Semi-annual report of ATM S.A. for the first half of 2018

Warsaw, September 2018

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KEY INFORMATION REGARDING THE SEMI-ANNUAL REPORT

This semi-annual report covers information prepared pursuant to § 65 item 1 and § 68 item 1 of the Regulation of the Minister of Finance of 29 March 2018, and includes financial statements of ATM S.A. prepared according to the International Accounting Standard 34 “Interim financial reporting”, as endorsed by the European Union.

Submission date: 10 September 2018

Information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
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NIP (Tax ID No): 113-00-59-989
REGON (Statistical ID No): 012677986
Entity authorised to review the report: KPMG Audyt Sp. z o.o. sp. k.

SELECTED FINANCIAL DATA

	30/06/2018	30/06/2017***	30/06/2018	30/06/2017***
	in PLN thousand		in EUR thousand	
Total sales revenue	67,345	66,436	15,885	15,642
Sales margin	39,470	37,980	9,310	8,942
EBITDA *	23,046	23,159	5,436	5,452
Operating profit	4,672	9,388	1,102	2,210
Profit before tax	3,602	6,202	850	1,460
Net profit	2,531	3,817	597	899
Comprehensive income	2,975	9,741	702	2,294
Net cash from operating activities	18,770	15,293	4,428	3,601
Net cash from investing activities	(17,227)	(7,765)	(4,063)	(1,828)
Net cash from financing activities	121	(3,957)	28	(932)
Increase (decrease) in cash	1,664	3,571	393	841

	30/06/2018	31/12/2017***	30/06/2018	31/12/2017***
Fixed assets	393,760	397,312	90,279	95,258
Current assets	30,194	25,660	6,923	6,152
Total assets	423,954	422,972	97,201	101,410
Long-term liabilities	22,568	127,713	5,174	30,620
Short-term liabilities	241,050	48,577	55,266	11,647
Equity	160,334	246,683	36,760	59,144
Share capital **	34,723	34,723	7,961	8,325
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (in PLN/EUR)	4.41	6.79	1.01	1.63

**) Starting from the Annual Report for 2017, the Issuer applies the definition of EBITDA adapted to the management reporting requirements introduced at ATM at the beginning of 2017 (which was possible owing to, among other things, the implementation of a new ERP-class system). Comparative data for the first half of 2017 were restated accordingly — for detailed information and reconciliation of EBITDA with the relevant Income Statement items, see Note 21.*

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

****) Figures for comparative periods were restated – as described in Note 10.*

The above financial figures for the first half of 2018 and 2017 were converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.3616 as quoted by the National Bank of Poland on 30 June 2018;
- particular items of the income statement and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetic mean of the mid-rates as quoted by the National Bank of Poland for the last day of each month of the financial period from 1 January to 30 June 2018, amounting to 4.2395, and from 1 January to 30 June 2017, amounting to 4.2474.

The financial figures for 2017 were converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.1709 as quoted by the National Bank of Poland on 31 December 2017.

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

A. CONDENSED FINANCIAL STATEMENTS OF ATM S.A. FOR THE FIRST HALF OF 2018

1. Condensed interim income statement

	For the period 01/01–30/06/2018 [unaudited]*****	For the period 01/04–30/06/2018 [unaudited]*****		For the period 01/01–30/06/2017**** [unaudited]*****	For the period 01/04–30/06/2017**** [unaudited]*****
Sales revenue	67,345	33,875		66,436	33,259
Costs of sales	27,875	13,860		28,456	13,480
Sales margin *	**39,470**	**20,015**		**37,980**	**19,779**
Other operating revenue	30	6		133	109
General and administrative expenses	34,595	17,174		28,238	14,457
Other operating expenses	234	197		487	174
Operating profit	**4,672**	**2,651**		**9,388**	**5,257**
Share of profit/(loss) of equity-accounted entities ***	(299)	(36)		13,903	(365)
Revenue from subsidies	777	389		777	388
Financial revenue	1,091	706		254	(168)
Financial expenses	2,639	1,280		18,120	(1,066)
Profit before tax	**3,602**	**2,430**		**6,202**	**6,178**
Income tax	1,071	316		2,385	1,006
Net profit	**2,531**	**2,114**		**3,817**	**5,172**
Earnings per share					
Ordinary	0.07	0.06		0.11	0.14
Diluted	0.07	0.06		0.11	0.14
EBITDA **	**23,046**	**11,708**		**23,159**	**12,244**

NOTES:

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

*) Starting from the Annual Report for 2017, the Issuer applies the definition of EBITDA adapted to the management reporting requirements introduced at ATM at the beginning of 2017 (which was possible owing to, among other things, the implementation of a new ERP-class system). Comparative
data for the first half of 2017 were restated accordingly — for detailed information and reconciliation of EBITDA with the relevant Income Statement items, see Note 21.

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

****) Figures for comparative periods were restated – as described in Note 10.
*****) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

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

2. Condensed interim statement of comprehensive income

	For the period 01/01–30/06/2018 [unaudited]**	For the period 01/04–30/06/2018 [unaudited]**	For the period 01/01–30/06/2017* [unaudited]**	For the period 01/04–30/06/2017* [unaudited]**
Net profit (loss)	**2,531**	**2,114**	**3,817**	**5,172**
Other comprehensive income that may be reclassified to profit or loss	**444**	**483**	**5,925**	**(1,807)**
Share in other comprehensive income of associates	444	483	5,925	(1,807)
Total comprehensive income	**2,975**	**2,598**	**9,741**	**3,364**

*) Figures for comparative periods were restated – as described in Note 10.
**) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

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

3. Condensed interim statement of financial position – assets

	End of period 30/06/2018 [unaudited]**	End of period 30/06/2017* [unaudited]**	End of period 31/12/2017*
Fixed assets	**393,760**	**397,303**	**397,312**
Intangible assets	9,672	8,304	8,708
Tangible fixed assets	329,044	332,718	333,886
Investments in equity-accounted associates	53,474	55,569	53,474
Other fixed assets	1,570	712	1,244
Current assets	**30,194**	**25,674**	**25,660**
Inventories	-	9	-
Financial assets held for trading	23	41	35
Trade and other receivables	18,484	18,607	17,291
Income tax receivables	70	57	168
Other current assets	2,885	1,616	1,099
Cash and cash equivalents	8,732	5,344	7,067
Total assets	**423,954**	**422,977**	**422,972**

*) Figures for comparative periods were restated – as described in Note 10.
**) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

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

4. Condensed interim statement of financial position – equity and liabilities

	End of period 30/06/2018 [unaudited]**	End of period 30/06/2017* [unaudited]**	End of period 31/12/2017*
Equity	**160,334**	**244,647**	**246,683**
Share capital	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 from incentive scheme measurement	1,542	-	-
Retained earnings	(106)	25,045	27,081
Long-term liabilities	**22,568**	**123,563**	**127,713**
Long-term loans and borrowings	-	95,606	101,375
Provision for deferred tax	7,711	6,908	7,587
Provisions for liabilities	-	-	-
Long-term trade and other liabilities	8,095	14,251	13,438
Other financial liabilities	6,763	6,798	5,313
Short-term liabilities	**241,050**	**54,767**	**48,577**
Bank loans and borrowings	121,313	27,226	16,321
Income tax liability	-	98	-
Trade and other liabilities	29,472	22,087	27,593
Other financial liabilities	90,264	5,356	4,662
of which: dividends payable	89,405	-	-
Total equity and liabilities	**423,954**	**422,977**	**422,972**

*) Figures for comparative periods were restated – as described in Note 10.
**) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

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

5. Condensed interim statement of changes in equity

	Share capital	Supplementary capital from share premium	Reserve capital	Capital from incentive scheme measurement	Retained earnings, including supplementary capital	Equity
As at 31 December 2017 [before adjustment and restatement]	**34,723**	**123,735**	**61,144**		**28,702**	**248,304**
Adjustment through retained earnings under IFRS 15	-	-	-	-	(1,460)	(1,460)
Adjustments of errors from previous periods	-	-	-	-	(1,621)	(1,621)
As at 1 January 2018	**34,723**	**123,735**	**61,144**	**-**	**25,621**	**245,223**
Net profit					2,531	2,531
Other comprehensive income	-	-	-	-	444	444
Profit distribution – increase of the supplementary capital	-	-	-	-	27,997	27,997
Profit distribution to be allocated to equity	-	-	-	-	(27,997)	(27,997)
Transactions with owners						
Incentive scheme	-	-	-	1,542	-	1,542
Dividend payout			60,704		28,701	89,405
As at 30 June 2018 [unaudited]*	**34,723**	**123,735**	**440**	**1,542**	**(106)**	**160,334**

*) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

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

	Share capital	Supplementary capital from share premium	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 31 December 2016 [before adjustment]	**34,723**	**123,735**	**61,144**	**5,068**	**224,670**
Adjustments of errors from previous periods	-	-	-	10,237	10,237
As at 1 January 2017	**34,723**	**123,735**	**61,144**	**15,305**	**234,907**
Net profit	-	-	-	3,817	3,817
Other comprehensive income	-	-	-	5,925	5,925
As at 30 June 2017 [unaudited]*	**34,723**	**123,735**	**61,144**	**25,045**	**244,647**

*) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

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

	Share capital	Supplementary capital from share premium	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 31 December 2016 [before adjustment]	**34,723**	**123,735**	**61,144**	**5,068**	**224,670**
Adjustments of errors from previous periods	-	-	-	10,237	10,237
As at 1 January 2017	**34,723**	**123,735**	**61,144**	**15,305**	**234,907**
Net profit	-	-	-	10,481	10,481
Other comprehensive income	-	-	-	1,295	1,295
As at 31 December 2017	**34,723**	**123,735**	**61,144**	**27,081**	**246,683**

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

6. Condensed interim cash flow statement

	For the period 01/01–30/06/2018 [unaudited]***	For the period 01/01–30/06/2017 [unaudited]**
Operating activities	**18,770**	**15,293**
Profit before tax	3,602	6,202
Adjustments by:	15,168	9,091
Share of profit/(loss) of equity-accounted entities	299	(13,903)
Depreciation and amortisation	16,185	12,586
Foreign exchange differences	(979)	25
Interest received	-	(1)
Interest paid	2,122	2,338
(Gains) losses on investing activities	(10)	(306)
Change in inventories	-	807
Change in receivables	(1,181)	(4,297)
Change in liabilities and provisions *	1,880	(1,588)
Change in other assets	(2,112)	(562)
Income tax paid	(604)	(1,051)
Other	(432)	15,043
Investing activities	**(17,227)**	**(7,765)**
Expenditure on purchase of tangible fixed assets	(17,244)	(13,848)
Proceeds from sale of tangible fixed assets	5	1,402
Repayments of long-term borrowings granted	12	9
Dividends received	-	4,672
Financing activities	**121**	**(3,957)**
Proceeds from loans and borrowings	9,400	3,820
Repayments of loans and borrowings	(5,783)	(2,749)
Payment of finance lease liabilities	(2,353)	(2,666)
Interest received	-	1
Interest paid	(2,122)	(2,338)
Foreign exchange differences	979	(25)
Change in cash and cash equivalents	**1,664**	**3,571**
Opening balance of cash	**7,067**	**1,774**
Closing balance of cash	**8,732**	**5,344**

*) 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 “Expenditure on purchase of tangible fixed assets”.
**) Figures for comparative periods were restated – as described in Note 10.
***) The financial statements of ATM for the first half of 2018 (including comparative periods) were not audited by a statutory auditor, but reviewed by a statutory auditor.

ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis for preparation of the financial statements and accounting principles (policy)

The interim condensed financial statements for the first half year ended 30 June 2018 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union and applicable as at 30 June 2018.

Accounting principles (policies) used for preparing the interim condensed financial statements are consistent with those used for preparing the annual financial statements of the Company for the previous year, except for the changes to standards and new standards and interpretations approved by the European Union applicable for reporting periods beginning on or after 1 January 2018, as well as changes underlying the adjustments made as a result of the semi-annual review.

In 2018, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretation Committee and approved for use in the EU, applicable in the activities conducted by the Company and binding during the reporting periods starting from 1 January 2018. Adopting the standards and interpretations listed above did not lead to significant changes in the Company's accounting policy, except for those described below.

First-time adoption of IFRS 9

Starting from the financial statements for the first quarter of 2018, the Company applied IFRS 9 "Financial Instruments" for the first time. The above standard has superseded IAS 39. The standard introduces a single model that divides financial assets into two measurement categories – those measured at fair value and those measured at amortised cost. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments. IFRS 9 introduces a new impairment recognition model based on expected credit losses.
As the Company does not apply hedge accounting, IFRS 9 is not applicable in this respect.
The Company implemented IFRS 9 without restating comparative data, therefore the data for 2017 and 2018 are not comparable.

The impact of applying the above standard on the Company's financial statements is outlined below:

a) Determination of write-downs using the expected loss method – trade receivables
IFRS 9 requires that expected losses be estimated regardless of whether there is evidence of impairment. The standard provides for a three-stage approach to accounting for impairment of non-financial assets:
(1) Stage 1 – balances for which credit risk has not increased significantly since initial recognition, in which case 12-month expected credit loss are recognised based on the probability of default,
(2) Stage 2 – balances for which credit risk has increased significantly since initial recognition, in which case lifetime expected credit losses are recognised based on the probability of default,
(3) Stage 3 – balances of credit impaired assets. As regards trade receivables that do not include a significant financing factor, the standard requires a simplified approach and estimation of the impairment loss on the basis of expected credit losses over the life of the instrument.
The Company has classified trade receivables as Stage 2 (estimation of write-downs on the basis of lifetime expected credit losses), except for impaired receivables which have been classified as Stage 3.
A portfolio analysis was conducted for trade receivables (other than receivables assessed separately as non-performing); a simplified provision matrix was applied in the individual age categories based on lifetime expected credit losses. The analysis was made on the basis of historical data on expected default rates.
According to the Management Board, the adjustment resulting from the estimation of the expected loss is marginal and, consequently, the Company did not adjust its retained earnings as at 1 January 2018 on this account.

b) Determination of write-downs using the expected loss method – cash
The Company estimated write-downs on cash based on the probability of default during a contractual period which is shorter than 3 months, established on the basis of external ratings of banks where cash is held and publicly available information from credit rating agencies on the probability of default. The Company decided not to recognise the impairment write-down due to its immateriality.

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

First-time adoption of IFRS 15

Starting from the financial statements for the first quarter of 2018, the Company applied IFRS 15 "Revenue from Contracts with Customers" and clarifications to IFRS 15 for the first time. This standard supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts". The core principle of the new standard is that revenue is to be recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Issuer expects to be entitled in exchange for those goods or services. Any goods or services that are sold in bundles and are distinct within the bundle should be recognised separately, and any discounts and rebates on the transaction price should be allocated to the specific bundle items. Under the new standard, an amount of variable consideration is recognised as revenue only if it is highly probable that there will not be a subsequent reversal in recognised revenue due to change in estimates. Furthermore, in accordance with IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.

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 another analysis of the facts carried out for the purposes of this interim report, the Issuer decided to abandon the materiality threshold for the identification of one-off transactions covered by the procedure of recognising them over time. As a result, all transactions, regardless of their unit value, are subject to this procedure. In effect, the values of assets, liabilities and retained earnings as at 1 January 2018 (opening balances) were adjusted in relation to those presented in the report for the first quarter of 2018. The table below presents the values of adjustments in particular items:

	According to the published FS for Q1 2018	Adjustment	Restated
Liabilities from contracts as at 1 January 2018	1,337	915	2,252
Assets from the performance of contracts as at 1 January 2018	267	183	450
Adjustment to retained earnings (before tax) as at 1 January 2018	(1,070)	(732)	(1,802)

As at 30 June 2018, the impact of application of IFRS 15 on individual items of the Company's financial statements was as follows (as compared with the standards effective before 1 January 2018):

- liabilities from contracts (reported under "Trade and other liabilities" in the Statement of financial position) increased – as compared to the opening balance of 2018 – by PLN 283 thousand;
- assets from the performance of contracts (reported under "Other current assets" in the Statement of financial position) increased – as compared to the opening balance of 2018 – by PLN 57 thousand;
- in the period 01.01.2018–30.06.2018, sales revenue decreased by PLN 283 thousand and the corresponding costs decreased by PLN 57 thousand. As a consequence, the Company's profit or loss (before tax) decreased by PLN 226 thousand.

The vast majority (approx. 99% of total revenue – in terms of value) of services provided by the Company is subscription-based (cyclical), therefore revenue is also recognised in accordance with the settlement cycles (monthly). In such cases, the starting moment is usually determined by the date of signing the service acceptance report by the customer (service activation). For non-recurring/installation services and fees (other than the sale of assets) – revenue is recognised, in accordance with paragraphs B48-B49 of IFRS 15, over time, concurrently with revenue from cyclical services (to which a given installation fee applies) – fees are therefore treated as advance payments.

Variable remuneration – due to the subscription nature of ATM services (and the cyclical nature of settlements with customers), all variable remuneration elements (e.g. electricity consumption charges, Internet traffic charges) are calculated on an ongoing basis and in real values, and therefore do not require estimation.

Assignment of price based on individual sales prices - due to the requirements of the pricing and offering process in the CRM system, all products (goods/services) offered to customers are priced autonomously, while the allocation of discounts and rebates on individual products, if any, is real and is the final outcome of the pricing and offering process.

The Company acts as a lessor for the following types of services provided to customers:

- colocation services – lease of dedicated server rooms and separate parts of the server rooms;

- lease of dedicated servers;

- dedicated back-up offices services;

- lease of optical fibres.

In each of the aforementioned cases, the nature and contractual terms of the services provided indicate that they are operating leases, as defined in IAS 17. Therefore, the Company's sales revenue includes operating lease revenue.

The Company has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application in accordance with paragraphs C7–C8 of IFRS 15.

First-time adoption of IFRS 16

IFRS 16 “Leases” is effective for annual periods beginning on or after 1 January 2019. The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee acquiring a right-of-use asset and incurring a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model The lessee will be required to recognise:

(a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, and

(b) amortisation of the leased asset separately from interest on lease liability in the income statement.

IFRS 16’s approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance leases, with each of them subject to different accounting treatment.

The Company originally planned to implement IFRS 16 early (as of the beginning of 2018), which was reflected in the interim report for the first quarter of 2018. The aforementioned report presents the impact of the application of IFRS 16 on individual items of the Company's financial statements, and the Issuer decided at that time to use the practical expedient contained in paragraph C3 of IFRS 16. However, having re-examined the facts for the purposes of the interim report for the first half of 2018, the Issuer decided not to apply IFRS 16 early – thus the standard will be implemented in accordance with the date set by the legislator, i.e. for periods beginning on 1 January 2019. Such a standpoint of the Issuer stems from the fact that the issue is more complex than originally estimated, in particular in the context of the scope of agreements covered by the potential change of the recognition of costs from costs of third-party services to amortisation/depreciation and interest expenses. Therefore, in this interim report, the data for the first quarter of 2018 have been restated in order to eliminate the impact of IFRS 16. As a result, the changes contained in the originally published report for the first quarter of 2018 have been reversed in the current report (see Note 10):

- As at 1 January 2018 (opening balance):
    - lease liabilities of PLN 5,755 thousands were recognised (under “Other financial liabilities – long-term” – PLN 4,147 thousand and under “Other financial liabilities – short-term” – PLN 1,608 thousand);
    - right-of-use assets of PLN 5,755 thousand were recognised under “Tangible fixed assets”, classified as the first group of the Fixed Assets Classification;
- As at 31 March 2018:
    - lease liabilities recognised under “Other financial liabilities – short- and long-term”, arising from contracts reclassified following the application of IFRS 16, amounted to PLN 5,382 thousand;
    - right-of-use assets arising from lease contracts reclassified following the application of IFRS 16, amounted to PLN 5,436 thousand;
    - in the period from 1 January 2018 to 31 March 2018, as a result of the application of IFRS 16, “Costs of other services” decreased by PLN 489 thousand and depreciation costs

increased by PLN 319 thousand (both items presented under "General and administrative expenses"). Interest expense on leases, included in "Financial expenses", increased by PLN 66 thousand.

The Company believes that the implementation of IFRS 16 will have a significant impact on ATM's financial statements as it will result in an increase in depreciation and amortisation costs and a decrease in lease/rental costs (primarily from lease contracts for telecommunications infrastructure), resulting in improved EBITDA, increased total assets and liabilities and increased level of debt.

Amendments to other IFRSs and interpretations of that entered into force in the period from 1 January 2018 to the date of approval of these financial statements for publication did not have a material impact on these financial statements.

The Company intends to adopt the new standards, amendments to standards and interpretations of the IFRS published by the International Accounting Standards Board but not yet effective as at the reporting date, when they become effective.

Interim condensed financial statements do not include all the information and disclosures required in annual financial statements, and they should be read jointly with the Company's annual financial statements for 2017, including notes for the 12 months ended 31 December 2017, prepared according to IFRS, as approved by the EU.

These condensed interim financial statements have not been audited by an independent statutory auditor. The financial statements for 2017 were the last financial statements audited by an independent statutory auditor.

These condensed interim financial statements have been reviewed by a statutory auditor. The report on that review is published together with these financial statements.

These interim condensed financial statements have been prepared on the assumption that the Company would continue as a going concern in the foreseeable future. As at the date of authorisation of these interim condensed financial statements, no circumstances are found indicating a threat to the continued operations by the Company.

The duration of the Company is indefinite.

In these foregoing interim condensed financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in Note 2 in the Financial Statements for the year 2017, except for the judgments and estimates made in connection with the implementation of IFRS 9 and IFRS 15 as described in the relevant sections above.

In addition, in the period of six months ended 30 June 2018, the Company's Management Board reviewed the depreciation and amortisation rates on the basis of the adopted accounting principles and decided to change the useful lives of some tangible and intangible assets, adjusting them to the currently estimated useful lives. As a result, the remaining amortisation/depreciation period for certain assets has been extended or shortened. Annual amortisation and depreciation rates of tangible and intangible assets were revised accordingly, which resulted in an increase in the average monthly amortisation and depreciation charge as compared to previous periods. The total impact of these changes on the annual amortisation and depreciation charge in 2018 (compared to 2017, assuming no increases in tangible and intangible assets) amounts to approximately PLN 5.9 million.

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

The interim condensed financial statements present the financial position of ATM S.A. as at 30 June 2018, as well as the results of its operations in the period of 3 and 6 months ended 30 June 2018, together with comparative figures.

2. Operating segments

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

- The Data Center Services Segment, including colocation services and other services relating to data center infrastructure (such as the leasing of dedicated servers, cloud computing services and backup office services, as well as data security and business continuity management services, e.g. AntyDDoS);

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

Starting from the interim report for the first quarter of 2018, the Issuer additionally presents in the Telecommunications Services Segment the revenue and sales margins earned outside its core business segments, including those from sale of services of an administrative nature. The revenue in this category makes only a small (and decreasing) contribution to the overall profit on sales and does not represent a significant burden on the Company's fixed costs. In the previous periodic reports, this stream of revenue and sales margins was presented separately in the column "Other".
This change in data presentation arose because of the need to ensure consistency of interim reports with management reports used by the Company's Management Board. The figures in the comparative period were restated accordingly.

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 (based on the proportion of sales revenue in both segments). The value of the Issuer's shares in its associated company is shown in the column marked "Other".

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 with the interim report for the first quarter of 2018, the Issuer no longer allocates other operating expenses to segments using ratio-based methods. Therefore, at the segment level, the so-called Segment Margin is calculated, which is the difference between the Sales Margin of a particular segment and the payroll cost for staff of divisions responsible for service performance.
This change in data presentation also arose because of the need to ensure consistency of interim reports with management reports used by the Company's Management Board. The figures in the comparative period were restated accordingly.

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

Company's results broken down by operating segment in the first half of 2018:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,232**	**172,054**	**53,474**	**393,760**
Sales revenue	30,559	36,786	-	67,345
Costs of sales	9,521	18,354	-	27,875
Sales margin	21,038	18,432	-	39,470
Payroll costs of employees in divisions responsible for service performance	2,201	1,684	-	3,885
Segment Margin	**18,837**	**16,748**	**-**	**35,586**
Other general and administrative expenses, of which:				30,710
Depreciation and amortisation				16,185
Other net operating revenue and expenses				(204)
Operating profit (loss)				**4,672**
EBITDA *				**23,046**
Revenue from subsidies				777
Net financial revenue and expenses **				(1,847)
Profit (loss) before tax				**3,602**
Income tax				1,071
Net profit (loss)				**2,531**

Company's results broken down by operating segment in the first half of 2017*:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,394**	**173,340**	**55,569**	**397,303**
Sales revenue	28,825	37,611	-	66,436
Costs of sales	8,678	19,778	-	28,456
Sales margin	20,147	17,833	-	37,980
Payroll costs of employees in divisions responsible for service performance	1,955	2,076	-	4,031
Segment Margin	**18,192**	**15,757**	**-**	**33,949**
Other general and administrative expenses, of which:				24,207
Depreciation and amortisation				12,586
Other net operating revenue and expenses				(354)
Operating profit (loss)				**9,388**
EBITDA *				**23,159**
Revenue from subsidies				777
Net financial revenue and expenses **				(3,963)
Profit (loss) before tax				**6,202**
Income tax				2,385
Net profit (loss)				**3,817**

*) Starting from the Annual Report for 2017, the Issuer applies the definition of EBITDA adapted to the management reporting requirements introduced at ATM at the beginning of 2017 (which was possible owing to, among other things, the implementation of a new ERP-class system). Comparative data for the first half of 2017 were restated accordingly — for detailed information and reconciliation of EBITDA with the relevant Income Statement items, see Note 21. In addition, figures for comparative periods were restated – as described in Note 10.

**) Including share in the profit or loss of equity-accounted entities.

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

Company's results broken down by operating segment in the second quarter of 2018:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,232**	**172,054**	**53,474**	**393,760**
Sales revenue	15,486	18,388	-	33,875
Costs of sales	4,769	9,091	-	13,860
Sales margin	10,717	9,298	-	20,015
Payroll costs of employees in divisions responsible for service performance	1,193	943	-	2,136
Segment Margin	**9,524**	**8,355**	**-**	**17,879**
Other general and administrative expenses, of which:				15,038
depreciation and amortisation				8,238
Other net operating revenue and expenses **				(191)
Operating profit (loss)				**2,651**
EBITDA *				**11,708**
Revenue from subsidies				389
Net financial revenue and expenses				(610)
Profit (loss) before tax				**2,430**
Income tax				316
Net profit (loss)				**2,114**

Company's results broken down by operating segment in the second quarter of 2017*:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,394**	**173,340**	**55,569**	**397,303**
Sales revenue	14,501	18,757	-	33,259
Costs of sales	3,814	9,666	-	13,480
Sales margin	10,687	9,091	-	19,779
Payroll costs of employees in divisions responsible for service performance	1,031	1,061	-	2,092
Segment Margin	**9,656**	**8,030**	**-**	**17,686**
Other general and administrative expenses, of which:				12,365
depreciation and amortisation				6,383
Other net operating revenue and expenses				(65)
Operating profit (loss)				**5,257**
EBITDA *				**12,244**
Revenue from subsidies				388
Net financial revenue and expenses **				533
Profit (loss) before tax				**6,178**
Income tax				1,006
Net profit (loss)				**5,172**

*) Starting from the Annual Report for 2017, the Issuer applies the definition of EBITDA adapted to the management reporting requirements introduced at ATM at the beginning of 2017 (which was possible owing to, among other things, the implementation of a new ERP-class system). Comparative data for the first half of 2017 were restated accordingly — for detailed information and reconciliation of EBITDA with the relevant Income Statement items, see Note 21. In addition, figures for comparative periods were restated – as described in Note 10.

**) Including share in the profit or loss of equity-accounted entities.

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

The geographical breakdown of sales revenue is as follows:

Sales revenue	For the period 01/01–30/06/2018	For the period 01/04–30/06/2018	For the period 01/01–30/06/2017	For the period 01/04–30/06/2017
Domestic customers	59,999	30,141	60,846	30,540
Foreign customers	7,346	3,734	5,590	2,719
Total sales revenue	**67,345**	**33,875**	**66,436**	**33,259**

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.

Sales revenue by the moment of revenue recognition:

Sales revenue	For the period 01/01–30/06/2018	For the period 01/04–30/06/2018	For the period 01/01–30/06/2017	For the period 01/04–30/06/2017
Revenue from sales of products	67,159	33,718	66,333	33,166
Revenue from sales of goods and materials	186	157	103	93
Total sales revenue	**67,345**	**33,875**	**66,436**	**33,259**

A vast majority of the Issuer's revenue is recognised over time, i.e. as the Issuer satisfies the performance obligation towards the customer (subscription-based services are settled on a monthly basis). In the above table, this revenue is presented under "Revenue from sales of products". Only a small portion of revenue – presented under "Revenue from sales of goods and materials" in the above table – is recognised when the performance obligation is satisfied, i.e. when the control over the asset is transferred to the customer (non-subscription based revenue).

3. Inventories revaluation write-downs reducing the value to net realisable value

In the first half of 2018, the Company did not recognise any revaluation write-downs on inventories.

4. Revaluation write-downs on fixed assets

The Company did not recognise any revaluation write-downs on fixed assets in the first half of 2018, save for a write-down of PLN 145 thousand on the value of shares in an associated undertaking, Linx. In the Management Board's opinion, in the first half of 2018 there were no indications that the value of shares in Linx would change in relation to the valuation as at the end of 2017, which, combined with the positive contribution of ATM to the change in Linx capital (in accordance with the equity method), resulted in the need to recognise the said write-down. The Issuer has conducted a multiplier analysis of transactions carried out over the last 3 years on the European market and involving assets comparable to Linx's assets, and an analysis of the discount applicable to Linx's assets located in Russia to determine the recoverable amount of the investment as its fair value less costs to sell. As a result of the analysis, the Issuer determined the recoverable amount of the investment in Linx shares at PLN 53.5 million as at 30 June 2018, as at 31 March 2018 and as at 31 December 2017. This value was recognised in the Issuer's accounting books as at 30 June 2018, 31 March 2018 and 31 December 2017 (as an adjustment to the previous valuation). The Issuer also estimated the fair value less costs to sell as at 31 December 2016, 31 March 2017 and 30 June 2017, which resulted in the recognition of the adjustment to the book value of these shares as described in Note 10 to these condensed financial statements.

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

5. Recognition, increase, utilisation and reversal of provisions

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

6. Deferred income tax assets and provisions

	Statement of financial position		Income statement	
	End of period 30/06/2018	End of period 31/12/2017	For the period 01/01–30/06/2018	For the period 01/01–30/06/2017
Deferred tax provision				
Difference between the carrying amount and tax base of tangible fixed assets	9,656	9,320	335	1,108
Adjustment to costs of installation fees – IFRS 15	96	-	11*	-
Foreign exchange gains	226	69	157	-
Gross deferred tax provision	**9,978**	**9,389**	**503**	**1,108**
Deferred tax assets				
Adjustment to revenue from installation fees – IFRS 15	481	-	(53)*	-
Write-downs on inventories	-	-	-	(12)
Write-downs on receivables	289	259	(30)	(7)
Foreign exchange losses	-	105	105	(125)
Liabilities to the Social Insurance Institution (ZUS)	131	99	(32)	-
Deferred income/expenses and accruals	1,288	1,275	(13)	355
Effects of IRS valuation	77	64	(13)	17
Gross deferred tax assets	**2,266**	**1,802**	**(36)**	**228**
Net tax assets (tax provision)	**7,712**	**7,587**		
Deferred income tax charge against profit			**467**	**1,336**

*) The impact on the result for the period from 1 January 2018 to 30 June 2018 is not equal to the change in the balance sheet. The difference results from the initial recognition of IFRS 15 through retained earnings.

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

	For the period 01/01–30/06/2018	For the period 01/01–30/06/2017
Profit/loss before tax	3,602	6,202
Statutory tax rate	19%	19%
Tax at the tax rate	**684**	**1,178**
Permanent differences, of which:	387	1,207
Write-down on shares in an associate – Linx	82	1,126
Permanently non-tax deductible accounting costs	27	81
Costs of incentive scheme	293	-
Other differences	(15)	-
Tax at the effective rate	**1,071**	**2,385**

7. Significant tangible fixed asset sales and acquisitions

In the reporting period, the Company acquired fixed assets in the amount of PLN 12.3 million. The aforementioned amount concerns expenditure construed as an increase in the value of fixed assets. The main categories of investments were as follows:

- assets of the Data Center Services Segment (primarily components necessary for the lease of dedicated and colocation servers) – approx. PLN 5.2 million;

- assets of the Telecommunications Services Segment (primarily assets related to the fibre-optic network) – approx. PLN 4 million;

- other assets, including primarily those related to the development of the Issuer's IT systems.

8. Significant liabilities on account of the purchase of tangible fixed assets

There were no significant liabilities on account of the purchase of tangible fixed assets.

9. Significant settlements arising from court cases

There were no significant settlements arising from court cases.

10. Adjustments of errors from previous periods

Adjustments of errors from previous periods: 1 January 2017, 31 March 2017, 30 June 2017, 31 December 2017 and 31 March 2018 – concerning the book value of investment in an associate, Linx.

In previous periods, the financial results of Linx Telecommunications Holding B.V. (hereinafter: "Linx") differed significantly from the financial results budgeted by the Management Board of Linx, which was considered by the Issuer as evidence of impairment of the investment in Linx shares. The Issuer estimated the recoverable amount as at the end of previous reporting periods based on an estimate of the discounted projected cash flows from Linx's operating activities, representing the investment's value in use. Based on the above estimate, the Issuer recognised a write-down on the book value recognised in the statement of financial position to the estimated recoverable amount.

Following the publication of its financial statements for 2017, the Issuer was informed by Linx of its intention to dispose of all of its operating assets and to change the manner of presenting these assets in Linx's financial statements to discontinued operations, which meant that the method of estimating the recoverable amount of Linx shares had to be changed.

In accordance with the requirements of IAS 36 'Impairment of Assets', the recoverable amount of assets is the higher of their value in use and fair value less costs to sell. In 2018, the Management Board measured the investment in Linx at fair value less costs to sell as at 30 June 2018 and as at the end dates of previous comparative periods. The established fair values less costs to sell turned out to be higher than the value in use, which had previously been used as the recoverable amount; in particular, the Issuer determined the recoverable value of the investment in Linx shares as at 30 June 2018 at PLN 53.5 million (i.e. it was higher by PLN 1.3 million than the original value measured as at the end of 2017) Therefore, the Issuer has adjusted the book value of the investment in Linx at the end of each reporting period to the determined fair value less costs to sell, as the appropriate recoverable amount of shares in Linx.

In addition, having obtained recent information from Linx, due to the low probability of recovering the deferred tax asset recognised in connection with the impairment of the investment in Linx, the Issuer decided to adjust the book value of the deferred tax asset and recognise the effects of this change in the relevant periods in which the deferred tax assets were recognised.

Adjustments relating to shares in the associate, Linx, are numbered (1) in the headings of the relevant columns of the following tables.

Other adjustments of errors from previous periods: 1 January 2017, 31 March 2017, 30 June 2017, 31 December 2017 and 31 March 2018

In addition to the adjustments to the book value of Linx described above, the Issuer disclosed in these financial statements the following adjustments of errors from previous periods:
- changes in the presentation of selected balance sheet items (reclassifications between short- and long-term assets/liabilities and between tangible and intangible assets) – numbered (2) in the headings of the relevant columns of the following tables;
- adjustment to the value of depreciation incorrectly charged on increases in tangible fixed assets – the error resulted from the fact that the ERP system was not working as intended – numbered (3) in the headings of the relevant columns of the following tables;
- transfer of costs of the fee to Orange S.A. for facilities for disabled persons – originally recognised in 2018, while it should have been included in costs of 2017 – numbered (4) in the headings of the relevant columns of the following tables;
- adjustments resulting from the decision not to implement IFRS 16 early (justification – see section on IFRS 16 in Note 1) – numbered (5) in the headings of the relevant columns of the following tables;
- adjustment resulting from the decision not to apply the materiality threshold when recognising revenue from non-recurring fees over time (see section on IFRS 15 in Note 1) – numbered (6) in the headings of the relevant columns of the following tables;
- recognition of the measurement of derivatives granted to the managerial staff under the incentive scheme – numbered (7) in the headings of the relevant columns of the following tables.

All adjustments described in the above sections, together with their values, are presented in detail in the following tables (broken down by respective periods).

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

Statement of financial position as at 1 January 2017	End of period 01/01/2017 (before adjustments)	Adjustment to the equity of Linx (1)	Adjustment to measurement of Linx as at 1 January 2017 (1)	Adjustment to deferred tax asset (1)	Adjustment to the equity of ATM – comprehensive income	Adjustment to the equity of ATM – net profit (loss)	End of period 01/01/2017 (after adjustments)
Fixed assets	**381,148**	**742**	**13,754**	**-**	**-**	**-**	**395,644**
Investments in equity-accounted associates	41,073	742	13,754				55,569
Total assets	**399,617**	**742**	**13,754**				**414,113**
Equity	**224,670**				**827**	**9,410**	**234,907**
Retained earnings	5,068				827	9,410	15,305
Long-term liabilities	**122,065**			**4,259**			**126,324**
Provision for deferred tax	1,312			4,259			5,571
Total equity and liabilities	**399,617**			**4,259**	**827**	**9,410**	**414,113**

Income statement and statement of comprehensive income for 2016	For the period 01/01–31/12/2016 (before adjustments)	Adjustment to the equity of Linx (1)	Adjustment to measurement of Linx as at 1 January 2017 (1)	Adjustment to deferred tax asset (1)			For the period 01/01–31/12/2016 (after adjustments)
Share of profit/(loss) of equity-accounted entities	1,986	(85)					1,901
Financial expenses	21,957		(13,754)				8,203
Profit (loss) before tax	**(10,916)**	**(85)**	**13,754**	**-**	**-**	**-**	**2,753**
Income tax	(1,126)			4,259			3,133
Net profit (loss) on continuing operations	**(9,790)**	**(85)**	**13,754**	**(4,259)**	**-**	**-**	**(380)**
Net profit (loss)	(9,790)	(85)	13,754	(4,259)	-	-	(380)
Net profit (loss)	**(9,790)**	**(85)**	**13,754**	**(4,259)**	**-**	**-**	**(380)**
Other comprehensive income that may be reclassified to profit or loss	**2,662**	**827**	**-**	**-**	**-**	**-**	3,489
Share in other comprehensive income of associates	2,662	827					3,489
Total comprehensive income	**(7,128)**	**742**	**13,754**	**(4,259)**	**-**	**-**	**3,109**

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

Statement of financial position as at 30 June 2017	End of period 30/06/2017 (before adjustments)	Adjustment as at 01/01/2017 (see table above)	Changes in the presentation of assets and liabilities (other than Linx) (2)	Adjustment to the amount of depreciation on increases in tangible fixed assets (3)	Adjustment to the equity of Linx (1)	Change in the presentation of ATM's share in the change of capital of Linx – dividend (1)	Adjustment to measurement of Linx as at 30 June 2017 (1)	Adjustment to the equity of ATM – comprehensive income	Adjustment to the equity of ATM – net profit (loss)	End of period 30/06/2017 (after adjustments)
Fixed assets	**382,861**	**14,496**	**247**	**(301)**	**12,490**	**(4,672)**	**(7,818)**	**-**	**-**	**397,303**
Intangible assets	8,015	-	289	-	-	-	-	-	-	8,304
Tangible fixed assets	333,308	-	(289)	(301)	-	-	-	-	-	332,718
Investments in equity-accounted associates	41,073	14,496	-	-	12,490	(4,672)	(7,818)	-	-	55,569
Other fixed assets	465	-	247	-	-	-	-	-	-	712
Current assets	**25,921**	**-**	**(247)**	**-**	**-**	**-**	**-**	**-**	**-**	**25,674**
Other current assets	1,863	-	(247)	-	-	-	-	-	-	1,616
Total assets	**408,782**	**14,496**	**-**	**(301)**	**12,490**	**(4,672)**	**(7,818)**	**-**	**-**	**422,977**
Equity	**234,711**	**10,237**	**-**	**-**	**-**	**-**	**-**	**8,391**	**(8,692)**	**244,647**
Retained earnings	15,109	10,237	-	-	-	-	-	8,391	(8,692)	25,045
Long-term liabilities	**118,931**	**4,259**	**373**	**-**	**-**	**-**	**-**	**-**	**-**	**123,563**
Provision for deferred tax	2,649	4,259	-	-	-	-	-	-	-	6,908
Long-term trade and other liabilities	13,878	-	373	-	-	-	-	-	-	14,251
Short-term liabilities	**55,140**	**-**	**(373)**	**-**	**-**	**-**	**-**	**-**	**-**	**54,767**
Trade and other liabilities	22,460	-	(373)	-	-	-	-	-	-	22,087
Total equity and liabilities	**408,782**	**14,496**	**-**	**-**	**-**	**-**	**-**	**8,391**	**(8,692)**	**422,977**

Income statement and statement of comprehensive income for the first half of 2017	For the period 01/01–30/06/2017 (before adjustments)	Adjustment for 2016 (see table above)	Changes in the presentation of assets and liabilities (other than Linx) (2)	Adjustment to the amount of depreciation on increases in tangible fixed assets (3)	Adjustment to the equity of Linx (1)	Change in the presentation of ATM's share in the change of capital of Linx – dividend (1)	Adjustment to measurement of Linx as at 30 June 2017 (1)			For the period 01/01–30/06/2017 (after adjustments)
General and administrative expenses	27,937	-	-	301	-	-	-	-	-	28,238
Operating profit (loss)	**9,689**	**-**	**-**	**(301)**	**-**	**-**	**-**	**-**	**-**	**9,388**
Share of profit/(loss) of equity-accounted entities	9,803	-	-	-	4,100	-	-	-	-	13,903
Financial revenue	4,926	-	-	-	-	(4,672)	-	-	-	254
Financial expenses	10,302	-	-	-	-	-	7,818	-	-	18,120
Profit (loss) before tax	**14,893**	**-**	**-**	**(301)**	**4,100**	**(4,672)**	**(7,818)**	**-**	**-**	**6,201**
Net profit (loss) on continuing operations	**12,508**	**-**	**-**	**(301)**	**4,100**	**(4,672)**	**(7,818)**	**-**	**-**	**3,816**
Net profit (loss)	12,508	-	-	(301)	4,100	(4,672)	(7,818)	-	-	3,816
Other comprehensive income that may be reclassified to profit or loss	**(2,466)**	**-**	**-**	**-**	**8,391**	**-**	**-**	**-**	**-**	**5,925**
Share in other comprehensive income of associates	(2,466)	-	-	-	8,391	-	-	-	-	5,925
Total comprehensive income	**10,042**	**-**	**-**	**(301)**	**12,490**	**(4,672)**	**(7,818)**	**-**	**-**	**9,741**

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

Income statement and statement of comprehensive income for the first quarter of 2017	**For the period 01/01–31/03/2017 (before adjustments)**	**Adjustment to the amount of depreciation on increases in tangible fixed assets (3)**	**Adjustment to the equity of Linx (1)**	**Change in the presentation of ATM's share in the change of capital of Linx – dividend (1)**	**Adjustment to measurement of Linx as at 31 March 2017 (1)**	**For the period 01/01–31/03/2017 (after adjustments)**
General and administrative expenses	13,631	150				13,781
Operating profit (loss)	**4,281**	**(150)**	**-**	**-**	**-**	**4,131**
Share of profit/(loss) of equity-accounted entities	13,870		398			14,268
Financial revenue	5,094			(4,672)		422
Financial expenses	11,419				7,767	19,186
Profit (loss) before tax	**12,215**	**(150)**	**398**	**(4,672)**	**(7,767)**	**24**
Income tax	1,379					1,379
Net profit (loss) on continuing operations	**10,836**	**(150)**	**398**	**(4,672)**	**(7,767)**	**(1,355)**
Net profit (loss)	10,836	(150)	398	(4,672)	(7,767)	(1,355)
Other comprehensive income that may be reclassified to profit or loss	**(4,308)**	**-**	**12,040**	**-**	**-**	**7,732**
Share in other comprehensive income of associates	(4,308)		12,040			7,732
Total comprehensive income	**6,528**	**(150)**	**12,438**	**(4,672)**	**(7,767)**	**6,377**

Statement of financial position as at 31 December 2017	**End of period 31/12/2017 (before adjustments)**	**Adjustment as at 01/01/2017 (see above)**	**Changes in the presentation of assets and liabilities (other than Linx) (2)**	**Adjustment to the amount of depreciation on increases in tangible fixed assets (3)**	**Recognition of additional fees for Orange S.A. (UKE) for the years 2009-2010 at the turn of 2017-2018 (4)**	**Adjustment to the equity of Linx (1)**	**Change in the presentation of ATM's share in the change of capital of Linx – dividend (1)**	**Adjustment to measurement of Linx as at 31 December 2017 (1)**	**Adjustment to deferred tax on impairment of Linx (1)**	**Adjustment to the equity of ATM – comprehensive income**	**Adjustment to the equity of ATM – net profit (loss)**	**End of period 31/12/2017 (after adjustments)**
Fixed assets	**395,516**	**14,496**	**999**	**(482)**	**-**	**5,980**	**(7,641)**	**(11,555)**	**-**	**-**	**-**	**397,312**
Intangible assets	8,329	-	379	-	-	-	-	-	-	-	-	8,708
Tangible fixed assets	334,747	-	(379)	(482)	-	-	-	-	-	-	-	333,886
Investments in equity-accounted associates	52,194	14,496	-	-	-	5,980	(7,641)	(11,555)	-	-	-	53,474
Other fixed assets	245	-	999	-	-	-	-	-	-	-	-	1,244
Current assets	**26,659**	**-**	**(999)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,660**
Other current assets	2,098	-	(999)	-	-	-	-	-	-	-	-	1,099
Total assets	**422,175**	**14,496**	**-**	**(482)**	**-**	**5,980**	**(7,641)**	**(11,555)**	**-**	**-**	**-**	**422,973**
Equity	**248,304**	**10,237**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,659**	**(17,516)**	**246,683**
Retained earnings	28,702	10,237	-	-	-	-	-	-	-	5,659	(17,516)	27,081
Long-term liabilities	**125,230**	**4,259**	**337**	**-**	**-**	**-**	**-**	**-**	**(2,113)**	**-**	**-**	**127,713**
Provision for deferred tax	5,441	4,259	-	-	-	-	-	-	(2,113)	-	-	7,587
Long-term trade and other liabilities	13,101	-	337	-	-	-	-	-	-	-	-	13,438
Short-term liabilities	**48,642**	**-**	**(337)**	**-**	**272**	**-**	**-**	**-**	**-**	**-**	**-**	**48,577**
Trade and other	27,658	-	(337)	-	272	-	-	-	-	-	-	27,593

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

liabilities												
Total equity and liabilities	**422,175**	**14,496**	**-**	**-**	**272**	**-**	**-**	**-**	**(2,113)**	**5,659**	**(17,516)**	**422,973**

Income statement and statement of comprehensive income for 2017	**For the period 01/01–31/12/2017 (before adjustments)**			**Adjustment to the amount of depreciation on increases in tangible fixed assets (3)**	**Recognition of additional fees for Orange S.A. (UKE) for the years 2009-2010 at the turn of 2017-2018 (4)**	**Adjustment to the equity of Linx (1)**	**Change in the presentation of ATM's share in the change of capital of Linx – dividend (1)**	**Adjustment to measurement of Linx as at 31 December 2017 (1)**	**Adjustment to deferred tax on impairment of Linx (1)**			**For the period 01/01–31/12/2017 (after adjustments)**
General and administrative expenses	60,354	-	-	482	272	-	-	-	-	-	-	61,108
Operating profit (loss)	**14,531**	**-**	**-**	**(482)**	**(272)**	**-**	**-**	**-**	**-**	**-**	**-**	**13,777**
Share of profit/(loss) of equity-accounted entities	8,284	-	-	-	-	321	-	-	-	-	-	8,605
Financial revenue	15,112	-	-	-	-	-	(7,641)	(7,200)	-	-	-	271
Financial expenses	6,189	-	-	-	-	-	-	4,355	-	-	-	10,544
Profit (loss) before tax	**33,292**	**-**	**-**	**(482)**	**(272)**	**321**	**(7,641)**	**(11,555)**	**-**	**-**	**-**	**13,662**
Income tax	5,294	-	-	-	-	-	-	-	(2,113)	-	-	3,181
Net profit (loss) on continuing operations	**27,997**	**-**	**-**	**(482)**	**(272)**	**321**	**(7,641)**	**(11,555)**	**2,113**	**-**	**-**	**10,481**
Net profit (loss)	27,997	-	-	(482)	(272)	321	(7,641)	(11,555)	2,113	-	-	10,481
Other comprehensive income that may be reclassified to profit or loss	**(4,363)**	**-**	**-**	**-**	**-**	**5,659**	**-**	**-**	**-**	**-**	**-**	**1,295**
Share in other comprehensive income of associates	(4,363)	-	-	-	-	5,659	-	-	-	-	-	1,295
Total comprehensive income	**23,634**	**-**	**-**	**(482)**	**(272)**	**5,980**	**(7,641)**	**(11,555)**	**2,113**	**-**	**-**	**11,777**

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

Income statement and statement of comprehensive income for the first quarter of 2018	For the period 01/01–31/03/2018 (before adjustments)	Recognition of additional fees for Orange S.A. (UKE) for the years 2009-2010 at the turn of 2017-2018 (4)	Adjustment to the amount of depreciation on increases in tangible fixed assets (3)	IFRS 16 adjustment – decision not to implement the standard as of the beginning of 2018 (reversal of the original recognition in the income statement) (5)	IFRS 16 adjustment – decision not to implement the standard as of the beginning of 2018 (adjustment to depreciation and amortisation) (5)	IFRS 16 adjustment – decision not to implement the standard as of the beginning of 2018 (adjustment to foreign exchange differences) (5)	Implementation of IFRS 15 – adjustment to revenue and costs related to non-recurring fees (6)	Adjustment – recognition of the measurement of financial instruments related to the incentive scheme (7)	Adjustment to the equity of Linx (1)	Adjustment to measurement of Linx as at 31 March 2018 (1)	For the period 01/01–31/03/2018 (after adjustments)
Sales revenue	33,590						(120)				33,470
Costs of sales	14,039						(24)				14,015
Sales margin	**19,551**	**-**	**-**	**-**	**-**	**-**	**(96)**	**-**	**-**	**-**	**19,455**
General and administrative expenses	16,413	(272)	48	473	(320)			1,079			17,421
Operating profit (loss)	**3,125**	**272**	**(48)**	**(473)**	**320**	**-**	**(96)**	**(1,079)**	**-**	**-**	**2,021**
Share of profit/(loss) of equity-accounted entities	(265)								2		(263)
Financial revenue	2,271					28				(1,914)	385
Financial expenses	1,431			(72)						-	1,359
Profit (loss) before tax	**4,089**	**272**	**(48)**	**(401)**	**320**	**28**	**(96)**	**(1,079)**	**2**	**(1,914)**	**1,173**
Income tax	756										756
Net profit (loss) on continuing operations	**3,334**	**272**	**(48)**	**(401)**	**320**	**28**	**(96)**	**(1,079)**	**2**	**(1,914)**	**417**
Net profit (loss)	3,334	272	(48)	(401)	320	28	(96)	(1,079)	2	(1,914)	417
Other comprehensive income that may be reclassified to profit or loss	**(1,951)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,912**	**-**	**(39)**
Share in other comprehensive income of associates	(1,951)								1,912		(39)
Total comprehensive income	**1,383**	**272**	**(48)**	**(401)**	**320**	**28**	**(96)**	**(1,079)**	**1,914**	**(1,914)**	**378**

11. Changes in economic situation and business conditions having significant impact on the fair value of the entity's financial assets and financial liabilities

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

12. Bank loans and borrowings, and lease liabilities

Bank loans include:

1. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 48.125 million as at 30 June 2018 (PLN 50.518 million as at 31 December 2017), secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
2. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 48.125 million as at 30 June 2018 (PLN 50.518 million as at 31 December 2017), secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
3. investment loan for the period of 5 years (2017–2022), drawn in the amount of PLN 9.07 million as at 30 June 2018 (PLN 5.96 million as at 31 December 2017), secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
4. investment loan for the period of 5 years (2017–2022), drawn in the amount of PLN 9.07 million as at 30 June 2018 (PLN 5.96 million as at 31 December 2017), secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
5. overdraft facility, which revolves bi-annually, with a total limit of up to PLN 20 million, drawn in the amount of PLN 7.64 million as at 30 June 2018 (PLN 4.75 million as at 31 December 2017).

In the first half of the current year, The Issuer successfully implemented the project aimed at refinancing the entire debt on account of bank loans, as announced by the Issuer in Current Report No 19/2018 of 28 June 2018. The Loan and guarantee facility agreement (the "Facilities Agreement") comprises:

- 5-year term loan of up to PLN 120,000,000,
- 5-year term investment loan of up to PLN 30,000,000;
- 3-year overdraft facility of up to PLN 30,000,000;
- 5-year term loan of up to PLN 85,000,000;
- guarantee facilities of up to PLN 6,000,000.

The funds obtained were/are designated for:

- repayment of total current debt (except for leases);
- financing or refinancing of up to 100% of capital expenditures;
- financing of the Company's current operating activities;
- financing a part of the dividend to be distributed by the Company;
- issuing guarantees associated with the Company's operating activities.

On account of the transaction in question, the Company incurred standard costs for this type of agreements, including non-recurring costs, as well as bears and will bear the current debt service costs – interest on the facility was set on the basis of 1M WIBOR rate plus the banks' margin. The Company incurred expenses on account of early repayment fee for Bank Zachodni WBK S.A.

The refinancing transaction is secured with standard collateral for such transactions, including:

- mortgages established on the Company's properties;
- registered pledge established on the Company's movable assets;
- registered and financial pledges established on the Company's bank accounts;
- agreement on global assignment of rights under commercial contracts.

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

The primary purpose of this transaction was to provide for the Company's long-term financial security by adjusting the volume and structure of debt financing to the Issuer's needs and to ensure the financing of dividend to be distributed by the Company (assuming that the General Meeting of the Company resolves to distribute the dividend). The decision to distribute the dividend in the amount of PLN 89.4 million was finally made by the General Meeting of ATM S.A. on 29 June 2018, and the dividend was distributed on 17 August 2018.
The disbursement of funds from the aforesaid Facilities Agreement and repayment of the existing debt on account of loans took place after the balance sheet date, i.e. on 31 July 2018.

Lease liabilities recognised under "Other financial liabilities – short- and long-term" amounted to PLN 7,622 thousand. The lease agreements are concluded primarily in order to refinance investment expenditures, and they are usually entered into for the period of 5 years.

13. Default on a loan or borrowing

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

14. Financial assets at fair value

As at 30 June 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	30/06/2018		30/06/2017		31/12/2017	
	carrying amount	fair value	carrying amount	fair value	carrying amount	fair value
Financial assets at fair value through profit or loss	-	-			-	-
Financial assets held to maturity	-	-			-	-
Financial assets available for sale (at fair value)	-	-			-	-
Loans granted and own receivables	-	-			-	-
Financial liabilities at fair value through profit or loss	407	407	373	373	337	337
Other financial liabilities	-	-			-	-

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

Fair value hierarchy

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	30/06/2018
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the loan	level 2	407
Total		407

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

During the period ended 30 June 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.

15. Changes in the classification of financial assets due to a change of their purpose or use

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

16. Seasonality of operations

Revenue from sales is stable, recurrent and relatively resistant to the business cycle, owing to the predominant subscription nature of the contracts. This revenue is not seasonal. A periodic rise in revenues may be due to a greater share of revenue from sources other than subscription services relating to providing the clients with telecommunications lines and colocation space. Such an increase in revenue occurred in the last quarters of the years 2012–2014, and in 2015–2017 this phenomenon did not occur.

17. Issue, redemption and repayment of non-share equity securities

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

18. Dividends paid and declared

On 29 June 2018, the Ordinary General Meeting of the Company adopted a resolution allocating the amount of PLN 89,404,626.24 to the payment of dividend (corresponding to PLN 2.46 per share). The number of shares eligible for the payment of dividend is 36,343,344. At the same time, the General Meeting set 10 August 2018 as the dividend record date and 17 August 2018 as the dividend payment date.

19. Value of collateral and security given, changes in contingent liabilities and contingent assets

	End of period 30/06/2018	End of period 30/06/2017	End of period 31/12/2017
To related entities:	-		-
To other entities:			
1. Bank guarantees received:	309	295	309

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

- performance bonds and tender bonds	309	295	309
2. Collateral pledge	97,920	79,420	91,420
3. Promissory notes and mortgages:	89,655	89,207	93,272
- endorsements concerning agreements related to EU project financing	-		-
- bank loan collateral	89,655	89,207	93,272
Total	**187,884**	**168,922**	**185,001**

Since the end of the financial year 2017, the value of collateral has increased by PLN 2,883 thousand as a result of:
- increase the value of pledge collateral by PLN 6,500 thousand;
- decrease in the value of mortgage collateral by PLN 3,617 thousand.

20. Significant events after the end of the half year

On 1 August 2018, the Issuer's Management Board convened an Extraordinary General Meeting (to be held on 27 August 2018), the agenda of which included an item concerning the adoption of a resolution on granting consent to the establishment of registered pledges on an organised part of the enterprise. The need to adopt the aforementioned resolution was related to the conditions for establishing collateral on the Issuer's movable assets contained in the loan agreement of 28 June 2018 (referred to in Note 12 above). On 27 August 2018, the Extraordinary General Meeting of the Issuer adopted the aforementioned resolution.

21. Comparative figures – EBITDA

Starting from the Annual Report for 2017, the Issuer applies the definition of EBITDA (as an alternative measure of profit or loss) adapted to the management reporting requirements introduced at ATM at the beginning of 2017 (which was possible owing to, among other things, the implementation of a new ERP-class system). Comparative data for the first half of 2017 were restated accordingly — for detailed information and reconciliation of EBITDA with the relevant Income Statement items, see below.

The cost items that were excluded from the calculation of EBITDA are as follows (provided that these 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 (in the total amount of PLN 19 thousand in the first half of 2018 and PLN 18 thousand in the first half of 2017) – due to their non-operating nature – presented in the table below under “general and administrative expenses”;

- real property tax and other public levies in the total amount of PLN 453 thousand in the first half of 2018 and PLN 305 thousand in the first half of 2017 (including those 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, in the lines “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) in the total amount of PLN -11 thousand in the first half of 2018 and PLN 390 in the first half of 2017 – presented in the table below under “other operating expenses (income)”;

- payroll costs resulting from the valuation of derivatives granted to key employees of the Company under the incentive scheme (see next note) in the amount of PLN 1,542 thousand in the first half of 2018 – due to their non-cash nature – presented in the table below under “general and administrative expenses”;

- write-downs on trade receivables estimated in accordance with IFRS 9 (due to their non-cash nature – provisions) in the total amount of PLN 222 thousand in the first half of 2018 and PLN 79 thousand in the first half of 2017 – presented in the table below under “other operating expenses (income)”.

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

	For the period 01/01–30/06/2017 (according to the approved financial statements – before restatement)	For the period 01/01–30/06/2017 (restated)	Difference	For the period 01/01–30/06/2018 (before restatement)	For the period 01/01–30/06/2018 (restated)	Difference
Operating profit	**9,388**	**9,388**	**-**	**4,671**	**4,671**	**-**
Depreciation and amortisation	12,586	12,586	-	16,186	16,186	-
EBITDA	**21,974**		**-**	**20,857**		**-**
Adjustments, of which:	**-**	**1,185**	**1,185**	**-**	**2,189**	**2,189**
General and administrative expenses	-	323	323	-	2,015	2,015
Other operating expenses (income)	-	469	469	-	211	211
Restructuring costs	-	392	392	-	(37)	(37)
EBITDA after adjustments	**21,974**	**23,159**	**1,185**	**20,857**	**23,046**	**2,189**

	For the period 01/04–30/06/2017 (according to the approved financial statements – before restatement)	For the period 01/04–30/06/2017 (restated)	Difference	For the period 01/04–30/06/2018 (before restatement)	For the period 01/04–30/06/2018 (restated)	Difference
Operating profit	**5,258**	**5,258**	**-**	**2,650**	**2,650**	**-**
Depreciation and amortisation	6,382	6,382	-	8,238	8,238	-
EBITDA	**11,640**		**-**	**10,888**		**-**
Adjustments, of which:	**-**	**604**	**604**	**-**	**821**	**821**
General and administrative expenses	-	168	168	-	679	679
Other operating expenses (income)	-	157	157	-	179	179
Restructuring costs	-	279	279	-	(37)	(37)
EBITDA after adjustments	**11,640**	**12,244**	**604**	**10,888**	**11,708**	**821**

22. Incentive scheme

On 31 January 2018, the persons who are key to the implementation of the Company's strategy entered into agreements with two key shareholders of the Company. Under these agreements, they acquired derivative financial instruments related to the Company's shares held by these shareholders. The purpose of executing the agreements is to ensure optimal conditions for long-term growth of the Company's value by providing incentives to persons of key importance for the implementation of the Company's strategy to act in the interest of the Company and its shareholders. These persons have acquired the right to receive from these shareholders – provided that they meet the criteria set out in the agreements – cash amounts, the amount of which will depend on the future value of the Company's shares. The Company measured the instruments granted on the basis of the Monte-Carlo simulation in accordance with the Black-Scholes model. The total measurement as at the balance sheet date is PLN 3,700 thousand, of which PLN 1,542 thousand charged to the payroll costs of the first half of 2018. - services received by the Company do not qualify for recognition as assets.

The following input data were used to calculate the fair value of instruments at the grant date:
Share price on the grant date: PLN 11.25

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

Weighted average expected volatility: 20.45%
Weighted average risk-free rate: 2.13%
Expected average life of instruments outstanding at the end of the period: 2 years
The expected volatility was estimated taking into account the historical average volatility of the Company's share price.
The resulting fair value of a single instrument at the grant date was PLN 2.74.

Summary of changes in the number and weighted average exercise price of instruments:

	Number of equity instruments *)	Weighted average exercise price
Outstanding at the beginning of the period	0	n/a
Granted during the period	1,338,343.15	11
Exercised during the period	0	n/a
Outstanding at the end of the period	1,338,343.15	11

*) Eligible persons receive the right to a total of 3.9% of the increase in the share price above the exercise price.

The average remaining life of instruments outstanding at the end of the period: 9.5 years

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	**Position/function**	**Date**	**Signature**
Sławomir Koszołko	President of the Management Board	7 September 2018	....
Tomasz Galas	Vice President of the Management Board	7 September 2018	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	7 September 2018	....

B. MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF ATM S.A. FOR THE FIRST HALF OF 2018

(Other disclosures required by the Regulation of the Minister of Finance on the current and periodic information submitted by issuers of securities)

1. Information on the Issuer

Information on the Issuer:

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

The registered office of the Company is located in Warsaw at Grochowska 21a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting unit. The Company is registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Company is registered under the National Court Register (KRS) No 0000034947.

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

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

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

The Company is supervised by a Supervisory Board comprising the following members:
- Przemysław Czichon – Chairperson of the Supervisory Board,
- Piotr Sieluk – Deputy Chairperson of the Supervisory Board,
- Przemysław Głębocki – Member of the Supervisory Board,
- Maciej Kowalski – Member of the Supervisory Board,
- Mariusz Grendowicz – Member of the Supervisory Board,
- Tomasz Jacygrad – Member of the Supervisory Board.

On 2 May 2018, the Issuer's Management Board was notified that Mr Tadeusz Czichon, who performed the function of Chairman of the ATM S.A. Supervisory Board, had died on 1 May 2018.

On 9 May 2018, the Issuer's Management Board was notified by Saturn TFI S.A., acting for and on behalf of ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Fund") of appointment, as of 9 May 2018, of Mr Przemysław Czichon as Member of the Supervisory Board and Chairman of the Supervisory Board of the Company. The aforementioned appointment was performed in the exercise of the personal power of the Fund on the basis of Article 13(2)(a) of the Company's Articles of Association.

On 6 June 2018, the Company received information on the appointment of Mr Maciej Kowalski to the Audit Committee by the Supervisory Board of ATM S.A.

Description of changes in the organisation of the issuer's capital group, including changes resulting from business combinations, obtaining or losing control of subsidiaries and long-term investments, as well as division, restructuring or discontinuation of operations; indication of consolidated entities and, in the case of an issuer which is a dominant entity and, under applicable regulations, is not required or may opt not to draw up consolidated financial statements – also the reason and legal basis for the lack of consolidation

Currently, ATM S.A. does not have any subsidiaries – and thus it does not form a capital group. On the day of publication of this report, the Issuer held shares representing 21.02% of the share capital of Linx Telecommunications Holding B.V. The results of this entity, as an associated company, are not consolidated at the operating level – they are accounted for according to the equity method. The Company recognises the share in the results of the associated entity in its results, while other comprehensive income of the associated entity is recognised in the Company's other comprehensive income. The amount of acquisition costs is adjusted by the change in share of the Company in net assets of the associated entity, after the acquisition date.

Information on shareholders having, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the issuer's general meeting as of the date of submission of the semi-annual report and indication of changes in the ownership structure of large blocks of shares of the Issuer in the period from the submission of the previous periodic report

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

Shareholder	Number of shares in accordance with the previous quarterly report	Number of shares according to the current semi-annual report	Change in the number of shares and number of votes
MCI.PrivateVentures FIZ *	25,220,527	25,220,527	0
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	9,119,040	9,119,040	0

**) jointly with subsidiaries. The number of shares as at 5 April 2018 based on the notification.*

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

Summary of changes in the number of Issuer's shares or stock options held by the Issuer's managers and supervisors, in accordance with the information available to the Issuer, since the submission of the previous periodic report

Name and surname	As at 11 May 2018	Increases	Decreases	As at 10 September 2018
Sławomir Koszołko	-	-	-	-
Tomasz Galas	-	-	-	-

Purchase of treasury shares

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

2. Description of the Issuer's achievements, risk factors and development prospects

Description of the Issuer's significant achievements or failures during the reporting period

Operating and financial results

The results of the second quarter of 2018 are a natural continuation of the trends observed in the Company's operating activity in previous periods, and in particular in the first quarter of this year.

The Issuer continues to focus on improving sales effectiveness and a methodical and consistent approach to increasing profitability through cost optimisation (mainly of variable costs – directly related to the sales level). As a result, sales revenue increased in the past quarter by approx. 1% q/q, mainly due to the positive contribution of the Data Center Segment. Owing to cost reductions in the Telecommunications Services Segment, total return on sales improved by approx. 1 percentage point as compared to the previous quarter, which translated into an increase in the sales margin by 3% q/q. General and administrative expenses remained at a level similar to that of the previous quarter, while ATM's EBITDA ultimately amounted to PLN 11.7 million in the second quarter of 2018 (+3% q/q), and slightly exceeded PLN 23 million in the entire first half of 2018.

Taking into account the Company's performance in the entire first half of 2018, the following developments should be noted:

- an increase in total by 1% y/y, driven by the continuously growing Data Center Services segment (+6% y/y) and the revenue from the Telecommunications Services Segment which has remained at a consistent level since the beginning of 2016 (-2% y/y in the first half of 2018);

- a decrease in cost of sales (-2% y/y), where major savings were made by the Company in the Telecommunications Services Segment (-7% y/y which means PLN 1.4 million of costs of sales less than in the first half of 2017);

- an improvement in the return on total sales by 1.5 p.p. (up to 58.5% in the first half of 2018) — as a consequence of the factors listed in the previous indents;

- the increase in general and administrative expenses by approx. 23% y/y which in almost 60% results from an increase in amortisation and depreciation costs (change in amortisation/depreciation rates for some assets described in the Issuer's interim report for the first quarter of 2018). In the remaining part, this is a consequence of an increase in remuneration resulting from supplementing competencies in key areas of the Company's operations and recognition of the costs of valuation of derivatives related to the management incentive scheme in 2018 (PLN 1.5 million in the first half of 2018 – non-cash item);

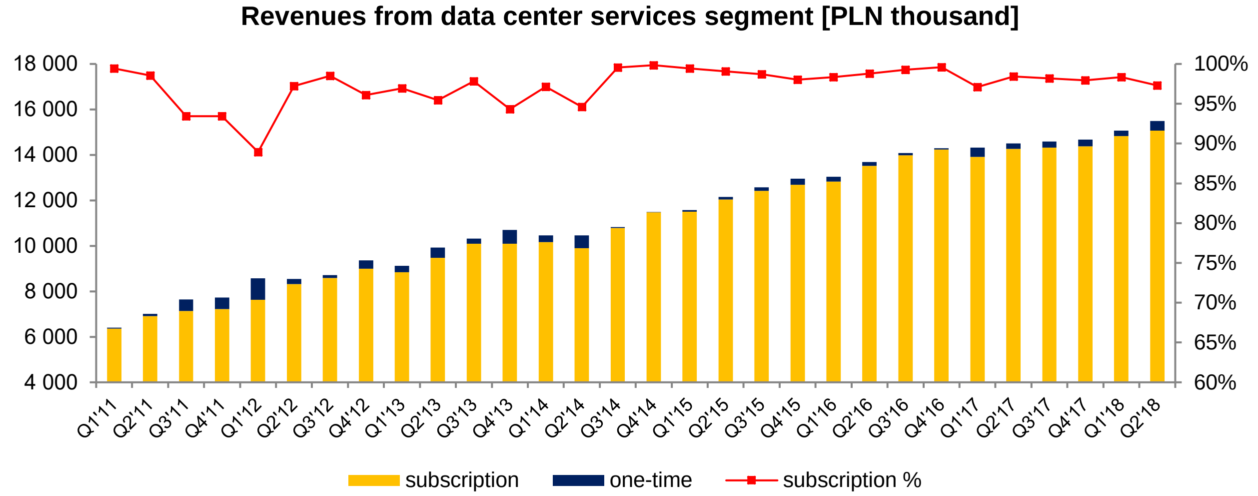
Traditionally, nearly 100% of total revenue was of a recurring and subscription-based nature.

In the first half of the current year, The Issuer successfully implemented the project aimed at refinancing the entire debt on account of bank loans, as announced by the Issuer in Current Report No 19/2018 of 28 June 2018. The primary purpose of this transaction was to provide for the Company's long-term financial security by adjusting the volume and structure of debt financing to the Issuer's needs and to ensure the financing of dividend to be distributed by the Company (assuming that the General Meeting of the Company resolves to distribute the dividend). The decision to distribute the dividend in the amount of PLN 89.4 million was finally made by the General Meeting of ATM S.A. on 29 June 2018, and the dividend was distributed on 17 August 2018.

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

Data Center Services Segment

figures in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Revenue from the Data Center Services Segment	**14,324**	**14,501**	**14,586**	**14,673**	**15,073**	**15,486**
of which: subscription revenue	13,906	14,270	14,319	14,378	14,826	15,067



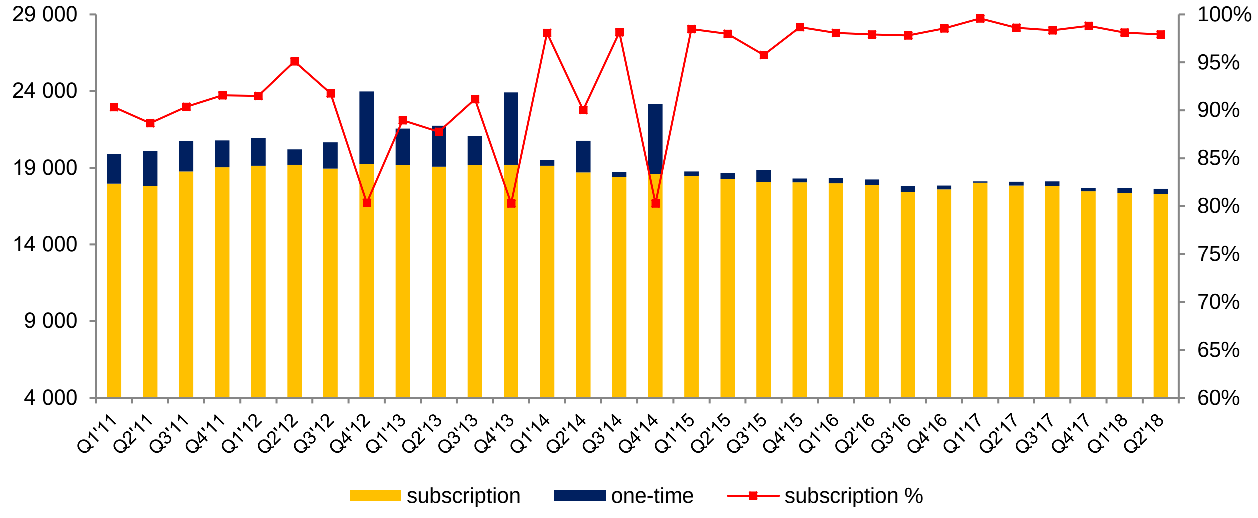
In the second quarter of 2018, revenue in the Data Center Services Segment increased by 2.5% as compared with the preceding quarter (PLN +0.4 million; to PLN 15.5 million), maintaining the growth rate recorded in the previous quarter. This is due to 2 factors:
- consistent increase in subscription-based revenue related to colocation (Box, Data Room) and cloud services (the effect of the continued dynamic growth in sales of Atman Cloud services);
- signing new service contracts for Backup Office services (which resulted in an increase in revenue by 10% q/q);
- performance of several non-recurring services and sales accompanying the above-mentioned new contracts for subscription-based services (increase in non-subscription revenue by 70% q/q).

Costs of sales of the Data Center Services Segment were maintained at the same level as in the previous quarter, which in turn enabled the segment's sales profitability to improve by 0.7 percentage points (on the back of increased revenue). In the second quarter of 2018, the sales margin generated by this segment accounted for 53.5% of ATM's total sales margin. The Segment Margin, understood as the sales margin less the payroll costs of the staff of divisions responsible for the performance of services, also increased over the past quarter, by approx. 2% q/q (increase by approx. PLN 0.2 million).

Telecommunications Services Segment

figures in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Total revenue from the Telecommunications Services Segment	**18,854**	**18,757**	**18,813**	**18,477**	**18,398**	**18,388**
of which: subscription revenue	18,778	18,504	18,514	18,260	18,062	18,021

Revenues from telecommunications services segment [PLN thousand] *



** after excluding revenue earned outside the core business segments (from the sale of administrative services) – reported in previous interim reports in the "Other" segment*

In the second quarter 2018, the total amount of revenue of the Telecommunications Services Segment was similar to the one earned in the previous quarter. Subscription-based revenue recorded a decrease by approx. PLN 40 thousand, primarily due to a decrease in revenue generated outside the core business segments (in the interim reports issued before the first quarter of 2018 presented as a separate "Other" segment) – by approx. PLN 50 thousand q/q (with a negligible impact on the sales margin).

The costs of sales of the Telecommunications Services Segment were reduced by 2% q/q (and amounted to PLN 9.1 million), mainly as a result of:

- optimisation of costs associated with maintenance of network equipment;

- reduction of costs of services not directly related to the core segments (in line with the reduction in revenues – see previous paragraph).

As a consequence of the above-mentioned changes in revenue and costs, the segment's return on sales grew by approx. 1 percentage point, to approx. 50.5%. The Segment's margin decreased by 0.5% q/q – as a result of an increase in the remuneration of employees engaged directly in the provision of the segment's services (complementing the competencies of the staff).

Amounts and types of items affecting assets, liabilities, equity, net financial result or cash flows which are atypical due to their type, size or frequency. Description of atypical factors and events which materially affect the condensed financial statements

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

- recognition of costs of measurement of derivatives related to the incentive scheme of key management personnel (PLN 1.5 million – non-cash item).

Risk factors

Risks related to the economic situation in Poland and in the world

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 B.V. on it) will be the economic situation in Russia and its potential impact on functioning of Linx Telecommunications 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 loss of employees — experts and members of management staff alike — caused by a situation independent from the Issuer, may bring the risk of decreasing the quality of services and solutions offered and, for instance, delays in projects implemented for the customers. Possible illegal activities of employees (e.g. causing harm to third parties, disloyal behaviour exhibited in, among others, undertaking competitive activity or disclosure of business and professional secrets) could also have negative repercussions.

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

Risk related to forecasts and planning

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

Risk connected 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 on the domestic market may also result in the decline in growth of the Company’s financial parameters – this equally applies to the possible consolidation of supply and demand side of the market.

Information on factors which, in the Issuer’s opinion, will affect its performance during at least the next quarter

One of the most important external factors which condition the development of the Issuer’s Company is a constant growth of demand for transfer, processing and archiving of information which creates conditions for constant increase in demand for the services provided by the Issuer in the area of data transmission for companies and institutions, as well as data center (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 the so-called “Big Data”),
- advances in telecommunications — the new generation network (LTE), the dynamically growing number of mobile devices used to send increasing amounts of data (content delivery),
- increasing popularity of services generating large volumes of data: video transmission, social media, online games, e-commerce, the Internet of Things,
- tangible benefits of locating own equipment in close proximity of the equipment and connection lines of business partners and customers — such possibilities are offered only by data centres, 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.

After the investment projects completed in 2015, the Company currently has over 8 thousand m^2 of net colocation space, 62% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m^2 net, by expanding the DC localised at Konstruktorska in Warsaw.

The results achieved by the Issuer in the first half of 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. The dynamics of this process depends strongly on market developments and growth in the demand for colocation services in Poland and abroad;
- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue, improve its profitability and maximise the utilisation of potential of the network infrastructure developed over the recent years. Investments in city and intercity optical networks completed in previous years — combined with a systematic increase in the number of served business locations — should contribute to the stabilisation of revenue from broadband data transmission and traffic exchange on the Internet, while at the same time acting as a catalyst for growth of colocation revenue (proper high quality lines increase the attractiveness of data center offers).

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

Position of the Management Board regarding the viability of achieving previously published forecast results for a particular year, taking into account the results presented in the semi-annual report versus projected results

The Company did not publish any forecasts for 2018.

3. Other information

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

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

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

There are no significant proceedings before court, arbitration body or public administration body concerning liabilities or receivables of the Issuer.

Information on granting by the Issuer or Issuer's subsidiary of a loan or borrowing surety or a guarantee, if the total value of the existing sureties or guarantees is significant

During the reporting period, no loan or borrowing sureties or guarantees were extended by the Issuer, the value of which would be significant.

Other information considered by the Issuer as important in the assessment of the Issuer's personnel, asset and financial standing, financial result and changes to such items; information relevant to the assessment of the Issuer's ability to fulfil obligations

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

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sławomir Koszołko	President of the Management Board	7 September 2018	....
Tomasz Galas	Vice President of the Management Board	7 September 2018	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	7 September 2018	....

REPRESENTATION OF THE MANAGEMENT BOARD

Under Decree of the Minister of Finance dated 29 March 2018 on current and periodic information issued by the issuers of securities, the Management Board of ATM S.A. declares that, to its best knowledge, these interim condensed financial statements and comparable data have been drawn up in accordance with the applicable accounting principles and they give a correct, true and fair view of the asset and financial situation of ATM S.A. and its financial performance.

Moreover, the Management Board represents that the report on operations of ATM S.A. presents a true view of the Issuer's development, achievements and standing, including a description of the basic threats and risk.

These interim condensed financial statements have been drawn up in accordance with the accounting principles compliant with International Financial Reporting Standards ("IFRS") as approved by the European Union and to the extent required by the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information submitted by the issuers of securities (Journal of Laws of 2018, item 757). The statements cover the period from 1 January to 30 June 2018.

The Management Board represents that the entity authorised to audit and review the financial statements, which reviewed the interim financial statements, was selected pursuant to applicable laws, and that this entity as well as the statutory auditors who reviewed these statements fulfilled the conditions for issuing an impartial and independent review report, pursuant to applicable regulations and standards of the profession. In accordance with the corporate governance rules adopted by the Management Board, the statutory auditor was selected by the Supervisory Board of the Company on 11 June 2018. The Supervisory Board made the above-mentioned selection, taking into consideration ensuring the complete independence and objectivity for the said selection and the tasks performance by the statutory auditor.

President of the Management Board

Vice President of the Management Board

Sławomir Koszołko

Warsaw, 7 September 2018

Tomasz Galas

Warsaw, 7 September 2018

KPMG

ATM S.A.

Independent Auditor's Report on Review

Of the Condensed Interim Financial Statements

for the period from 1 January 2018 to 30 June 2018

REPORT OF THE INDEPENDENT AUDITOR

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

To the Shareholders of ATM S.A.

Introduction

We have reviewed the accompanying 30 June 2018 condensed interim financial statements ATM S.A. (the "Company") with its registered office in Warsaw ("the condensed interim financial statements"), which comprise:

- the condensed statement of financial position as at 30 June 2018,
- the condensed statements of profit or loss for the three-month and six-month periods ended 30 June 2018,
- the condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2018,
- the condensed statement of changes in equity for the six-month period ended 30 June 2018,
- the condensed statement of cash flows for the six-month period ended 30 June 2018, and
- notes to the interim financial statements.

Management of the Company is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on these condensed interim financial statements, based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution dated 5 March 2018 of the National Council of Certified Auditors as the National Standard on Review 2410. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements of ATM S.A. as at 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union, and in accordance with the adopted accounting principles (policy).

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original
....
Mirosław Matusik
Key Certified Auditor
Registration No.90048
Limited Liability Partner
with power of attorney

Signed on the Polish original
....
Anna Jabłońska
Key Certified Auditor
Registration No. 12792

7 September 2018