Quarterly report of ATM S.A.
for the first quarter of 2020

Warsaw, May 2020

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KEY INFORMATION REGARDING 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 Accounting Standard 34 “Interim financial reporting”, as endorsed by the European Union.

Submission date: 29 May 2020

Information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
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REGON (Statistical ID No): 012677986

SELECTED FINANCIAL DATA

	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	in PLN thousand		in EUR thousand	
Total sales revenue	40,331	35,680	9,174	8,302
Profit on sales	28,673	25,576	6,522	5,951
Operating profit	10,367	5,136	2,358	1,195
Profit before tax	5,064	1,460	1,152	340
Net profit	4,644	806	1,056	188
Comprehensive income	3,818	1,508	869	351
Net cash from operating activities	22,017	13,074	5,008	3,042
Net cash from investing activities	(25,453)	(11,249)	(5,790)	(2,617)
Net cash from financing activities	838	(5,746)	191	(1,337)
Increase (decrease) in cash	(2,599)	(3,922)	(591)	(913)

	31/03/2020	31/12/2019	31/03/2020	31/12/2019
Fixed assets	553,647	547,710	121,619	128,616
Current assets	39,099	40,145	8,589	9,427
Total assets	592,745	587,856	130,208	138,043
Long-term liabilities	317,920	345,709	69,837	81,181
Short-term liabilities	101,674	72,813	22,335	17,098
Equity	173,150	169,333	38,036	39,764
Share capital *	34,723	34,723	7,628	8,154
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (in PLN/EUR)	4.76	4.66	1.05	1.09

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

The above financial figures for the first quarter of 2020 and the first quarter of 2019 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 4.5523 as quoted by the National Bank of Poland on 31 March 2020;
- 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 31 March 2020, amounting to 4.3963, and from 1 January to 31 March 2019, amounting to 4.2978.

The financial figures for 2019 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 4.2585 as quoted by the National Bank of Poland on 31 December 2019.

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

A. CONDENSED FINANCIAL STATEMENTS OF ATM S.A. FOR THE FIRST QUARTER OF 2020

1. CONDENSED INTERIM INCOME STATEMENT

	For the period 01/01–31/03/2020	For the period 01/01-31/03/2019 ***
Sales revenue	40,331	35,680
Costs of provision of services	11,658	10,105
Profit on sales	**28,673**	**25,576**
Other operating revenue	53	624
Operating expenses, including:	18,154	20,993
Depreciation and amortisation	10,087	12,057
Other operating expenses, including:	205	71
Impairment loss on receivables	202	68
Operating profit (loss)	**10,367**	**5,136**
Share of profit/(loss) of equity-accounted entities*	(1,173)	1,138
Revenue from subsidies	389	389
Financial revenue **	2,017	186
Financial expenses	6,535	5,389
Profit (loss) before tax	**5,064**	**1,460**
Income tax	420	654
Net profit (loss)	**4,644**	**806**
Profit (loss) per share		
Ordinary	0.13	0.02
Diluted	0.13	0.02

NOTES:

*) 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 recognized as "Share in other comprehensive income of associated entities" and "Exchange differences on translation of a shares in an associate" of the Condensed Interim Statement of Comprehensive Income presented below.
**) For the first quarter of 2020, this item includes the reversal of impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 1,999 thousand.
***) Figures for Q1 2019 were restated – as described in Note 32 to the Financial Statements for 2019

2. CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/03/2020	For the period 01/01-31/03/2019
Net profit (loss)	**4,644**	**806**
Other comprehensive income that may be reclassified to profit or loss	**(826)**	**702**
Exchange differences on translation of a shares in an associate	**1,937**	**10**
Share in other comprehensive income of associates	**(2,763)**	692
Total comprehensive income	**3,818**	**1,508**

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

3. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

	End of period 31/03/2020	End of period 31/03/2019 *	End of period 31/12/2019
Fixed assets	**553,647**	**544,674**	**547,710**
Intangible assets	15,211	11,405	14,563
Tangible fixed assets	484,800	476,146	480,065
Including: Right-of-use assets	136,489	165,359	139,787
Investments in equity-accounted associates	49,870	54,597	49,870
Other fixed assets **	3,766	2,527	3,213
Current assets	**39,099**	**37,991**	**40,145**
Borrowings advanced	50	9	
Trade and other receivables ***	23,425	22,864	21,941
Income tax receivables	57	143	57
Current assets	3,585	3,738	3,567
Cash and cash equivalents	11,982	11,237	14,581
Total assets	**592,745**	**582,665**	**587,856**

*) Figures for Q1 2019 were restated – as described in Note 32 to the Financial Statements for 2019
**) "Other fixed assets" comprise long-term receivables under lease agreements (IFRS 16), amounting to PLN 881 thousand as at 31 March 2020.
***) "Trade and other receivables" comprise short-term receivables under lease agreements (IFRS 16), amounting to PLN 1,153 thousand as at 31 March 2020.

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

	End of period 31/03/2020	End of period 31/03/2019 *	End of period 31/12/2019
Equity	**173,150**	**163,499**	**169,333**
Share capital	34,723	34,723	34,723
Supplementary capital from share premium	123,735	123,735	123,735
Reserve capital	2,458	440	2,458
Capital from incentive scheme measurement	4,176	3,993	4,176
Retained earnings	8,060	608	4,242
Long-term liabilities	**317,920**	**358,888**	**345,709**
Long-term loans and borrowings	201,466	207,371	205,757
Provision for deferred tax	6,093	7,724	7,578
Other liabilities	7,492	5,085	5,287
Subsidies received	5,418	6,760	5,807
Derivative instruments	1,305	780	614
Lease liabilities **	96,147	131,168	120,667
Short-term liabilities	**101,674**	**60,278**	**72,813**
Bank loans and borrowings	28,368	11,794	15,867
Income tax liabilities	302	185	281
Trade and other liabilities	26,731	25,918	35,297
Subsidies received	1,554	1,554	1,554
Lease liabilities ***	44,719	20,827	19,814
Total equity and liabilities	**592,745**	**582,665**	**587,856**

*) Figures for Q1 2019 were restated – as described in Note 32 to the Financial Statements for 2019
**) Long-term "Lease liabilities" comprise long-term liabilities on account of lease agreements (IFRS 16), amounting to PLN 95,118 thousand as at 31 March 2020.
***) Short-term "Lease liabilities" comprise short-term liabilities on account of lease agreements (IFRS 16), amounting to PLN 43,298 thousand as at 31 March 2020.

(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 1 January 2020	**34,723**	**123,735**	**2,458**	**4,176**	**4,242**	**169,333**
Net profit	-	-	-	-	4,644	4,644
Other comprehensive income:	-	-	-	-	(826)	(826)
Exchange differences on translation of a shares in an associate	-	-	-	-	1,937	1,937
Share in other comprehensive income of associates	-	-	-	-	(2,763)	(2,763)
Transactions with owners	`	-	-	-	-	-
Valuation of the incentive scheme	-	-	-	-	-	-
As at 31 March 2020	**34,723**	**123,735**	**2,458**	**4,176**	**8,060**	**173,150**

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

	Share capital	Supplementary capital from share premium	Reserve capital	Capital from incentive scheme measurement	Retained earnings, including supplementary capital	Equity
As at 31 December 2018	**34,723**	**123,735**	**440**	**3,740**	**(1,523)**	**161,115**
Effect of implementation of IFRS 16	**-**	**-**	**-**	**-**	623	623
As at 1 January 2019	**34,723**	**123,735**	**440**	**3,740**	**(900)**	**161,738**
Net profit	**-**	**-**	**-**	**-**	806	**806**
Other comprehensive income:	**-**	**-**	**-**	**-**	702	**702**
Exchange differences on translation of a shares in an associate	-	-	-	-	10	**10**
Share in other comprehensive income of associates	-	-	-	-	692	**692**
Transactions with owners						
Valuation of the incentive scheme	-	-	-	253	-	**253**
As at 31 March 2019	**34,723**	**123,735**	**440**	**3,993**	**608**	**163,499**

*) Figures for Q1 2019 were restated – as described in Note 32 to the Financial Statements for 2019

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

	Share capital	Supplementary capital from share premium	Reserve capital	Capital from incentive scheme measurement	Retained earnings, including supplementary capital	Equity
As at 31 December 2018	**34,723**	**123,735**	**440**	**3,740**	**(1,523)**	**161,115**
Effect of implementation of IFRS 16	-	-	-	-	623	623
As at 1 January 2019	**34,723**	**123,735**	**440**	**3,740**	**(900)**	**161,738**
Net profit	-	-	-	-	6,014	6,014
Other comprehensive income:	**-**	**-**	**-**	**-**	1,145	1,145
Exchange differences on translation of a shares in an associate	-	-	-	-	(300)	(300)
Share in other comprehensive income of associates	-	-	-	-	1,445	1,445
Distribution of profit in accordance with a resolution	-	-	2,019	-	(2,019)	-
Transactions with owners						
Valuation of the incentive scheme	-	-	-	436	-	436
As at 31 December 2019	**34,723**	**123,735**	**2,458**	**4,176**	**4,242**	**169,333**

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

6. CONDENSED INTERIM CASH FLOW STATEMENT

	For the period 01/01–31/03/2020	For the period 01/01- 31/03/2019
Operating activities	**22,017**	**13,074**
Profit (loss) before tax	5,064	1,460
Adjustments by:	16,952	11,614
Share of profit/(loss) of equity-accounted entities	1,173	(1,138)
Depreciation and amortization	10,087	12,057
Foreign exchange differences	(34)	(163)
Interest income	(16)	(14)
Interest expense	3,117	3,247
(Gains) losses on investing activities	(4)	(593)
Change in receivables	(1,474)	(4,941)
Change in liabilities, provisions, prepayments, accruals and deferred income*	4,777	1,876
Change in other assets	(632)	(1,568)
Income tax paid	(1,884)	(355)
Other	1,842	3,207
Investing activities	**(25,453)**	**(11,249)**
Expenditure on purchase of tangible fixed assets	(25,459)	(12,264)
Proceeds from sale of tangible fixed assets	5	1,015
Financing activities	**838**	**(5,746)**
Proceeds from loans and borrowings	11,923	3,370
Repayments of term loans	(3,633)	(1,281)
Payment of lease liabilities	(478)	(893)
Payment of lease liabilities IFRS 16	(3,907)	(3,896)
Interest received	16	14
Interest paid	(1,857)	(1,890)
Interest paid – IFRS 16	(1,260)	(1,356)
Foreign exchange differences	34	187
Change in cash	**(2,599)**	**(3,922)**
Opening balance of cash	**14,581**	**15,159**
Closing balance of cash	**11,982**	**11,237**

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

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 2020 were prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union and applicable as at 31 March 2020.

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 2020.

In 2020, 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 2020. Adopting the standards and interpretations listed above did not lead to significant changes in the Company's accounting policy.

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 2019, including notes for the 12 months ended 31 December 2019, 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 2019 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 would continue as a going concern in the foreseeable future. As at the date of authorization 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 2019.

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 2020, as well as the results of its operations in the period of 3 months ended 31 March 2020, 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. AntiDDoS);

- 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 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 "Non-allocated".

Costs of provision of services and costs of remuneration of employees in the organizational 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's Result is calculated, which is the difference between the Profit on sales 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.

In order to preserve the consistency of figures presented in interim reports with the management reports used by the Company's Management Board, figures concerning operating segments are presented below after eliminating the impact of IFRS 16 on the Issuer's revenue and expenses. Relevant adjustments on this account, reconciling the Issuer's figures to those presented in the Income Statement, are presented under separate line items of the table below.

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

Company's results broken down by operating segments in the period from 1 January 2020 to 31 March 2020:

`	Data Center Services Segment	Telecommunications Services Segment	Non-allocated	Adjustment due to implementation of IFRS 16	Total
Fixed assets	**249,432**	**254,345**	**49,870**	**-**	**553,647**
Sales revenue	21,847	18,775	-	(291)	40,331
Costs of provision of services	7,183	8,955	-	(4,480)	11,658
Profit on sales	14,664	9,821	-	4,189	28,673
Payroll costs of employees in divisions responsible for service performance	1,133	765	-	-	1,898
Segment's Result	**13,531**	**9,056**	**-**	**4,189**	**26,776**
Other operating expenses, including:				3,248	16,256
Depreciation and amortisation				3,935	10,087
Other net operating revenue and expenses				49	(152)
Operating profit (loss)				**990**	**10,367**
Revenue from subsidies				-	389
Net financial revenue and expenses*				(4,911)	(5,691)
Profit (loss) before tax				**(3,921)**	**5,064**
Income tax				-	420
Net profit (loss)					**4,644**

Company's results broken down by operating segments in the period from 1 January 2019 to 31 March 2019:

	Data Center Services Segment	Telecommunications Services Segment	Non-allocated	Adjustment due to implementation of IFRS 16	Total
Fixed assets	**231,185**	**258,892**	**54,597**	**-**	**544,674**
Sales revenue	17,444	18,495	-	(259)	35,680
Costs of provision of services	5,919	8,751	-	(4,566)	10,104
Profit on sales	11,525	9,744	-	4,307	25,576
Payroll costs of employees in divisions responsible for service performance	1,057	795	-	-	1,852
Segment's Result	**10,468**	**8,949**	**-**	**4,307**	**23,724**
Other operating expenses, including:				3,521	19,141
Depreciation and amortization				4,208	12,057
Other net operating revenue and expenses				594	553
Operating profit (loss)				**1,379**	**5,136**
Revenue from subsidies				-	389
Net financial revenue and expenses*				(1,367)	(4,065)
Profit (loss) before tax				**12**	**1,460**
Income tax					654
Net profit (loss)					**806**

*) 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 01/01–31/03/2020	For the period 01/01-31/03/2019
Domestic customers	35,610	31,798
Foreign customers	4,721	3,882
Total sales revenue	**40,331**	**35,680**

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 01/01–31/03/2020	For the period 01/01-31/03/2019
Sales revenue	40,324	35,671
Revenue from sales of goods and materials	7	9
Total sales revenue	**40,331**	**35,680**

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

In the first quarter of 2020:

- liabilities from contracts (reported under "Trade and other liabilities" and "Other liabilities" in the Statement of financial position) increased – as compared to the opening balance of 2020 – by PLN 2,703 thousand. Deferred income included in this item will be recognized in full within the next 60 months; Revenue recognized by the Company in 2020, included in the balance of liabilities from contracts at the beginning of 2020, amounted to PLN 599 thousand;
- assets from the performance of contracts (reported under "Other current assets" and 'Other fixed assets" in the Statement of financial position) decreased – as compared to the opening balance of 2020 – by PLN 54 thousand.

The vast majority (approx. 98% of total revenue – in terms of value) of services provided by the Company is subscription-based (cyclical), therefore revenue is also recognized 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 recognized, 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. For sales of equipment and other assets – revenue is recognized in the period when control was transferred to the customer.

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:

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

- 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 fibers.

In each of the aforementioned cases, the nature and contractual terms of the services provided indicate that they are operating leases, as defined in IFRS 16. The only exception to this is a portion of the optical fiber lease services, which are based on the infrastructure leased by the Company from suppliers and therefore constitute a sublease under IFRS 16. In this case, the Company is required to assess the classification of subleases by reference to the right-of-use asset under the main lease, and not by reference to the underlying asset (for example, the leased tangible fixed asset). As at the date of implementation of IFRS 16 – i.e. 1 January 2019 – the Company reclassified such leases classified as operating leases under IAS 17 to finance leases in accordance with IFRS 16. The total amount of payments under such agreements, which would be presented as sales revenue under IAS 17, amounted to PLN 291 thousand in the period of the first quarter of 2020.

3. IMPAIRMENT LOSSES ON INVENTORIES REDUCING THE VALUE TO NET REALIZABLE VALUE

During the first quarter of 2020, the Company did not recognize any impairment losses on inventories.

4. IMPAIRMENT LOSSES ON FIXED ASSETS

The Company did not recognize any impairment losses on fixed assets during the first quarter of 2020, but it reversed an impairment loss of PLN 1,999 thousand on the value of shares in an associated undertaking, Linx. In the Management Board's opinion, in the first quarter of 2020 there were indications that the value of shares in Linx would change in relation to the valuation as at the end of 2019, which, combined with the negative contribution of ATM to the change in Linx capital (in accordance with the equity method), resulted in the need to reverse the impairment loss.

5. RECOGNITION, INCREASE, UTILIZATION AND REVERSAL OF PROVISIONS

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

6. DEFERRED INCOME TAX ASSETS AND PROVISIONS

	End of period 31/03/2020	End of period 31/12/2019	For the period 01/01–31/03/2020	For the period 01/01-31/03/2019
Deferred tax provision				
Adjustment – valuation of SCN loan	315	255	60	(17)
Difference between the carrying amount and tax base of tangible fixed assets	9,794	9,699	95	339
Difference between the carrying amount and tax base of lease receivables	386	380	6	-
Adjustment to costs of installation fees – IFRS 15	121	131	(10)	(5)
Foreign exchange gains		-	-	(7)
Gross deferred tax provision	**10,617**	**10,464**	**152**	**310**
Deferred tax assets				
Difference in the value of right-of-use assets and lease liabilities	929	131	(798)	
Adjustment to revenue from installation fees – IFRS 15	1,167	654	(513)	24
Adjustment to the income from difference in electricity prices	24	34	10	-
Impairment loss on receivables	441	403	(38)	(13)
Foreign exchange losses	219	89	(130)	-
Liabilities to the Social Insurance Institution (ZUS)	147	105	(42)	67
Deferred income/expenses and accruals	1,348	1,353	5	(267)

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

Effects of IRS valuation	248	117	(131)	(9)
Gross deferred tax assets	**4,524**	**2,886**	**(1,638)**	**(199)**
Net tax assets (tax provision)	**(6,093)**	**(7,578)**		
Deferred income tax charge against profit			(1,486)	111

7. Significant tangible fixed asset sales and acquisitions

In the reporting period (first quarter of 2020), the Company acquired fixed assets in the amount of PLN 14.6 million. The aforementioned amount concerns expenditure construed as an increase in the value of fixed assets, without right-of-use assets recognized following the adoption of IFRS 16. 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 11.6 million;

- assets of the Telecommunications Services Segment (primarily assets related to the fiber-optic network) – approx. PLN 1.7 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

Figures for the first quarter of 2019 were adjusted – as described in Note 32 of the Annual Report of ATM S.A. for 2019.

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. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 39.844 million as at 31 March 2020, 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. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 56.25 million as at 31 March 2020, 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)

3. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 39.844 million as at 31 March 2020, 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. Term loan for the period of 5 years (2018-2023), drawn in the amount of PLN 56.25 million as at 31 March 2020, 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. Term loan for the period of 5 years (2018-2023, with the maturity date in 2024), drawn in the amount of PLN 13.775 million as at 31 March 2020, 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;
6. Term loan for the period of 5 years (2018-2023, with the maturity date in 2024), drawn in the amount of PLN 13.775 million as at 31 March 2020, 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;
7. Overdraft facility, which revolves on a triennial basis, with a total limit of up to PLN 30 million, drawn in the amount of PLN 11.761 million as at 31 March 2020.

The above amounts drawn on loans do not include an adjustment updating the value of loan liabilities to a value measured using the amortized cost method.

On 10 April 2020, an agreement was signed to refinance the Company's debt. For more information on the new financing structure, see Note 20. "Significant events after the end of the quarter" below.
Lease liabilities amounted to PLN 140,866 thousand, including lease liabilities recognized as a result of implementation of IFRS 16 amounting to PLN 138,416 thousand.

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 2020, 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 recognized fair value are included, either directly or indirectly,
Level 3 — methods which use inputs that have a significant effect on the recognized fair value, but are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of input data is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable input data that require significant adjustments based on unobservable inputs, such measurement is a Level 3 measurement. Assessing the significance of particular input data for the fair value measurement in its entirety requires judgement considering factors specific to the asset or liability.

FINANCIAL INSTRUMENTS	End of period 31/03/2020		End of period 31/12/2019	
	carrying amount	fair value	carrying amount	fair value

Financial liabilities at fair value through profit or loss	1,305	1,305	614	614

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	Fair value hierarchy level	31/03/2020
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the loan	level 2	1,305
Total		1,305

The IRS contract hedging the interest rate risk in respect of the term loans was measured using the discounted cash flow model based on market parameters.

During the period ended 31 March 2020, 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.

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 11 May 2020, the Company's Management Board resolved to recommend to the Annual General Meeting to allocate the entire net profit of ATM S.A. for 2019, amounting to PLN 6,013,657, to the reserve capital. The above recommendation was guided by the current financial standing of the Company.

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

There were no contingent receivables or liabilities.

Guarantees and sureties issued, collateral established

	End of period 31/03/2020	End of period 31/12/2019
Bank guarantees for other entities:		
Guarantees issued by banks on behalf of the Company:	664	843
- performance bonds and tender bonds	664	843

Collateral for the loan received by the Company

Collateral pledge	63,644	64,738
Promissory notes and mortgages:	111,179	111,334
- bank loan collateral	111,179	111,334
Total	**175,487**	**176,915**

20. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- On 10 April 2020, an agreement was signed to refinance the Company's debt. The parties to the transaction are the Company (as the borrower) and the following banks: mBank S.A. as the facility agent and original lender, and Santander Bank Polska S.A. as the security agent and original lender (the “Banks”). The purpose of the transaction is to provide for the Company’s long-term financial security by adjusting the volume and structure of debt financing to the Issuer’s needs. One of the elements of the transaction in question is early repayment of current debt associated with all the loans granted to the Company by mBank S.A. and ING Bank Śląski S.A. Financial debt on account of leases has not been subject to refinancing as the Company will repay such liabilities in accordance with the currently binding schedules.
  The loan and guarantee facility agreement (“Loan Agreement”) comprises:
  - 5-year term loan of up to PLN 225,000,000;
  - 5-year term investment loan of up to PLN 110,000,000;
  - 3-year overdraft facility of up to PLN 20,000,000;
  - guarantee facility of up to PLN 10,000,000.

  In addition, the Loan Agreement provides for the conclusion of interest rate hedging transactions.
  The funds obtained are designated for:
  - repayment of total current debt (except for leases);
  - financing or refinancing of up to 80% of capital expenditures;
  - financing of the Company’s current operating activities;
  - 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 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 ING Bank Śląski 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.

  The agreement does not include contractual penalties or provisions deviating from arrangements typical for agreements of this type.
- On 30 April 2020, an agreement was signed between the Company and a consortium formed by TOTALBUD S.A. with its registered office in Warsaw and AdBuild sp. z o.o. sp. k. with its registered office in Kielce. The subject of the agreement is the construction of the F6 server room building at ATM S.A.'s facility in Warsaw at Grochowska 21a/Jubilierska 8 (hereinafter referred to as "the Building"). The agreement is planned to be implemented by 24 September 2021. According to the basic work schedule, the Issuer expects the construction work to be completed at the turn of the second and third quarter of 2021.
  The net lump sum remuneration for the performance of the agreement is PLN 18.7 million.
  The agreement does not include contractual penalties or other provisions deviating from arrangements typical for agreements of this type.
  The execution of additional construction works and any other works related to the installation in the Building of, among others, power, data communications or air conditioning infrastructure and any other equipment, installations, equipment and facilities necessary for the proper functioning of the server room in the Building will be covered by separate agreements.
  Owing to the implementation of the investment project in question, the Company will be able to increase the supply of net colocation space offered to customers by approx. 1,500 m^2.
- On 11 May 2020, the Company's Management Board resolved to recommend to the Annual General Meeting to allocate the entire net profit of ATM S.A. for 2019, amounting to PLN 6,013,657, to the

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

reserve capital. The above recommendation was guided by the current financial standing of the Company.

21. INCENTIVE SCHEME

Incentive Scheme adopted by the Supervisory Board of the Company on 14 December 2018

Assumptions, key parameters and valuation of the incentive scheme implemented in the Company and adopted by the Supervisory Board of the Company on 14 December 2018 were presented in Note 31 to the Annual Report for 2019. During the first quarter of 2020, the Company's income statement did not include any costs of the incentive scheme.

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

	Number of warrants	Weighted average exercise price
Outstanding at the beginning of the period	1,744,480	8.54
Granted during the period	0	n/a
Exercised during the period	0	n/a
Outstanding at the end of the period	1,744,480	8.54

The maximum remaining life of warrants at the end of the first quarter of 2020: 8.55 years.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Daniel Szcześniewski	President of the Management Board	29 May 2020	....
Tomasz Galas	Vice President of the Management Board	29 May 2020	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	29 May 2020	....

B. OTHER INFORMATION REGARDING THE QUARTERLY REPORT

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

1. INFORMATION ON THE ISSUER

INFORMATION ON THE ISSUER:

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

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

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

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

- Daniel Szcześniewski – 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:
- Piotr Sieluk – Chairperson of the Supervisory Board,
- Mariusz Grendowicz – Deputy Chairperson of the Supervisory Board,
- Tomasz Czechowicz — Member of the Supervisory Board,
- Przemysław Głębocki – Member of the Supervisory Board,
- Maciej Kowalski – Member of the Supervisory Board,
- Tomasz Jacygrad – Member of the Supervisory Board,
- Sebastian Millinder – Member of the Supervisory Board.

DESCRIPTION OF CHANGES IN THE ORGANIZATION 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 recognizes the share in the results of the associated entity in its results, while other comprehensive income of the associated entity is recognized 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 *	34,339,567	94.49%	34,339,567	94.49%

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 *	34,339,567	34,339,567	-

) jointly with subsidiaries. The number of shares as at 28 September 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 16 November 2019	Increases	Decreases	As at 29 May 2020
Daniel Szcześniewski *	286,204	-	-	286,204
Tomasz Galas *	286,204	-	-	286,204
Piotr Sieluk *	431,577	-	-	431,577

**) values presented in the table refer to the number of subscription warrants allocated to the above persons in connection with the Incentive Scheme (see Note 21 above).*

Purchase of treasury shares

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

2. Key performance indicator – 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 ERPclass system). Moreover, as of the beginning of 2019, the Issuer revised the definition of EBITDA so as to eliminate the impact of implementation of IFRS 16 on revenue and expenses of the Issuer - thereby preserving the comparability of the Issuer's EBITDA in relation to the periods ended before 1 January 2019. For detailed information and reconciliation of EBITDA with the relevant Income Statement items, see below. EBITDA is not defined by IFRS and may be calculated differently by other entities.

Items of revenue and expenses 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 11 thousand in the first quarter of 2020 and PLN 19 thousand in the first quarter of 2019) – due to their non-operating nature – presented in the table below under “operating expenses”;

- real property tax and other public levies in the total amount of PLN 216 thousand in the first quarter of 2020 and PLN 211 thousand in the first quarter of 2019 (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 “operating expenses”;

- 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 -4 thousand in the first quarter of 2020 and PLN 2 thousand in the first quarter of 2019 – 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 in the amount of PLN 254 thousand in the first quarter of 2019 – due to their non-cash nature – presented in the table below under “operating expenses”;

- impairment losses on trade receivables estimated in accordance with IFRS 9 (due to their non-cash nature – provisions) in the total amount of PLN 202 thousand in the first quarter of 2020 and PLN 68 thousand in the first quarter of 2019 – presented in the table below under “other operating expenses (income)”.

	For the period 01/01- 31/03/2019 (according to the approved financial statements – before restatement)	For the period 01/01-31/03/2019 (restated)	Difference	For the period 01/01–31/03/2020 (before restatement)	For the period 01/01–31/03/2020 (restated)	Difference
Operating profit (loss)	**5,136**	**5,136**	**-**	**10,367**	**10,367**	**-**
Depreciation and amortization	12,057	12,057	-	10,087	10,087	-
EBITDA	**17,193**			**20,454**		
Adjustments, of which:	**-**	**(4,016)**	**(4,016)**	**-**	**(4,111)**	**(4,111)**
Operating expenses	-	484	484	-	227	227
Other operating expenses (income)	-	70	70	-	198	198
Restructuring costs	-	1,017	1,017	-	389	389
Elimination of the effect of implementation of IFRS 16 – operating revenue (adjustment)	-	(336)	(336)	-	115	115
Elimination of the effect of implementation of IFRS 16 – operating expenses (adjustment)	-	(1,043)	(1,043)	-	(1,104)	(1,104)
Elimination of the effect of implementation of IFRS 16 – amortization and depreciation (adjustment)	-	(4,208)	(4,208)	-	(3,935)	(3,935)
Adjusted EBITDA	**17,193**	**13,177**	**(4,016)**	**20,454**	**16,343**	**(4,111)**

3. DESCRIPTION OF THE ISSUER'S ACHIEVEMENTS, RISK FACTORS AND DEVELOPMENT PROSPECTS

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

The discussion of the Issuer's performance in this section has been prepared with the assumption that the effects of implementation of IFRS 16 on the Issuer's income statement are eliminated. This ensured comparability of the Issuer's figures for 2019 with the periods ended before 1 January 2019.

Operating and financial results

In the first quarter of 2020, the Company reported another strong improvement in financial performance. Key items of the income statement developed as follows:
- sales revenue increased by 13%, driven – traditionally – primarily by the Data Center Services segment's sales (+25% y/y) and the revenue from the Telecommunications Services Segment which has remained at a consistent level since the beginning of 2016 (+1.5% y/y);
- cost of provision of services increased by 10% y/y, which in almost 50% is attributable to an increase in market prices of electricity purchased by the Company to provide guaranteed power supply services within the Data Centre Services Segment;
- profit on sales increased by 15% y/y and the return on sales improved by 1.1 percentage point to 60.3%;
- operating expenses – as included in the calculation of EBITDA – remained relatively flat year-on-year.

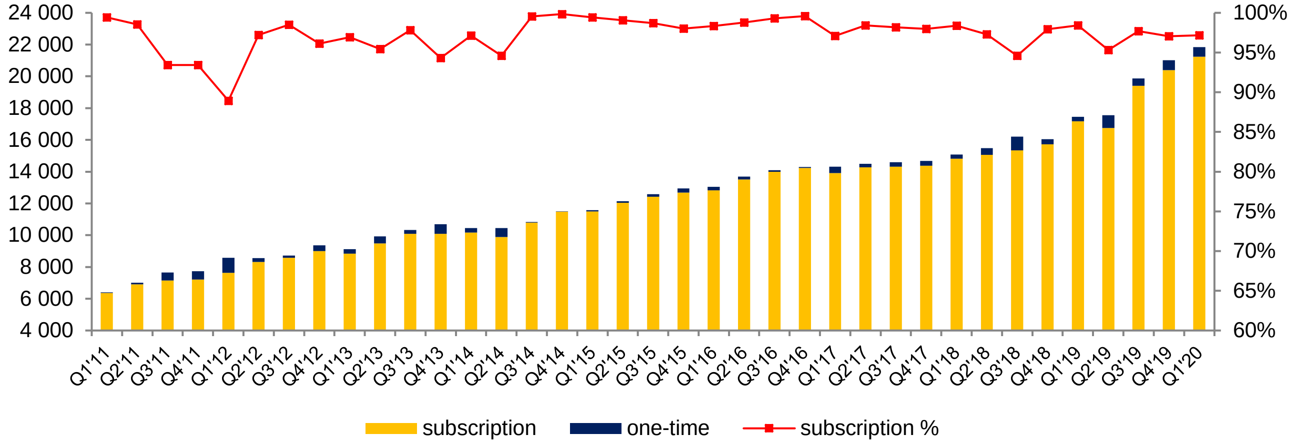
In the first quarter, EBITDA reached PLN 16.3 million (+24% y/y), thus improving the record-breaking performance of the fourth quarter of 2019 (+1% q/q). Traditionally, nearly 100% of total revenue was of a recurring and subscription-based nature.

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

Data Center Services Segment

figures in PLN thousand	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenue from the Data Center Services Segment	**15,073**	**15,486**	**16,213**	**16,051**	**17,444**	**17,558**	**19,861**	**21,020**	**21,847**
of which: subscription revenue	14,826	15,067	15,336	15,720	17,167	16,739	19,405	20,398	21,233

Revenues from data center services segment [PLN thousand]

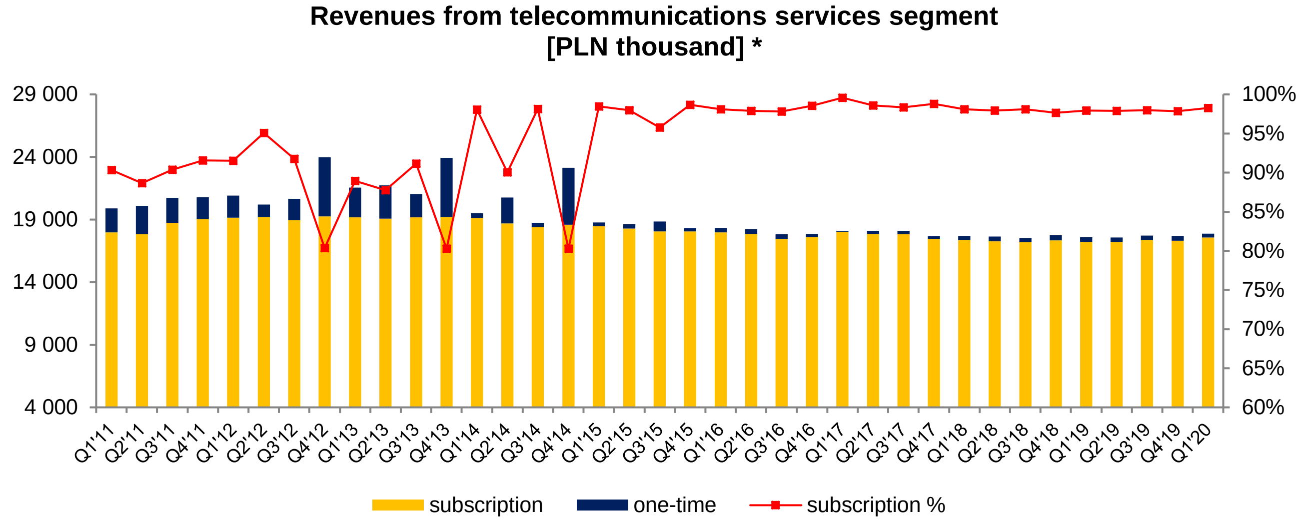


The first quarter of 2020 was another period when the Company recorded a strong increase in revenue from sales of data center services. Total revenue generated by this segment increased by more than 25% year-on-year, with subscription sales traditionally accounting for over 95%. This strong increase in revenue was mainly driven by:
- services from the IaaS (Infrastructure as a Service) group, i.e. lease of dedicated servers and cloud computing services – this part of business increased by 44% y/y (in value terms, this means an increase in quarterly subscription revenue by PLN 2.1 million), owing to, among others, attracting new customers for whom comprehensive and "tailor-made" solutions combining cloud-computing, dedicated servers and IT security were implemented;
- colocation services (together with auxiliary services, including guaranteed power supply services) for which revenue in the past quarter increased by 16% y/y (+PLN 1.9 million), driven by both projects for new customers and the expansion of cooperation with existing customers;
- services from the Security category, including primarily backup office services – generating 13% more revenue for the Issuer than in the first quarter of 2019 (PLN +0.1 million).

In the past quarter, the segment's cost of provision of services was PLN 7.2 million, up by PLN 1.3 million year-on-year (half of this increase results from an increase in the cost of electricity purchased, driven by market trends). The segment's return on sales was 1.1 percentage points higher than in 2019 (it stood at 67.1%), while the Segment's Result – taking into account the costs of employees directly involved in the provision of services in the Data Centre Services Segment – increased over the year by PLN 3.1 million (+29%).

Telecommunications Services Segment

figures in PLN thousand	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Revenue from the Telecommunications Services Segment	**18,398**	**18,388**	**18,359**	**18,652**	**18,495**	**18,495**	**18,612**	**18,615**	**18,775**
of which: subscription revenue	18,062	18,021	18,024	18,232	18,129	18,128	18,254	18,217	18,462



** After excluding revenue earned outside the core business segments (from the sale of administrative services) – reported in interim reports before 2018 in the "Other" segment*

In the first quarter of 2020, sales of the Telecommunications Services Segment exceeded PLN 18.75 million, up 1.5% y/y. Subscription revenue accounted for 98% of this amount and quarterly subscription sales results for the main product lines were as follows:
- revenue from Internet access services increased over the year by PLN 0.2 million y/y (+3% y/y);
- revenue from data transmission services (mainly the retail part) and voice services increased by PLN 0.2 million y/y (+1.5% y/y);
- 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) remained relatively flat

Costs of provision of services in the Telecommunications Services Segment increased by 2% y/y. As a result, the segment's return on sales decreased by 0.4 p.p. (to 52.3%), and profit on sales increased by 1% y/y and accounted for approx. 40% of total profit on sales of the Issuer. The Segment's Result also increased by approx. 1% y/y.

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:

- the Issuer's restructuring costs in the amount of PLN 0.39 million (in the first quarter of 2020);

- reversal of impairment loss on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 2.0 million, recognized in the first quarter of 2020 and included in the Issuer's Income Statement, under financial income.

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:

- digitization of companies — increasing demand for data computing power and storage space (also in relation to the so-called "Big Data"),
- advances in telecommunications — the new generation network (LTE), the dynamically growing number of mobile devices used to send increasing amounts of data (content delivery),
- increasing popularity of services generating large volumes of data: video transmission, social media, online games, e-commerce, the Internet of Things,
- tangible benefits of locating own equipment in close proximity of the equipment and connection lines of business partners and customers — such possibilities are offered only by data centers, concentrating wide range of stakeholders from different sectors,
- dynamic development of the market for financial services, in which e-commerce and the need to handle large volumes of transactions per unit of time are becoming increasingly important (including FinTech),
- progressive digitalization of the public sector (e.g. health care),
- IT outsourcing — increased inclination to place own data processing equipment at the premises of specialized 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 specialized 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 finalized 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, 90% of which was utilized and booked by customers as at the end of the first quarter of 2020. In addition, the Company can relatively quickly increase the supply of space with additional 1.6 thousand m^2 net, by expanding the DC localized at Konstruktorska in Warsaw and constructing new data center buildings in the campus at Grochowska.

The results achieved by the Issuer during the first quarter of 2020 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 commercialization 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 maximize the utilization 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 stabilization 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.

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

In addition, the Issuer is monitoring the developments of the COVID-19 coronavirus pandemic on an ongoing basis in the context of its impact – both direct and indirect – on the Company's current operating, financial activities and financial performance. As at the date of publication of this report, the Issuer does not identify any significant negative impact of COVID-19 on the continuity of operations and financial performance, in particular:

- services provided by the Issuer to its customers are performed in an uninterrupted manner, including, among others, through the implementation of appropriate security measures at ATM data centers, as well as through the launch of remote working among most of the Issuer's employees;
- supplies of equipment and services necessary for the Issuer to provide services to its customers are carried out without interruption;
- investment projects implemented by the Issuer (expansion of the data center campus) proceed according to the schedules;
- at present, the Issuer does not record any decline in its revenue;
- currently available data do not indicate a significant increase in the balance of overdue receivables.

Notwithstanding the above, the Issuer cannot exclude the negative impact of the effects of COVID-19 on its future operations, including in particular on the implementation of investment plans, liquidity and financial performance. However, the Issuer points out that approximately 98% of its revenue comes from subscription services, including primarily data collection, processing and transmission services which, in the context of the nature of the restrictions imposed on almost all business entities by the COVID-19 pandemic and their growing demand for the aforementioned services, is a natural risk factor for the Issuer.

As at the date of publication of this report, the Issuer does not plan to use the currently available aid packages resulting from the so-called "anti-crisis shield".

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 2020.

4. 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
Daniel Szcześniewski	President of the Management Board	29 May 2020	....
Tomasz Galas	Vice President of the Management Board	29 May 2020	....

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	29 May 2020	....