Quarterly report of ATM S.A. for the first quarter of 2018

Warsaw, May 2018

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KEY INFORMATION REGARDING THE QUARTERLY REPORT

This quarterly report covers information prepared pursuant to § 65 item 1 and § 66 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 Financial Reporting Standards, as approved by the European Union.

Submission date: 11 May 2018

Key information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
Sector according to the Warsaw Stock Exchange classification: information technology
Postal code: 04-186
City: Warsaw
Street: Grochowska
Number: 21a
Telephone: (22) 51 56 100
Fax: (22) 51 56 600
e-mail: inwestor@atm.com.pl
www: www.atm.com.pl
NIP (Tax ID No): 113-00-59-989
REGON (Statistical ID No): 012677986

SELECTED FINANCIAL DATA

	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	in PLN thousand		in EUR thousand	
Total sales revenue	33,590	33,177	8,039	7,735
Sales margin	19,551	18,201	4,679	4,244
EBITDA *	11,871	10,875	2,841	2,536
Operating profit	3,126	4,281	748	998
Profit before tax	4,089	12,214	979	2,848
Net profit on continued operations	3,334	10,835	798	2,526
Comprehensive income	1,383	6,527	331	1,522
Net cash from operating activities	9,593	3,885	2,296	906
Net cash from investing activities	(10,623)	(1,376)	(2,542)	(321)
Net cash from financing activities	1,744	(2,037)	417	(475)
Increase (decrease) in cash	714	471	171	110

	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Fixed assets	397,406	395,516	94,429	94,827
Current assets	25,668	26,659	6,099	6,392
Total assets	423,074	422,175	100,528	101,219
Long-term liabilities	130,952	125,230	31,116	30,025
Short-term liabilities	43,505	48,642	10,337	11,662
Equity	248,618	248,304	59,075	59,532
Share capital **	34,723	34,723	8,251	8,325
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (PLN/EUR)	6.84	6.83	1.63	1.64

**) Staring from the Annual Report for 2017, the Issuer uses the definition of EBITDA adapted to the management reporting requirements introduced at ATM from the beginning of 2017 (enabled, among other things, by the implementation of a new ERP-class system). Comparative data for the first quarter of 2017 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided in Note 21.*

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

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

- particular items of assets and liabilities were converted with average FX rate of the National Bank of Poland as at 31 March 2018 at PLN/EUR 4.2085;
- particular items of the profit and loss account and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetical mean of average rates set by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 31 March 2018 amounting to 4.1784, and from 1 January to 31 March 2017, amounting to 4.2891.

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

- Individual items of assets and liabilities were converted at the average FX rate of the National Bank of Poland as of 31 December 2017 at PLN/EUR 4.1709;

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

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

1. CONDENSED INTERIM INCOME STATEMENT

	For the period 01/01–31/03/2018	For the period 01/01–31/03/2017
Continued operations		
Sales revenue	33,590	33,177
Cost of sales (variable)	14,039	14,976
Sales margin*	**19,551**	**18,201**
Other operating revenue	24	24
General and administrative expenses	16,413	13,631
Other operating expenses	37	313
Operating profit (loss)	**3,126**	**4,281**
Share in the profit or loss of equity-accounted entities ***	(265)	13,870
Revenue from subsidies	389	389
Financial revenue ****	2,271	5,094
Financial expenses	1,431	11,419
Profit (loss) before tax	**4,089**	**12,214**
Income tax	756	1,379
Net profit (loss) on continued operations	**3,334**	**10,835**
Net profit (loss)	3,334	10,835
Profit (loss) per share		
On continued operations:		
Ordinary	0.09	0.30
Diluted	0.09	0.30
On continued and discontinued operations:		
Ordinary	0.09	0.30
Diluted	0.09	0.30
EBITDA **	**11,871**	**10,875**

NOTES:

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

**) Staring from the Annual Report for 2017, the Issuer uses the definition of EBITDA adapted to the management reporting requirements introduced at ATM from the beginning of 2017 (enabled, among other things, by the implementation of a new ERP-class system). Comparative data for the first quarter of 2017 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided in Note 21.

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

****) This item includes revenue of PLN 2.2 million, recognised in the first quarter of 2018 as a result of maintaining the value of shares in associated entity Linx Telecommunications Holding B.V. established by the impairment test as at 31 December 2017.

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

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/03/2018	For the period 01/01–31/03/2017
Net profit (loss)	**3,334**	**10,835**
Other comprehensive income that will not be reclassified to profit or loss	**(1,951)**	**(4,308)**
Effects of revaluation of fixed assets	-	-
Actuarial gains or losses	-	-
Share in other comprehensive income of associated entities	(1,951)	(4,308)
Income tax related to items that will not be reclassified	-	-
Other comprehensive income that may be reclassified to profit or loss	**-**	**-**
Revaluation of tangible fixed assets	-	-
Exchange differences on translation of foreign operations	-	-
Results of valuation of financial assets available for sale	-	-
Hedge accounting	-	-
Income tax related to other comprehensive income items	-	-
Total comprehensive income	**1,383**	**6,527**

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

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	End of period 31/03/2018	End of period 31/03/2017	End of period 31/12/2017
Fixed assets	**397,406**	**381,410**	**395,516**
Goodwill	-	-	-
Intangible assets	7,968	6,861	8,329
Tangible fixed assets	336,999	333,173	334,747
Investments in associates consolidated using the equity method	52,194	41,073	52,194
Investments in subsidiaries	-	-	-
Deferred income tax assets	-	-	-
Other fixed assets	245	303	245
Current assets	**25,668**	**24,623**	**26,659**
Inventories	-	751	-
Financial assets held for trading	35	50	35
Trade and other receivables	14,999	18,655	17,291
Income tax receivables	57	57	168
Other current assets	2,796	2,865	2,098
Other financial receivables	-	-	-
Cash and cash equivalents	7,781	2,245	7,067
Total assets	**423,074**	**406,033**	**422,175**

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

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

	End of period 31/03/2018	End of period 31/03/2017	End of period 31/12/2017
Equity	**248,618**	**231,197**	**248,304**
Share capital	34,723	34,723	34,723
Supplementary capital from share premium	123,735	123,735	123,735
Revaluation reserve	-	-	-
Treasury shares	-	-	-
Reserve capital	61,144	61,144	61,144
Hedge valuation reserve and FX gains/losses due to consolidation	-	-	-
Retained earnings	29,015	11,595	28,702
Long-term liabilities	**130,952**	**126,268**	**125,230**
Long-term loans and borrowings	105,008	101,034	101,375
Provision for deferred tax	5,790	1,812	5,441
Provisions for liabilities	-	-	-
Long-term trade and other liabilities	12,631	15,125	13,101
Other financial liabilities	7,523	8,297	5,313
Short-term liabilities	**43,505**	**48,568**	**48,642**
Bank loans and borrowings	16,989	22,654	16,321
Provisions for liabilities	-	-	-
Income tax liabilities	59	880	-
Trade and other liabilities	19,777	20,467	27,658
Other financial liabilities	6,680	4,567	4,662
of which: dividends payable	-	-	-
Total equity and liabilities	**423,074**	**406,033**	**422,175**

(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	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2018	**34,723**	**123,735**	**-**	**61,144**	**28,702**	**248,304**
Increases:						
Current period result	-	-	-	-	3,334	3,334
Share in other comprehensive income of associated entities	-	-	-	-	-	-
Adjustment to retained earnings under IAS 15	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	-	-
Share in other comprehensive income of associated entities	-	-	-	-	1,951	1,951
Adjustment to retained earnings under IAS 15	-	-	-	-	1,070	1,070
As at 31 March 2018	**34,723**	**123,735**	**-**	**61,144**	**29,015**	**248,618**

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

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings - including share capital	Equity
As at 1 January 2017	**34,723**	**123,735**	**-**	**61,144**	**5,068**	**231,799**
Increases:						
Current period result	-	-	-	-	10,835	10,835
Share in other comprehensive income of associated entities	-	-	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the reserve capital	-	-	-	-	-	-
Decreases:						
Share in other comprehensive income of associated entities					4,308	4,308
Profit distribution to be allocated to reserve capital	-	-	-	-	-	-
Dividend pay-out	-	-	-	-	-	-
As at 31 March 2017	**34,723**	**123,735**	-	**61,144**	**11,595**	**231,197**

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

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

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

6. CONDENSED INTERIM CASH FLOW STATEMENT

	For the period 01/01–31/03/2018	For the period 01/01–31/03/2017
Operating activities	**9,593**	**3,885**
Profit (loss) before tax	4,089	12,214
Adjustments by:	5,504	(8,329)
Share in the profit or loss of equity-accounted entities	265	(13,870)
Depreciation and amortisation	8,219	6,053
Foreign exchange differences	(55)	(15)
Interest received	-	-
Interest paid	1,037	1,192
Dividends received	-	-
(Gains) losses on investing activities	(4)	260
Change in inventories	-	(65)
Change in receivables	2,292	(4,346)
Change in liabilities and provisions *	(2,031)	2,494
Change in other assets	(698)	(1,402)
Income tax paid	(236)	(424)
Other	(3,285)	1,794
Investing activities	**(10,623)**	**(1,376)**
Expenditure on purchase of tangible fixed assets	(10,627)	(2,796)
Expenditure on purchase of financial assets	-	-
Proceeds from sale of tangible fixed assets	4	1,420
Repayments of long-term borrowings granted	-	-
Borrowings granted	-	-
Proceeds from sales of financial assets	-	-
Interest received	-	-
Dividends received	-	-
Foreign exchange differences	-	-
Other	-	-
Financing activities	**1,744**	**(2,037)**
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	-	-
Proceeds from loans and borrowings	7,167	1,927
Repayments of loans and borrowings	(2,867)	(1,099)
Purchase of treasury shares	-	-
Payment of liabilities arising from finance leases	(1,574)	(1,688)
Dividends paid	-	-
Interest received	-	-
Interest paid	(1,037)	(1,192)
Other profit-sharing	-	-
Foreign exchange differences	55	15
Other (division adjustment)	-	-
Change in cash	**714**	**471**
Opening balance of cash	**7,067**	**1,774**
Closing balance of cash	**7,781**	**2,245**

*) 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”.

ADDITIONAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

The interim condensed financial statements for the first quarter ended 31 March 2018 were prepared in accordance with IAS 34 *Interim Financial Reporting in a condensed form* and in compliance with the relevant International Financial Reporting Standards (IFRS) applicable to interim financial reporting, approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), as approved by the European Union and applicable as at 31 March 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.

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 nor in the presentation of data in financial statements.

First-time adoption of IFRS 9

In these financial statements, the Company has adopted IFRS 9 "Financial instruments" for the first time. This standard has replaced IAS 39. The standard introduces one model providing for only two categories of classification of financial assets: measured at fair value and measured at amortised cost. The classification is performed as at the initial recognition and depends on the financial instrument management model adopted by the entity, as well as the characteristics of contractual cash flow from those instruments. IFRS 9 introduces a new model for determining impairment losses – the expected credit loss model.
As the Company does not use hedge accounting, IFRS 9 does not apply in this respect.
The Company has implemented IFRS 9 without restating comparative data, therefore data for 2017 and 2018 are not comparable.

The impact of the foregoing standard on the Company's financial statements is explained below:

a) Determination of write-downs using the expected loss method – trade receivables
IFRS 9 requires estimation of the expected loss, regardless of whether or not there are any grounds for recognising a write-down. The Standard provides for 3-stage classification of non-financial assets in terms of their impairment:
(1) Stage 1 – balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default within 12 months,
(2) Stage 2 – balances for which there has been a significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default throughout the loan term,
(3) Stage 3 – balances with identified impairment. 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 full lifetime expected credit losses), except for receivables with recognised impairment, which have been classified as Stage 3.
For trade receivables (except for those which are analysed as non-performing), a portfolio analysis was conducted and a simplified matrix of write-downs for particular age bands was applied, based on full lifetime expected credit losses. Analysis was based on the indicators of expected non-performance established on the basis of historical data.

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 likelihood of default. The Company decided not to recognise the impairment write-down due to its immateriality.

First-time adoption of IFRS 15

In these financial statements, the Company has adopted IFRS 15 "Contracts with Customers" and explanations to IFRS 15 "Revenue from Contracts with Customers" for the first time. This standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts". The core principle of the new standard is to recognise revenue 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. All goods or services sold in bundles that can be distinguished within the bundle should be recognised separately, and any discounts and reductions on the transaction price should, in principle, be allocated to individual elements of the bundle. Where the amount of revenue is variable, in accordance with the new standard variable amounts are recognised as revenue if it is highly probable that their inclusion will not result in a significant revenue reversal in the future due to revaluation. Furthermore, in accordance with IFRS 15, costs incurred to acquire and secure a contract with a customer must be capitalised and accounted for over the period of consumption of the benefits provided by the contract.

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.

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.

Therefore 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 01.01.2018):

- As at 01.01.2018 (opening balance):
    - liabilities arising from contracts amounting to PLN 1,337 thousand were recognised (these are one-off revenues from previous years which had not yet been recognised as at 01.01.2018);
    - assets arising from the performance of contracts amounting to PLN 267 thousand were recognised (these are costs corresponding to the revenue from the preceding item, which had not yet been recognised as at 01.01.2018);
    - the opening balance of retained earnings was adjusted by deducing PLN 1,070 thousand (equal to the difference between the two preceding items);
- As at 31.03.2018:
    - liabilities arising from contracts increased – compared with the 2018 opening balance – by PLN 110 thousand;
    - assets arising from the performance of contracts increased – compared with the 2018 opening balance – by PLN 22 thousand;
    - in the period 01.01.2018–31.03.2018, sales revenue decreased by PLN 110 thousand and the corresponding costs decreased by PLN 22 thousand. As a consequence, the Company's result (before tax) decreased by PLN 88 thousand.

First-time adoption of IFRS 16

IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases

result in the lessee acquiring the right to use an asset and the liability arising under the payment obligation. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases, as required by IAS 17, and, instead, introduces a single lessee accounting model. The lessee will be obliged to recognise:
(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of the leased assets separately from the lease liability in the income statement.
IFRS 16 substantially carries forward the lessor accounting requirements from IAS 17. Accordingly, the lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company took advantage of the provisions of section C1 of IFRS 16 and decided to apply IFRS 16 to reporting periods beginning on 1 January 2018.

In accordance with the new standard, the Company, as the lessee, recognised in its statement of financial position lease assets and lease liabilities in respect of contracts presented previously as operating leases pursuant to IAS 17 (see Note 25 in the financial statements for the year ended 31 December 2017). The presentation and identification of the costs of those contracts in the income statement is similar to the existing requirements for financial leases, i.e. depreciation and the cost of interest are presented separately.

The Company took advantage of section C5 item b) of IFRS 16 and implemented IFRS 16 without restating comparative data, therefore data for 2017 and 2018 are not comparable. The cumulative effect of the first application of this standard was recognised as an adjustment to the opening balance of retained earnings.

Moreover, the Issuer decided to use the practical solution described in section C3 of IFRS 16, i.e. not to apply the standard to contracts that had not been identified as a contract containing a lease in accordance with IAS 17 and IFRIC 4.

Therefore the impact of application of IFRS 16 on individual items of the Company's financial statements was as follows (as compared with the standards effective before 01.01.2018):

- As at 01.01.2018 (opening balance – the following values only relate to lease assets and liabilities which before applying IFRS 16 were recognised on an off-balance-sheet basis):
  - liabilities arising from lease contracts amounting to 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);
  - assets arising from the right to use in the amount of PLN 5,755 thousand were recognised under "Tangible fixed assets", classified as the first group of the Fixed Assets Classification.
- As at 31.03.2018:
  - liabilities arising from lease contracts recognised under "Other financial liabilities – short- and long-term" amounting to PLN 14,203 thousand, were recognised, including liabilities due to agreements reclassified as a result of applying IFRS 16 – PLN 5,382 thousand;
  - assets arising from the right to use under lease contracts amounted to PLN 16,569 thousand, including assets due to agreements reclassified as a result of applying IFRS 16 – PLN 5,436 thousand;
  - in the period 01.01.2018–31.03.2018, 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"). In the first quarter of 2018, total depreciation costs for all assets used under lease contracts amounted to PLN 1,135 thousand. Under "Financial expenses", interest expense on lease agreements increased by PLN 66 thousands and totalled PLN 143 thousands.

Amendments to other standards and interpretations of the IFRS 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 significant influence on these financial statements.
The Company intends to adopt new standards and amendments to the IFRS standards and interpretations published by the International Accounting Standards Board, but ineffective as at the reporting date according to their date of entry into force.

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

The duration of the Company is indefinite.

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

In these foregoing interim condensed financial statements, the significant assumptions made by the Management Board regarding adoption of accounting principles and main uncertainties were the same as those presented in Note 2 in the Financial Statements for 2017.

Over the three months ended 31 March 2018, on the basis of the accounting policy adopted, the Management Board of the Company performed a review of amortisation and depreciation rates and decided to change the periods of use of certain tangible fixed assets and intangible assets, adjusting them to the estimated useful life. As a result, the outstanding accumulated amortisation/depreciation period of certain assets was extended or shortened. Annual amortisation/depreciation rates of tangible fixed assets and intangible assets were adjusted accordingly, resulting in an increase in the average monthly amortisation/depreciation value compared to the previous periods.

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

The interim condensed financial statements present the financial position of ATM S.A. as at 31 March 2018 and as at 31 March 2017 and 31 December 2017, as well as the results of its operations in the period of 3 months ended 31 March 2018 and 31 March 2017.

2. OPERATING SEGMENTS

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

- The Data Center Services Segment, including collocation services and other services relating to data center infrastructure (such as the leasing of dedicated servers, cloud computing services and backup office services, 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 periodic 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 periodic reports with management reports used by the Company's Management Board. The data 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.
The value of the Issuer's shares in its associated company is shown in the column marked "Other".

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

Starting with the periodic 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 periodic reports with management reports used by the Company's Management Board. The data in the comparative period were restated accordingly.

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

Company's results broken down by operating segments in the period from 1 January 2018 to 31 March 2018:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**172,244**	**172,967**	**52,195**	**397,406**
Sales revenue	15,099	18,492	-	33,590
Cost of sales (variable)	4,757	9,282	-	14,039
Sales margin	10,342	9,210	-	19,551
Payroll costs of employees in divisions responsible for service performance	1,008	741	-	1,749
Segment Margin	**9,334**	**8,469**	**-**	**17,803**
Other general and administrative expenses, of which:				14,664
depreciation and amortisation				8,219
Other net operating revenue and expenses				(13)
Operating profit (loss)				**3,126**
EBITDA *				**11,871**
Revenue from subsidies				389
Net financial revenue and expenses				575
Profit (loss) before tax				**4,089**
Income tax				756
Net profit (loss)				**3,334**

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

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**165,810**	**174,527**	**41,073**	**381,410**
Sales revenue	14,324	18,854	-	33,177
Cost of sales (variable)	4,864	10,112	-	14,976
Sales margin	9,460	8,742	-	18,201
Payroll costs of employees in divisions responsible for service performance	924	1,015	-	1,939
Segment Margin	**8,536**	**7,727**	**-**	**16,263**
Other general and administrative expenses, of which:				11,692
depreciation and amortisation				6,053
Other net operating revenue and expenses				(289)
Operating profit (loss)				**4,281**
EBITDA *				**10,875**
Revenue from subsidies				389
Net financial revenue and expenses				7,545
Profit (loss) before tax				**12,214**
Income tax				1,379
Net profit (loss)				**10,835**

*) Staring from the Annual Report for 2017, the Issuer uses the definition of EBITDA adapted to the management reporting requirements introduced at ATM from the beginning of 2017 (enabled, among other things, by the implementation of a new ERP-class system). Comparative data for the first quarter of 2017 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are provided in Note 21.

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

The geographical breakdown of sales revenue is as follows:

Sales revenue	For the period 01/01–31/03/2018	For the period 01/01–31/03/2017
Domestic customers	29,978	30,306
Foreign customers	3,612	2,871
Total sales revenue	**33,590**	**33,177**

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.

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

By 31 March 2018, the Company did not recognise any revaluation write-downs on inventories.

4. REVALUATION WRITE-DOWNS ON FIXED ASSETS

The Company did not make any revaluation write-downs on fixed assets in the period from 1 January 2018 to 31 March 2018.

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		Statement of comprehensive income	
	End of period 31/03/2018	End of period 31/12/2017	For the period 01/01–31/03/2018	For the period 01/01–31/03/2017
Deferred tax provision				
Difference between the carrying amount and tax value of tangible fixed assets	9,555	9,320	234	1,159
Recognised service revenue	-	-	-	-
Receivable compensation	-	-	-	-
Accrued interest	-	-	-	-
Valuation of financial instruments	-	-	-	-
Subsidies received – settlement	-	-	-	-
Foreign exchange gains	27	69	(42)	42
Provision for deferred tax acquired as a result of a business combination	-	-	-	-
Gross deferred tax provision	**9,582**	**9,389**	**191**	**1,200**
Deferred tax assets				
Valuation of financial instruments	-	-	-	-
Difference between the carrying amount and tax value of tangible fixed assets	-	-	-	-
Deferred payment revenue	-	-	-	-
Revenue settled over time	-	-	-	-
Write-downs on inventories	-	-	-	-
Write-downs on receivables	269	259	(10)	(7)
Write-downs on financial assets	2,146	2,146	-	-
Provisions for service expenses	-	-	-	-

Provisions for employee benefits	-	-	-	-
Foreign exchange losses	10	105	95	(32)
Liabilities to the Social Insurance Institution (ZUS)	137	99	(38)	-
Liabilities to employees	-	-	-	-
Deferred income/expenses and accruals	1,128	1,275	147	(672)
Subsidies received	-	-	-	-
Effects of IRS valuation	101	64	(37)	11
Recognised interest	-	-	-	-
Deductible tax losses	-	-	-	-
Deferred tax assets acquired through mergers	-	-	-	-
Gross deferred tax assets	**3,791**	**3,948**	**157**	**(701)**
Net tax assets (tax provision)	**(5,790)**	**(5,441)**		
Deferred income tax charge against profit			**348**	**499**

7. Significant tangible fixed asset sales and acquisitions

In the reporting period, the Company acquired fixed assets amounting to PLN 4.4 million. The aforementioned amount concerns expenditure construed as an increase in the value of fixed assets.

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

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

9. Significant settlements arising from court cases

There were no significant settlements arising from court cases.

10. Adjustment of errors from previous periods

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

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

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

12. Bank loans and borrowings, and lease liabilities

Bank loans include:

1. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 49.50 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
2. refinancing loan for the period of 5 years (2016–2021), drawn in the amount of PLN 49.50 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
3. investment loan for the period of 5 years (2017–2022), drawn in the amount of PLN 9.15 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;

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

4. investment loan for the period of 5 years (2017–2022), drawn in the amount of PLN 9.15 million, secured by a contractual mortgage, registered pledges on sets of assets, assignment of contracts as well as by registered and financial pledges on the Company's bank accounts;
5. overdraft facility, which revolves bi-annually, with a total limit of up to PLN 20 million, used as at the balance-sheet date up to the amount of PLN 5.46 million.

Liabilities arising from lease contracts recognised under "Other financial liabilities – short- and long-term" amounting to PLN 14,203 thousand, were recognised, including liabilities due to agreements reclassified as a result of applying IFRS 16 – PLN 5,382 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 instruments measured at fair value

As at 31 March 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	31/03/2018		31/12/2017	
	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	534	534	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	31/03/2018
Derivative financial instruments – IRS contract hedging the interest rate risk in respect of the loan	level 2	534
Total		534

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

During the period ended 31 March 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 collocation 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

As at the date of this quarterly report, the Management Board of ATM has not yet submitted its position on the distribution of the Company's profit for 2017.

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

	End of period 31/03/2018	End of period 31/12/2017
To related entities:	-	-
To other entities:		
1. Bank guarantees received:	309	309
- performance bonds and tender bonds	309	309
2. Collateral pledge	97,920	91,420

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

3. Promissory notes and mortgages:	88,971	93,272
- endorsements concerning agreements related to EU project financing	-	-
- bank loan collaterals	88,971	93,272
Total	**187,200**	**185,001**

Since the end of the financial year 2017, the total balance of contingent liabilities has increased by PLN 2,199 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 4,301 thousand.

20. Significant events after the end of the quarter

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.

21. Comparative Data – EBITDA

Staring from the Annual Report for 2017, the Issuer uses the definition of EBITDA adapted to the management reporting requirements introduced at ATM from the beginning of 2017 (enabled, among other things, by the implementation of a new ERP-class system). Comparative data for the first quarter of 2017 were restated accordingly — detailed information and reconciliation of EBITDA with the relevant Income Statement item are presented below.

The cost items that were excluded from the calculation of EBITDA according to the methodology adopted from this periodic report onwards are as follows (provided that such items were previously charged to the operating profit):

- costs of restructuring – costs related to the Issuer's restructuring carried out by the Management Board (due to the non-recurring nature of such costs) – presented in the table below under "restructuring costs";

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

- real property tax and fees related to perpetual usufruct, paid to the Municipal Roads Authority – in view of the generally accepted definition of EBITDA (i.e. operating profit before, inter alia, taxes) – presented in the table below, 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) – presented in the table below under "other operating expenses (income)".

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

	For the period 01/01–31/03/2017 (according to the approved financial statements – before restatement)	For the period 01/01–31/03/2017 (restated)	Difference	For the period 01/01–31/03/2018 (before restatement)	For the period 01/01–31/03/2018 (restated)	Difference
Operating profit (loss)	**4,281**	**4,281**	**-**	**3,126**	**3,126**	**-**
Depreciation and amortisation	6,053	6,053	-	8,219	8,219	-
EBITDA	**10,334**	**10,334**	**-**	**11,346**	**11,346**	**-**
Adjustments, of which:	**-**	**540**	**540**	**-**	**525**	**525**
General and administrative expenses	-	155	155	-	257	257
Other operating expenses (income)	-	271	271	-	(4)	(4)
Restructuring costs	-	114	114	-	272	272
EBITDA after adjustments	**10,334**	**10,875**	**540**	**11,346**	**11,871**	**525**

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sławomir Koszołko	President of the Management Board	11 May 2018	....
Tomasz Galas	Vice-President of the Management Board	11 May 2018	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	11 May 2018	....

B. OTHER INFORMATION REGARDING THE QUARTERLY REPORT

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

1. INFORMATION ON THE ISSUER

KEY 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 – Chairman of the Supervisory Board,
- Piotr Sieluk – Deputy Chairman of the Supervisory Board,
- Przemysław Głębocki – Member of the Supervisory Board,
- Maciej Kowalski – Member of the Supervisory Board,
- 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.

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

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

Information on shareholders having, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's General Meeting as of the date of submission of the quarterly report and indication of changes in the ownership structure of large blocks of shares of the Issuer in the period from the submission of the previous quarterly report

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 according to the previous periodic report	Number of shares according to the current quarterly report	Change in the number of shares and number of votes
MCI.PrivateVentures FIZ	24,939,079	25,220,527	281,448
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 quarterly report

Name and surname	As at 29 November 2017	Increases	Decreases	As at 11 May 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 and development prospects

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

Operating and financial results

The financial results achieved by ATM in the first quarter of 2018 should be assessed as satisfactory from the perspective of the medium and long-term objectives set by the Company's Management Board. It was a quarter which revealed the first effects of the reorganisation activities focused mainly on increasing competence and efficiency in the sales area. Sales revenue increased by approx. 1.5% q/q, mainly due to the sales of services offered by the data center segment. In parallel, cost improvement activities were continued, as a result of which the return on sales increased by 2 percentage points as compared to the preceding quarter, which meant that the sales margin increased by approx. 6% q/q (7.5% y/y). Recurring general and administrative expenses – excluding amortisation/depreciation – remained at a similar level to the fourth quarter of 2017, while one-off costs related to the Issuer's restructuring significantly decreased (by approx. PLN 1.6 million q/q). Ultimately, ATM's EBITDA increased in the first quarter of 2018 by 9% q/q (to PLN 11.9 million; +9% y/y).

In addition, the final level of the Company's net profit was also materially affected by:

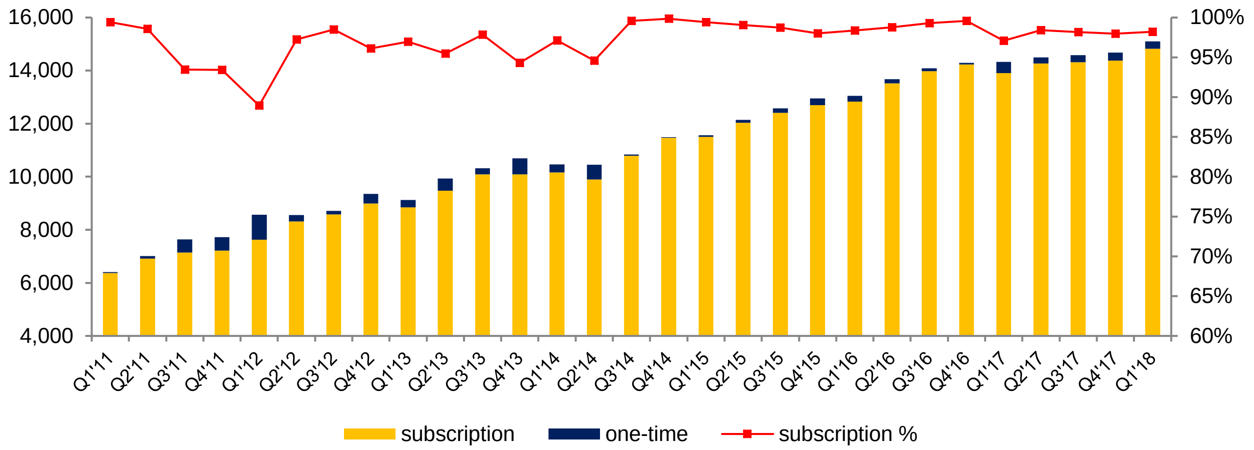
- share in the loss generated by Linx in the first quarter of 2018, amounting to almost PLN 0.3 million, which was however offset at the level of financial revenue in the Issuer's Income Statement by recognising PLN 2.2 PLN million in revenue as a result of maintaining the value of shares in associated entity Linx Telecommunications Holding B.V. established by the impairment test as at 31 December 2017.

As in the previous periods of the Company's operations, nearly 100% of total revenue was of a recurring and subscription-based nature;

Data Center Services Segment

figures in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Revenue from the Data Center Services Segment	**14,324**	**14,501**	**14,586**	**14,673**	**15,099**
of which: subscription revenue	13,906	14,270	14,319	14,378	14,826

Revenues from data center services segment [PLN thousand]



In the first quarter of 2018, revenue in the Data Center Segment increased by 3% as compared with the preceding quarter (PLN +0.4 million; to PLN 15.1 million). This was primarily due to:
- increase in revenue from collocation services offered to medium-sized customers (Atman Box) by approx. 4% q/q - at the beginning of 2018, the Company launched such services for several new customers from the financial industry and the public sector;
- consistent increase in revenue from the lease of dedicated servers (Atman EcoSerwer) – this business line grew by more than 8% y/y (18% y/y).

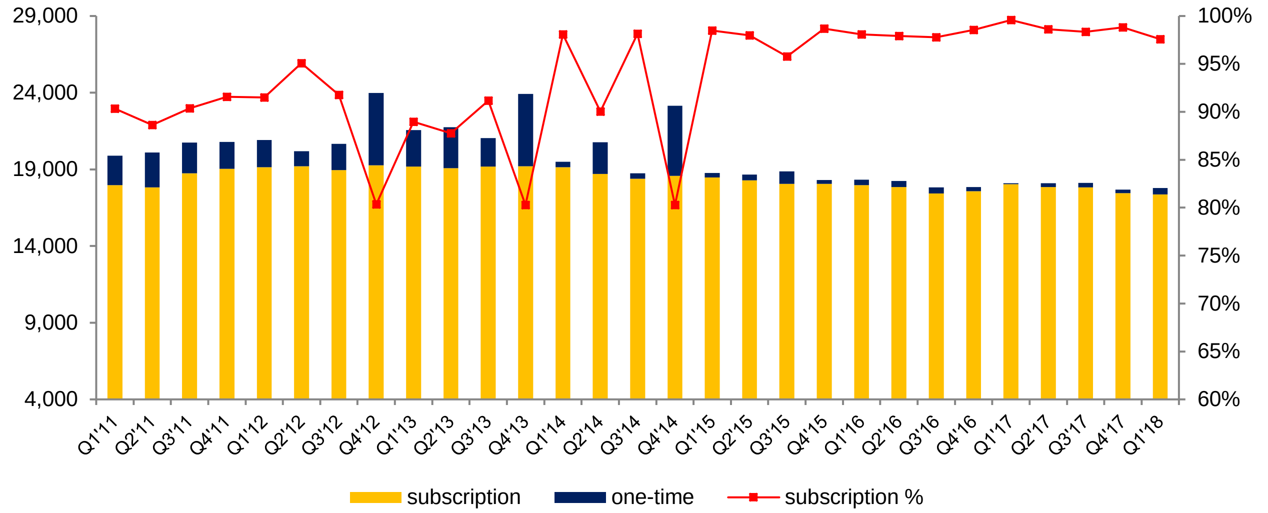
Worth noting are the promising sales of the computing cloud services enhanced in 2017 and 2018 (Atman Cloud) – in the first quarter, the Issuer signed several contracts that jointly generate monthly subscription fees of tens of thousands of zlotys.

The variable costs of sales of the Data Center Services Segment decreased by 3% q/q (to PLN 4.8 million), primarily due to the optimisation of costs related to the maintenance of the data center and the lack of significant one-off costs in the first quarter of 2018. As a result, in the first quarter of 2018, the return on sales in the segment improved by almost 2 percentage points, to 68.5%, while the sales margin generated by the segment accounted for approx. 53% 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, increased over the past quarter, by almost 4% q/q (increase by over PLN 330 thousand).

Telecommunications Services Segment

figures in PLN thousand	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Revenue from the Telecommunications Services Segment	**18,854**	**18,757**	**18,813**	**18,477**	**18,492**
of which: subscription revenue	18,778	18,504	18,514	18,260	18,062

Revenues from telecommunications services segment
[PLN thousand] *



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

In the first quarter of 2018, the Telecommunications Services Segment maintained the trends observed in preceding periods. The key trends are the following:

- the segment's total revenue is maintained at a relatively stable level – approx. PLN 18.5–18.8 million per quarter (a slight downward trend over the past 5 quarters);
- revenue from transmission services (contributing approx. 60% of the entire segment's sales) decreased by approx. 1% q/q, however, the declines in the area of subscription agreement were largely offset by one-off revenues (note that since the beginning of 2018, in accordance with IFRS 15, installation/activation revenue associated with subscription-based services is spread over time);
- revenue from the Internet access services segment increased (by approx. 1% q/q) – mainly due to the signing of several new contracts for access to the Thinx IX;
- revenue not directly related to the core segments of the Issuer's operations (services of an administrative nature which have a negligible impact on the margin) decreased by approx. 9% q/q (by approx. PLN 80 thousand) – from this periodic report onwards, such revenue is presented under the Telecommunications Services Segment (see Note 2 – Operating Segments).

The variable costs of sales of the Telecommunications Services Segment were reduced by 5% q/q (and amounted to PLN 9.3 million), mainly as a result of:

- optimisation of costs associated with the so-called last mile (leasing of national lines from other operators);

- optimisation of costs associated with maintenance of network equipment and rental costs associated with space in the network nodes of other operators;

- 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. 2 percentage points, to almost 50%. The Segment Margin increased by 4.5% q/q (by almost PLN 350 thousands).

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

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

- ATM's share in the loss generated by Linx in the first quarter of 2018, amounting to almost PLN 0.3 million, which was however offset at the level of financial revenue in the Issuer's Income Statement by recognising PLN 2.2 PLN million in revenue as a result of maintaining the value of shares in associated entity Linx Telecommunications Holding B.V. established by the impairment test as at 31 December 2017;

- the Issuer's restructuring costs in the amount of PLN 272 thousand (during the first quarter of 2018).

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

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

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

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

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

After the investment projects completed in 2015, the Company currently has over 8 thousand m^2 of net collocation space, 57% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m^2 net, by expanding the DC localised at Konstruktorska in Warsaw.

The results achieved by the Issuer in the first quarter 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 collocation space and sales of products based on the data center infrastructure (e.g. dedicated servers, cloud, backup offices). The strategic objective of the Issuer is to strengthen its position of a leader in the data center market in Poland and to build a position of an important player in this segment in the European market. The dynamics of this process depends strongly on market developments and growth in the demand for collocation services in Poland and abroad;
- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue, improve its profitability and maximise the utilisation of potential of the network infrastructure developed over the recent years. Investments in city and intercity optical networks completed in previous years — combined with a systematic increase in the number of served business locations — should contribute to the stabilisation of revenue from broadband data transmission and traffic exchange on the Internet, while at the same time acting as a catalyst for growth of collocation revenue (proper high quality lines increase the attractiveness of data center offers).

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

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

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

The Company did not publish any forecasts for 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 PANEL OR PUBLIC ADMINISTRATION BODY

There are no significant proceedings pending before a court, arbitration tribunal 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	11 May 2018	....
Tomasz Galas	Vice-President of the Management Board	11 May 2018	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	11 May 2018	....