ATM S.A. GROUP OF COMPANIES

CONSOLIDATED ANNUAL REPORT AS AT DECEMBER 31, 2006

(figures in PLN thousands)

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ADDITIONAL NOTES

NOTE 1. BASIC INFORMATION

1. Information concerning the parent undertaking

As the parent undertaking of the ATM S.A. Group of Companies, ATM S.A. is a joint stock company. The Company launched its operations in 1993 as ATM sp. z o. o. On July 10, 1997, ATM sp. z o. o. was transformed into a joint stock company pursuant to the notarial deed drawn up at the Notarial Office in Raszyn on May 16, 1997 (Repertory No. 3243/97).

The registered office of the Company is located in Warsaw at ul. Grochowska 21a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting Company unit, however. The Company was 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 National Court Register entry No. KRS 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. The ownership structure as at December 31, 2005 and December 31, 2006 has been presented in Note 20.

According to the Warsaw Stock Exchange classification, the core business of the group concerns the IT sector. The Group's core business includes ICT services combining skills and resources related to ICT systems integration and telecommunications as well as software manufacturing and deployment. The services provided by the Group cannot be clearly classified as "IT" or "telecommunications" services, so its business has not been divided into separate segments for accounting purposes. ATM S.A. provides services related to the following core areas:

- integrated ICT infrastructure systems, including the integration of computer networks and data storage and processing systems;
- telecommunications and value added services, including Internet access for telecommunications providers and corporate customers, the lease of transmission lines, telecommunications outsourcing, colocation and other value added services;
- business security solutions and services, including technical information security solutions, backup center and office services as well as IT support for business continuity procedures;
- application solutions based on proprietary and third party software;
- multimedia solutions and services including an interactive television platform incorporating video on demand services and a point of sales advertising television platform;
- Subsidiary companies complement the above scope of services with universal mobile payment system services (currently in the deployment stage), video on demand services, IT outsourcing for

small and medium-sized enterprises as well as Web 2.0 services. The scope of activities is described in more detail in Note 3.

As at December 31, 2006, the Management Board of the parent undertaking included:

- Roman Szwed — Management Board President;
- Tadeusz Czichon — Management Board Member.

The Supervisory Board as at December 31, 2006 included:

- Jan Wojtyński — Chairman;
- Tomasz Tuchołka — Deputy Chairman;
- Tomasz Chiliński – Member;
- Jan Madey — Member;
- Zbigniew Mazur — Member.

2. Information about undertakings included in the Group of Companies

As at December 31, 2005, the Group of Companies included the parent undertaking and one subsidiary — ATM Elektronika sp. z o. o. with registered office in Warsaw, ul. Grochowska 21a, 100% of whose shares were held by ATM S.A. Control over this subsidiary was assumed on April 23, 2001 through its direct establishment.

During 2006, the ATM S.A. Group of Companies was enlarged to include the following undertakings:

- On February 2, 2006, ATM S.A. participated in increasing the share capital of the ATM-Mobile sp . z o. o. company (before the increase in capital and assumption of control by ATM the company had operated under the name mPay sp. z o. o.), acquiring a 60% stake in the share capital of this undertaking with a value of PLN 750,000. The ATM-Mobile company is the parent undertaking of the group of companies including the following subordinate undertakings:
    - the mPay S.A. subsidiary in which the ATM-Mobile parent undertaking together with ATM S.A. hold 100% of the share capital;
    - the rec-order sp. z o. o. subsidiary in which the ATM-Mobile parent undertaking together with ATM S.A. hold 100% of the share capital.

  On July 25, pursuant to a Resolution by ATM Mobile Sp. z o. o. Shareholders, ATM S.A. increased the share capital of ATM Mobile Sp. z o. o., taking up 1,200 shares with a value of PLN 500.00 each, amounting in total to PLN 600,000.

  On November 13, 2006, ATM S.A. again participated in increasing the share capital of the ATM-Mobile Sp. z o. o. company by taking 5,200 shares at the nominal value of PLN 500.00 each, amounting in total to PLN 2,600,000. As a result, ATM S.A. held an 88.76% stake in the share capital and votes at the General Shareholders' Meeting.

- On February 13, 2006, ATM S.A. participated in increasing the share capital of the iloggo sp. z o. o. company, taking up 300 shares amounting in total to PLN 300,000, giving it a 60% stake in the share capital and votes at the General Shareholders' Meeting.

- On August 21, 2006, ATM S.A. established the Cineman sp. z o. o. company, taking up 612 shares amounting in total to PLN 306,000, giving it a 51% stake in the share capital and votes at the General Shareholders' Meeting.

- On October 25, ATM S.A. acquired 400 shares in the KLK Technologie Informatyczne sp. z o. o. company at the total price of PLN 14,960,000, giving it a 78.74% stake in the share capital and votes at the General Shareholders' Meeting.

- The ATM Elektronika sp. z o. o. (wholly owned) subsidiary of ATM S.A. changed its name to ATM Services sp. z o. o. in 2006. On May 24, 2006, ATM S.A. participated in increasing the share capital of this undertaking, taking up 159 shares at the nominal price of PLN 625 per share, at the total price of PLN 107,000, giving it a 60.25% share in the capital increase. After this increase, the stake of ATM S.A. in the company share capital amounted to 99.58%.

On November 2, 2006, ATM S.A. again participated in increasing the capital of this subsidiary, taking up 241 shares amounting in total to PLN 151,000. After this increase, ATM S.A. has held a 60% stake in the equity and votes at the General Shareholders' Meeting.

Significant information on the recognition of business combinations concerning undertakings which were incorporated into the Group in the course of 2006 has been presented in Note 28.

As at December 31, 2006, the ATM S.A. Group of Companies included the following undertakings:

Company name	Core business	Dependence	Percentage of share capital	Share in the overall number of votes
ATM Services sp. z o. o. (previously ATM Elektronika sp. z o. o.)	IT services	Subsidiary	60%	60%
iloggo sp. z o. o.	Web services	Subsidiary	60%	60%
Cineman sp. z o. o.	Internet multimedia services	Subsidiary	51%	51%
ATM-Mobile sp. z o. o.	Intellectual property management	Subsidiary	88.76%	88.76%
mPay S.A.	Mobile payment settlement	Subsidiary	0.01%	0.01%
rec-order sp. z o. o.	Online sales	Subsidiary	0.12%	0.12%
KLK – Technologie Informatyczne sp. z o. o.	Integration of ICT systems	Subsidiary	78.74%	78.74%

3. Grounds for the drawing up of consolidated financial statements

Both the ATM S.A. company and its subsidiaries draw up their financial statements pursuant to Polish accounting principles stipulated in the Accounting Act. Until the end of 2004, ATM S.A. did not draw up consolidated financial statements, taking advantage of the exemption stipulated in Article 58, para. 1 of the Accounting Act, as its only subsidiary company ATM Elektronika sp. z o. o. (currently ATM Services sp. z o. o.) had suspended its operations on June 30, 2002.

The present financial statements include consolidated financial statements, which have been drawn up in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS) for the first time. For the purposes of drawing these financial statements, the date of transition to IFRS was taken to be January 1, 2005. The consolidated financial statements have been drawn up pursuant to IFRS regulations applicable as of December 31, 2006 as approved by the European Union.

In drawing the present consolidated financial statements, the Group applied the IFRS 1 "First-Time Application of IFRS" regulations as at the transition date. In particular, the following voluntary exemptions included in this standard have been taken advantage of:

- the previously unconsolidated ATM Elektronika sp. z o. o. subsidiary (currently ATM Services sp. z o. o) was included in consolidation as at the transition date according to the method provided for such undertakings in IFRS 1 — its net assets determined as at this date according to IFRS principles were compared to the value of investment in this undertaking recognized in ATM S.A. books and the resulting difference was recognized in retained earnings owing to the fact that this undertaking had been directly established by ATM S.A.;
- with regard to property, plant and equipment, the Group applied the "deemed cost" approach to all fixed assets. The valuation of these assets was conducted by an independent valuer and with regard to low-value fixed assets, by the technical services of the parent undertaking at fair value as at the transition date.
- All effects of IFRS implementation on the previously published financial statements have been presented in detail in Note 32.

NOTE 2.
IMPORTANT ACCOUNTING PRINCIPLES

The financial year for the Parent Undertaking and the companies included in the group is a calendar year.

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

The consolidated financial statements have been drawn up on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date on which the consolidated financial statements were drawn up, there were no circumstances indicating any threat to the Group continuing as a going concern.

1. Compliance statement

The consolidated financial statements of the ATM S.A. Group for the period ending on December 31, 2006 and comparable data for the financial year ending on December 31, 2005 have been drawn up in accordance with International Financial Reporting Standards as approved by the European Union.

2. Earlier adoption of International Financial Reporting Standards

As indicated above, in drawing up the present consolidated financial statements, the Group applied IFRS as approved by the European Union. As at December 31, 2006, IFRS as approved by the European Union did not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for asset and liability portfolio hedge accounting, which has not been fully approved for application within the EU, and the regulations arising from:

- IFRS 8 “Operating Segments” (coming into force on January 1, 2009);
- IFRIC 10 “Interim Financial Reporting and Impairment” (coming into force on November 1, 2006);
- IFRIC 11 “IFRS 2 — Group and Treasury Share Transactions” (coming into force on March 1, 2007);
- IFRIC 12 “Service Concession Arrangements” (coming into force on January 1, 2008).

According to parent undertaking Management Board estimates, the application of these regulations in the Group’s operations will not have significant impact on consolidated financial statements.

In drawing up the present consolidated financial statements, the Group decided not to apply IFRS regulations that have already been published but will come into force after December 31, 2006 at an earlier date. Apart from those listed above, these regulations include additionally:

- The IFRIC 7 “Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies" interpretation. This interpretation requires that in the period in which the economy of an entity’s functional currency becomes hyperinflationary, the entity should apply the requirements of IAS 29 as though the economy had always been hyperinflationary. The effect of this requirement is that restatements of non-monetary items carried at historical cost are made from the dates at which those items were first recognized. For the remaining non-monetary items, the restatements are made from the dates at which the verified current carrying amounts of those items were determined. The interpretation is applicable to financial statements for periods starting on March 1, 2006 or later. In the opinion of the Management Board of the parent undertaking, the aforementioned amendments to regulations do not affect the Group’s consolidated financial statements.
- The IFRIC 8 “Scope of IFRS 2 — Share-Based Payment Transactions” interpretation. According to the interpretation, IFRS 2 “Share-Based Payment” shall be applicable to agreements where the entity makes share-based payments for very low or inadequate consideration. IFRIC 8 clarifies that where the identifiable consideration appears to be less than the fair value of the equity instruments granted or the liability incurred, this usually indicates that other consideration has been or will be received. In such cases IFRS 2 shall be applicable. IFRIC 8 does not apply to transactions that are excluded from the scope of IFRS 2 (as per paragraphs 3 through 6 of this standard). The interpretation is applicable to financial statements for periods starting on May 1, 2006 or later. In the opinion of the Management Board of the parent undertaking, the aforementioned regulation will not affect the Group’s consolidated financial statements significantly.
- The IFRIC 9 “Reassessment of Embedded Derivatives” interpretation. According to the interpretation, an entity generally should not reassess its conclusion as to whether an embedded

derivative needs to be separated from the hybrid contract after it is initially recognized. Similarly, a first-time adopter of IFRSs should make its assessment on the basis of conditions existing when the entity became party to the hybrid contract, not when it adopts IFRSs. An entity should only revisit its assessment if the terms of the contract change, or the expected future cash flows of the embedded derivative, the host contract, or both, have changed significantly relative to the previously expected cash flows on the contract. The interpretation is applicable to financial statements for periods starting on June 1, 2006 or later. In the opinion of the Management Board of the parent undertaking, the aforementioned regulation will not affect the Group's consolidated financial statements significantly.

- IFRS 7 "Financial Instruments: Disclosures." The regulations required by this IFRS are applicable to annual periods beginning on or after January 1, 2007. The standard extends the scope of disclosures concerning financial instruments currently applicable pursuant to IAS 32 and supersedes the scope of disclosures stipulated in IAS 30. The Group will observe the new requirements concerning the disclosure of this information in the periods to which the regulations apply.
- Amendments to IAS 1 "Presentation of Financial Statements" — Capital Disclosures. The amendment is applicable to annual periods beginning on January 1, 2007. The amendments introduce obligations concerning additional disclosures, among other things concerning the entity's capital management purposes and policy and the compliance of the entity's operations with specific capital requirements and the consequences of any non-compliance. The Group will observe the new requirements concerning the disclosure of this information in the periods to which the regulations apply.

3. Management Board estimates

In drawing up the present consolidated financial statements, the Management Board of the parent undertaking relies on estimates based on certain assumptions and judgments. These estimates affect the principles adopted and the amounts of assets, liabilities, revenue and costs presented.

The estimates and related underlying assumptions are based on historical experience and the analysis of diverse factors, which are considered reasonable under the circumstances and their results form the basis for professional judgment concerning the value of individual items they concern.

With regard to certain significant issues, the Management Board of the parent undertaking relies on opinions voiced by independent experts.

Due to the nature of estimates and the forward-looking assumptions adopted, the accounting estimates arrived at in this manner may by definition differ from actual results. The estimates and assumptions adopted are subject to ongoing verification. Any change in accounting estimates will be recognized in the period in which they are changed if they concern this period only, or in subsequent periods as well.

Estimates and assumptions involving significant risk include:

a) provisions for employee benefits

As concerns employee benefits, the Group is not party to any wage bargaining agreements or collective employment agreements. Moreover, the Group does not participate in any pension schemes managed directly by the Company or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to Labor Code provisions at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the consolidated financial statements.

b) estimates related to annual goodwill impairment testing

At the end of each financial year, the Group conducts an annual goodwill impairment test as per its accounting policy. In order to test for possible goodwill impairment, goodwill is allocated to cash generating units. The recoverable amount is determined based on value in use calculations. These calculations require the use of estimates concerning the projections of cash flows in the next financial year and the predicted development of the Polish market in subsequent years. Due to the significant volatility of the business climate in the IT industry in which the Group operates, actual cash flows may differ from those forecast by the Group.

c) long-term contracts

The Group determines the completion stage of long-term contracts by determining the proportion of the project costs already incurred to total estimated project costs. Due to the nature of the projects implemented and the possibility that unforeseen difficulties emerge in relation to project implementation, it may turn out that total actual project implementation costs differ from the estimates made. Changes in total project implementation cost estimates may result in the need to restate the project completion stage determined as at the balance sheet date, and thus restate the revenue recognized.

d) other

Apart from the aforementioned issues, the Group makes regular (at least annual — on the balance sheet date) estimates concerning the correct determination of life of individual fixed assets, the potential residual value of individual assets as well as receivable and inventory write-downs. These estimates are largely based on historical experience and the analysis of various factors affecting the use of assets and the possibility of taking advantage of the related economic profits.

4. Accounting principles

Consolidation — subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying the control of more than one half of the overall voting rights in their decision-making bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The acquisition of subsidiaries by the Group is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is not subject to amortization, but is tested for impairment annually.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss statement.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Inter-company transactions, balances and unrealized gains on transactions between Group Companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Increases in stake in a subsidiary occurring after the parent undertaking has assumed control are recognized in equity.

Goodwill impairment write-downs are recognized in the profit and loss statement as other operating costs and are not subject to reversal.

Consolidation — associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying the control of between 20% and 50% of the voting rights in decision-making bodies.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Intangible assets

Intangible assets include Group assets that lack physical substance, are identifiable and can be reliably valued and which will cause future economic benefits to flow to the unit.

Intangible assets are initially recognized at acquisition price or cost of production.

Intangible assets created as a result of development work are recognized in the balance sheet where the following conditions are met:

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as use and sell it;
- the asset will be fit for use or sale;
- the manner in which the asset will generate future economic benefits is known;
- technical and financial resources required to complete development work and to use and sell the asset will be secured;
- it is possible to reliably determine the expenditure incurred during development work.

The expenditure incurred during research work and expenditure that does not meet the aforementioned conditions is recognized as expense in the profit and loss account on the date it is incurred, under general and administrative costs.

The Group also includes the expenditure incurred in order to obtain perpetual land usufruct rights in intangible assets. Perpetual usufruct of land is considered operating lease, and so the subject of usufruct is not included in the Group's assets. However, the expenses incurred in order to obtain such rights in the secondary market (from other undertakings) and the expenses related to the granting of such rights by competent state authorities are recognized as intangible assets and are amortized over the contractual period during which the Group can use such rights.

The rates adopted for the amortization of intangibles reflect their predicted useful life. The Group does not have intangible assets with indefinite useful life other than goodwill. Intangible assets with definite useful lives are amortized on a straight-line basis. The useful lives for individual intangible assets are as follows:

obtained perpetual usufruct rights	100 years
software licenses	2 years
development work	3 to 5 years
trademarks	5 years
copyrights	5 years

Intangible assets are tested for impairment where there are circumstances indicating impairment; for intangible assets in development the potential impairment is determined on every balance sheet date. The effects of intangible impairment and amortization are recognized as costs related to core operations.

On the balance sheet date, intangibles are valued at cost less amortization charges and any impairment charges.

Property, plant and equipment

Property, plant and equipment includes fixed assets and expenditure for fixed assets under construction which the unit intends to use in its activities and for administrative purposes over a period longer than one year, and which will cause future economic benefits to flow to the unit. Fixed asset expenditure includes the investment expenditure incurred as well as expenditure incurred in relation to the future supplies of machinery, equipment and services related to the construction of fixed assets (payments on account).

Fixed assets and fixed assets under construction are initially recognized at acquisition price or cost of production.

Fixed assets include important specialist replacement parts that function as elements of a fixed asset. Significant components, including intangible ones, are also recognized as separate fixed asset items.

The rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted period useful life. Fixed assets are depreciated on a straight-line basis. The useful lives for individual fixed asset items are as follows:

buildings and structures	from 10 to 40 years
machinery and equipment	from 4 to 10 years
means of transportation	from 5 to 7 years
other fixed assets	from 4 to 10 years

Own land is not subject to depreciation. The group treats perpetual land usufruct rights granted as operating lease. Where such rights are purchased in the secondary market, they are recognized as intangible assets and amortized over their predicted period useful life.

Fixed assets and fixed assets under construction are tested for impairment where there are circumstances indicating impairment; for fixed assets under construction in the development stage the potential impairment is determined on every balance sheet date. The effects of impairment of fixed assets and fixed assets under construction are recognized as other operating costs.

On the balance sheet date, fixed assets and fixed assets under construction are valued at cost less depreciation charges and any impairment charges.

Financial assets

The Group classifies financial assets to one of the following categories: financial assets at fair value through profit or loss, loans granted and own receivables, financial assets held to maturity and financial assets available for sale. The classification of individual financial asset depends on the purpose of the financial asset, the intentions of the Management Board and on whether the financial asset in question is quoted in the market. The Management Board determines the aforementioned classification on the initial recognition of a given asset and, in justified cases, performs an appropriate reclassification in subsequent periods, except for the reclassification of financial assets at fair value through profit or loss. The reclassification in and out of the financial assets at fair value through profit or loss category is prohibited.

a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading and financial assets designated on initial recognition to be measured at fair value. Financial assets are classified to this category where they are held for the purpose of selling in the short term. Financial instruments (except hedging instruments) are also classified to the held for trading financial asset category.

Financial assets at fair value through profit or loss are initially measured at fair value, and transaction costs are recognized directly in the profit and loss account. Gains and losses resulting from movements in fair value are recognized in the profit and loss account in the period in which they occurred.

b) Loans granted and own receivables

Loans granted and own receivables are financial assets which are not financial instruments, with fixed or determinable payments, not quoted and not acquired in order to be traded.

Loans granted and own receivables are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

c) Financial assets held to maturity

Financial assets held to maturity include financial assets with fixed or determinable payments or fixed maturity, which the Group intends and is able to hold to maturity, except for loans granted and own receivables.

Financial assets held to maturity are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

d) Financial assets available for sale

The Company includes among financial assets available for sale all financial assets that are not: loans granted and own receivables, financial assets held to maturity and financial assets held for trading. Assets available for sale include in particular shares in other undertakings that are not subordinates, which the Company does not intend to sell in the short term.

Financial assets available for sale are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at fair value.

Interest income related to financial assets available for sale is recognized in the profit and loss account using the effective interest rate method. Dividends related to financial assets available for sale are recognized in the profit and loss account on the date when the Group's rights to receive payment are

established. All other fair value movements are recognized in equity. On the sale or expiry of these assets, the valuation effects recognized in equity are recognized in the profit and loss account.

All financial assets are removed from the balance sheet when the rights to receive benefits from a given asset expire or have been transferred and the Group has transferred virtually all benefits and risks related to the asset.

Financial assets are recognized as current assets unless their maturity exceeds 12 months from the balance sheet date; in this case, they are recognized as fixed assets.

Financial instruments and hedges

Financial instruments are recognized and measured at fair value on the balance sheet date. The methods for recognizing profit and loss related to these instruments depend on whether the instrument in question was designated as a hedge and the nature of this hedge. A given instrument may be designated as a fair value hedge, cash flow hedge or a foreign investment hedge. During the periods included in the consolidated financial statements, the Group used neither financial instruments (including embedded ones) nor hedge accounting.

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and work in process.

Materials and goods are initially measured at acquisition price. On the balance sheet date, materials and goods are valued in a conservative manner, i.e. these categories are valued at the lower of acquisition price or realizable sales value.

Finished products and work in process are initially valued at actual cost of production. On the balance sheet date, finished products and work in process are valued in a conservative manner.

Inventories of goods, materials and finished products are subject to write-downs as per the following principles:

- goods inventories:
  - goods remaining in warehouse from 6 months to 1 year 5%
  - goods remaining in warehouse from 1 year to 2 years 10%
  - goods remaining in warehouse from 2 to 3 years 30%
  - goods remaining in warehouse from 3 to 4 years 50%
  - goods remaining in warehouse over 5 years 100%
- materials inventories:
  - the value of materials is recognized in the cost of goods sold over 5 years on a straight line basis.

Inventory accounting is based on detailed identification for items allocated to specific projects or on the FIFO method for remaining inventories; costs are recognized in the cost of goods sold. Write-downs concerning inventories resulting from conservative valuation as well as write-downs for slow-moving goods and their reversals are recognized in the cost of goods sold.

Trade and other receivables

Receivables are initially recognized at fair value. Where normal payment deadlines are applied that are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which revenue is recognized.

On the balance sheet date, trade receivables are valued at amortized cost using the effective interest rate method, in a conservative manner. Receivables are subject to revaluation depending on the probability of their receipt by making the following write-downs:

- from debtors put in liquidation or bankruptcy — the amount of receivables not secured;
- from debtors where a petition in bankruptcy has been dismissed — 100% of the amount of receivables;
- disputed receivables or receivables that are overdue and payment is not probable — the amount of receivables not secured;
- receivables equivalent to the amounts added back to receivables — in those amounts;

- receivables that are overdue or not overdue but it is highly probable they will not be collected — 100% of the amount of receivables.

Revaluation write-downs for receivables and their reversals are charged to other operating costs and operating revenue, respectively. Receivables in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the "Foreign Currency Transactions" section.

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

Other current and fixed assets

Other current assets include prepayments. This category includes expenses incurred which constitute deferred costs. Prepayments are initially recognized in the amount of expenses incurred. On the balance sheet date, they are valued in a conservative manner. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled more than 12 months after the balance sheet date, part of the assets are recognized as "other fixed assets" in the balance sheet.

Cash and cash equivalents

Cash includes cash in hand and cash in bank accounts, including cash held in bank deposits. Cash equivalents include short-term, highly liquid investments, easily convertible into known amounts of cash and subject to insignificant risks of changes in value, including interest due on bank deposits. Cash and cash equivalents are valued at face value. Cash and cash equivalents in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the "Foreign Currency Transactions" section. For the purposes of the cash flow statement, cash and cash equivalents are defined in the same manner as for the purposes of their recognition in the balance sheet.

Bank loans

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

Trade and other liabilities

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

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

Other liabilities include accruals. Such items include liabilities due for goods or services that have been received or provided, but have not been paid for, invoiced or formally agreed with the supplier, including the amounts due to employees, e.g. for outstanding leaves or bonuses. Despite the fact that in such cases the amount or date of payment for such liabilities has to be estimated, the degree of uncertainty is usually much lower than for provisions and therefore such items are classified as liabilities.

Liabilities in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the "Foreign Currency Transactions" section.

Provisions

Provisions are established where the Company is under a legal or constructive obligation resulting from past events and where it is probable that the settlement of this obligation will necessitate an outflow of resources constituting economic benefits and where the amount of this obligation can be reliably estimated, but the amount of this obligation or the date when it becomes due are not certain. Where the effect of the time value of money is material, the amount of provision is determined by discounting expected cash outflows should to their present values using the discount rate that reflects the current market assessments of the time value of

money and the risks specific to the liability in question. Increases in provisions based on the discounting method over time are recognized as borrowing costs.

If the Group expects that the costs included in the provision will be reimbursed in any manner, the reimbursement is recognized as a separate asset when, and only when, it is certain that reimbursement will be received.

Provisions for specific risks are only established where the outflow of economic benefits from the unit is probable and the estimate may be conducted in a reliable manner.

As concerns employee benefits, the Group is not party to any wage bargaining agreements or collective employment agreements. Moreover, the Group does not participate in any pension schemes managed directly by the Company or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to Labor Code provisions at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the consolidated financial statements.

Incentives Scheme Management Options

Since 2005, members of the Management Board of the parent undertaking, its employees and persons collaborating with the parent undertaking and indicated by the Management Board have participated in an incentives scheme, under which they may purchase, upon meeting certain conditions, parent undertaking shares held by the sub-issuer and issued within the E series, which consisted of 130,000 shares with a face value of PLN 7.60 each, during the three subsequent years. The purchase price of shares purchased under the incentives scheme is equal to the nominal price.

The incentives scheme is recognized according to IFRS 2 “Share-Based Payment" principles. The fair value of options was determined at the starting date for the scheme.

The fair value of options for a given period is charged to payroll costs and recognized in retained earnings.

The shares held by the sub-issuer which were not included in the incentives scheme as at the balance sheet date decrease the share capital registered.

Foreign currency transactions

Economic operations expressed in foreign currencies are recognized in financial statements as at the date on which they are conducted at the following exchange rates:

- the buying or selling rate applied by the bank whose services the Group uses — for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the currency in question by the National Bank of Poland on the date in question unless another exchange rate was specified in the customs declaration or another document which is binding for the unit — for other operations.

Assets and liabilities items expressed in foreign currencies are valued as at the balance sheet date according to the average exchange rate for the currency in question published by the National Bank of Poland for the balance sheet date. Foreign exchange differences arising from the settlement of transactions expressed in foreign currencies as well as arising from the balance sheet valuation of assets and liabilities items expressed in foreign currencies and concerning the Group's core business (operations) are recognized as financial expenses and revenue. Foreign exchange gains and losses are offset before presentation in financial statements.

The average exchange rates used to value the foreign exchange positions held by the Group in the periods included in the present consolidated financial statements were as follows:

Currency	NBP average exchange rate as at December 31, 2006	NBP average exchange rate as at December 31, 2005
EUR	3.8312	3.8598
USD	2.9105	3.2613

Leasing

A lease is classified as a finance lease if agreement terms and conditions transfer substantially all potential risks and benefits resulting from the use of the lease object to the lessee. All other leases are classified as operating leases.

Assets used pursuant to finance lease agreements are treated as Group assets and are valued at the lower of the fair value of the asset at the acquisition date and the present value of the minimum lease payments. The liability arising to the lessor is presented in the balance sheet under other financial liabilities. Lease payment is apportioned between the interest and the principal so that the interest rate on the liability outstanding remains constant. Interest expenses are recognized as financial expenses in the profit and loss account.

Operating lease payments are recognized as an expense in the profit and loss account over the lease term on a straight-line basis. The benefits received and outstanding as an incentive to conclude an operating lease agreement are recognized in the profit and loss account over the lease term on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the balance sheet value of fixed assets to look for any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount is estimated in order to determine the potential write-down. Where the asset does not generate cash flows that are largely independent of the cash flows from other assets, the analysis is conducted for the group of cash flow generating assets to which the asset in question belongs. The recoverable amount is determined as the higher of the following two values: the fair value less costs to sell or the value in use, which corresponds to the present value of estimated future cash flows discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset (if any).

Where the recoverable amount is lower than the net book value of the asset or group of assets, the book value is reduced to match the recoverable amount. The resulting loss is charged to expense in the period during which impairment occurred.

Goodwill and intangibles in the development stage are tested for impairment annually.

Where impairment is reversed, the net value of an asset is increased to match the new estimated recoverable amount, which cannot be higher, however, than the net value of this asset that would have been determined if the impairment had not been recognized in previous periods. Impairment reversal is recognized as adjustment to expenses in the period during which reasons for impairment ceased to exist. Impairment loss for goodwill cannot be reversed.

Revenues

Sales revenue is recognized at the fair value of the consideration received or due and represents amounts due for products, goods and services provided under ordinary business activities, after deducting rebates, VAT and other sales-related taxes.

Sales revenue from sales with deferred payment are recognized after deducting discount.

Sales of products and goods are recognized when goods have been delivered and the significant risk related to delivery has been transferred to the buyer.

Revenue from the services provided is recognized based on the stage of completion. Where the result of the service cannot be determined reliably, the revenue arising from it is only recognized to the extent of the expenses incurred which the Group expects to recover. Where the sale price of the service in question includes the identifiable value of maintenance services that will be rendered in the future, the amount corresponding to this part of revenue is deferred and recognized in the profit and loss account in the periods when the services in question are rendered.

Interest income is recognized on a cumulative basis relative to the principal amount outstanding using the effective interest rate method.

Dividend income is recognized when the shareholders' right to receive payment is established.

Borrowing costs

Borrowing costs are recognized as financial expenses on the date they are incurred. The Group does not capitalize borrowing costs related to assets.

Taxation

Obligatory charges on earnings include current tax (CIT) and deferred tax.

Current tax expense is calculated on the basis of the taxable profit (tax base) for a given financial year. Tax profit (loss) differs from accounting net profit (loss) due to the exclusion of [???] taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on tax rates applicable to the financial year in question.

Deferred tax is calculated using the balance method as the tax to be paid or returned in the future based on the differences between the balance sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base.

The deferred tax provision is established for all positive temporary differences subject to taxation, while a deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses or tax credits can be utilized by the Group. The deferred tax asset or deferred tax provision is not recognized where the temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that does not affect either the taxable or the accounting profit.

The value of deferred tax assets is subject to analysis on every balance sheet date. Where the expected future taxable profit is not sufficient to realize the asset or part thereof, it is written down.

Deferred tax is calculated using the tax rates that will be applicable at the time when the asset is realized or the liability becomes due. Deferred tax is recognized in the profit and loss account, except for cases where it is related to items recognized directly in equity. In this case, the deferred tax is also charged or credited directly to equity. On the balance sheet, income tax assets and liabilities are offset to the extent the liability is payable to the same tax office.

NOTE 3.
REVENUE FROM SALES

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Revenue from sales of products	82,105	67,970
Revenue from sales of goods and materials	63,620	51,580
Total sales revenue	**145,725**	**119,550**
of which:		
- to related undertakings	27	38

Main products

ATM S.A. provides ICT services related to the following areas:

- integrated ICT infrastructure systems;
- telecommunications and value-added services;
- business security solutions and services;
- application solutions;
- multimedia solutions and services.

Within the areas listed, the Company offers the products described below.

Integrated ICT infrastructure systems

The Company develops integrated information and communication technology (ICT) infrastructure systems including:

- **Transmission networks**. The Company provides comprehensive services including the auditing of existing customer infrastructure, the analysis of current and projected transmission requirements,

planning network functionality and performance as well as designing, developing and deploying corporate and carrier networks. Integration projects often involve the development of data transmission security systems and ICT resource management systems.

- **Computer systems integration**. These services involve the design, hardware and software development and deployment of computer systems, including end-to-end data center development. The services include the integration of all required infrastructure components, from power supply systems and transmission cabling through physical security (fire extinguishers, access control, alarms, video surveillance) systems to servers, data storage, operating systems and utilities software. Our particular field of expertise is the construction of supercomputing installations based on state-of-the-art cluster and grid parallel processing architectures.

ATMAN — telecommunications and value-added services

Next generation telecommunications services provided by ATM S.A. include:

- **Internet access services.** The configuration and supervision of broadband Internet lines for telecommunications providers, Internet and Application Service Providers and corporate customers. The services offered ensure very high data transmission rates and reliability. Within the framework of Internet access services, traffic interchange between the providers and recipients of information and digital Web content takes place. The Company operates interconnect nodes in Warsaw.
- **Digital line lease services**. These are data transmission services provided in the entire territory of Poland, with very high transmission quality parameters. In Warsaw and Silesia, broadband data transmission services are provided with no bandwidth limitations via the Company's own fiber optic network. Within the framework of these services, the Company enables data transmission through points of interconnection with networks belonging to major intercity and international data carriers.
- **Telecommunications outsourcing**. The design and configuration of complete telecommunications and IT networks based on the Company's own lines as well as lines leased from other providers. This also includes operational support for the customer's entire ICT infrastructure of part thereof (including hardware support) pursuant to service level agreements. Telecommunications outsourcing services are provided, among other things, through 24-hour Network Management Center monitoring of the customer's ICT infrastructure.
- **Colocation and hosting**. The Issuer has properly equipped and protected rooms where it provides colocation (i.e. renting space for hardware together with uninterruptible power supply and communications networks connection) and hosting services (i.e. renting the Company's own servers, e.g. for the provision of Web services).

Next generation telecommunication services are often offered in conjunction with ICT systems integration services, in particular in connection with the development of network management systems, traffic billing, ensuring the security of transmitted data, the development of applications supporting business operations by means of a network and telecommunications infrastructure.

Business security solutions and services

The Issuer develops integrated solutions based on proprietary and third party software, mainly in the following areas:

- **Technical information security solutions**. The Issuer delivers and integrates state-of-the-art technical IT security systems: firewalls, Intrusion Prevention Systems, antivirus and anti-spam systems and systems preventing access to undesirable Web content. These systems may be additionally equipped with threat analysis software which leverages information collected from individual devices.
- **Atmosfera — Business Continuity Planning**. The Issuer develops and deploys software that supports Business Continuity Planning. The Atmosfera system was developed on the basis of proprietary software. Major users of such systems include banks, for which the mitigation of operational risk constitutes an important factor allowing them to limit the capital requirements stipulated in the New Capital Accord (Basel II).
- **Data Protection Center**. The Company has created an environment consisting of separate rooms, appropriate technical infrastructure and procedures. This is offered under the common Data Protection Center (*Centrum Ochrony Danych*) brand. Data Protection Center services consist in the rental of backup front office and back office environments. Pursuant to the agreement signed, the customer (e.g. bank) may recommence at the Data Protection Center within a guaranteed, short time, the operation of key services that was interrupted in the main office due to sudden, unforeseen events (an extensive failure, vandalism or an act of terror). The Issuer also provides outsourcing

services related to the operation of technical information protection systems (including the ongoing updating of software and protection rules as well as responding to incidents).

Application solutions

The Issuer develops integrated solutions based on proprietary and third party software, mainly in the following areas:

- **Proprietary software based solutions**. This primarily includes the **Atmosfera** system offered by the Company. The system supports the management of business processes, particularly with respect to services. In corporate (e.g. telecommunications providers') IT departments, it ensures compliance with the widely accepted ITIL (Information Technology Infrastructure Library) standard. The Atmosfera technology is also leveraged by the **Atmosfera BCP** system supporting the development and management of business continuity plans at banks. An important product is the **SMaCS** system used to manage services in IP networks. This system ensures revenue from digital data transmission services (file download, video on demand and other value added services) provided to subscribers by telecommunications providers, including traditional telephone network, cable TV network and cell phone network operators. The solution guarantees that the services can only be used by authorized users and that each user is billed according to the rules set by the provider. Another solution targeted at providers is the LI (Lawful Interception) system used for the authorized interception of transmissions at the request of competent authorities.
- **Third party software based solutions**. ATM S.A. deploys IT systems based on applications developed by other manufacturers. The Company has unique expertise related to the design and development of MES (Manufacturing Execution Systems) for the pharmaceutical and food industries, which are integrated with manufacturing machinery and ERP (Enterprise Resource Planning) systems.

Multimedia solutions and services

As a result of several years of research and development work, the Issuer has designed and is developing proprietary technology platforms used for the provision of various multimedia services. Currently, the Issuer offers the following services:

- **ATM Indoor TV**. The service consists in the development and operation of a complete POS (Point of Sales) TV system. It was awarded the 2006 Golden Antenna by the *Świat Telekomunikacji* monthly.
- **ATM Internet TV**. The Internet TV platform includes:
  - the subsystem for storing large quantities of multimedia data together with descriptions offering presentation and search capabilities;
  - the subsystem for adapting content format to transmission system requirements (encoding translation, protection of licensing rights) and the subsystem for managing the offer for subscribers, in particular the presentation of the content offered for download and service packages;
  - the transmission management subsystem and the content billing subsystem enabling various billing schemes — flat rate, for service usage time, for data volume downloaded, for playing a specific movie, etc.

ATM S.A. offers the aforementioned platform both to digital multimedia content (e.g. movies or music) providers and to operators of subscriber communications networks.

The Company offers to deliver and integrate a fully functional multimedia content distribution system for the customer's sole use as well as to make its proprietary technology platform available. The functionality of the solution delivered may be tailored to specific requirements and ATM also offers to integrate the solution with the customer's other systems. Customers may also use multimedia content distribution related services provided by the Company using platforms developed for their own needs. The services may concern the full scope of technical distribution support (e.g. the comprehensive provision of video on demand services) or just the scope selected by the customer — e.g. only data format translation or the collection and provision of encoded material.

Moreover, the Company's subsidiaries provide services that complement the Company's offer in the following areas:

- KLK sp. z o. o. deploys integrated ICT infrastructure systems with particular emphasis on uninterruptible power supply systems and structural networks;
- ATM Services sp. z o. o. provides desktop outsourcing services for small and medium-sized enterprises;

- mPay S.A. deploys a universal mobile payment system and has the status of a billing agent;
- iloggo sp. z o. o. maintains a community Web 2.0 site facilitating the use of bookmarks leading to popular websites;
- Cineman sp. z o. o. offers video on demand services for subscriber network operators.

Industry segments

In the opinion of the Management Board of the parent undertaking, despite the fact that it is possible to identify different product lines with regard to sales revenues, the types of production processes and the distribution and service provision methods are closely linked and exhibit similar risks and returns on investment. Moreover, no transactions between individual product lines are conducted. As a consequence, when assessing the possibility of dividing the Group's operations into segments in a reliable manner, the Management Board decided that the Group's entire operations fall into the ICT services segment and therefore no segments have been distinguished.

Revenues from the sales of major products are as follows:

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Integrated ICT infrastructure systems	78,265	60,280
Telecommunications and value-added services	51,923	45,114
Business security solutions and services	9,743	5,517
Application solutions	4,514	5,828
Multimedia solutions and services	1,280	2,812
Total sales revenue	**145,725**	**119,550**

Geographical operation segments as at December 31, 2006 and 2005

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Domestic sales	145,218	119,173
Exports	507	377
Total sales revenue	**145,725**	**119,550**

NOTE 4.
OPERATING COSTS

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Cost of goods sold	101,878	85,913
Selling costs	1,163	380
General and administrative costs	31,237	25,493
Total costs related to core operations	**134,278**	**111,786**
of which:		
Amortization and depreciation	6,515	5,455
Consumption of materials and energy	14,532	4,124
Outsourcing	40,398	37,012
Salaries	21,142	17,892
Employee benefits	3,850	2,920
Taxes and other charges	1,030	765
Other	(471)	2,477
Value of goods and materials sold	47,282	41,141
	134,278	**111,786**

The depreciation of property, plant and equipment is based on the principles described in Note 2. Write-downs concerning inventories are determined based on the principles described in Note 2. Inventory write-downs are reversed when inventories to which the write-down relates are sold or the circumstances due to which the write-down was made no longer obtain. The cost of inventory write-downs as well as their reversal are recognized in the profit and loss account as part of the cost of goods sold.

Employee costs

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Salaries	21,135	17,886
Social insurance costs	3,041	2,572
Pension benefit costs	7	6
Other benefits after the employment period	-	-
Charges to Enterprise Social Benefit Fund	9	-
Other employee benefits	800	349
	24,991	**20,813**

Salaries

Salary costs include salaries payable according to the terms and conditions of employment contracts concluded with individual employees. Salary costs also include bonuses, paid leave and share-based payment.

Employee benefits

Social insurance costs for group units include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (*Fundusz Gwarantowanych Świadczeń*) and Labor Fund

(*Fundusz Pracy*). In 2006 and 2005, those contributions amounted to 19.77% and 20.01% of the contribution calculation base determined pursuant to applicable laws, respectively.

Pension benefit costs include retirement severance paid to employees pursuant to the Labor Code. Group units are not parties to any pension schemes or collective employment agreements that would entail other regulations in this regard. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits have not been recognized in the consolidated financial statements. In the periods presented, the Group paid no such benefits.

Some of the Group units situated in Poland are under the obligation to establish the Enterprise Social Benefit Fund (*Zakładowy Fundusz Świadczeń Socjalnych — ZFŚS*). Charges to this fund are recognized as Group operating costs and the money allocated to the fund has to be blocked in a separate bank account. In the financial statements, fund assets and liabilities are presented in net terms. Due to the nature of the fund's operations, the fund's assets equal its liabilities. The amounts of funds in the Enterprise Social Benefit Fund as at December 31, 2006 and 2005 were PLN 161,000 and PLN 187,000, respectively.

Other employee benefits include training in order to enhance employee skills, health care and other benefits stipulated in the Labor Code.

Costs of research and development

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Costs included directly in costs related to core operations	-	-
Amortization costs related to deferred development work costs	73	99
	73	**99**

Development work costs are recognized as intangible assets after the conditions described in Note 2 have been met and according to the principles described in Note 2. The amortization of capitalized development work costs is charged to general and administrative costs. Costs incurred in the research work stage and expenditure that does not meet the conditions required in order to be recognized as assets are directly charged to the Group's operating expenses as general and administrative costs.

NOTE 5.
OTHER REVENUE

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Profit from the sale of fixed assets	20,567	9,329
Reversal of receivable write-downs	47	12
Reversal of inventory write-downs	116	44
Damages received	20	42
Overdue liabilities written off	-	84
Other	30	23
	20,780	**9,534**

Revenue and profit that are not directly related to the Group's operations are classified as other operating revenue. This category includes the subsidies received, profit from the sale of property, plant and equipment, the damages received as reimbursement of court fees, overpaid tax liabilities (except for corporate income tax) and damages received for losses to insured Company property.

Other operating revenue also includes reversals of receivable and inventory write-downs as well as write-downs related to property, plant and equipment impairment. Other operating revenue includes revenue from the sale of subsidiaries.

Profit from the sale of fixed assets is an important item of other operating revenue. In the periods presented, this profit resulted from the following transactions:

- in December 2005, the ATM S.A. parent undertaking sold a property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska sp. z o. o.; profit from the sale transaction amounted to PLN 9,433,000;
- on December 29, 2006, ATM S.A. sold communications infrastructure, mainly consisting of a fiber optic network, to the related ATM PP sp. z o. o. undertaking; profit from the sale transaction amounted to PLN 19,936,000.

Operating lease agreements were concluded concerning the aforementioned fixed assets by ATM S.A. Material operating lease terms and conditions concerning these fixed assets have been described in Note 27. Owing to the fact that these were transactions recorded at fair value, sale transaction profits were immediately recognized in the profit and loss account.

NOTE 6.
OTHER COSTS

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Receivable write-downs	101	38
Inventory write-downs	117	148
Impairment write-downs	26	-
Donations given	87	149
Fines and penalties paid	4	38
Other	96	1
	431	**374**

Costs and losses related to the Group's operations, but not directly related to main types of operating costs, are classified as other operating costs. This category includes losses on the sale of property, plant and equipment, donations (both in cash and in kind) to other entities, including public benefit entities and the costs related to receivable write-downs and impairment write-downs.

NOTE 7.
FINANCIAL REVENUE

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Dividends received	-	-
Interest on bank deposits	253	172
Interest on overdue payments	267	9
Interest on securities	410	129
FX gains	651	791
Other	34	-
	1,615	**1,101**

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. As at the balance sheet date, i.e. December 31, 2005 and 2006, the Group had no forward transactions open. Financial operations also include foreign exchange gains.

NOTE 8.
FINANCIAL EXPENSES

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Interest on bank loans	99	728
Budget interest	2	-
Interest on overdue payments	5	6
Finance lease costs	367	167
Other	77	-
	550	**901**

Costs related to the use of external financing sources and interest payable under finance lease agreements to which the Group is a party are classified as financial expenses.

The terms and conditions pursuant to which the Group has used external sources of funding (bank loans) have been presented in Note 22. Financial operations also include foreign exchange losses.

NOTE 9.
INCOME TAX

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Statutory tax rate	19%	19%
Current income tax		
Current tax expense	6,986	2,929
Adjustments concerning previous years	-	-
	6,986	**2,929**
Deferred income tax		
Related to the origination and reversal of temporary differences	(803)	332
Related to change in the tax rate	-	-
	(803)	**332**
Tax expense shown in the profit and loss account	**6,183**	**3,261**

Current tax expense is calculated on the basis of the tax regulations applicable. Pursuant to these regulations, tax profit (loss) is distinguished from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the financial year in question. The tax regulations applicable until the end of 2003 differentiated the income tax rates applicable in individual years — for 2002 and 2003, these rates amounted to 28% and 27% of the tax base determined pursuant to tax regulations, respectively. Since 2004, the rate applicable pursuant to amended regulations

has amounted to 19%. Current regulations do not provide for any differences in tax rates during future periods.

With respect to income tax, the Group is subject to general regulations. The Group does not have a tax group status and does not operate in a Special Economic Zone, which would cause the principles for determining tax expense to differ from general regulations in this respect. Both the tax and balance sheet years coincide with calendar years.

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

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Pre-tax earnings	32,863	23,091
Effective tax rate	21%	13%
Tax at the effective rate	**6,986**	2,929
Tax at the statutory rate	6,244	4,387
Tax impact related to the different dates on which costs are considered tax-deductible	(38)	(283)
Tax impact related to the different manners according to which revenues are recognized for tax purposes	760	(346)
Tax impact of tax losses deducted during the period	(99)	(829)
Tax impact of tax losses incurred during the period	117	-
Tax at the effective rate	**6,986**	**2,929**

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. The deferred income tax as at December 31, 2005 and 2006 results from the items shown in the table below.

	Balance sheet		**Profit and loss account**	
	End of period, December 31, 2006	End of period, December 31, 2005	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Deferred tax provision				
Difference between the balance sheet and tax value of fixed assets	637	263	374	(842)
Recognized service revenue	-	162	(162)	164
Interest accrued	-	-	-	(4)
Foreign exchange gains	4	338	(334)	141
Deferred tax provision acquired as a result of business combination			(117)	
Gross deferred tax provision	**641**	**763**	**(239)**	**(541)**
Deferred tax assets				
Difference between the balance sheet and tax value of intangible assets	-	-	-	37
Deferred payment revenue	443		(443)	
Inventory write-downs	151	98	(53)	(22)
Receivable write-downs	103	93	(10)	(3)

	Balance sheet		**Profit and loss account**	
	End of period, December 31, 2006	End of period, December 31, 2005	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Written-off financial assets under litigation	55	55	-	-
Foreign exchange losses	-	-	-	1
Provisions for expenses	401	232	(169)	31
Subsidies received	4		(4)	
Tax losses to be deducted	168	99	(69)	829
Deferred tax assets acquired as a result of business combination			183	
Gross deferred tax assets	**1,325**	**577**	**(565)**	**873**
Net tax assets (tax provision)	**684**	**(188)**		
Deferred income tax charge on profit			**(803)**	**332**

In 2005, deferred tax was established for all positive and negative temporary differences. In 2005, deductible tax losses were only recorded by the parent undertaking. Pursuant to tax regulations, tax losses may be carried forward and utilized within five subsequent years, and the maximum reduction of the tax base arising from such losses in any individual tax year may not exceed 50%.

On January 1, 2005, the parent undertaking had an unutilized 2001 tax loss amounting to PLN 3,847,000 and a 2002 tax loss amounting to PLN 1,038,000.

In view of the fact that in 2005, the undertaking deducted the entire unutilized 2001 tax loss and half of the 2002 loss, the deferred tax asset as at December 31, 2005 was determined on the basis of the entire unutilized 2002 tax loss.

In 2006, deferred tax was established for all positive and negative temporary differences, including tax losses present as at the balance sheet date at all companies of the Group.

NOTE 10.
EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Weighted average number of shares	3,227,040	3,227,040
Net profit for 12 months (PLN thousands)	26,435	13,869
Net earnings per share (PLN)	8.19	4.30
Diluted net earnings per share (PLN)		
- including G series shares	8.02	-
- including G and H series shares	5.87	-

Basic earnings per share are calculated by dividing the net profit for the financial year attributable to ordinary Group shareholders by the weighted average number of common shares issued that are outstanding during the financial year.

Parent undertaking shares are common shares and no preference is attached to them concerning either voting rights or dividend payouts.

On February 16, 2007, the Management Board of ATM S.A. adopted a resolution concerning the issue of 68,602 G series shares with a face value of PLN 7.60 and an issue price of PLN 119.61 each and the issue of no more than 1,204,538 H series shares with a face value of PLN 7.60 each. Shares issued in both series have participated in the dividend as from January 1, 2006. G series shares were issued and the increase in equity related to their issue was registered in the National Court Register on March 1, 2007. H series shares had not been issued by the Report publication date. Therefore diluted net earnings were stated for two cases: the additional participation of G series shares and the participation of both G and H series shares.

Dividends paid and declared

Pursuant to the resolution of the General Meeting of ATM S.A. shareholders of June 30, 2006, it was decided to pay a dividend for 2005 in the amount of PLN 6,938,000, i.e. PLN 2.15 per share. The dividend was paid by the date declared, i.e. on August 14, 2006.

In June 2006, the ATM S.A. Management Board announced a new dividend policy. According to this policy, investors should receive an annual dividend of not less than interest on bank deposits. The Company intends to pay an annual dividend in the amount of not less than the EURIBOR rate for annual deposits on the last day of the financial year, additionally increased by 0.5%, and multiplied by the Company's listed value in the last month of the year. The new dividend policy will operate independently of the Company's demand for capital required to sustain its high growth rate in the future and to finance long-term investments and acquisitions. Dividend is payable to shareholders who have already entrusted the Company with their money. On the other hand, offers to take up shares while increasing the Company's capital will be extended to new investors or existing investors who plan to extend their capital involvement in the Company. The ATM S.A. Management Board has pledged to run the Company's enterprise in such a manner as to ensure that the profit achieved allows the execution of the above dividend policy at the end of each financial year, and will put forward an appropriate recommendation for the distribution of profit at the Company's General Meetings.

Pursuant to the above policy, the ATM S.A. Management Board will submit recommendations to the General Meeting of Shareholders, according to the information included in current report No. 2/2007, to pay dividend for 2006 in the amount of PLN 7.60 per share.

As at December 31, 2006, no unpaid cumulated dividends were present. Pursuant to tax regulations, dividends that are paid out are taxed at the 19% rate.

NOTE 11. GOODWILL

The goodwill recorded in the consolidated financial statements concerns the acquisition of the following undertakings:

	End of period, December 31, 2006	End of period, December 31, 2005
ATM-Mobile Group	131	-
iloggo sp. z o. o.	54	-
KLK — Technologie Informatyczne sp. z o. o.	10,743	-
	10,928	**-**

The entire goodwill was generated as a result of business combinations executed in 2006.

This is the initial recognition of the business combination which will be completed within 12 months from the acquisition date, i.e. identifiable assets or liabilities will be recognized at fair value or adjusted to fair value. Therefore the goodwill recorded after the final recognition of business combination effects may be different.

Detailed information on business combinations has been disclosed in Note 28.

NOTE 12.
INTANGIBLE ASSETS

	End of period, December 31, 2006	End of period, December 31, 2005
Costs of development	3,581	784
Permits and licenses	3,774	65
Perpetual usufruct rights	-	-
	7,354	**849**
Of which:		
Intangible assets used under finance lease agreements	415	**-**

Development work is recognized as an asset and amortized based on the principles described in Note 2.

As at December 31, 2006, development work includes the following projects developed in-house:

PC TV Platform under the ATM Internet TV brand

An in-house project developed by the Issuer since 2005 — the development of an Internet TV technology platform to be used for broadcasting live TV programs and the distribution of content in the video on demand and download modes. The signal from the platform developed is to be received by PCs. The platform has been implemented in order to provide commercial services both by the Issuer itself and in collaboration with its subsidiary Cineman sp. z o. o. — the implementation of the video on demand mode was completed in the first quarter of 2007.

Work is underway on the further development of video signal distribution platforms — the implementation of the live program distribution mode in ATM Internet TV and the development of distribution platforms for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones. The development plans drawn up assume the gradual implementation of subsequent modules in 2007 and 2008.

POS TV Platform under the ATM Indoor TV brand

From August 2005 to May 2006, the Issuer developed an in-house project called the SSM (Spread Screens Manager). Under this project, an ATM IndoorTV technology platform was developed for the remote management of point-of-sales advertising content broadcasting (POS-TV — Point of Sales Television). The Issuer installs terminals (computers with LCD screens and wireless links) at locations agreed with the customer, e.g. near checkout counters at stores or at travel agencies. Subsequently, the Issuer receives video content as well as other information from the customer and agrees the broadcasting scenarios. The content is distributed to terminals via a mobile communications network (GPRS/EDGE/UMTS). The terminals are controlled and the proper execution of scenarios is supervised in the same manner. The service was awarded the 2006 Golden Antenna by the *Świat Telekomunikacji* monthly. It is a comprehensive service covering the lease of terminals (screens), communications network operation and access to the SSM platform.

Atmosfera BCP product

Within the framework of another in-house project that was underway from June to December 2005, the Issuer developed the Atmosfera BCP product. The functionality of the product was extended in 2006 and will be further extended in the future depending on the customers' needs. The product is another solution belonging to the ATM S.A. Atmosfera family. Earlier products from this family supported corporate business processes, including e.g. support for service desk operations in accordance with the widely accepted ITIL standard. The new product, which leverages the common technology underlying the Atmosfera product family, addresses business continuity planning by supporting threat analysis and the development, updating and implementation of contingency plans. It meets the demand of the banking sector, assisting banks in satisfying the requirements of banking supervision recommendations related to the so-called New Capital Accord (Basel II).

Remote Archive

From June 2007 onwards, Polish law will make it possible to maintain patients' files in electronic format only, provided that certain standards, *inter alia* concerning security, are met. The Issuer's long-standing experience in the development of ICT solutions leveraging state-of-the-art security technologies and systems contributed to the establishment in June 2006 of a department whose business objectives include the development of a modern remote medical archive and the marketing of this solution in the Polish medical market.

The remote archive is to enable the secure storage of medical images together with associated patient details and examination reports as well as remote access to the data. It will also provide statistics and search tools. The data are secure, electronic storage is cheaper and virtually instant access is possible. The unique advantage of this system is the possibility of remote access to examination data by authorized parties using any computer. The remote archive system is to enable easy migration, eventually becoming a module of the Electronic Medical File. Apart from disk storage, indexing systems are used that can store any data structures and communicate with other systems via software interfaces. This means that any establishment using the archive will be able to extend its system in any manner, using fully electronic patient files.

Voice over IP

In order to complement its existing range of services on offer, the Issuer introduced Internet telephony services: ATMAN Business.Voice and ATMAN IP.Voice. These are targeted at business customers as well as partners who wish to provide services to their customers. ATMAN Voice services consist in enabling voice calls based on the VoIP (Voice over IP) technology.

This enables voice traffic to be integrated with data transmission services by developing a single universal network that can carry any kind of traffic. The services offer traditional telephone functionality as well as the convenient management of the customer's phone account via a webpage and many additional functions such as conference calls, call forwarding, IVR, etc. The solution offered by the Issuer enables customers to reduce ICT service expenses, particularly those related to phone calls, and ensures the seamless transition from traditional phone services towards an entirely IP-based network.

Atmosfera IT Service Desk Suite

Since 2000, the Issuer has steadily developed the Atmosfera business process support system.
The system enables the streamlined organization and enhancement of user support processes as well as the implementation of the service-oriented approach in the IT industry. In December 2006, the Atmosfera Service Desk v. 5.0 system was certified by the Canadian Pink Elephant company as ITIL compliant in the Service Support area as the only Polish solution to date. ITIL, which stands for IT Infrastructure Library, is the most important IT service provision methodology. This certification allows the Issuer to effectively compete with global suppliers for major deployment projects concerning such systems.

The Atmosfera system operates, *inter alia*, at such companies as Polska Telefonia Cyfrowa sp. z o. o. (the operator of Era and Heyah mobile networks), Agora SA, PLL LOT SA, Netia SA, Telewizja Polska SA and P4 sp. z o. o. (the operator of the Play mobile network). The overwhelming majority of system users upgrade it regularly, including subsequent organization processes in its scope. In 2007, more deployment projects are being executed.

As a result of the growing demand for high-performance Service Desk systems from smaller organizations, this year the Issuer started to sell the Atmosfera system as a service within the framework of the ASP (Application Service Provider) model.

The share of development work underway in overall capitalized cost of development work is presented in the table below:

	End of period, December 31, 2006	End of period, December 31, 2005
PC-TV platform	1,261	132
POS-TV platform	900	361
BCP platform	230	89
VoIP platform	208	-
Remote Archive platform	79	-
Atmosfera platform	725	-

3,403	**582**

The costs of the aforementioned projects were tested for impairment as at the balance sheet date. No impairment concerning these expenditures was identified as per the procedures followed.

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

As at December 31, 2005 and 2006, there were no impairment write-downs concerning intangibles.

Changes in the amount of intangibles are presented in the following tables.

Movements in the amount of intangible assets during the period from January 1 to December 31, 2006

	Costs of completed development work	Permits and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at January 1, 2006	**883**	**1,851**	**-**	**-**	**2,734**
Increases:					
- acquisition	-	3,361	-	-	3,361
- developed in-house	2,821	-	-	-	2,821
- acquired as a result of business combination	49	1,435	-	-	1,484
Decreases:					
- sale	-	949	-	-	949
- liquidation	-	260	-	-	260
As at December 31, 2006	**3,753**	**5,438**	**-**	**-**	**9,191**
Write-offs					-
As at January 1, 2006	**99**	**1,786**	**-**	**-**	**1,885**
Increases:					
- amortization	102	138	-	-	240
- impairment	-	-	-	-	-
- acquired as a result of business combination		17			17
Decreases:					
- sale and liquidation	29	277	-	-	306
As at December 31, 2006	**172**	**1,664**	**-**	**-**	**1,836**
Net as at December 31, 2006	**3,581**	**3,774**	**-**	**-**	**7,354**

Movements in the amount of intangible assets during the period from January 1 to December 31, 2005

	Costs of completed development work	Permits and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at January 1, 2005	**283**	**1,796**	**4,747**	**-**	**6,826**
Increases:					
- acquisition	-	60	-	-	60
- developed in-house	600	-	-	-	600

- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale	-	-	4,747	-	4,747
- liquidation	-	5	-	-	5
As at December 31, 2005	**883**	**1,851**	**-**	**-**	**2,734**
Write-offs					-
As at January 1, 2005	**-**	**1,711**	**193**	**-**	**1,904**
Increases:					
- amortization	99	80	49	-	228
- impairment	-	-	-	-	-
Decreases:					
- sale	-	-	242	-	242
- liquidation	-	5		-	5
As at December 31, 2005	**99**	**1,786**	**-**	**-**	**1,885**
Net as at December 31, 2005	**784**	**65**	**-**	**-**	**849**

NOTE 13.
FIXED ASSETS

	End of period, December 31, 2006	End of period, December 31, 2005
Fixed assets		
Land	341	-
Buildings and structures	21,145	16,937
Machinery and equipment	20,062	13,250
Means of transportation	3,222	2,174
Other	174	45
Fixed assets under construction	1,966	3,092
Advances for fixed assets under construction	-	-
	46,907	**35,499**
of which:		
Fixed assets used under finance lease agreements	10,546	4,498

The Group has no liabilities to the State Treasury arising from the transfer of ownership title to real estate.

The Group uses fixed assets under finance lease agreements. The agreements concern:

- machinery and equipment with a value of PLN 8,841,000;
- means of transportation with a value of PLN 1,695,000;
- other with a value of PLN 9,000.

Finance lease liabilities are recognized in the balance sheet as other financial liabilities and divided into short- and long-term liabilities. Detailed information on material finance lease agreements has been included in Note 26.

In 2005, the Group sold a property situated in ul. Grochowska 21a to Fortis Lease sp. z o. o. under a sale-and-lease-back agreement. This lease agreement was classified as operating lease. Detailed information on operating lease agreements has been disclosed in Note 27.

As at December 31, 2005 and 2006, there were no impairment write-downs concerning fixed assets.

Changes in the amount of fixed assets are presented in the following tables.

Movements in the amount of fixed assets during the period from January 1 to December 31, 2006

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
As at January 1, 2006	**-**	**18,510**	**15,692**	**2,866**	**53**	**37,121**
Increases:						
- acquisition	-	6,190	11,336	1,424	84	19,034
- acquisition as a result of business combination	341	1,901	545	631	63	3,481
- other	-	-	-	-	-	-
Decreases:						
- sale	-	2,550	1,086	101	-	3,737
- liquidation	-	9	303	-	-	312
- financial lease expiry	-	-	-	536	-	536
- donations	-	-	-	-	-	-
- other	-	-	-	49	-	49
As at December 31, 2006	**341**	**24,042**	**26,191**	**4,438**	**200**	**55,002**
Write-offs						
As at January 1, 2006	**-**	**1,573**	**2,442**	**692**	**8**	**4,715**
Increases:						
- depreciation	-	1,724	3,886	645	17	6,272
- impairment	-	-	-	-	-	-
Decreases:						
- sale and liquidation	-	400	205	275	-	880
- donations	-	-	-		-	-
- other	-	-	-	49	-	49
As at December 31, 2006	**-**	**2,897**	**6,123**	**1,216**	**25**	**10,058**
Net as at December 31, 2006	**341**	**21,145**	**20,062**	**3,222**	**174**	**44,944**

Movements in the amount of fixed assets during the period from January 1 to December 31, 2005

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
As at January 1, 2005	**-**	**39,931**	**6,899**	**2,405**	**30**	**49,265**
Increases:						
- acquisition	-	5,671	11,396	543	33	17,643
- acquisition as a result of business combination	-	-	-	-	-	-
- other	-	-	-	-	-	-
Decreases:						
- sale	-	27,092	2,060	-	10	29,162
- liquidation	-	-	2	1	-	3
- financial lease expiry	-	-	523	81	-	604
- donations	-	-	18	-	-	18
- other	-	-	-	-	-	-
As at December 31, 2005	**-**	**18,510**	**15,692**	**2,866**	**53**	**37,121**
Write-offs						
As at January 1, 2005	**-**	**-**	**-**	**154**	**-**	**154**
Increases:						
- depreciation	-	2,093	2,561	565	8	5,227
- impairment	-	-	-	-	-	-
Decreases:						
- sale and liquidation	-	520	101	27	-	648
- donations	-	-	-		-	-
- other	-	-	18		-	18
As at December 31, 2005	**-**	**1,573**	**2,442**	**692**	**8**	**4,715**
Net as at December 31, 2005	**-**	**16,937**	**13,250**	**2,174**	**45**	**32,406**

NOTE 14.
OTHER FINANCIAL ASSETS

	End of period, December 31, 2006	End of period, December 31, 2005
Shares in other undertakings	80	-
(-) Impairment write-downs	-	-
	80	**-**

Other financial assets include shares in Górnośląskie Towarzystwo Lotnicze w Katowicach, giving a stake of 0.053% in the equity of the KLK Company.

NOTE 15.
OTHER FIXED ASSETS

	End of period, December 31, 2006	End of period, December 31, 2005
Guarantee deposits	498	212
Trade receivables	12,019	997
Prepaid maintenance costs	231	115
	12,748	**1,324**
of which payable within:		
from 1 to 2 years	2,300	1,324
from 3 to 5 years	8,633	-
more than 5 years	1,816	-

Guarantee deposits include amounts retained by the Group's customers in relation to the services and goods delivered. In most cases, such deposits are retained for periods ranging from 1 to 5 years. Guarantee deposits are not indexed. Trade receivables include the part of trade receivables which the Group will receive at a date later than 12 months from the balance sheet date.

The receivables recorded as at December 31, 2005 are payable in 2007. Deferred payment sales (deferred beyond the normal terms and conditions applied by the Group) concern incidental sales transactions. The Group has no policy concerning significantly longer payment terms or installment sale procedures.

The receivables recorded as at December 31, 2006 have payment dates of up to 2012. They are the result of deferred payment sales whose value has been measured at fair value and is equivalent to the present value of the payment. The installments receivable have been discounted using WIBOR 12M and the market margin based on the parent undertaking's lending margin. Interest is recognized as financial revenue for relevant periods using the effective interest rate method.

Prepaid maintenance costs are prepayments related to maintenance services provided during subsequent periods whose contractual term is longer than 12 months from the balance sheet date.

NOTE 16.
INVENTORIES

	End of period, December 31, 2006	End of period, December 31, 2005
Materials	3,468	932
Work in process	175	-
Finished products	-	-
Goods	2,285	1,843
Inventory write-downs	(493)	(444)
	5,437	**2,331**

Inventories are valued based on the principles described in Note 2. Inventory write-downs and their reversals have been disclosed in Note 4. The effects of establishing and reversing write-downs are charged to the cost of goods sold as the cost of stocks that have been used up.

Group inventories serve as collateral for the loans extended to the Group. The amount of inventories constituting collateral under the ownership transfer agreement is presented in the table below:

	End of period, December 31, 2006	End of period, December 31, 2005
Transfer of ownership of inventories	-	-
Pledge on inventories	1,153	-
	1,153	**-**

NOTE 17.
TRADE AND OTHER RECEIVABLES

	End of period, December 31, 2006	End of period, December 31, 2005
Trade receivables from related undertakings	26,731	-
Trade receivables from other undertakings	49,388	79,151
Tax receivables	270	15
Payments on account	138	33
Other claims	85	544
Receivables under litigation	291	292
Receivable write-downs	(538)	(488)
	76,364	**79,547**

Trade terms applicable to related undertakings have been presented in Note 30. Trade receivables do not bear interest and they are usually payable within 14 to 35 days. Receivables under litigation are written off in full.

Within the trade receivables recorded as at December 31, 2005, the amount of PLN 49,410,000 concerns the amount due for the sale of property to Fortis Lease sp. z o. o. At the time of the sale, the Parent Undertaking concluded an operating lease agreement concerning this property. This amount was paid in 2006.

As at December 31, 2006, trade receivables from related undertakings included the amount due for the sale of communications infrastructure sold to a related undertaking, i.e. ATM PP sp. z o. o., whose value was PLN 21,908,000. This asset was sold under a sale-and-lease-back agreement. The net amount due for the sale of the infrastructure was fully paid in March 2007.

The fair value of trade and other receivables does not significantly differ from their book values recorded in the balance sheet.

NOTE 18.
OTHER CURRENT ASSETS

	End of period, December 31, 2006	End of period, December 31, 2005
Prepaid maintenance costs	-	738
Subscriptions and other	130	30
Share issue costs	150	
	281	**768**

Other current assets include expenses related to deferred costs. In particular, these are prepaid service fees. These assets are charged to operating expenses on the time basis or on the basis of the amount of service, depending on their nature.

As at December 31, 2006, other current assets also included the expenses related to the cost of the share issue conducted in 2007. As stated in Note 26, ATM S.A. acquired shares in KLK sp. z o. o. at the total price of PLN 14,960,000, payable in two installments: the amount of PLN 6,754,000 was paid in cash within 14 days from the share acquisition date and the second installment was paid by the transfer of 68,602 shares from the new issue conducted by the parent undertaking. On March 1, 2007, the District Court competent for the registered office of the parent undertaking registered the increase in share capital by the amount of PLN 521,000 as a result of the issue of 68,602 G series shares, which were taken up by shareholders selling their shares in KLK sp. z o. o.

NOTE 19.
CASH AND CASH EQUIVALENTS

	End of period, December 31, 2006	End of period, December 31, 2005
Cash in hand	38	26
Cash in bank accounts	5,281	424
Short-term deposits	4,190	1,285
	9,508	**1,735**

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

The fair value of cash and cash equivalents equals their balance sheet value.

As at December 31, 2005, restricted cash accounted for PLN 31,000 (related to a guarantee deposit in a separate bank account) out of the overall amount of cash and cash equivalents, while as at December 31, 2006 it amounted to zero.

NOTE 20.
EQUITY

Share capital

	End of period, December 31, 2006	End of period, December 31, 2005
Registered share capital	24,526	24,526
Own shares under management option scheme, not taken up	(151)	(659)
Hyperinflationary adjustment	197	197
	24,572	**24,064**

Registered share capital includes:

Series	Number of shares	Nominal value	Registered date	Dividend rights	Paid for by	Share type
A	1,800,000	13,680,000	July 10, 1997	July 10, 1997	ATM sp. z o. o. shares	common
B	630,000	4,788,000	September 22, 1998	January 1, 1998	cash	common
C	180,000	1,368,000	April 13, 1999	January 1, 1999	cash	common
D	187,040	1,421,504	November 9, 2000	January 1, 2000	cash	common
E	130,000	988,000	September 23, 2004	January 1, 2004	cash	common
F	300,000	2,280,000	September 23, 2004	January 1, 2004	cash	common
	3,227,040	24,525,504				

Nominal value per share (PLN): 7.60

Application of IAS 29 "Financial Reporting in Hyperinflationary Economies"

Pursuant to IAS 29 "Financial Reporting in Hyperinflationary Economies," the Group introduced a hyperinflationary adjustment based on monthly consumer price indices, amounting to PLN 197,000. The adjustment concerned the share capital of the Parent Undertaking. The entire share premium account was accrued after the hyperinflationary period, and therefore the hyperinflationary adjustment was not applied to this component of equity.

Incentives Scheme — Management Options

Pursuant to Resolution No. 3/2004 of the Extraordinary General Meeting of Company Shareholders of April 21, 2004, the Parent Undertaking issued 130,000 E series shares with the nominal value of PLN 7.60 each. The shares were taken up by the Sub-Issuer in order to be offered to entitled persons during the next three years starting in 2005 within the framework of the Incentives Scheme.

The Scheme covers parent undertaking Management Board members, parent undertaking employees, persons collaborating with the Company and persons indicated by the Company Management Board.

The allocation of shares between Management Board members is decided by the Supervisory Board, taking into account the individual assessment of the work of the Management Board member in question during the Scheme implementation period.

In order for Company employees who are not Management Board members to become entitled to shares, they must meet all of the following criteria:

- they must have worked for the Company for at least 18 months before the end of the last financial year;

- they must have obtained a positive assessment from their immediate superior concerning the performance of individual tasks in the last financial year;
- they must be managers of a Company organizational unit (division, department, section or team) or have documented professional skills related to their duties at the Company.

In order for persons collaborating with the Company and persons indicated by the Management Board to become entitled to shares, they must meet all of the following criteria:

a) for Company collaborators:

- they must have participated in a project that was significant for the Company in the last year;
- they must have obtained a positive assessment from the manager of the aforementioned project concerning the performance of individual tasks related to the project.

b) for other persons indicated by the Management Board:

- they must have had a direct impact on the Company achieving in the last financial year a revenue of not less than 10% of its equity as at the beginning of the last financial year;
- they must obtain a positive opinion from all Company Management Board members confirming the fulfillment of the aforementioned condition.

The entitlement conditions listed above will remain unchanged throughout the duration of the Incentives Scheme.

The list of persons entitled to purchase shares during each year as well as the number of shares offered are agreed by the Supervisory Board by May 31 of the relevant year. A person entitled to purchase the shares offered who has not purchased them under the offer presented forfeits the right to purchase those shares in the subsequent year. Shares that have not been purchased under a given offer are added to the pool offered in the subsequent year.

Where offered shares are not purchased on the Scheme's final deadline, the shares that have not been purchased will be offered for the last time under an additional offer by September 30, 2007. Where the shares are not purchased by entitled persons under the final offer, they will be purchased from the sub-issuer in order to be redeemed from the net profit.

Every year, the Supervisory Board determines the number of shares to be purchased by the Company Management Board. The remaining shares are offered to other entitled persons. The number of shares allocated to be purchased by the Management Board may not exceed 1% of all Company shares as at the end of the last accounting year.

The condition to be met in order for shares to be allocated for purchase by the Management Board in subsequent Scheme implementation years is determined by the Supervisory Board in connection with the Company's performance in the previous accounting year, by the end of the first quarter of the accounting year in question at the latest.

The condition for shares to be allocated in 2005 was the Company achieving a net profit of at least PLN 5,000,000 in 2004, while in 2006 it was a net profit of at least PLN 8,033,000 in 2005.

The following numbers of Parent Undertaking shares were taken up during individual Incentives Scheme implementation periods:

Incentives Scheme Member	Shares taken up in 2006	Shares taken up in 2005
Management Board	56,028	8,512
Key management staff	4,250	6,250
Employees	6,550	28,570
Total	**66,828**	**43,332**

The fair value of options for a given period is charged to salary costs for the period and recognized in retained earnings. The costs related to this scheme in the years covered by the consolidated financial statements amounted to PLN 81,000 in 2005 and PLN 21,000 in 2006.

The shares held by the sub-issuer which were not included in the incentives scheme as at the balance sheet date decrease the share capital registered.

The incentives scheme is recognized according to IFRS 2 “Share-Based Payment" principles. Below is a short description of the circumstances and effects of the fair value valuation of options; at the program commencement date, this was determined to be PLN 324,000.

Since until the end of 2005 and in the first half of 2006 the Company used to draw up its financial statements in accordance with Polish Accounting Standards (*Polskie Standardy Rachunkowości — PSR*), it was under no obligation to value the scheme. Owing to the fact that during 2006 the Company became a parent undertaking of a group of companies, it is under the obligation to draw up consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS was stipulated as January 1, 2005. The statements for the year ending on December 31, 2006 are the first statements drawn up in accordance with IFRS. These statements include the effects of the management incentives scheme valuation. IFRS 2 states that the effects of such a scheme may be valued on a one-off basis as at the grant date at the fair value of the equities granted or, where such a valuation is impossible, these instruments should be valued at the so-called intrinsic value both on the grant date and on each balance sheet date until final settlement. In drawing up its first IFRS-compliant statements, the Company decided to value the equities granted at fair value, deeming such valuation possible. Since on the equity grant date the Company had not been listed on the stock exchange, it was decided to value the effects of the management incentives scheme at the fair value determined on the basis of the performance of the TechWIG index during the two years preceding the first listing of the shares in the Company on the Warsaw Stock Exchange, which took place in September 2004. The scheme valuation as at April 21, 2004, i.e. the date on which the resolution was adopted to implement the management incentives scheme, was drawn up on January 31, 2007. The face value of each Company share granted under the management incentives scheme was PLN 7.60. As a result of the valuation it was determined that the fair value of each share option calculated as at April 21, 2004 exceeded its face value by PLN 2.12 in 2005, PLN 2.79 in 2006 and PLN 3.13 in 2007. Hence the overall cost of the management incentives scheme recorded in Company books was PLN 324,000. It should be emphasized that the market value of Company shares has grown significantly since the date on which they were first listed on the Warsaw Stock Exchange. On December 31, 2004 the market value per Company share was PLN 23.30, on December 31, 2005 it was PLN 68.00, and on December 31, 2006 it was PLN 173.80. Therefore if the undertaking had decided to value the management incentives scheme at intrinsic value and introduce appropriate adjustments on subsequent balance sheet dates, the overall scheme cost would have been much higher than that recorded in the financial statements.

Ownership structure

The ownership structure of the Parent Undertaking share capital as at December 31, 2006 was as follows:

Shareholder	Number of shares December 31, 2006	%	Number of shares December 31, 2005	%
Roman Szwed — Management Board President	452,225	14.01%	473,136	14.66%
Tadeusz Czichon — Management Board Vice-President	720,400	22.32%	686,000	21.26%
Piotr Puteczny	208,000	6.45%	241,106	7.47%
Polsat OFE	253,822	7.87%	262,850	8.15%
Generali OFE	-	0.00%	200,000	6.20%
Other shareholders	1,572,553	48.73%	1,276,880	39.57%
Sub-issuer	19,840	0.61%	86,668	2.69%
	3,227,040	100.00%	3,227,040	100.00%

Capital reserves

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

Retained earnings

	End of period, December 31, 2006	End of period, December 31, 2005
Retained profits brought forward, of which:		
Statutory supplementary capital	8,175	8,175
Profit distribution (above the statutory amount)	2,750	8,254
IFRS implementation profits (losses)	2,969	2,969
Management option scheme profits (losses)	102	81
Current period profit (loss)	26,435	13,863
	40,431	**33,342**

Retained profits brought forward include the entire profit retained by the Company pursuant to the shareholders' decision as well as the effects of IFRS implementation and the recognition of management share options.

Pursuant to Article 396, para. 1 of the Commercial Companies Code, supplementary capital should be established in order to cover losses. At least 8% of the profit for the financial year is allocated to the supplementary capital until it reaches at least one third of the share capital. This portion of supplementary capital (retained profits) cannot be distributed among Shareholders.

NOTE 21.
MINORITY CAPITAL

Minority capital applies to the following Group undertakings:	End of period, December 31, 2006	End of period, December 31, 2005
KLK Technologie informatyczne sp. z o. o.	1,614	-
ATM-Mobile Group	445	-
Cineman sp. z o. o.	258	-
ATM Services sp. z o. o.	198	
iloggo sp. z o. o.	97	
	2,612	

NOTE 22.
BANK LOANS AND OTHER LOANS

	End of period, December 31, 2006	End of period, December 31, 2005
Bank loans	6,790	13,873
Other loans	-	-
	6,790	**13,873**
of which:		
Short-term	*6,790*	*13,873*
Bank loans	6,790	13,873
Loans from shareholders	-	-
Bank loans and other loans due:		
within one year	6,790	13,873
	6,790	**13,873**

In 2005, the Group had agreements with the BRE Bank SA bank concerning a stand-by loan not exceeding PLN 15,000,000 and authorized overdraft amounting to PLN 1,500,000. Due to the Group's lack of demand

for these products, the agreements were not renewed and expired on August 31, 2005 (for the stand-by loan) and on March 30, 2005 (for the authorized overdraft).

Moreover, the Group concluded two loan agreements with BRE Bank SA in 2005, amounting to PLN 625,000 in total. The loans were allocated to the extension and upgrade of telecommunications infrastructure in Warsaw and Katowice. These loans were repaid in full in November 2005. The total cost of servicing the loans came to PLN 14,000.

As at December 31, 2005, the Group had two loans contracted in order to fund the construction of the Telecommunications Center in Warsaw. They were both denominated in EUR and their contractual repayment dates were 2012 and 2014, respectively. Owing to the fact that the Group decided to repay these loans on a one-off basis in January 2006, the debt arising from them was recognized in full as short-time debt.

As at December 31, 2006, the Group had loans contracted from BRE Bank and their contractual repayment date was 2007. One of them, amounting to PLN 6,754,000, was granted to fund the purchase of shares, and the other, with an outstanding amount of PLN 36,000, was granted for the extension of a property in Katowice.

Currency composition of loans

	End of period, December 31, 2006	End of period, December 31, 2005
PLN loans	6,790	-
EUR loans	-	13,873
	6,790	**13,873**

Average loan interest rates

	End of period, December 31, 2006	End of period, December 31, 2005
Interest rate on loans contracted by Group undertakings:		
Authorized overdrafts		
PLN bank loans	5.84%	
EUR bank loans		4.43%

Detailed information on the debt related to these loans has been presented in tables below.

Specification of liabilities arising from bank loans as at December 31, 2006

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount, PLN thousand	Loan amount in loan currency	Loan currency	Loan amount in PLN	Loan amount in loan currency	Loan amount in PLN	Loan amount in loan currency	Interest rate	Repayment date	Security
BRE Bank SA in Warsaw	6,754	6,754	PLN	6,754	6,754	-	-	WIBOR 1M plus bank margin	December 31, 2007	blank promissory note with a promissory note declaration
BRE Bank SA in Katowice	432	432	PLN	36	36	-	-	WIBOR 1M plus bank margin	March 31, 2007	1) a mortgage amounting to PLN 432,000 on property No. KW 19729 and a capped mortgage for an amount of up to PLN 40,000; 2) blank promissory note; 3) insurance of property and movables and the assignment of receivables arising from it
	7,186	**7,186**		**6,512**	**6,512**	**-**	**-**			

Specification of liabilities arising from bank loans as at December 31, 2005

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount, PLN thousand	Loan amount in loan currency	Loan currency	Loan amount in PLN	Loan amount in loan currency	Loan amount in PLN	Loan amount in loan currency	Interest rate	Repayment date	Security
BRE Bank SA in Warsaw	19,000	4,120	EUR	10,989	2,847	-	-	EURIBOR 3M plus bank margin	February 28, 2012	Mortgage on property in ul. Grochowska 21a and a blank promissory note
BRE Bank SA in Warsaw	3,550	825	EUR	2,884	747	-	-	EURIBOR 3M plus bank margin	October 29, 2014	Mortgage and capped mortgage on property in ul. Grochowska 21a, a blank promissory note and the assignment of receivables from property lease contracts
	22,550	4,945		13,873	3,594	-	-			

NOTE 23.
PROVISIONS FOR LIABILITIES

	End of period, December 31, 2006	End of period, December 31, 2005
Provision for warranty repairs	55	-
General risk provisions	-	-
	55	**-**
of which:		
Long-term portion		
Provision for warranty repairs	-	-
General risk provisions		
	-	-
	-	-
Short-term portion		
Provision for warranty repairs	55	-
General risk provisions	-	-
	55	-

The provision for warranty repairs is established on an annual basis and amounts to 0.1% of sales revenue — this has been the general level of actual costs of repairs over the years, with minor deviations.

NOTE 24.
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period, December 31, 2006	End of period, December 31, 2005
Trade liabilities to related undertakings	-	21
Trade liabilities to other undertakings	-	4
Prepaid undelivered performances and maintenance service costs	287	45
Subsidies for fixed asset financing	890	-
	1,177	**70**
of which payable within:		
from 1 to 2 years	99	70
from 3 to 5 years	890	-
more than 5 years	188	-

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

NOTE 25.
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period, December 31, 2006	End of period, December 31, 2005
Trade liabilities to related undertakings	47	91
Trade liabilities to other undertakings	25,144	13,648
Liabilities arising from taxes and social insurance	10,742	11,903
Advances received	3,162	1,127

	End of period, December 31, 2006	End of period, December 31, 2005
Payroll liabilities	9	1
Other liabilities and accruals, including:	11,957	-
liabilities arising from the purchase of shares	8,206	-
liabilities arising from bonuses	-	217
liabilities arising from outstanding leaves	167	136
settlements related to uninvoiced expenses	3,121	1,446
subsidies	159	
other liabilities	304	42
	51,061	**28,611**

Trade liabilities do not bear interest and they are usually payable within 7 to 60 days.

In 2005, the Group did not rely on a small group of suppliers. Only one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases (its share of the Group's overall purchases in 2005 amounted to 35.8%). Considering the stable position of Cisco as a global leader in the IT technology market, and considering the highly successful progress in cooperation, also supported by certification requirements, this reliance is not considered to pose a significant risk of supplier concentration. As at December 31, 2005, liabilities to this supplier came to PLN 3,455,000.

In 2006, supplier concentration issues did not change in a material way. Only one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases (its share of the Group's overall purchases in 2006 amounted to 20.3%). Considering the stable position of Cisco as a global leader in the IT technology market, and considering the highly successful progress in cooperation, also supported by certification requirements, this reliance is not considered to pose a significant risk of supplier concentration. As at December 31, 2006, liabilities to this supplier came to PLN 2,720,000.

NOTE 26.
OTHER FINANCIAL LIABILITIES

Other financial liabilities include liabilities arising from finance lease agreements. Detailed information on these liabilities has been presented below.

	End of period, December 31, 2006	End of period, December 31, 2005
Amount of liabilities arising from finance leases payable within:		
- one year	3,099	1,220
- two to five years	7,495	2,562
- more than five years	-	-
	10,594	3,782
Future interest expenses (-)	(970)	(312)
Present value of future liabilities	9,624	3,470
of which:		
Amounts payable within the next 12 months (included in short-term liabilities)	2,824	1,082
Amounts payable after more than 12 months, within:	6,927	2,388
- two to five years	6,927	2,388
- more than five years	-	-

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets. As at December 31, 2005, the Group was party to 38 agreements, under which it leased fixed assets with a total net value of PLN 4,498,000 as at that date.

As at December 31, 2006, the Group was party to 68 agreements, under which it leased fixed assets with a total net value of PLN 10,934,000 as at that date.

The lease agreements were concluded for periods ranging from 36 to 72 months and are denominated in EUR. The agreements provide neither for contingent rents nor any subleases. Most agreements include a clause concerning the purchase option at a contractual price lower than the fair value of the leased asset. The agreements do not involve any constraints for the lessee apart from the payment of liabilities arising from lease installments and the general terms and conditions concerning the proper use of leased assets.

NOTE 27.
OPERATING LEASES

Operating lease liabilities — Group as lessor

With regard to operating leases, the Group is party to no material agreements as a lessor. Lease agreements include mainly agreements concerning the lease of office space to other undertakings.

These are both definite and indefinite term agreements. Every agreement includes a clause enabling each party to terminate it with a contractual period of notice not exceeding three months. The Group does not include any clauses concerning contingent rents or the possibility of concluding sublease agreements in such agreements. The agreements concluded by the Group do not include any obligation to conclude a new agreement for a similar period and equivalent asset where the original agreement is terminated. In some cases, the agreements provide for the lessee’s obligation to submit a deposit, but these payments are treated as returnable deposits and are not subject to indexation.

Due to the nature of the agreements concluded, the Group — insofar as it is the lessor with regard to operating lease — is not party to any irrevocable agreements.

Operating lease liabilities — Group as lessee

During the period covered by the consolidated financial statements, the Group as the lessee was party to operating lease agreements concerning:

- the lease of property;
- the lease of telecommunications infrastructure;
- the lease of space used in connection with the location of telecommunications equipment.

Apart from property and telecommunications infrastructure leases, the Group is party to no material operating lease agreements. Due to the nature of the agreements concluded, the Group — insofar as it is the lessee with regard to operating lease — is not party to any irrevocable agreements.

Property leases include the Telecommunications Center situated in Warsaw at ul. Grochowska 21a. Pursuant to the agreement concluded on December 21, 2005 and the annex to the agreement of March 7, 2006, the ATM S.A. parent undertaking sold a property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska sp. z o. o., and subsequently concluded an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly installments (15 years). The last installment will be payable on January 21, 2021. The total amount of payments during the agreement term will be EUR 9,872,000.

The fair value of the leased asset after the expiration of the agreement has been determined to be EUR 5,573,000, of which perpetual usufruct of land EUR 1,613,000 and the value of buildings EUR 3,961,000.

Pursuant to the agreement, after the expiry of the primary term of the lease agreement the lessee or an undertaking indicated by the lessee may purchase the leased asset for the price equal to the aforementioned final fair value determined. Where this option is not taken advantage of, the lessee will pay to the lessor a handling fee amounting to 7% of the original value of the leased asset, which was determined to be EUR 10,660,000.

Pursuant to the agreement, the lessee does not have the right to terminate it, except in circumstances where a change concerning lease installments or changes in the lessee’s ownership structure cause the agreement to cease to be cost effective. In such cases, the lessee will additionally have the right to demand that a purchase agreement be concluded concerning the lease asset, for a price equal to the sum of the portion of the installments outstanding until the end of the lease period and the final value.

The lease of telecommunications infrastructure includes a fiber optic network segment. Pursuant to the agreement concluded on December 28, 2006 and the annex to the agreement of January 30, 2007, the ATM S.A. parent undertaking sold a fiber optic network segment to ATM PP sp. z o. o., and subsequently concluded an operating lease agreement concerning this asset. Lease payments are divided into 48 monthly installments. The last installment will be payable on December 31, 2010. The total amount of payments during the agreement term will be PLN 10,961,000.

The expenses related to minimum lease payments for property leases during individual periods were as follows:

	For period from January 1 to December 31, 2006	For period from January 1 to December 31, 2005
Expenses related to property operating lease	2,502	-
Expenses related to infrastructure operating lease	-	-
	2,502	**-**

Minimum lease payments for property lease were as follows:

	End of period, December 31, 2006	End of period, December 31, 2005
One year or less	2,520	2,350
From one up to five years	10,080	10,155
More than 5 years	22,899	25,599
	35,499	**38,104**

Minimum lease payments for telecommunications infrastructure lease were as follows:

	End of period, December 31, 2006	End of period, December 31, 2005
One year or less	2,508	-
From one up to five years	8,453	-
More than 5 years	-	-
	10,961	**-**

NOTE 28.
BUSINESS COMBINATIONS

As stated in Note 1, item 2, in 2006 ATM S.A. was involved in business combinations concerning the following undertakings:

- On February 2, 2006, ATM S.A. participated in increasing the share capital of the ATM-Mobile sp. z o. o. company (the parent undertaking of the ATM-Mobile Group), taking up a 60% stake in the share capital of this entity amounting to PLN 750,000. On July 25, in accordance with the Resolution of the Shareholders of ATM-Mobile Sp. z o. o., ATM S.A. took up 1,200 shares at the nominal value of PLN 500.00 each, giving a total of PLN 600,000, as a result of the increase in the share capital. On November 13, 2006, ATM S.A. again participated in increasing the share capital of the ATM-Mobile Sp. z o. o. company by taking 5,200 shares at the nominal value of PLN 500.00 each, amounting in total to PLN 2,600,000. As a result, ATM S.A. held a 57.66% stake in the share capital and votes at the General Shareholders' Meeting.
- On February 13, 2006, ATM S.A. participated in increasing the share capital of the Iloggo sp. z o. o. company, taking up 300 shares amounting in total to PLN 300,000, giving it a 60% stake in the share capital and votes at the General Shareholders' Meeting.

- On August 21, 2006, ATM S.A. and Monolith Films Sp. z o. o. established the Cineman Sp. z o. o. company. ATM S.A. took up 612 shares at the nominal value of PLN 500.00 each, amounting in total to PLN 306,000, which constitutes a 51% stake in the share capital and votes at the General Shareholders' Meeting.
- On October 25, ATM S.A. acquired 400 shares in the KLK — Technologie Informatyczne sp. z o. o. company at the total price of PLN 15,110,000, giving it a 78.74% stake in the share capital and votes at the General Shareholders' Meeting.

These acquisitions were accounted for using the purchase method. The application of the purchase method consists, *inter alia*, in:

- the valuation of the cost of business combination;
- as at the acquisition date, the recognition of the cost of business combination in the assets acquired and the liabilities and contingent liabilities assumed.

As a result of the aforementioned acquisitions, the following categories of assets, liabilities and contingent liabilities were acquired with regard to individual acquired undertakings:

	ATM-Mobile Group	iloggo sp. z o. o.	KLK sp. z o. o.
Fixed assets			
Intangible assets	592	817	68
Property, plant and equipment	3		3,485
Other financial assets	-	-	80
Deferred income tax assets	47	22	114
Other fixed assets	-	-	81
	642	**839**	**3,828**
Current assets			
Inventories	-	-	3,087
Trade and other receivables	141	170	6,389
Other current assets	-	-	215
Cash and cash equivalents	1,261	411	34
	1,402	**581**	**9,725**
Total assets	**2,044**	**1,420**	**13,553**
Long-term liabilities			
Provision for deferred tax	-	-	110
Long-term trade and other liabilities	-	-	339
Other financial liabilities	-	-	146
	-	**-**	**595**
Short-term liabilities			
Bank and other loans	462	-	1,351
Provisions for liabilities	-	-	5,477
Trade and other liabilities	550	1,010	70
Other financial liabilities	-	-	515
	1,012	**1,010**	**7,413**
Total liabilities	**1,012**	**1,010**	**8,008**
Recognized net assets	**1,032**	**410**	**5,545**
Recognized goodwill	131	54	10,743
Total acquisition price accounting for deferred payments	750	300	6,754
Net cash flows arising from undertaking acquisition	511	111	(6,720)

Due to the fact that the undertakings acquired did not draw their financial statements in accordance with IFRS in previous years, it is not possible to reliably present the balance sheet values of each asset, liability and contingent liability categories determined as per IFRS directly before the combination.

Where control was assumed through participation in the increase of share capital, the cost of the business combination (acquisition price) is the fair value of the capital increase funded. Control over the ATM-Mobile Group and iloggo sp. z o. o. was assumed through the increase in capital, which was paid for in cash.

Shares in KLK sp. z o. o. were acquired as follows: the total acquisition price of PLN 14,960,000 was payable in two installments — the amount of PLN 6,754,000 was paid in cash within 14 days from the share acquisition date and the second installment will be paid by the transfer of 68,602 shares from the new issue conducted by the parent undertaking. In order to determine the parity of shares issued under the second installment, the average closing price of ATM S.A. shares during the month preceding the signing of the investment agreement was adopted as the reference level. If the issue had not been conducted by March 31, 2007, the second installment would have been payable in cash. As at December 31, 2006, the payment related to the second installment, amounting to PLN 8,206,000, was recognized as liability arising from the acquisition of shares. On March 1, 2007, the District Court competent for the registered office of the parent undertaking registered the increase in share capital by the amount of PLN 521,000 as a result of the issue of 68,602 G series shares, which were taken up by shareholders selling their shares in KLK sp. z o. o.

NOTE 29.
CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

	End of period, December 31, 2006	End of period, December 31, 2005
Financial receivables under litigation	291	291
	-	**291**

As at December 31, 2005, contingent receivables included financial assets under litigation, i.e. receivables arising from the redemption of commercial bills. These receivables are subject to a damages action. In the view of the Company, ATM S.A. was misled by BWE S.A. as to the actual standing of the commercial bill issuer — the DANMAG S.A. company from Zielona Góra. Due to its poor standing, DANMAG S.A. was unable to redeem the commercial bills it had issued. The Court of Appeals decided to return the case to the Regional Court for re-examination. As at December 31, 2006, the case remained undecided.

Contingent liabilities

	End of period, December 31, 2006	End of period, December 31, 2005
To related undertakings:	-	-
To other undertakings:		
1. Bank guarantees received:		
- performance bonds and tender bonds	4,635	2,218
2. Mortgage security:		
- bank loan security	2,162	23,550
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	2,500	2,500
- endorsements to banks related to loans granted	1,153	
	10,450	**28,268**

As concerns contingent liabilities, the loans extended to the Company are secured by mortgages and capped mortgages as well as blank promissory notes issued for the amount of the aforementioned loans.

Moreover, in 2005 the parent undertaking issued promissory notes amounting to PLN 2,500,000 in total as endorsements securing agreements related to the EU financing of two projects:

- the extension and upgrade of ATM S.A. telecommunications infrastructure in Warsaw and the extension of the Colocation Center in Warsaw;
- the extension of ATM S.A. telecommunications infrastructure in Katowice and several cities in the Silesia province.

As at December 31, 2005, tender bonds and performance bonds included guarantees extended by BRE Bank SA amounting to PLN 1,435,000 and by Bank Millennium S.A. amounting to PLN 783,000.

As at December 31, 2006, tender bonds and performance bonds included guarantees extended by BRE Bank SA amounting to PLN 2,936,000, by Bank Millennium S.A. amounting to PLN 1,679,000, and by Generali TU S.A. amounting to PLN 20,000.

NOTE 30.
INFORMATION CONCERNING RELATED UNDERTAKINGS

Related undertaking details

The Group's related undertakings include:

1. Undertakings in which the Group holds an equity stake

The group holds an equity stake in Górnośląskie Towarzystwo Lotnicze in Katowice (0.053%). During the periods covered by the consolidated financial statements, the Group did not conclude any transactions with this undertaking.

2. Undertakings related to the Group of Companies

Apart from the undertakings in which the Group holds an equity stake, the undertakings related to the Group include those related through the Management Board members of the parent undertaking. These undertakings include:

- A. Chalimoniuk i Wspólnicy, ATM S.J. — related through Mr. Tadeusz Czichon, who is one of the four partners in this undertaking, while also being the Vice-President of the Management Board of the parent undertaking (ATM S.A.) and being among the shareholders who hold more than 5% of shares in ATM S.A. (Note 20);
- ATM PP sp. z o. o. — related through Mr. Tadeusz Czichon, who is the President of the Management Board of this undertaking and at the same time is its shareholder, holding around 25% of shares.

Sales to and purchases from related undertakings are made at normal arm's length prices. Outstanding liabilities and receivables at the end of the financial year are not secured and are settled in cash. Receivables from related undertakings are not covered by any guarantees, extended or received.

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

- trade transactions including the purchase and sale of goods, materials and services;
- transactions related to the sale of telecommunications infrastructure by ATM S.A. to ATM PP sp. z o. o. and the subsequent sale-and-lease-back of those assets.

The amount and scope of trade transactions is presented in the table below:

Related undertaking	Year	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings
A. Chalimoniuk i Wspólnicy, ATM S.J.	2005	-	594	-	24
	2006	-	1,906	-	24

ATM PP sp. z o. o.	2005	38	881	-	88
	2006	21,935	1,195	26,731	22
	2005	**38**	**1,475**	**-**	**112**
	2006	**21,935**	**3,101**	**26,731**	**46**

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

3. Directing and supervisory body members and their close family members

Other Group related entities include members of Parent Undertaking directing and supervisory bodies (including management) and persons who are their close family members (i.e. partner and children, the partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent undertaking Management Board perform management duties or are shareholders.

Senior management remuneration

Management remuneration includes the remuneration of Management Board, Supervisory Board and Directors of the Parent Undertaking. The remuneration paid to these persons, divided into main benefit types, is presented in the table below:

	End of period, December 31, 2006	End of period, December 31, 2005
Short-term employee benefits	2,849	2,893
Benefits after the employment period	-	-
Management options	21	81
Severance pay	-	-
	2,870	**2,974**

The short-term employee benefits referred to above concern:

	End of period, December 31, 2006	End of period, December 31, 2005
Management Board	921	981
Supervisory Board	216	216
Directors and managers	1,712	1,696
	2,849	**2,893**

Apart from the benefits listed above, the management receives no other benefits. During the periods covered by the present consolidated financial statements, no loans, guarantees or endorsements were extended to the management.

Contracts with parent undertaking Management Board members include non-competition clauses which hold for three months after they leave their posts. Under this provision, the parent undertaking is obliged to pay a compensation amounting to three monthly salaries. Twice that amount is to be repaid if the non-competition clause is breached.

NOTE 31.
FINANCIAL INSTRUMENTS

Principal financial instruments used by the Group include bank loans, finance lease agreements, cash and deposits and securities investments. The main purposes of these instruments include raising funds for the Group's operations and short-term investment of surplus liquid funds. The Group also uses other financial instruments, including trade receivables and liabilities, which, however, are directly related to its operations.

The main risks arising from the Group's financial instruments include interest rate risk, foreign exchange risk and credit risk.

The risk related to movements in interest rates should be considered low, because it is primarily related to long-term liabilities, which in the case of the Group only include finance lease liabilities. Owing to the nature of these liabilities, their entire balance can be treated as a fixed-rate liability. Therefore the Group is not directly exposed to the risk related to movements in interest rates concerning these instruments.

As regards foreign exchange risk, the Group is exposed to this type of risk through the sale or purchase transactions concluded in currency other than its functional currency as well as in connection with bank loans and lease agreements that are denominated in EUR. The Group does not engage in any investment activities that would be exposed to foreign exchange risk. In 2006 and 2005, the share of sale transactions expressed in foreign currencies amounted to 0.35% and 0.32%, respectively. At the same time, the share of foreign currency purchases amounted to 32% and 33% in the respective years. The Group does not hedge against foreign exchange risk in any manner. Foreign exchange differences concerning its entire operations are recognized as financial revenue and expense.

The Company mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are followed. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to the risk of receivables becoming uncollectible is insignificant. As concerns the Company's other financial assets, including cash, deposits and investments in assets available for sale, the Company’s risk is directly related to the other party’s inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

The fair value of individual financial instruments did not significantly differ from their book values recorded in the consolidated financial statements as at subsequent balance sheet dates.

NOTE 32.
EVENTS AFTER THE BALANCE SHEET DATE

- On January 26, 2007, the ATM S.A. Company and Sputnik Software Sp. z o. o. having its registered office in Poznań signed an investment agreement concerning the acquisition by ATM of shares in Sputnik from its existing shareholders. As a result of the investment agreement, on March 27, 2007, ATM S.A. acquired 600 shares in Sputnik Software sp. z o. o. with registered office in Poznań. The shares were acquired for a total amount of PLN 3,000,000, and their total nominal value is PLN 150,000. There have been no ties between the sellers of the shares and the Issuer, its managers or supervisors.
- On January 30, 2007, the subsidiary mPay S.A., by the decision of the President of the National Bank of Poland, obtained consent to run a mobile payment authorization and settlement system, and thus gained the status of a Billing Agent. As a result of the NBP decision obtained, mPay S.A., as the first undertaking in Poland, enjoys that status with respect to executing mobile payments. The rights obtained allow the company to start providing m-payment services publicly in the domestic market. The services will be provided based on innovative proprietary technology, and the company's own patent applications in 57 countries. The solution supports all mobile phone models available in the market, and is also compatible with new technologies such as the NFC (Near Field Communication) phone technology promoted by VISA and Nokia.
- On March 1, 2007, the District Court competent for the registered office of the parent undertaking registered the increase in share capital by the amount of PLN 521,000 as a result of the issue of 68,602 G series shares, which were taken up by shareholders selling their shares in KLK sp. z o. o. [Note 26].
- Pursuant to the Resolution on amendments to the Company Articles of Association, and the authorization for the Company Management Board to increase the company share capital within the framework of target capital, adopted by the Extraordinary General Meeting of Shareholders of the Company of November 22, 2006, on February 16, 2006 [2007 ???] the Management Board of ATM

S.A. adopted, having obtained Supervisory Board consent, a resolution on the share capital increase. After the capital is registered with the Court, the new amount of capital will not exceed PLN 34,200,000. The offering document on the admission of the newly issued shares to public trading is under review by the Commission for Financial Supervision.

- On May 15, 2007, ATM S.A. and Linx Telecommunications B.V. having its registered office in Amsterdam signed a subscription agreement concerning the new issue of shares in the international telecommunications operator incorporated in the Netherlands. ATM's stake after the issue will amount to 22% of share capital. The transaction will amount to EUR 16.5 million and will be funded by ATM using cash raised from the planned share issue on the Warsaw Stock Exchange.

NOTE 33.
DIFFERENCES IN COMPARISON TO PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

The reconciliation of equity as at the IFRS transition date and the date on which the closing balance for comparable data was drawn up as well as the reconciliation of the net earnings (concerning comparable data) between the previously published financial statements drawn up in accordance with Accounting Act and IFRS principles is as follows:

		As at December 31, 2005	As at January 1, 2005
ATM S.A. equity according to previous accounting principles		75,813	56,563
Impact of consolidation of the previously unconsolidated ATM Elektronika sp. z o. o. undertaking	(1)	(5)	(5)
Amortization of obtained perpetual land usufruct rights	(2)	-	(121)
Valuation and presentation of management options	(3)	(659)	(988)
Valuation of fixed assets at fair value as deemed cost	(4)	(2,803)	3,077
Adjustment of deferred tax on temporary differences and deductible losses	(5)	674	215
Consolidated equity according to IFRS		**73,020**	**58,741**
ATM S.A. net earnings according to previous accounting principles		19,250	
Amortization of perpetual land usufruct rights		121	
Impact of adjustment of deferred tax on temporary differences and deductible losses		459	
Adjustment of depreciation and profit on the sale of fixed assets as a result of the application of deemed cost		(5,880)	
Valuation of management options		(81)	
Consolidated net earnings according to IFRS		**13,869**	

1. ATM Elektronika sp. z o. o. goodwill write-off

Pursuant to the provisions of IFRS 1, the previously unconsolidated ATM Elektronika sp. z o. o. (wholly owned) subsidiary was included in consolidation as at the transition date according to the method provided for such undertakings in IFRS 1 — its net assets determined as at this date according to IFRS principles were compared to the value of investment in this undertaking recognized in ATM S.A. books and the resulting difference was recognized as goodwill. Due to the fact that the goodwill determined as described above was an insignificant amount (PLN 5,000) and also to the fact that before the date of IFRS transition, ATM Elektronika sp. z o. o. had not engaged in business activities, the goodwill was written off in full. In the view of the parent undertaking Management Board, there were no grounds to justify the existence of goodwill related to this undertaking as at the transition date. At the same time, the consolidation procedures applied

to the subsidiary on the transition date did not change the equity previously recorded in ATM S.A. separate financial statements.

2. Amortization of perpetual usufruct rights

The adjustment consists in the calculation of amortization, which was not calculated by ATM S.A. previously, concerning the price at which perpetual usufruct rights were obtained. According to IFRS, such expenditures are recognized as intangible assets and should be amortized over the entire contractual period of use stipulated by applicable laws. According to IFRS, land perpetual usufruct rights are treated as operating leases and the asset (land value) is not recognized in the lessee's financial statements.

3. Valuation and presentation of management options

Since 2005, members of the Management Board of the parent undertaking, its employees and persons collaborating with the parent undertaking and indicated by the Management Board have participated in an incentives scheme, under which they may purchase, upon meeting certain conditions, parent undertaking shares held by the sub-issuer and issued within the E series, which consisted of 130,000 shares with a face value of PLN 7.60 each, during the three subsequent years. The purchase price of shares purchased under the incentives scheme is equal to the nominal price.

The incentives scheme is recognized according to IFRS 2 “Share-Based Payment" principles. The fair value of options was determined at the starting date for the scheme. The fair value of options for a given period is charged to salary costs for the period and recognized in retained earnings. At the same time, the shares held by the sub-issuer which were not included in the incentives scheme as at the balance sheet date decrease the share capital registered.

4. Deemed fixed asset cost

In drawing up the present consolidated financial statements, the Parent Undertaking applied the “deemed cost” approach to all fixed assets. The valuation of these assets was conducted by an independent valuer at fair value as at the transition date. The fair value valuation had the following impact on the book value of individual fixed asset groups:

	Book value as at January 1, 2005	Fair value as at January 1, 2005	Value increase (decrease) as at January 1, 2005
Buildings and structures	34,365	39,931	5,566
Machinery and equipment	9,662	6,899	(2,763)
Means of transportation	2,006	2,250	244
Other fixed assets	-	30	30
	46,033	**49,110**	**3,077**

5. Adjustment of deferred tax on temporary differences and deductible losses

The adjustment consists in the restatement of deferred tax on temporary differences, including the calculation of deferred tax related to the application of the “deemed cost" approach for fixed assets and deductible tax losses. In particular, this adjustment involves the elimination of deferred tax on transactions excluded from impact on deferred tax as per paras. 15 and 24 of IAS 12 "Income Taxes", i.e. transactions which on initial recognition do not affect pre-tax earnings or taxable income and are not related to a business combination, and the inclusion in deferred tax of the tax deductible losses which were referred to in the reservation of the certified auditor in the opinion issued concerning ATM S.A. statements for the year ended December 31, 2004. According to this reservation, the deferred tax asset as at this date should have been higher by PLN 731,000.

2. Information stipulated in para. 96, subpara. 3 of the Ordinance of the Ministry of Finance

2.1. Consolidated balance sheet asset and liability composition characteristics

Consolidated balance sheet asset and liability composition has been presented based on selected financial figures.

Balance sheet

	End of period, December 31, 2006	% of total assets	End of period, December 31, 2005	% of total assets
Fixed assets	78,702	46.2%	37,672	30.9%
Current assets	91,590	53.8%	84,381	69.1%
Total assets	170,292	100.0%	122,053	100.0%
Equity	95,535	56.1%	73,014	59.8%
Long-term liabilities	8,104	4.8%	2,646	2.2%
Short-term liabilities	66,653	39.1%	46,393	38.0%
Total liabilities	170,292	100.0%	122,053	100.0%

Fundamental financial ratios

	Formula	2006	2005
Return on assets	net financial result / total assets	15.67%	11.36%
Return on equity	net financial result / equity	27.93%	18.99%
Net return on sales	net financial result / revenue from sales of products	18.31%	11.60%
Current liquidity ratio	total current assets / short-term liabilities	1.38	1.82
Quick liquidity ratio	total current assets – inventory / short-term liabilities	1.29	1.77
Receivables turnover (days)	average gross trade receivables x 360 days / revenue on sales of products, goods and materials	192	159
Liabilities turnover (days)	average trade liabilities x 360 days / cost of products, goods and materials sold	69	53
Inventory turnover	average inventory x 360 days / value of goods and materials sold	30	28

In 2006, the Group recorded a 40% increase in total assets. As concerns assets, this was caused by an increase in long-term receivables (recognized as other fixed assets) by PLN 11,022,000, the creation of goodwill amounting to PLN 10,928,000 caused by the acquisition of subsidiaries, and an increase in the amount of fixed assets and intangible assets by PLN 17,907,000. As concerns liabilities, equity increased by PLN 22,521,000 due to the increase in net profit by 92.4%, and payables increased by PLN 25,718,000, mainly due to the conclusion of additional lease agreements.

Return ratios improved significantly, while liquidity and receivables turnover ratios deteriorated due to the emergence of long-term liabilities as a result of deferred payment sales.

The ratios indicate the sound financial standing of the Issuer's Group of Companies.

2.2. Important events with significant impact on the operations and financial performance of the Issuer's Group of Companies.

In 2006, ATM S.A. started building up its Capital Group. As a result, for 2006, the company drew up its first consolidated financial statements in accordance with the principles stipulated in International Financial Reporting Standards. Therefore both the result of consolidation (combination) of results of individual group companies and the effect of the first-time application of International Accounting Standards and International Financial Reporting Standards had an impact on financial performance. This impact was discussed in other sections of the Consolidated Financial Statements and the Management Board Report on the activities of the Issuer's Group of Companies.

No other important events took place which would have significant impact on the operations and financial performance of the Issuer's Group of Companies.

2.3. Composition of major capital investments made within the Issuer's Group of Companies

The Group's total financial assets amount to PLN 24,172,000, of which:

The **ATM S.A.** parent undertaking has:

- 7,900 shares in ATM-Mobile sp. z o. o. at PLN 500 each — purchase price PLN 3,951,000;
- 300 shares in Iloggo sp. z o. o. at PLN 1,000 each — purchase price PLN 300,000;
- 612 shares in Cineman sp. z o. o. at PLN 500 each — purchase price PLN 306,000;
- 400 shares in KLK — Technologie Informatyczne sp. z o. o. at PLN 600 each — with the nominal value of PLN 240,000, purchased for PLN 15,110,000;
- 480 shares in ATM-Services sp. z o. o. at PLN 625 each — purchase price PLN 304,000.

The **ATM-Mobile sp. z o. o**. subsidiary has:

- 8,000 mPay S.A. shares — purchase price PLN 4,000,000;
- 1,000 Rec-Order sp. z o. o. shares — purchase price PLN 120,000.

The **KLK – Technologie Informatyczne sp. z o. o.** subsidiary has:

- 500 Górnośląskie Towarzystwo Lotnicze shares — purchase price PLN 80,000.

As a result of consolidation adjustments in the consolidated balance sheet, the value of financial assets amounts to PLN 80,000, i.e. the value of Górnośląskie Towarzystwo Lotnicze shares purchased, which amount to 0.053% of the Company's capital.

Group companies invest available funds in short-term deposits or low-risk debt securities with short maturities.

2.4. Organizational description of the Issuer's group of companies with an indication of undertakings subject to consolidation and description of changes in the organization of the group of companies

All the companies included in the group, the structure of which has been presented in Section 3.4, were subject to consolidation.

2.5. Description of policies concerning the development direction of the Issuer's group of companies

The ATM S.A. Management Board presented the policy concerning the development direction of the Issuer's group of companies in its current report No. 14/2007 of February 26, 2007.

2.6. Description of material off-balance sheet items by undertaking, type and value

Off-balance sheet items include contingent receivables and liabilities. None of these items could have a material impact on the operations of the Issuer's group of companies.

A detailed description of contingent receivables and liabilities has been included in Note 29 enclosed with the present Consolidated Financial Statements.

President of the Management Board	Vice-President of the Management Board
Roman Szwed	Tadeusz Czichon

MANAGEMENT BOARD STATEMENT

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

President of the Management Board	Vice-President of the Management Board
Roman Szwed	Tadeusz Czichon

MANAGEMENT BOARD STATEMENT

The ATM S.A. Management Board declares that according to its best knowledge, the entity authorized to audit the financial statements, which audited the annual consolidated financial statements, was selected pursuant to applicable laws, and that this entity as well as the certified auditors who audited these statements fulfilled the conditions for expressing an impartial and independent opinion about the audit pursuant to applicable Polish laws.

President of the Management Board	Vice-President of the Management Board
Roman Szwed	Tadeusz Czichon

BDO	BDO Numerica Sp. z o.o. International Auditors & Consultants	ul. Postępu 12, 02-676 Warsaw Tel. +48 (22) 543 16 00 Fax +48 (22) 543 16 01 e-mail: office@bdo.pl www.bdo.pl

CAPITAL GROUP

ATM S.A.
ul. Grochowska 21a
04-186 Warsaw

Opinion and audit report concerning the consolidated financial statements prepared according to IFRS for the period from January 1, 2006 to December 31, 2006

BDO International 600 offices in 100 countries worldwide	BDO offices in Poland Warsaw Katowice Poznan	Management Board: André Helin, Kristof Zorde Anna Bernaziuk, Leszek Kramarczuk, Krystyna Sakson, Hanna Sztuczyńska KRS entry no. 0000058463 NIP: 526-021-48-64 Share capital: PLN 741,950

Opinion of an independent auditor

for the Shareholders and Supervisory Board of ATM S.A.

We have audited the enclosed consolidated statements of ATM S.A. Capital Group prepared according to the International Financial Reporting Standards (IFRS), in which the parent undertaking is ATM S.A. with its registered office at ul. Grochowska 21a in Warsaw, which comprises:

- introduction to the consolidated financial statements;
- consolidated balance sheet as at 31.12.2006, where assets and liabilities show the amount of PLN **170,292 thousand**;
- consolidated profit and loss account for the period from 1.01.2006 to 31.12.2006 showing net profit amounting to PLN **26,680 thousand**;
- statement of changes in consolidated equity showing increase in shareholders' equity by PLN **22,639 thousand**;
- consolidated cash flow statement showing the increase in the balance of net cash in the period from 1.01.2006 to 31.12.2006 by the amount of PLN **7,773 thousand**;
- notes.

It is the Management Board of the parent undertaking that is responsible for the preparation of the aforementioned consolidated financial statements. Our task was to audit the statements and voice our opinion on reliability, accuracy and clarity of the consolidated statements.

The audit was conducted in compliance with the provisions of:
1) International Standards of Auditing (ISAs),
2) professional standards for statutory auditors established by the National Chamber of Statutory Auditors.

Audit of the consolidated financial statements has been planned and conducted so as to provide for rational certainty allowing to voice an opinion on these statements. The audit included without limitation verification of correctness of accounting principles (policy) applied by affiliated companies and significant estimates, verification — usually random — of grounds accounting for the figures and data included in the consolidated financial statements as well as the comprehensive review of the consolidated financial statements.

The basis for the preparation of the consolidated financial statements according to the International Financial Reporting Standards for the period from 1.01.2006 to 31.12.2006 were the individual financial statements of member companies of the ATM S.A. Capital Group and the statement submitted by the parent undertaking, prepared as at 31.12.2006 in compliance with the Accounting Act. For the purposes of the consolidated financial statements for the year 2006 according to the International Financial Reporting Standards, individual financial statements prepared in compliance with the Accounting Act have been transformed so as to be able to meet the accounting principles applied by the parent undertaking.

We believe that the audit provided sufficient grounds for expressing authoritative opinion.

In our opinion, the audited consolidated financial statements containing figures and verbal explanations:

- present a true and fair view of information essential for the assessment of assets and financial standing of the audited ATM S.A. Capital Group as at 31.12.2006 as well as its financial result for the accounting year between 1.01.2006 and 31.12.2006,
- they are factual and accurate in all material aspects, that is in compliance with the accounting principles (policy) stemming from the International Accounting Standards and International Financial Reporting Standards together with interpretations related thereto published in the form of Regulations of the European Commission, whereas within the scope that is not governed by those standards — according to the requirements stipulated in the Accounting Act and secondary legislation issued on their basis and on the basis of the properly maintained accounting books
- it is compliant with legal regulations influencing the content of the consolidated financial statements binding for the Capital Group.

While we do not raise any objections as to the audited consolidated financial statements of ATM S.A. Capital Group, we would like to point out to the prior period adjustments resulting from inclusion in the ATM S.A. books of the management stock option plan. The adopted accounting policy as well as its financial effects have been described in note no. 20 to the consolidated financial statements.

Management Board report on Capital Group's operations is complete within the meaning of Article 49 (2) of the Accounting Act and of the Regulation of the Minister of Finance of 19 October 2005 on current and periodical information submitted by the securities issuers. Information included in the report coming from the consolidated financial statements is compliant therewith.

Warsaw, June 13, 2007

BDO Numerica Sp. z o.o.
ul. Postępu 12
02-676 Warsaw
Rec. no. 523

Entity conducting audit:
[*signature illegible*]
Marcin Jagodziński
Statutory Auditor
Ref. No. 90042/7384

Acting on behalf of BDO Numerica Sp. z o.o.
[*signature illegible*]
dr André Helin
State Authorized Public Accountant
Statutory Auditor 90004/502
President of BDO Numerica Sp. z o.o.

BDO

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ATM S.A. GROUP OF COMPANIES
ul. Grochowska 21a
04-186 Warszawa

Report supplementing the opinion
from the audit of the consolidated financial statements
drawn up in accordance with IFRS
for the period from January 1 to December 31, 2006

BDO International
600 offices
in 100 countries
of the world

BDO offices in Poland
Warszawa
Katowice
Poznań

Management Board:
André Helin, Kristof Zorde
Anna Bernaziuk, Leszek Kramarczuk,
Krystyna Sakson, Hanna Sztuczyńska
National Court Register No. 0000058463
NIP Tax Identification No. 526-021-48-64
Share capital: PLN 741,950

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I. GENERAL REPORT

1. Parent undertaking details

1.1 Name and legal status

ATM S.A. (joint stock company)

1.2 Company registered office

ul. Grochowska 21A, 04-186 Warszawa

1.3 Area of business

According to the entry in the Register of Entrepreneurs of the National Court Register, the Company operates in the following areas:

- provision of services related to the installation, repair and maintenance of electricity distribution and control apparatus;
- manufacture of electrical equipment not elsewhere classified, except for the provision of services;
- general construction of buildings;
- general construction of distribution lines: pipelines, power and communications lines — local;
- installation of electrical wiring and fittings;
- fixed line telephone and telegraph communications;
- mobile telephone communications;
- data transmission and information and communication technology;
- radio communications;
- radio fusion;
- finance lease;
- data processing.

During the period covered by the audit, the Company mainly provided information and communication technology services.

1.4 Grounds for operation

ATM S.A. operates pursuant to the following:
- the Agreement drawn up as a notarial deed on May 16, 1997 (Repertory A No. 3243/97) as amended and
- the Code of Commercial Companies.

1.5 Commercial Court registration

On November 24, 2004, the Company was entered into the National Court Register at District Court for the Capital City of Warsaw — 20th Commercial Division, under National Court Register entry No. 0000034947.

Earlier, the Company had been registered in the Commercial Register under No. RHB 50850.

1.6 Tax Office and Provincial Statistical Office registration

NIP Tax Identification Number 113-00-59-989
REGON Statistical Identification Number 012677986

1.7 Equity and movements in equity during the reporting period

The share capital of the parent undertaking amounted to PLN **24,525,504.00** as at December 31, 2006 and was divided into 3,227,040 shares, each with a face value of PLN 7.60.

Issue	Share type	Number of shares	Value per share (PLN)	Issue value at face value (PLN)
A	common	1,800,000	7.60	13,680,000.00
B	common	630,000	7.60	4,788,000.00
C	common	180,000	7.60	1,368,000.00
D	common	187,040	7.60	1,421,504.00
E	common	130,000	7.60	988,000.00
F	common	300,000	7.60	2,280,000.00
TOTAL		3,227,040		24,525,504.00

No privileges are attached to shares.
No movements in share capital occurred during the period audited.
On March 1, 2007, an issue of 68,602 series G shares with a face value of PLN 7.60 each was registered.

Shareholders holding at least 5% of share capital (as at February 26, 2007):

Shareholders	**Number of shares**	**% share of capital**
Tadeusz Czichon	720,600	22.33%
Roman Szwed	452,225	14.01%
Polsat OFE*	253,822	7.87%
Piotr Puteczny	208,000	6.45%

*number of shares as at July 14, 2006

As at January 1, 2006, the equity of ATM S.A. amounted to PLN **75,813,000**. During the period audited, the equity increased by the net earnings for the period from January 1, 2006 to December 31, 2006, which amounted to PLN **26,291,000**, and by the increase of the profits brought forward item amounting to PLN **3,764,000**. Part of the 2005 net profit amounting to PLN **6,937,000** was allocated to dividend payouts. The capital reserve was decreased by the costs related to the issue of G series shares amounting to PLN **150,000**. The amount of equity at the end of period was PLN **98,779,000**.

1.8 Company Management Board

During the period audited, the Company Management Board included:
- Roman Szwed — President;
- Tadeusz Czichon — Vice-President.

During the period audited, no changes in the composition of the Company Management Board occurred.*

* No changes occurred until the date on which this report was published.

1.9 Supervisory Board

During the period audited, the Supervisory Board included:
- Jan Wojtyński — Chairman;
- Tomasz Tuchołka — Deputy Chairman;
- Tomasz Chiliński — Supervisory Board Member;
- Jan Madey — Supervisory Board Member;
- Zbigniew Mazur — Supervisory Board Member.

During the period audited, no changes in the composition of the Company Supervisory Board occurred.

On March 1, 2007, T. Chiliński was dismissed by the Extraordinary General Meeting of Shareholders from the function of Supervisory Board Member as a result of the resignation he had submitted. On the same day, the Extraordinary General Meeting of Shareholders appointed S. Kamiński as Supervisory Board Member.*
* No other changes occurred until the date on which this report was published.

1.10 Staffing

On average, the Company employed 219 persons during the year 2006.

2. Details concerning undertakings belonging to the Group of Companies

As at December 31, 2006, the ATM S.A. Group of Companies included the following undertakings:

Parent undertaking:
- ATM S.A.

Subsidiaries:
- ATM Services Sp. z o. o. (previous name: ATM Elektronika Sp. z o. o.)
- ATM Mobile Sp. z o. o.
- mPay S.A.
- rec-order Sp. z o. o.
- iloggo Sp. z o. o.
- Cineman Sp. z o. o.
- KLK Technologie Informatyczne.

2.1 Parent undertaking

ATM S.A.

Registered office	ul. Grochowska 21a 04-186 Warszawa
Area of business	– provision of services related to the installation, repair and maintenance of electricity distribution and control apparatus;

	– manufacture of electrical equipment not elsewhere classified, except for the provision of services; – general construction of buildings; – general construction of distribution lines: pipelines, power and communications lines — local; – installation of electrical wiring and fittings; – fixed line telephone and telegraph communications; – mobile telephone communications; – data transmission and information and communication technology; – radio communications; – radio fusion; – finance lease; – data processing.
Capital link type	parent undertaking
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN thousand)	154,823
Financial result (PLN thousand)	26,291
Movements in funds (PLN thousand)	2,549
Undertaking authorized to conduct the audit	BDO Numerica Sp. z o. o.

2.2 Subsidiaries

ATM Services Sp. z o. o. (previous name: ATM Elektronika)

Registered office	ul. Łąkowa 29/202b, Łódź
Area of business	– IT services for small and medium-sized enterprises in the entire territory of Poland; – IT outsourcing for small and medium-sized enterprises; – maintenance and installation services in the entire territory of Poland; – deployment projects.
Capital link type	subsidiary
Consolidation method	full
Share ownership	60% of shares are held by ATM S.A.
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN)	515,130.45
Financial result (PLN)	(3,769.88)
Movements in funds (PLN)	356,281.30
Undertaking authorized to conduct the audit	Undertaking is not subject to obligatory audit

Audit opinion	N/A

ATM Mobile Sp. z o. o.

Registered office	ul. Grochowska 21A, 04-186 Warszawa
Area of business	– other financial intermediation; – data transmission and information and communication technology; – other telecommunications services; – data processing; – database activities; – technical research and development work. In 2006, no revenue was recorded regarding the Company's core business, which was related to ongoing product development work.
Capital link type	subsidiary
Consolidation method	full
Share ownership	88.76% of shares are held by ATM S.A.
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN)	4,409,523.70
Financial result (PLN)	(26,763.51)
Movements in funds (PLN)	(35,816.32)
Undertaking authorized to conduct the audit	Undertaking is not subject to obligatory audit

mPay S.A.

Registered office	ul. Grochowska 21A, 04-186 Warszawa
Area of business	– financial intermediation; – software manufacturing; – research and development work.
Capital link type	subsidiary
Consolidation method	full
Share ownership	99.98% of shares are directly held by ATM Mobile Sp. z o. o., 88.74% of shares are indirectly held by ATM S.A.
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN)	3,798,782.85
Financial result (PLN)	(226,926.79)
Movements in funds (PLN)	2,005,305.40
Undertaking authorized to conduct the audit	Biuro Usług Finansowo-Księgowych "ETNA" Sp. z o. o.
Audit opinion	unqualified

Rec-Order Sp. z o. o.

Registered office	ul. Grochowska 21A, 04-186 Warszawa

Area of business	– retail sale not in stores; – IT; – research and development work; – advertising; – radio and television activities.
Capital link type	subsidiary
Consolidation method	full
Share ownership	99.9% of shares are directly held by ATM Mobile Sp. z o. o., 88.67% of shares are indirectly held by ATM S.A.
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN)	37,762.04
Financial result (PLN)	(21,313.63)
Movements in funds (PLN)	(5,737.74)
Undertaking authorized to conduct the audit	Undertaking is not subject to obligatory audit
Audit opinion	N/A

iLoggo Sp. z o. o.

Registered office	ul. Grochowska 21A, 04-186 Warszawa
Area of business	– data processing; – software related activities; – other IT related activities; – database activities; – reproduction of computer media; – data transmission and information and communication technology.
Capital link type	subsidiary
Consolidation method	full
Share ownership	60% of shares are held by ATM S.A.
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN)	457,012.94
Financial result (PLN)	(166,792.02)
Movements in funds (PLN)	300,628.88
Undertaking authorized to conduct the audit	Undertaking is not subject to obligatory audit
Audit opinion	N/A

Cineman Sp. z o. o.

Registered office	ul. Grochowska 21A, 04-186 Warszawa
Area of business	– motion picture and video distribution; – database activities; – data transmission and information and communication technology

	– other telecommunications services; – data processing; – other IT related activities; – advertising; – radio and television activities; – news agency activities; – television broadcasting using cable network; – motion picture and video production; – motion picture projection; – other commercial activities, not elsewhere classified. The Company was established on August 21, 2006.
Capital link type	subsidiary
Consolidation method	full
Share ownership	51% of shares are held by ATM S.A.
Financial statements drawn up on	Not applicable, the first financial year ends on December 31, 2007

KLK Sp. z o. o.

Registered office	ul. Pod Młynem 1C
Area of business	– IT; – computer and computer peripheral equipment maintenance and repair; – installation of structural computer networks in buildings; – computer hardware and power supply servicing; – sale of computers, peripheral equipment and software.
Capital link type	subsidiary
Consolidation method	full
Share ownership	78.74% of shares are held by ATM S.A.
Financial statements drawn up on	December 31, 2006
Period covered by financial statements	January 1, 2006 – December 31, 2006
Total assets (PLN thousand)	28,048.5
Financial result (PLN thousand)	2,239.3
Movements in funds (PLN thousand)	(246.4)
Undertaking authorized to conduct the audit	Kancelaria Biegłych Rewidentów "Księga" Sp. z o. o.
Audit opinion	unqualified

3. Details of consolidated financial statements audited

The subject of audit were the consolidated financial statements of the ATM S.A. Group of Companies drawn up in accordance with IFRS for the period from January 1, 2006 to December 31, 2006, including:

- the introduction to consolidated financial statements;
- the consolidated balance sheet drawn up as at December 31, 2006, which records assets and liabilities amounting to PLN **170,292,000**;

- the consolidated profit and loss account for the period from January 1, 2006 to December 31, 2006, which records a net profit of PLN **26,680,000**;
- the statement of changes in consolidated equity, which records an increase in equity by PLN **22,639,000**;
- the consolidated cash flow statement, which records an increase in net cash by PLN **7,773,000** during the period from January 1, 2006 to December 31, 2006;
- notes to the financial statements.

The Management Board Report concerning the operations of the Group of Companies has also been enclosed to the financial statements.

4. Details of the authorized entity and certified auditor performing the audit

BDO Numerica Sp. z o. o. with registered office in Warszawa, ul. Postępu 12 is an entity authorized to audit financial statements, list entry No. 523.

The audit was performed pursuant to the agreement signed on August 22, 2006 at the Company registered office from May 17 to June 11, 2007, by BDO Numerica Sp. z o. o., and was directed by Marcin Jagodziński — certified auditor No. 90042/7384.

The Certified Auditor was chosen as the ATM S.A. auditor by Supervisory Board resolution on August 22, 2006.

We hereby represent that the authorized entity BDO Numerica Sp. z o. o. and the certified auditor who audited the statements in question meet the conditions required for expressing an impartial and independent opinion concerning the statements audited pursuant to Article 66, paras. 1 and 2 of the Accounting Act (Journal of Laws [Dz. U.] No. 76/2002 item 694 as amended).

During the audit, the Company made the data requested available to the certified auditor as well as provided the information and explanations required to perform the audit and informed about important events that occurred after the balance sheet date until the date on which the statement was submitted.

The certified auditor was not limited in the selection of appropriate audit methods.

5. Information concerning the consolidated financial statements for the previous year

The statements audited are the first consolidated financial statements drawn up in accordance with IFRS.

II. FINANCIAL ANALYSIS

Selected figures from the consolidated profit and loss account, consolidated balance sheet and fundamental financial ratios are presented below.

1. Data comparability

Selected figures from the profit and loss account, consolidated balance sheet and fundamental financial ratios are presented below. The data meet comparability requirements.

2. Consolidated balance sheet

ASSETS

	December 31, 2006	**% of total assets**	**December 31, 2005**	**% of total assets**
Fixed assets				
Goodwill	10,928.00	6.42%	—	—
Intangible assets	7,354.00	4.32%	849.00	0.70%
Property, plant and equipment	46,907.00	27.55%	35,499.00	29.08%
Shares in subsidiaries accounted for by equity method	0.00	—	0.00	—
Financial assets available for sale	80.00	0.05%	0.00	—
Deferred income tax assets	684.00	0.40%	0.00	—
Other assets	12,748.00	7.49%	1,324.00	1.08%
	78,702.00	**46.22%**	**37,672.00**	**30.87%**
Current assets				
Stocks	5,437.00	3.19%	2,331.00	1.91%
Financial assets held for trading	0.00	0.00%	0.00	—
Trade receivables and other receivables	76,364.00	44.84%	79,547.00	65.17%
Income tax receivables	0.00	—	0.00	0.00%
Other current assets	281.00	0.17%	768.00	0.63%
Cash and cash equivalents	9,508.00	5.58%	1,735.00	1.42%
	91,590.00	**53.78%**	**84,381.00**	**69.13%**
TOTAL ASSETS	**170,292.00**	**100.00%**	**122,053.00**	**100.00%**

LIABILITIES				
Equity				
Share capital	24,572.00	14.4%	24,064.00	19.72%
Share premium account	4,558.00	2.7%	4,558.00	3.73%
Revaluation reserve	0.00	—	0.00	0.00%
Own shares	0.00	—	0.00	0.00%
Capital reserves	23,362.00	13.7%	11,050.00	9.05%
Hedge valuation reserve and FX gains/losses due to consolidation	0.00	—	0.00	0.00%
Retained earnings	40,431.00	23.7%	33,342.00	27.32%
Total Group shareholders' equity	92,923.00	54.6%	73,014.00	59.82%
Minority share	2,612.00	1.5%	0.00	0.00%
	95,535.00	**56.1%**	**73,014.00**	**59.82%**
Long-term liabilities				0.00%
Bank loans	0.00	—	0.00	0.00%
Provisions for deferred tax	0.00	—	188.00	0.15%
Provisions for liabilities	0.00	—	0.00	0.00%
Trade liabilities and other liabilities	1,177.00	0.7%	70.00	0.06%
Other financial liabilities	6,927.00	4.1%	2,388.00	1.96%
	8,104.00	**4.8%**	**2,646.00**	**2.17%**
Short-term liabilities				
Bank loans	6,791.00	4.0%	13,873.00	11.37%
Trade liabilities and other liabilities	51,061.00	30.0%	28,611.00	23.44%
Income tax liabilities	5,922.00	3.5%	2,827.00	2.32%
Provisions for liabilities	55.00	—	0.00	—
Other financial liabilities	2,824.00	1.7%	1,082.00	0.89%
	66,653.00	**39.1%**	**46,393.00**	**38.01%**
TOTAL LIABILITIES	**170,292.00**	**100.00%**	**122,053.00**	**100.00%**

3. Profit and loss account

	Year ending December 31, 2006	**Change, %**	**Year ending December 31, 2005**
Continued operations			
Revenue from sales	145,725.00	21.9%	119,550.00
Cost of goods sold	101,878.00	18.6%	85,913.00
Gross profit (loss) on sales	**43,848.00**	**30.4%**	**33,637.00**
Other operating revenue	20,780.00	118.0%	9,534.00
Selling costs	1,163.00	206.1%	380.00
General and administrative costs	31,237.00	22.5%	25,493.00
Other operating costs	431.00	15.2%	374.00
Restructuring costs	0.00	—	0.00
Operating profit (loss)	**31,797.00**	**87.9%**	**16,924.00**
Financial revenue	1,615.00	46.7%	1,101.00
Financial expenses	550.00	–39.0%	901.00
Net financial activity	1,065.00	432.5%	200.00
Share of entities valued using the equity method in net profit	0.00	—	0.00
Profit (loss) before tax	32,863.00	91.9%	17,124.00
Income tax	6,183.00	89.6%	3,261.00
Net profit (loss) on continued operations	**26,680.00**	92.5%	**13,863.00**
Discontinued operations			
Net profit (loss) on discontinued operations	—	—	—
Net profit (loss)	**26,680.00**		**13,863.00**

4. Fundamental financial ratios

	January 1, 2006 – December 31, 2006	January 1, 2005 – December 31, 2005
Return on assets net financial result / total assets	15.67%	11.36%
Return on equity net financial result / equity	27.93%	18.99%
Net return on sales net financial result / revenue from sales	18.31%	11.60%
Current liquidity ratio total current assets / short-term liabilities	1.38	1.82
Quick liquidity ratio (total current assets – inventory) / short-term liabilities	1.29	1.77
Receivables turnover (days) average gross trade receivables* x 360 days / revenue from sales	131	N/A
Liabilities turnover (days) average gross trade liabilities* x 360 days / cost of goods sold	69	N/A
Inventory turnover average inventory* x 360 days / cost of goods sold	14	N/A

*Average amounts for individual periods calculated as the arithmetic mean of individual items on the first and last days of the financial year.

5. Ratio interpretation and overall economic standing

Due to the fact that the 2006 financial statements are the first consolidated statements drawn up in accordance with IFRS and several subsidiaries were acquired over 2006, a decision was made not to interpret the ratios.

The results and overall financial standing of the Group of Companies do not indicate any threats to the Group continuing as a going concern.

III. DETAILED REPORT

1. Financial statements consolidation principles applied

1.1 Accounting principles (policy)

The description of the accounting principles applied by the Group of Companies was included in the Introduction to Financial Statements.

1.2 Capital consolidation methods and determination of minority capitals

The share capital of the Group of Companies is the share capital of the parent undertaking. Other components of the Group's equity were determined by adding individual components of parent undertaking equity to relevant equity components of the subsidiaries included in consolidated financial statements according to the parent undertaking's share in the ownership of the subsidiaries as at the balance sheet date.

The equity of the Group of Companies only includes the parts of relevant equity components of subsidiaries that were created after the date on which the parent undertaking had assumed control over them.

The equity of minority shareholders in subsidiaries included in the consolidated financial statements was determined on the basis of the share of these shareholders' ownership of the subsidiaries as at the balance sheet date.

1.3 Principles for drawing up consolidated financial statements

The consolidated financial statements for the period from January 1, 2006 until December 31, 2006 were drawn up in accordance with International Financial Reporting Standards.

The consolidated financial statements drawn up in accordance with International Financial Reporting Standards were prepared on the basis of the financial statements of the undertakings included in the group and the financial statements of the parent undertaking, drawn up pursuant to the Accounting Act. The consolidated financial statements were drawn up as if the group were a single undertaking.

The parent undertaking and subsidiaries were consolidated using the full consolidation method.

The consolidated financial statements include adjustments of revenue, cost and settlement items arising from transactions concluded between the parent undertaking and subsidiaries.

Moreover, the value of shares held by the parent undertaking in the subsidiaries was excluded.

The consolidated 2006 cash flow statement includes the cash flow statement of the parent undertaking and subsidiaries, accounting for relevant consolidation adjustments for mutual transactions.

Notes to the consolidated financial statements drawn up in accordance with IFRS include important data and explanations required in order to give a true and fair view of the asset and financial situation as well as the financial result of the Group of Companies.

The principles and methods for assets and liabilities valuation as well as financial result measurement presented in the notes to the consolidated financial statements are in line with the principles adopted by individual undertakings included in the Group of Companies.

1.4 Consolidation documentation

The parent undertaking has drawn up consolidation documentation including:
- the financial statements of undertakings subject to consolidation;
- the list of adjustments and exclusions made during consolidation;
- the fair value calculation of the subsidiaries' net assets.

2. Information on selected balance sheet and profit and loss account items

Detailed descriptions of individual balance sheet and profit and loss account items are included in the notes to the financial statements of the ATM S.A. Group of Companies.

3. Introduction to consolidated financial statements and notes to financial statements

The ATM S.A. Group of Companies has drawn up additional information including the introduction to consolidated financial statements and notes to financial statements. The data included in the additional information have been presented in a complete and correct manner.

4. Statement of changes in consolidated equity

The statement of changes in consolidated equity has been drawn up in a correct manner and has been properly linked to the consolidated balance sheet and the consolidated profit and loss account.

5. Consolidated cash flow statement

The consolidated cash flow statement has been drawn up in the following manner:
- by summing up relevant items of cash flow statements of the subsidiaries included in the consolidated financial statements;
- by making consolidation adjustments consisting in the exclusion of cash flows between the undertakings included in the consolidated financial statements.

6. Management Board report concerning the operations of the Group

Pursuant to the requirements of Article 49 of the Accounting Act and the Code of Commercial Companies, the Management Board of the parent undertaking has drawn up a report concerning the operations of the Group of Companies during the period from January 1, 2006 to December 31, 2006. The information included in the report concerning the operations of the Group of Companies is in line with the information included in the audited financial statements of the Group for the period from January 1, 2006 to December 31, 2006.

6. Parent undertaking management statement

The management of the ATM S.A. parent undertaking has submitted a written statement concerning the full recognition of data in books of account and the recognition of all contingent liabilities as well as concerning important events that occurred after the balance sheet date.

Warsaw, June 13, 2007

BDO Numerica Sp. z o. o.
ul. Postępu 12
02-676 Warszawa
Ref. No. 523

Person performing the audit:

[illegible signature]

Marcin Jagodziński
Certified Auditor
No. 90042/7384

Acting on behalf of
BDO Numerica Sp. z o. o.:

[illegible signature]

dr André Helin
State Authorized
Public Accountant
Certified Auditor 90004/502
President of BDO Numerica Sp. z o. o.