

ATM

RS

 corrected**POLISH FINANCIAL SUPERVISION AUTHORITY****Consolidated Annual Report RS 2007**
(year)

(pursuant to Article 86 (2) of the Regulation of the Minister of Finance of October 19, 2005 — Journal of Laws [Dz. U.] No. 209/2005 item 1744) for issuers of securities engaging in manufacturing, construction, commercial or service activities

for the financial year 2007 including period from January 1, 2007 to December 31, 2007
including consolidated financial statements as per IAS
in currency: PLN

submission date: May 21, 2008

ATM S.A.	
(issuer's full name)	
ATM	IT
(issuer's short name)	(sector as per Warsaw Stock Exchange classification)
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(NIP tax identification number)	(REGON statistical number)

Deloitte Audyt Sp. z o. o.
(entity authorized to audit statements)

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File	Description
Skonsolidowany raport za 2007 rok.pdf	
2007_opinia i raport z badania Grupy Kapitałowej.pdf	

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Date	Name and surname	Position	Signature
May 21, 2008	Roman Szwed	President of the Management Board	
May 21, 2008	Tadeusz Czichon	Vice-President of the Management Board	

SIGNATURE OF PERSON ENTRUSTED WITH MAINTAINING BOOKS OF ACCOUNT

Date	Name and surname	Position	Signature
May 21, 2008	Anna Bugajska	Director of the Finance Division	



ATM S.A. GROUP OF COMPANIES

**CONSOLIDATED ANNUAL REPORT
AS AT DECEMBER 31, 2007**

(figures in PLN thousand)

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

Dear Sirs/Madams,

On behalf of the Management Board of ATM S.A. I hereby present you with the consolidated financial statements of ATM S.A. Group of Companies and the Management Board's report concerning the Group for the year 2007. The statements include financial results, the Statutory Auditor's opinion and highlights of Company operations and last year's events.

During the last year, we continued to build an efficient and strong Group of Companies, enhanced our telecommunications infrastructure, developed innovative technological solutions and strengthened the capital position of the firm considerably as a result of a successful share issue, through which the Company raised more than PLN 154 million. The strategy implemented yielded expected results, bringing about an increase in sales and profits from the Company's core business. Consolidated 2007 sales revenue came to PLN 260 million (a 78.5% increase in comparison to the previous year), and net sales profit more than doubled to PLN 23.2 million. Consolidated net profit from the Company's operations amounted to PLN 21 million. As concerns core business, the Company and the entire ATM Group exceeded their sales forecasts considerably. Nevertheless, due to a change in plans concerning asset sales (shares in mPay S.A. were not sold), which were to bring additional net profit, the extra financial profit projected and consequently the firm's projected 2007 profits have not been fully achieved. In general, the Management Board of ATM S.A. considers the financial outcomes of the Group's operations during the last year to have been very good, particularly in view of the fact that they stemmed from current sales of products and services. In the opinion of the Management Board, the Group's situation after 2007 is a source of confidence in the success of our existing plans and the feasibility of new business projects.

As concerns our core business, which comprises integration and telecommunications services as well as the development of specialized software, we have been very successful. We have retained our advantageous position with respect to the Company's most important customer groups, considerably developed our relations with key customers and implemented several innovative projects which constitute excellent references for the Company. In 2007, we actively sought contracts in the telecommunications sector and acquired several new and prospective customers from the financial sector. In the last year, the public administration sector became prominent in the breakdown of company revenue by sector, primarily owing to a significant contract completed for the Ministry of Defense. Throughout the year, we provided up-to-date information on our successes and best contracts.

While working to increase our revenues, we do not lose sight of the future. We actively invest both in projects that already bring dividends and in new, promising ones. As a result of consistent investment in telecommunications infrastructure, today we already operate six fiber-optic MANs, an extensive network of long-distance and international links and well-equipped data centers. The network backbone, which uses state-of-the-art technology and has a bandwidth of 10 Gbps, constitutes a basis for the provision of highly sought-after services for other providers, financial institutions as well as industrial and commercial enterprises. The total length of proprietary fiber-optic lines within MANs increased by 54% in 2007, and our bandwidth capabilities have reached 400 Gbps. With such developments we can already offer huge bandwidth to our customers. Soon, we shall be able to provide a wide range of hitherto unavailable multimedia services to end users.

At the end of last year, the ATM Group of Companies included twelve undertakings. Six of them already offer mature services and products, while the other six are at the stage of commercializing the innovative technologies developed. All "mature" Group companies posted excellent results in 2007. Particularly remarkable is the double-digit increase in revenue of the KLK company from Silesia, which is active in the field of systems integration; it has also more than doubled its profits. The manufacturer of IT systems for the public administration sector Sputnik Software recorded similar growth and effectively invested in product development; the capital required was obtained as a result of its incorporation in the Group. ATM Services, an upstart company providing outsourcing services, developed an effective business model, achieving projected sales and recording positive earnings already in its first year of operation. The first foreign undertaking within the Group (Linx Telecommunications) has also made a positive contribution to the consolidated result, although our operational cooperation has only begun. ATM's latest acquisition — the Impulsy company, which operates in the medical market — has contributed its experience and a stable customer base.

Unfortunately, market adoption of the new services created and developed by the remaining Group companies has been slower than projected. However, our main assumptions remain unchanged and we maintain a positive attitude. mPay has implemented a system for the collection of parking fees in Warsaw; during the GSMA Congress in Barcelona it ranked with the providers of most innovative mobile services in the World. ATM's key innovative product — the comprehensive interactive television platform, which is currently being developed by a separate research and development center (Centrum Badawczo-Rozwojowe ATM-Lab) — has already been deployed in three locations and has entered the commercial operation stage. Our short-term plans focus on enhancing the efficiency of our core business, accelerating the deployment of innovative services developed within the framework of the Corporate Venturing Program, particularly the mPay mobile payment system and interactive television and initiating the long-term program aimed at the creation of the ATM Innovation Center within a Special Economic Zone. We are confident that the deterioration in stock exchange sentiment will not prevent us from implementing our plans further. We believe that both mature products offered by companies operating within the Group and projects developed by those companies which provide innovative solutions will be favorably received by the market next year. We are working hard to make this happen.

Yours faithfully,

Roman Szwed
President of the Management Board

FINANCIAL HIGHLIGHTS

	2007	2006	2007	2006
	PLN thou		EUR thou	
Total sales revenue	260,066	145,725	68,859	37,374
Operating profit (loss)	22,808	31,797	6,039	8,155
Profit before tax	25,746	32,863	6,817	8,428
Net profit of parent undertaking shareholders	21,068	26,435	5,578	6,780
Net cash from operating activities	26,017	1,558	6,889	400
Net cash from financial activities	127,398	(15,875)	33,732	(4,071)
Net cash from investment activities	(93,166)	22,088	(24,668)	5,665
Increase (decrease) in cash	60,249	7,773	15,952	1994
Fixed assets	205,390	78,702	57,339	20,542,
Current assets	163,702	91,590	45,701	23,906
Total assets	369,092	170,292	103,041	44,449
Long-term liabilities	20,522	8,104	5,729	2,115
Short-term liabilities	91,439	66,653	25,527	17,397
Equity	257,131	95,535	71,784	24,936
Share capital*	34,397	24,572	9,603	6,414
Parent undertaking shareholders' equity	251,469	92,923	70,204	24,254
Number of shares	4,500,000	3,227,040	4,500,000	3,227,040
Book value per share (PLN/EUR)	55.88	28.79	15.60	7.52
Diluted book value per share (PLN/EUR)	55.88	30.62	15.60	8.00

* Share capital restated in accordance with IAS 29.

The said financial data for 2007 have been calculated into EUR according to the following principles:

- individual items of assets and liabilities were converted at the average rate published by the National Bank of Poland as at December 31, 2007, which was PLN/EUR 3.5820;
- individual items of the consolidated profit and loss account and consolidated cash flow statement were converted at the rate equal to the arithmetic mean of average rates determined by the National Bank of Poland at the last day of each month of the financial period (between January 1 and December 31, 2007), which was PLN/EUR 3.7768.

The said financial data for 2006 have been calculated into EUR according to the following principles:

- individual items of assets and liabilities were converted at the average rate published by the National Bank of Poland as at December 31, 2006, which was PLN/EUR 3.8312;
- individual items of the consolidated profit and loss account and consolidated cash flow statement were converted at the rate equal to the arithmetic mean of average rates determined by the National Bank of Poland at the last day of each month of the financial period (between January 1 and December 31, 2006), which was PLN/EUR 3.8991.

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

KEY CONSOLIDATED ANNUAL REPORT DATA

This consolidated annual report contains information drawn up pursuant to Article 86, section 2 and Article 87, section 1 of the Regulation of the Minister of Finance of October 19, 2005, and includes consolidated financial statements of the ATM S.A. Group of Companies made in accordance with the International Financial Reporting Standards as approved by the European Union for the period between January 1 and December 31, 2007.

Submission date: May 26, 2008

Key Issuer details:

Full name of the Issuer: ATM S.A.

Short name of the Issuer: ATM

Sector according to Warsaw Stock Exchange classification: IT

Post code: 04-186

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Street number: 21a

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NIP (tax identification number): 113-00-59-989

Regon (statistical number): 012677986

Entity authorized to perform audit: Deloitte Audyt sp. z o. o.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	NOTE	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Continued operations			
Sales revenue	3	260,066	145,725
Cost of goods sold	4	<u>193,415</u>	<u>101,878</u>
Gross profit (loss) on sales		<u>66,651</u>	<u>43,848</u>
Other operating revenue	5	1,124	20,780
Selling costs	4	1,126	1,163
General and administrative costs	4	42,304	31,237
Other operating expenses	6	1,537	431
Restructuring costs		-	
Operating profit (loss)		<u>22,808</u>	<u>31,797</u>
Financial revenue	7	3,774	1,615
Financial expenses	8	<u>1,352</u>	<u>550</u>
Net financial activity		<u>2,422</u>	<u>1,065</u>
Share of undertakings valued using the equity method in the financial result		516	
Profit (loss) before tax		25,746	32,863
Income tax	9	<u>4,164</u>	<u>6,183</u>
Net profit (loss) on continued operations		<u>21,582</u>	<u>26,680</u>
Discontinued operations			
Net profit (loss) on discontinued operations			-
Net profit (loss)		<u>21,582</u>	<u>26,680</u>
Net profit (loss) for the Group's shareholders		21,068	26,435
Net profit (loss) for minority shareholders		514	244
Profit (loss) per share	10		
<i>From continued operations:</i>			
Ordinary		5.89	8.19
Diluted			8.04
- including G series shares			8.04
- including G and H series shares		5.89	5.89
<i>From continued and discontinued operations:</i>			
Ordinary		5.89	8.19
Diluted			8.02
- including G series shares			8.02
- including G and H series shares		5.89	5.87

CONSOLIDATED BALANCE SHEET – ASSETS

	<u>NOTES</u>	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Fixed assets			
Goodwill	11	15,677	10,928
Intangible assets	12	25,712	7,354
Property, plant and equipment	13	86,794	46,907
Shares in subordinated undertakings accounted for by equity method		61,908	-
Financial assets available for sale	14	80	80
Deferred income tax assets	9	1,256	684
Other fixed assets	15	13,963	12,748
		<u>205,390</u>	<u>78,702</u>
Current assets			
Inventories	16	8,326	5,437
Financial assets held for trading		2,133	-
Trade and other receivables	17	81,231	76,364
Income tax receivables		38	-
Other current assets	18	2,218	281
Cash and cash equivalents	19	69,756	9,508
		<u>163,702</u>	<u>91,590</u>
Fixed assets classified as held for sale		-	-
Total assets		<u>369,092</u>	<u>170,292</u>

CONSOLIDATED BALANCE SHEET – LIABILITIES

	<u>NOTES</u>	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Equity			
Share capital	20	34,397	24,572
Share premium account		157,252	4,558
Revaluation reserve		-	-
Treasury shares		-	-
Capital reserves	20	25,073	23,362
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20	34,747	40,431
Total Group shareholders' equity		251,469	92,923
Minority share	21	5,662	2,612
		257,131	95,535
Long-term liabilities			
Bank and other loans	22	2,83	-
Provisions for deferred tax	9	0	-
Provisions for liabilities	23	183	-
Trade and other liabilities	24	3,244	1,177
Other financial liabilities	26	14,812	6,927
		20,522	8,104
Short-term liabilities			
Bank and other loans	22	246	6,791
Trade and other liabilities	25	80,629	51,061
Income tax liabilities		4,419	5,922
Provisions for liabilities	23	544	55
Other financial liabilities	26	5,601	2,824
		91,439	66,653
Liabilities related directly to fixed assets classified as held for sale		-	-
Total liabilities		369,092	170,292

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total Group shareholders' equity</u>	<u>Minority share</u>	<u>Total shareholders' equity</u>
As at January 1, 2006	24,064	4,558	11,050	33,342	73,014	-	73,014
Increases:							
Current period results	-	-	-	26,435	26,435	244	26,679
Acquisition of shares under share option plan	508	-	-	-	508	-	508
Valuation of management options	-	-	-	21	21	-	21
Changes to the Group's structure	-	-	-	-	-	2 249	2,249
Profit (loss) from changes in the Group's composition	-	-	-	(120)	(120)	120	-
Profit distribution	-	-	12,312	-	12,312	-	12,312
Decreases:							
Profit distribution to be allocated to equity	-	-	-	12,312	12,312	-	12,312
Dividends paid out	-	-	-	6,938	6,938	-	6,938
As at December 31, 2006	24,572	4,558	23,362	40,431	92,923	2,612	95,535
As at January, 1 2007	24,572	4,558	23,362	40,431	92,923	2,612	95,535
Increases:							
Issue of shares	9,674	154,894	-	-	164,568	-	164,568
Current period results	-	-	-	21,953	21,953	514	22,467
Acquisition of shares under share option plan	151	-	-	-	151	-	151
Changes to the Group's structure	-	-	-	3	3	2,773	2,776
Profit distribution	-	-	1 711	-	1,711	-	1 711
Decreases:							
Share issue costs	-	2 200	-	-	2,200	-	2,200
Profit distribution to be allocated to equity	-	-	-	1,711	1,711	-	1,711
Dividend payout	-	-	-	25,929	25,929	238	26,167
Revaluation FX gain/loss	-	-	-	-	-	-	-
As at December 31, 2007	34,397	157,252	25,073	34,747	251,469	5,662	257,131

CONSOLIDATED CASH FLOW STATEMENT

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Operating activities		
Profit (loss) before tax	25,746	32,863
Adjustment (items):	446	(31,305)
Share in net profit of undertakings valued using the equity method	(516)	
Amortization and depreciation	8,947	6,515
FX gains/losses	(378)	(638)
Interest received	-	-
Interest paid	-	21
Dividends received	(16)	-
Profit (loss) on investment activities	(2,174)	(20,745)
Movements in inventories	(2,929)	(16)
Movements in receivables	(21,778)	(27,517)
Movements in liabilities and provisions	20,050	11,795
Movements in other assets	5,425	2,839
Income tax paid	(6,210)	(3,895)
Other	(150)	336
	<u>26,017</u>	<u>1,558</u>
Investment activities		
Expenses on property, plant and equipment purchases	(57,862)	(21,024)
Expenses on financial asset purchases	(66,301)	(6,975)
Revenue from property, plant and equipment sale	30,348	49,680
Revenue from financial asset sale	210	410
Interest received	223	-
Dividends received	-	-
FX gains/losses	216	(3)
	<u>(93,166)</u>	<u>22,088</u>
Financial activities		
Proceeds from loans	6,586	6,755
Repayment of loans	(10,975)	(15,460)
Issue of new series of shares	160,180	1,004
Acquisition of equity under management option plan	-	
Subsidies received	-	1,133
Expenses due to redemption of share capital	-	-
Payment of liabilities arising from finance leases	(4,619)	(2,206)
Dividends paid	(25,599)	(6,988)
Interest paid	(1,174)	(466)
Other payments from profit	-	-
FX gains/losses	(103)	503
Other	3,102	(150)
	<u>127,398</u>	<u>(15,875)</u>
Movements in net cash and cash equivalents	<u>60,249</u>	<u>7,773</u>
Opening balance of cash	9,507	1,734
Closing balance of cash	<u>69,756</u>	<u>9,508</u>

ADDITIONAL NOTES

NOTA 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. limited liability company. 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 unit. 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, 2006 and December 31, 2007 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 development 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, video on demand services, IT outsourcing for small and medium-sized enterprises as well as Web 2.0 services. The scope of activities has been described in more detail in Note 3.

As at December 31, 2007, 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, 2007 included:

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

Mr. Tomasz Chiliński was Member of the Supervisory Board until March 31, 2007.

2. Information about undertakings included in the Group of Companies

The ATM S.A. Group of Companies currently includes 12 undertakings.

During 2007, the ATM S.A. Group of Companies was enlarged to include the following undertakings:

- On March 16, 2007, the share capital of ATM Mobile sp. z o. o. was increased by PLN 2,800,000 through:

- the combination of ATM-Mobile sp. z o. o. and Mobile Konsultant Henryk Kułakowski sp. j., which resulted in the establishment of 4,800 new shares taken up by partners in the Mobile Konsultant Henryk Kułakowski sp. j. registered partnership and the increase in capital by PLN 2,400,000;
- the establishment of 800 new shares taken up by ATM S.A. and the paying up of said shares.
- On March 27, ATM S.A. acquired 600 shares in the Sputnik Software Sp. z o.o. company at the total price of PLN 3,000,000, giving it a 60% stake in the share capital and votes at the General Shareholders' Meeting. The activities of Sputnik Software focus on software development and IT service delivery for the public sector. The company is a leader in the market of software solutions for local government administration.
- On May 10, 2006, ATM S.A. and the Linx Telecommunications B.V. company signed a Subscription Agreement. Under the agreement, Linx Telecommunications issued new shares which were taken up by ATM. As a result of the issue, ATM holds 21.79% of Linx Telecommunications share capital. Linx Telecommunications is one of the most dynamic independent telecommunications operators active in Central and Eastern Europe.
- On August 13, 2007, the Centrum Badawczo-Rozwojowe ATM-Lab sp. z o. o. company with registered office in Warsaw was established. The share capital of the newly established company amounts to PLN 50,050. ATM S.A. took up 1,000 shares with a face value of 50 PLN each, worth 50,000 PLN in total, which constitutes 99.9% per cent of the company's share capital. One share which constitutes 0.1% of the share capital of the newly incorporated company was taken up by mPay International sp. z o. o. (formerly ATM-Mobile sp. z o. o.). The Centrum Badawczo-Rozwojowe ATM-Lab sp. z o. o. research and development center was established owing to the fact that ATM S.A. is engaged in an increasing number of research and development projects.
- On October 29, 2007, ATM S.A. took up 72% of shares in the Impulsy sp. z o. o. company with registered office in Warsaw. For over a dozen years, Impulsy sp. z o. o. has provided medical IT services in Poland, focusing mainly on the deployment of dedicated software for medical institutions and related consulting services.

Important information on the recognition of business combinations concerning undertakings which were incorporated into the Group in the course of 2007 has been presented in Note 28.

As at December 31, 2007, the ATM S.A. Group of Companies included the following undertakings:

Company name	Core business	Dependence	Stake in share capital	Share in the overall number of votes
ATM Services sp. z o. o.	IT services	Subsidiary	60%	60%
iloggo sp. z o. o.	Web services	Subsidiary	60%	60%
Cineman sp. z o. o.	Web multimedia services	Subsidiary	51%	51%
mPay International Sp. z o. o. (formerly ATM Mobile Sp. z o. o.)	Intellectual property management	Subsidiary	60%	40%
mPay S.A.	Mobile payment settlement	Subsidiary	60%	40%
rec-order sp. z o. o.	Online sales	Subsidiary	60%	40%
KLK Sp. z o. o. (formerly KLK – Technologie Informatyczne sp. z o. o.)	Integration of ICT systems	Subsidiary	78.74%	78.74%
Centrum Badawczo Rozwojowe ATM-Lab Sp. z o.o.	Programming services	Subsidiary	99.9%	99.9%
Impulsy Sp. z o. o.	Software for medical institutions	Subsidiary	72%	72%
Sputnik Software Sp. z o.o.	IT services for public sector	Subsidiary	60%	60%

Linx Telecommunications B.V.	Independent telecommunications operator	Associate	22%	22%
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3. Grounds for the drawing up of consolidated financial statements

The present consolidated financial statements have been drawn up in accordance with the requirements of International Financial Reporting Standards ("IFRS") as approved by the European Union, and with respect to matters not regulated in the said standards in accordance with the requirements of the Accounting Act of September 29, 1994 (Journal of Laws [Dz.U.] No. 76/2002 item 694 as amended) and the secondary legislation issued pursuant to this Act and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of October 19, 2005 regarding current and periodical information submitted by issuers of securities (Journal of Laws [Dz.U.] No. 209/2005 item 1744).

As of January 1, 2005, amendments to the Accounting Act (Article 45, sections 1a through 1c of the Accounting Act) have imposed an obligation on the Group to draw up consolidated financial statements in accordance with IFRS as approved by the European Union. As at the publication date of the present consolidated financial statements, taking into account the adaptation process of IFRS by the European Union, there are no differences between the accounting principles adopted by the Group according to IFRS and IFRS as approved by the European Union.

NOTA 2. MATERIAL ACCOUNTING POLICIES

The financial year for the Issuer 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, 2007 and comparable data for the financial year ending on December 31, 2006 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. The Group decided not to take advantage of the possibility to adopt new standards and interpretations that have already been published and approved by the European Union or are to be approved in the near future, and which will come into force after the balance sheet date, at an earlier date:

- Amendments to IAS 1 "Presentation of Financial Statements" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IAS 23 "Borrowing Costs" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IAS 32 "Financial Instruments: Presentation" and related amendments to IAS 1: "Presentation of Financial Statements" (applicable to annual periods beginning on January 1, 2009).
- Amendments to IFRS 2 "Share-based Payment" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IFRS 3 "Business Combinations" (applicable to annual periods beginning on July 1, 2009);
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" (applicable to annual periods beginning on July 1, 2009);
- IFRS 8 "Operating Segments" (coming into force on January 1, 2009);
- IFRIC 11 "Group and Treasury Share Transactions" (applicable to annual periods beginning on March 1, 2007).

- IFRIC 12 “Service Concession Arrangements” (coming into force on January 1, 2008).
- IFRIC 13 “Customer Loyalty Programs” (applicable to annual periods beginning on July 1, 2008).
- IFRIC 14 “IAS 19 — The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction” (applicable to annual periods beginning 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 effective after December 31, 2007 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 if 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.

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 account.

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 account as other operating expenses 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 expenses.

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 according to the prudence principle, 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 according to the prudence principle.

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 more than 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 prudent 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, according to the prudence principle. 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 expenses 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 according to the prudence principle. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled 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 fees 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 salary costs for the period 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:

Loan currency	NBP average exchange rate as at Dec 31, 2007	NBP average exchange rate as at Dec 31, 2006
EUR	3.5820	3.8312
USD	2.4350	2.9105

Leases

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 provided 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 provided.

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

Mandatory charges on the financial result 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 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.

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.

NOTA 3. REVENUE FROM SALES

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December 31,</u> <u>2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December 31,</u> <u>2006</u>
Revenue from sales of products	142,724	82,105
Revenue from sales of goods and materials	<u>117,342</u>	<u>63,620</u>
Total sales revenue	<u>260,066</u>	<u>145,725</u>
of which:		
- to affiliates and subsidiaries	<u>20</u>	<u>27</u>

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 systems to servers, data storage, operating systems and utility 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 antispam 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.
- **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:

- **Atmosfera Service Desk** is a Service Support solution, which supports, *inter alia*, processes related to incident management, problem management, change management, configuration management and the management of the level of services provided (SLAs). The product has been awarded the PinkVerify™ Service Support certificate, which is highly valued in many countries. PinkVerify™ is the only widely recognized certificate in the world that confirms compliance of IT management tools with ITIL (IT Infrastructure Library) best practices.
- **Atmosfera Project Management** is a comprehensive project and project portfolio management system developed in collaboration with the TenStep Polska company. The U.S. TenStep methodology, which complies with the global PMBOK standard, is an excellent project management tool — easy to use and highly efficient.
- The **SMaCS** system is 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.

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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. The service 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 service was awarded the 2007 Złota Antena (Golden Antenna) by the *Świat Telekomunikacji* monthly.

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.

Solutions and services offered by companies belonging to the Group

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;
- Sputnik Software Sp. z o. o. develops software targeted primarily at public administration, and in particular local government administration;
- ATM Services sp. z o. o. provides desktop outsourcing services for small and medium-sized enterprises;
- Linx Telecommunication BV offers telecommunications solutions on a European scale;
- Impulsy Sp. z o. o. extends the range of products on offer by contributing IT systems and solutions for the healthcare sector;
- 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 and online cinema services;
- Centrum Badawczo Rozwojowe ATM-Lab Sp. z o. o. offers research and development services.

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.

Revenue from the sales of major products are as follows:

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Integrated ICT infrastructure systems	146,798	78,265
Telecommunications and value-added services	67,049	51,923
Business security solutions and services	32,442	9,743
Application solutions	10,543	4,514
Multimedia solutions and services	3,097	1,280
Other	137	
Total sales revenue	<u>260,066</u>	<u>145,725</u>

Geographical operation segments as at December 31, 2007 and 2006

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Domestic sales	257,372	145,218
Exports	2,694	507
Total sales revenue	<u>260,066</u>	<u>145,725</u>

NOTA 4. OPERATING EXPENSES

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Cost of goods sold	193,414	101,878
Selling costs	1,126	1,163
General and administrative costs	42,304	31,237
Total costs related to core operations	<u>236,844</u>	<u>134,278</u>
of which:		
Amortization and depreciation	9,153	6,515
Consumption of materials and energy	50,741	14,532
Outsourcing	61,119	40,398
Taxes and other charges	1,556	1,030
Salaries	31,909	21,142
Employee benefits	6,354	3,850
Other	(6,199)	(471)
Value of goods and materials sold	82,273	47,282
	<u>236,906</u>	<u>134,278</u>
Change in stock position	(62)	
	<u>236,844</u>	

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 continue. 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

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Salaries	31,900	21,135
Social insurance costs	4,817	3,041
Pension benefit costs	7	7
Other benefits after the employment period	2	-
Charges to Enterprise Social Benefit Fund	102	9
Other employee benefits	1,435	800
	<u>38,263</u>	<u>24,991</u>

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 undertakings 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 2007 and 2006, these contributions amounted to 19.77% of the contribution calculation base determined pursuant to applicable laws.

Pension benefit costs include retirement severance paid to employees pursuant to the Labor Code. Group undertakings 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 expenses 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 amount of funds in the Enterprise Social Benefit Fund as at December 31, 2007 was PLN 96,300.

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

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Costs included directly in costs related to core operations	-	-
Amortization costs related to deferred development work costs	462	73
	<u>462</u>	<u>73</u>

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.

**NOTA 5.
OTHER REVENUE**

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Profit from the sale of fixed assets	486	20,567
Damages received	148	20
Reversal of inventory write-downs	58	116
Reversal of receivable write-downs	42	47
Settlement of expired leases	27	-
Other	363	30
	<u>1,124</u>	<u>20,780</u>

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.

**NOTA 6.
OTHER COSTS**

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Loss from the sale of fixed assets	131	-
Inventory write-downs	209	117
Receivable write-downs	115	101
Impairment write-downs	6	26

Donations given	175	87
Accident repair costs	59	-
Fines and penalties paid	6	4
Other	836	96
	<u>1,537</u>	<u>431</u>

Costs and losses related to the Group's operations, but not directly related to main types of operating expenses, are classified as other operating expenses. 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.

NOTA 7. FINANCIAL REVENUE

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Dividends received	-	-
Interest on bank deposits	1,468	253
Interest on overdue payments	1	267
Interest on securities	-	410
FX gains	1,425	651
Other	880	34
	<u>3,774</u>	<u>1,615</u>

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, 2006 and December 31, 2007, the Group had no forward transactions open. Financial operations also include foreign exchange gains.

NOTA 8. FINANCIAL EXPENSES

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Interest on bank loans	346	99
Budget interest	10	2
Interest on loans	53	-
Interest on overdue payments	5	5
Finance lease costs	762	367
Other	176	77
	<u>1,352</u>	<u>550</u>

Borrowing costs 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.

NOTA 9. INCOME TAX

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Statutory tax rate	19%	19%
Current income tax		
Current tax expense	4,735	6,986
Adjustments concerning previous years	-	-
	4,735	6,986
Deferred income tax		
Related to the origination and reversal of temporary differences	(571)	(803)
Related to change in the tax rate	-	-
	(571)	(803)
Tax expense shown in the profit and loss account	4,164	6,183

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.

With respect to income tax, the Group is subject to general regulations. The Group does not have a tax group status. In 2007, no company operating within the Group of Companies operated within a Special Economic Zone. However, according to the information included in Current Report No. 69/2007, the Council of Ministers issued a regulation enabling the extension of the Łódź Special Economic Zone to include the Warsaw subzone, Grochowska complex, where the Issuer operates. In 2008, a new company, Centrum Innowacji Sp. z o. o., was established, whose first activities will consist in the signing of a relevant agreement with the company managing the Łódź SEZ. Subsequently, the company is to prepare and implement investment projects related to the construction of new office facilities including the infrastructure and equipment necessary for innovative ICT companies to operate. We would ultimately like to establish an Innovation Center there, gathering companies whose operations concern modern ICT technologies in one place in Warsaw.

Both the tax and balance sheet years coincide with calendar years.

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

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Pre-tax earnings	25,746	32,863
Effective tax rate	18%	21%
Tax at the effective rate	4,735	6,986
Tax at the statutory rate	4,867	6,244
Tax impact related to the different dates on which costs are considered tax-deductible	(157)	(38)
Tax impact related to the different manners according to which revenues are recognized for tax purposes	-	760

Tax impact of tax losses deducted during the period	-	(99)
Tax impact of tax losses incurred during the period	-	117
Tax at the effective rate	<u>4,735</u>	<u>6,986</u>

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, 2006 and 2007 results from the items shown in the table below.

	Balance sheet		Profit and loss account	
	End of period, December 31, 2007	End of period, December 31, 2006	For period from January 1 to December 31, 2007	For period from January 1 to December 31, 2006
Deferred tax provision				
Difference between the balance sheet and tax value of fixed assets	878	637	241	374
Recognized unfinished service revenue	776	-	776	(162)
Damages receivable	2	-	2	-
Interest accrued	15	-	15	-
Foreign exchange gains	4	4	-	(334)
Deferred tax provisions acquired as a result of business combination	-	-	-	(117)
Gross deferred tax provision	1,675	641	1,034	(239)
Deferred tax assets				
Difference between the balance sheet and tax value of intangible assets	-	-	-	-
Deferred payment revenue	504	443	(60)	(443)
Inventory write-downs	267	151	(116)	(53)
Receivable write-downs	110	103	(7)	(10)
Written-off financial assets under litigation	55	55	-	-
Liabilities to the Social Insurance Institution and employees	65	-	(65)	-
Foreign exchange losses	-	-	-	-
Provisions for expenses	245	401	156	(169)
Subsidies received	11	4	(7)	(4)
Tax losses to be deducted	671	168	(503)	(69)
Accruals	1,003	-	(1,003)	-
Deferred tax assets acquired as a result of business combination	-	-	-	183
Gross deferred tax assets	2,931	1,325	(1,605)	(565)
Net tax assets (tax provision)	1,256	684		
Deferred income tax charge on profit			(571)	(804)

In 2007, 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.

NOTA 10. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Weighted average number of shares	3,574,919	3,227,040
Net profit for 12 months (PLN thousand)	21,068	26,435
Net earnings per share (PLN)	5.89	8.19
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 ordinary 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 series G 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 1,204,358 series H shares with a face value of PLN 7.60 each. Shares from both series have participated in the dividend as from January 1, 2006. Series G and H shares were issued and the increase in equity related to their issue was registered in the National Court Register on March 1, 2007 and August 8, 2007, respectively.

Dividends paid and declared

In line with the dividend policy announced by the Issuer's Management Board in Current Report No. 25/2006 of June 8, 2006, the dividend for 2007 paid by the Company should be no less than PLN 19,440,000, i.e. PLN 0.54 per share. Such dividend could be paid in line with resolution of Ordinary General Meeting of Shareholders by distributing the whole net profit earned by ATM S.A. in 2007 and a portion of capital reserve created from previous years' profit to pay dividend. However, as the Company intends to make substantial investments and an increase in Company share capital at the current share price would not be favorable to Company shareholders, the Management Board is considering waiving the recommendation regarding the payment of 2007 dividend in whole or in part and allocating the entire profit or part thereof to capital reserve. The Management Board decision in this regard will be based on the analysis of capital requirements, the possibilities of funding investments with debt capital, situation in the capital market and current company proceeds in the first half of the year. The decision will be promptly published according to the procedure provided for in the case of current reports.

On September 28, 2007, ATM S.A. paid the dividend for 2006 worth PLN 7.60 per share, i.e. PLN 24,769,300, pursuant to the resolution of the General Meeting passed on June 29, 2007.

Pursuant to tax regulations, dividends that are paid out are taxed at the 19% rate.

By the resolution of June 15, 2007, the KLK sp. z o.o. Partner's Meeting distributed profit for 2006; PLN 1,119,700 was allocated to Company shareholders. Gross dividend amounting to PLN 1,119,700 was paid to shareholders on November 12, 2007, of which PLN 238,000 to individual shareholders and PLN 881,600 to the corporate shareholder (ATM S.A.).

As at December 31, 2007, no unpaid cumulated dividends were present.

NOTA 11. GOODWILL

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

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
ATM-Mobile Group	131	131
iloggo sp. z o. o.	54	54
KLK sp. z o. o.	10,743	10,743
Sputnik Software Sp. z o. o.	2,586	-
Impulsy Sp. z o. o.	<u>2,163</u>	<u>-</u>
	<u>15,677</u>	<u>10,928</u>

The entire goodwill was generated as a result of the consolidation of undertakings in which the Issuer acquired shares in 2006 and 2007.

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

NOTA 12. INTANGIBLE ASSETS

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Costs of development	15,636	3,581
Concessions and licenses	8,796	3,774
Perpetual usufruct rights	317	-
Other intangible assets	<u>963</u>	<u>-</u>
	<u>25,712</u>	<u>7,354</u>
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, 2007, development work includes the following projects developed in-house:

PC TV platform

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 2008.

Atmosfera

Within the framework of another in-house project, the Company is developing the Atmosfera software family, adding new modules and functionalities supporting corporate business processes, including e.g. support for service desk operations in accordance with the widely accepted ITIL standard. The software is also being adapted to the requirement of individual industries, e.g. medical in the case of Atmosfera MEM (Medical

Equipment Management). Leveraging the architecture and technology of the base solution, the new modules significantly extend the product application scope and the group of its potential users.

mPay platform

This is a technology platform enabling cell phone payments to be effected and settled. The project is being implemented in close collaboration with the Issuer's subsidiary mPay S.A. The platform is currently used to provide commercial services in the networks owned by Polkomtel (Plus, Sami Swoi) and P4 (Play). The work performed in 2007 concerned the extension of platform functionality with respect to the introduction of new services as well as enhancing the reliability and security level of the services provided. The work on extending service offerings and enhancing the technical aspects of the platform will be continued in 2008.

SMaCS Platform

Another proprietary solution created and developed by the Issuer within the framework of an in-house project is the ATM SMaCS system used to manage services in IP networks. This system allows for a more efficient management of 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 the required security level and accuracy of settlements in line with the rules set by the operator, both on a pre-paid and subscription basis.

Network monitoring

The project, which was implemented in order to enhance the management of the Issuer's proprietary service infrastructure, concerns the monitoring of the power supply network and environmental parameters of server rooms situated on the Issuer's site. It is used to monitor and present the parameters defined as well as to trigger alarms. The parameters controlled include the electrical and power backup subsystems as well as environmental ones (e.g. temperature). The system includes a customer context module, which makes it possible to generate and store reports for individual customers concerning selected parameters for an individual node within the timeframe specified. The solution enables the delivery of reports by e-mail as well as Web browser visualization and includes an interface to the SMaCS system.

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

	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2007</u>	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2006</u>
PC-TV platform	3,118	1,261
mPay platform	2,220	
Sputnik software	830	
Atmosfera platform	624	725
Impulsy software	579	
SMaCS Platform	323	
Network monitoring	178	
ATM service software	4	
POS-TV platform		900
BCP platform		230
VoIP platform		208
Remote Archive platform		79
	<u>7,856</u>	<u>3,403</u>

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.

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

As at December 31, 2007 and December 31, 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 from January 1 to December 31, 2007

	<u>Costs of completed development work</u>	<u>Concessions and licenses</u>	<u>Perpetual usufruct rights</u>	<u>Other intangible assets</u>	<u>Total</u>
Gross value					
As at January 1, 2007	3,753	5,437	-	-	9,190
Increases:					
- acquisition	14,704	6,228	-	912	21,844
- developed in-house	-	-	-	-	-
- acquired as a result of business combination	-	11	321	340	672
Decreases:					
- sale	-	6	-	42	48
- liquidation	1	382	-	-	383
- transfers	10,052	-	-	-	10,052
As at December 31, 2007	8,404	11,288	321	1,210	21,223
Write-offs					
As at January 1, 2007	172	1,664	-	-	1,836
Increases:					
- depreciation	452	1,215	-	67	1,734
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	4	191	195
Decreases:					
- sale and liquidation	1	387	-	10	398
As at December 31, 2007	623	2,492	4	248	3,367
Net as at December 31, 2007	7,781	8,796	317	962	17,856

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

	<u>Costs of completed development work</u>	<u>Concessions and licenses</u>	<u>Perpetual usufruct rights</u>	<u>Other intangible assets</u>	<u>Total</u>
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:					
- depreciation	102	138	-	-	240
- impairment	-	-	-	-	-
		17			17
Decreases:					
- sale					
- 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

**NOTA 13.
FIXED ASSETS**

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Fixed assets		
Land	341	341
Buildings and structures	41,199	21,145
Machinery and equipment	25,943	20,062
Means of transportation	5,687	3,222
Other	140	174
Fixed assets under construction	13,484	1,966
Advances for fixed assets under construction	-	-
	<u>86,794</u>	<u>46,907</u>
of which:		
Fixed assets used under finance lease agreements	<u>17,454</u>	<u>10,546</u>

The Group has no liabilities to the State Treasury or regional government authorities arising from the acquisition of ownership title to buildings and structures.

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

- machinery and equipment with a value of PLN 12,770,000;
- means of transportation with a value of PLN 2,664,000;
- other assets with a value of PLN 2,020,000.

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, 2007 and December 31, 2006, there were no impairment write-downs concerning fixed asset.

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

Movements in the amount of fixed assets from January 1 to December 31, 2007

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
As at January, 1 2007	341	24,042	26,185	4,234	200	55,002
Increases:						
- acquisition	321	22,565	2,327	696	54	25,963
- acquisition as a result of business combination	-	-	8,436	1,591	6	10,033
- other	-	-	550	1,351	-	1,901
Decreases:						
- sale	-	611	341	184	-	1,136
- liquidation	-	-	114	-	6	120
- finance lease expiry	-	-	-	76	-	76
- donations	-	-	-	-	-	-
- other	321	-	-	-	-	321
As at December 31, 2007	341	45,996	37,043	7,612	253	91,245
Write-offs						
As at January, 1 2007	-	2,897	6,122	1,013	25	10,057
Increases:						
- depreciation	-	2,004	5,113	965	89	8,171
- impairment	-	-	8	3	0	11
Decreases:						
- sale and liquidation	-	104	145	56	1	306
- donations	-	-	3	-	-	3
- other	-	-	-	-	-	-
As at December 31, 2007	-	4,797	11,101	1,925	113	17,936
Net as at December 31, 2007	341	41,199	25,943	5,687	140	73,310

Movements in the amount of fixed assets 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
- finance 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

In 2008, the Group plans to allocate PLN 64,886,000 to development-related investments, of which:

- to the extension of the ATMAN network — PLN 33,000,000;
- to infrastructure upgrades — PLN 28,530,000;
- to development work — PLN 2,556,000;
- to software — PLN 800,000.

In 2007, the Group's capital expenditure amounted to PLN 58,749,000.

In 2007, the Company incurred no expenditure related to environmental protection and no such expenditure is planned in 2008.

NOTA 14. OTHER FINANCIAL ASSETS

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Shares in other undertakings	80	80
(-) Impairment write-downs	-	-
	<u>80</u>	<u>80</u>

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

NOTA 15. OTHER FIXED ASSETS

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Guarantee deposits	63	498
Trade receivables	13,774	12,019
Prepaid maintenance costs	126	231
	<u>13,963</u>	<u>12,748</u>
of which payable within:		
from 1 to 2 years	4,619	2,300
from 3 to 5 years	8,174	8,633
More than 5 years	446	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 12M WIBOR 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.

NOTA 16. INVENTORIES

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Materials	2,641	3,468
Work in process	-	175
Goods	5,685	2,285
Inventory write-downs	-	(493)
	<u>8,326</u>	<u>5,437</u>

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:

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Transfer of ownership of inventories	-	-
Pledge on inventories	<u>1,153</u>	<u>1,153</u>
	<u>1,153</u>	<u>1,153</u>

NOTA 17. TRADE AND OTHER RECEIVABLES

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Trade receivables from related undertakings	4,612	26,731
Trade receivables from other undertakings	75,956	49,388
Tax receivables	953	270
Payments on account	114	138
Other receivables	260	85
Receivables under litigation	-	291
Receivable write-downs	(664)	(538)
	<u>81,231</u>	<u>76,364</u>

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.

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

**NOTA 18.
OTHER CURRENT ASSETS**

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Prepaid maintenance costs	1,259	-
Subscriptions and other	959	130
Share issue costs	-	150
	<u>2,218</u>	<u>280</u>

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.

**NOTA 19.
CASH AND CASH EQUIVALENTS**

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Cash in hand	306	38
Cash in bank	69,220	5,281
Short-term deposits	230	4,190
	<u>69,756</u>	<u>9,508</u>

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.

**NOTA 20.
EQUITY**

Share capital

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Registered share capital	34,200	24,526
Treasury shares under management option scheme, not taken up	-	(151)
Hyperinflationary adjustment	197	197
	<u>34,397</u>	<u>24,572</u>

Registered share capital includes:

<u>Series</u>	<u>Number of shares</u>	<u>Face value</u>	<u>Registered date</u>	<u>Dividend rights</u>	<u>Paid for by</u>	<u>Share type</u>
A	1,800,000	13,680,000	10.07.97	10.07.97	ATM sp. z o. o. shares	ordinary
B	630,000	4,788,000	22.09.98	01.01.98	cash	ordinary
C	180,000	1,368,000	13.04.99	01.01.99	cash	ordinary
D	187,040	1,421,504	09.11.00	01.01.00	cash	ordinary
E	130,000	988,000	23.09.04	01.01.04	cash	ordinary
F	300,000	2,280,000	23.09.04	01.01.04	cash	ordinary
G	68,602	521,375,20	01.03.07	01.01.06	cash	ordinary
H	1,204,358	9,153,120,80	05.10.07	01.01.06	cash	ordinary
	<u>4,500,000</u>	<u>34,200,000</u>				
		Face value per share (PLN):		<u>7.60</u>		

In Current Report No. 75/2007 of December 14, 2007, the Management Board announced a change in the composition of the Issuer's share capital. As a result of the assimilation of series A–H shares into series A shares and the subsequent one-to-eight split of 4,500,000 series A ordinary bearer shares, 36,000,000 new series A shares with a face value of PLN 0.95 each were created. The change in share capital composition was registered on December 5, 2007. Pursuant to National Depository for Securities Resolution No. 2/08, shares listed after January 10, 2008 (split date) reflect the change in face value.

Share capital after change in composition:

<u>Series</u>	<u>Number of shares</u>	<u>Face value</u>	<u>Registered date</u>	<u>Dividend rights</u>	<u>Paid for by</u>	<u>Share type</u>
A	36,000,000	34,200,000	5.12.2007	*)	cash	ordinary
		Face value per share (PLN):		<u>0.95</u>		

*) Dividend rights shall be stipulated by the resolution concerning the distribution of 2007 profit.

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 series E shares with a face 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 2006 was the Company achieving a 2005 net profit of at least PLN 8,033,000. The condition for shares to be allocated in 2007 was the Company achieving a net profit for 2006 and ATM S.A. shares listed on the Warsaw Stock Exchange reaching the price of at least PLN 100 at the closing bell of the last session in 2006.

The following numbers of the Issuer's shares were taken up during individual Incentives Scheme implementation periods:

<u>Incentives Scheme Member</u>	<u>Shares taken up in 2007</u>	<u>Shares taken up in 2006</u>
Management Board	2,690	56,028
Key management staff	16,300	4,250
Employees	18,000	6,550
Total	36,990	66,828

The incentive scheme is recognized according to IFRS 2 "Share-Based Payment" principles.

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 21,000 in 2006 and PLN 0 in 2007.

The final recognition of the 2004 incentives scheme occurred in August 2007.

Ownership structure

The ownership structure of the Issuer's share capital as at December 31, 2007 was as follows:

<u>Shareholder</u>	<u>Number of shares*</u> <u>31/12/2007</u>	<u>%</u>	<u>Number of shares</u> <u>31/12/2006</u>	<u>%</u>
Tadeusz Czichon — Management Board Vice-President	5,904,000	16.40%	720,400	22.32%
Roman Szwed — Management Board President	3,635,984	10.10%	452,225	14.01%
ING Nationale-Nederlanden Polska OFE	3,505,144	9.74%	-	0.00%
Polsat OFE	3,580,920	9.95%	253,822	7.87%
AIG TFI	1,860,624	5.17%	-	0.00%
Other shareholders	17,513,328	48.65%	1,780,753	55.19%
Sub-issuer	-	0.00%	19,840	0.61%
	<u>36,000,000</u>	<u>100.00%</u>	<u>3,227,040</u>	<u>100.00%</u>

* The number of shares has been converted according to the number of shares held after the split of January 10, 2008.

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

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Retained earnings brought forward, of which:		
Statutory supplementary capital	10,020	8,175
Profit distribution (above the statutory amount)		2,750
IFRS implementation profits (losses)	2,969	2,969
Management option scheme profits (losses)	-	102
Consolidation profits (losses)	690	
Current period profit (loss)	21,068	26,435
	<u>34,747</u>	<u>40,431</u>

Retained earnings 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 (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 earnings) cannot be distributed among Shareholders.

**NOTA 21.
MINORITY CAPITAL**

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
<i>Minority capital applies to the following Group undertakings:</i>		
KLK Sp. z o. o. (formerly KLK – Technologie Informatyczne sp. z o. o.)	2,298	1,614
mPay Group (formerly ATM-Mobile)	2,110	445

Sputnik Software Sp. z o.o.	624	-
ATM Services sp. z o. o.	260	198
Impulsy Sp. z o. o.	162	-
Cineman sp. z o. o.	149	258
iloggo sp. z o. o.	59	97
	<u>5,662</u>	<u>2,612</u>

NOTA 22. BANK LOANS AND OTHER LOANS

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Bank loans	2,429	6,790
Other loans	100	-
	<u>2,529</u>	<u>6,790</u>
of which:		
<i>Long-term portion</i>	2,283	
Bank loans	2,283	
Loans from shareholders	-	
<i>Short-term portion</i>	246	
Bank loans	146	6,790
Loans from shareholders	100	-
<i>Bank loans and other loans due:</i>		
within one year	246	6,790
from 1 to 2 years	1,164	
from 3 to 5 years	1,119	
More than 5 years	-	
	<u>2,529</u>	<u>6,790</u>

Currency composition of loans

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
PLN loans	2,529	6,790
EUR loans	-	-
	<u>2,529</u>	<u>6,790</u>

Average loan interest rates

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Interest rate on loans contracted by Group undertakings:		
Authorized overdrafts	5.75%	
PLN bank loans	6.30%	5.84%
EUR bank loans		

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, 2007

Lender	Base loan value			Short-term portion		Long-term portion		Interest rate	Repayment date	Security
	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			
BRE Bank SA in Katowice (mortgage loan)	8,000	-	-	246	-	2,283	-	WIBOR 1M plus bank margin	24.06.2022	1) a mortgage amounting to PLN 8,000,000 and a capped mortgage for an amount of up to PLN 1,760,000; 2) blank promissory note; 3) assignment of insurance policy receivables,
	8,000	-		246	-	2,283	-			

Specification of liabilities arising from bank loans as at December 31, 2007

<u>Lender</u>	<u>Base loan value</u>			<u>Short-term portion</u>		<u>Long-term portion</u>		<u>Interest rate</u>	<u>Repayment date</u>	<u>Security</u>
	<u>Loan amount, PLN thousand</u>	<u>Loan amount in loan currency</u>	<u>Loan currency</u>	<u>Loan amount in PLN</u>	<u>Loan amount in loan currency</u>	<u>Loan amount in PLN</u>	<u>Loan amount in loan currency</u>			
BRE Bank SA in Warsaw	6,754	-	-	6,754	-	-	-	WIBOR 1M plus bank margin	31.12.2007	blank promissory note with a promissory note declaration 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;
BRE Bank SA in Katowice	432	-	-	36	-	-	-	WIBOR 1M plus bank margin	31-03-2007	2) blank promissory note; 3) insurance of property and movables and the assignment of receivables arising from it,
	7,186	-		6,790	-	-	-			

NOTA 23. PROVISIONS FOR LIABILITIES

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Provision for warranty repairs	127	55
Provisions for maintenance costs	55	-
Bonus provisions	472	
General risk provisions	5	
Provisions for balance sheet audit	63	
Provisions for bank guarantee costs	2	
Provisions for pension benefits	3	
	<u>727</u>	<u>55</u>
of which:		
Long-term portion		
Provision for warranty repairs	-	-
Provisions for maintenance costs	127	
General risk provisions	-	-
Provisions for expenses	51	
Provisions for bank guarantee costs	5	
	<u>183</u>	<u>-</u>
Short-term portion		
Provision for warranty repairs	55	55
General risk provisions		-
Provisions for bank guarantee costs	2	
Provisions for balance sheet audit	15	
Bonus provisions	472	
	<u>544</u>	<u>55</u>

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.

NOTA 24. LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Trade liabilities to related undertakings	-	-
Trade liabilities to other undertakings	-	-
Prepaid undelivered performances and maintenance service costs	-	287
Subsidies for fixed asset financing	3,240	890
Other	4	
	<u>3,244</u>	<u>1,177</u>
of which payable within:		
from 1 to 2 years	15	99
from 3 to 5 years	3,232	890
More than 5 years	1	188

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

NOTA 25.**SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES**

	<u>End of period,</u> <u>December 31,</u> <u>2007</u>	<u>End of period,</u> <u>December 31,</u> <u>2006</u>
Trade liabilities to related undertakings	926	47
Trade liabilities to other undertakings	57,146	25,144
Liabilities arising from taxes and social insurance	12,335	10,742
Advances received	29	3,162
Payroll liabilities	57	9
Other liabilities and accruals, including:	10,136	11,957
liabilities arising from the purchase of shares	-	8,206
liabilities arising from bonuses	15	-
liabilities arising from outstanding leaves	188	167
settlements related to uninvoiced expenses	7,698	3,121
Subsidies	1,018	159
other liabilities	1,217	304
	<u>80,629</u>	<u>51,061</u>

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

In 2007, 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 2007 amounted to 28.45%). 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, 2007, liabilities to this supplier came to PLN 17,786,000.

NOTA 26.**OTHER FINANCIAL LIABILITIES**

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

	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2007</u>	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2006</u>
Amount of liabilities arising from finance leases due within:		
- one year	5,601	3,099
- two to five years	10,966	7,495
- more than five years	3,846	-
	<u>20,413</u>	<u>10,594</u>
	(1,753)	
Future interest expenses (-)	<u>18,660</u>	<u>(843)</u>
Present value of future liabilities	<u>18,660</u>	<u>9,751</u>
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	<u>4,942</u>	<u>2,824</u>
	<u>13,743</u>	
Amounts due after more than 12 months, within:		
- two to five years	10,082	6,927
- more than five years	3,661	-

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets. As at December 31, 2007, the Issuer was party to 85 agreements, under which it leased fixed assets with a total net value of PLN 16,580,000 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 and YEN. 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.

NOTA 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 original value 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. Pursuant to the agreement of January 22, 2008, the Issuer purchased the telecommunications infrastructure back; the repurchase price was PLN 20,381,000. The amount of the last lease installment due in 2008 was PLN 193,000.

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

	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2007</u>	<u>For period</u> <u>from January</u> <u>1 to</u> <u>December</u> <u>31, 2006</u>
Expenses related to property operating lease	3,013	2,502
Expenses related to infrastructure operating lease	2,698	-
	<u>5,711</u>	<u>2,502,</u>

Minimum lease payments for property lease were as follows:

	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2007</u>	<u>End of</u> <u>period,</u> <u>December</u> <u>31, 2006</u>
One year or less	2,843	2,520
From one up to five years	12,394	10,080
More than 5 years	25,045	22,899
	<u>40,282</u>	<u>35,499</u>

NOTA 28.

BUSINESS COMBINATIONS

As stated in Note 1, item 2, in 2007 the Issuer purchased shares in the following undertakings:

- On March 16, 2007, the share capital of ATM Mobile sp. z o. o. was increased by PLN 2,800,000 by:
 - the combination of ATM-Mobile sp. z o. o. and Mobile Konsultant Henryk Kułakowski sp. j., which resulted in the establishment of 4,800 new shares taken up by partners in the Mobile Konsultant Henryk Kułakowski sp. j. registered partnership and the increase in capital by PLN 2,400,000;
 - the establishment of 800 new shares taken up by ATM S.A. and the paying up of said shares;
- On March 27, ATM S.A. acquired 600 shares in the Sputnik Software Sp. z o. o. company at the total price of PLN 3,000,000, giving it a 60% stake in the share capital and votes at the General Shareholders' Meeting. The activities of Sputnik Software focus on software development and IT service delivery for the public sector. The company is a leader in the market of software solutions for local government administration.
- On May 10, 2006, ATM S.A. and the Linx Telecommunications B.V. company signed a Subscription Agreement. Under the agreement, Linx Telecommunications issued new shares which were taken up by ATM. Following the issue, ATM holds 21.79% of Linx Telecommunications share capital. Linx Telecommunications is one of the most dynamic independent telecommunications operators operating in Central and Eastern Europe.
- On August 13, 2007, the Centrum Badawczo-Rozwojowe ATM-Lab sp. z o. o. company with registered office in Warsaw was established. The share capital of the newly established company amounts to PLN 50,050. ATM S.A. took over 1000 shares with the face value of 50 PLN each, worth 50,000 PLN in total, which constitutes 99.9% of shares in the company's initial capital. One share

which constitutes 0.1% of the share capital of the newly incorporated company was taken up by mPay International sp. z o. o. (formerly ATM-Mobile sp. z o. o.). The Centrum Badawczo-Rozwojowe ATM-Lab sp. z o. o. research and development center was established owing to the fact that ATM S.A. is engaged in an increasing number of research and development projects.

- On October 29, 2007, ATM S.A. took up 72% of shares in the Impulsy sp. z o. o. company with registered office in Warsaw. For over a dozen years, Impulsy sp. z o. o. has provided medical IT services in Poland, focusing mainly on the deployment of dedicated software for medical institutions and related consulting services.

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:

	Sputnik Software	Impulsy
Fixed assets		
Intangible assets	153	
Property, plant and equipment	800	3
Other financial assets	-	
Deferred income tax assets	-	
Other fixed assets	-	
	<u>953</u>	<u>3</u>
Current assets		
Inventories	146	177
Trade and other receivables	249	561
Other current assets	19	419
Cash and cash equivalents	66	278
	<u>480</u>	<u>1,435</u>
Total assets	<u>1,433</u>	<u>1,438</u>
Long-term liabilities		
Provisions for deferred tax	-	-
Long-term trade and other liabilities	-	-
Other financial liabilities	-	-
	<u>-</u>	<u>-</u>
Short-term liabilities		
Bank and other loans	126	-
Provisions for liabilities	-	293
Trade and other liabilities	417	813
Other financial liabilities	142	
Accruals		102
	<u>685</u>	<u>1 208</u>
Total liabilities	<u>685</u>	<u>1 208</u>
Recognized net assets	<u>748</u>	<u>230</u>
Recognized goodwill	2,586	2,163
Total acquisition price accounting for deferred payments	3,035	2,304
Net cash flows arising from undertaking acquisition	(2,969)	(2,026)

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.

As a result of the acquisition of a minority share in the Linx Telecommunications B.V. company, the purchase of shares in this company was accounted for using the equity method. The investment was initially recognized at the acquisition price, and then, after the acquisition date, its value was appropriately adjusted by the change in the Issuer's share in the net assets of the undertaking. As at December 31, 2007, the Issuer's profit or loss also includes the investor's share of the profit or loss of the undertaking.

NOTA 29. CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Financial receivables under litigation	291	291
	<u>291</u>	<u>291</u>

As at December 31, 2007, 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, 2007, the case remained undecided.

Contingent liabilities

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
To related undertakings:	-	-
To other undertakings:		
1. Bank guarantees received:		
- performance bonds and tender bonds	8,080	4,635
2. Mortgage security:		
- bank loan security	18,060	2,162
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	2,500	2,500
- endorsements to banks related to loans granted	1,153	1,153
	<u>29,793</u>	<u>10,450</u>

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.

Since the end of the fiscal year 2006 there have occurred the following changes in contingent liabilities:

a) granted guarantees and sureties were increased by the amount of PLN 3,445,000 which results from:

- the expiration of bank guarantees (tender guarantees and performance bonds) at PLN 4,132,000,
 - the establishment of performance bonds for tenders and contracts in the form of bank guarantees at PLN 7,577,000;
- b) mortgage securities increased by PLN 15,898,000 which results from:
- loan repayment and expiration of security in the amount of PLN 427,000,
 - increase in credit and security by the amount of PLN 6,610,000,
 - contracting a mortgage and establishing a security in the amount of PLN 9,760,000.

No changes occurred concerning pledge security.

NOTA 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 with all related companies has been presented in the table below:

Item	PLN thousand			
	Receivables	Liabilities	Purchases	Revenues
ATM Services Sp. z o.o.	75	19	441	125
mPay International Sp. z o.o.	1	0	0	19
lloggo Sp. z o.o.	15	0	27	30
mPay SA	261	0	0	928
Rec-order Sp. z o. o.	12	0	0	9
Cineman sp. z o. o.	9	0	0	46

KLK sp. z o. o.	476	669	1,477	3,728
ATM PP Sp. z o.o.	4,232	494	3,928	16
A. Chalimoniuk i Wspólnicy, ATM S.J.	0	24	686	4
Sputnik Software Sp. z o. o.	0	0	4	25
CBR ATM Lab sp. z o. o.	11	0	0	16
Linx Telecommunication	37	9	19	15
Total	5,129	1,215	6,582	4,961

During the periods covered by the consolidated financial statements, 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 the Management Board, Supervisory Board and Directors of the Issuer. The remuneration paid to these persons, divided into main benefit types, has been presented in the table below:

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Short-term employee benefits	3,419	2,849
Benefits after the employment period	-	-
Management options	-	21
Severance pay	-	-
	<u>3,419</u>	<u>2,870</u>

The short-term employee benefits referred to above concern:

	<u>End of period, December 31, 2007</u>	<u>End of period, December 31, 2006</u>
Management Board	900	921
Supervisory Board	246	216
Directors and managers	2,768	1,712
	<u>3,419</u>	<u>2,849</u>

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.

From January 1 to December 31, 2007, the Company conducted no transactions with related undertakings related to the assignment of rights and obligations.

Joint projects that would be subject to full consolidation or consolidation using the equity method.

No joint projects were conducted in 2007 that would be subject to full consolidation or consolidation using the equity method.

**NOTA 31.
FINANCIAL INSTRUMENTS****FINANCIAL INSTRUMENTS*****1. Capital risk management***

The Group manages its capital in order to ensure that its undertakings will be able to continue as going concerns, while at the same time maximizing their profitability by optimizing their debt-to-equity ratios.

The Group regularly reviews its capital structure. Such reviews involve the analysis of cost of equity and the risk related to its individual categories. Based on the analyses, appropriate measures are planned in order for the Group to maintain a proper capital structure. The most important factors subject to analysis are:

- bank loans — disclosed in Note 22;
- cash and cash equivalents — disclosed in Note 19;
- parent undertaking shareholders' equity, including shares issued, capital reserves and retained earnings — disclosed in Notes 20 and 10.

The dividend policy is among the risk management measures. 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.

2. Financial risk management objectives

Principal financial instruments used by the Group include bank loans (Note 22), finance lease agreements (Note 26), cash and deposits (Note 19) and securities investments (Note 14). The main purposes of these instruments include raising funds for the Group's operations, liquidity risk management and short-term investment of surplus liquid funds. The Group also uses other financial instruments, including trade receivables and liabilities (Notes 15, 17, 24 and 25), which, however, are directly related to its operations.

The main risks arising from the Group's financial instruments include credit risk and liquidity risk as well as interest rate risk and foreign exchange risk. The exposure to these risks and their causes have been presented in the items below.

The Group has no assets or liabilities measured at fair value, held for trading, embedded or derivative financial instruments. The Group does not use hedge accounting, and during the period covered by the consolidated financial statements it neither extended loans nor was party to financial guarantee contracts.

During 2006 and 2007:

- no financial instruments were reclassified between categories within the meaning of IAS 39;
- the Group did not dispose of its financial assets in a manner that would prevent their removal from the balance sheet despite their transfer to a third party;
- the Group received no financial or non-financial assets within the framework of enforcement proceedings concerning security for its financial assets.

3. Material accounting policies

A detailed description of material accounting policies and methods used, including the criteria for recognition, basis for valuation and policies concerning the recognition of revenues and costs with regard to individual financial asset, financial liability and capital instrument categories has been presented in Note 2 to the financial statements.

4. Financial instrument categories and classes

Financial assets and liabilities broken down into categories (as per IAS 39) were as follows:

	31/12/07	31/12/06
	PLN'000	PLN'000
Financial assets		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	164,161	98,389
Financial assets available for sale	80	80
Financial liabilities		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Financial liabilities	100,799	67,731
Financial guarantee contracts	-	-

Taking into account the nature and specific features of the financial instrument categories presented above, the following classes of instruments have been distinguished within individual groups:

With regard to the own receivables category

	31/12/07	31/12/06
	PLN'000	PLN'000
Receivables from related undertakings (Note 17)	4,612	26,731
Short-term receivables from other undertakings (Note 17)	75,956	49,633
Long-term receivables from other undertakings (Note 15)	13,837	12,517
Cash and cash equivalents (Note 19)	69,756	9,508
Total	164,161	98,389

With regard to the financial liabilities category

	31/12/07	31/12/06
	PLN'000	PLN'000
Liabilities arising from loans (Note 22)	2,529	6,791
Liabilities to related undertakings (Note 25)	926	47
Short-term liabilities to other undertakings (Note 25)	78,684	50,855
Long-term liabilities to other undertakings (Note 24)	0	287
Liabilities arising from finance leases (Note 26)	18,660	9,751

Total	100,799	67,731
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With regard to the Financial assets available for sale category

The Group holds shares in other undertakings amounting to PLN 80,000 (Note 14), including 0.053% of shares in Górnośląskie Towarzystwo Lotnicze in Katowice. This is not a listed undertaking.

5. Fair value of financial instruments

According to the estimates of the Management Board of the parent undertaking, the values of individual financial instrument classes listed above do not differ significantly from their fair values; for shares in Górnośląskie Towarzystwo Lotnicze in Katowice, no reliable method exists for estimating their fair value.

6. Credit risk

Credit risk is the risk of a counterparty defaulting on its obligations, thus exposing the Group to financial losses. The Group operates a policy of concluding transactions exclusively with counterparties whose creditworthiness has been verified; when required, appropriate security is obtained in order to mitigate the risk of financial losses caused by a breach of contractual terms. The Group's exposure to the risk related to the counterparties' credit ratings is subject to ongoing monitoring and the aggregated value of transactions concluded is divided among approved counterparties. Credit risk control is enabled by limits, which are verified and approved annually by the Management Boards of Group companies.

The Group is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties. There is no risk concentration linked to the existence of a single purchaser or a group of related purchasers from whom the Group would obtain revenues in excess of 10% of the total revenue amount, either.

The Group 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 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.

As at December 31, 2007, financial asset impairment write-downs came to PLN 664,000; as at December 31, 2006, they were PLN 538,000. These write-downs concern own receivables from other undertakings, of which PLN 304,000 are receivables currently under litigation, and PLN 360,000 are receivables which will likely prove uncollectible according to the Group's estimates.

As at December 31, 2007 and December 31, 2006, no financial asset items were present whose repayment terms had been renegotiated.

No significant security has been established for the benefit of the Group arising from the financial assets held by the Group.

6. Liquidity risk

The Group has developed an appropriate liquidity risk management system for the purposes of managing short-, medium- and long-term funds of the Group and in order to satisfy liquidity management requirements. The Group manages its liquidity risk by maintaining an appropriate amount of capital reserves, by taking advantage of banking services offered and using reserve credit facilities, by monitoring forecasted and actual cash flows on an ongoing basis and by analyzing the maturity profiles of its financial assets and liabilities.

NOTA 32. EVENTS AFTER THE BALANCE SHEET DATE

- On January 22, 2008, the capital of the mPay International Sp. z o. o. company was increased pursuant to the resolution of the Extraordinary Meeting of Shareholders. The capital was increased by PLN 2,000,000, i.e. from PLN 7,250,000 to PLN 9,250,000 by the establishment of 4,000 new shares at PLN 500 each. 2,400 shares were taken up by ATM S.A. and 1,600 by Henryk Kułakowski. Pursuant to the resolution of February 7, 2008, the newly established shares are to be paid up by March 31, 2008.
- On March 8, 2008, by resolution of the Extraordinary General Meeting of Shareholders capital in Impulsy Sp. z o.o. was increased by PLN 30,000 by establishment of 15 new shares. All the new shares were taken up by ATM S.A. The share premium of PLN 930,000 resulting from the acquisition of shares was recognized in supplementary capital.
- On March 26, 2008, ATM S.A. took up all shares in the newly established company named Centrum Innowacji ATM sp. z o. o. with registered office in Warsaw. The share capital of the newly established company amounts to PLN 50,000. ATM S.A. took up 1000 shares with the face value of 50 PLN each, worth 50,000 PLN in total, which constitutes 100 per cent of shares in the company's initial capital. Centrum Innowacji ATM sp. z o.o. was established with a view to the intended commencement of activity of ATM S.A. in the Łódź Special Economic Zone, Warsaw subzone, Grochowska complex. To make it reality, there is a need to assign this part of ATM S.A. operations, which is to be run solely in the Zone. The company was established to enable taking legal and formal steps to sign applicable agreements with the entity managing the Special Economic Zone to be able to run business in the Zone.
- On March 31, 2008, the composition of the Management Board of the Cineman Sp. z o. o. company changed. Ms. Barbara Czałbowska was dismissed, and as from April 1, 2008, Ms. Ewa Lipińska became Vice-President.

NOTA 33. DIFFERENCES IN COMPARISON TO PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

No significant events pertaining to previous years occurred that would have to be included in consolidated financial statements for the financial year 2007. The comparable data included in 2007 statements do not differ from the data included in published 2006 statements.

NOTA 34. AVERAGE EMPLOYMENT INFORMATION

Number of employees	Dec 31, 2007	Dec 31, 2006
Manual workers	15	12
Non-manual workers	403	301
Total employment	418	313

THE MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF THE ATM CAPITAL GROUP IN 2007

1. Economic and financial highlights

The IT products and services market continues to change rapidly, with respect both to the products offered and the competitive environment. In order to strengthen its market position, ATM S.A. continued to build its Group of Companies. In 2007, we purchased shares in Sputnik Software Sp. z o. o., which is a company specializing in software sales to public institutions, as well as a minority stake in the international telecommunications operator Linx Telecommunications B.V., we established the Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o. o. company providing software research and development services and purchased shares in the Impulsy Sp. z o. o. company, which develops software (the Electronic Patient Card) for medical institutions.

The development of the Group of Companies has resulted in the increase in sales revenue and the growth of total assets in consolidated financial statements. Apart from the rise in the Issuer's sales, also Group companies — KLK sp. z o. o. and Sputnik Software sp. z o. o. — have recorded increases in their sales revenues. The increase in total assets has been caused by the growth in company goodwill and its long-term shares as well as the rising amount of intangibles related to the Group's research and development expenditure. Almost all Group companies record research and development expenditure: most of it is incurred by the Issuer, but it is also made in connection with the launch and improvement of the mobile payment platform by mPay S.A. and the Electronic Patient Card project being developed by Impulsy Sp. z o. o. and partly funded by the European Union.

During 2007, the Group's liquidity ratios improved. In 2007, the Issuer repaid its obligations contracted in the previous year in order to purchase KLK Sp. z o. o. shares. In 2007, purchases of shares in companies were mainly funded by share issues.

Compared to 2006 financial statements, there have been no changes in accounting principles — consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards again.

In accordance with the forecasts, the results for 2007 were significantly better than those of the preceding year. Consolidated sales revenue grew by 78.5%, gross profit on sales by 52% and consolidated profit decreased by 19.5%.

The consolidated balance sheet of the Group of Companies shows an increase in fixed assets by 258%. This testifies to very robust investments of the Group in:

- developing and upgrading property, plant and equipment, in particular telecommunications infrastructure, aimed at improving the Group's position in the advanced ICT services market (a net value increase of PLN 19.3 million);
- building up intangible assets — mainly new hardware-software platforms, essential for providing entirely new data communication services (a net value increase of PLN 10.5 million);
- the acquisition of new companies with operations complementary to the activities of the parent company as well as companies entering the market with innovative products, complementing the Group's existing business.

As at the end of 2007, the equity of the Group of Companies was PLN 255.5 million (a 168% increase on the preceding year).

2. Risks and threats

ATM S.A. products have a unique position in the market thanks to the Company's unique combination of competences related to the integration of ICT systems, telecommunications and software development. The Company holds a leading position in the market of supercomputer solutions for science, provides production systems for telecommunications operators and advanced telecommunications services predominantly for financial institutions, media and telecommunications operators.

In the opinion of the Management Board, the current favorable economic climate, involving a general increase in investments as well as integration with European markets, mitigates the risks associated with the

core business of the Issuer. Threats include the risk of a downturn in current favorable trends and deterioration of the economic climate as well as the failure of the European integration process.

A different type of risk is associated with the Issuer's investments in start-up companies. The ATM S.A. *corporate venturing* program assumes increased risk. The market success of the envisaged innovative services is not certain. Neither are the prospects of meeting the financial forecasts related to the sales of the new services. The ATM S.A. Management Board has taken all reasonable measures to mitigate these risks. Investment processes and the progress of development work at subsidiaries are being closely monitored. The technical tests and pilot implementations have confirmed the feasibility of the services and the possibility of achieving the intended technical parameters. Presentations at global conferences and fairs justify our optimism concerning the success of the challenges undertaken.

3. Other information

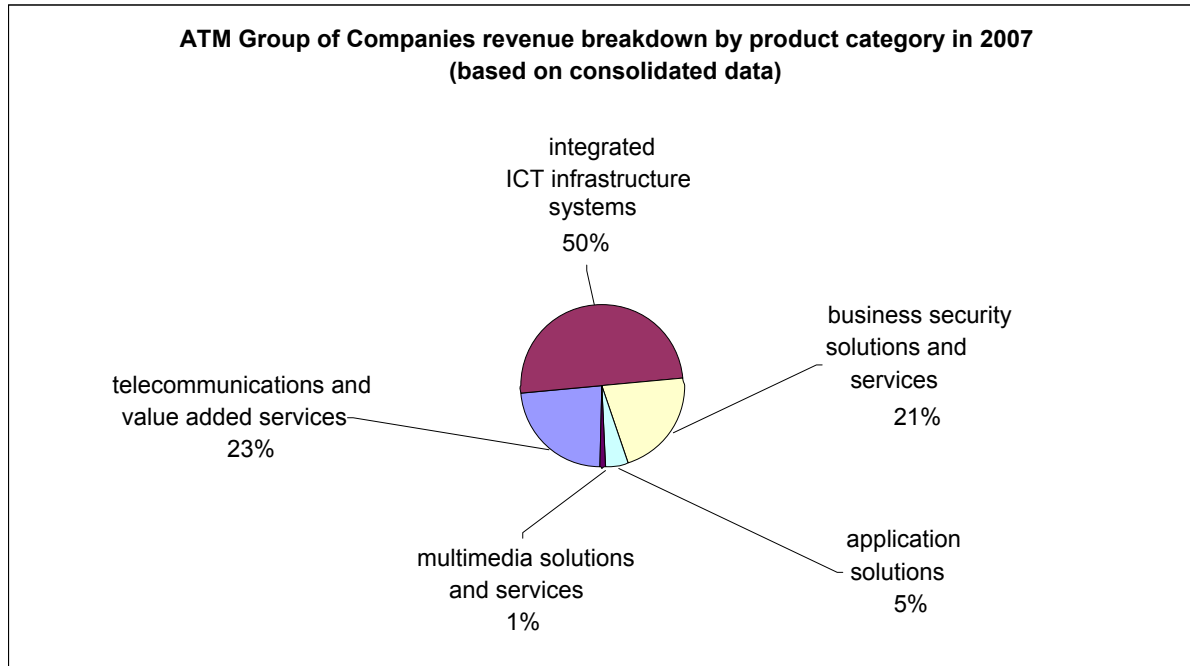
3.1. Core products

Group companies do not develop or offer services targeted directly at the consumer market (except for the iloggo online community site and the currently developed Cineman.pl Web site for cinema lovers). Most of the products and services offered are of a complex nature and do not lend themselves to easy classification. The services provided by the Group of Companies are tailored to the specific needs declared by business customers. Although a group of standardized products may be identified, these are adapted to the specific features of individual orders in every case. The services and products offered by the Group are based on combining competences related to systems integration, telecommunications services and software development, which makes the Group's offerings unique and distinguishes it in the IT market. In many cases it is hard to distinguish individual components, and as a consequence, the ATM S.A. Management Board considers any attempts to adhere rigorously to such classifications misleading. However, the list below may be a convenient starting point for those who wish to gain knowledge about the commercial offerings of the Group as well as indicates the possible sources of competitive advantage compared to other IT industry undertakings.

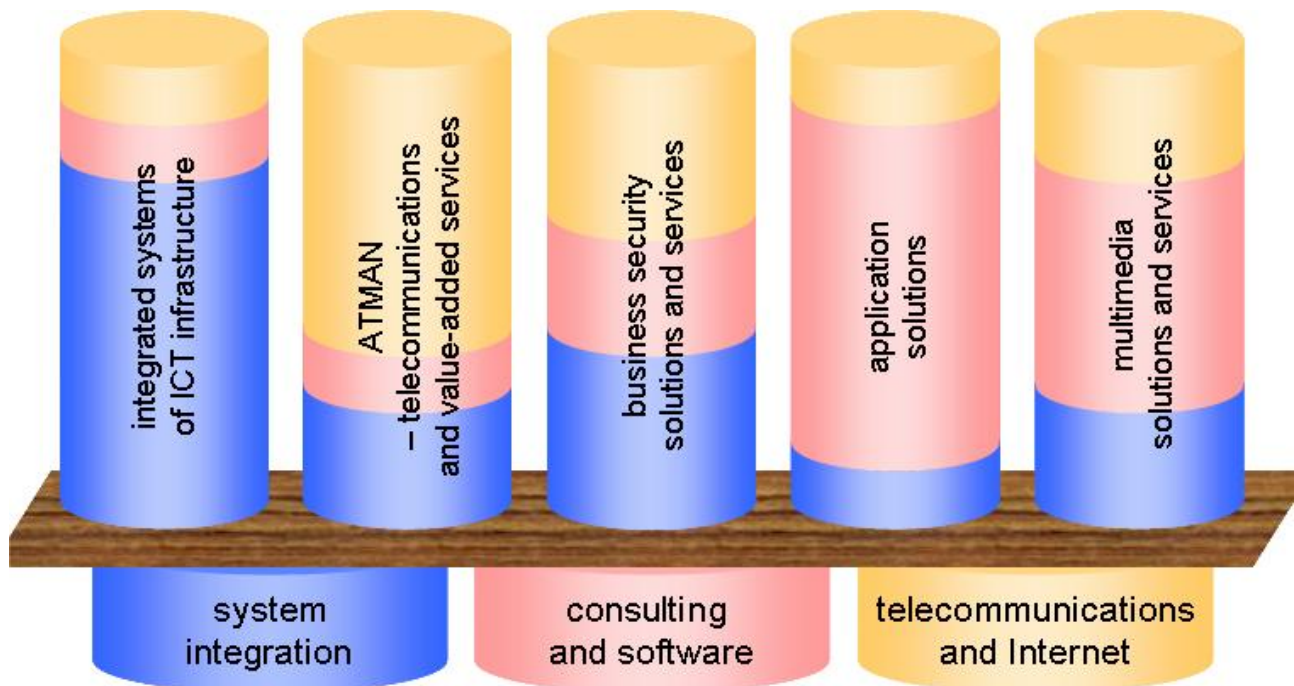
The ATM S.A. products fall into five areas:

- integrated ICT infrastructure systems;
- telecommunications and added services provided under the ATMAN brand;
- business security solutions and services;
- application solutions;
- multimedia solutions and services.

Below is the breakdown of the ATM Group of Companies sales revenue by product category:



The diagram below presents ATM S.A. range of products and services on offer:



The ATM Capital Group companies complement the core ATM S.A. products with:

- professional data center infrastructure systems and professional uninterruptible power supply systems (KLK Sp. z o. o.)
- equipment and desktop maintenance outsourcing for small and medium-sized enterprises and institutions (ATM Services ;
- a significant increase in telecommunications network coverage and access to international markets for telecommunications products and services (Linx Telecommunication B.V.);
- dedicated software for local government administration (Sputnik Software Sp. z o. o.);

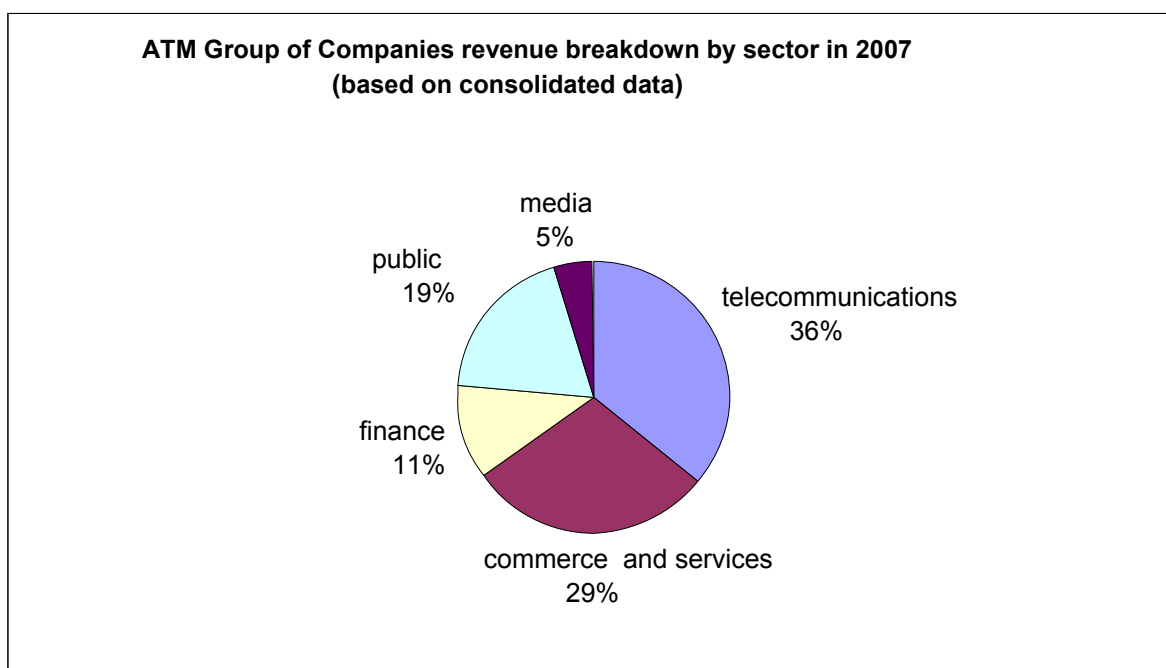
- dedicated IT systems for institutions providing medical services (Impulsy Sp. z o. o.)
- online distribution of "Premium" class movies (Cineman Sp. z o. o.);
- Web 2.0 online community site (iloggo Sp. z o. o.);
- innovative mobile payments system (mPay S.A.).

3.2. Changes in markets and supplies

In 2007, the territorial range of markets in which the ATM S.A. Group of Companies sells its products and services changed as a result of the Company's capital involvement in the Dutch telecommunications operator Linx Telecommunications BV. As concerns its telecommunications offerings, the Issuer gained access to new international markets (Russia, Estonia, Lithuania, Latvia and Ukraine) in the previous year. Linx Telecommunications also has an extensive network ranging from London to Moscow, and from Helsinki to Tbilisi, to which ATM now has direct access. However, with respect to other activity areas, the Group's offerings remain focused almost exclusively on the domestic market. Due to the complexity of the projects implemented and their generally nationwide character, the geography of the Group's markets cannot be presented in a more detailed manner. Most services provided by the ATM S.A. Group can be performed in any location across the country. The Group's customers are found in all regions of Poland. The position of the ATM Group of Companies is particularly strong in Mazovia as well as in the Upper Silesia region, where the Group's subsidiary KLK Sp. z o. o. has its headquarters and the main market for its services.

The key customers of the Group can be found in the following sectors:

- telecommunications (including cable television operators);
- banking and finance (including insurance companies);
- industry, commerce and services (including power distribution companies);
- science, media and public administration.



The Group does not significantly rely on any particular suppliers. In 2007, only in two cases did the sales revenue of the parent company from a single customer exceed 10% of its total sales (they were 13% and 12%, respectively). These customers are the Ministry of National Defense and Polska Telefonía Cyfrowa Sp. z o. o. As concerns the first customer, the revenue was the result of a one-off contract awarded by the customer following a public tender for the supply of IT equipment. As concerns the second customer, the revenue was the result of continued long-standing collaboration and several smaller projects and product deliveries. Because of the diversity of the products and services bought by this customer, the ATM S.A. Management Board estimates the reliance risk as insignificant for future financial results of the Group.

In 2007, the Issuer' collaboration with one of its suppliers (Cisco Systems) was significantly developed. Otherwise, there were no significant changes in the sources of supplies, products and services purchased by the Group's companies. The supply structure includes two major groups:

- related to the provision of telecommunications services and
- related to the integration of ICT systems.

The former group of suppliers includes telecommunications services purchased from domestic telecommunications providers.

The latter group is made up of a long list of products and services purchased from suppliers and contractors in relation to the Company's system integration activities. These can be divided into the following subgroups:

- network equipment;
- computer hardware
- software;
- installation and maintenance services.

The suppliers of products related to integration activities come from Poland and abroad — almost exclusively from the USA. The Group does not rely on any suppliers to a significant extent. Only one supplier — Cisco Systems — exceeds the 10% threshold in purchases made by the parent company; purchases from this supplier increased considerably in the previous year. It should be stressed that Cisco Systems is a leading IT company worldwide and the technologies offered by this manufacturer are very popular among ATM S.A. customers. In view of the stable position of Cisco as a global leader in the ICT market, and considering the highly successful development of collaboration as well as the demand for Cisco-based solutions observed, the ATM S.A. Management Board considers this reliance to pose no threat to the future of the Group. The Issuer is a Cisco Gold Certified Partner and offers numerous solutions based on Cisco technologies and equipment. Golden Partnership certification requirements for the Company include realistic prospects of achieving sales growth, which was confirmed by Cisco auditors during certification reassessment in spring 2007. The share of services based on the technology and equipment provided by this supplier in the total sales of the parent company amounted to 41.7% in 2007.

There are no links between the Group of Companies and the undertakings mentioned above other than those resulting from partnership agreements.

3.3. Contracts significant for the Group's activities

Contracts significant for the operations of the Issuer's Group of Companies are high value contracts with suppliers and customers. The Company discloses details concerning such contracts in the form of current reports (which are also available on the Issuer's Web site) if their value (with respect to a single undertaking), calculated in accordance with the definition provided in the Regulation of the Minister of Finance regarding current and periodical information submitted by issuers of securities, exceeds 10% of the Issuer's equity. However, no supplier (except for Cisco Systems) or customer company has a clearly dominant position. Therefore only the contract with Cisco Systems is critical for the ability of the ATM Group of Companies to operate. No contract significant for the Group was terminated or amended in a manner unfavorable for the Group's companies in the previous period. The Issuer is not aware of any contracts significant for the operations of the Issuer's Group of Companies concluded between the shareholders, nor of any insurance contracts or collaboration/cooperation contracts that could substantially affect the Issuer's Group's activities.

3.4. Organizational and capital relations with other entities and main investment activities

In 2007, ATM S.A., the parent company of the Group, acquired the following stakes in subsidiaries:

- On March 27, 2007, ATM S.A. acquired 600 shares of the Sputnik Software sp. z o. o. company with registered office in Poznań under the investment agreement which the Company announced in Current Report no. 3/2007 of January 26, 2007. The shares were acquired from natural persons for a total amount of PLN 3,000,000, and their total face value was PLN 150,000. The shares were paid for in cash, and the Issuer funded their acquisition from its own funds. .
- On August 13, 2007, ATM S.A. established the Centrum Badawczo-Rozwojowe ATM-Lab sp. z o. o. company and took up 1,000 shares with a face value of PLN 50 each, worth PLN 50,000 in total, which constitute 99.9% per cent of the company's share capital. One share which constitutes 0.1% of the share capital of the newly incorporated company was taken up by ATM-Mobile sp. z o. o. Shares were acquired from own resources of the Issuer. Centrum Badawczo-Rozwojowe ATM-Lab sp. z o.o. entitle to 99.9% of votes at the company's meeting of shareholders. Centrum Badawczo-Rozwojowe ATM-Lab sp. z o.o. is an entity connected to the Issuer only through the shares taken over by the Issuer.
- On August 21, 2007, ATM S.A. took up 2,750,000 shares from the new issue conducted by the Linx Telecommunications BV company with registered office in Amsterdam. The shares were acquired for a total amount of EUR 16.5 million, and their total face value is EUR 27,500. The Issuer's stake in the

share capital of Linx Telecommunications B.V. after taking up the shares is 22%, and the Issuer holds 22% of votes at its General Meeting of Shareholders. The shares were paid for in cash, and the source of financing of the deal were funds obtained from the public issue of the Issuer's H series shares.

- On October 29, 2007, ATM S.A. took up 36 shares in the Impulsy sp. z o. o. company with registered office in Warsaw. The shares were sold by natural persons, i.e. existing shareholders of Impulsy sp. z o. o. The shares were acquired for a total amount of PLN 2,304,000, and their total face value is PLN 72,000. The Issuer's share in the share capital of Linx Telecommunications B.V. after assuming the shares is 72 %, and the Issuer holds 72 % of votes in its General Meeting of Shareholders. The shares were paid for in cash using the Issuer's own funds.

As at December 31, 2007, the ATM S.A. Group of Companies included the following undertakings:

No	Company name	Core business	Dependence	Stake in share capital	Share in the overall number of votes
1	CBR ATM-Lab Sp. z o.o.	Research and development work	Subsidiary	99.9%	99.9%
2	KLK Sp. z o.o.	Integration of ICT systems	Subsidiary	78.74%	78.74%
3	Impulsy Sp. z o.o.	Systems for medical services industry	Subsidiary	72%	28%
4	Sputnik Software Sp. z o.o.	Software for local government institutions	Subsidiary	60%	60%
5	mPay International Sp. z o. o. (formerly ATM Mobile Sp. z o. o.)	Mobile payment settlement	Subsidiary	60%	60%
6	ATM Services Sp. z o.o.	IT services	Subsidiary	60%	60%
7	Iloggo Sp. z o.o.	Web services	Subsidiary	60%	60%
8	Cineman Sp. z o.o.	Web multimedia services	Subsidiary	51%	51%
9	Linx Telecommunications B.V.	Telecommunications services	Associate	21.79%	21.79%
10	Rec-order Sp. z o.o.	Online sales	Subsidiary	60%	40%
11	mPay S.A.	Mobile payment settlement	Subsidiary	60%	40%

To a lesser degree, investments in the property, plant and equipment of the Group were financed through financial leasing.

3.5. Transactions with related companies

In 2007, neither the Issuer nor any of its subsidiaries concluded transactions with related undertakings that would in total amount to more than the PLN equivalent of EUR 500,000.

3.6. Bank and other loans, endorsements and guarantees granted to Issuer's Group companies

As at the balance sheet date, the Issuer has no liabilities arising from loans contracted.

The KLK Sp. z o. o. company, which belongs to the Group of Companies, has liabilities arising from a mortgage loan amounting to PLN 2,428,000. Detailed information on this loan has been presented in Note 22.

As at the balance sheet date, the following companies have liabilities to the Issuer arising from loans:

- mPay International Sp. z o. o., amounting to PLN 2,000,000;
- Sputnik Software Sp. z o. o., amounting to PLN 1,000,000.

Additionally, mPay S.A. contracted a loan amounting to PLN 100,000 from mPay International Sp. z o. o.

3.7. Loans, endorsements and guarantees granted by Issuer's Group companies

The ATM Group companies did not directly grant any guarantees. However, on behalf of the Group, bank guarantees are granted to the benefit of the Group's customers. These are tender bonds and performance bonds. As at the end of 2007, bank guarantees issued for the benefit of the Issuer's customers amounted in total to:

- guarantees granted by BRE Bank SA: PLN 6,195,984.82,
- guarantees granted by Bank Millennium S.A.: PLN 1,107,700.76.

The Issuer also issued avals to banks as a result of loans extended and guarantees granted, corresponding to the amount of its liabilities.

3.8. Issuer's use of proceeds from share issues

During the period in question, the Company increased its equity through the issue of new shares pursuant to the resolution of the ATM S.A. Management Board of April 20, 2007 concerning the increase in share capital within the framework of the Company authorized capital through the issue of up to 1,204,358 (one million two hundred and four thousand three hundred fifty-eight) series H ordinary bearer shares with a face value of PLN 7.60 (seven zloty 60/100) each; existing shareholders retained their pre-emptive subscription rights. The issue proved attractive to investors and all shares were taken up. The subscription value was PLN 156,566,540.00. The Company allocated the funds raised to acquisitions and capital investments (*inter alia*, Linx Telecommunication B.V.) as well as investments related to telecommunications infrastructure upgrades. The increase in share and supplementary capital improved the ability to fund further investments considerably.

Compared to the June 29, 2007 prospectus, the allocation of share issue proceeds to individual investment objectives was as follows:

	2007	2008
1. ACQUISITION OF A MINORITY STAKE THROUGH THE PURCHASE OF SHARES FROM THE NEW ISSUE CONDUCTED BY THE LINX TELECOMMUNICATIONS BV COMPANY WITH REGISTERED OFFICE IN AMSTERDAM (EUR 16.5 MILLION PLANNED).	PLN 63.4 MILLION.	
2. UPGRADE OF INFRASTRUCTURE USED TO PROVIDE TELECOMMUNICATIONS SERVICES (AROUND PLN 55 MILLION PLANNED).	PLN 25.4 MILLION.	PLN 30.4 MILLION.
3. CONSTRUCTION OF TELECOMMUNICATIONS ACCESS INFRASTRUCTURE FOR SMALL- AND MEDIUM-SIZED ENTERPRISES AND GOVERNMENT UNITS (AROUND PLN 40 MILLION PLANNED).		PLN 7.2 MILLION.
4. DEVELOPMENT OF NEW PRODUCTS IN COLLABORATION WITH SUBSIDIARIES (AROUND PLN 30 MILLION PLANNED)	PLN 9.9 MILLION.	PLN 6.1 MILLION.
5. REFINANCING THE PURCHASE OF THE KLK TECHNOLOGIE INFORMATYCZNE SP. Z O. O. COMPANY SHARES (PLN 6.75 MILLION PLANNED)	PLN 6.75 MILLION.	

In total, issue objectives with respect to investment amounted to PLN 195 million. The actual amount raised from the issue was PLN 156 million, out of which PLN 154.15 million was spent in accordance with the list above.

3.9. Note on the differences between financial results disclosed in the Financial Report and the forecasts

The Company announced forecasts concerning its consolidated results for 2007 in the prospectus of June 29, 2007. The forecast assumed, *inter alia*, that the Company would achieve a gross consolidated profit from the sale of selected assets amounting to at least PLN 20 million. This was the projected profit from the partial sale of mPay S.A. shares by mPay International in a public offering, which was planned for the end of 2007. Unfortunately, in view of the necessity to postpone the offering, this portion of profit was not achieved.

Apart from this adjustment, the forecast in the prospectus is largely in line with the performance described in the present report. Sales revenue, net profit and operating profit (after adjustment) differ by +0.9%, -2.6% and -1.0%, respectively, from the forecast data. Net profit which is by 36.7% less than the forecast, taking into account the adjustment for non-performed transaction, is by 23.3% more than the forecast.

As far as the ATM S.A. consolidated estimates for 2007 published in Current Report No. 5/2008 of January 20, 2008 are concerned, the performance shown herein is close to the estimates. Sales revenue was lower by PLN 589,000 while net profit was higher by PLN 1,431,000 compared to the estimated figures.

3.10. Opinion on the feasibility of the investment plans

The Issuer plans further substantial capital expenditure in 2008, aimed at continued fast development and ensuring significant growth in revenues and profits in the future. The investments fall into three major groups:

- upgrading telecommunications infrastructure — transmission lines (fiber optic and wireless) and telecommunications hub equipment,
- building hardware and software platforms for the deployment and provision of innovative ICT services,
- the establishment of a research and development center within the Łódź Special Economic Zone subzone located at the Issuer's site.

In 2008, the Issuer does not plan to expand the Group of Companies as rapidly as before, focusing more on increasing the profitability and amplifying the synergies hitherto observed within the ATM SA. Group of Companies. However, the Issuer's Management Board does not rule out occasional investments in new undertakings which may make a considerable contribution to the further development of the Group.

An investment project deserving special attention is the extension of the Łódź Special Economic Zone to include the area within the ATM S.A. site and the related plans to build a technology park, which will primarily focus on IT and telecommunications solutions. In the previous year, an Regulation of the Council of Ministers made it possible for the company to extend the Łódź SEZ to include the site at ul. Grochowska 21 in Warsaw. ATM S.A. will strive to ensure optimum conditions to undertakings which intend to operate within the subzone, primarily by offering a well-developed IT and telecommunications infrastructure. It should be stressed, however, that this is a long-term project (the preliminary schedule covers 10 years), and in order to start any operations, several formal requirements imposed by, *inter alia*, the Łódź SEZ have to be met. The main advantages for undertakings operating within the zone include various fiscal exemptions as well as benefits stemming from the concentration and collaboration of companies representing high intellectual and technical potential in one location.

3.11. Opinion on factors and events affecting the operating results in 2007

In 2007, no particular factors or events that could have an effect on the Issuer's Group's results were observed.

3.12. External and internal factors significant for the development of the ATM Capital Group companies and the growth prospects until the end of 2007

The most significant external factors conditioning the development of the ATM Capital Group companies include the continuing strong demand for data communication systems integration services and a constant growth in demand for data transmission services. As in 2007, a particularly important condition for stimulating the market and, consequently, achieving a considerable increase in revenues from the sales of ICT services, is an improvement with regard to the efficient utilization of EU subsidies and the procedures of awarding contracts in public tenders. So far no significant progress has been observed in this area.

An internal factor important for the development of the ATM Capital Group is the preservation and continuing accumulation of high competence in the area of latest information technologies, in particular by means of continuous improvement of the skills of the engineering teams.

As always, the Company sees its most important opportunity for sustaining the rapid growth in profits in its efforts to create innovative ICT products for newly emerging markets. Some of the products being developed, if successful in the market, could generate revenues and profits for the Company that could be comparable to those generated by all the activities currently pursued combined. The new products that have the most chance of succeeding include:

- the mobile payments system developed in the mPay S.A. subsidiary company;
- products related to the development and deployment of interactive television services;
- IT services for SMEs implemented in the ATM Services Sp z o.o. subsidiary company.

The investments of the ATM Capital Group into creating and launching new products with the help of new data communication technologies are carried out with a great deal of caution, with constant monitoring of the individual development and implementation stages, so that potential failure could not have any significant negative effect on the Company's current operations.

3.13. Changes in fundamental management principles concerning the Issuer's Group of Companies

In 2007, no important changes occurred with respect to the principles of management of the Issuer's Group of Companies.

3.14. Changes in the composition of Management and Supervisory Boards of the Issuer's Group of Companies in 2007

In 2007, no changes occurred with respect to the composition of the Issuer's Management Board.

Mr. Tomasz Chiliński was Member of the Supervisory Board until 27.02.07. In his place, Mr. Tomasz Kamiński was appointed.

The composition of the Management Board of KLIK sp. z o.o. was changed at the beginning of 2007. The number of Management Board members was reduced from five to three. Maciej Labuś, formerly the director of the ATM S.A. branch in Katowice, was appointed the Management Board member.

3.15. Contracts between the Issuer's Group of Companies and the management providing for compensation for the loss of office

Contracts with the Issuer's Management Board members include non-competition clauses which hold for three months after they leave their posts. Under this provision, the Company will pay a compensation of 3 monthly salaries. The compensation shall be repaid at a double rate if the non-competition condition is not met.

No other substantial compensation is provided for in the Issuer's Group of Companies.

3.16. Remuneration, awards and benefits paid or payable to the members of the Group's Management and Supervisory Boards in 2007

The total remuneration paid to the members of the Group's Management and Supervisory Boards in 2007:

- | | |
|---------------------|----------------|
| • Roman Szwed | PLN 480,000.00 |
| • Tadeusz Czichon | PLN 420,000.00 |
| • Jan Wojtyński | PLN 78,000.00 |
| • Jan Madey | PLN 42,000.00 |
| • Zbigniew Mazur | PLN 42,000.00 |
| • Tomasz Tuchołka | PLN 42,000.00 |
| • Sławomir Kamiński | PLN 35,000.00 |
| • Tomasz Chiliński | PLN 7,000.00 |

On May 28, 2007, the Supervisory Board granted the members of the Management Board the right to acquire, as part of the Incentives Scheme for 2006, the total of 2,690 shares, i.e. 1,435 shares by Roman Szwed and 1,255 shares by Tadeusz Czichon.

3.17. Total number and face value of the Issuer's shares held by members of Management and Supervisory Boards

The total number of the Group's shares is 36,000,000, and their face value is PLN 34,200,000.

Members of the Issuer's Management and Supervisory Boards held the following numbers of shares as at May 13, 2008:

Name and surname	Position	Number of shares	Face value
Tadeusz Czichon	Vice-President of the Management Board	5,904,000	5,608,800.00
Roman Szwed	President of the Management Board	3,635,984	3,454,184.80
Dariusz Kielkowski	Proxy	800,800	760,760.00
Anna Bugajska	Proxy	45,040	42,788.00
Tomasz Tuchołka	Member of the Supervisory Board	9,925	9,428.75

3.18. Shareholders holding directly or indirectly at least 5% of votes at the Issuer's GMS

As at May 13, 2008, the following shareholders held more than 5% of the overall number of votes at the Issuer's GMS:

Name and surname or company name	Shares held	Stake in share capital	Number of votes at the GMS	Share in the overall number of votes
Tadeusz Czichon	5,904,000	16.40%	5,904,000	16.40%
Roman Szwed	3,635,984	10.10%	3,635,984	10.10%
POLSAT PTE *)	3,580,920	9.95%	3,580,920	9.95%
ING Nationale-Nederlanden Polska OFE *)	3,505,144	9.74%	3,505,144	9.74%
PKO TFI **)	1,917,896	5.33%	1,917,896	5.33%
AIG TFI ***)	1,860,624	5.17%	1,860,624	5.17%
Millennium TFI ****)	1,822,912	5.06%	1,822,912	5.06%

The figures above concern share ownership by individuals as at May 12, 2008. *) The figures concerning POLSAT PTE and ING Nationale-Nederlanden Polska OFE (ING Nationale-Nederlanden Poland Open-Ended Pension Fund) refer to the numbers of shares held by these shareholders as at December 31, 2007 (according to the *Annual Asset Structure*). **) The figure concerning PKO TFI refers to the number of shares held by this shareholder as notified on January 28, 2008 ***) The figure concerning AIG TFI refers to the number of shares held by this shareholder as notified on July 13, 2007, and series H shares allotted as at August 9, 2007. ****) The figure concerning Millenium TFI refers to the number of shares held by this shareholder as notified on April 29, 2008. The Company has no information concerning any changes in the share ownership of these shareholders following these dates.

Furthermore, the Company's Management Board has not received any other notifications concerning the crossing of the 5 per cent threshold by shareholders who purchase shares on the stock market.

3.19. Contracts known to the Issuer that might change the future share ownership structure

The Issuer is not aware of any contracts that might change the share ownership structure in the future.

3.20. Holders of securities with special control rights

There are no securities with special control rights.

3.21. Employee share incentive scheme control

In 2007, the Issuer finished the implementation of the three-year Incentives Scheme for the Management, Employees, Company Collaborators and Individuals Designated by the Management Board in accordance with the Scheme Rules, which were announced in the Prospectus of May 2, 2004. A detailed description can be found in Note 20.

Pursuant to the aforementioned Rules, the Supervisory Board determines the number of shares to be acquired by individual Management Board members and other eligible individuals each year. The list of other eligible individuals with the corresponding number of shares granted is determined by the Management Board and approved by the Supervisory Board.

3.22. Restrictions on the transfer of ownership of the Issuer's securities and restrictions on exercising the voting rights related to the Issuer's shares

There are no restrictions on the transfer of ownership of the Issuer's securities or on exercising the voting rights related to the Issuer's shares.

3.23. Information on the entity authorized to audit the financial statements

- a) On August 8, 2007, the Issuer signed a contract for auditing services with an entity authorized to audit financial statements — Deloitte Audyt Sp. z o. o.
- b) The contract concerns:
 - reviewing separate financial statements for the period from January 1 to June 30, 2007.
 - auditing separate financial statements for the period from January 1 to December 31, 2007;
 - auditing annual consolidated financial statements as at December 31, 2007.
- c) Under the contract with the entity authorized to audit financial statements, the total fee for reviewing and auditing the separate and consolidated financial statements for 2007 is PLN 115,000.
- d) Pursuant to contracts concluded on October 5, 2006 and March 15, 2007, the Deloitte Audyt Sp. z o. o. company provided consulting services to the Issuer concerning the implementation of International Financial Reporting Standards.
- e) The total fee for reviewing and auditing the statements for 2006 was PLN 90,000.

4. Information stipulated in Article 96 section 3 of the Regulation of the Minister of Finance

4.1. 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, 2007	% of total assets	End of period, December 31, 2006	% of total assets
Fixed assets	205,390	55.6%	78,702	46.2%
Current assets	163,702	44.4%	91,590	53.8%
Total assets	369,092	100.0%	170,292	100.0%
Equity	257,131	69.7%	95,535	56.1%
Long-term liabilities	20,522	5.5%	8,104	4.8%

Short-term liabilities	91,439	24.8%	66,653	39.1%
Total liabilities	369,092	100.0%	170,292	100.0%

Fundamental financial ratios

		2007	2006
Return on assets			
	$\frac{\text{net financial result}}{\text{total assets}}$	5.7%	15.67%
Return on equity			
	$\frac{\text{net financial result}}{\text{equity}}$	8.2%	27.93%
Net return on sales			
	$\frac{\text{net financial result}}{\text{revenue from sales of products}}$	8.06%	18.31%
Current liquidity ratio			
	$\frac{\text{total current assets}}{\text{short-term liabilities}}$	1.74	1.38
Quick liquidity ratio			
	$\frac{\text{total current assets} - \text{inventory}}{\text{short-term liabilities}}$	1.65	1.29
Receivables turnover (days)			
	$\frac{\text{average gross trade receivables} \times 360 \text{ days}}{\text{revenue on sales of products, goods and materials}}$	133	192
Liabilities turnover (days)			
	$\frac{\text{average trade liabilities} \times 360 \text{ days}}{\text{cost of products, goods and materials sold}}$	110	69
Inventory turnover			
	$\frac{\text{average inventory} \times 360 \text{ days}}{\text{value of goods and materials sold}}$	36	30

In 2007, the Group recorded a 215% increase in total assets. As concerns assets, this was caused by the investment in the shares of the Linx Telecommunications B.V. company and the establishment of shares valued using the equity method, amounting to PLN 20,977,000, an increase in 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.

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

During the period in question, the Company increased its equity through the issue of new shares pursuant to the resolution of the ATM S.A. Management Board of April 20, 2007 concerning the increase in share capital within the framework of the Company authorized capital through the issue of up to 1,204,358 (one million two hundred and four thousand three hundred fifty-eight) series H ordinary bearer shares with a face value of PLN 7.60 (seven zloty 60/100) each; existing shareholders retained their pre-emptive subscription rights. The issue proved attractive to investors and all shares were taken up. The subscription value was PLN 156,566,540.00. The Company allocated the funds raised to acquisitions and capital investments (*inter alia*, Linx Telecommunication B.V.) as well as investments related to telecommunications infrastructure upgrades. The increase in share and supplementary capital improved the ability to fund further investments considerably.

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

The Group's total financial assets amount to PLN 95,875,000, of which:

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

- 8,700 shares in mPay International Sp. z o. o. (formerly ATM-Mobile sp. z o. o.) at PLN 500 each — purchase price PLN 4,351,000;

- 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 Sp. z o. o. at PLN 600 each — with the face 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.
- 1,000 shares in Centrum Badawczo Rozwojowe ATM Lab Sp. z o. o. at PLN 50 each — purchase price PLN 50,000;
- 36 shares in Impulsy Sp. z o. o. at PLN 2,000 each — purchase price PLN 2,328,200;
- 2,700,000 shares in Linx Telecommunications B.V. — purchase price EUR 16,505,200;
- 600 shares in Sputnik Software Sp. z o. o. at PLN 250 each — purchase price PLN 3,034,600;
- 1,000 shares in mPay S.A. at PLN 0.50 — purchase price PLN 500;
- 1 share in rec-order Sp. z o. o. — purchase price PLN 100.

the **mPay International Sp. z o. o. (formerly ATM-Mobile sp. z o. o.)** subsidiary has:

- 10,999,000 shares in mPay S.A. at PLN 0.50 — purchase price PLN 5,499,500;
- 999 shares in rec-order sp. z o. o. — purchase price PLN 100,000.

the **KLK sp. z o. o.** subsidiary has:

- 500 shares in Górnośląskie Towarzystwo Lotnicze — 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.

4.4. 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.

4.5. Description of policies concerning the development direction of the Issuer's Group of Companies

The ATM S.A. Management Board presented in detail the policy concerning the development direction of the Issuer's Group of Companies in its Current Report No. 14/2007 of February 26, 2007.

4.6. 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 assets and financial situation of the Issuer's Group of Companies and its financial performance and that the management 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 statutory 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

**ATM S.A. GROUP OF COMPANIES
WARSAW, UL. GROCHOWSKA 21 A**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 2007
TOGETHER WITH THE OPINION
OF THE STATUTORY AUDITOR
AND AUDIT REPORT**

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OPINION OF THE INDEPENDENT STATUTORY AUDITOR

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

We have audited the enclosed consolidated financial statements of the ATM S.A. Group of Companies, of which ATM S.A. with registered office in Warsaw, ul. Grochowska 21A, is the parent undertaking, including:

- the consolidated balance sheet as at December 31, 2007, which shows assets and liabilities amounting to PLN 369,092,000;
- the consolidated profit and loss account for the period from January 1, 2007 to December 31, 2007, which shows a net profit amounting to PLN 21,582,000;
- the statement of changes in consolidated shareholders' equity for the period from January 1, 2007 to December 31, 2007, which shows an increase in equity amounting to PLN 158,546,000;
- the consolidated cash flow statement for the period from January 1, 2007 to December 31, 2007, which shows an increase in cash amounting to PLN 60,248,000;
- notes.

The Management Board of the Parent Undertaking is responsible for the drawing up of the aforementioned consolidated financial statements. Our task was to audit these consolidated statements and express an opinion concerning their correctness, truth and fairness.

The consolidated financial statements of the Group of Companies for the previous financial year ended on December 31, 2006 were audited by another statutory auditor, who expressed an opinion with an emphasis of matter paragraph concerning these statements on June 13, 2007. Our opinion only concerns the consolidated financial statements for the financial year ended on December 31, 2007.

The consolidated financial statements were drawn up using the full consolidation method with respect to ten subsidiaries and using the equity method with respect to one associate. The financial statements of the ten subsidiaries and one associate were audited by other entities authorized to audit financial statements. We received the financial statements of the aforementioned subsidiaries and associates as well as the relevant audit opinions. Our audit opinion concerning the consolidated financial statements with respect to these undertakings is based on the opinions of the statutory auditors authorized to audit them. The figures included in the financial statements of the subsidiaries, with respect to which we have based our findings entirely on other statutory auditors' opinions, constitute 14% and 29% of consolidated assets and consolidated sales revenue before consolidation adjustments, respectively.

Audit. Tax. Consulting. Financial Advisory.

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Deloitte

The audit of consolidated financial statements was planned and conducted pursuant to the provisions of:

- Chapter 7 of the Accounting Act of September 29, 1994 (Journal of Laws [Dz.U.] No. 76/2002 item 694 as amended);
- Professional Standards for Statutory Auditors issued by the Polish National Council of Statutory Auditors

so as to obtain a reasonable and sufficient basis to express the opinion whether the consolidated financial statements are free from material errors. The audit concerned in particular the examination of consolidation documentation, which is the source of the amounts and information included in consolidated financial statements, and the assessment of accounting principles (policies) adopted while drawing up the consolidated financial statements and any important related estimates as well as the general assessment of the presentation of consolidated financial statements.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the results of the audit conducted and the opinions of other statutory auditors, the audited consolidated financial statements of the ATM S.A. Group of Companies for the financial year 2007 conforms in all material respects to the International Financial Reporting Standards as approved by the European Union. Moreover, it gives a true and fair view of all information relevant for the assessment of the assets, financial standing and financial performance of the Group of Companies as at December 31, 2007 and for the 12-month period ending on that date.

The management report concerning the activities of the Group of Companies for the financial year 2007 is complete within the meaning of Article 49 (2) of the Accounting Act and the Regulation of the Minister of Finance of October 19, 2005 regarding current and periodical information submitted by issuers of securities, and the information contained therein, based directly on the audited consolidated financial statements, is compatible with these.

[signature]
Radosław Kuboszek
Statutory Auditor
No. 90029/6847

Persons representing the entity:
Radosław Kuboszek
[signature]
Management Board Member
Statutory Auditor
No. 90029

Maria Rzepnikowska
[signature]
President of the Management Board
Statutory Auditor
No. 3499

[stamp: DELOITTE AUDYT Sp. z o. o. ul Piękna 8, 00-549 Warszawa,
phone: +48 22 5110811, fax: +48 22 5110813
NIP [tax identification number]: 527-020-07-86; REGON [statistical number]: 010076870]
Entity authorized to audit financial statements entered under No. 73 in the list of authorized entities maintained by the National Council of Statutory Auditors.

Warsaw, May 19, 2008

REPORT SUPPLEMENTING THE OPINION FROM THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS OF THE ATM S.A. GROUP OF COMPANIES FOR THE FINANCIAL YEAR 2007

I. GENERAL INFORMATION

1. Audited undertaking details

The Parent Undertaking of the Group of Companies operates under the name ATM S.A. The registered office of the Parent Undertaking is located in Warsaw at ul. Grochowska 21 A.

The Parent Undertaking is a joint stock company incorporated by notarial deed on May 16, 1997 before notary assessor Andrzej Korewicki, deputizing for notary Ryszard Domżała in Raszyn (Repertory A No. 3243/97). The ATM S.A. joint stock company was established as a result of the transformation of the Advanced Technology Manufacturing Sp. z o. o. limited liability company.

The Parent Undertaking was entered in the business register maintained by the District Court for the Capital City of Warsaw, 16th Commercial Division in Warsaw, Section B under No. RHB 50850, pursuant to the decision of August 16, 2001. Currently, the Company is entered in the Register of Entrepreneurs maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division in Warsaw under No. KRS 0000034947.

The Parent Undertaking has an NIP tax identification number 113-00-59-989 assigned by the Warszawa-Praga Tax Office on September 22, 1993, initially assigned to the limited liability company, and then confirmed for the joint stock company on July 18, 1997.

On June 2, 1993, the Statistical Office assigned the REGON statistical number 012677986 to the Parent Undertaking.

The Parent Undertaking operates pursuant to the provisions of the Code of Commercial Companies.

According to the articles of association of the Parent Undertaking, it operates in the following areas:

- reproduction of computer media;
- manufacture of office machinery;
- manufacture of computers and other information processing equipment;
- provision of electricity distribution and control apparatus installation, repair and maintenance services;
- manufacture of other electrical equipment not elsewhere classified, excluding provision of services;
- provision of other electrical equipment installation, repair and maintenance services not elsewhere classified;
- general construction of buildings;
- carrying out general construction works related to line systems: pipelines, power supply lines, electric traction lines, and telecommunications lines — long-distance;
- carrying out general construction works related to distribution line systems: pipelines, power supply lines, and telecommunications lines — local;
- installation of electrical wiring and fittings in buildings and structures;
- installation of electrical signaling wiring and fittings;

- installation of other electrical wiring and fittings;
- other building installation;
- fixed telephony and telegraphy;
- mobile telephony;
- data communications and information and communications technology;
- radio communications;
- radio and television broadcast operation;
- cable television operation;
- other telecommunications services;
- financial leasing;
- other financial intermediation not elsewhere classified;
- administration of financial markets;
- activities auxiliary to financial intermediation not elsewhere classified;
- development and selling of real estate;
- buying and selling of own real estate;
- letting of own property;
- renting of office machinery and equipment;
- renting of other machinery and equipment;
- renting of personal and household goods;
- hardware consultancy;
- software consultancy and supply;
- data processing;
- data base activities;
- maintenance and repair of office, accounting and computing machinery;
- other computer related activities;
- research and development on engineering and technology;
- research and development on other natural sciences and technology;
- business and management consultancy activities;
- exhibition, trade fair, congress and day conference activities;
- business and management consultancy activities;
- architectural and engineering activities and related technical consultancy;
- technical testing and analysis;
- advertising;
- adult and other education not elsewhere classified;
- activities of other membership organizations not elsewhere classified;
- other recreational activities not elsewhere classified;
- other publishing;
- other activities related to printing;
- manufacture of prepared unrecorded media;
- wholesale of office machinery and equipment;
- other wholesale, specialized;
- other wholesale, non-specialized;
- retail sale of furniture, office equipment, computers and telecommunications equipment;
- other supporting land transport activities.

During the period covered by the audit, the Parent Undertaking provided telecommunications services and supplied computer hardware as well as provided services related to hardware deployment and maintenance.

As at December 31, 2007, the equity of the Group of Companies was positive and amounted to PLN 251,469,000.

ATM S.A. Group of Companies

As at December 31, 2007, the share capital of the Parent Undertaking amounted to PLN 34,200,000 and comprised 4,500,000 ordinary shares with a face value of PLN 7.60 each. As at December 31, 2007, the shareholders of the Parent Undertaking included:

- Tadeusz Czichon — 16.4% of shares;
- Roman Szwed — 10.1% of shares;
- ING Nationale Nederlanden — 8.89% of shares;
- Polsat PTE — 6.56% of shares;
- PKO TFI — 5.33% of shares;
- AIG Towarzystwo Funduszy Inwestycyjnych — 5.17% of shares;
- other (with less than 5% of votes at the GMS) — 47.55% of shares.

During the financial year, the following changes took place concerning the share capital of the Parent Undertaking:

On February 16, 2007, the Extraordinary General Meeting of Company Shareholders adopted a resolution to increase the Company share capital from PLN 24,525,504 to PLN 25,046,879.20 through the issue of 68,602 series G ordinary bearer shares with a face value of PLN 7.60 each. Series G shares were offered by way of private placement, the issue price was PLN 119.61; the relevant agreements were signed by February 19, 2007. Rights to series G shares have not been admitted to regulated market trading. On April 23, 2007, the shares were assimilated with the shares hitherto listed on the Warsaw Stock Exchange with the code PLATMSA00013. Series G shares were registered at the National Depository for Securities on April 19, 2007. The increase in capital was recorded in the National Court Register on February 28, 2007.

On August 22, 2007, the Company Management adopted a resolution concerning the re-assertion of the increase in Company share capital from PLN 25,046,879.20 to PLN 34,200,000 through the issue of 1,204,358 series H ordinary bearer shares with a face value of PLN 7.60 each. The increase in capital was recorded in the National Court Register on October 5, 2007.

During the period covered by the audit, no changes in the ownership structure of Parent Undertaking share capital other than those described above took place.

After the balance sheet date, the following changes took place concerning the share capital of the Parent Undertaking:

The Management Board of ATM S.A. has announced that the National Depository for Securities, acting pursuant to Article 86 and 2, subsec. 1 and 4 of the Regulations of the National Depository for Securities, decided in Resolution No. 2/08 of January 3, 2008 that in connection with the change in the face value of ATM S.A. shares, January 10, 2008 shall be the day on which 4,500,000 ATM S.A. shares with a face value of 7.60 each, with the code PLATMSA00013 will be split into 36,000,000 ATM S.A. shares with a face value of 0.95 each. The Resolution also stipulated that as from January 10, 2008, the 36,000,000 ATM S.A. shares with a face value of 0.95 each shall be assigned the code PLATMSA00013. The shares were first quoted on January 10, 2008.

The financial year for the Group of Companies is a calendar year.

As at the date on which the opinion was expressed, the composition of the Management Board of the Parent Undertaking was as follows:

- Roman Szwed — President of the Management Board;
- Tadeusz Czichon — Vice-President of the Management Board.

ATM S.A. Group of Companies

During the period covered by the audit and after the balance sheet date, no changes occurred concerning the composition of the Management Board of the Parent Undertaking.

As at December 31, 2007, the ATM S.A. Group of Companies included the following undertakings:

- parent undertaking — ATM S.A., and
- subsidiaries:
 - mPay International Sp. z o. o.
 - iloggo Sp. z o. o.
 - mPay S.A.
 - rec-order Sp. z o. o.
 - ATM Services Sp. z o. o.
 - Cineman Sp. z o. o.
 - KLK Sp. z o. o.
 - Sputnik Software Sp. z o. o.
 - Centrum Badawczo Rozwojowe ATM-Lab Sp. z o. o.
 - Impulsy Sp. z o. o.
- associates:
 - Linx Telecommunications B.V.

The consolidated financial statements as at December 31, 2007 included the following companies:

- parent undertaking — ATM S.A., and
- subsidiaries:
 - mPay International Sp. z o. o.
 - iloggo Sp. z o. o.
 - mPay S.A.
 - rec-order Sp. z o. o.
 - ATM Services Sp. z o. o.
 - Cineman Sp. z o. o.
 - KLK Sp. z o. o.
 - Sputnik Software
 - Centrum Badawczo Rozwojowe ATM-Lab Sp. z o. o.
 - Impulsy Sp. z o. o.
- associates:
 - Linx Telecommunications B.V.

We audited the financial statements of the ATM S.A. parent undertaking for the period from January 1 to December 31, 2007. As a result of the audit, we expressed an unqualified opinion on May 19, 2008.

a) Companies consolidated using the full consolidation method:

Company name	Share in capital (%)	Entity auditing financial statements and the type of opinion expressed	Opinion date
mPay International Sp. z o. o.	60%	Not subject to audit	N/A
illogo Sp. z o. o.	60%	Not subject to audit	N/A
mPay S.A.	100% (second tier subsidiary)	Mazars & Guérard Audyt Sp. z o. o. Opinion with an emphasis of matter paragraph	May 13, 2008
rec-order Sp. z o. o.	0.125%	Not subject to audit	N/A
ATM Services Sp. z o. o.	60%	Not subject to audit	N/A
Cineman Sp. z o. o.	51%	Not subject to audit	N/A
KLK Sp. z o. o.	78.74%	Kancelaria Biegłych Rewidentów Księga Spółka z	March 28,

ATM S.A. Group of Companies

		o. o. Unqualified opinion	2008
Sputnik Software	60%	Not subject to audit	N/A
Centrum Badawczo Rozwojowe ATM-Lab Sp. z o. o.	99.99%	Not subject to audit	N/A
Impulsy Sp. z o. o.	72%	Not subject to audit	N/A

b) Companies consolidated using the equity method:

Company name	Share in capital (%)	Entity auditing financial statements and the type of opinion expressed	Opinion date
Linx Telecommunications B.V.	21.79%	PricewaterhouseCoopers. As at May 19, 2008, no opinion has been expressed	N/A

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

The 2006 activities of the Group of Companies brought a net profit of PLN 26,680,000. The consolidated financial statements of the Group of Companies for the financial year 2006 were audited by a statutory auditor. The audit was conducted by BDO Numerica sp. z o. o. — an entity authorized to audit financial statements. On June 13, 2007, the statutory auditor expressed an opinion concerning these statements with the following emphasis of matter paragraph:

“While expressing an unqualified opinion concerning the consolidated financial statements of the ATM S.A. Group of Companies, we would like to point out the adjustment concerning previous years introduced in the financial statements as a result of the recognition of the management option scheme in ATM S.A. books. The accounting policies adopted and their financial impact have been described in Note 20 to the consolidated financial statements.”

The Ordinary General Meeting of Shareholders of the Parent Undertaking that approved the financial statements for the financial year 2006 took place on June 29, 2007. The Ordinary General Meeting of Shareholders of the Parent Undertaking decided to distribute the 2006 net profit of the Parent Undertaking in the following manner:

- dividends to shareholders — PLN 25,046,879.20;
- to Company capital reserve — PLN 1,244,300.63.

Pursuant to applicable laws, the consolidated financial statements for the financial year 2006 were submitted to the National Register on July 9, 2007 and submitted for publication in the Monitor Polski B Official Journal on July 11, 2007. The statements were published in the Monitor Polski B Official Journal No. 1784 on November 9, 2007.

3. Details of the authorized entity and the statutory auditor performing the audit on its behalf

The consolidated financial statements were audited under the agreement of August 8, 2007 concluded between ATM S.A. and the Deloitte Audyt Sp. z o. o. company with registered office in Warsaw, ul. Piękna 18, entered under No. 73 in the list of entities authorized to audit financial statements maintained by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of statutory auditor Radosław Kuboszek (No. 90029/6847) at the registered office of the Parent Undertaking from April 7 to 18, 2008 and outside its registered office from April 21 to May 19, 2008.

The authorized entity was selected by the Supervisory Board in its resolution of August 7, 2007, pursuant to the authorization stipulated in para. 20, subpara. 2, item 8 of the articles of association of the Parent Undertaking.

Deloitte Audyt Sp. z o. o. and statutory auditor Radosław Kuboszek confirm that they are authorized to audit financial statements and meet the conditions stipulated in Article 66, paras. 2 and 3 of the Accounting Act concerning their ability to express an impartial and independent opinion regarding the consolidated financial statements of the ATM S.A. Group of Companies.

4. Availability of data and undertaking management statements

The scope of our audit was not limited.

During the audit, the authorized entity and the statutory auditor were given access to all documents and data requested as well as obtained exhaustive information and explanations, which was, *inter alia*, confirmed by a written statement of the Management Board of the Parent Undertaking of May 19, 2008.

5. Assets and financial standing of the Group of Companies

Below, fundamental figures from the consolidated profit and loss account and financial ratios concerning the financial performance of the Group of Companies, its assets and financial standing compared to analogous figures for the previous year are presented.

<u>Fundamental profit and loss account figures</u> (thousand zloty)	<u>2007</u>	<u>2006</u>
Sales revenue	260,066	145,725
Operating expenses	236,845	134,276
Other operating revenue	1,124	20,780
Other operating expenses	1,537	431
Financial revenue	4,290	1,615
Financial expenses	1,352	550
Income tax	4,164	6,183
Net profit (loss)	21,582	26,680

<u>Return ratios</u>	<u>2007</u>	<u>2006</u>
- return on sales	9%	22%
- net profit margin	8%	18%
- net return on equity	9%	39%

<u>Performance ratios</u>		
- asset turnover ratio	0.70	0.86
- receivables turnover (days)	111	195
- liabilities turnover (days)	101	108
- inventory turnover (days)	11	11

<u>Liquidity/Net current assets</u>		
- debt ratio	32%	44%
- equity to assets ratio	68%	56%
- net current assets (in PLN thousand)	72,265	24,937
- liquidity ratio	1.79	1.37
- quick liquidity ratio	1.70	1.29

The analysis of the figures and ratios above indicates that the following trends were present in 2007:

- a significant decrease in return on sales;
- a decrease in return on equity;
- shortening of the receivables turnover period, shortening of the liabilities turnover period and no change in the inventory turnover period;
- an increase of the equity to assets ratio;
- a decrease in the debt ratio;
- an increase in Company current assets and a significant increase in liquidity ratios.

II. DETAILED INFORMATION

1. Information concerning the consolidated financial statements audited

The consolidated financial statements audited were drawn up as at December 31, 2007 and include:

- the consolidated balance sheet as at December 31, 2007, which shows assets and liabilities amounting to PLN 369,092,000;
- the consolidated profit and loss account for the period from January 1, 2007 to December 31, 2007, which shows a net profit amounting to PLN 21,582,000;
- the statement of changes in consolidated shareholders' equity for the period from January 1, 2007 to December 31, 2007, which shows an increase in equity amounting to PLN 158,546,000;
- the consolidated cash flow statement for the period from January 1, 2007 to December 31, 2007, which shows an increase in cash amounting to PLN 60,248,000;
- notes.

The composition of assets and liabilities as well as of the items that affected the financial performance were presented in the consolidated financial statements.

The audit covered the period from January 1, 2007 until December 31, 2007, and consisted primarily in:

- auditing the correctness and truth of the consolidated financial statements drawn up by the Management Board of the parent undertaking;
- auditing the consolidation documentation;
- assessing whether the consolidation methods and procedures applied during consolidation were correct;
- reviewing the opinions and reports concerning the audits of financial statements of the subsidiaries and associates subject to consolidation drawn up by other statutory auditors.

The audit of consolidated financial statements was performed in accordance with applicable laws and Professional Standards for Statutory Auditors issued by the National Council of Statutory Auditors.

2. Consolidation documentation

The parent undertaking submitted consolidation documentation including:

- 1) financial statements of related undertakings, including:
 - a) primary (original) financial statements of related undertakings;
 - b) financial statements of subsidiaries adapted to the accounting principles (policies) applicable to consolidation;
 - c) the transformation of the previously published consolidated financial statements according to the principles stipulated in International Financial Reporting Standards;
- 2) all adjustments and exclusions performed during consolidation, required in order to draw up the consolidated financial statements;
- 3) goodwill calculations.

Grounds for the drawing up of consolidated financial statements

The consolidated financial statements of the Group of Companies for the financial year 2007 were drawn up in accordance with International Financial Reporting Standards as approved by the European Union.

Identification of Group undertakings

When determining the scope and methods of consolidation as well as the dependence relationship, International Financial Reporting Standards criteria were used.

Financial period

The consolidated financial statements were drawn up as at the same balance sheet date and for the same financial year as the financial statements of the Parent Undertaking — ATM S.A. The subsidiaries and the associate subject to consolidation drew up their financial statements as at the same balance sheet date as the parent undertaking. The financial years of all subsidiaries and the associate subject to consolidation ended on December 31, 2007.

Consolidation method

With respect to subsidiaries, the consolidation of Group financial statements was conducted using the full consolidation method by adding full amounts of all relevant items from the financial statements of the parent undertaking and consolidated subsidiaries.

After adding the figures, consolidation adjustments and exclusions were made, which concerned:

- the acquisition value of shares in subsidiaries held by the parent undertaking, and of the part of net assets of subsidiaries that reflected the share of the parent undertaking in the ownership of these undertakings;
- mutual receivables and liabilities of consolidated undertakings;
- material revenues and expenses concerning operations between consolidated undertakings.

With respect to associates, the equity method was used. The value of the share of the parent undertaking in the associate was adjusted by the increases or decreases in the equity of the associate that were due to the parent undertaking, and which occurred during the consolidation period, and was decreased by the dividends due from these undertakings.

3. Completeness and correctness of the notes as well as the management report concerning the activities of the Group of Companies

The Parent Company has confirmed the legitimacy of the application of the going concern principle while preparing the consolidated financial statements. The notes to the consolidated financial statements correctly and fully described the valuation principles applied to assets and liabilities, assessment of profit, and the approach to the preparation of consolidated financial statements.

The Parent Undertaking provided notes in the form of tabular notes accompanying individual items of the consolidated balance sheet and the consolidated profit and loss account as well as descriptions in line with IFRS principles.

Notes concerning the property, plant and equipment, intangible assets, investments, liabilities and provisions items correctly present additions and deductions plus reasons for such changes during the financial year.

For individual assets shown in the consolidated balance sheet, information was provided concerning the possibility of disposing of them, taking into account security established for the benefit of creditors.

The Parent Undertaking presented individual items of assets and liabilities as well as revenue and expense items in the consolidated financial statements in a correct way. The consolidated balance sheet, consolidated profit and loss account, statement of changes in consolidated shareholders' equity, and the consolidated cash flow statement, together with notes that constitute an integral part thereof, include all items whose disclosure in the consolidated financial statements is required by the provisions of IFRS.

The Management Board has drawn up the management report concerning the activities of the Group of Companies in the financial year 2007 and enclosed it with the consolidated financial statements. The management report includes the information required by Article 49, para. 2 of the Accounting Act and the Regulation of the Minister of Finance of October 19, 2005 regarding current and periodical information submitted by issuers of securities. We have examined this report with respect to the information disclosed therein that was directly based on the consolidated financial statements audited.

Management Board Statements

Deloitte Audyt Sp. z o. o. and the statutory auditor received a written statement from the Management Board of the Parent Undertaking, asserting that the Group of Companies complied with applicable laws.

[signature]
Radosław Kuboszek
Statutory Auditor
No. 90029/6847

Persons representing the entity:
Radosław Kuboszek
[signature]
Management Board Member
Statutory Auditor
No. 90029

Maria Rzepnikowska
[signature]
President of the Management Board
Statutory Auditor
No. 3499

[stamp: DELOITTE AUDYT Sp. z o. o. ul Piękna 8, 00-549 Warszawa,
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NIP [tax identification number]: 527-020-07-86; REGON [statistical number]: 010076870]
Entity authorized to audit financial statements entered under No. 73 in the list of authorized entities maintained by the National Council of Statutory Auditors.

Warsaw, May 19, 2008