linx by the auditor of this company had not been completed, and thus no opinion and report on the audit had been issued. Regulations applicable in the Netherlands, where Linx company is registered, as well as the status of this company (private entity) allows the management board of Linx to arrange with the auditor of this company significantly longer time limits for issue of opinions on audits of financial statements in comparison with the Company and the restrictions imposed upon the Company by legal provisions in force. It should be underlined that in the previous years, the situation was analogous - that is, the Company was forced to rely upon unaudited financial statements of Linx in preparation of its own financial statements. This has never served as a ground for issue of an opinion with a reservation by the former auditors of the Company.

The impact of recognition of Linx on the basis of equity method in the financial statement of the Company for year 2018 is as follows:
- the share of booking value of Linx in the assets of the Company amounted to 13% (at the end of year 2017, it was also 13%);
- the share in results of Linx in the amount of - PLN million in relation to comprehensive income of the Company amounting to PLN 1.4 million (for year 2017, it was: PLN 9.9 million in relation to PLN 11.1 million, respectively).

The values specified above pertain exclusively to recognition in the books of the investment in Linx, and thus exert no impact on cash flows generated by the Company, as well as the carrier of its value, which is of key significance for investors of the Company - profit EBITDA.

In the subsequent accounting periods, the Company will continue - within the scope of the available formal measures - to take action to persuade the management board of Linx to accelerate audits of financial statements of the company.

Warsaw, 30 April 2019

Daniel Szcześniewski — President of the Management Board ………………………………………….

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

The Supervisory Board of the Company, having acknowledged the factual circumstances concerning the cause of issue by the auditor of the Company of an opinion with a reservation concerning the financial statements of the Company for year 2018 and the stance of the Management Board of ATM S.A. in this regard, hereby agrees with the opinion and assessment of the situation, expressed by the Management Board of the Company in this statement.

Warsaw, 30 April 2019

Mariusz Grendowicz — Chairman of the Supervisory Board……………………………..

Piotr Sieluk — Deputy Chairman of the Supervisory Board……………………………..

Przemysław Głębocki — Member of the Supervisory Board……………………………..

Maciej Kowalski — Member of the Supervisory Board.

Tomasz Jacygrad — Member of the Supervisory Board……………………………..

Sebastian Millinder – Member of the Supervisory Board……………………………..

Tomasz Czechowicz — Member of the Supervisory Board……………………………..

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2018

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

In 2018, 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 2018, 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 2018):

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

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

This principle does not apply to the company.

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

IV.Z.2. To the extent to which, if it is justified due to the company's shareholder structure, the company provides a universally available broadcast of the general meeting in real time/

The principle is not applied.

The Company's comments: Due to the present shareholder structure of the Company - more than 90% share in votes during the General Meeting is held by a single shareholder (together with their affiliates) - the Management Board of the Company has decided to withdraw from conducting transmissions of the General Meetings.

Conflict of interest and transactions with related parties

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

The Company does not apply the above principle:

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

Payroll

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

The principle is not applied.

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

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

The principle is applied.

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

VI.Z.3. The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

The principle is applied.

The Company's comments: Within the framework of the Incentive Scheme currently applied by the Company (approved by resolution of the Supervisory Board of 14.12.2018, on the basis of authorisation specified in resolution of the EGM of 31.10.2018), on the basis of decision of the EGM of 31.10.2018, subscription warrants were allocated to one member of the Supervisory Board of ATM S.A. - Mr. Piotr Sieluk. The remaining members of the Supervisory Board do not participate in the incentive scheme.

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, competencybased 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	Share of equity	Number of votes during GM	Share in total number of votes
MCI.PrivateVentures FIZ *	34,339,567	94.49%	34,339,567	94.49%

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

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

No securities exist which grant special control rights.

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

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

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

The Issuer has no knowledge of any restrictions on the transfer of ownership rights in the Issuer's securities, with the exception of restrictions applicable to sale of subscription warrants issued within the framework of the incentive scheme, of which the Issuer informed in the current reports no. 47/2018 of 31.10.2018 and 50/2018 and 51/2018 of 14.12.2018.

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

In 2018, the Management Board acted on the basis of the Company's Articles of Association, resolutions of the General Meeting, the Code of Commercial Companies, other applicable provisions of law as well as on the basis of the Regulations of the Management Board of ATM S.A. adopted with the resolution of the Supervisory Board of 17 February 2016. The Management Board operates on the basis of and is subject to the corporate governance principles. The Management Board consists of two members: The President of the Management Board and the Vice-President of the Management Board. The Management Board is appointed and dismissed by the Supervisory Board, which also appoints the President of the Management Board. All matters related to managing the Company, not reserved by the Company's Articles of Association or the Code of Commercial Companies as the competence of the General Meeting of the Company's Shareholders or the Supervisory Board, lay within the scope of responsibility of the Management Board.

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

- define the strategy for the Company's development and present it to the Supervisory Board;
- apply and implement the Company's strategy;
- prepare the budget and financial plans of the Company;
- manage the Company's assets;
- assume financial obligations and conclude contracts;

- appoint and dismiss commercial proxies and attorneys;
- make resolutions on the 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 Chairman 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

As at the end of 2018 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 02.05.2018, the Management Board of the Company received information that Mr. Tadeusz Czichon, the Chairman of the Supervisory Board of ATM S.A., had died on 1 May 2018.
- On 09.05.2018, the Management Board of the Company received from Saturn TFI S.A., acting in the name and on behalf of ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter: “the Fund”) a notification of appointment on 09.05.2018 of Mr. Przemysław Czichon as a Member of the Supervisory Board of the Company and as the Chairman of the Supervisory Board. The appointment, referred to above, constituted exercise of personal entitlements of the Fund based on art. 13 section 2 clause a) of the Articles of Association of the Company.
- On 06.06.2018, the Company received information on appointment by the Supervisory Board of ATM S.A. of Mr. Maciej Kowalski as a member of the Audit Committee.
- On 03.10.2018, the Management Board of ATM received from Mr. Przemysław Czichon his resignation from the function of a Chairman of the Supervisory Board of the Company, effective on the date of the nearest General Meeting of the Company.
- On 31.10.2018, the Extraordinary General Meeting of the Company dismissed Mr. Przemysław Czichon from the Supervisory Board of the Company, appointed Mr. Sebastian Millinder as a Member of the Supervisory Board and appointed Mr. Mariusz Grendowicz as the Chairman of the Supervisory Board of the Company.

Consequently, as at the end of 2018 the Issuer’s Supervisory Board was composed of the following members:

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

The Supervisory Board acts on the basis of the Company’s Articles of Association, resolutions of the General Meeting, applicable laws and the Supervisory Board Rules. The Supervisory Board operates on the basis of and is subject to the corporate governance principles. Members of the Supervisory Board shall be appointed for a joint term. The term of office for Members of the Supervisory Board is 5 years. The term of office of the Supervisory Board Members shall expire on the day on which the General Meeting is convened to approve the Company’s financial statements for the financial year in which the period of 4 years from the day of appointing the Supervisory Board Members for a given term has lapsed. The term of a Supervisory Board Member assuming the position to substitute another Member whose term has been terminated, shall expire at the end of term of the entire Supervisory Board. Each Member of the Supervisory Board may resign from his/her function during his or her term, even without specifying his/her reasons. However, such resignation should respect the applicable corporate governance principles. The Supervisory Board holds its meetings at least once every quarter. At least 2 members of the Supervisory Board should be independent. A 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 02.05.2018, the Management Board of the Issuer received information that Mr. Tadeusz Czichon, the Chairman of the Supervisory Board of ATM S.A. and a member of the Audit Committee of the Supervisory Board of ATM S.A., had died on 1 May 2018. On 06.06.2018, the Company received information on appointment by the Supervisory Board of ATM S.A. of Mr. Maciej Kowalski as a member of the Audit Committee.
Consequently, as at the end of 2018 the Audit Committee of the Supervisory Board of ATM S.A. was composed of the following members:
- Mariusz Grendowicz (Chairman of the Audit Committee),
- Maciej Kowalski,
- Tomasz Jacygrad.

L) Other information concerning the Audit Committee

- Persons fulfilling the statutory independence criteria:

- Mariusz Grendowicz - the Chairman;
- Tomasz Jacygrad.

- Persons having the knowledge and skills in accounting or auditing of financial statements, indicating the mode of acquisition of such knowledge and skills:

Mariusz Grendowicz - until September of 2014, the first president of the management board of Polskie Inwestycje Rozwojowe, a State Treasury company established within the framework of the governmental Polish Investments scheme. A banking expert with 30 years of experience, whose international career in banking commenced in 1983, when he started working for Grindlays Bank in London to stay there until year 1991. In years 1991-1992, he worked at the Citibank in London, and then in years 1992 - 1997 - in ING Bank, where in years 1992-1995 he occupied managerial positions in Poland, and in the period between 1995 and 1997 was a vice-president of the management board of ING in Hungary. In years 1997-2001, he was a member of the management board of ABN AMRO Bank Polska, most recently as the president of the management board of the bank and head of the ABN AMRO Group for Poland. Since 2001 until the end of 2006, he was a vice-president of the management board of BPH Bank. Since 2008 until April of 2010, he was a president of the present mBank. He is a former member of the management board of the Polish Banks Association, he was also a president of the management board of the Polish Confederation of Private Employers of Banks and Financial Institutions Lewiatan. At present, he is an independent member of supervisory boards in such entities as: Aviva Polska, Getin Noble Bank, Private Equity Managers, Arctic Paper and Globe Trade Center, as well as a chairman of the Board of WWF Polska Foundation. Mr. Grendowicz studied economics of transport at Gdańsk University. After leaving Poland, he graduated from banking studies in Great Britain and earned a diploma in International Banking at the Chartered Institute of Bankers in London.

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

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

Education:

- 2002-2007 Warsaw School of Economics - specialisation in Finance and Banking

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

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

- Persons having the knowledge and skills in the trade, in which the Issuer operates, indicating the mode of acquisition of such knowledge and skills:

Maciej Kowalski - has broad experience in the sector of telecommunication and new technologies. In years 2010-2011, he worked as a M&A Manager in Orange Polska, where he was responsible for coordination of M&A projects; among other things, he was a member of the team responsible for sale of Emitel company (a leading operator of ratio-television-telecommunication infrastructure in Poland). He is a graduate of Warsaw School of Economics, where he specialised in Finance and Banking, and a graduate of doctoral studies at the College of Management and Finance of Warsaw School of Economics.

- Whether the Issuer has received permitted services other than audit, rendered by the firm that audited the financial statements of the Issuer and whether independence of this audit firm has been verified and consent was given for rendering of such services:

Yes, confirmation of compliance with conditions of loan agreements concluded on the basis of analysis of financial information contained in financial statements audited by the audit firm.

- The core provisions of the developed policy for selection of the audit firm to conduct the audit and the policy of rendering of permitted services other than the audit by the audit firm conducting the audit, any affiliates of this audit firm and members of the network of the audit firm:

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

1. This policy and procedure specifies the principles of selection of an auditing firm to conduct audits of annual financial statements of the Company, applicable to ATM S.A. with a registered office in Warsaw.
2. The Company is a public interest entity as defined in art. 2 clause 9 letter a) of the act of 11 May 2017 on auditors, audit firms and public supervision.
3. Accordingly with provisions of § 15 section 2 letter g) of the Articles of Association of the Company in association with art. 66 section 4 of the act of 29 September 1994 on accounting, selection of the audit

firm to conduct the audit of financial statements of the Company is made by the Supervisory Board of the Company.

4. Selection of the audit firm to conduct audits of financial statements of the Company is made on the basis of the recommendation issued by the audit committee appointed at the Company and referred to in art. 16 section 2 of the 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 ("Regulation no. 537/2014).
5. The audit committee submits to the Supervisory Board a recommendation, in which:
   a) it indicates the proposed audit firm to conduct audits of financial statements of the Company, which are obligatory on the basis of mandatory law;
   b) it declares that the recommendation is free from influence by third parties;
   c) it states that the Company has not entered into agreements containing clauses that would limit the possibility of selection of the audit firm by the Supervisory Board, for the purpose of auditing of financial statements of the Company, which is obligatory on the basis of mandatory law, by restricting the choice to specific categories or lists of audit firms.
6. If selection of the audit firm for the purpose of auditing of financial statements of the Company, which is obligatory on the basis of mandatory law, does not consist of extension of the contract for audit of financial statement, the recommendation of the audit committee:
   a) contains at least two options for choice of the audit firm with a justification and indication of a justified preference of the audit committee with regard to one of these;
   b) is prepared as a result of the selection procedure organised by the Company, fulfilling the criteria described in clauses 7-14 below.
7. The Company may invite any audit firms to place their offers for services of auditing of financial statements of the Company, which is obligatory on the basis of mandatory law, provided that:
   a) this does not violate provisions of art. 17 section 3 of Regulation 537/2014, containing a prohibition to audit financial statements of the same public interest entity in the period of subsequent four years after the end of the maximum period of rendering financial statement auditing services on behalf of such entity, permissible by law,
   b) organisation of the tender procedure does not exclude from the selection procedure companies that have earned less than 15% of their total remuneration for auditing of public interest entities in a given member state of the European Union in the previous calendar year, listed in the register of audit companies, referred to in art. 91 of the act of 11 May 2017 on auditors, audit firms and public supervision.
8. The Company prepares a request for quotation for services of audit of financial statements of the Company, and sends such request to selected audit firms by 30 June of the year, for which financial statements of the Company are to be audited, in accordance with the request for quotation. A request for quotation is not prepared, if in a given year the Company is bound by a contract for performance of audit services in relation to financial statements of the Company for a given year. In the case of termination of the contract concluded between the Company and the audit firm for auditing of financial statements and lack of possibility of auditing on its basis of financial statements of the Company for the period specified in such contract, the request for quotation concerning the audit of financial statements is to be prepared by the Company immediately.
9. In the case of initiation of the procedure of selection of an audit firm, the Company will each time prepare and submit to audit firms, along with the request for quotations, a tender documentation, which:
   a) enables these firms to get familiar with activity of the Company,
   b) contains an indication of financial statements subject to audit,
   c) contains transparent and non-discriminating selection criteria, applied by the Company in evaluation of offers submitted by audit firms.
10. Audit firms submit their offers within the time limit specified in the Company's request for quotations.
11. Subject to provisions of this policy and procedure, the Company can freely define the criteria for selection of the audit firm, and it may engage in direct negotiations with interested bidders during the selection procedure, and aspects that are significant and taken into account in the process of selection of the audit firm are considered to be the level of competences and quality of services rendered, as well as independence and impartiality of audit firm and their knowledge of the specific nature of the industry, in which the Company operates, as well as the price proposed.
12. The Company evaluates bids of audit firms in accordance with the selection criteria specified in the tender documentation and prepares a report, specifying conclusions from the selection procedure, approved by the audit committee and containing at least information on requests sent and all bids received.
13. The Audit Committee verifies correctness of the bidding process, in particular, evaluates the bids on the basis of data gathered by the Company, applying the criteria specified in clause 11.

14. If, in accordance with the legal provisions in force, the appropriate public supervision authorities require audit firms to comply with specific quality standards, such standards will be specified in the tender documentation.
15. The Company and its audit committee take into account all findings and conclusions contained in the annual statement, referred to in art. 90 section 5 of the act of 11 May 2017 on auditors, audit firms and public supervision, which may influence selection of the audit firm.
16. If the decision of the Supervisory Board of the Company with regard to selection of the audit firm is inconsistent with the recommendation of the audit committee appointed at the Company, the Supervisory Board justifies the reasons for non-compliance with recommendations of the audit committee and notifies the general meeting of the Company of such justification.
17. The Supervisory Board decides upon selection of the audit firm within a time limit making it possible for the Management Board to enter into a contract for auditing of the financial statement, so that the audit firm may participate in stock-taking of significant assets.
18. In the case of auditing of financial statements of the Company on the basis of legal provisions in force, the first contract for auditing of financial statements is entered into with the audit firm for a period not shorter than two years, with the possibility of its extension for subsequent periods of at least two years.
19. The maximum time of continuous commissioning of audits of financial statements of the Company on the basis of mandatory law, conducted by the same audit firm or by an audit firm affiliated with this audit firm or by any member of a network operating in the European Union Member states, to which these audit firms belong, must not exceed 5 years.
20. The costs of auditing of the financial statements are incurred by the Company.

THE POLICY OF ATM S.A. FOR RENDERING OF PERMITTED SERVICES OTHER THAN AUDIT OF FINANCIAL STATEMENTS BY THE AUDIT FIRM THAT AUDITS THE FINANCIAL STATEMENTS, BY ENTITIES AFFILIATED WITH THIS AUDIT FIRM AND BY A MEMBER OF THE NETWORK OF THIS AUDIT FIRM

1. This policy specifies the rules that are binding for ATM S.A. with a registered office in Warsaw ("the Company") with regard to permitted services other than audit of financial statements, rendered by the firm that audits the financial statements of the Company by entities affiliated with this audit firm and by a member of the network of the audit firm.
2. The Company is a public interest entity as defined in art. 2 clause 9 letter a) of the act of 11 May 2017 on auditors, audit firms and public supervision.
3. Audit firms render services on behalf of the Company, consisting in auditing of financial statements of the Company.
4. The audit firm, which conducts audits of financial statements of the Company on the basis of mandatory law, and any affiliates of this firm or members of networks, to which such audit firm belongs, must not render on behalf of the Company and its subsidiaries within the territory of the European Union any prohibited services, specified in art. 136 section 1 of the act of 11 May 2017 on auditors, audit firms and public supervision, other than audits of financial statements, in the following periods:
   a) in the period from commencement of the audit period until issue of an audit report and
   b) in the financial year directly preceding the period referred to in letter a) with reference to legal services including general legal consulting, negotiating in the name of the Company or acting as a representative in the context of dispute resolution.
5. Permitted services other than audits of financial statements of the Company, rendered by audit firms on behalf of the Company, are considered to be any services that have not been prohibited by mandatory law to be performed on behalf of the Company. The permitted services, referred to in the previous sentence, which can be performed on behalf of the Company, are as follows:
   a) conducting of due diligence procedures with regard to the economic and financial condition and issue of comfort letters in association with the prospectus of the Company, conducted in accordance with the national standard for related services and consisting of performance of the agreed procedures;
   b) assurance services with regard to pro forma financial information, forecasts of results or estimated results, placed in the prospectus of the Company;
   c) analysis of historical financial information for the purpose of the prospectus, referred to in the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
   d) verification of consolidation packages;
   e) confirmation of compliance with conditions of loan agreements concluded on the basis of analysis of financial information originating from financial statements audited by a given audit firm;

f) assurance services with regard to corporate governance, risk management and social business responsibility reporting;

g) services consisting of assessment of compliance of information disclosed by financial institutions and investment companies with requirements concerning disclosure of information on capital adequacy and variable remuneration components;

h) certifications with regard to statements or other financial information addressed to the Supervisory Board of the Company or its owners, going beyond the scope of the statutory audit, aimed at supporting these bodies in performance of their statutory obligations.

6. Rendering of services referred to in section 5 is only possible in the area not related to the taxation policy of the Company, after the audit committee appointed at the Company has assessed the threats and securing of independence, referred to in art. 69-73 of the act of 11 May 2017 on auditors, audit firms and public supervision.
7. In the case of rendering by the audit firm of services referred to in section 5, the audit committee appointed at the Company controls and monitors independence of the auditor and the audit firm performing such services and should give consent for rendering of such services.
8. Rendering of services referred to in section 5 should take place in accordance with the independence requirements, specified accordingly for such services in the professional ethics principles and standards for performance of such services.
9. Rendering of services other than audit in the manner inconsistent with this policy by the firm auditing financial statements will result in invalidity of audits of the financial statements by operation of law.

- Does the recommendation for selection of the audit firm to conduct the audit meet the established conditions, and if selection of the audit firm was not associated with extension of the contract for auditing of financial statements – was the recommendation prepared as a result of the selection procedure organised by the issuer in accordance with the applicable criteria;

Yes.

- The number of meetings of the audit committee conducted:

2 - including a meeting concerning the recommendation for selection of the entity authorized to review and audit financial statements.

- In the case of performance of obligations of the audit committee by the supervisory board or another supervisory or controlling body - which of the statutory prerequisites providing the option to take advantage of this opportunity have been met, providing a reference to appropriate data:

Not applicable.

Warsaw, 30 April 2019

Daniel Szcześniewski – President of the Management Board …………………………………………….

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